प्रेस प्रकाशनी PRESS RELEASE

भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

संचार विभाग, केंद्रीय कार्यालय, एस.बी.एस.मार्ग, मुंबई 400001
DEPARTMENT OF COMMUNICATION, Central Office, S.B.S. Marg, Mumbai 400001
फोन/Phone: 91 22 2266 0502 फैक्स/Fax: 91 22 2270 3279

वेबसाइट : www.rbi.org.in/hindi
Website : www.rbi.org.in
इ-मेल email: helpdoc@rbi.org.in

February 05, 2009

Further Measures taken by RBI

Extension of Time line for Forex Swap facility

In November 2008, the Reserve Bank of India extended a forex swap facility for tenors up to three months to Indian public and private sector banks having overseas operations in order to provide them flexibility in managing their short term funding requirements at their overseas offices. In view of the continuing uncertain credit conditions globally; the availability of the facility currently till June 30, 2009, is now extended to till March 31, 2010.

Information sharing among banks under Multiple Banking Arrangement

The several regulatory prescriptions regarding conduct of consortium/ multiple banking/ syndicate arrangements were withdrawn by the Reserve Bank of India in October 1996 with a view to introducing flexibility in the credit delivery system and to facilitate smooth flow of credit. Borrowers were accordingly made free to bank with one or more banks of their choice. However, in the light of irregularities and frauds which have taken place under multiple banking arrangements, concerns have arisen about non-availability of full exposure details of borrowing entities to the lending bankers. The matter has been examined by the Reserve Bank in consultation with the Indian Banks' Association (IBA) and a framework has been evolved for sharing of information amongst banks which have lent to borrowers banking with more than one bank. It comprises banks obtaining declaration from existing borrowers enjoying sanctioned limits of Rs. 5 crore and above regarding the credit facilities enjoyed by them from other banks. Such declaration is also to be sought at the time of granting fresh facilities. An elaborate system of exchange of information amongst lending banks has been put into place. The information sharing framework includes, among others, position in derivatives and unhedged forex exposure of borrowers. The framework was put into public domain on September 19, 2008. The framework was further discussed with IBA which has assured that banks will make full use of the information sharing framework mentioned above as also the credit information available with the Credit Information Bureau (of India) Ltd. (CIBIL) so as to provide sound credit culture.

Measures concerning Restructuring of Advances

On August 27, 2008, the Reserve Bank had issued comprehensive guidelines for restructuring of advances by banks. Subsequently, in view of global developments, certain facilities were granted up to June 30, 2009 including eligibility of second restructuring and first restructuring of commercial real estate exposures for special regulatory treatment. Further, banks were allowed to apply special regulatory treatment for accounts which were standard on September 1, 2008 and taken up for restructuring up to January 31, 2009 even if these had turned non-performing during this period. It has been represented to the Reserve Bank that due to increased workload, the banks have not been able to adhere to the January 31, 2009 time schedule. It has, therefore, been decided to extend the time schedule for taking up restructuring to March 31, 2009. All these are one-time measures and would be available for restructuring packages implemented till June 30, 2009. Further, it is clarified that this treatment will be available to all accounts which were standard on September 1, 2008 and were eligible under restructuring in terms of the Reserve Bank circulars dated August 27, December 8, 2008 and January 2, 2009.

Interest rates on export credit in foreign currency

The ceiling on export credit in foreign currency is currently LIBOR + 100 basis points. However, the banks' costs of raising funds abroad have increased because of which they are finding it difficult to extend credit within this ceiling. It has, therefore, been decided, in consultation with the Government of India, to raise the ceiling rate on export credit in foreign currency to LIBOR + 350 basis points with immediate effect subject to the condition that the banks will not levy any other charges, i.e., service charge, management charge, etc. except for recovery towards out-of-pocket expenses incurred. Similar changes may be effected in interest rates in cases where Euro LIBOR/ Euribor has been used as the benchmark. Correspondingly, the ceiling interest rate on the lines of credit with overseas banks has also been increased from 6 months LIBOR/ EURO LIBOR/ EURIBOR + 75 basis points to six months LIBOR/ EURO LIBOR/ EURIBOR + 150 basis points with immediate effect.

Alpana Killawala
Chief General Manager

Press Release : 2008-2009/1251