

**Report of The Working Group to Examine the Role of Credit Information  
Bureaus in Collection and Dissemination of Information on Suit-filed Accounts  
and Defaulters**

**Department of Banking Operations and Development**

**Reserve Bank of India**

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## **Summary of Recommendations**

### **Legal Issues**

#### **Disclosure of credit information**

1. Under the existing legal framework, the disclosure of information on (a) suit-filed accounts and b) such transactions where the constituent has given consent for disclosure is permissible. Disclosure of credit information other than the aforesaid two categories would not be permissible unless legislation for the purpose is brought into force. (para.3.12)

#### **Publishing credit information**

2. Publication of credit information by CIBIL or disclosure thereof to CIBIL, in absence of special legislation, or without obtaining requisite consent of the respective constituent, would not be permissible as per the existing laws. (para.3.13)

3. The Working Group recommends that under the existing legal framework, CIBIL or any other CIB may collect, process and disseminate credit information relating to;

- a) suit-filed accounts regardless of amount claimed in the suit or amount of credit granted by a banking company or a credit institution; and
- b) such transactions where the constituent has given consent for disclosure for such purpose.

The Group suggests that the Reserve Bank of India may direct all banks to render necessary assistance to CIBIL. (para.3.16)

#### **Permitting banks/notified FIs to disclose credit information**

4. It is necessary and desirable that the existing legal framework is considered by the Reserve Bank of India and based thereon an appropriate direction to all the banks is issued with a view to;

- i) reiterate the position that disclosure of credit information in respect of suit filed accounts could not be construed as breach of bankers' obligation to maintain secrecy with respect to affairs of their constituents; and
- ii) that on receipt of requisition from the CIBIL or any other CIB for furnishing credit information relating to suit filed accounts or accounts in respect whereof the constituent has given consent, banks should comply with such requisition. (para.3.17)

#### **Consent for disclosing credit information**

5. The Group recommends that Reserve Bank of India may also consider issuing appropriate directions in terms of Section 35A of Banking Regulation Act,1949, to all the banking companies governed by said provision, to take steps to impress upon their borrowers/guarantors to give consent for disclosure of credit information relating to their loan accounts to CIBs. (para.3.18)

#### **Code of conduct for CIB**

6. While it would be open to CIBIL or any other CIB to undertake functions relating to credit information as above, till enactment of an appropriate legislation in respect of their establishment, functioning and regulation, it would be necessary for them to also evolve and adopt a code of conduct relating to;

- (a) functions of a CIB ;
- (b) information Privacy Principles; and
- (c) other aspects incidental to their such functions.

The Working Group, therefore, recommends that such code of conduct may be framed and adopted by CIBIL or any other CIB (to undertake functions relating to credit information as referred to above) on the lines of broader aspects as included in the proposed draft legislation i.e. "The Credit Information Bureaus Regulation Bill". (para.3.19)

### **Protection to CIB in relation to its functions**

7. There is a likelihood of suit, prosecution or other legal proceedings being filed against a CIB, or the staff and officers of the CIB or its members (banks, credit institutions and other credit granters), or the staff and officers of the members of a CIB, for any damage alleged to have been caused or likely to be caused, in respect of anything done in good faith or intended to be done by the CIB or its members, in discharge of their functions, in relation to collection, furnishing or dissemination of credit information. In such eventualities, CIB and its members would be required to defend the same as per the general law as there would be no statutory protection for them till the same is provided by way of including a substantive provision in the legislation to be enacted in respect of establishment, functioning and regulation of CIBs. (para 3.21)

### **Need for a Special Legislation**

8. The Group observed that while some modalities could be adopted as a base to begin with, for limited operations of a CIB, such modalities cannot be a substitute for a special legislation. It is imperative to put in place an enactment containing substantive provision relating to other aspects viz., resolution of disputes between credit institutions and credit information bureaus or between credit institutions and their borrowers, licensing/supervision and regulation of credit information bureaus, vesting of powers in designated authorities under the Act for adjudication and redressal of grievances of any party and various other aspects because existing legislations in force in India do not cover such aspects relating to credit information bureaus. The Working Group, therefore, recommends the enactment of an appropriate legislation by Government of India expeditiously, in consultation with RBI. (para 3.22)

### **IT Related Issues**

9. The Working Group is of the view that the immediate objective for CIBIL, at this stage, is to obtain essential information based on the existing data base system on suit-filed accounts with the Reserve Bank and to provide a comprehensive and refined delivery process to banks/FIs. Effective and efficient dispensation of credit

information makes it imperative for CIBIL to be equipped with 'state-of-the-art' IT systems. (para. 4.1)

**10.** However, customisation of software of banks for compatibility with the application systems of Credit Information Bureau would be essential as it would facilitate on-line supply of information to the members of the Bureau. The Group recommends that Reserve Bank should issue necessary instructions to the banks to keep data ready in the formats as devised by CIBIL for operationalisation of data collection in respect of all suit-filed accounts of Rs. 10 lakhs and above in the said formats by September 2002. (Para.4.3)

### **Query Mode**

**11.** The Group agrees with the present levels of information as a starting point and recommends that the software should also be flexible to provide for enhanced and additional search options pertaining to bank branch address, line of business, company address, suit filed details, shareholding information, names of directors, guarantors, etc. (Para.4.4)

### **Identification of Borrowers**

**12.** The Group agrees that the application software provided by Dun & Bradstreet, technical partner of CIBIL, would allot a unique D-U-N-S (Data Universal Numbering System) number for each commercial borrower and for individual borrowers, CIBIL in consultation with its partner, Trans Union will examine the scope for allotting a unique number, if it is found that accurate segregation of borrowers' identification is not possible on the basis of combination of various identification numbers. (para. 4.5)

### **Enlarging the Scope of Credit Information**

**13.** The Group is of the view, that in future, the system should be able to provide the necessary links to other sites which would give additional information on the borrowers. The software could also be customised to have the capability to retain historical data. (para. 4.6)

## **Operationalisation of Credit Information Bureau**

**14.** The Group recommends that the modalities for operationalisation of CIBIL could be phased in three stages. The first stage should be as under:

### **(a) Suit-filed Accounts**

(i) The existing data base system on suit-filed accounts with the RBI has to be taken over by CIBIL which may disseminate the same to banks/FIs through a comprehensive and refined delivery process with effect from 31 March 2002. Thus, RBI will not publish or publicise on internet any list thereafter.

(ii) The first phase would cover credit information of suit-filed accounts of Rs.1 crore and above and suit-filed accounts of wilful defaults of Rs.25 lakh and above (presently dealt with in RBI).

(iii) In the second phase, the cut-off point of suit-filed accounts should be lowered to Rs.10 lakh as in the case of limits fixed for arbitration by DRT. This may be brought in force with effect from September 2002. Banks already have detailed information in this regard and compilation of data in prescribed form should pose no difficulty.

(iv) Simultaneously, CIBIL could also collect data in respect of all borrowers whose accounts are NPAs and who have given consent to the banks for disclosure, with effect from September 2002.

(v) With a view to increasing the CIBIL's access to borrowers' information, RBI should make it mandatory for all banks to incorporate the consent clause for disclosure of full credit information in the case of all credit limits of Rs.10 lakh and above by September 2002. As the number of accounts in this category is manageable, the process should be expedited. The Group recommends that this should ideally be completed by September 2002. CIBIL could thereafter enlarge its coverage appropriately in the third and last phase.

(vi) CIBIL's delivery capability would be significantly enhanced, once progress is made by banks/notified FIs to obtain consent of borrowers to the maximum extent possible in a sustained manner. The coverage would be extended to borrowers of the

financial system even below Rs.10 lakh and the enactment of the CIB legislation would complete the process of establishing CIBIL as a full-fledged Bureau.

The Working Group endorses the above road map and recommends appropriate follow-up action by banks/notified FIs/RBI.

**(b) Format**

(i) The Group observed that there is a need to enlarge the present format. The Group recommends that in case of suit-filed accounts and accounts where consent of the borrowers has been obtained for divulging information, particulars regarding directors can also be included. Banks can indicate independent/nominee directors separately in the suit-filed accounts as per the RBI instructions issued in December 2001.

(ii) An additional column should be provided in the formats for including the names of guarantors to the credit facilities including corporate guarantors and their directors, while reporting the particulars of the defaulting borrowing companies/borrowers in the list of suit filed accounts. Name/s of the Central/State Governments which have guaranteed the credit facilities to their undertakings should also be reported in the above column.

**(c) Periodicity**

Under the new dispensation, the Group recommends that the complete up-dated list of suit-filed accounts may also be made on a quarterly basis in the initial stage by CIBIL in arrangement with banks and notified FIs. This may be displayed on the internet instead of regular publication. In any case, CIBIL is expected to go on line at the appropriate stage and should devise procedures for continuous updation of data. (para 5.3)

**15.** The Group observes that presently, the coverage of list published by RBI is confined to banks and notified FIs. The Group recommends that CIBIL can extend this coverage to non-banking financial companies as defined under Section 45 I (f) of the Reserve Bank of India Act, 1934, State Financial Corporations constituted under the State Financial Corporation Act, 1951, companies engaged in the business of

housing finance, credit card, debit card and other similar cards and any other institution that the Reserve Bank may specify from time to time. (para.5.4)

**16.** The Group decided that as the concept of Group companies posed a problem due to lack of clear definition of the concept, CIBIL may not classify Groups on its own, but leave it to the banks themselves in this regard. (para.5.4)

### **Defaults by State Governments**

**17.** The Group examined whether the information on default in debt servicing of loans/bonds guaranteed by the State Governments could be mutually exchanged amongst banks and Financial Institutions through the Credit Information Bureau so as to alert them on the possible risks of further financing on the basis of the guarantees of such State Governments. (para.6.1)

**18.** The Group felt that the ground rules of level playing field, require no distinction between State Government guarantees and other forms of corporate guarantees after default. In cases where consent has been obtained from the borrowers for sharing of information in the event of default and in cases where suit has been filed against the concerned Government undertaking there should be no reservation on disclosure to others of such default. (para.6.5)

**19.** The Group recommends that the banks/Financial Institutions which are considering fresh proposals from State Government undertakings backed by Government guarantees could ask for the track record of such States in the honouring of guarantees and obtain their consent to share such information with other banks/Financial Institutions through CIB. (para.6.6)

## **Chapter 1**

### **Introduction**

**1.1** The financial sector is becoming more complex and the burgeoning size of NPAs in the banking system is proving to be a major challenge. The introduction of financial sector reforms in 1993 brought to fore the extent of NPAs in a structured fashion and the stock of NPAs is being tackled through various measures. It also became imperative to arrest accretion of fresh NPAs in the banking sector through an efficient system of credit information on borrowers as a first step in credit risk management. In this context the requirement of an adequate, comprehensive and reliable information system on the borrowers through an efficient database system has been keenly felt by RBI/ Government as well as credit institutions. Recognising the need for an effective mechanism for exchange of information between banks and financial institutions, the Finance Minister in his Budget proposals of 2000-2001, indicated that the growth of fresh NPAs could be curbed through better institutional mechanism for sharing of credit information on borrowers and potential borrowers among banks and financial institutions. He, therefore, announced that a Credit Information Bureau (CIB) would soon be established on the recommendations of the Working Group constituted by the Reserve Bank of India to work out the modalities for setting up a Bureau.

**1.2** The Working Group, constituted by the Reserve Bank of India under the chairmanship of Shri N.H. Siddiqui, CGM, DBOD, RBI, with representatives from select public sector banks, IDBI, ICICI, Indian Banks' Association and Reserve Bank of India, to explore the possibilities of setting up a Credit Information Bureau, submitted its Report in October 1999. It had recommended, inter alia, that (a) a CIB be set up under the Companies Act, 1956 with equity participation from commercial banks, FIs and NBFCs registered with Reserve Bank of India; (b) a foreign technology partner be included as a collaborator in setting up of a Bureau; (c) an appropriate legal framework be put in place to provide adequate protection to the Bureau as also the credit institutions sharing information with the Bureau; (d) pending enactment of a master legislation/legal amendments, a beginning could be made for setting up a Bureau which can operate initially by pooling information on suit-filed accounts as also transactions on which the borrower has given consent, for sharing amongst the user group.

**1.3** The Group was also of the view that the master legislation would enable the Bureau to be a repository of both positive and negative information and that the Bureau should inherit the best international practices with regard to collection of information, processing of data and sharing of information.

**1.4** In the Monetary and Credit Policy for the year 2000-2001, the Governor, Reserve Bank of India, announced the setting up of Credit Information Bureau in India, based on the Report of the Working Group to explore the possibilities of setting up a Credit Information Bureau, set up by RBI. He indicated therein that the State Bank of India had entered into a MoU with Housing Development Finance Corporation (HDFC) to set up a CIB and the modalities for setting up the Bureau in regard to ownership and equity participation, management structure, security standards, rights and liabilities of the Bureau, etc., were being worked out. As the Bureau is expected to expedite credit and investment decisions by banks and financial institutions, and curb the accretion of fresh NPAs, banks and financial institutions were advised to make necessary in-house arrangement for gathering and collection of such information in one place for transmitting it to the Bureau as and when it was established.

**1.5** Credit Information Bureau (India) Ltd., (CIBIL) was set up by State Bank of India in association with HDFC in January 2001, with an authorised capital of Rs.50 crore and a paid up capital of Rs.25 crore, with equity participation of 40 per cent each and two foreign technology partners viz., M/s. Dun & Bradstreet Information Services (India) Pvt. Ltd., and Trans Union International Inc., U.S.A. sharing the remaining 20 per cent equity stake. The CIBIL was to be technology driven to ensure speedy processing, periodic updating and availability of error-free data at all times in the system. CIBIL's technical partners have commenced the preliminary work relating to customization of software on the basis of information furnished by some banks.

**1.6** With a view to strengthening the legal mechanism and facilitating the Bureau to collect, process and share credit information on the borrowers of banks and financial institutions, a draft legislation covering, inter alia, responsibilities of the Bureau, rights and obligations of the member credit institutions and safeguarding privacy

rights, was prepared by Reserve Bank of India and submitted for Government's approval in May 2001.

**1.7** Pending enactment of the Credit Information Bureaus Regulation Bill, as a first step towards activating the Bureau, it was announced by the Governor, Reserve Bank of India, in the Mid-Term Review of Monetary and Credit Policy for the year 2001-2002 that action would be initiated within the existing legal framework. Accordingly and in order to operationalise the process of collection and dissemination of data on credit information by the CIB, a Working Group was constituted by the Reserve Bank of India to examine the possibility of the CIB performing the role of collecting and disseminating information on the suit-filed accounts and the list of defaulters, including the willful defaulters and to examine the other aspects of information collection and dissemination and feasibility of supplying such information on-line to members. The composition of the Working Group has been given in Annexure I. The terms of reference of the Working Group were as under:

- (i) to examine the possibility of the Credit Information Bureau performing the role of collecting and disseminating information on the list of suit-filed accounts and the list of defaulters, including willful defaulters, which is presently handled by RBI;
- (ii) to examine the other aspects of information collection and dissemination, such as, the extent, periodicity and coverage including the feasibility of supplying such information on-line, to members in future;
- (iii) to examine whether, it should also be possible to work out in future a 'query mode' to provide any additional information needed and considered appropriate, on specific requests from members, including particulars relating to directors in the defaulting companies, as long as it is legally permissible;
- (iv) to look into the suggestion given by bankers that the information regarding the defaults of State Governments should be widely circulated and published; and
- (v) any other matter relevant to the subject.

The Working Group was required to submit the report by 31st January 2002.

## **Methodology**

**1.8** The Group had four sittings and deliberated upon the various issues involved. The immediate task of the Working Group was to consider the modalities for CIBIL to conduct the functions relating to collection and dissemination of information on suit-filed accounts and accounts where consent of the borrowers has been obtained which at present is part of functions of Reserve Bank of India. Sub-groups were formed to examine the legal and technical issues and other aspects of information collection and dissemination, such as the extent, periodicity and coverage including the feasibility of supplying such information on-line to members. A presentation was made by CIBIL on the current status of its preparedness for collection of data. With a view to analysing the possibility of working out a 'query mode' to provide any additional information in future, M/s. Dun & Bradstreet, the technical partners of CIBIL, made a presentation to the Working Group.

#### **Acknowledgement**

**1.9** The Group gratefully acknowledges the presentations made by Shri R.R. Belle, of CIBIL and Shri V. Narasimhan of Dun & Bradstreet and other officials of Reserve Bank of India. The Group would like to place on record its deep sense of appreciation for the contribution made and secretarial support provided by its Member-Secretary Shri C.R. Muralidharan. Furthermore, the Group also places on record its deep sense of appreciation for the services rendered by Shri J.G. Gupta, General Manager, Smt. Sudha Damodar, Deputy General Manager and Dr. T.K. Karthykeyan, Manager, all of Reserve Bank of India, who have provided able and valuable support during the meetings of the Working Group and preparation of the Report. It would not have been possible to complete the assignment within the time frame assigned but for the dedication of the secretarial team.

## **Chapter 2**

### **Current Schemes for Collection and Dissemination of Credit Information**

**2.1** In his Budget Speech made in the Parliament on 28<sup>th</sup> February 1994, the then Finance Minister announced that, to alert banks and financial institutions and put them on guard against borrowers who have defaulted in their dues to other lending institutions, the Reserve Bank of India would put in place arrangements for circulating among banks and financial institutions names of defaulting borrowers above a threshold limit. Reserve Bank of India would also publish a list of defaulting borrowers in cases where suits have been filed by banks and financial institutions. Both these measures would encourage greater discipline among the borrowers. Pursuant to the above announcement, Reserve Bank of India put in place a scheme to collect, from banks and notified financial institutions, the details about borrowers with outstandings aggregating Rs.1 crore and above, which are classified as doubtful or loss and suit-filed accounts.

### **2.2 Coverage of credit institutions**

At present, information is collected from all public sector banks, private sector banks, foreign banks operating in India and 10 notified all India Financial Institutions viz., ICICI, IDBI, IFCI, IIBI, EXIM Bank, NHB, UTI, LIC, SIDBI and GIC.

### **2.3 Type of information collected**

| <b>Type of information</b>   | <b>Periodicity</b>                          | <b>Due date of submission</b>        |
|--|---|--------------------------------------|
| <b>1.</b> Details of borrowers with outstandings aggregating Rs.1 crore and above classified as doubtful or loss | Half yearly as on March 31 and September 30 | By 15 April and October respectively |
| <b>2.</b> All suit-filed accounts of Rs.1 crore and above.   | Yearly as on March 31                       | By 15 April                          |
| <b>3.</b> Updates of suit-filed accounts showing additions to and deletion from the list as on March 31          | Quarterly                                   | Within 15 days                       |

Banks and FIs were advised to submit half-yearly list of defaulters as on March 31 and September 30 reporting only non-suit-filed doubtful and loss accounts, vide circular DBOD.No.BC. /44/DL/20.16.001/2001-02 dated November 15, 2001.

## **2.4 Collection and dissemination of information on cases of wilful default**

- i) The Scheme was introduced in February 1999 under instructions from CVC. Banks and notified all India Financial Institutions (FIs) were advised to report to Reserve Bank of India the cases of wilful default of Rs. 25 lakh and above on a quarterly basis with effect from the quarter ended June 30, 1999.
- ii) Reserve Bank of India had advised the banks and other notified FIs that wilful default will broadly cover the following:
  - a) Deliberate non-payment of the dues despite adequate cash flow and good net worth.
  - b) Siphoning off of funds to the detriment of the defaulting unit.
  - c) Assets financed have either not been purchased or have been sold and proceeds have been misutilised.
  - d) Misrepresentation/falsification of records.
  - e) Disposal/removal of securities without bank's knowledge.
  - f) Fraudulent transaction by the borrower.

The first list furnishing cases of wilful default that occurred or were detected during 1st April - 30 June 1999 was submitted for the quarter ended June 1999. Since then, cases of wilful default are reported to Reserve Bank of India on a quarterly basis and the lists are consolidated and circulated to banks and FIs.

## **2.5 Suit-filed accounts**

### **i) Reporting of suit-filed accounts**

Lists of suit-filed accounts with outstanding aggregating Rs.1 crore and above as on March 31 and suit-filed accounts of wilful defaulters of Rs.25 lakh and above as on March, June, September and December are also submitted on floppy diskettes to Reserve Bank of India. Banks and FIs have been specifically advised on November 15, 2001 not to report suit-filed accounts of Rs.1 crore and above in the half-yearly list as on March 31 and September 30, as a separate list of suit-filed accounts as on March 31 is submitted for the purpose of publication.

## **2.6 Publication of list of suit-filed accounts**

Based on the information submitted under the above schemes, RBI has been publishing bank- wise lists of suit-filed accounts of Rs.1 crore and above and suit-filed accounts of wilful defaulters of Rs. 25 lakh and above as on March 31 every year which are also put on RBI website. Quarterly update of suit-filed accounts of Rs.1 crore and above is also put on the website.

**2.7** The reporting formats circulated to banks and FIs on April 1, 2000, have been revised in the light of instructions issued on November 15, 2001 regarding reporting of only non-suit-filed doubtful and loss accounts on half-yearly basis and on December 22, 2001, vide circular DBOD.No.DL.BC.54/20.16.001/2001-02, regarding reporting of the names of nominee and independent directors. These formats are given in Annexure II.

## **2.8 Mode of dissemination by RBI**

In view of the provisions of secrecy laws, credit information pertaining to borrowers, whose credit facilities with outstandings aggregate Rs.1 crore and above (Sl.No.1 of Table in para.2.3) which are classified as Doubtful or Loss as well as the information on willful defaulters, as explained in para.2.4, are compiled bank/FI-wise and circulated to them on floppy diskettes.

## **2.9 Use of information by banks and FIs**

The purpose of circulation of the above information is primarily to alert the banks and financial institutions while considering requests for fresh or additional credit limits from such defaulting borrowing units and their proprietors/ partners/directors, etc. either in their own names or in the names of other units with which they are associated. They are also advised that enquiries, if any, about the defaulters should be addressed to the reporting banks/FIs and under no circumstances should information be sought directly from the defaulters/other directors/chairman.

## **2.10 Obligation of banks and FIs**

(i) Banks and FIs are advised that the information furnished was based on the information made available to Reserve Bank of India by banks and FIs themselves and Reserve Bank of India only reproduced the information furnished by them. Since the information furnished by the banks and FIs is collected by the Reserve Bank of India as per the provisions of Section 45 B of the Reserve Bank of India Act, 1934, the banks and FIs should ensure that while furnishing the information they are to discharge the statutory duty cast upon them by ensuring the accuracy of the data furnished to the Reserve Bank of India. In case of any error or wrongful reporting in the information furnished to the Reserve Bank of India, the banks and FIs would be liable for such action as deemed necessary based on the facts and circumstances.

(ii) The banks and FIs concerned would be responsible for any leakage of the information to any of its constituents or any outside agency. Any disclosure of the information contained in the floppy diskette to any outside agency except with the prior permission of the Bank or under the compulsion by a Court of Law or authority having powers of a Civil Court for summoning and examining any person on oath, requiring discovery and production of documents and receiving evidence on affidavit, would attract penal provisions contained in Section 58 B (4) and (6) read with Section 58 C of the Reserve Bank of India Act.

### **Chapter 3 Legal Issues**

**3.1** This chapter deals with the legal issues which arise out of the terms of reference for the Working Group i.e. whether pending enactment of proposed legislation in respect of establishment, functioning and regulation of CIBs, it is permissible for a CIB to undertake the role of collecting and disseminating information on suit filed accounts and other defaulters, including wilful defaulters, which is presently performed by the Reserve Bank.

**3.2** The Working Group decided that the following aspects need to be considered, viz.,

- i) whether the proposed functions of CIBIL would be in consonance with existing laws (as in force in India) and banking practice, and if not,
- ii) whether there is a need to provide some additional statutory support by way of new legislation for the purpose.

**3.3** The Group was informed in this regard that it would be necessary to look at the following:

- (a) existing legal provisions conferring power on the Reserve Bank of India relating to collection and furnishing of credit information and
- (b) existing laws relevant to the context and to consider the adequacy and implications thereof with respect to the functions (as referred to in para 3.1 above) proposed to be undertaken by CIBIL.

#### **Collection and Furnishing of Credit Information by Reserve Bank**

**3.4** Power is conferred upon the Bank in terms of provisions of Sections 45A to 45E of Chapter IIIA of RBI Act, 1934.

- (i) Section 45A which provides definitions of terms; banking company, borrower and credit information;
- (ii) Section 45B which empowers the Reserve Bank to collect credit information;
- (iii) Section 45C which empowers the Reserve Bank to call for returns containing credit information;
- (iv) Section 45D which provides procedure for furnishing credit information to banking companies; and
- (v) Section 45E relating to extent and scope of disclosure of credit information collected by the Reserve Bank or furnished by the banking companies.

**3.5** The definition of the term 'credit information' is very wide. As per definition of credit information as provided under Section 45A (c)(v) of Chapter IIIA of the Reserve Bank of India Act, 1934, and other provisions of said Chapter, the Reserve Bank is empowered to call for any such information, which in its opinion is relevant for orderly regulation of credit or credit policy. However, the provisions of said Chapter IIIA of the RBI Act, 1934 are not applicable to CIBIL.

**Bankers' obligation to maintain secrecy relating to affairs of their constituents**

**3.6** The obligation of a banker to observe secrecy relating to affairs of his constituents is an implied term of the contract between a banker and his constituent. A banker would not divulge to third persons, without the consent of the constituent, express or implied, either the state of the constituent's account, or any of his transactions with the bank or any information relating to the constituent acquired through the keeping of his account.

**3.7** The case of "Tournier v/s National Provincial and Union Bank of England"<sup>1</sup> is the leading case on this subject. Prior to the decision of the said case, there was very

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<sup>1</sup> reported in (1924) 1 K.B.p.461

little authority on the subject of the banker's duty of secrecy although such obligation was recognised in practice. Such obligation of a banker towards his constituent was at one time considered only a moral duty. The qualifications as per said judgement are as follows:

- (a) Where disclosure is under compulsion by law
- (b) Where there is a duty to the public to disclose
- (c) Where the interests of the bank requires disclosure and
- (d) Where the disclosure is made by the express or implied consent of the constituent.

**3.8** It was noted that in the Indian context, the aforesaid proposition of law in relation to bankers obligation, has been embodied as a substantive provision in respective enactments as per which banking companies and credit institutions are under legal obligation to maintain secrecy in respect of affairs of their constituents. Some of such enactments where the secrecy provisions are as under:

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- (a) Reserve Bank of India Act, 1934 - Sections 45A and 45E
- (b) Banking Regulation Act, 1949 - Section 28
- (c) State Bank of India Act, 1955 - Section 44
- (d) State Bank of India (Subsidiary Banks) Act, 1959 -Section 52
- (e) Banking Companies (Acquisition & Transfer of Undertakings) Act, 1970/80 - Section 13
- (f) Industrial Development Bank of India Act, 1964 - Section 29**
- (g) State Financial Corporation Act, 1951 - Section 40**
- (h) Export-Import Bank of India Act, 1981 - Section 30**
- (i) Industrial Reconstruction Bank of India Act, 1984 -Section 61**
- (j) National Bank for Agriculture and Rural Development Act, 1981 - Section 51**
- (k) National Housing Bank Act, 1987 - Section 44**
- (l) Public Financial Institutions (Obligation as to fidelity and Secrecy) Act, 1983.**

**3.9** Under the aforesaid respective enactments, an obligation is cast upon the respective banks and other credit institutions to maintain secrecy relating to the affairs of their constituents. Thus, primarily, the legal position as evolved by case-law in the U.K. "Tournier v/s National Provincial and Union Bank of England" continues.

### **Suit-filed Accounts**

**3.10** During the course of discussions of the Working Group, following facts, which also relate to terms of reference, were discussed;

- (i) After establishment of CIBIL, the Reserve Bank of India has been exploring the possibility of CIBIL being operationalised with the data relating to suit-filed accounts and such accounts or transactions in respect whereof the constituent of the bank had given consent for disclosure thereof.
- (ii) Pursuant to the request made by CIBIL for supply of Credit Information pertaining to suit-filed accounts or accounts in respect whereof the constituent has given consent, many banks have furnished them the requisite data for the purpose of software customisation only. Some banks

were reported to have expressed the view that it was not permissible for them to share information even in respect of suit-filed accounts.

**3.11** While obligation of a banking company to maintain secrecy with respect to the affairs of its constituent is well accepted, a view was taken after examination of all the relevant aspects of law that it is open to the banking companies to disclose Credit Information relating to their suit-filed accounts.

**3.12** In this connection, the attention of the Group was also invited to the provisions of Rules 231<sup>2</sup> and 232<sup>3</sup> of General Rules (Civil) 1957 for Civil Courts (framed by the Hon'ble High Court of Judicature at Allahabad in exercise of the powers conferred by Article 227 of the Constitution of India and Section 122 of the Code of Civil Procedure, 1908, with the previous approval of the Government of Uttar Pradesh) in terms whereof, anyone subject to satisfying about his bonafide purpose and requisite permission of the Registry/ Court, may inspect the record or paper in a suit, appeal or other proceeding and obtain the requisite information. Accordingly, the credit information relating to such constituents of the banks or other credit institutions, against whom suits have been filed by the banks or the credit institutions, would fall in a different class since, the fact of filing of the suits is, or can be presumed to be, a matter of public knowledge. The rules applicable to High Courts/Civil Courts functioning in other States also provide for inspection of records of the proceedings. Therefore, names of defaulters against whom the lender banks or the credit institutions have filed suits can lawfully be published. Thus it would appear that under the existing legal framework, the disclosure of information on

a) suit-filed accounts; and

b) such transactions where the constituent has given consent for disclosure

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<sup>2</sup> Applications for inspections by party to a suit - any party to a suit, appeal or other proceeding in the Court, and any such party's pleader, who has filed a document in writing as required by O, III, r.4(1) of the Code, may apply for an order to inspect the record, or any papers in such suit, appeal or other proceeding.

<sup>3</sup> Application for inspection by a stranger - Any person, other than a person to whom Rule 231 applies, may apply for an order for the inspection of a record or paper in a suit, appeal or other proceeding. No such person shall be entitled as of right to obtain an order for inspection, nor shall he, in any case, be allowed to inspect exhibits put in evidence except with the consent in writing of the person by whom they were produced or his successor in interest. Such consent shall, invariably be filed along with the application for inspection.

is permissible. On the basis of aforesaid proposition, in relation to a suit filed accounts, it may be permissible to disclose any credit information relating thereto, regardless of amount claimed in the suit or amount of credit granted by a banking company or a credit institution. Disclosure of credit information other than the aforesaid two categories would **not** be permissible unless legislation for the purpose is brought into force.

**3.13** It is pertinent to note that circulation of list of defaulters including willful defaulters by the Reserve Bank of India is made at present pursuant to the aforesaid provisions of Chapter IIIA of the Reserve Bank of India Act, 1934 and the same is not published, but rather circulated amongst banks for confidential use. The Working Group, therefore, concluded that publication of such list by CIBIL or disclosure thereof to CIBIL, in absence of special legislation, or without obtaining requisite consent of the respective constituent, would not be permissible as per the existing laws.

**3.14** In addition to the above, if the disclosure is made by a banker in any of the above circumstances i.e. the qualifications as referred to above, it will not be considered to be breach on the part of the banker of his duty to observe and ensure secrecy relating to affairs of his customers. As already stated, the principle laid down in Tournier's case and the qualifications enunciated therein have now been adopted as per the substantive provisions of respective enactments. The said exceptions are meant for enabling the banks or credit institutions to meet exceptional situations in specific cases for protecting the interest of public or protecting their own interest by way of recourse to the same. In the event of such recourse being adopted by the banks or credit institutions, for the purpose of providing credit information to CIBIL and such action being challenged by their constituents as violation of substantive provisions of respective enactments, it may be difficult for them to justify their such action. Therefore, at this stage it would not be advisable for the banks or credit institutions to adopt recourse to any of the aforesaid exceptions (as referred to at Serial No. (b) & (c) of para 3.7) for the purposes of providing to CIBIL credit information pertaining to accounts other than suit-filed accounts or such accounts wherein consent of the constituent is available.

## **Disclosure under Compulsion of Law**

**3.15** Disclosure under compulsion of law is in such cases, where a requisition to produce a document or furnish information or to give evidence, has been issued, in pursuance of provisions of the respective enactments, empowering the designated authorities to summon and call upon any person (i.e. an individual, banking company, corporation, or any other company, association or any other body or entity by whatever name it is called) to produce a document or furnish information or to give evidence. It is open to such designated authorities to summon and call upon any person to produce a document or furnish information or to give evidence, if in the opinion of such authority production of such document, information or consideration of such evidence, is necessary for the purposes of investigation undertaken by the authority or for adjudication of the matter under consideration of the authority. Disclosure pursuant to such summons or requisitions of the designated authorities is permissible.

**3.16** In view of the above legal position, the Working Group recommends that under the existing legal framework, CIBIL or any other CIB may collect, process and disseminate credit information relating to;

- c) suit-filed accounts regardless of amount claimed in the suit or amount of credit granted by a banking company or a credit institution; and
- d) such transactions where the constituent has given consent for disclosure for such purpose.

In this context, the Group was informed that though CIBIL had executed and given a Confidentiality Agreement to the banks to make available data on suit-filed accounts to enable the Bureau to test and customise such data, six public sector banks and a private sector bank were not prepared to furnish the information to CIBIL. The Group suggests that the Reserve Bank of India may direct all banks to render necessary assistance.

## **Permitting banks/notified FIs to disclose credit information**

**3.17** As some banks or credit institutions may have reservations on account of the legal permissibility for disclosure of credit information, as referred to in para. 3.16 above, it is necessary and desirable that aforesaid proposition of law is considered by

the Reserve Bank of India and based thereon an appropriate direction to all the banks is issued with a view to;

- iii) reiterate the position that disclosure of credit information in respect of suit filed accounts could not be construed as breach of bankers' obligation to maintain secrecy with respect to affairs of their constituents; and
- iv) that on receipt of requisition from the CIBIL or any other CIB for furnishing credit information relating to suit filed accounts or accounts in respect whereof the constituent has given consent, banks should comply with such requisition.

**3.18** In this context, the Working Group felt that keeping in view the importance and expediency of collection and furnishing of credit information by a CIB, which would be in the general interest of banks, credit institutions and their constituents and for orderly regulation of credit and credit policy, Reserve Bank of India may consider issuing appropriate directions in terms of Section 35A of Banking Regulation Act, 1949, to all the banking companies governed by said provision, to take steps to impress upon their borrowers/guarantors to give consent for disclosure of credit information relating to their loan accounts to CIBs.

### **Code of Conduct**

**3.19** While it would be open to CIBIL or any other CIB to undertake functions relating to credit information as referred to in para. 3.16, till enactment of an appropriate legislation in respect of their establishment, functioning and regulation, it would be necessary for them to also evolve and adopt a code of conduct relating to;

- (a) functions of a CIB;
- (b) Information Privacy Principles; and
- (c) other aspects incidental to their such functions.

The Working Group, therefore, recommends that such code of conduct may be framed and adopted by CIBIL or any other CIB (to undertake functions relating to credit information as referred to in para 3.16) on the lines of broader aspects as included in the proposed draft legislation i.e. "The Credit Information Bureaus Regulation Bill"

(which has already been forwarded by the Reserve Bank of India to the Government of India), as the said aspects have been covered thereunder.

### **Need for a Special Legislation**

**3.20** A view is being expressed whether it would be possible for Credit Information Bureau to be set up without the support of the specific legislative framework. The Group has already observed about the legal constraints for banks and financial institutions in providing information other than to Reserve Bank of India. The recommendation for limited disclosures in the current scenario cannot address the problem immediately. The Group noted that there is, however, a continuing need for a special legislation for reasons further discussed below:

The need for a special legislation was discussed in detail in the Report<sup>4</sup> of the Working Group to explore the possibilities of setting up a CIB and relevant aspects in respect thereof have been included in the Report. While discussing the issue, the said Working Group had also taken into account cross country experiences of CIBs and enactments in force in respective countries relating to licensing, functioning and issues relating to privacy in respect of collection and furnishing of credit information by CIB. The need for a special legislation was again discussed by the present Working Group and reference to respective chapters of the said Report dated 30th October 1999 of the earlier Working Group was made to point out the reasons and relevant aspects related to incorporation, supervision, regulation and other matters relating to the functioning of a CIB, which necessitate a special legislation for the purpose. The Group took note of the existing laws in force in certain countries and considers it necessary to quote a few of them. In Sri Lanka, the setting up of Credit Information Bureau is governed by an Act of Parliament, while in countries like U.S.A., U.K., Australia and New Zealand though there are no consolidated enactments, there are specific legislations relating to data protection / privacy laws and such legislations reinforce, guide and place a few restrictions, expedient and necessary for collection and sharing of credit information by a Credit Information Bureau. The principle of sharing of information on consumers, in U.S.A. has been

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<sup>4</sup> Report of the Working Group to explore the possibilities of setting up a Credit Information Bureau, under chairmanship of Shri N.H. Siddiqui submitted to the Reserve Bank of India on 30.10.1999

enshrined in the Fair Credit Reporting Act, 1971, as amended by the Consumer Credit Reporting Reforms Act of 1996. The said Act which is administered by the Federal Trade Commission, lays down guidelines on permissible purposes on credit reports, and requirements relating to information contained in consumer reports, users of consumer reports, disclosure of investigative consumer reports, etc. In U.K., credit bureaus are licensed by the Office of Fair Trading under the Consumer Credit Act of 1974 and registered with the Office of Data Protection Registrar.

### **Protection to CIB in relation to its functions**

**3.21** Besides the above, there is a likelihood of suit, prosecution or other legal proceedings being filed against a CIB, or the staff and officers of the CIB or its members (banks, credit institutions or other credit granters) or the staff and officers of the members of a CIB, for any damage alleged to have been caused or likely to be caused, in respect of anything done in good faith or intended to be done by the CIB or its members, in discharge of their functions, in relation to collection, furnishing or dissemination of credit information. In such eventualities, CIB and its members would be required to defend the same as per the general law as there would be no statutory protection for them till the same is provided by way of including a substantive provision in the legislation to be enacted in respect of establishment, functioning and regulation of CIBs.

**3.22** The draft legislation which has been forwarded by the Reserve Bank of India to the Government was prepared covering the relevant aspects relating to incorporation, functioning, supervision, regulation and other miscellaneous matters viz. power of the Reserve Bank to specify cap of pecuniary ceiling in relation to fees to be charged by a CIB, obligation as to fidelity and secrecy to be observed by a CIB, protection of action taken in good faith by a CIB, offences and penalties for acts and omissions on the part of a CIB or a credit institution, power of Reserve Bank to impose penalty, constitution of Committee for monitoring the compliance of rules, regulations by CIB and committee for dispute resolution. While some modalities referred to in para 5.3 of this Report could be adopted as a base to begin with for limited operations of a CIB, such modalities cannot be a substitute for a special legislation. It is imperative to put in place an enactment containing substantive provisions relating to other aspects viz., resolution of disputes between credit institutions and credit information bureaus or between credit institutions and their borrowers, licensing/supervision and

regulation of credit information bureaus, vesting of powers in designated authorities under the Act for adjudication and redressal of grievances of any party and various other aspects because existing legislations in force in India do not cover such aspects relating to credit information bureaus. The Working Group, therefore, recommends the enactment of an appropriate legislation by Government of India expeditiously, in consultation with RBI.

## **Chapter 4**

### **IT Related Issues**

**4.1** The Working Group was required to examine whether it would be possible to work out in future a 'query mode' to provide any additional information needed and considered appropriate, on specific requests from members. The immediate objective, at this stage, is to obtain essential information based on the existing data base system on suit-filed accounts with the Reserve Bank and to provide a comprehensive and refined delivery process to banks/FIs. Effective and efficient dispensation of credit information makes it imperative for CIBIL to be equipped with 'state-of-the-art' IT systems.

**4.2** CIBIL would establish a full-fledged and 'state-of-the-art' data centre with capacity to handle both positive and negative data of all borrowers of all banks, financial institutions, housing finance companies, non-banking financial companies and credit card companies operating in the country. With the technical assistance and software for the purpose being provided by two of its foreign promoters, viz. Dun & Bradstreet and Trans Union, CIBIL would have no difficulty to take over the role of collecting and disseminating information on the list of suit-filed accounts, which is presently handled by Reserve Bank. Dun & Bradstreet has a 100% Indian subsidiary operating in India, which will provide the necessary technical assistance to take over the role.

**4.3** Simultaneously, customisation of software of banks for compatibility with the application systems of CIBIL would be essential. This would also facilitate on-line supply of information to the members of the Bureau. CIBIL, in consultation with its technical partners, is in the process of finalising the formats for collecting information on individual and commercial borrowers. These formats are expected to be ready by March 2002. With the assistance of suitable search mechanism, subsets of the information vis-à-vis the industry, area of operation, the unit and its group, its directors, etc. could be obtained. The Group recommends that Reserve Bank should issue necessary instructions to the banks to keep data ready in the formats as devised by CIBIL for operationalisation of data collection in respect of all suit-filed accounts of Rs. 10 lakh and above in the said formats by September 2002.

## **Query Mode**

**4.4** CIBIL would be in a position to offer a comprehensive, web-based on-line query facility to banks and FIs and also to the general public about suit filed accounts. The operating system's 'query mode' would supply detailed information on the borrowers and would also provide an alert mechanism to prevent "roving enquiry" to ensure that members' enquiry should be specific. In addition to borrower-wise and bank-wise data, information based on various criteria such as geographic distribution, industry, asset category, etc. could also be obtained through the search facilities. The system would be made dynamic so as to cater to the various needs of the user banks/FIs through uploading of information every month or more frequently to ensure speedy dissemination of information. Two levels of user accessible information would be maintained depending on public information responsibility and credit risk management objective. The Group agrees with the present levels of information as a starting point and recommends that the software should also be flexible to provide for enhanced and additional search options pertaining to bank branch address, line of business, company address, suit-filed details, shareholding information, names of directors, guarantors, etc.

## **Identification of Borrowers**

**4.5** The issue of identification of the borrower assumes importance in a scenario where borrowers enjoy multiple banking finance. The Group considered the need for determining identity of a borrower based upon some parameters, which could be fed into the system. The Group discussed in detail the various methods for identification of a borrower and the prevailing international practices. For instance, in the U.S., the social security number was mainly relied upon for identification of the individual borrower. The Group considered various options such as voter identification number, Permanent Account Number (PAN) allotted by the Income Tax Department, Passport Number or similar identification numbers, finger prints of the borrowers, etc. However, considering the fact that the practice of presentation of names and surnames of individuals varied widely across the country, it would be a complex problem to decide on a single solution for identification.

CIBIL informed the Group that as far as commercial borrowers are concerned, the application software provided by Dun & Bradstreet would allot a unique D-U-N-S (Data Universal Numbering System) number for each borrower. The D&B D-U-N-S Number is a unique nine-digit identification sequence, which provides unique identifiers of single business entities, while linking corporate family structures together. D&B links the D&B D-U-N-S Numbers of parents, subsidiaries, headquarters and branches on more than 64 million corporate family members around the world. Used by the world's most influential standards-setting organizations, it is recognized, recommended and/or required by more than 50 global, industry and trade associations, including the United Nations, the U.S. Federal Government, the Australian Government and the European Commission.

As far as individual borrowers are concerned, CIBIL in consultation with its partner, Trans Union will examine the scope for allotting a unique number, if it is found that accurate segregation of borrowers' identification is not possible on the basis of combination of various identification numbers mentioned above. Trans Union has not used any such proprietary numbering system elsewhere in the world.

### **Enlarging the Scope of Credit Information**

**4.6** It was noted that other regulatory agencies such as DCA also have information on the directors and companies and it would be useful to collate the available data in the database of CIBIL. The Group is of the view, that in future, the system should be able to provide the necessary links to other sites, which would give additional information on the borrowers. The software could also be customised to have the capability to retain historical data.

**4.7** The Group had also constituted a Sub-Group comprising members from banks to bring out a format for credit information so that the profile of borrower is built up in a comprehensive manner. The profiles would be based on data as available that could be used in either a positive or negative information at a future date. In any case, the eventual object of CIBIL is to provide data as required on a borrower for finalizing credit/investment decisions and not necessarily with orientation of default prevention. The format suggested by the Sub-Group was found quite useful by the

Group but it was decided that considering the limited reference made to the Working Group on operationalising CIBIL, the format may be taken as a useful input in the future designs of customer profiles by the Bureau.

## **Chapter 5**

### **Operationalisation of Credit Information Bureau**

**5.1** The Working Group was given the task of examining other aspects of information collection and dissemination, such as, the extent, periodicity and coverage including the feasibility of supplying such information on-line, to members in future. The feasibility of supplying information on-line to members has been examined in Chapter 4 of the Report. The various legal aspects involved in credit information collection and dissemination have been dealt with in detail in Chapter 3. As pointed out therein, there is an imperative need to statutorily empower CIB also to collect credit information in order to get over the current constraint providing for such powers only to RBI. The Group's remaining task was to review whether it was possible to activate the Credit Information Bureau (India) Ltd., (CIBIL) within the existing legal framework.

**5.2** The Group has already concluded and recommended in para.3.16 that CIBIL can collect, process and share credit information on (a) suit filed accounts and (b) borrowal accounts where the constituent has given consent for disclosure. In suit-filed accounts, it would be open to CIBIL to deal with any credit information relating thereto, regardless of amount claimed in the suit or amount of credit granted by a banking company or a credit institution.

**5.3** The operationalisation of CIBIL to take up the above responsibility was discussed in detail and the following consensus emerged. The modalities for operationalisation of CIBIL could be phased in three stages. The first stage should be as under:

#### **(a) Suit-filed Accounts**

(i) The existing data base system on suit-filed accounts with the RBI has to be taken over by CIBIL which may disseminate the same to banks/FIs through a comprehensive and refined delivery process with effect from 31 March 2002. Thus, RBI will not publish or publicise on internet any list thereafter.

(ii) The first phase would cover credit information of suit-filed accounts of Rs.1 crore and above, and suit-filed accounts of wilful defaults of Rs.25 lakh and above (presently dealt with in RBI).

(iii) In the second phase, the cut-off point of suit-filed accounts should be lowered to Rs.10 lakh as in the case of limits fixed for arbitration by DRT. This may be brought in force with effect from September 2002. Banks already have detailed information in this regard and compilation of data in prescribed form should pose no difficulty.

(iv) Simultaneously, CIBIL could also collect data in respect of all borrowers whose accounts are NPAs and who have given consent to the banks for disclosure, with effect from September 2002.

(v) With a view to increasing the CIBIL's access to borrowers' information, RBI should make it mandatory for all banks to incorporate the consent clause for disclosure of full credit information in the case of all credit limits of Rs.10 lakh and above by September 2002. As the number of accounts in this category is manageable, the process should be expedited. The Group recommends that this should ideally be completed by September 2002. CIBIL could thereafter enlarge its coverage appropriately in the third and last phase.

(vi) CIBIL's delivery capability would be significantly enhanced once progress is made by banks/notified FIs to obtain consent of borrowers to the maximum extent possible in a sustained manner. The coverage would be extended to borrowers of the financial system even below Rs.10 lakh and the enactment of the CIB legislation would complete the process of establishing CIBIL as a full-fledged Bureau.

The Working Group endorses the above road map and recommends appropriate follow-up action by banks/notified FIs/RBI.

#### **(b) Format**

(i) The Group observed that there is a need to enlarge the present format. The Group recommends that in case of suit-filed accounts and accounts where consent of the borrowers has been obtained for divulging information, particulars regarding directors

can also be included. Banks can indicate independent/nominee directors separately in the suit-filed accounts as per the RBI instructions issued in December 2001.

(ii) Although the banks and FIs were required to disclose the names of guarantors also, vide RBI circular dated 9<sup>th</sup> July 1994, under the present reporting system, it is not possible to distinguish between director/partner/proprietor and guarantor. An additional column should be provided in the formats for including the names of guarantors to the credit facilities including corporate guarantors and their directors, while reporting the particulars of the defaulting borrowing companies/borrowers in the list of suit filed accounts. Details of Government guarantee, if any, should also be reported in the above column.

### **(c) Periodicity**

Under the present system, doubtful and loss accounts of Rs.1 crore and above are submitted by banks and FIs to Reserve Bank on a half-yearly basis, while suit-filed accounts are reported and published on a yearly basis. Further additions and deletions to the list of suit-filed accounts are done on a quarterly basis. Cases of wilful default of Rs. 25 lakh and above are submitted on a quarterly basis. Under the new dispensation, the Group recommends that the complete up-dated list of suit-filed accounts may also be made on a quarterly basis in the initial phase by CIBIL in arrangement with banks and notified FIs. This may be displayed on the internet instead of regular publication. In any case, CIBIL is expected to go on line at the appropriate stage and should devise procedures for continuous updation of data.

## **5.4 Other Issues**

(i) Presently, the coverage of the list published by RBI is confined to banks and notified FIs. CIBIL can extend this coverage to non-banking financial companies as defined under Section 45 I (f) of the Reserve Bank of India Act, 1934, State Financial Corporations constituted under the State Financial Corporation Act, 1951, companies engaged in the business of housing finance, credit card, debit card and other similar cards and any other institution that the Reserve Bank may specify from time to time.

(ii) The Group discussed furnishing of credit information in a structured form, particularly in relation to group companies. It was decided that as the concept of Group companies posed a problem due to lack of clear definition of the concept,

CIBIL may not classify Groups on its own, but leave it to the banks themselves in this regard.

## **Chapter 6**

### **Defaults by State Governments**

**6.1** One of the terms of reference to be examined by the Working Group was to look into the suggestion given by bankers that the information regarding the defaults of State Governments in respect of guarantees given by them should be widely circulated and published. The Group examined whether the information on default in debt servicing of loans/bonds guaranteed by the State Governments could be mutually exchanged amongst banks and Financial Institutions through the Credit Information Bureau so as to alert them on the possible risks of further financing on the basis of the guarantees of such State Governments.

**6.2** The Group observed that in order to meet the growing requirements of financing infrastructure and social activities, and compensate for the decreasing capital expenditure in the face of budget constraints, State governments have, in recent years, resorted to issuing guarantees on behalf of public and private sector entities undertaking infrastructure investment and other social and developmental activities. As on end-March 2000, the outstanding State government guarantees including loans and bonds amount to Rs.1,24,813 crore (6.4 per cent of the GDP) and is more than the outstanding market loans of the State governments

**6.3** Reserve Bank has been impressing upon the banks/FIs that while they are free to sanction term-loans for technically feasible, financially viable and bankable projects undertaken by both public sector and private sector undertakings, they shall fully satisfy themselves that the projects financed by them have income generating capacity sufficient to service such loans. Further, banks/FIs should satisfy themselves that the project is run on commercial lines and that they do not run into liquidity mismatch on account of lending to such projects. It is, however, observed that in several cases, banks and FIs tend to ignore the financial viability aspect, on the comfort of a State government guarantee. The Reserve Bank in October 1999 advised the banks that with effect from the year 2000-2001, investment in State Government guaranteed bonds outside the market borrowing programme would attract risk weight of 20 per cent and in case of default, it would attract 100 per cent risk weight. Cases of delays/defaults are being taken up regularly by RBI with concerned States to help the banks in recovery of their dues.

**6.4** In view of the implications of the guaranteed bond issues to the management of debt of State Governments (shortfall in subscription/higher borrowing cost), Reserve Bank has been sensitizing the States on the need to build an information system for guarantees, its selective issuance, putting ceiling on guarantees, rating of guaranteed bonds, setting of redemption fund and disclosure of contingent liabilities. In this connection, it is pertinent to note that Provident Funds are also a large subscriber to guaranteed bonds and such information would be very useful to them while taking investment decisions.

**6.5** The Working Group concluded that although the above measures were laudable, there is no need to differentiate once defaults take place and remain unrectified despite availability of Government guarantee. The ground rules of level playing field, require no distinction between State Government guarantees and other forms of corporate guarantees after default. In cases where consent has been obtained from the borrowers for sharing of information in the event of default and in cases where suit has been filed against the concerned Government undertaking there should be no reservation on disclosure to others of such default.

**6.6** In this context, the Working Group also recommends that the banks/Financial Institutions which are considering fresh proposals from State Government undertakings backed by Government guarantees could ask for the track record of such States in the honouring of guarantees and obtain their consent to share such information with other banks/Financial Institutions through CIB.

**MEMORANDUM**  
**Working Group to examine the role of Credit Information**  
**Bureau in collection and dissemination of information on**  
**suit-filed accounts and defaulters list**

As indicated in paragraph 66 of the Mid-Term Review of Monetary and Credit Policy for the year 2001-2002, announced by Governor on 22<sup>nd</sup> October 2001, in order to operationalise the process of collection and dissemination of data on credit information by the Credit Information Bureau (CIB), a Working Group is being constituted in Reserve Bank of India to examine the possibility of the CIB performing the role of collecting and disseminating information on the list of suit-filed accounts and the list of defaulters, including the willful defaulters, and to examine the other aspects of information collection and dissemination including the feasibility of supplying such information on-line to members. The composition of the Working Group is as under:

1. Shri S.R. Iyer,  
Chairman,  
Credit Information Bureau (India) Ltd.,  
Apeejay House, 2<sup>nd</sup> floor,  
3, Dinshaw Vachha Road,  
Churchgate,  
Mumbai-400 020 : Chairman
  
2. Smt. Usha Thorat,  
Chief General Manager-in-Charge,  
Internal Debt Management Cell,  
Reserve Bank of India,  
Central Office,  
Mumbai-400 001 : Member
  
3. Shri K.C. Bandyopadhyay,  
Chief General Manager-in-Charge,  
Financial Institutions Division,  
Department of Banking Supervision,  
Reserve Bank of India,  
' The Arcade ', World Trade Centre,  
Cuffe Parade,  
Mumbai-400 001 : Member
  
4. Shri K.R. Ganapathy,  
Chief General Manager-in-Charge,  
Department of Information Technology,  
Reserve Bank of India,

Central Office,  
Mumbai-400 001. : Member

5. Shri Birendra Kumar,  
DMD & Chief Credit Officer,  
State Bank of India,  
Central Office,  
Post Box No.12,  
Mumbai-400 021. Member

6. Shri M.G. Bakre,  
Chief General Manager,  
Credit Recovery Dept.,  
Industrial Development Bank of India  
Mumbai-400 005. Member

7. Dr. Rajeev Uberoi,  
Regional Head – Compliance,  
Standard Chartered Grindlays Bank Ltd.,  
90, Mahatma Gandhi Road,  
Post Box No. 141,  
Mumbai-400 001. Member

8. Shri T.R. Madhavan,  
General Manager (Credit)  
Bank of India,  
Head Office,  
Express Towers, 14<sup>th</sup> Floor,  
Nariman Point,  
Mumbai. 400 021. : Member

9. Shri B.B. Tiwari,  
Joint Legal Adviser,  
Legal Department,  
Reserve Bank of India,  
Central Office,  
Mumbai-400 001 : Member

10. Shri Kaizad Bharucha,  
Vice President (Credit & Market Risk),  
HDFC Bank Ltd.,  
Kamala Mills Compound,  
Senapati Bapat Marg,  
Lower Parel,  
Mumbai-400 013. : Member

11. Shri K. Unnikrishnan,  
Executive – Banking Operations,  
Indian Banks' Association,  
Stadium House, 6<sup>th</sup> Floor, Block-3,  
Veer Nariman Road,

Mumbai-400 020. : Member

12. Shri C.R. Muralidharan,  
Chief General Manager,  
Department of Banking Operations & Development,  
Reserve Bank of India,  
Central Office,  
Centre I, World Trade Centre,  
Cuffe Parade,  
Mumbai-400 005 : Member  
Secretary.

The terms of reference of the Working Group will be as under:

- (i) to examine the possibility of the Credit Information Bureau performing the role of collecting and disseminating information on the list of suit-filed accounts and the list of defaulters, including wilful defaulters, which is presently handled by RBI;
- (ii) to examine the other aspects of information collection and dissemination, such as, the extent, periodicity and coverage including the feasibility of supplying such information on-line, to members in future;
- (iii) to examine whether, it should also be possible to work out in future a 'query mode' to provide any additional information needed and considered appropriate, on specific requests from members, including particulars relating to directors in the defaulting companies, as long as it is legally permissible;
- (iv) to look into the suggestion given by bankers that the information regarding the defaults of State Governments should be widely circulated and published; and
- (v) any other matter relevant to the subject.

The secretarial assistance to the Working Group will be provided by the Department of Banking Operations and Development, Reserve Bank of India, Central Office, Centre-I, World Trade Centre, Cuffe Parade, Mumbai-400 005.

The Group will study all these issues and submit a report by 31<sup>st</sup> January 2002.

(G.P. Muniappan)  
Deputy Governor  
11.12.2001

## ANNEXURE II

### **Disclosure of information regarding defaulting borrowers i.e. non-suit-filed doubtful and loss accounts of banks and financial institutions (notified) of Rs.1 crore and above**

Under the scheme of disclosure of information about defaulters of banks and financial institutions (notified) with outstanding (both under funded and non-funded) aggregating Rs 1 crore and above, the information is being called on floppy diskettes from banks and FIs on a half-yearly basis as on 31 March and 30 September, vide our circular DBOD No.BC.CIS/47/20.16.002/94 dated 23 April 1994.

2. Only non-suit-filed doubtful and loss accounts are to be reported vide circular dated November 15, 2001.

3. The banks/FIs are required to use the following structure (with the same field names) while submitting data to RBI in floppy diskettes :

| <i>Field</i> | <i>Field Name</i> | <i>Type</i> | <i>Width</i> | <i>Description</i>                            | <i>Remarks</i>   |
|--------------|-------------------|-------------|--------------|---|--|
| 1            | SCTG              | Numeric     | 1            | Category of bank/FI                           | Number 1/2/4/6/8 should be fed<br>1 SBI and its associate banks<br>2 Nationalised banks<br>4 Foreign banks<br>6 Private Sector Banks<br>8 Financial Institutions |
| 2            | BKNM              | Character   | 40           | Name of bank/FI                               |  |
| 3            | BKBR              | Character   | 30           | Branch name                                   | Name of the branch should be fed in place of branch code number.   |
| 4            | STATE             | Character   | 15           | Name of state                                 | Name of state in which branch is situated  |
| 5            | SRNO              | Numeric     | 4            | Serial No.                                    |  |
| 6            | PRTY              | Character   | 45           | Name of Party                                 | The legal name   |
| 7            | REGADDR           | Character   | 96           | Registered address                            | Registered Office address  |
| 8            | OSAMT             | Numeric     | 6            | Outstanding amount in Rs. lakhs (Rounded off) |  |
| 9            | ASSETCLASS        | Character   | 5            | Asset Classification                          | Fixed<br>? 'DOUBT' for doubtful a/c<br>'LOSS' for loss a/c   |
| 10           | DATECLASS         | Character   | 5            | Date of classification                        | Month in which the a/c was classified as   |

|    |              |           |    |                          |  |
|----|--------------|-----------|----|--------------------------|--|
|    |              |           |    |                          | 'DOUBT'/'LOSS' in the format 'mmyy' where mmm stand for the first 3 characters of the month. As this field is 'character' type, the format is not sensitive to date and the Y2K is not relevant. The date of classification 'march 2000' should be filled up as 'MAR00'.   |
| 11 | SUIT         | Character | 4  | Suit filed or not        | Whether the suit is filed against the party. Type 'SUIT' in case suit is filed. As banks/FIs should not include any suit-filed account, this column should be kept blank.  |
| 12 | OTHER_B<br>K | Character | 40 | Name of other banks/ FIs | The names of other banks/FIs from whom the party has availed credit facility should be indicated. The names may be fed in abbreviated form e.g. BOB for Bank of Baroda, SBI for State Bank etc.  |
| 13 | DIR1         | Character | 24 | Name of director*        | (a) In case of Government companies the legend "Govt. of ____ undertaking" alone should be mentioned. (b) The names of nominee directors of banks/ FIs/ Central Govt./State Govt. should also be reported. However, against the name of nominee director abbreviation 'Nom' should be indicated in the bracket. (c) The words "professional directors" should be substituted by "Independent Director" in the format. However, also against the name of such independent directors, abbreviation 'Ind' should be indicated in the bracket. (d) If total number of directors exceed 14, the name of additional directors may be entered in blank spaces |

|    |                    |           |            |                  |  |
|----|--------------------|-----------|------------|------------------|--|
|    |                    |           |            |                  | available in the other directors' columns. |
| 14 | DIR2               | Character | 24         | Name of director | --- do ---                                 |
| 15 | DIR3               | Character | 24         | Name of director | --- do ---                                 |
| 16 | DIR4               | Character | 24         | Name of director | --- do ---                                 |
| 17 | DIR5               | Character | 24         | Name of director | --- do ---                                 |
| 18 | DIR6               | Character | 24         | Name of director | --- do ---                                 |
| 19 | DIR7               | Character | 24         | Name of director | --- do ---                                 |
| 20 | DIR8               | Character | 24         | Name of director | --- do ---                                 |
| 21 | DIR9               | Character | 24         | Name of director | --- do ---                                 |
| 22 | DIR10              | Character | 24         | Name of director | --- do ---                                 |
| 23 | DIR11              | Character | 24         | Name of director | --- do ---                                 |
| 24 | DIR12              | Character | 24         | Name of director | --- do ---                                 |
| 25 | DIR13              | Character | 24         | Name of director | --- do ---                                 |
| 26 | DIR14              | Character | 24         | Name of director | --- do ---                                 |
|    | <b>Total bytes</b> |           | <b>628</b> |                  |  |

? In the case of Directors who held office at the time the account was classified as defaulter, but are no longer on the Board, the symbol @ may be indicated in brackets against their names (vide paragraph 3 of circular dated 1.4.2000)

The information should be submitted in the above format **in 3.5" floppy as .dbf file only (should be processed under dBASE or Fox-pro package)**. While submitting the floppy, the banks/FIs should ensure that :

- ✍ the floppy is free from virus and is readable.
- ✍ the name and width of each of the fields and order of the fields is strictly as per the above format.
- ✍ In case of Government undertakings, instead of giving names of Chairman/Director etc., a legend "Govt. of \_\_\_\_\_ undertaking" has been mentioned.
- ✍ the records with outstanding amount of less than Rs.1 crore have not been included.
- ✍ the use of following types of words have been avoided (as the fields can not be properly indexed) :

'M/s', 'Mr', 'Shri' etc.

- ✍ the words 'Mrs', 'Smt', 'Dr' etc. have been fed at the end of name of the person, if applicable.
- ✍ no suit-filed account has been included. Therefore the field 'SUIT' is kept blank.
- ✍ Except for field no.11 (i.e. "SUIT") and some of the fields from DIR1 To DIR 14, information is completely filled up and these are not kept blank.
- ✍ certificate signed by a sufficiently senior official stating that 'the list of defaulters has been correctly compiled after duly varifying the details thereof and RBI's instructions have been strictly followed' is sent along with the floppy.

The other instructions pertaining to collection and dissemination of information issued to banks/ FIs remain unchanged.

Submission of Information about Cases of Wilful Default of Rs.25 lakhs and above on floppy diskette on quarterly basis

Banks and FIs are required to submit to RBI on quarterly basis details of wilful defaulters in the format prescribed by circular DBOD No.BC.DL.(W)12/20.16.002(1)/98-99 dated 20<sup>th</sup> February 1999 read with circular DBOD No. DL(W) 952/ 20.16.002/ 98-99 dated 27<sup>th</sup> May 1999.

The banks/FIs are required to use the following structure (with the same field names) while submitting data to RBI in floppy diskettes :

| <i>Field</i> | <i>Field Name</i> | <i>Type</i> | <i>Width</i> | <i>Description</i>                            | <i>Remarks</i>   |
|--------------|-------------------|-------------|--------------|---|--|
| 1            | SCTG              | Numeric     | 1            | Category of bank/FI                           | Number 1/2/4/6/8 should be fed<br>1 SBI and its associate banks<br>2 Nationalised banks<br>4 Foreign banks<br>6 Private Sector Banks<br>8 Financial Institutions |
| 2            | BKNM              | Character   | 20           | Name of bank/FI                               |  |
| 3            | BKBR              | Character   | 14           | Branch name                                   | Name of the branch/code number should be fed   |
| 4            | STATE             | Character   | 15           | Name of state                                 | Name of state in which branch is situated  |
| 5            | SRNO              | Numeric     | 4            | Serial No.                                    |  |
| 6            | PRTY              | Character   | 45           | Name of Party                                 | The legal name   |
| 7            | REGADDR           | Character   | 96           | Registered address                            | Registered Office address  |
| 8            | OSAMT             | Numeric     | 6            | Outstanding amount in Rs. lakhs (Rounded off) |  |
| 9            | SUIT              | Character   | 4            | Suit filed or not                             | Type 'SUIT' in case suit is filed. Other cases this field should be kept blank.  |
| 10           | OTHER_BK          | Character   | 40           | Name of other banks/ FIs                      | The names of other banks/FIs from whom the party has availed credit facility should be indicated. The names may be fed in abbreviated form                       |

|                    |       |           |            |                  |  |
|--------------------|-------|-----------|------------|------------------|--|
|                    |       |           |            |                  | e.g. BOB for Bank of Baroda, SBI for State Bank etc.   |
| 11                 | DIR1  | Character | 24         | Name of director | (a) In case of Government companies the legend “Govt. of _____ undertaking” alone should be mentioned. (b) The names of nominee directors of banks/ FIs/ Central Govt./State Govt. should also be reported. However, against the name of nominee director abbreviation 'Nom' should be indicated in the bracket. (c) The words "professional directors" should be substituted by "Independent Director" in the format. However, also against the name of such independent directors, abbreviation 'Ind' should be indicated in the bracket. (d) If total number of directors exceed 14, the name of additional directors may be entered in blank spaces available in the other directors' columns. |
| 12                 | DIR2  | Character | 24         | Name of director | --- do ---   |
| 13                 | DIR3  | Character | 24         | Name of director | --- do ---   |
| 14                 | DIR4  | Character | 24         | Name of director | --- do ---   |
| 15                 | DIR5  | Character | 24         | Name of director | --- do ---   |
| 16                 | DIR6  | Character | 24         | Name of director | --- do ---   |
| 17                 | DIR7  | Character | 24         | Name of director | --- do ---   |
| 18                 | DIR8  | Character | 24         | Name of director | --- do ---   |
| 19                 | DIR9  | Character | 24         | Name of director | --- do ---   |
| 20                 | DIR10 | Character | 24         | Name of director | --- do ---   |
| 21                 | DIR11 | Character | 24         | Name of director | --- do ---   |
| 22                 | DIR12 | Character | 24         | Name of director | --- do ---   |
| 23                 | DIR13 | Character | 24         | Name of director | --- do ---   |
| 24                 | DIR14 | Character | 24         | Name of director | --- do ---   |
| <b>Total bytes</b> |       |           | <b>582</b> |                  |  |

The information should be submitted in the above format **in 3.5” floppy as .dbf file only (should be processed under dBASE or Fox-pro package)**. While submitting the floppy, the banks/FIs should **ensure** that :

✍ the floppy is free from virus and is readable.

- ✍ the name and width of each of the fields and order of fields is strictly as per the above format.
- ✍ in case of Government undertakings, instead of giving names of Chairman/Director etc. a legend “Govt. of \_\_\_\_\_ undertaking” has been mentioned.
- ✍ the records with outstanding amount less than Rs.25 lakhs have not been included.
- ✍ the use of following types of words have been avoided (as the fields can not be properly indexed) :

‘M/s’, ‘Mr’, ‘Shri’ etc.

- ✍ the words ‘Mrs’, ‘Smt’, ‘Dr’ etc. have been fed at the end of name of the person, if applicable.
- ✍ field no.9 has been filled up in the case of suit-filed accounts. For other fields (except for some of the fields from DIR1 To DIR 14), information is completely filled up and these are not kept blank.
- ✍ certificate signed by a sufficiently senior official stating that ‘the list of wilful defaulters has been correctly compiled after duly verifying the details thereof and RBI’s instructions have been strictly followed’ is sent along with the floppy.

The other instructions pertaining to collection and dissemination of information issued to banks/ FIs vide our circular DBOD No.BC.DL.(W)12/ 20.16.002(1)/98-99 dated 20<sup>th</sup> February 1999 remain unchanged.

**(A) Disclosure of information about defaulters of banks and Financial Institutions – List of Suit-filed accounts of Rs.1 crore and above**

As per the extant guidelines issued vide our circular No.DBOD.BC/ CIS(D)No.135/ 20.16.002/95-96 dated 24<sup>th</sup> November 1995 banks/FIs are required to submit statement of suit-filed accounts of Rs.1 crore and above as on 31<sup>st</sup> March each year in hard copies (duplicate). In order to standardise the format of suit-filed accounts and to avoid duplication in feeding of data in statements under defaulters list and suit-filed accounts, it has been decided to obtain the List of Suit-filed accounts of Rs.1 crore and above in floppy diskettes in addition to obtaining the same in hard copies from banks/FIs.

The banks/FIs are required to use the following structure (with the same field names) while submitting the List of Suit-filed accounts as on 31<sup>st</sup> March to RBI in floppy diskettes :

| <i>Field</i> | <i>Field Name</i> | <i>Type</i> | <i>Width</i> | <i>Description</i>  | <i>Remarks</i>                 |
|--------------|-------------------|-------------|--------------|---------------------|--------------------------------|
| 1            | SCTG              | Numeric     | 1            | Category of bank/FI | Number 1/2/4/6/8 should be fed |

|    |            |           |    |   |   |
|----|------------|-----------|----|---|---|
|    |            |           |    |   | 1 SBI and its associate banks<br>2 Nationalised banks<br>4 Foreign banks<br>6 Private Sector Banks<br>8 Financial Institutions  |
| 2  | BKNM       | Character | 40 | Name of bank/FI                               |   |
| 3  | BKBR       | Character | 30 | Branch name                                   | Name of the branch should be fed in place of branch code number.  |
| 4  | STATE      | Character | 15 | Name of state                                 | Name of state in which branch is situated   |
| 5  | SRNO       | Numeric   | 4  | Serial No.                                    |   |
| 6  | PRTY       | Character | 45 | Name of Party                                 | The legal name  |
| 7  | REGADDR    | Character | 96 | Registered address                            | Registered Office address   |
| 8  | OSAMT      | Numeric   | 6  | Outstanding amount in Rs. lakhs (Rounded off) | The amount for which suit has been filed should be indicated.   |
| 9  | ASSETCLASS | Character | 5  | Asset Classification                          | Fixed<br>? 'DOUBT' for doubtful a/c<br>? 'LOSS' for loss a/c<br>? 'SUBST' for sub-standard a/c<br>? 'STD' for standard a/c  |
| 10 | DATECLASS  | Character | 5  | Date of classification                        | Month in which the a/c was classified as 'DOUBT'/'LOSS'/SUBST/STD' in the format 'mmmyy' where mmm stand for the first 3 characters of the month. As this field is 'character' type, the format is not sensitive to date and the Y2K is not relevant. The date of classification 'march 2000' should be filled up as 'MAR00'. |
| 11 | DIR1       | Character | 24 | Name of director*                             | (a) In case of Government companies the legend "Govt. of _____ undertaking" alone should be mentioned. (b) The names of nominee directors of banks/ FIs/ Central Govt./State Govt. should also be reported. However, against the name of nominee  |

|                    |       |           |            |                  |   |
|--------------------|-------|-----------|------------|------------------|---|
|                    |       |           |            |                  | director abbreviation 'Nom' should be indicated in the bracket. (c) The words "professional directors" should be substituted by "Independent Director" in the format. However, also against the name of such independent directors, abbreviation 'Ind' should be indicated in the bracket. (d) If total number of directors exceed 14, the name of additional directors may be entered in blank spaces available in the other directors' columns. |
| 12                 | DIR2  | Character | 24         | Name of director | --- do ---  |
| 13                 | DIR3  | Character | 24         | Name of director | --- do ---  |
| 14                 | DIR4  | Character | 24         | Name of director | --- do ---  |
| 15                 | DIR5  | Character | 24         | Name of director | --- do ---  |
| 16                 | DIR6  | Character | 24         | Name of director | --- do ---  |
| 17                 | DIR7  | Character | 24         | Name of director | --- do ---  |
| 18                 | DIR8  | Character | 24         | Name of director | --- do ---  |
| 19                 | DIR9  | Character | 24         | Name of director | --- do ---  |
| 20                 | DIR10 | Character | 24         | Name of director | --- do ---  |
| 21                 | DIR11 | Character | 24         | Name of director | --- do ---  |
| 22                 | DIR12 | Character | 24         | Name of director | --- do ---  |
| 23                 | DIR13 | Character | 24         | Name of director | --- do ---  |
| 24                 | DIR14 | Character | 24         | Name of director | --- do ---  |
| <b>Total bytes</b> |       |           | <b>584</b> |                  |   |

? In the case of Directors who held office at the time the account was classified as defaulter, but are no longer on the Board, the symbol @ may be indicated in brackets against their names (vide paragraph 3 of circular dated 1.4.2000)

The information should be submitted in the above format **in 3.5" floppy as .dbf file only (should be processed under dBASE or Fox-pro package)**. While submitting the floppy, the banks/FIs should ensure that :

- ✍ the floppy is free from virus and is readable.
- ✍ the name and width of each of the fields and order of the fields is strictly as per the above format.
- ✍ in case of Government undertakings, instead of giving names of Chairman/Director etc., a legend "Govt. of \_\_\_\_\_ undertaking" has been mentioned.

✍ the records with outstanding amount of less than Rs.1 crore have not been included.

✍ the use of following types of words have been avoided (as the fields can not be properly indexed) :

‘M/s’, ‘Mr’, ‘Shri’ etc.

✍ the words ‘Mrs’, ‘Smt’, ‘Dr’ etc. have been fed at the end of name of the person, if applicable.

✍ All the records are completely filled up and none of the fields (except for some of the fields from DIR1 To DIR 14) is kept blank.

✍ certificate signed by a sufficiently senior official stating that ‘the list of suit-filed accounts has been correctly compiled after duly verifying the details thereof and RBI’s instructions have been strictly followed’ is sent along with the floppy.

**(B) Disclosure of information about defaulters of banks and Financial Institutions – List of Suit-filed accounts of Rs.1 crore and above – Quarterly Updates**

The banks/FIs are required to submit the list of suit-filed accounts added and deleted as on 30<sup>th</sup> June, 30<sup>th</sup> September and 31<sup>st</sup> December in hard copies in terms of our circular No. DBOD No.DL.BC/117/20.16.002/99-2000 dated 30<sup>th</sup> October 1999. It has been decided that the said lists should be submitted in floppy diskettes in addition to the hard copies. The following formats should be used for updating the 2 types of files i.e. 1 file for added records and other file for deleted records of suit-filed accounts during the quarter.

(I) Format for submitting information on suit-filed accounts of Rs.1 crore and above **added during the quarter** – Same as the List of suit-filed accounts (as described at A)

(II) Format for submitting information on suit-filed accounts of Rs.1 crore and above **deleted during the quarter** – As given below :

| <i>Field</i> | <i>Field Name</i> | <i>Type</i> | <i>Width</i> | <i>Description</i>  | <i>Remarks</i>   |
|--------------|-------------------|-------------|--------------|---------------------|--|
| 1            | SCTG              | Numeric     | 1            | Category of bank/FI | Number 1/2/4/6/8 should be fed<br>1 SBI and its associate banks<br>2 Nationalised banks<br>4 Foreign banks<br>6 Private Sector Banks<br>8 Financial Institutions |

|   |         |             |            |                    |  |
|---|---------|-------------|------------|--------------------|--|
| 2 | BKNM    | Character   | 40         | Name of bank/FI    |  |
| 3 | BKBR    | Character   | 30         | Branch name        | Name of the branch should be fed.                                  |
| 4 | STATE   | Character   | 15         | Name of state      | Name of state in which branch is situated                          |
| 5 | SRNO*   | Numeric     | 4          | Serial No.         |  |
| 6 | PRTY    | Character   | 45         | Name of Party      | The legal name   |
| 7 | REGADDR | Character   | 96         | Registered address | Registered Office address  |
| 8 | PAGENO  | Numeric     | 4          | Page Number        | Page number in the booklet of suit-filed accounts published by RBI |
|   |         | Total bytes | <b>236</b> |                    |  |

\* Appearing in the booklet as on 31<sup>st</sup> March

The information should be submitted in the above format **in 3.5" floppy as .dbf file only (should be processed under dBASE or Fox-pro package).**

The other instructions pertaining to updating of list of suit-filed accounts issued to banks/ FIs vide our circular No. DBOD No.DL.BC/117/20.16.002/99-2000 dated 30<sup>th</sup> October 1999 remain unchanged.