

DOS.PS.SRS.Bks.01/15.02.800/94-95 name=Reference>

D.O.No.DOS.PS.SRS.Bks.01/15.02.800/94-95

February 28, 1995

Dear Shri

**Section 27(2) of the Banking Regulation Act, 1949 -
Supervisory Reporting System for Banks**

Pursuant to the new supervision strategy approved by the Board for Financial Supervision (BFS), it is planned to strengthen the off-site surveillance (OSS) capability in the Department of Supervision, complementing its current on-site inspections. Accordingly, a formal supervisory reporting system (SRS) is proposed to be set up and made operational beginning next financial year, i.e. April 1, 1995. The reporting would essentially be prudential in content and tri-monthly in periodicity. The total package of supervisory returns for commercial banks designated DSB Returns (DOS -Banks) - comprises 12 reports (9 of them to be filed at quarterly intervals and other 3 at half-yearly intervals) and are planned to be introduced in two stages. Two of these reports are not to be filed by foreign banks.

2. While the main objective of the proposed reporting is to provide information to the Department of Supervision (DOS) on areas of prudential interest and for monitoring regulatory compliance, it is also designed to address the management information needs and strengthen the MIS capabilities within the reporting institutions; in other words, the returns have substantial MIS inputs - which account for considerable elaboration in the structure of some of the returns. A collateral objective is to help banks in self-regulation by sensitising their managements to the prudential concerns of the supervisory authority besides focussing their attention on asset quality and risk concentrations.

3. In order that reporting institutions have adequate time to organise their information systems (progressively) to respond to the new reporting formats/requirements, it is proposed - as already stated - to introduce this supervisory reporting in two phases - spaced by an interval of not less than 6 to 9 months. In the first tranche, 7 returns - (5 for foreign banks) - are proposed to be introduced. These are furnished in the Attachment. The procedural details regarding the submission of the returns, together with the guidance notes for their completion, are being intimated in a separate communication to all banks by the Department (DOS).

4. The first set of reports - of the first tranche - is being now called mainly for "testing" the returns in terms of the reporting capabilities of the respondent banks. Accordingly, in the first round, banks are required to report the "positions" as at end of half-year last, i.e. as at 30th September 1994 on which date all target institutions would expectedly have in place ready data, making for easier reporting. Based on the feed-back, marginal changes in the returns may be made to make them more user friendly. The returns and guidance notes finalised thereafter will constitute the formal reporting system which will be made fully operational as from end-March 1995.

5. In order to facilitate smooth transition/operationalisation of the new system, DOS proposes to conduct a series of workshops - rather, "inter-face sessions" with the officials of banks connected with this reporting function, in the course of the next 3 to 4 weeks.

6. We wish to emphasise that RBI attaches utmost importance, to this reporting system and expects banks to submit the returns to DOS correctly compiled and in proper time. To this end, we suggest that you designate and authorise one - or two - senior official/s who would be responsible for the correct compilation and timely submission of these returns and who will be fully responsible for the information furnished therein. Such designated Authorised Reporting Official/s (AROs) would have to liaise with the officials in the Off-site Surveillance Division in DOS on an on-going basis.

7. While the information provided in the Supervisory Returns would be subject to post-facto verification in on-site inspections by DOS and in the external audits of reporting banks, it would form the basis in the interregnum for supervisory attention and dialogues with bank managements and hence the emphasis on correct reporting. In this connection, attention is invited to the provisions of Section 46(1) of the B. R. Act, 1949, dealing with penalties for furnishing wrong information to the Bank (RBI).

8. Please acknowledge receipt of this letter to the Policy and Systems Division, Department of Supervision, Central Office, Bombay.

With regards,

Sd/-

(S. P. Talwar)
Dy. Governor