

Date of Announcement		POLICY ANNOUNCEMENTS
I. MONETARY POLICY MEASURES		
2002		
April	29	<ul style="list-style-type: none"> • Cash reserve ratio (CRR) to be reduced from 5.5 per cent to 5.0 per cent effective fortnight beginning June 15, 2002. • A reduction in Bank Rate by 50 basis points to be considered by the Reserve Bank as and when necessary. • Collateralised lending facility (CLF) to be phased out with effect from the fortnight beginning October 5, 2002. CLF could be reintroduced for a temporary period in future, if considered necessary in the light of changes in monetary conditions. • All banks were encouraged to put a flexible interest rate system on deposits (with a fixed rate option for depositors) in practice as early as possible. Banks to consider paying the depositors at the contracted rate for the period of deposit already run and waive the penalty for premature withdrawal if the same deposit is renewed at the variable rate. • Banks to provide information to depositors and the Reserve Bank on: a) deposit rates for various maturities and effective annualised return to the depositors, and b) maximum and minimum interest rates charged to their borrowers. The Reserve Bank to place the above information in public domain. • Banks to report to the Reserve Bank the minimum and maximum lending rates to exporters, with effect from fortnight beginning June 15, 2002, for placing in public domain. • Banks to switch over to 'all cost' concept for borrowers by explicitly declaring the processing charges, service charges, etc. charged to borrowers and announcing them publicly. • Co-operative banks free to determine the lending rates with the withdrawal of MLR concept. Co-operative banks to publish the minimum and maximum lending rates and display the same in every branch. • Ceiling interest rates on FCNR (B) deposits revised downwards from LIBOR/SWAP rates of corresponding maturities to LIBOR/ SWAP minus 25 basis points. • Ceiling interest rate on export credit in foreign currency reduced to LIBOR plus 0.75 percentage point from the existing LIBOR plus 1.0 percentage point. • The daily borrowings of State Co-operative Banks and District Central Co-operative Banks in the call/notice money market not to exceed 2.0 per cent of their aggregate deposits as at the end of March of the previous financial year. • The limit on banks to borrow and invest from/in overseas market increased from 15 per cent to 25 per cent of their unimpaired Tier I capital within the banks' Open Position Limit and maturity mismatch limits (Gap Limits).
May	18	<ul style="list-style-type: none"> • The CRR reduction by 0.5 percentage point from the then existing level of 5.5 per cent, initially proposed to be effective fortnight beginning June 15, 2002, advanced to reporting fortnight beginning June 1, 2002.
June	27	<ul style="list-style-type: none"> • The repo rate was cut by 25 basis points to 5.75 per cent from 6.00 per cent. • Prudential limit stipulated on the exposure of scheduled commercial banks (SCBs) in call money market in two stages: <ol style="list-style-type: none"> i) In the first stage, effective October 5, 2002, SCBs daily lending in the call/notice money market, on a fortnightly average basis, not to exceed 50 per cent of their owned funds as at the end of March of the previous financial year; their fortnightly average borrowing not to exceed 150 per cent of their owned funds or 2.0 per cent of aggregate deposits as at the end of March of the previous financial year, whichever is higher. However, they will be allowed to lend and borrow a maximum of 100 per cent and 250 per cent, respectively, of their owned funds on any day during a fortnight. ii) In the second stage, effective fortnight beginning December 14, 2002, SCBs fortnightly average lending in the call/notice money market not to exceed 25 per cent of their owned funds; fortnightly average borrowings not to exceed 100 per cent of their owned funds or 2.0 per cent of aggregate deposits as at the end of March of the previous financial year, whichever is higher. They will be allowed to lend and borrow a maximum of 50 per cent and 125 per cent, respectively, of their owned funds on any day during a fortnight. iii) An increased access may be allowed for a temporary period in case of mismatches in liquidity position. If the bank has a fully functional Asset Liability Management (ALM) system to the satisfaction of the Reserve Bank, an increased access over the stipulated norm may be permitted for a longer period.

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2002	I. MONETARY POLICY MEASURES (Contd.)	
July	31	<ul style="list-style-type: none"> • Following the recommendations of the Working Group constituted to suggest the criteria for fixing limits for transactions of primary dealers (PDs) in call/notice money market as also to suggest a roadmap for phasing them out from call/notice money market, it was decided: <ul style="list-style-type: none"> i) With effect from October 5, 2002, PDs will be permitted to lend in call/notice money market up to 25 per cent of their net owned funds (NOF). ii) Access of PDs to borrow in call/notice money market would be gradually reduced in two stages: In Stage I, PDs would be allowed to borrow up to 200 per cent of their NOF as at end-March of the preceding financial year. In Stage II, PDs would be allowed to borrow up to 100 per cent of their NOF. The limits under both the stages would not be applicable for the days on which Government dated securities are issued to the market. The date of implementation of the Stage I, to be notified later, would be operational upon the finalisation of uniform accounting and documentation procedures for repos, allowing rollover of repos, introduction of tripartite repos or collateralised borrowing and lending obligations and permitting repos out of 'available for sale' category. Stage II will commence one month after permitting sale of repoed securities. iii) On implementation of the real-time gross settlement (RTGS) system, the above exemptions would be reviewed.
Oct.	29	<ul style="list-style-type: none"> • Bank Rate was reduced by 25 basis points to 6.25 per cent with effect from close of business on October 29,2002. • Repo rate under the LAF was reduced by 25 basis points to 5.25 per cent. • CRR to be reduced by 25 basis points to 4.75 per cent, effective fortnight beginning November 16,2002. • Apportionment of normal and back-stop facilities changed to one-half each (50:50) from the existing ratio of two-thirds to one-third, effective from the fortnight beginning November 16,2002. • To enable clearing corporation of India Ltd. (CCIL) to commence forex clearing operations in early November and to collateralise the facility, all the participants were advised to contribute to the Settlement Guarantee Fund (SGF).
Dec.	26	<ul style="list-style-type: none"> • With a view to providing flexibility to banks in choosing an optimum strategy of holding reserves depending upon their intra-period cash flows, the requirement of daily maintenance of minimum 80 per cent of the CRR balances was reduced to 70 per cent with effect from the fortnight beginning December 28, 2002.
2003		
Feb.	28	<ul style="list-style-type: none"> • The interest rate on savings account offered by banks was reduced to 3.5 per cent per annum from 4.0 per cent per annum with effect from March 1, 2003. • The LAF repo rate was reduced to 5.0 per cent from 5.5 per cent effective March 3, 2003.
April	29	<ul style="list-style-type: none"> • Bank Rate was reduced by 0.25 percentage point from 6.25 per cent to 6.0 per cent with effect from close of business on April 29,2003 with a policy bias to keep it stable until the Mid-term Review of October 2003. • CRR to be reduced by 0.25 percentage point from 4.75 per cent to 4.50 per cent, with effect from fortnight beginning June 14, 2003. • Interest on eligible CRR balances maintained by banks with the Reserve Bank to be paid on a monthly basis (as against the existing practice of quarterly basis) starting from April 2003. • Export credit refinance facility to continue for eligible export credit remaining outstanding under post-shipment credit beyond 90 days and up to 180 days. The measure to be reviewed in October 2003. • The multiplicity of rates at which liquidity is absorbed/injected under back-stop facility rationalised as under: i) the back-stop interest rate will be at the reverse repo cut-off rate at the regular LAF auctions on that day; ii) in case of no reverse repo in the LAF auctions, back-stop will be 2.0 percentage point above the repo cut-off rate; and, iii) on days when no repo/reverse repo bids are received/accepted, back-stop rate will be decided by the Reserve Bank on an <i>ad-hoc</i> basis. • In order to enhance transparency in banks' pricing of their loan products as also to ensure that the prime lending rate (PLR) truly reflects the actual costs, banks were advised to take into account their (i) actual cost of funds, (ii) operating expenses and (iii) a minimum margin to cover regulatory requirement of provisioning/capital charge and profit margin, while arriving at the benchmark PLR. • The benchmark PLR to continue to be the ceiling rate for credit limit up to Rs.2 lakh. The system of determination of benchmark PLR by banks and the actual prevailing spreads around the benchmark PLR to be reviewed in September 2003. • The minimum maturity period of fresh NRE deposits raised to one year in line with FCNR (B) deposits. The maturity period of fresh NRE deposits will normally be one year to three years. In case a particular bank, from its ALM point of view, wishes to accept deposits with maturity of more than 3 years, it may do so provided the interest rate on such long term deposits is not higher than that applicable to 3 year NRE deposits.

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CHRONOLOGY OF MAJOR POLICY ANNOUNCEMENTS

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2003	I. MONETARY POLICY MEASURES (Concl.)	
April	29	<ul style="list-style-type: none"> • Stage II of the transition to a pure inter-bank call/notice money market would be effective from the fortnight beginning June 14, 2003, wherein non-bank participants would be allowed to lend, on average in a reporting fortnight, up to 75 per cent of their average daily lending in call/notice money market during 2000-01. • With effect from fortnight beginning May 3, 2003, reporting of all call/notice money market deals on Negotiated Dealing System (NDS) would be mandatory for all NDS members. Deals done outside NDS should also be reported within 15 minutes on NDS, irrespective of the size of the deal or whether the counterparty is a member of the NDS or not. Full compliance with the reporting requirement to NDS will be reviewed in September 2003. In case there is repeated non-reporting of deals by an NDS member, it will be considered whether non-reported deals by that member should be treated as invalid with effect from a future date. • Less complex Over the Counter (OTC) interest rate rupee options to be permitted. Detailed guidelines to be issued in consultation with market participants.
July	17	<ul style="list-style-type: none"> • Banks were advised that until further notice, the interest rates on fresh repatriable NRE deposits for one to three years contracted effective July 17, 2003 should not exceed 250 basis points above the LIBOR/SWAP rates for US dollar of corresponding maturity. The LIBOR/SWAP rates as on the last working day of the preceding month would form the base for fixing ceiling rates for the interest rates that would be offered effective from the following month.
II. INTERNAL DEBT MANAGEMENT POLICIES		
2002		
April	1	<ul style="list-style-type: none"> • WMA limits for State Governments revised. The normal total WMA limit increased by Rs.752 crore to Rs.6,035 crore. • Calendar for issuance of dated securities announced for the first six months of the fiscal year 2002-03.
	3	<ul style="list-style-type: none"> • Notified amount of 364-day Treasury Bills raised from Rs.750 crore to Rs.1,000 crore in the auctions effective April 3, 2002.
	17	<ul style="list-style-type: none"> • WMA limit to the Government of India for the fiscal 2002-03 retained at Rs.10,000 crore for the first half of the year (April to September) and Rs.6,000 crore for the second half of the year (October to March). The interest rate on WMA is fixed at Bank Rate and on Overdraft at Bank Rate plus two percentage points.
May	20	<ul style="list-style-type: none"> • RBI regulated entities were instructed to transact and hold their investments in Government securities in demat form only either in SGL/CSGL (Gilt) account or in a demat account with depositories.
	31	<ul style="list-style-type: none"> • Satellite Dealers (SDs) scheme discontinued effective May 31, 2002.
June	5	<ul style="list-style-type: none"> • PDs brought under the purview of Board for Financial Supervision (BFS).
July	17	<ul style="list-style-type: none"> • For the first time, as part of Central Government's market borrowing programme, a bond (10-year Government of India stock) with call and put option issued.
	26	<ul style="list-style-type: none"> • PDs were required to publish their audited annual results in leading financial newspapers and on their website in the prescribed format.
Oct.	29	<ul style="list-style-type: none"> • Anonymous screen based order driven trading in Government securities on the stock exchanges to be introduced in consultation with SEBI. • To move in the direction of categorisation and valuation of banks' investments in consonance with best international practices, the Reserve Bank issued guidelines for uniform accounting norms for repo and reverse repo transactions in consultation with market participants. • For deepening and making the repo market more liquid, the Reserve Bank proposed i) extension of repos to all regulated entities with gilt/CSGL accounts as long as all transactions are mandatorily reported and settled through the Delivery <i>versus</i> Payment (DvP) System; and ii) to allow rollover of repo contracts using the same securities between the same counterparties. • For improving the pricing of bonds in the secondary market and enhancing their liquidity i) fresh issues of floating rate bonds (FRBs) will provide for annual reset of base rate instead of existing practice of semi-annual reset, and ii) the base rate will be determined on the basis of the average cut-off yields of 364-day Treasury Bills in the preceding three auctions as against preceding six auctions as applicable for existing FRBs.
2003		
Jan.	16	<ul style="list-style-type: none"> • Buying and selling of Government securities through the stock exchanges commenced in NSE, BSE and OTCEI.
	20	<ul style="list-style-type: none"> • Collateralised borrowing and lending obligation (CBLO) was operationalised as a money market instrument through the CCIL.

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2003	II. INTERNAL DEBT MANAGEMENT POLICIES (Concl.d.)	
Feb.	21	<ul style="list-style-type: none"> • Guidelines were issued to extend eligibility for ready forward (repo) contracts to select categories of gilt account holders, with adequate safeguards to ensure DvP and transparency. The guidelines came into effect from March 3, 2003.
March	3	<ul style="list-style-type: none"> • Based on the recommendations of the Ramachandran Committee, the WMA limit for States was enhanced by Rs. 1,135 crores to Rs. 7,170 crore with effect from March 03, 2003.
	24	<ul style="list-style-type: none"> • Guidelines were issued for uniform accounting of repo transactions. • Guidelines were issued for availment of FCNR (B) loans by PDs.
April	31	<ul style="list-style-type: none"> • An indicative calendar for issuance of dated securities announced for the first six months of the fiscal year 2003-04.
	1	<ul style="list-style-type: none"> • WMA limit to the Government of India for the fiscal year 2003-04 was retained at Rs. 10,000 crore for the first half of the year (April to September) and Rs. 6,000 crore for the second half of the year (October to March). The interest rate on WMA was fixed at Bank Rate and on Overdraft at Bank Rate plus two percentage points. • Overdraft Regulation for the State Governments was made more stringent. The States cannot remain in Overdraft for more than 36 working days in a quarter.
	3	<ul style="list-style-type: none"> • Operational guidelines were issued to CCIL for operationalisation of Government securities lending scheme. The CCIL was permitted to enter into an arrangement with any of its members for borrowing Government securities for the purpose of handling securities shortage in the settlement of transactions.
	10	<ul style="list-style-type: none"> • Operational guidelines were issued to PDs for Portfolio Management Services (PMS). PDs, with prior approval of the Reserve Bank and registration with SEBI, were permitted to offer PMS services only to entities not regulated by the Reserve Bank.
	29	<ul style="list-style-type: none"> • CBLO exempted from CRR subject to the bank maintaining the statutory minimum CRR of 3.0 per cent. Securities lodged in the gilt account of the bank maintained with CCIL under CSGL facility for CBLO remaining unencumbered at the end of any day reckoned for SLR purposes by the concerned bank.
May	19	<ul style="list-style-type: none"> • FRBs 2014 was issued for Rs.5,000 crore incorporating modified features for the first time.
June	3	<ul style="list-style-type: none"> • With a view to enabling PDs to manage their exposure to interest rate risk, they were allowed to deal in exchange traded Interest Rate Derivatives (IRDs) in a phased manner. In the first phase, such entities were permitted to transact only in interest rate futures on notional bonds and Treasury Bills for limited purpose of hedging the risk in their underlying investment portfolio subject to prudential guidelines and appropriate disclosures.
	11	<ul style="list-style-type: none"> • Based on the feedback from the PDs, they were further permitted to hold trading positions in interest rate futures.
	III. FINANCIAL SECTOR MEASURES	
2002		
April	1	<ul style="list-style-type: none"> • In respect of urban co-operative banks (UCBs), it was decided that accretion to or reduction in the share capital after the balance sheet date may be taken into account for determining exposure ceiling at half yearly intervals and the bank may, if they so desire, fix a fresh exposure limit taking into account the amount of share capital available as on 30 September. However, accretions to capital funds other than to share capital would not be eligible for re-fixing the exposure ceiling. Banks should also ensure that they do not take exposures in excess of the ceiling prescribed, in anticipation of infusion of capital on a future date.
	4	<ul style="list-style-type: none"> • Instances of frauds in UCBs involving large amounts of frauds of serious nature should be reported to the Registrar of Co-operative Societies through a D.O. letter which may cover the various categories of specified frauds.
	5	<ul style="list-style-type: none"> • The Consultative Group of Directors of Banks and Financial Institutions (Chairman: Dr. A.S. Ganguly), which was constituted to look into the role of Board of Directors of banks/FIs and make recommendations, for consideration by the Government/the Reserve Bank, for making it more effective with a view to minimising risks and over-exposure, submitted its report to the Reserve Bank. The major recommendations of the Group pertain to: appointment of one more whole-time director on the Boards of large-sized nationalised banks; establishment of appropriate due diligence procedures for appointment of directors on the Boards of private sector banks; setting up of nomination committees of Boards of banks to recommend appointment of independent/non-executive directors; building and creation of a pool of professional and talented people for Board level appointments in banks. • The recommendation of the High Power Committee on UCBs regarding the appointment of at least two directors with suitable banking experience or with relevant professional, on the Boards of newly constituted UCBs, was extended to all the existing UCBs. All UCBs were advised to amend their by-laws to incorporate the above recommendation and initiate steps for compliance.

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CHRONOLOGY OF MAJOR POLICY ANNOUNCEMENTS

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2002	III. FINANCIAL SECTOR MEASURES (Contd.)
April	<p>6 • UCBs were advised that the investment limit in plant and machinery in respect of the industrial undertakings, manufacturing specified hosiery and hand tool items has been enhanced from 'not exceeding Rs.1 crore' to 'not exceeding Rs.5 crore'. Advances to such units may be classified as SSI advances under priority sector.</p> <p>15 • Scheduled UCBs were advised to put in place an effective ALM System by June 30, 2002. To begin with, the banks have to ensure coverage of at least 60 per cent of their liabilities and assets; for the remaining 40 per cent, banks may include the position based on their estimates. Internal Asset-Liability Committee (ALCO) is to be set up in each bank, headed by the CEO.</p> <p>18 • Banks were advised that while reckoning the quantum of unsecured advances and guarantees for applying the norms relating to unsecured advances and guarantees, outstanding credit card dues should be excluded from the total of unsecured advances.</p> <p>19 • Banks were advised that products of aluminium, petroleum products, sugar and foodgrains were to be included in the products eligible for special financial package for large value exports.</p> <p>20 • As some banks had not followed the Reserve Bank guidelines on investment transactions and had undertaken transactions which might have exposed the banks to significant risks, UCBs were advised to strictly follow the extant guidelines. Some of the important instructions are as follows: (i) UCBs should not undertake any purchase/sale transactions with broking firms or other intermediaries on a principal to principal basis. (ii) UCBs should seek a SCB, PD or FI as a counter party. Preference should be for direct deals with such counter parties. It will be desirable to check prices from the banks or PDs with whom UCBs may be maintaining Constituent SGL Account (CSGL). (iii) If a deal is put through with the help of broker, the role of the broker should be restricted to that of bringing the two parties to the deal together. Under no circumstances should bank give power of attorney or any other authorisation to brokers/intermediaries to deal on their behalf in the money and securities markets. (iv) Only brokers registered with NSE or BSE or OTCEI should be utilised for acting as intermediary. A limit of 5 per cent of total transactions (both purchases and sales) should be treated as the aggregate upper contract limit for each of the approved brokers. (v) All investment transactions should be perused by the Board at least once a month.</p> <p>22 • The Reserve Bank announced that the past due period of 30 days for identification of NPAs by NBFCs would be done away with, effective March 31, 2003.</p> <p>• The Reserve Bank prescribed guidelines for objective identification of loss assets by NBFCs including instances therein which could threaten the recovery of the assets so that the NPAs are promptly classified and adequate provisions are made against such assets.</p> <p>• It was decided to take action progressively against NBFCs for non-submission of returns. Such action may include imposing penalties as provided in the Reserve Bank of India Act, 1934 as also launching court proceedings against the errant companies, besides considering rejection/cancellation of the Certificate of Registration. To start with, cases of NBFCs having public deposits of Rs.50 crore and above and defaulting in submission of returns are being taken up. This discipline will be extended to other NBFCs in due course.</p> <p>26 • The Reserve Bank approved the merger of ICICI Ltd. with ICICI Bank Ltd., subject to certain conditions.</p> <p>• Scheduled UCBs were advised to conduct a special audit of their securities transactions by a Chartered Accountant and to place a report of the audit before the Board.</p> <p>29 • Issue of certificate of deposits (CDs) by banks and FIs only in the dematerialised form effective June 30, 2002. Conversion of existing outstandings of CDs into the demat form by October 2002.</p> <p>• The RRBs were advised to maintain their entire SLR holdings in Government and other approved securities by converting existing deposits with sponsor banks into approved securities by March 31, 2003.</p> <p>• Funds provided to RRBs by sponsor banks for on-lending to priority sector to be excluded from the calculation of priority sector target achievements.</p> <p>• All SCBs were advised that they may, on the basis of good track record of the SSI units and the financial position of the units, increase the limit of dispensation of collateral requirement from Rs.5 lakh to Rs.15 lakh.</p> <p>• Increase in limit from Rs.15 lakh to Rs.25 lakh for financing of distribution of inputs for allied activities under priority sector.</p> <p>• Increase in credit limits from Rs.1 lakh to Rs.5 lakh for marketing of crops (pledge financing) under priority sector. Repayment schedules of such credit enhanced to 12 months from 6 months.</p> <p>• Banks were advised that, effective March 31, 2005, an asset would be classified as doubtful if it remained in the sub-standard category for 12 months. Banks were permitted to phase the additional provisioning consequent upon the reduction in the transition period from substandard to doubtful asset from 18 months to 12 months, over a four-year period, commencing from the year ending March 31, 2005, with a minimum of 20 per cent each year.</p>

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2002	III. FINANCIAL SECTOR MEASURES (Contd.)	
April	29	<ul style="list-style-type: none"> • Investments by banks in Mortgage Backed Securities (MBS) issued by HFCs and supervised by NHB to be included in the prescribed housing finance allocation of 3 per cent.
May	3	<ul style="list-style-type: none"> • Banks were advised to compute Investment Fluctuation Reserve (IFR) with reference to investments in two categories, viz., "Held for Trading" and "Available for Sale" and for the purpose of computation of IFR, it is not necessary to include investments under "Held to Maturity" category. • As an interim measure, the Reserve Bank would grant permission for CDR on the basis of specific recommendations of CDR "Core Group", if a minimum of 75 per cent by value of the lenders consent for CDR, irrespective of differences in asset classification status in banks/FIs. • Banks to constitute an expert internal team to study the methodology of the new Basel proposals and its likely impact.
	14	<ul style="list-style-type: none"> • With the operationalisation of the CCIL, modified instructions were issued to FIs, which <i>inter alia</i>, state that ready forward contracts shall be settled through the SGL accounts of the participants with the Reserve Bank or through the SGL accounts of the CCIL with the Reserve Bank.
	20	<ul style="list-style-type: none"> • Commercial banks, co-operative banks, PDs, FIs, local area banks, RRBs and NBFCs were advised to hold Government securities in dematerialised form.
	21	<ul style="list-style-type: none"> • The existing norm of two harvest seasons not exceeding two half years for reckoning NPAs which is applicable only in respect of short-term agricultural crop loans for production and marketing of seasonal agricultural crops and not for other activities like horticulture, floriculture or other allied activities was reviewed and it was decided that the norm of two harvest seasons, not exceeding two half years, be made applicable to all specified direct agricultural advances.
	23	<ul style="list-style-type: none"> • Parabanking facilities such as lending and hire-purchase extended by banks at select branches departmentally were made eligible for classification as priority sector advances, provided the beneficiary satisfies the criteria laid down by the Reserve Bank for treating such advances as priority sector advances.
	24	<ul style="list-style-type: none"> • Banks were advised that housing loans to individuals against the mortgage of residential housing properties may be assigned a risk weight of 50 per cent instead of the existing 100 per cent for the purpose of capital adequacy. Loans against mortgage of commercial real estate would continue to attract 100 per cent risk weight as hitherto. Banks' investment in MBS of residential assets of Housing Finance Companies (HFCs) which are supervised by the National Housing Bank (NHB) would be eligible for risk weight of 50 per cent for the purpose of capital adequacy.
	28	<ul style="list-style-type: none"> • To ensure that the loan assets relating to projects under implementation were appropriately classified and asset quality correctly reflected, the norms on income recognition, asset classification and provisioning with respect to industrial projects under implementation, which involve time overrun, earlier applicable to FIs only, were made applicable to banks also.
	29	<ul style="list-style-type: none"> • Keeping in view the nature of operations of banks and the need to ensure uniformity in regulatory requirements, it was decided that compliance with the following Accounting Standards be made optional for banks only for the financial year ended March 31, 2002: AS 17 on Segment Reporting, AS 18 on Related Party Disclosure, AS 21 on Consolidated Financial Statements and AS 22 on Taxes on Income. Banks would be required to conform to the above Accounting Standards by March 31, 2003 in accordance with the detailed guidelines to be issued shortly on the basis of the recommendations of a Working Group on the issue.
	30	<ul style="list-style-type: none"> • Based on the recommendations of the Working Group on Wilful Defaulters, the term 'Wilful Default' was redefined and widened so as to cover the aspects of diversion of/siphoning off funds therein. The banks and FIs are required to initiate penal measures against wilful defaulters as advised.
June	4	<ul style="list-style-type: none"> • The banks, all-India notified FIs and State Financial Corporations were advised to submit the list of suit filed accounts of Rs.1 crore and above as on March 31, 2002 and quarterly updates thereof till December 2002 and suit filed accounts of wilful defaulters of Rs.25 lakh and above as at end-March, June, September and December 2002 to the Reserve Bank as well as to Credit Information Bureau (India) Ltd. (CIBIL) for a period of one year till March 31, 2003 and thereafter to CIBIL only.
	6	<ul style="list-style-type: none"> • UCBs were advised that, in addition to the existing permitted entities, they can also seek insurance companies, mutual funds and provident funds as counter parties for their transactions in securities. • The prudential norms for NBFCs relating to (i) removal of the concept of the "past due", (ii) definition of NPAs and (iii) maintenance of capital adequacy on an ongoing basis and with the certification from the Auditors were amended.
	7	<ul style="list-style-type: none"> • To ensure uniformity in interpretation of the term 'financial closure' for the green field projects, a standard definition was introduced for the purpose of asset classification for FIs. • It was decided that, with immediate effect, all transactions in Government securities by UCBs should necessarily be through SGL or constituent SGL account or dematerialised account with depositories.

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CHRONOLOGY OF MAJOR POLICY ANNOUNCEMENTS

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June	<p>11 • In the light of developments involving securities transactions of certain UCBs, it was decided that concurrent auditors shall also certify that investments held by the bank as on the last reporting Friday of each quarter and as reported to the Reserve Bank, are actually owned/held by it as evidenced by physical securities or the custodians' statement. Those banks not having the system of concurrent audit may have the above certification furnished by an auditor appointed by the Registrar of Co-operative Societies.</p> <p>15 • To increase the investor base, the minimum size of CDs issued by FIs to single investor was reduced from the existing level of Rs.5 lakh to Rs.1 lakh and in multiples of Rs.1 lakh thereafter.</p> <p>20 • UCBs were advised to initiate steps to enhance/augment flow of credit under priority sector to artisans, craftsmen, etc. belonging to the minority communities namely, Sikhs, Muslims, Christians, Zoroastrians and Buddhists.</p> <p>26 • The Reserve Bank introduced the supervisory rating system based on "CAMELS" model for the FIs, on lines similar to banks.</p>
July	<p>26 • In supercession of the earlier instructions on system of charging interest on advances at monthly rests with effect from April 1, 2002, banks were advised that : i) they have option to compound interest at monthly rests effective either from April 1, 2002 or July 1, 2002 or April 1, 2003; ii) with effect from quarter beginning July 1, 2002, banks should ensure that the effective rate does not go up merely on account of the switchover to the system of charging/ compounding interest at monthly rests and increase the burden on the borrowers; iii) instructions on charging interest at monthly rests shall not be applicable to agricultural advances and banks shall continue to follow the existing practice of charging/ compounding of interest on agricultural advances linked to crop seasons. In case of other agricultural advances, banks may take into consideration due dates fixed on the basis of fluidity with borrower for charging of interest.</p> <p>31 • FIs were advised to ensure rotation of the partner of the audit firm conducting audit, if the firm continues for more than 4 years, so as to ensure that the audit is not conducted by the same partner for a continuous period of more than four years.</p>
Aug.	<p>3 • In view of the drought and floods damaging crops and property in several parts of the country, banks were advised to take immediate action in terms of the standing guidelines in providing appropriate relief to the persons affected by the natural calamities.</p> <p>8 • Loans extended by an FI to infrastructure projects against the guarantee of a bank would attract a risk weight of 20 per cent for computation of CRAR of the lending FI. The risk weight of 20 per cent would apply to only that part of the loan which is covered by the bank's guarantee and the remaining amount of loan, if any, would normally attract 100 per cent risk weight. For the purpose of exposure norms, however, the entire loan transaction should be reckoned as an exposure on the borrowing entity and not on the bank guaranteeing the loan. In case the funded facility is by way of term loan, the level of exposure should be reckoned as per the Reserve Bank's extant guidelines.</p> <p>16 • The stipulation regarding the promoters' contribution towards the equity capital of a company should come from their own resources and the bank should not normally grant advances to take up shares of other companies was relaxed in the case of bank finance to successful bidders under the PSU disinvestments programme of the Government subject to the conditions specified.</p> <p>• In view of the recent developments, both domestic and international, extant instructions and guidelines on 'know your customer' (KYC) norms and cash transactions were reissued reinforcing earlier instructions on the subject with a view to safeguarding banks from being unwittingly used for the transfer or deposit of funds derived from criminal activity or for financing of terrorism. The guidelines are also applicable to foreign currency accounts/transactions.</p> <p>19 • Banks were advised to refrain from offering low/zero per cent interest rates on consumer durable advances to borrowers through adjustment of discount available from manufactures/dealers of consumer goods as such loan schemes lack transparency in operations and distort pricing mechanism of loan products. They were also advised to refrain from linking their names in any form/manner with any incentive-based advertisement where clarity regarding interest rate is absent.</p> <p>23 • On the basis of recommendation of the Indian Banks' Association (IBA), it was decided to enhance the ceiling for immediate credit of outstation/local cheques from Rs.7,500 to Rs.15,000, subject to the guidelines issued by the Reserve Bank.</p> <p>31 • FIs were advised that, with immediate effect, (i) housing loans extended by FIs to individuals against the mortgage of residential housing properties would attract a risk weight of 50 per cent (as against the existing 100 per cent); and (ii) investments by the FIs in the Mortgage Backed Securities (MBS) would attract a risk weight of 50 per cent (in addition to the 2.5 per cent risk weight for market risk) provided that the assets underlying the MBS are the residential loan assets of the Housing Finance Companies (HFC) which are recognised and supervised by NHB; and that the MBS satisfy certain other terms and conditions.</p>

Date of Announcement	POLICY ANNOUNCEMENTS	
2002	III. FINANCIAL SECTOR MEASURES (Contd.)	
Aug.	31	<ul style="list-style-type: none"> • SCBs were advised to classify advances for financing Agriclincs and Agribusiness centres as “Direct Finance under Agriculture.”
Sep.	2	<ul style="list-style-type: none"> • FIs were issued a set of draft guidelines relating to proposed supervisory framework for consolidated supervision which envisages the following three components (a) consolidated financial statements (CFS), (b) consolidated prudential returns (CPR), and (c) application of prudential regulations like capital adequacy, large exposures and liquidity gaps on group-wide basis. Final guidelines on the subject matter were issued on August 1, 2003.
	14	<ul style="list-style-type: none"> • As per the extant norms the asset classification of the projects under implementation falling under Category II (projects with original cost of Rs.100 crore or more), is required to be decided with reference to the ‘deemed date of completion’ of such projects as determined by the Independent Group. Henceforth, as a prudential measure, the provisions held by the FIs in respect of accounts should not be reversed even in cases where, as per the deemed date of completion of the Category II projects certain accounts might become eligible for upgradation to the standard category.
Oct.	1	<ul style="list-style-type: none"> • NBFCs were required to necessarily hold their investments in Government securities either in CSDL with SCB/SHCIL or in a dematerialised account with depositories (NSDL/CDSL) through a depository participant registered with SEBI and dematerialise Government securities held in physical form by October 31, 2002. All further transactions of purchase and sale of Government securities have to be compulsorily through CSDL /demat account. The NBFCs need not seek prior approval of the Reserve Bank for opening a demat/SGL account with any of the organisations mentioned above, but must inform the concerned Regional Office of the Reserve Bank on the details of the account within one week of doing so. • As a depositor protection measure, NBFCs were advised to include in their advertisements or statements <i>in lieu of</i> advertisement the fact that the deposits collected by them are not insured. • All NBFCs holding public deposits of Rs.50 crore and above and RNBCs having aggregate liabilities to the depositors of Rs.50 crore and above as on March 31, 2002 or thereafter were advised to furnish the information regarding their exposure to the capital market to the Reserve Bank in a quarterly return within one month of the close of the respective quarter.
	12	<ul style="list-style-type: none"> • Banks were advised to use the revised Guidance Notes on Management of Credit Risk and Market Risk for updating their risk management systems. The design of risk management framework should be dictated by banks’ own size, complexity of business, risk philosophy, market perception and the expected level of capital and should be adaptable to changes in business size, the market dynamics and future product innovation.
	18	<ul style="list-style-type: none"> • In order to have uniformity in reporting, frauds were classified mainly on the provisions of the Indian Penal Code like (a) misappropriation and criminal breach of trust, (b) fraudulent encashment through forged instruments, manipulation of books of account or through fictitious accounts and conversion of property, (c) unauthorised credit facilities extended for reward or for illegal gratification, (d) negligence and cash shortages, (e) cheating and forgery and (f) irregularities in foreign exchange transactions.
	21	<ul style="list-style-type: none"> • Banks were advised that Boards of each bank may fix a suitable cut off limit with reference to the borrowing entity’s overall exposure on the banking system, over which audit of accounts of borrowers by Chartered Accountants would be mandatory.
	29	<ul style="list-style-type: none"> • The Reserve Bank constituted a group of seven banks (three public sector banks, two new private banks and two old private banks) to participate in the Quantitative Impact Study (QIS 3) being conducted by the Basel Committee to assess the impact of the New Capital Accord. • SLR holdings of RRBs in the form of deposits with sponsor banks maturing beyond March 31, 2003 were allowed to be retained till maturity. These deposits may be converted into Government securities, on maturity, in case the concerned RRBs have not achieved the 25 percent minimum level of SLR in Government securities by that time. • Banks were permitted to undertake referral business through their network of branches with prior permission from IRDA and the Reserve Bank. • RRBs/LABs and co-operative banks were encouraged not to pay any additional interest on the savings banks accounts over and above what is payable by commercial banks. Co-operative banks were encouraged not to pay interest on current accounts. • Unsecured advances given by banks to SHGs against group guarantees under the SHG-bank linkage programme would be excluded from the total of unsecured advances for the purpose of computation of prudential norms on unsecured guarantees and advances. The facility will be reviewed after a year.

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CHRONOLOGY OF MAJOR POLICY ANNOUNCEMENTS

Date of Announcement	POLICY ANNOUNCEMENTS	
2002	III. FINANCIAL SECTOR MEASURES (Contd.)	
Oct.	29	<ul style="list-style-type: none"> • The CAMELS based supervisory rating system to be implemented on trial basis for scheduled UCBs from March 2003. • Extension of 90 days norms for recognition of loan impairment to state co-operative banks (SCBs) and District central co-operatives banks (DCCBs) from the year ending March 31, 2006. SCBs and DCCBs to move over to charging of interest at monthly rests effective April 1, 2004. • Consolidated instructions were issued clarifying the methodology of charging of interest rate at monthly rest for different types of advances. • All SCBs (including RRBs) and local area banks were advised that the limit on advances granted to dealers in drip irrigation/sprinkler irrigation system/agricultural machinery located in rural/semi-urban areas was increased from Rs. 10 lakh to Rs. 20 lakh under priority sector lending for agriculture. The individual credit limit to artisans, village and cottage industries for reckoning under advances to 'weaker sections' was increased from Rs. 25,000 to Rs. 50,000.
Nov.	11	<ul style="list-style-type: none"> • The Reserve Bank formulated a scheme for the setting up of Off-shore Banking Units (OBUs) in Special Economic Zones (SEZs) by banks.
	15	<ul style="list-style-type: none"> • All SCBs were advised not to recover principal or interest during current financial year on <i>khari</i>f crop loans; to convert principal in to term loan and defer interest. No interest should be charged on deferred interest.
	25	<ul style="list-style-type: none"> • Banks and FIs can issue CDs on floating rate basis provided the methodology of computing the floating rate is objective, transparent and market-based.
Dec.	4	<ul style="list-style-type: none"> • The overall ceiling for loans and advances to directors of UCBs, their relatives and concerns in which they are interested was brought down from 10 per cent to 5 per cent of the demand and time liabilities (DTL). Banks whose outstandings of such loans on September 30, 2002 or thereafter, were more than 5 per cent of their DTL were directed not to sanction any fresh loans/renew the existing facilities and to bring these within the prescribed limit of 5 per cent by March 31, 2003.
	13	<ul style="list-style-type: none"> • All foreign banks operating in India were advised that their unsecured advances which are backed by the guarantees of their overseas branches may not be taken into account for the purpose of computing the limit on unsecured guarantees and advances.
	14	<ul style="list-style-type: none"> • Banks were allowed to open savings bank accounts in the names of State Government departments/bodies/agencies in respect of grants/subsidies released for implementation of various programmes/schemes sponsored by State Governments.
	19	<ul style="list-style-type: none"> • Based on the recommendation of the Committee on Computer Audit, the possible areas of audit interest in the Information System (IS) environment have been identified as 15 broad categories and a 'standardised checklists' under each category to facilitate the conduct of computer audit has been prepared and sent to FIs. The issues elaborated in the checklists gives a fair idea about areas that need to be controlled. These checklists, however, are only in the nature of guidelines and FIs are free to develop more elaborate checklists to conduct IS Audit suitable to the IT environment in which they operate and propose to operate.
	20	<ul style="list-style-type: none"> • All SCBs (excluding RRBs) were advised that no service charge or inspection charge should be levied by them on priority sector loans upto Rs. 25,000.
	21	<ul style="list-style-type: none"> • In consultation with the Government of India, guidelines were issued to the FIs in regard to the connected lending. • Implementation of the Prompt Corrective Action (PCA) scheme was initiated initially for a period of one year. It will be reviewed in December 2003. All scheduled commercial banks were directed to place the scheme before their respective Board of Directors to ensure that their bank does not come within the PCA framework. The PCA framework does not preclude the Reserve Bank from taking any other action as it deems fit in addition to the corrective actions prescribed in the framework.
	27	<ul style="list-style-type: none"> • All SCBs were advised to waive first year's deferred interest liability (20 per cent) on <i>khari</i>f loans, as one time measure. • Banks were directed to form a Task Force comprising senior executives for chalking out an action plan for switching over to risk-based internal audit. A quarterly progress report on the implementation of risk-based internal audit should be submitted to the Reserve Bank from the quarter ending March 31, 2003.
2003		
Jan.	20	<ul style="list-style-type: none"> • With effect from April 1, 2003, of the two methods for measuring the credit risk exposure inherent in derivatives for determining individual/group borrower exposures, viz. the Original Exposure Method and the Current Exposure Method, banks were encouraged to follow the Current Exposure Method.
	24	<ul style="list-style-type: none"> • Banks were given freedom to decide their own guidelines for assessing/sanctioning working capital limits of borrowers while purchasing/ discounting/ negotiating/ rediscounting genuine commercial/trade bills. They were allowed to sanction

Date of Announcement	POLICY ANNOUNCEMENTS	
2003	III. FINANCIAL SECTOR MEASURES (Contd.)	
		working capital limit as well as bills limit to borrowers after proper appraisal of their credit needs and in accordance with the loan policy as approved by their Board of Directors.
Jan.	24	<ul style="list-style-type: none"> • In supercession of earlier instructions, the detailed guidelines were issued to the banks laying down revised guidelines for purchasing/discounting/negotiating/rediscounging of genuine commercial bills.
	29	<ul style="list-style-type: none"> • Fresh guidelines to provide a simplified, non-discretionary and non-discriminatory mechanism for compromise settlement of chronic NPAs below Rs.10 crore were issued. All public sector banks were directed to uniformly implement the guidelines to ensure maximum realisation of dues within the stipulated time. The guidelines do not cover cases of wilful default, fraud and malfeasance.
Feb.	4	<ul style="list-style-type: none"> • Revised guidelines were issued for financing of infrastructure projects. The guidelines define infrastructure lending; specify criteria for financing, types of financing by banks, methodology of project appraisal and administrative management; and provide prudential credit exposure limits, risk weight for capital adequacy purposes and asset liability management.
	5	<ul style="list-style-type: none"> • As announced in the Union Budget 2002-03, revised guidelines on Corporate Debt Restructuring (CDR) were issued to make CDR mechanism more efficient. The revised guidelines provide two categories of debt restructuring under the CDR system – one for 'standard' and 'sub-standard' accounts (Category 1) and the other for 'doubtful' accounts (Category 2).
	19	<ul style="list-style-type: none"> • Detailed guidelines were issued on country risk management and provisioning therefor. The guidelines are applicable only in respect of countries where a bank's net funded exposure is of two per cent or more of its total assets. The guidelines shall be reviewed after one year, taking into account the experience of banks in implementing the guidelines.
	23	<ul style="list-style-type: none"> • Final guidelines on Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 were issued. The guidelines and directions relate to registration, owned fund, permissible business, operational structure, deployment of surplus funds, internal control system, prudential norms and disclosure requirements for Securitisation and Reconstruction Companies. The Reserve Bank also issued guidance notes of recommendatory nature on acquisition of assets, issue of security receipts etc. A set of standard guidelines in the matter of takeover of the management, sale or lease of whole or part of the business of the borrower is being formulated.
	25	<ul style="list-style-type: none"> • Final guidelines on consolidated accounting and other quantitative methods to facilitate consolidated supervision were issued to banks. Banks were advised to place the guidelines before the Board of Directors and ensure strict compliance with the same commencing from the year ended March 31, 2003.
	26	<ul style="list-style-type: none"> • The time period allowed to banks for making provision against the net debit balance in the inter-branch account is to be reduced from one year to six months from the year ending March 31, 2004.
	27	<ul style="list-style-type: none"> • Banks were advised to recognise income on accrual basis in respect of the three categories of projects under implementation which are classified as 'standard' in terms of the guidelines issued in May 2002.
March	3	<ul style="list-style-type: none"> • The ceiling on interest rates payable on deposits by NBFCs (including Chit Fund companies and Nidhi companies) was revised downwards from 12.5 per cent per annum to 11.0 per cent per annum effective from March 4, 2003. The new rate is applicable to fresh public deposits and renewals of matured public deposits. Other conditions relating to rests at which interest can be compounded, rate of brokerage, etc. remain unchanged.
	21	<ul style="list-style-type: none"> • Guidelines on bank finance for PSU disinvestments were reviewed in consultation with the Government of India and new guidelines were issued in respect of lock-in period for shares relating to such disinvestments.
	29	<ul style="list-style-type: none"> • To facilitate informed decision making by regulators, depositors and other users of balance sheets, NBFCs (irrespective of whether they hold public deposits or not) were directed to attach a schedule to the balance sheet containing additional particulars as per the format prescribed by the Reserve Bank effective from the balance sheet as on March 31, 2003 and onwards.
	31	<ul style="list-style-type: none"> • Payment of the minimum rate of return by Residuary Non-Banking Companies (RNBCs) to their depositors was revised to 3.5 per cent on daily deposits and to 5.0 per cent on other deposits effective from April 1, 2003.
April	8	<ul style="list-style-type: none"> • The ceiling for banks to offer credit/non-credit facilities to Indian Joint Ventures / Wholly Owned Subsidiaries abroad was increased from 5 per cent of the unimpaired Tier - I capital to 10 per cent of banks' unimpaired capital funds (Tier I and Tier II capital).
	23	<ul style="list-style-type: none"> • The Reserve Bank issued guidelines and directions to the Securitisation Companies and Reconstruction Companies seeking registration from the Bank under section 3 of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002.
	29	<ul style="list-style-type: none"> • While Investment Fluctuation Reserve (IFR) would continue to be treated as Tier II capital, it would not be subject to the ceiling of 1.25 per cent of the total risk-weighted assets. However, for the purpose of compliance with the capital

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CHRONOLOGY OF MAJOR POLICY ANNOUNCEMENTS

Date of Announcement	POLICY ANNOUNCEMENTS
2003	III. FINANCIAL SECTOR MEASURES (Contd.)
	adequacy norms, Tier II capital including IFR, would be considered up to a maximum of 100 per cent of total Tier I capital. The above treatment would be effective from March 31, 2003.
April	<p>29</p> <ul style="list-style-type: none"> • The Reserve Bank would consider favourably any proposal for transfer of branches in rural and semi-urban centres from one commercial bank to another by mutual agreement. Banks will be expected to ensure that such mutually agreed transfers do not adversely affect the available banking services in that area. • Banks were advised to build up provisions, significantly above the minimum regulatory requirements, for their NPAs particularly for those assets which they propose to sell to securitisation/ reconstruction companies. • Dealers in drip irrigation/sprinkler irrigation system/ agricultural machinery, irrespective of their location, would be eligible for advances, under priority sector lending for agriculture. • Banks with their Board's approval would be free to extend direct finance to the housing sector up to Rs.10 lakh in rural and semi-urban areas as part of priority sector lending. • UCBs permitted to exempt both gold loans and small loans up to Rs.1 lakh from the 90 days norm for recognition of loan impairment. These loans would, therefore, continue to be governed by the 180 days norm for classification as NPAs even after March 31, 2004. • UCBs permitted to place deposits with strong scheduled UCBs (other than banks classified as weak or sick) with certain conditions. • The ceiling on the unsecured advances by the UCBs was revised except in the case of weak/sick UCBs. The aggregate of unsecured advances granted by a UCB to its members as a whole, would continue to be within the overall ceiling of 33 1/3 per cent of the bank's DTL. • UCBs were given a maximum period of six months from the date of the inspection report to remove the irregularities pointed out in the inspection report in all respects, failing which the Reserve Bank will invoke the penal provisions. • All UCBs are to introduce concurrent audit with immediate effect. • UCBs were directed not to grant loans and advances (both secured and unsecured) to directors, their relatives and firms/concerns/companies in which they are interested. Existing advances extended prior to April 29, 2003 should not be renewed or extended further. <p>30</p> <ul style="list-style-type: none"> • Non-bank entities including corporates were allowed to provide unconditional and irrevocable guarantee for credit enhancement for issuance of CP. Furthermore, banks are allowed to invest in CPs guaranteed by non-bank entities provided their exposure remains within the regulatory ceiling as prescribed by the Reserve Bank for unsecured exposures.
May	<p>5</p> <ul style="list-style-type: none"> • Banks/All India Financial Institutions were advised to adopt the broad guidelines and frame the Fair Practices Code regarding applications for loans and their processing, loan appraisal and terms/conditions, disbursement of loans including changes in terms and conditions, and post disbursement supervision, duly approved by their Board of Directors. <p>14</p> <ul style="list-style-type: none"> • Advances up to Rs.20 lakh per dealer, granted by urban co-operative banks to dealers in drip irrigation / sprinkler irrigation systems and agricultural machinery, may be classified under 'Indirect Finance to Agriculture' as a part of priority sector lending. As part of priority sector lending, banks are free to extend direct housing loans up to Rs.10 lakh in rural and semi-urban areas also. <p>30</p> <ul style="list-style-type: none"> • Revised guidelines were issued for compromise settlement of chronic NPAs. In consultation with the Government of India, the last date for receipt of the applications under the revised One Time Settlement (OTS) Scheme was extended from April 30, 2003 to September 30, 2003 and the date of processing of the applications by banks from October 31, 2003 to December 31, 2003.
June	<p>3</p> <ul style="list-style-type: none"> • Banks/FIs were allowed to deal in exchange traded interest rate derivatives in a phased manner, with a view to enabling them to manage their exposure to interest rate risks. <p>20</p> <ul style="list-style-type: none"> • The major irregularities observed in the concurrent audit report of the treasury transactions as also the position of compliance therewith should be incorporated in the half-yearly reviews of the investment portfolio to be submitted to the Regional Offices of the DBS. <p>26</p> <ul style="list-style-type: none"> • In order to streamline the procedure followed by banks in dealing with the dishonour of cheques, additional instructions were given to banks covering all cheques dishonoured on account of insufficient funds. The instructions also require banks to deal severely with frequent dishonour of cheques. Further, banks are also required to create a database of all dishonoured cheques of Rs.1 crore and above which should form part of their MIS.
July	<p>8</p> <ul style="list-style-type: none"> • Primary (urban) co-operative banks which are not members of NDS/CCIL system were directed to undertake their transactions in Government securities through gilt account/demat account maintained with NDS members.

Date of Announcement	POLICY ANNOUNCEMENTS	
2003	III. FINANCIAL SECTOR MEASURES (Concl.d.)	
July	8	<ul style="list-style-type: none"> • Banks were exempted from the requirement of appropriating the profit on sale of securities from Held to Maturity (HTM) category to 'Capital Reserve Account', as a one-time measure, only in respect of the identified securities that are sold to the Government of India under the scheme of Government of India's Debt Buyback Programme.
	19	<ul style="list-style-type: none"> • With a view to reducing the level of long pending outstanding entries in the Clearing Adjustment Account of banks, they were allowed, as one time measure, to net off the entries representing clearing differences 'receivable' against entries representing clearing differences 'payable' up to Rs. 500 which are outstanding for more than three years as on March 31, 2003.
	31	<ul style="list-style-type: none"> • Regulatory framework of NBFCs was amended to permit ready forward contracts in dated securities and Treasury Bills issued by the Government of India and dated securities issued by the State Governments.
	IV. CAPITAL MARKET POLICIES	
	(i) Securities and Exchange Board of India (SEBI)	
2002		
May	9	<ul style="list-style-type: none"> • SEBI issued guidelines for valuation of unlisted equity shares to bring uniformity in calculation of NAVs of mutual fund (MF) schemes.
	10	<ul style="list-style-type: none"> • SEBI amended Clause 41 of the Listing Agreement to require that the companies which opt to publish audited results for the entire year within 3 months (instead of publishing un-audited results for the last quarter within 30 days) to publish annual audited results in a specified format. Companies would also be required to disclose audit qualifications in the unaudited/audited financial results along with their impact on the profit or loss together with explanations and the date by which these are expected to be removed.
June	19	<ul style="list-style-type: none"> • SEBI clarified that the service charge of five per cent on the management fees of asset management companies imposed in the Union Budget 2002-03 can be charged to the schemes as an item of general expenditure without imposing an additional burden on unit holders.
	20	<ul style="list-style-type: none"> • SEBI prescribed all MFs to enter into transactions relating to Government securities only in dematerialised form. • SEBI advised MFs that the non-performing or illiquid assets at the time of maturity/closure of schemes but realised within two years after the winding up of the scheme, should be distributed to the old investors if the amount is substantial. In case the amount is not substantial or it is realised after two years, it may be transferred to the Investor Education Fund maintained by each MF. • SEBI clarified that the SEBI (Insider Trading) (Amendment) Regulations, 2002 should be followed strictly by the trustee companies, asset management companies and their employees and directors. • SEBI advised the stock exchanges to amend the Listing Agreement requiring the companies to furnish specified information on the Electronic Data Information Filing and Retrieval (EDIFAR) website maintained by SEBI.
	26	<ul style="list-style-type: none"> • SEBI clarified that the investors who have dealt with the member broker through the registered sub-broker are also clients of member broker. Thus, in case of default of the member broker, the clients of the registered sub-brokers would also be eligible for the claims against the defaulting member broker for compensation from the Investor Protection Fund (IPF)/Customer Protection Fund (CPF).
July	4	<ul style="list-style-type: none"> • In order to ensure easy tracking of the underlying shares released on the conversion of the "depository receipts", it was decided that all such shares shall mandatorily be credited to a separate Depository Receipts (DRs) account of the respective investor.
	22	<ul style="list-style-type: none"> • SEBI decided that a uniform method shall be used by all MFs to calculate the sale and repurchase price of mutual funds' units.
	30	<ul style="list-style-type: none"> • SEBI notified the SEBI (Mutual Funds) (Third Amendment) Regulations, 2002 requiring the Trust Deed to state that a meeting of the trustees shall be held at least once in every two calendar months and at least six such meetings shall be held in every year. SEBI also laid down the modalities for payment to and recovery from investors in case of discrepancy in calculation of NAV due to non-recording of transactions.
Aug.	22	<ul style="list-style-type: none"> • Following the representation from FIIIs about the leakage of trade data, SEBI directed all stock exchanges to reiterate to their employees that they are bound by the code of conduct and to maintain confidentiality of deals and trade data.
	28	<ul style="list-style-type: none"> • SEBI directed the stock exchanges to amend their bye-laws to expedite arbitral award within three months from the date of entering the reference, <i>i.e.</i>, the date on which the arbitral tribunal has held the first meeting. The time taken to make the award shall not be extended beyond three times and any further adjournments shall be granted only in exceptional cases.

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CHRONOLOGY OF MAJOR POLICY ANNOUNCEMENTS

Date of Announcement	POLICY ANNOUNCEMENTS
2002	IV. CAPITAL MARKET POLICIES (Contd.)
Aug.	29
	<ul style="list-style-type: none"> • With a view to improve corporate governance standards in MFs, SEBI clarified that the persons providing any type of professional service to the MFs, AMC, trustee company and the sponsors shall be considered as associate directors of AMC or trustee company and the persons having any material pecuniary relationship with these entities, which in the judgement of the trustees may affect independence of directors, shall also be treated as associate directors. All MFs were accordingly directed to classify existing directors of AMC and trustee company as “associates” or “independent” and comply with the requirement of 50 per cent or 2/3rd independent directors of AMC or trustee company.
Sep.	9
	<ul style="list-style-type: none"> • SEBI amended the (Substantial Acquisition of Shares and Takeover) Regulations, 1997. The amendments include, <i>inter alia</i>, relaxation in norms for disinvestments by state PSUs, removal of automatic exemption in respect of acquisition through preferential allotment, additional disclosure requirements, change of control through special resolution instead of ordinary resolution, additional parameters for determination of offer price, minimum offer size of 20 per cent in all cases, reduction in creeping acquisition limit from 10 per cent to 5 per cent with effect from October 1, 2002.
	24
	<ul style="list-style-type: none"> • SEBI (Issue of Sweat Equity) Regulations, 2002 were issued. The regulations specified the norms for issuance, pricing, accounting treatment, certification of auditors, lock-in period, listing eligibility, applicability of takeover guidelines and general obligations of the company and intermediaries associated with issuance of sweat equity. • SEBI issued an operating manual for risk management system, aimed at ensuring a minimum standard of due diligence or risk management system for all the MFs in various areas of their operations like fund management, operations, customer service, marketing and distribution, disaster recovery and business continuity, etc. Under each of the risk area, the Manual gives the existing industry practices, practices to be followed on mandatory basis and best practices to be followed by all MFs.
Oct.	10
	<ul style="list-style-type: none"> • In order to ensure wider dissemination of information to the shareholders about the post offer details in terms of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, SEBI made it mandatory for the acquirer to make a public announcement in the prescribed format through the merchant banker in all the newspapers in which the original public announcement was made.
	11
	<ul style="list-style-type: none"> • The SEBI issued the SEBI (Portfolio Managers) (Amendment) Regulations to strengthen corporate governance in terms of qualifications of principal officers and investment of money and management of security portfolio of clients.
Nov.	1
	<ul style="list-style-type: none"> • SEBI decided to make the admission of debt instruments mandatory on both the depositories.
	7
	<ul style="list-style-type: none"> • SEBI increased the investment limit on foreign securities to 10 per cent of net assets of each MF as on March 31, 2002 from 4 per cent. However, a minimum of US \$ 5 million and maximum of US \$ 50 million is permissible to each MF irrespective of the size of assets.
Dec.	2
	<ul style="list-style-type: none"> • Recommendations of the committee appointed by SEBI on Straight Through Processing (STP) were accepted. Accordingly, Indian capital markets transited to STP from December 2, 2002.
	18
	<ul style="list-style-type: none"> • In line with the recommendations of the Advisory Committee on Derivatives, SEBI allowed stock exchanges to determine the manner of adjustment in derivative contracts at the time of corporate actions in conformity with certain principles. • Based on the recommendations of the Advisory Committee on Derivatives, the stock exchanges were advised to separate the cash and derivative segment of the stock exchanges in terms of legal framework governing trading, clearing and settlement of the derivative segment, establishment of separate trade/settlement guarantee funds, separate membership and Governing Council/Clearing Council/Executive Committees. • SEBI prescribed a broader eligibility criteria for stocks on which stock options and stock futures would be allowed and also modified the risk containment measures in view of the changed criteria.
2003	
Jan.	30
	<ul style="list-style-type: none"> • SEBI clarified the requirements to be fulfilled at the time of conversion of close-ended schemes to open ended schemes including the requirement of filing an offer document with SEBI with updated disclosures and providing a minimum exit period of 30 days to unit holders. They would also be required to communicate to the unit holders the information concerning latest portfolio of the scheme, details of financial performance since inception and the addendum to the offer document detailing the modification made to the scheme. • SEBI approved the recommendations of the Group on Corporatisation and Demutualisation of Stock Exchanges (Chairman: Shri M.H. Kania) which included, <i>inter alia</i>, a uniform model of corporatisation and demutualisation to be adopted for all stock exchanges and one-time tax concession to stock exchanges which would be demutualised.
Feb.	13
	<ul style="list-style-type: none"> • SEBI (Central Listing Authority) Regulations, 2003 were issued. The regulations provided for constitution of a Central Listing Authority (CLA) by SEBI. Besides, the regulations provided for mandatory recommendation from CLA before listing in any stock exchange and appeal to SEBI and Securities Appellate Tribunal in case of refusal of issuance of letter of recommendations from CLA. The CLA was constituted on April 9, 2003.

Date of Announcement	POLICY ANNOUNCEMENTS	
2003	IV. CAPITAL MARKET POLICIES (Contd.)	
March	12	<ul style="list-style-type: none"> SEBI rationalised the risk management structure for T+2 rolling settlement. The exchanges would collect VaR-based margins and Mark to Market margins. The VaR-based margins would differ depending upon the volatility and liquidity of the scrip.
	31	<ul style="list-style-type: none"> The settlement cycle on Indian equity markets was shortened to T+2 with effect from April 1, 2003 with a view to reduce risks in the market and protect the interest of the investors.
April	4	<ul style="list-style-type: none"> SEBI allowed MFs to invest in equity of listed overseas companies which have shareholding of at least 10 per cent in an Indian company listed on a recognised stock exchange in India. The overall ceiling for the entire mutual fund industry to invest in ADRs/GDRs issued by Indian companies and foreign equity and debt securities would be US \$ 1 billion. Each MF can invest up to 10 per cent of its net assets in these securities as on January 31, 2003 subject to a maximum of US \$ 50 million.
	10	<ul style="list-style-type: none"> SEBI framed a uniform policy applicable to all stock exchanges regarding the maintenance/disposal of arbitration records.
	19	<ul style="list-style-type: none"> SEBI, in consultation with the Government of India and the Reserve Bank decided to introduce Exchange Traded Interest Rate Derivative Contracts on a notional Government security with a 10-year maturity and a notional Treasury Bill with a maturity of 91 days or three months. Accordingly, SEBI put in place the risk containment measures for the Interest Rate Futures contracts.
	29	<ul style="list-style-type: none"> SEBI clarified that contract notes can be issued by the brokers in electronic form authenticated by means of digital signatures.
May	23	<ul style="list-style-type: none"> SEBI laid down the guidelines for consolidation of schemes by MFs requiring the proposal and modalities of the merger/consolidation to be approved by the Boards of AMCs and Trustees, filing of the proposal with SEBI, disclosure of all relevant information in the letter to the unit-holders and providing option to exit at prevailing NAVs without exit load.
June	2	<ul style="list-style-type: none"> SEBI directed the stock exchanges to make necessary provisions in their rules to ensure that the subsidiaries of the company would register only the members of the parent stock exchanges as sub-brokers of the subsidiary company and no other client/sub-broker can be entertained by the subsidiary company. Following representations from some stock exchanges expressing their inability to compute the mean impact cost calculations at their exchanges, SEBI allowed such stock exchanges to use the impact cost of BSE or NSE provided that those stock exchanges have entered into a formal legal arrangement with the relevant stock exchanges (BSE or NSE) for liquidating the positions of their members, if necessary, on that stock exchange.
	5	<ul style="list-style-type: none"> SEBI had earlier stipulated that in cases where shortages are in excess of the base minimum capital, the trading facility of the member shall be withdrawn and on recovery of the complete shortage, the member shall be permitted to trade on a reduced exposure for four settlements. In view of the introduction of rolling settlement, SEBI decided that the earlier provisions should apply to at least ten rolling settlements instead of the four specified earlier.
	11	<ul style="list-style-type: none"> SEBI revised the composition of additional capital and margins and the eligibility criterion for securities. Accordingly, the minimum cash component of the additional capital and margins was increased from the existing level of 30 per cent to 50 per cent.
	18	<ul style="list-style-type: none"> SEBI reviewed the capital requirements of exchanges having average daily turnover of less than Rs.1 crore for three consecutive months. Such exchanges were allowed to maintain base minimum capital (BMC) at Rs.1 lakh. The excess of the BMC may be refunded to the member subject to certain conditions.
	19	<ul style="list-style-type: none"> SEBI allowed the stock exchanges to give freedom to charge listing fees without seeking the approval of SEBI.
	25	<ul style="list-style-type: none"> SEBI decided that close out mark up of 5 per cent would be applicable in case of debentures and bonds which are assigned a credit rating of triple A and above. However, for other debentures and bonds without the triple A credit rating, the existing close out mark up of 20 per cent shall be applicable as in the case of equities. <p>(ii) Reserve Bank of India</p>
2002		
Oct.	16	<ul style="list-style-type: none"> The Reserve Bank clarified the operational guidelines on ADR/GDR issues. The custodians would be required to submit certificate regarding non-breaching of sectoral caps to the Reserve Bank/SEBI on a monthly basis. Monthly report about the ADR/GDR transactions shall also be submitted by the custodians to the Reserve Bank/SEBI in the prescribed format. <p>(iii) Government of India</p>
2002		
June	19	<ul style="list-style-type: none"> The Income Tax (Eighth Amendment) Rules, 2002 reduced the threshold for quoting PAN for the sale and purchase of securities from Rs.10 lakh to Rs.1 lakh.

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CHRONOLOGY OF MAJOR POLICY ANNOUNCEMENTS

Date of Announcement	POLICY ANNOUNCEMENTS	
2002	IV. CAPITAL MARKET POLICIES (Concl.)	
Oct.	30	<ul style="list-style-type: none"> • The Government issued an ordinance to restructure the UTI by splitting it into two parts – UTI-I comprising US-64 and assured return schemes and UTI-II comprising NAV-based schemes. The scheme was effected in January 2003. • The Government issued the ordinance to grant search and seizure powers to SEBI with the approval of the Court. The monetary penalties on minor offences would be Rs.1 crore and on major offences the penalty would be three times the amount involved in the offence or Rs.25 crore, whichever is higher.
2003		
Jan.	3	<ul style="list-style-type: none"> • The Companies (Second Amendment) Act, 2002 was enacted. The Act seeks to provide for a new, modern, efficient and time-bound Insolvency Law to provide for both rehabilitation and winding up of sick companies within a maximum time frame of two years. It envisages setting up of a National Company Law Tribunal with several Benches to be notified by the Government all over the country.
Feb.	28	<ul style="list-style-type: none"> • The Union Budget proposed that dividends be tax free in the hands of shareholders. Correspondingly, there is a 12.5 per cent dividend distribution tax on domestic companies. While MFs, including UTI-II, are also to pay the dividend distribution tax, equity-oriented schemes are exempted from the purview of this tax for one year. UTI-I is also exempted from the dividend distribution tax. • With a view to give a fillip to the capital markets, the Union Budget proposed that all listed equities that are acquired on or after March 1, 2003 and sold after the lapse of a year or more are exempted from the incidence of capital gains tax. • Capital gains on buybacks were exempted from tax for one year. • Stock exchanges were exempted from payment of capital gains tax on corporatisation. <p style="text-align: center;">(iv) Insurance Regulatory and Development Authority (IRDA)</p>
2002		
Oct.	16	<ul style="list-style-type: none"> • Consequent upon the Central Government's notification enforcing the provisions of Insurance Amendment Act 2002 effective September 23, 2002, the Authority issued fresh regulations pertaining to Insurance Brokers, obligations of insurers to rural and social sectors, licencing of corporate agents, licencing of insurance agents, protection of policyholders' interest and manner of receipt of premium.
2003		
Jan.	30	<ul style="list-style-type: none"> • Consequent to the Reserve Bank permitting banks to undertake referral business through their network of branches for selling insurance products with prior permission of IRDA and the Reserve Bank, guidelines were issued restricting the referral fee to the ceilings on agency commission prescribed under the Insurance Act, 1938 and the IRDA Regulations and forbidding linkage either direct or indirect between the provision of banking services by the bank to its customers and use of the insurance products. Insurers were later advised not to enter into a referral arrangement with any bank, which has been licensed by the Authority to act as an agent or an insurance intermediary.
Feb.	26	<ul style="list-style-type: none"> • The IRDA advised insurance companies to restrict their investments in schemes of mutual funds comprising liquid funds, gilt or debt funds to temporary surpluses and also ensure that investment funds are suitably diversified among MFs duly registered with SEBI. If the schemes of mutual funds in which such investment is made is managed by an investment manager who is under the direct or indirect management or control of the insurer or its promoter, the same shall not exceed 20 per cent of the amount of investments falling under "other than approved investments (OTAI)" subject to group limits. The insurer should not make any investment in shares or debentures of any private limited company in which investment, if any, is made by the MF.
March	2	<ul style="list-style-type: none"> • The IRDA laid down detailed guidelines for investments in MFs. The guidelines include a ceiling of 50 per cent (20 per cent for PSU insurers) of investments falling under the OTAI category for the life and general insurance companies and prescription of a diversified portfolio strategy.
V. EXTERNAL SECTOR POLICIES		
a) Trade Policy		
2002		
April	26	<ul style="list-style-type: none"> • The following modifications to the Union Budget 2002-03 were announced: <ul style="list-style-type: none"> i) 100 per cent deduction of export profits under Section 10A to all SEZ units commencing production on or after April 1, 2002, for a period of five years, and thereafter at 50 per cent for the next two years.

Date of Announcement	POLICY ANNOUNCEMENTS	
2002	V. EXTERNAL SECTOR POLICIES (Contd.)	
		<ul style="list-style-type: none"> ii) Supplies to SEZs from DTA to be treated as physical exports instead of deemed exports for the purposes of duties, tariffs and central sales tax. iii) Customs duty on dairy products will be at the WTO-bound rate of 40 per cent as against 30 per cent.
June	3	<ul style="list-style-type: none"> • The Directorate General of Foreign Trade (DGFT) notified additional standard input-output norms (SION) for 16 new export items and amendments/corrections/deletions in the SION for 38 existing export items. Of the 16 new items, 10 items relate to the chemicals & allied products, 5 relate to engineering products, and one relates to food products.
July	23	<ul style="list-style-type: none"> • The Government approved setting up of 28 Agri Export Zones (AEZs) in 14 different states with a likely total investment of Rs.780 crore.
Sep.	13	<ul style="list-style-type: none"> • In case of EPCG licences issued to units in the agri-export zones, a period of 12 years reckoned from the date of issuance of the license was permitted for the fulfilment of export obligation.
2003		
Jan.	3	<ul style="list-style-type: none"> • The DGFT notified additional SION for 37 new export items and amendments/corrections/deletions in the SION for 37 existing export items.
	9	<ul style="list-style-type: none"> • The Government announced that new or second hand capital goods, equipments, components, parts and accessories, containers meant for packing of goods for exports, jigs, fixtures, dies and moulds may be imported for export without a licence/certificate/permission on execution of Legal Undertaking/Bank Guarantee with the Customs Authorities provided that the item is freely exportable without any conditionality/requirement of licence/permission as may be required under ITC (HS) Schedule II.
	17	<ul style="list-style-type: none"> • The Government decided to remove Quantitative Restrictions (QRs) on import of Garlic.
	22	<ul style="list-style-type: none"> • The DGFT allowed incidence of special additional duty (SAD) on the inputs to be taken into account for calculation of Duty Entitlement Pass Book (DEPB) rates.
Feb.	3	<ul style="list-style-type: none"> • The DGFT notified additional SION for 17 new export items and amendments/corrections/deletions in the SION for 33 existing export items.
	7	<ul style="list-style-type: none"> • In a major move to facilitate exports, the Government decided to extend the working hours of the Customs, Custodians and Banks at Delhi, Mumbai, Chennai, Kolkata, Bangalore and Hyderabad Air Cargo Complexes.
	24	<ul style="list-style-type: none"> • A separate export promotion council for Export Oriented Units (EOUs) and Units of Special Economic Zones (SEZs) has been set up to enhance exports by these entities. It would function as an approved trade body like other export promotion councils and would facilitate the functioning of the concerned units.
	28	<ul style="list-style-type: none"> • The Union Budget 2003-04 announced, <i>inter alia</i>, the following measures relating to custom duty: (i) the peak rate of customs duty to be brought down from 30 per cent to 25 per cent excluding agriculture and diary products, (ii) the duty on conch shells and seed lac (handicraft items) to be reduced from 30 percent to 5 per cent, (iii) import duty on oleo pine resin to be reduced from 15 per cent to 10 per cent, (iv) custom duty on passenger baggage to be reduced from 60 per cent to 50 per cent, (v) proposal to exempt rock phosphate and crude sulphur, inputs for phosphoric acid from Special Additional Duty (SAD), (vi) the basic customs duty on alcoholic liquor to be reduced to 166 per cent in conformity with WTO commitments besides rationalisation of the countervailing duty in respect of imported alcoholic beverages, including wines and, (vii) value limit for full customs duty exemption for bonafide commercial samples and gifts to be raised from Rs.5,000 to Rs.10,000. • Reduction in custom duties was also proposed for various items under different sectors like capital goods and infrastructure, textiles, pharmaceuticals, information and technology, biotechnology, tourism, gems and jewellery, power, animal husbandry and veterinary medicine. • Other measures announced in the Union Budget 2003-04 include Trade Facilitation Measures, strengthening the ECGC, simplification of custom procedures, modernisation of seaports, improvement in availability of credit and measures to provide bank guarantee facilities to health sector.
March	4	<ul style="list-style-type: none"> • The DGFT notified additional SION for 25 new export items and amendments/corrections/deletions in the SION for 43 existing export items.
	20	<ul style="list-style-type: none"> • The Government constituted an Inter-Ministerial Committee for the Development of Land Customs Stations (IMC-LCS), which would facilitate trade with neighbouring countries and would contribute significantly to the economic development of the North Eastern region.
	31	<ul style="list-style-type: none"> • The modified EXIM Policy for 2003-04 was announced by the Government of India. The salient features of the modified EXIM Policy 2003-04 are as follows: (i) measures to boost exports of non-traditional service areas such as health care,

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CHRONOLOGY OF MAJOR POLICY ANNOUNCEMENTS

Date of Announcement	POLICY ANNOUNCEMENTS	
2003	V. EXTERNAL SECTOR POLICIES (Contd.)	
	<p>entertainment and professional services as well as traditional areas like tourism; (ii) major initiatives on agro-exports with the basic aim of reaching the benefits of globalisation to farmers and rural sectors including facilitating association of corporates in the implementation of Agri Export Zones (AEZs); (iii) a more flexible and attractive Export Promotion Capital Goods (EPCG) Scheme in order to expand the manufacturing base for India's exports including the small scale sector; (iv) incentives to Status Holders with premium on high growth; (v) removal of restrictions on exports; (vi) measures to facilitate investments in Special Economic Zones (SEZs); (vii) reoriented export cluster development scheme and procedural simplification aimed at reduction of transaction costs in order to make India globally competitive.</p>	
March	31	<ul style="list-style-type: none"> The Duty Entitlement Pass Book Scheme (DEPB) is being continued and a facility for provisional DEPB rate has been introduced to encourage diversification as also promote exports of new products. The Policy also removed quantitative restrictions on export of five items, namely, paddy (except basmati), cotton linters, rare earth, silk cocoons and certain family planning devices. Along with promotion of agro and service exports, special focus would be given to certain sectors having potential for accelerated export growth, such as textiles (especially garments), auto components, gems & jewellery, chemicals, drugs & pharmaceuticals and electronic hardware. The sector-specific initiatives, such as, Diamond & Jewellery Account for exporters dealing in purchase/sale of diamonds and diamond-studded jewellery and a package to boost electronic hardware/software sector were also announced. Certain procedural simplifications measures announced to provide online approvals to exporters where exports had been effected from 23 EDI ports in the country. The Ministry of Commerce and Industry announced the launching of the 'Focus: CIS' Programme with effect from April 1, 2003, which aims to focus on the major product groups, technology and service sectors for enhancing India's exports to and bilateral trade and cooperation with countries of the Commonwealth of Independent States (CIS) Region.
May	22	<ul style="list-style-type: none"> The Government amended the Diamond and Jewellery Dollar Accounts Scheme. Firms and companies dealing in the purchase/sale of rough or cut and polished diamonds/precious metal jewellery plain, minakari and/or studded with/without diamond and/or other stones with a track record of at least 3 years in import or export of diamonds/coloured gemstones/diamond and coloured gemstones studded jewellery/plain gold jewellery and having an average annual turnover of Rs.5 crore or above during preceding three licensing years may also carry out their business through designated Diamond Dollar Accounts.
	30	<ul style="list-style-type: none"> The Preferential Trade Agreement signed on March 6, 2003 between the Transitional Islamic State of Afghanistan and Republic of India was operationalised. Export Inspection Council is the sole agency to issue the Certificate of Origin under the Agreement. <p>b) Foreign Exchange Market</p>
2002		
April	1	<ul style="list-style-type: none"> Exporters with proven track record who have been certified as 'Status Holder' in terms of EXIM policy were permitted: i) to credit up to 100 per cent of their eligible receipts of foreign exchange to their EEFC Account; ii) to despatch the export documents direct to the consignees outside India subject to the conditions that the export proceeds are repatriated through the AD named in the GR form and the duplicate copy of the GR form is submitted to the AD for monitoring purposes, by the exporters within 21 days from the date of shipment of export; iii) to realise and repatriate the full value of export proceeds within a period of twelve months from the date of shipment in respect of shipments made on or after April 1, 2002.
	2	<ul style="list-style-type: none"> Insurance companies registered with IRDA were permitted to issue general insurance policies denominated in foreign currency and receive premium in foreign currency without prior approval of the Reserve Bank in the following type of cases: i) marine insurance policies in respect of vessels (a) owned by foreign shipping companies but managed by Indian companies as technical operators for the vessels and (b) mortgaged to foreign financiers/bank as per the loan agreement and assignment of the same in favour of the foreign financiers/bank; ii) aviation insurance for aircrafts imported from outside India on lease/ hire basis for the purpose of air taxi operations; iii) marine-cum-erection all risks insurance policies to Indian companies in connection with a project to be set up in India with collaboration of foreign companies for supply of the equipment; iv) and, marine-cum-erection all risks policies favouring Indian companies for execution of projects in India being financed by ECB or awarded to local companies under global tender requiring insurance in foreign currency. Furthermore, ADs have been advised to allow remittance towards the settlement of claims in the above cases subject to compliance of certain conditions.
	12	<ul style="list-style-type: none"> ADs were permitted to consider requests for reduction up to 10 per cent in invoice value of export bills in respect of export of gold/silver jewellery or articles made out of cut and polished diamonds also.
	29	<ul style="list-style-type: none"> To provide greater freedom and flexibility to banks in their fund management, permission was granted to banks to crystallise their foreign exchange liability in rupees, in select cases, where circumstances so warrant, keeping in view the status of the account of the borrower who had raised ECBs. ADs desirous of crystallising their foreign exchange liability, arising out of guarantees provided for ECBs raised by corporates in India, into rupees have been advised to apply to Exchange Control Department, giving all the required details in the matter.

Date of Announcement	POLICY ANNOUNCEMENTS	
2002	V. EXTERNAL SECTOR POLICIES (Contd.)	
May	14	<ul style="list-style-type: none"> • ADs were advised to obtain, before making any remittances for advertisement on foreign television, a certificate from a Chartered Accountant certifying that the applicant satisfies the criteria of having export earning of more than Rs.10 lakhs during each of the preceding two years and the advertisement for which foreign exchange is being remitted will be broadcast by foreign television company in foreign countries and not in India alone. • ADs were permitted to allow repatriation of current income like rent, dividend, pension, interest of NRIs who do not maintain an NRO account in India based on an appropriate certification by a Chartered Accountant, certifying that the amount proposed to be remitted is eligible for remittance and that applicable taxes have been paid/provided for.
	17	<ul style="list-style-type: none"> • ADs are free to allow remittances towards premium for general insurance policies taken by units located in SEZs from insurers outside India provided the premium is paid by the units out of their foreign exchange balances.
June	4	<ul style="list-style-type: none"> • The Reserve Bank reiterated instructions about the prohibition on remittance in any form towards participation in lottery schemes or lottery like schemes, functioning under different names like money circulation scheme, or remittances for the purpose of securing prize money/awards under FEMA, 1999.
	24	<ul style="list-style-type: none"> • To further streamline the procedure for reporting overseas direct investments in JV/WOS, the requirement of forwarding of 'Form ODA' along with the prescribed documents to the Reserve Bank for investments made under the automatic route by Indian parties was dispensed with. The report on remittances required to be submitted by ADs was also revised. All remittances/guarantees issued/ capitalisation of exports etc., under the automatic route as well as under the Reserve Bank approval, are henceforth required to be reported in the revised form ODR. However, no change in the procedures relating to the receipt/scrutiny of the form ODA submitted by the Indian parties to the AD has been made.
	27	<ul style="list-style-type: none"> • On the use of international credit cards, it was clarified that : i) these can be used on internet for any purpose for which exchange can be purchased from an AD in India; ii) these cannot be used on internet or otherwise for purchase of prohibited items, like lottery tickets, banned or proscribed magazines, participation in sweepstakes, payment for call-back services since no drawal of foreign exchange is permitted for such items/activities, and, iii) there is no aggregate monetary ceiling separately prescribed for use of International Credit Cards through internet. Furthermore, debit Cards and ATM Cards can be used for any purpose for which foreign exchange can be purchased from an AD in India. • ADs were permitted to receive payment for exports made out of India by debit to the credit card of an importer, where the reimbursement from the card issuing bank/organisation will be received in foreign exchange.
	29	<ul style="list-style-type: none"> • ADs were permitted to allow remittances for the purpose of normal business operations of the office (trading/non-trading)/branch or representative outside India of Indian entities subject to the following terms and conditions: i) The overseas office (trading/ non-trading)/branch/ representative should not (a) create any financial liabilities contingent or otherwise for Head Office in India (b) invest surplus funds abroad without prior approval of the Reserve Bank. Any funds rendered surplus should be repatriated to India. ii) The overseas office/branch of software exporter company/firm, may repatriate to India 100 per cent of the contract value of each 'off-site' contract as also at least 30 per cent of the contract value of each 'on-site' contract and may utilise the balance amount (70 per cent) of the contract value of 'on-site' contracts for contract related expenses including office/branch expenses abroad. A duly audited yearly statement showing receipts under 'off-site' and 'on-site' contracts undertaken by the overseas office, expenses and repatriation thereon may be sent to the AD. iii) The details of bank account opened in the overseas country should be promptly reported to AD. • Indian entities were permitted to open, hold and maintain in the name of its office/branch set up outside India, a foreign currency account with a bank outside India by making remittance for the purpose of normal business operations of the said office/branch or representative, subject to specified conditions.
July	2	<ul style="list-style-type: none"> • ADs were permitted to allow the facility of repatriation of funds out of balances held by Non-Resident Indians/Persons of Indian Origin (NRIs/PIOs) in their Non-resident Ordinary Rupee (NRO) Accounts, for certain purposes as indicated below: i) Up to US \$ 30,000 per academic year, to meet expenses in connection with education of their children; ii) Up to US \$ 1,00,000 to meet the medical expenses abroad of the account holder or his family members; and iii) Up to US \$ 1,00,000 per year, representing sale proceeds of immovable property, held by them for a period of not less than 10 years subject to payment of applicable taxes.
	4	<ul style="list-style-type: none"> • Products of aluminium/petroleum, sugar and foodgrains also included in the list of products eligible for export with extended period for realisation and repatriation of full export value up to 365 days from the date of shipment. The said facility hitherto restricted only to manufacturer exporters would also be available to merchant exporters/traders.
	6	<ul style="list-style-type: none"> • ADs were permitted to open term deposit accounts for a period not exceeding 6 months in favour of branch/office of person resident outside India provided the AD is satisfied that the term deposit is out of temporary surplus funds and the concerned branch/office furnishes an undertaking that the maturity proceeds of the term deposit will be utilised for their business in India within 3 months of maturity. The facility is, however, not applicable to branches/offices of shipping and airline companies.

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CHRONOLOGY OF MAJOR POLICY ANNOUNCEMENTS

Date of Announcement	POLICY ANNOUNCEMENTS	
2002	V. EXTERNAL SECTOR POLICIES (Contd.)	
July	15	<ul style="list-style-type: none"> It was clarified to the ADs that they would credit the current income like rent, dividend, pension, interest of NRIs to their Non-Resident (External) Rupee Accounts after satisfying themselves that such credits represent current income of the non-resident account holder and income tax thereon was deducted/paid/provided for, as the case may be.
Aug.	5	<ul style="list-style-type: none"> An 'Automatic Route' for prepayment of External Commercial Borrowings (ECBs), without prior permission of the Reserve Bank, was introduced for a limited period up to March 31, 2003, subject to fulfilment of certain conditions.
	14	<ul style="list-style-type: none"> ADs were allowed to permit units in Special Economic Zones (SEZs) to despatch export documents direct to the consignees outside India provided (a) the export proceeds are repatriated through the AD named in the GR/SDF/PP/SOFTEX form and (b) the duplicate copy of the respective declaration form is submitted to the authorised dealer for monitoring purposes by the exporters within 21 days from the date of shipment. It was clarified that inward remittances received through normal banking channels for meeting specific obligations by the account holders were not eligible for credit to their EEFC accounts.
	28	<ul style="list-style-type: none"> The facility of realisation and repatriation of full value of export made to certain specified countries within a period of 360 days from the date of shipment was extended for a further period of one year from September 1, 2002.
Sep.	9	<ul style="list-style-type: none"> Submission of forms A1 and A2, relating to payments below the equivalent to Rs.5,00,000 for all types of transactions in foreign exchange, to the Reserve Bank with R>Returns has been dispensed with and ADs have been advised to audit these forms. In respect of all imports, except import through courier, where value of foreign exchange remitted/paid for import into India exceeded US \$ 5,000 or its equivalent, it is obligatory on the part of the ADs to ensure that the importer submits the documentary evidence prescribed therein. This limit was enhanced to US \$ 25,000. Where the amount of foreign exchange remitted for import is less than US \$ 1,00,000 or its equivalent, ADs were permitted to accept, either Exchange Control copy of Bill of Entry for home consumption or a certificate from the Chief Executive Officer (CEO) or Auditor of the Company that the goods for which remittance was made had actually been imported into India, provided : i) the importer is a company listed on a stock exchange in India and whose net worth is not less than Rs.100 crore as on date of last audited balance sheet, or ii) the importer is a Public Sector Company or an Undertaking of the Government of India or its Departments.
	12	<ul style="list-style-type: none"> With a view to provide hassle free release of foreign exchange to the resident individuals for various purposes, ADs were permitted to release an amount up to US \$ 500 or its equivalent for all permissible transactions on the basis of a simple letter from the applicant containing the basic information, viz., name and the address of the applicant, name and address of the beneficiary, amount to be remitted and purpose of remittance without insisting upon A2 Form or any documents so long as the payment is made by a cheque drawn on the applicant's bank account or by a demand draft. With a view to enable residents to avail of foreign exchange for medical treatment outside India without any hassle and any loss of time, ADs were permitted to release foreign exchange up to US \$ 50,000 or its equivalent, on the basis of a declaration, provided the payment of purchase of foreign exchange was being made by a cheque or debit to the applicant's account or by demand draft. ADs were permitted to allow remittance by an NRI and PIO an amount not exceeding US \$ 1,00,000 per calendar year, out of the assets in India acquired by way of inheritance/legacy subject to Indian taxes and production of documentary evidence to establish that the assets were acquired by way of inheritance/legacy.
	16	<ul style="list-style-type: none"> ADs were permitted to allow remittance up to Rs.20 lakhs per calendar year, out of the assets in India to foreign nationals, including retired employees or non-resident widows of Indian citizens. This limit of Rs.20 lakhs was enhanced to US \$ 1,00,000 per calendar year, subject to production of documentary evidence and Indian taxes. ADs were hitherto required to submit, on realisation of export proceeds the duplicate of the GR/SDF/PP/SOFTEX forms, after due certification, to the nearest office of the Reserve Bank. ADs were advised that, henceforth, such duplicate copies of export declaration form viz., GR, PP and SOFTEX and Exchange Control copies of the shipping bills together with related Statutory Declaration Forms (SDF) should not be submitted to the Reserve Bank along with the R>Returns. Instead, these should be retained by the ADs who should, however, ensure random checks to confirm that non-realisation or short realisation allowed, if any, is within the powers delegated to them or has been duly approved by the Reserve Bank, wherever necessary.
	17	<ul style="list-style-type: none"> In order to permit the corporates to take advantage of low international interest rates, the Reserve Bank permitted prepayment of the outstanding ECBs up to an amount of US \$ 100 million without prior permission. This liberalised automatic route was available to all categories of borrowers up to March 31, 2003. Proposals involving prepayment exceeding US \$ 100 million would also be considered by the Reserve Bank expeditiously. Individuals, trusts and non-profit making organisations were not eligible under the Automatic Route.

Date of Announcement	POLICY ANNOUNCEMENTS	
2002	V. EXTERNAL SECTOR POLICIES (Contd.)	
Sept.	25	<ul style="list-style-type: none"> • ADs were permitted to grant foreign currency loans by their branches in India also against the security of funds held in FCNR(B) Deposit Accounts to the account holders only, subject to specified guidelines.
	27	<ul style="list-style-type: none"> • With a view to simplifying the procedure for imports into India, uniform regulations and procedures were made applicable to the categories of the short-term credit, <i>i.e.</i>, suppliers' credit as well as buyers' credit. Accordingly, ADs were empowered to approve the proposals for short-term credit for financing by way of either Suppliers' Credit or Buyers' Credit, of import of goods into India, provided: i) The credit is being extended for a period of less than three years; ii) The amount of credit does not exceed US \$ 20 million, per import transaction; and, iii) The 'all-in-cost' per annum payable for the credit does not exceed LIBOR + 50 basis points for credit up to one year and LIBOR + 125 basis points for credits for periods beyond one year but less than three years, for the currency of credit.
	28	<ul style="list-style-type: none"> • NRI/PIOs who do not maintain NRO account and have no taxable income need not submit a Chartered Accountant's certificate for remitting their current income like dividend, rent, pension interest. In such cases, ADs have been advised to obtain a simple declaration, in duplicate, from the concerned NRI/PIO to the effect that he/she is not a tax-payer in India.
	29	<ul style="list-style-type: none"> • For allowing remittance in foreign exchange, ADs were permitted to accept an undertaking tendered by the remitter in the format prescribed by Central Board of Direct Taxes in their Notification F.No.500/152/96-FID dated November 18, 1997 in lieu of an 'Income-Tax Clearance Certificate' or a 'No Objection Certificate' prescribed in the respective Notifications.
Oct.	3	<ul style="list-style-type: none"> • Units located in Special Economic Zone have been allowed to open, hold and maintain Foreign Currency Account with an authorised dealer in India subject to certain conditions, in lieu of the special provision for EEFC Accounts for units in the Special Economic Zones given earlier.
	23	<ul style="list-style-type: none"> • The facility allowing manufacturer exporters/merchant exporters/traders of certain products having export contracts of Rs.100 crore and above in value terms in one year to realise and repatriate full value of the export of the specified products within a period of 365 days from the date of shipment was extended for one more year up to September 30, 2003.
Nov.	1	<ul style="list-style-type: none"> • The lock-in period for repatriation of the sale proceeds of immovable property (other than agricultural land/farm house/plantation property) purchased in India by NRIs/PIOs was removed. The sale proceeds allowed to be repatriated should, however, not exceed the foreign exchange brought in to acquire the property. • Persons resident in India were allowed to open, hold and maintain with ADs in India Foreign Currency Accounts to be known as Resident Foreign Currency (Domestic) Account, out of foreign exchange acquired in the form of currency notes, bank notes and travellers' cheques. This facility is in addition to the existing RFC facility and the facility of retention of foreign exchange in cash and/or travellers cheques up to US \$ 2,000 or its equivalent. The accounts will be maintained in the form of current accounts and there will be no ceiling on the balances held in them. Resident Foreign Currency (Domestic) Accounts can also be credited with/ opened out of foreign exchange earned/or gifts received from close relatives (as defined in the Company Act) and repatriated to India through normal banking channels by resident individuals. Foreign exchange earnings could be through export of goods and/or services, royalty, honorarium, <i>etc.</i>
	5	<ul style="list-style-type: none"> • It was clarified that ADs may issue ICCs to NRIs/PIOs, without prior approval of the Reserve Bank, subject to the condition that charges on the use of ICCs should be settled by the concerned NRIs/PIOs either out of inward remittances or balances held in their Non-Resident External (NRE)Accounts/Foreign Currency Non-Resident(FCNR) Accounts. Subsequently, ADs were permitted to settle credit card charges out of funds held in the card holders' Non-Resident (Ordinary) Rupee Account (NRO) as well to the extent of card limit for use of credit cards issued by banks in India.
	8	<ul style="list-style-type: none"> • Exporters desirous of submitting bids for execution of projects abroad, including service contract, have been allowed to issue Corporate Guarantee in lieu of Bid Bond Guarantee subject to the condition that the amount of such guarantee shall not exceed 5 per cent of the contract value and the exporters have complied with the provisions contained in Memorandum PEM and other instructions issued by the Reserve Bank from time to time in this regard.
	12	<ul style="list-style-type: none"> • Entities in the SEZs were granted general permission to undertake hedging transactions in the international commodity exchanges/markets to hedge their commodity price risk on import/export, provided such transactions are undertaken on "stand-alone" basis. • ADs were permitted to allow NRIs/PIOs to credit to their NRE/FCNR accounts, refund of application/earnest money/purchase consideration made by the house building agencies/seller on account of non-allotment of flat/plot/cancellation of bookings/deals for purchase of residential, commercial property, together with interest, if any, but net of income tax payable thereon subject to specified conditions.
	16	<ul style="list-style-type: none"> • With a view to accord further flexibility in their funds management, banks in India were allowed to invest up to 50 per cent of their unimpaired Tier I Capital or US \$ 25 million whichever is higher, in overseas money market instruments and/ or debt instruments. • With a view to simplifying and liberalising the procedure for import, the limit for advance remittance without bank guarantee by ADs was raised from US \$ 25,000 to US \$ 1,00,000 or its equivalent for import of goods into India subject to specified conditions.

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CHRONOLOGY OF MAJOR POLICY ANNOUNCEMENTS

Date of Announcement	POLICY ANNOUNCEMENTS
2002	V. EXTERNAL SECTOR POLICIES (Contd.)
Nov.	<p>16 • With a view to further liberalise and simplify the facility, the FIs were permitted to hedge the market value of their entire investment in equity as on a particular date without any reference to a cut-off date. If a hedge becomes naked in part or full owing to shrinking of the value of the portfolio, it may be allowed to continue to the original maturity, if so desired.</p> <p>18 • As a measure of further liberalisation, the limit of US \$ 5,000 or its equivalent to be released by Authorised Persons to resident individuals in one calendar year, for one or more private visits to any country (except Nepal and Bhutan) was enhanced to US \$ 10,000 or its equivalent.</p> <p>27 • The facility of acceptance of either Exchange Control copy of Bill of Entry for home consumption or a certificate from the Chief Executive Officer (CEO) or Auditor of a limited or public sector Company that the goods for which remittance was made have actually been imported into India in cases of imports into India, where the amount of foreign exchange remitted is less than US \$ 1,00,000 or its equivalent, was extended to autonomous bodies, including scientific bodies/academic institutions, such as Indian Institute of Science/Indian Institute of Technology, whose accounts are audited by the Comptroller and Auditor General of India (CAG).</p>
Dec.	<p>2 • As a part of further liberalisation, the existing ceiling for Indian investment in Myanmar and SAARC countries (excluding Pakistan) under the automatic route was enhanced to US \$ 150 million or its equivalent, against the earlier limit of US \$ 100 million. The earlier limit of Rs.350 crore for rupee investment in Nepal and Bhutan was raised to Rs.700 crore.</p> <p>14 • With a view to ensuring that exporters invariably surrender the export incentives in respect of export bills for which they seek "write-offs", ADs were advised to obtain document/s evidencing surrender of the export incentives availed of by them before permitting the relevant outstanding bills to be written off. The ADs have also been advised to put in place a system under which their internal inspectors or auditors (including external auditors appointed by ADs) carry out random sample check/percentage check of outstanding export bills written off.</p> <p>17 • ADs were advised that the payments received in foreign exchange by a unit in Domestic Tariff Area (DTA) for supply of goods to a unit in SEZ out of its foreign currency account are eligible foreign exchange earnings for the purpose of credit to the EEFC Account.</p> <p>21 • The limit of US \$ 25 million put on the swap allowed by ADs to facilitate their customers to hedge their foreign exchange exposures was removed. ADs are now free to offer such swaps to customers subject to overall prudential and risk management guidelines. The specified limits would, however, continue for swap transactions facilitating customers to assume a foreign exchange liability, thereby resulting in supply in the market. Positions arising out of cancellation of swaps by customers need not be reckoned within the cap.</p> <ul style="list-style-type: none"> • Banks were allowed to invest their unimpaired Tier I Capital in overseas money market or debt instruments without any percentage or absolute limit subject to approval by their Board of Directors. • ADs were allowed to permit their customers to book forward contracts up to the eligible limit, subject to the condition that forward contracts outstanding at any point of time shall not exceed 25 per cent of the eligible limit, within the cap of US \$ 100 million to be computed separately for import and export transactions. • The cap of US \$ 100 million per financial year for rebooking of cancelled forward contracts for a customer was withdrawn and ADs were advised that they are free to offer this facility of rebooking of cancelled contracts to all foreign exchange exposures falling due within one year subject to the condition that the customers submit details of exposure to the ADs in the revised format prescribed. • Forward contracts booked to cover exposures falling due beyond one year and long-term foreign currency-rupee swaps, once cancelled, cannot be rebooked. ADs were allowed to continue to offer this facility without any restrictions in respect of export transactions. • The restriction on the foreign banks in India that the hedge transactions should spread over a period of six month was removed. • ADs are now free to offer forward contracts to persons resident outside India subject to verification of their exposure in India. These forward contracts once cancelled are not eligible to be rebooked.
2003	
Jan.	<p>6 • The limit for advance remittance by ADs without bank guarantee for all admissible current account transactions without prior approval of the Reserve Bank was enhanced from US \$ 25,000 to US \$ 1,00,000.</p> <p>13 • Subject to certain specified conditions, listed Indian companies were permitted to invest abroad in companies listed on a recognised stock exchange and having the shareholding of at least 10 per cent in an Indian company listed on a recognised stock exchange in India (as on 1st January of the year of the investment). Such investments shall not exceed 25 per cent of the Indian company's net worth, as on the date of its latest audited balance sheet.</p> <ul style="list-style-type: none"> • MFs were permitted to invest in equity of overseas companies as indicated above subject to certain specified conditions. Accordingly, the overall cap of US \$ 500 million fixed earlier for investment abroad in ADRs/GDRs of Indian companies and rated debt instruments in overseas markets was raised to US \$ 1 billion.

Date of Announcement	POLICY ANNOUNCEMENTS	
2003	V. EXTERNAL SECTOR POLICIES (Contd.)	
Jan.	13	<ul style="list-style-type: none"> • Resident individuals were also permitted to invest in overseas companies as indicated above without any monetary limit, subject to certain specified conditions. • The existing dispensation of permitting repatriation of funds out of NRO accounts up to specified limits for each of the different purposes such as education, medical, sale proceeds of immovable property, assets of foreign nationals including retired employees/widows of Indian citizens resident outside India and assets in India acquired by NRIs/PIOs by way of inheritance/legacy, was removed and ADs were permitted to allow remittance/s up to US \$ 1 million in a year out of balances held in NRO accounts/sale proceeds of assets. All other conditions required to be fulfilled in this regard including liability towards Indian taxes, however, remain unchanged. • The monetary restriction of US \$ 20,000 on remittance by resident individual who is an employee or a director of an Indian office or branch of a foreign company or of a subsidiary of a foreign company or of an Indian company, for acquisition of foreign securities under Employees Stock Option (ESOP) Scheme was removed. All other conditions to be fulfilled for allowing remittance under the scheme have, however, been retained. • Indian companies were permitted to retain abroad funds raised through ADRs/GDRs for any period to meet their future forex requirements. Pending repatriation or utilisation of such foreign currency funds, they have also been allowed to invest them in certain specified categories of deposits/monetary instruments. • Corporates were allowed to retain the funds raised by them by way of External Commercial Borrowings (ECBs) in bank accounts abroad, for their future forex requirements, subject to fulfilment of certain specified conditions. • Indian corporates, who have set up overseas offices, were allowed to acquire immovable property outside India for their business and staff's residential purposes with prior permission from the Reserve Bank. All these facilities are available till further notice.
	24	<ul style="list-style-type: none"> • NRIs/PIOs were required to settle charges on the use of International Credit Cards (ICCs), only out of inward remittances or balances held in their NRE/FCNR(B) accounts. On a review, such card holders holding credit cards issued by banks in India, have been permitted to settle credit card charges out of funds held in their NRO accounts to the extent of the card limit. The debits shall be subject to the same conditions as in the case of residents. • With a view to providing hassle free service to customers, the use of ICCs by residents while on tour abroad has been made free from all restrictions, including any item-wise limits within the overall ceiling of the credit card itself. The restrictions on use of ICCs for purchase of prohibited items, e.g. lottery tickets, banned or proscribed magazines, participation in sweepstakes, payment of call-back services etc., will remain.
Feb.	3	<ul style="list-style-type: none"> • As a measure of further liberalisation and in order to encourage Indian companies to list ADRs/GDRs on the overseas exchanges, through the scheme of sponsored ADRs/GDRs, resident shareholders of Indian companies, who offer their shares for conversion to ADRs/GDRs, were allowed to receive the sale proceeds in foreign currency subject to condition that the conversion to such ADRs/GDRs should have the approval of Foreign Investment Promotion Board (FIPB). Further, the sale proceeds, so received by residents, are also permitted to be credited to their Exchange Earners' Foreign Currency/Resident Foreign Currency (Domestic) [EEFC/RFC(D)] accounts or to their Rupee accounts in India at their option. Disinvestment proceeds under the scheme, receivable by residents, who have since become non-residents, would also be eligible for credit to their foreign currency accounts abroad or any of their accounts in India at their option.
	10	<ul style="list-style-type: none"> • With a view to simplifying the procedure for remittances for advertisement on foreign television, ADs were advised to do away with the insistence on furnishing of Chartered Accountant's certificate by the exporters if the stipulated export earnings during the preceding 2 years have been realised through them only.
	14	<ul style="list-style-type: none"> • As a measure of relaxation of the EEFC Account Scheme, ADs were empowered to permit their exporter constituents to extend trade related loans/advances to overseas importers out of their EEFC balances without any monetary ceiling. This relaxation, which was effective up to June 30, 2003, was subsequently extended till further notice.
March	1	<ul style="list-style-type: none"> • The ceiling of US \$ 100 million stipulated earlier for repayment of ECBs under the automatic route was removed. ADs have accordingly been empowered to allow remittances towards prepayment of outstanding ECBs without any limit out of local resources/market purchases, subject to fulfilment of the other conditions prescribed by the Reserve Bank. This relaxation is available till further notice. • The automatic route for overseas direct investment was further liberalised: i) The limit of 50 per cent of net worth for market purchases of foreign exchange for investment in JV/WOS abroad was enhanced to 100 per cent of the net worth of the investing company; and, ii) An Indian company with a proven track record would now be eligible to invest up to 100 per cent of its net worth within the overall limit of US \$ 100 million by way of market purchases for investment in a foreign entity engaged in any bonafide business activity.
	3	<ul style="list-style-type: none"> • ADs were empowered to open Stand-by Letters of Credit on behalf of their importer constituents for import of permissible goods into India.

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CHRONOLOGY OF MAJOR POLICY ANNOUNCEMENTS

Date of Announcement	POLICY ANNOUNCEMENTS	
2003	V. EXTERNAL SECTOR POLICIES (Concl.d.)	
March	20	<ul style="list-style-type: none"> • ADs have been permitted to consider proposals received from organisers of International Seminars/Conferences/Conventions for opening of temporary foreign currency accounts in India, subject to fulfilment of certain specified conditions including obtaining of prior approval from the concerned Administrative Ministry of Government of India for the conduct of the relevant event.
	27	<ul style="list-style-type: none"> • ADs were permitted to allow Indian companies to prepay the existing FCCBs subject to the conditions stipulated in terms of Government of India Press Note dated 5th February 2003.
April	1	<ul style="list-style-type: none"> • A number of incentives/facilities for Special Economic Zones (SEZs) were announced: i) The stipulation of twelve months or extended period thereof for realisation of export proceeds removed in respect of SEZs, ii) Units in SEZs have been permitted to undertake job work abroad and export goods from that country itself, subject to certain conditions, iii) Gem and Jewellery units in SEZs and EOUs were allowed to receive payment for exports in the form of precious metals <i>i.e.</i> Gold/Silver/Platinum equivalent to the value of jewellery exported, subject to certain conditions, iv) 'Netting off' of export receivables against import payments as well as capitalisation of import payables was permitted, subject to stipulated conditions for SEZ units.
	26	<ul style="list-style-type: none"> • It was clarified that ADs/NHB approved housing finance institutions in India could grant loans to NRIs/PIOs for purpose of repairs/renovation/improvement of residential accommodation owned by them in India.
	29	<ul style="list-style-type: none"> • Indian corporates and resident individuals were permitted to invest in rated bonds/fixed income securities of listed eligible companies abroad subject to certain conditions. • The requirement of obtaining separate permission from RBI by the Mutual Funds (MFs) for investing overseas in debt/equity/ADRs/GDRs under the existing regulations was waived. Accordingly, MFs having the requisite approval from SEBI, may proceed to invest overseas. • Overseas investors making long-term investments allowed to hedge their forex exposures in India, pending investment, by entering into forward sale contracts with banks in India. • Entities having transactions denominated in foreign currency but settled in rupees permitted to book forward contracts which should be held till maturity and on which cash settlement would be made on the maturity date. • NRIs/OCBs allowed to book cross currency forward contracts to hedge the balances held in their FCNR (B) accounts. However, contracts once cancelled cannot be rebooked.
May	5	<ul style="list-style-type: none"> • Repatriation of sale proceeds of residential accommodation purchased by NRIs/PIOs out of funds raised by them by way of loans from the ADs/housing finance institutions was allowed to be made by ADs to the extent of such loans repaid by them out of foreign inward remittances.
	21	<ul style="list-style-type: none"> • As a step towards further liberalisation, resident individuals maintaining a foreign currency account with an AD in India or a bank abroad, as permissible under extant regulations, have been extended the facility of obtaining International Credit Cards issued by overseas banks and other reputed agencies. The charges incurred against the card either in India or abroad, were allowed to be met out of funds held in such foreign currency accounts of the card holder or through remittances from India only through a bank where the card-holder has a current or savings account. Restrictions on purchase of prohibited items continue to apply to such cards.
June	16	<ul style="list-style-type: none"> • Units in Domestic Tariff Areas (DTA) have been permitted to purchase foreign exchange from ADs to pay for goods supplied to them by units in SEZs.
	21	<ul style="list-style-type: none"> • For developing the derivative market in India and widening the spectrum of hedge products available to residents and non-residents for hedging currency exposures, foreign currency rupee options have been permitted with effect from July 7, 2003. ADs having a minimum CRAR of 9 per cent will be permitted to offer the product on a back-to-back basis. Further, ADs having adequate internal control, risk monitoring/management systems, mark to market mechanism along with fulfilling of certain specified criteria will be allowed to run an option book after obtaining a one time approval from the Reserve Bank.
July	17	<ul style="list-style-type: none"> • The existing limits on remittances in respect of items like employment, emigration, maintenance of close relatives and education abroad were enhanced uniformly to US \$ 1,00,000. ADs were permitted to release foreign exchange up to US \$1,00,000 or its equivalent (against the existing limit of US \$ 50,000 or its equivalent), to resident Indians for medical treatment abroad, without insisting on any estimate from a hospital/doctor in India/abroad, subject to the existing conditions. The limit for remittance towards consultancy services procured from outside India was enhanced to US \$ 1 million per project, as against the existing limit of US \$ 1,00,000.
	19	<ul style="list-style-type: none"> • It was clarified that short term credit either by way of suppliers' credit or buyers' credit would not be available for merchanting trade or intermediary trade transactions.
	21	<ul style="list-style-type: none"> • All companies entering into foreign technology collaboration agreements under the automatic approval route, irrespective of the extent of foreign equity in the shareholding, were permitted to make royalty payments at 8 per cent on export and 5 per cent on domestic sales without any restriction on the duration of royalty payments. All cases of payment of royalty under the automatic route will continue to require prior registration with the Reserve Bank.