ANNEX IV

CHRONOLOGY OF MAJOR POLICY ANNOUNCEMENTS: APRIL 2006 – JULY 2007

Date of Announce-ment		POLICY ANNOUNCEMENTS
		I. MONETARY POLICY MEASURES
2006		
April	**18**	• Ceiling interest rate on NR(E)RA deposits raised by 25 basis points to 100 basis points above LIBOR/SWAP rates for US dollar of corresponding maturity.
		• Ceiling interest rate on export credit in foreign currency raised by 25 basis points to LIBOR plus 100 basis points.
June	**9**	• Fixed reverse repo rate and repo rate under LAF raised by 25 basis points to 5.75 per cent and 6.75 per cent, respectively.
July	**25**	• Fixed reverse repo rate and repo rate under LAF raised by 25 basis points to 6.00 per cent and 7.00 per cent, respectively.
Oct.	**31**	• Fixed repo rate under the LAF raised by 25 basis points to 7.25 per cent, while reverse repo rate left unchanged at 6.0 per cent.
Dec.	**8**	• CRR raised by 50 basis points in two stages (25 basis points each) effective from the fortnights beginning from December 23, 2006 (to 5.25 per cent) and January 6, 2007 (to 5.5 per cent).
2007		
Jan.	**31**	• Fixed repo rate under the LAF raised by 25 basis points to 7.50 per cent, while reverse repo rate left unchanged at 6.0 per cent.
		• Ceiling interest rates on FCNR (B) and NR(E)RA deposits reduced by 25 basis points and 50 basis points, respectively, to LIBOR/SWAP rates *minus* 25 basis points and LIBOR/SWAP rates for US dollar of corresponding maturity *plus* 50 basis points.
Feb.	**13**	• CRR raised by 50 basis points in two stages (25 basis points each), effective from the fortnights beginning from February 17, 2007 (to 5.75 per cent) and March 3, 2007 (to 6.00 per cent).
March	**30**	• CRR raised by 50 basis points in two stages (25 basis points each), effective from the fortnights beginning from April 14, 2007 (6.25 per cent) and April 28, 2007 (6.50 per cent).
		• Fixed repo rate under the LAF increased by 25 basis points to 7.75 per cent, while reverse repo rate left unchanged at 6.0 per cent.
April	**12**	• Validity of the interest rate ceiling stipulated at BPLR minus 2.5 per cent on pre-shipment Rupee export credit up to 180 days and post-shipment export Rupee credit up to 90 days extended to October 31, 2007.
	24	• Ceiling interest rate on FCNR (B) deposits reduced by 50 basis points to LIBOR/SWAP rates *minus* 75 basis points for respective currency/maturities.
		• Ceiling interest rate on NR(E)RA deposits reduced by 50 basis points to LIBOR/SWAP rates for US dollar of corresponding maturity.
July	**31**	• CRR raised by 50 basis points to 7.00 per cent, effective from the fortnight beginning August 4, 2007.
		• Second LAF, which was introduced from November 28, 2005 was withdrawn with effect from August 6, 2007.
		II. INTERNAL DEBT MANAGEMENT POLICIES
2006		
April	**4**	• Guidelines issued on revised scheme for underwriting commitment and liquidity support to PDs and banks undertaking PD business departmentally. Accordingly, PDs were required to meet an underwriting commitment, replacing the earlier requirement of bidding commitment and voluntary underwriting.
		• Based on the recommendations of the Bezbaruah Committee, a revised Ways and Means Advances (WMA) Scheme for State Governments announced. The aggregate Normal WMA limits were increased by 10.5 per cent to Rs.9,875 crore for 2006-07. The interest rates on WMA and overdraft were linked to the repo rate (as against the Bank Rate earlier).
	18	• Purchase and resale of SDLs by the Reserve Bank proposed to be introduced under the overnight LAF repo operations.

Date of Announcement		POLICY ANNOUNCEMENTS
2006		**II. INTERNAL DEBT MANAGEMENT POLICIES** *(Concld.)*
April	**19**	• The scheme of WMA to the Central Government revised in consultation with the Government. As per the revised arrangement, the WMA limits were fixed on a quarterly basis instead of the existing half-yearly basis. Accordingly, the WMA limits for 2006-07 were placed at Rs.20,000 crore and Rs.10,000 crore for the first and second quarters, respectively, and Rs.6,000 crore each for the third and fourth quarters of the year. The Reserve Bank retained the flexibility to revise the limits in consultation with the Government of India. The interest rates on WMA and overdraft were linked to the repo rate as against the Bank Rate hitherto. Accordingly, the interest rate on WMA to be at the repo rate and that on overdraft to be at repo rate plus two percentage points.
May	**3**	• Guidelines were issued permitting “When Issued” transactions in Central Government securities that have been notified for reissuance.
July	**4**	• Guidelines issued permitting stand-alone PDs to diversify their activities, in addition to existing business of Government securities, subject to limits.
	31	• The NDS-OM system upgraded to handle trading of Treasury Bills from July 31, 2006. Membership to the NDS-OM, which was initially only for the Reserve Bank regulated NDS members (banks and PDs) was expanded to include insurance companies, mutual funds and bigger provident funds. Apart from the direct access of NDS-OM members, indirect access to NDS-OM through the Constituents Subsidiary General Ledger (CSGL) route extended to qualified entities maintaining gilt accounts with the NDS-OM members.
Aug.	**1**	• Accounting Guidelines on “When Issued” trading issued.
	30	• Government securities Act, 2006 received the assent of the President of India.
Oct.	**5**	• Operational guidelines were issued to banks undertaking primary dealer activity.
Nov.	**16**	• “When Issued” trading extended to newly issued securities.
2007		
Jan.	**31**	• Short selling in Government securities extended up to five days. Sale of repoed stock has simultaneously been permitted.
March	**30**	• The aggregate Normal WMA limits of State Governments were retained at Rs.9,875 crore for 2007-08.
May	**21**	• Odd lot trading commenced on NDS-OM with a view to encourage retail trading.
	24	• The limit for WMA for the Government of India was fixed at Rs.20,000 crore for the first half of the year 2007-08 (April - September) and Rs. 6,000 crore for the second half of the year (October - March).
	25	• Qualified CSGL constituents permitted to trade on NDS-OM through their custodians.
June	**29**	• The Reserve Bank transferred its entire share holding in the State Bank of India to the Government of India.
		III. FINANCIAL SECTOR MEASURES
2006		
April	**4**	• Scheduled Commercial Banks (SCBs) were advised that principal and interest due on working capital loans in poultry industry as also instalments and interest on term loans therein which had fallen due for payment on/after the onset of bird flu, *i.e.*, February 1, 2006 and remaining unpaid might be converted into term loans. The converted loans might be recovered in installments based on projected future inflows over a period up to three years with an initial moratorium of up to one year. Similar advice was given to Urban Cooperative Banks (UCBs) on April 20, 2006.
	12	• SCBs [excluding regional rural banks (RRBs)] advised to furnish annual return within one month in respect of non-SSI (sick/weak) industrial units in the revised format from the year March 31, 2006. As a one time measure, the banks were required to furnish data in the revised format for the period ending March 31, 2004 and March 31, 2005 by May 2006.
	13	• UCBs registered in States, which had signed Memorandum of Understanding (MoU) and those registered under the Multi-State Co-operative Societies Act, 2002, permitted to enter into agreements with mutual funds (MFs) for marketing their units subject to certain conditions such as i) the bank should act as an agent of the customers, ii) the purchase of MF units should be at the customers’ risk and without the bank guaranteeing any assured return, iii) the bank should not acquire such units of MFs from the secondary market, iv) the bank should not buy back units of MFs from the customers and v) compliance with extant know your customer (KYC)/anti-money laundering (AML) guidelines. Similar guidelines were issued to regional rural banks (RRBs) on May 17, 2006.

Date of Announce-ment		POLICY ANNOUNCEMENTS
2006		**III. FINANCIAL SECTOR MEASURES** *(Contd.)*
April	**28**	• In order to enable better customer service, UCBs permitted to undertake following limited transactions at the extension counters: i) deposit/withdrawal transactions, ii) issue and encashment of drafts, mail transfers, and travellers' cheques, iii) collection of bills, iv) advances against fixed deposits of their customers (within the sanctioning power of the concerned officials at the extension counter), and v) disbursement of other loans (only for individuals) sanctioned by the Head Office / base branch up to the limit of Rs.10 lakh only.
		• UCBs permitted to set up ATMs subject to the following eligibility criteria: i) minimum deposits of Rs.100 crore, ii) compliance with the prescribed CRAR, iii) net NPAs less than 10 per cent, and v) consistent record of profitability and compliance with CRR/SLR. Among others, the requirement of prior Reserve Bank approval for network connectivity and/or sharing of the ATMs instaled by UCBs was dispensed with.
May	**16**	• SCBs (including RRBs) to display and update, on their website, the details of various service charges in the prescribed format. SCBs were also to display the charges relating to certain services as prescribed in their offices/branches (including in the local language). Similar guidelines were issued to UCBs on May 26, 2006 wherein scheduled UCBs were required to place the details of various service charges on their website while all UCBs (including scheduled and non-scheduled) were to display the charges relating to certain services as prescribed in their offices/branches.
	23	• It was clarified that the interest subvention to be provided by the Central Government as a relief measure would be calculated at four percentage points on the term loans and working capital loans provided by banks for all poultry related activities with respect to the outstanding as on March 31, 2006.
	25	• The risk weight on SCBs' exposure to the commercial real estate increased to 150 per cent from 125 per cent. Furthermore, SCBs' total exposure to venture capital funds (VCFs) would form a part of its capital market exposure and, henceforth, a higher risk weight of 150 per cent would be assigned to these exposures.
	29	• The general provisioning requirement for SCBs (excluding RRBs) on standard advances in specific sectors, *i.e.*, personal loans, loans and advances qualifying as capital market exposures, residential housing loans beyond Rs.20 lakh and commercial real estate loans, increased to 1.0 per cent from 0.40 per cent. In order to ensure that the additional general provisioning on standard advances in the above mentioned sectors are made in a smooth and non-disruptive manner, SCBs were permitted, on July 12, 2006, to phase in the additional general provisioning requirement over the financial year 2006-07 as follows: (a) 0.55 per cent for the quarter ended June 2006; (b) 0.70 per cent for the half-year ended September 2006; (c) 0.85 per cent for the quarter ended December 2006; and (d) 1 per cent for the year ended March 2007.
		• SCBs (excluding RRBs) to disclose in the 'Notes on Account' the information providing detailed break-up of provisions and contingencies shown under 'Expenditure in Profit and Loss Account' as follows: i) provision for depreciation on investment, ii) provision towards NPA, iii) provision towards standard asset, iv) provision made towards income tax, and v) other provision and contingencies (with details).
June	**5**	• Public sector banks (PSBs) and RRBs advised that, in pursuance with the announcement in the Union Budget, 2006-07, the Government would provide interest subvention of 2 per cent per annum to them in respect of short-term production credit up to Rs.3 lakh given to farmers. This amount of subvention would be calculated on the amount of the crop loan disbursed from the date of disbursement/drawal up to the date of payment or up to the date beyond which the outstanding loan became overdue, *i.e.,* March 31, 2007 for *Kharif* and June 30, 2007 for *Rabi*, respectively, whichever was earlier. This subvention would be available to PSBs and RRBs on the condition that they make available short-term credit at ground level at 7 per cent per annum. In case of RRBs, this would be applicable only to short term production credit disbursed out of their own funds and would exclude such credit supported by NABARD refinance. On May 10, 2007, this scheme was extended by one year in accordance with the announcement in the Union Budget 2007-08.
	6	• State Cooperative Banks (StCBs) and District Central Cooperative Banks (DCCBs) permitted 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 on production of an authorisation from the respective Government departments certifying that the concerned Government department or body was permitted to open savings bank account.
	8	• SCBs (excluding RRBs) advised not to enter into swap transactions involving conversion of fixed rate rupee liabilities in respect of innovative Tier I/Tier II bonds into floating rate foreign currency liabilities. Furthermore, with regard to swaps already entered into, banks were to follow certain procedures for accounting gains / losses arising out of such swap transactions.

Date of Announcement		POLICY ANNOUNCEMENTS
2006		**III. FINANCIAL SECTOR MEASURES** *(Contd.)*
June	**22**	• Revised prudential norms issued to SCBs (excluding RRBs) on utilisation, creation, accounting and disclosures of floating provisions, *i.e.,* provisions not made in respect of specific non-performing assets or made in excess of regulatory requirement for provisions for standard assets. The floating provisions could be used for contingencies under extra-ordinary circumstances for making specific provisions in impaired accounts after obtaining board's approval and with prior permission of the Reserve Bank. It was clarified on March 13, 2007 that these extra-ordinary circumstances could broadly fall under three categories *viz.,* general (civil unrest collapse of currency), market (melt down in market) and credit (exceptional credit losses).
July	**4**	• SCBs advised to initiate steps for incorporating an appropriate mandate management routine for handling ECS (Debit) transactions.
	14	• SCBs advised not to associate themselves with internet based electronic purse schemes in the nature of acceptance of deposits withdrawable on demand.
	17	• SCBs operating in the Vidarbha Region advised to ensure that all the farmers' loan-accounts, overdue as on July 01, 2006, were rescheduled on the lines of the package of "Relief Measures to the Vidarbha Region in Maharashtra" announced by the Prime Minister and the interest thereon (as on July 01, 2006) was fully waived. Fresh finance may be ensured to such farmers. The total amount of credit of Rs.1,275 crore envisaged to be released by banks would be allocated by Bank of Maharashtra (as SLBC Convenor) among the banks functioning in the districts. Similar guidelines were issued to UCBs on July 21, 2006.
	20	• SCBs to place service charges and fees on the homepage of their website at a prominent place under the title of 'Service Charges and Fees' so as to facilitate easy access to the bank customers. A complaint form, along with the name of the nodal officer for complaint redressal, may be provided in the homepage itself to facilitate complaint submission by customers. The complaint form should also indicate that the first point for redressal of complaints would be the bank itself and that complainants might approach the Banking Ombudsman only if the complaint was not resolved at the bank level within a month. Similar guidelines were issued to UCBs on July 24, 2006.
Aug.	**9**	• Additional guidelines on relief measures to be extended by banks in areas affected by natural calamities issued.
	23	• Prudential guidelines governing banks' exposure to VCFs were issued to banks covering limits, valuation, classification of bank's investment in VCF, and risk weight and capital charge for market risk for exposures in VCFs.
Sept.	**1**	• Banks advised to take sufficient care to ensure that the minority communities also received an equitable portion of the credit, within the overall target for priority sector lending and the sub-target of 10 per cent for the weaker sections. The above requirement should be kept in view by lead banks while preparing district credit plans.
		• In order to improve the quality of service available to customers in branches, banks advised to ensure that the pass books/statement of accounts issued to account holders invariably mentioned the full address/telephone number of the branch. Similar advice was issued to RRBs on September 15, 2006.
	4	• Instructions on moratorium, maximum repayment period, additional collateral for restructured loans and asset classification in respect of fresh finance to be applicable to all affected restructured borrowal accounts, including accounts of industries and trade, besides agriculture. Asset classification of the restructured accounts as on the date of natural calamity will continue if the restructuring is completed within a period of three months from the date of natural calamity.
	20	• The exposure of banks to entities for setting up Special Economic Zones (SEZs) or for acquisition of units in SEZs which includes real estate would be treated as exposure to commercial real estate sector with immediate effect and banks would have to make provisions as also assign appropriate risk weights for such exposures as per the existing guidelines.
		• Securitisation companies (SCs)/reconstruction companies (RCs) advised to invest in security receipts an amount not less than 5 per cent issued under each scheme. In the case of SCs/RCs which had already issued the security receipts, such companies should achieve the minimum subscription limit in security receipts under each scheme, within a period of six months from the date of notification issued in this regard.
		• In order to ensure that banks' recourse to drawing down the Statutory Reserve is done prudently and is not in violation of any of the regulatory prescriptions, banks advised to take Reserve Bank's approval before any appropriation is made from the statutory reserve or any other reserves.
		• NBFCs advised that while calculating the aggregate of funded exposure of a borrower for the purpose of assigning risk weights, they may 'net off' against the total outstanding exposure to the borrower, advances collateralised by cash margins/security deposits/caution money against which right to set off is available.

Date of Announcement		POLICY ANNOUNCEMENTS
2006		**III. FINANCIAL SECTOR MEASURES** *(Contd.)*
Sept.	**21**	• NBFCs advised to submit a certificate from their statutory auditors every year to the effect that they continue to undertake the business of NBFI requiring holding of Certificate of Registration (CoR) under Section 45-IA of the Reserve Bank of India Act,1934.
	28	• NBFCs advised to put in place guidelines on fair practices code.
Oct.	**4**	• Banks advised to offer pass book facilities to all their savings bank account holders (individuals) and in case the bank offers the facility of sending statement of account, the banks must issue monthly statements of accounts. The cost of providing pass books/statement of accounts should not be charged to the customer.
	18	• SCBs advised to ensure that all the farmers' loan accounts in the 25 debt stressed districts of Andhra Pradesh, Karnataka and Kerala are rescheduled in the lines of the package announced by the Central Government. Accordingly, the interest thereon (as on July 1, 2006) would be fully waived and such overdue loans would be rescheduled over a period of 3-5 years with a one-year moratorium. Fresh finance may be ensured to such farmers. A credit flow of Rs.13,818 crore, Rs.3,076 crore and Rs.1,945 crore would be ensured in the above debt stressed districts of Andhra Pradesh, Karnakata and Kerala, respectively in 2006-07. The burden of waiver of overdue interest would be shared equally by the State and Central Governments. While apportioning the overdue interest as above, due care should be taken to offset releases if any, already made by the State Government on this count. Similar guidelines were issued to UCBs on December 26, 2006.
	19	• SCs/RCs which have obtained a CoR from the Reserve Bank under Section 3 of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act, 2002 directed to commence business within six months from the date of grant of CoR, extendable up to 12 months by the Reserve Bank on application to the effect by the SCs/RCs. SCs/RCs which have obtained CoR but have not commenced business should do so within six months from the date of the notification.
	27	• In terms of extant instructions, whenever there is change of management and control of NBFCs, prior public notice should be given 30 days before effecting the sale, or transfer of the ownership by sale of shares, or transfer of control, whether with or without sale of shares or by way of amalgamation/merger of an NBFC with another NBFC or a non-financial company by the NBFC and also by the transferor, or the transferee. On review, NBFCs were advised that such prior public notice shall be given by the NBFC and also by the transferor or the transferee or jointly by the parties concerned.
Nov.	**3**	• Guidelines on managing risks and code of conduct in outsourcing of financial services issued to banks.
	6	• In order to facilitate the expansion of Indian corporates' business abroad, the prudential limit on credit and non-credit facilities extended by banks to Indian Joint Ventures (where the holding by the Indian company is more than 51 per cent)/Wholly Owned Subsidiaries abroad was enhanced from 10 per cent to 20 per cent of their unimpaired capital funds (Tier I and Tier II capital).
	10	• Clarification issued to banks that the period of fortnight for issue of duplicate demand draft would be applicable only in cases where such request is made by the purchaser or the beneficiary and would not be applicable for third party endorsements.
	13	• UCBs, other than those in Grade III and IV, registered in States which have signed the MoU and those registered under Multi-State Cooperative Societies Act, 2002, eligible to convert the extension counters into full-fledged branches on completion of three years of their operation. The shifting/relocation of these branches would be subject to the conditions that: (i) the shifting/relocation of the converted branch is within the city/town limit; (ii) banking services to the existing customers of the extension counter, including the institutional customer, are ensured; (iii) no new extension counter would be set up in the institution in which the extension counter was housed presently.
		• In order to assist distressed farmers whose accounts were earlier rescheduled/converted on account of natural calamities as also farmers defaulting on their loans due to circumstances beyond their control, banks advised that they may frame transparent one time settlement (OTS) policies for such farmers, with the approval of their Boards.
	22	• UCBs advised to strictly comply with the directive issued by the High Court of Delhi relating to housing loans for a) building construction b) purchase of constructed property/built up property c) properties which fall under category of unauthorized colonies and d) properties meant for residential use but which the applicant intends to use for commercial purposes. Similar guidelines were issued to RRBs, StCBs and DCCBs.

Date of Announce-ment		POLICY ANNOUNCEMENTS
2006		**III. FINANCIAL SECTOR MEASURES** *(Contd.)*
Nov.	**28**	• All SCBs (excluding RRBs) advised that loans granted to self help groups (SHGs) engaged in agriculture and allied activities would be classified as direct finance to agriculture, as long as the respective SCB was able to maintain such disaggregated data on the SHGs/microcredit portfolio.
Dec.	**4**	• NBFCs registered with the Reserve Bank allowed, selectively, to issue co-branded credit cards with SCBs without risk sharing, with prior approval of the Reserve Bank for an initial period of two years to be reviewed thereafter. The role of the NBFC under the tie-up arrangement should be limited only to marketing and distribution of the co-branded credit cards. The co-branded credit card issuing bank would be subject to all the instructions/guidelines issued by its concerned regulatory authority. NBFCs were also selectively, allowed to market and distribute mutual fund products as agents of mutual funds, with prior approval of Reserve Bank, for an initial period of two years and a review thereafter.
	6	• NBFCs re-classified as Asset Refinance Company, Investment Company and Loan Company. Companies financing real/physical assets for productive/economic activity would be classified as Asset Finance Company (AFC). The remaining companies would continue to be classified as loan/investment companies. Accordingly, the classification in the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1988 was modified.
	12	• In the light of the concerns arising out of the divergent regulatory requirements for various aspects of functioning of banks and NBFCs, prudential norms for regulation of systemically important non-deposit taking NBFCs (NBFCs-ND-SI) revised. All NBFCs-ND with asset size of Rs.100 crore or more to be considered as NBFCs-ND-SI. Such companies have been advised to maintain a minimum CRAR of 10 per cent and single party/group exposure norms have been prescribed. The regulatory framework for bank exposures to all NBFCs and for all NBFCs forming part of a banking group was also modified. Furthermore, banks (including foreign banks) in India cannot hold more than 10 per cent of the paid up equity capital of a deposit taking NBFC other than housing finance companies.
	15	• Revised instructions issued to all SCBs on prudential capital markets norms such as components of capital market exposure and limits on banks' exposure to capital markets.
	18	• SCBs advised that customers should not be compelled to drop the cheques in the drop box. Banks were also advised to display on the cheque drop box, 'Customer can also tender the cheques at the counter and obtain acknowledgement on the pay-in-slips'. No branch should refuse to give an acknowledgement if the customer tenders the cheque at the counters. Similar advices were issued to RRBs, StCBs and DCCBs on December 26, 2006 and to UCBs on December 28, 2006.
2007		
Jan.	**4**	• NBFCs accepting/holding public deposits advised to create floating charge on the statutory liquid assets invested in terms of Section 45-IB of the RBI Act, 1934.
		• With the regulation of Mutual Benefit Financial Companies (MBFCs) and Mutual Benefit Companies (MBCs) taken over by the Ministry of Corporate Affairs, the position regarding submission of returns was reviewed. Accordingly, returns such as Annual Return in First Schedule, audited balance sheet, profit loss account and auditors certificate would not be called for.
		• Guidelines issued to SCBs on formulating policy for valuation of properties, revaluation of bank's own properties and for empanelment of independent valuers. Similar guidelines were issued to UCBs on January 9, 2007.
	9	• SCBs advised that the minimum margin of 50 per cent and minimum cash margin requirement of 25 per cent (within the above margin of 50 per cent) for issue of guarantees by banks on behalf of share and stock brokers, will also be applicable to guarantees issued by banks on behalf of commodity brokers in favour of the national level commodity exchanges, in *lieu* of margin requirements as per the commodity exchange regulations.
	31	• The provisioning requirement in respect of standard assets of SCBs under the categories personal loans (including credit card receivables), loans and advances qualifying as capital market exposure and real estate loans was increased from one per cent to two per cent. Provisioning requirement for loans and advances in the standard assets category to Non-Deposit Taking Systemically Important Non-Banking Finance Companies (NBFC-ND-SI) was increased from 0.40 per cent to two per cent. The risk weight for all exposures to NBFC-ND-SI was increased to 125 per cent from 100 per cent. Similar advice was issued to UCBs on February 19, 2007.
Feb.	**2**	• In order to ensure fair practices in banking services, banks (excluding RRBs) directed to implement the recommendations of the Working Group to formulate a scheme for ensuring reasonableness of bank prices/ charges and deliver basic services outside the scope of the bundled products. Similar guidlines were issued to UCBs on March 9, 2007.

Date of Announcement		POLICY ANNOUNCEMENTS
2007		**III. FINANCIAL SECTOR MEASURES** *(Contd.)*
Feb.	**21**	• In order to ensure transparency in respect of the rights and obligations of customers, to bring about uniformity in approach and to clearly delineate the risks involved, guidelines issued to banks for offering "doorstep" services to their customers. Banks were also advised to take suitable steps to educate their agents to enable them to detect forged and mutilated notes so as to avoid frauds and disputes with the customers. On May 24, 2007, banks were allowed delivery of cash/draft at the doorstep of the individual customers, corporate customers and Government Departments/PSUs either against cheques received at the counter or requests received through any secure convenient channel such as phone banking/internet banking, subject to the banks taking adequate safeguards/ precautions in undertaking the above transactions.
	22	• In order to enhance the effectiveness of the grievance redressal mechanism, banks advised to place a statement of complaints before their boards/ customer service committees, along with an analysis of the complaints received. Banks were also advised to disclose the details of the position of pending complaints along with the financial results.
		• NBFCs and RNBCs with total assets of Rs. 100 crore and above required to submit the monthly return on capital market exposure from April 2007. Earlier only deposit taking NBFCs with deposits of Rs 50 crore and above were submitting the return on capital market exposure.
	23	• NBFCs advised to consider a quick scrutiny of the accounts on which they have large exposures and confirm that funds were not diverted for procurement of foodgrains with a view to hoard.
March	**6**	• In order to reduce the extent of concentration risk on the liability side of the banks, the following measures were prescribed for all SCBs (excluding RRBs): (a) Inter-bank Liabilities (IBL) of a bank should not exceed 200 per cent of its net worth as on 31st March of the previous year. However, individual banks may, with the approval of their Boards of Directors, fix a lower limit for their IBL, keeping in view their business model; (b) banks whose CRAR is at least 25 per cent more than the minimum CRAR (9 per cent) *i.e.*, 11.25 per cent as on March 31, of the previous year, were allowed to have a higher limit of up to 300 per cent of the net worth for IBL; (c) the limit prescribed above would include only fund based IBL within India (including IBL in foreign currency to banks operating within India). In other words, the IBL outside India are excluded; (d) the above limits would not include collateralised borrowings under CBLO and refinance from NABARD, SIDBI *etc.* (e) The existing limit on the call money borrowings prescribed by the Reserve Bank will operate as a sub-limit within the above limits; (f) banks having high concentration of wholesale deposits should be aware of potential risk associated with such deposits and may frame suitable policies to contain the liquidity risk arising out of excessive dependence on such deposits.
		• All SCBs/FIs (excluding RRBs) advised that loan application forms in respect of all categories of loans, irrespective of the amount of loan sought, should be comprehensive and should include information about (a) fees/charges, if any, payable for processing; (b) amount of such fees refundable in the case of non-acceptance of application; (c) pre-payment options and (d) any other matter which affects the interest of the borrower, so as to enable the borrower to take an informed decision. SCBs/FIs were also advised that in case of all categories of loans irrespective of any threshold limits, including credit card applications, the lenders should convey in writing, within stipulated time, the main reason/reasons which, in the opinion of the bank/FI have led to rejection of the loan applications.
	14	• Banks advised to ensure that no loans were sanctioned for acquisition of/investing in small savings instruments including *Kisan Vikas Patras*. Similar guidelines were issued to UCBs on March 16, 2007 and to StCBs/DCCBs on March 23, 2007.
	30	• SCBs (excluding RRBs) advised to ensure that cheques/drafts issued by clients containing fractions of a rupee were not rejected or dishonoured by them. Similar advices were issued to StCBs on April 9, 2007, to RRBs on April 11, 2007 and to UCBs on April 17, 2007.
April	**4**	• With the enactment of the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 and its notification on October 16, 2006, the definition of micro, small and medium enterprises engaged in manufacturing/production or providing/rendering of services was modified and required to be implemented by the banks along with other policy measures. Banks' lending to medium enterprises would not be included for the purpose of reckoning under the priority sector. The boards of banks may review the existing guidelines/instructions and formulate a comprehensive and liberal policy in respect of loans to micro, small and medium sectors and adopt the same at the earliest. Similar guidelines were issued to UCBs on April 18, 2007.
		• NBFCs advised to explicitly state in their advertisements issued in print/ electronic media (including web-sites)/ statement in *lieu* of advertisement that the Reserve Bank does not accept any responsibility or guarantee about the financial soundness of the company or for the correctness of any of the statements or representations made or opinions expressed by the company and for repayment of deposits/discharge of the liabilities by the company.

Date of Announce-ment		POLICY ANNOUNCEMENTS
2007		**III. FINANCIAL SECTOR MEASURES** *(Contd.)*
April	**5**	• SCBs (excluding RRBs) advised to generally insist that the person opening a deposit account makes a nomination. They were also advised to explain the advantages of nomination facility if the person declined to do so. If the person opening the account still did not want to nominate and declined to give a letter to the effect, the bank should record the fact on the account opening form and proceed with opening of the account, if otherwise found eligible. Under no circumstances can a bank refuse to open an account solely on the ground that the person opening the account refused to nominate. Similar guidelines were issued to StCBs on April 12, 2007, to RRBs on April 13, 2007 and to UCBs on April 19, 2007.
	12	• Banks advised to ensure that the date of completion of the infrastructure projects financed by them should be clearly spelt out at the time of financial closure of the project and to treat such accounts as sub-standard if the date of commencement of commercial production extended beyond a period of one year after the date of completion of the project as originally envisaged. The revised instructions came into force with effect from March 31, 2007.
	13	• Guidelines on KYC Norms/AML Standards/Combating of Financing of Terrorism (CFT) – Wire Transfers issued to SCBs. Similar guidelines were issued to RRBs on May 21, 2007 and to UCBs on May 25, 2007.
	17	• Fresh guidelines on various aspects relating to safe deposit lockers/safe custody articles issued to SCBs for easy operation of lockers based on the recommendations of the Committee on Procedures and Performance Audit on Public Services (CPPAPS). Similar guidelines issued to StCBs/DCCBs on May 18, 2007 and to UCBs on June 21, 2007.
	18	• SCBs (excluding RRBs) advised that for the purpose of segment reporting under AS-17, the 'other banking business' segment should be divided into three categories: corporate/wholesale banking, retail banking and other banking operations. Accordingly, banks were required to adopt the following business segments for public reporting purposes, from March 31, 2008: a) treasury; b) corporate/ wholesale banking; c) retail banking; and d) other banking business. The geographical segments would remain unchanged as 'domestic' and 'international'.
	20	• Comprehensive guidelines on derivatives issued to banks enunciating the major requirements for undertaking any derivative transaction from the regulatory perspective. The guidelines also cover extant instructions relating to rupee interest rate derivatives.
		• Final guidelines on compliance function in banks issued to SCBs for implementation. SCBs were advised that as compliance function in banks is one of the key elements in the banks' corporate governance structure, it has to be adequately enabled and made sufficiently independent. Banks should organise their compliance function and set priorities for the management of the compliance risks in their organisation to suit their requirement.
	24	• The maximum interest rate payable on public deposits by NBFCs/ miscellaneous non-banking companies (chit fund companies) revised to 12.5 per cent per annum. The new rate of interest would be applicable to fresh public deposits and renewals of matured public deposits.
	25	• Banks advised to ensure that none of their bank branches/staff refuse to accept lower denomination notes and/or coins. Stern action would have to be taken in the event of refusal/non-compliance by any staff member. Similar guidelines were issued to RRBs on May 10, 2007.
	27	• Prudential guidelines on "Capital Adequacy and Market Discipline – Implementation of the New Capital Adequacy Framework" finalised for implementation.
		• Systemically Important NBFCs – ND advised to put in place a system for submission of an annual statement of capital funds, risk asset ratio *etc.*, as at end-March every year in Form NBS-7. The first such return would be submitted for the year ending March 31, 2007. The return would be submitted within a period of three months from the close of the financial year, every year.
		• SCBs advised to monitor credit flow to minorities in 103 minority concentration districts, which have at least 25 per cent minority population. On July 16, 2007, the number of minority concentrated districts for monitoring credit flow was revised to 121.
	30	• SCBs (including RRBs) to immediately dispense with the requirement of "no due" certificate for small loans up to Rs.50,000 to small and marginal farmers, share-croppers and the like and, instead, obtain self-declaration from the borrower. Furthermore, banks may accept certificates provided by local administration/*Panchayati Raj* Institutions regarding the cultivation of crops in case of loans to landless labourers, share-croppers and oral lessees.

Date of Announcement		POLICY ANNOUNCEMENTS
2007		**III. FINANCIAL SECTOR MEASURES** *(Contd.)*
April	**30**	• The risk weight on loans up to Rs.1 lakh against gold and silver ornaments reduced to 50 per cent from 125 per cent in the case of UCBs. • Relaxed prudential guidelines on income recognition, asset classification and provisioning norms for UCBs extended by one year. • Revised guidelines on lending to priority sector issued to SCBs (excluding RRBs).
May	**3**	• RRBs permitted to take up corporate agency business, without risk participation, for distribution of all types of insurance products, including health and animal insurance, subject to specified guidelines. • Risk weight in respect of housing loans extended by banks up to Rs. 20 lakh to individuals against the mortgage of residential housing properties reduced from 75 per cent to 50 per cent. Similarly, the risk weight for banks' investment in mortgage backed securities, which are backed by housing loans and are issued by the housing finance companies regulated by the National Housing Bank, reduced from 75 per cent to 50 per cent. The reduced risk weights would be reviewed after one year keeping in view the default experience and other relevant factors. Similar guidelines were issued to UCBs on May 4, 2007.
	7	• SCBs advised to lay out appropriate internal principles and procedures so that usurious interest, including processing and other charges, were not levied by them on loans and advances. Similar guidelines were issued to RRBs on May 15, 2007, to StCBs/DCCBs on May 16, 2007, to UCBs on May 18, 2007 and to NBFCs on May 24, 2007. • SCBs advised to scale up their financial inclusion efforts by utilising appropriate technology. Banks were also advised to ensure that the solutions developed are highly secure, amenable to audit and follow widely accepted open standards to allow inter-operability among the different systems adopted by different banks. Similar guidelines were issued to StCBs/DCCBs on May 18, 2007 and to RRBs on May 21, 2007. • UCBs registered in States that have entered into MoUs with the Reserve Bank or registered under the Multi State Co-operative Societies Act, 2002 permitted to undertake insurance agency business as corporate agents without risk participation, provided that the UCB has a minimum networth of Rs. 10 crore and it has not been classified as Grade III or IV bank.
	8	• In order to enable NBFCs to adopt best practices and greater transparency in their operations, guidelines on corporate governance were proposed for consideration of the board of directors of the class of NBFCs. • Exemption to RRBs from 'mark to market' norms in respect of their investments in SLR securities extended by one more year, *i.e.,* for the financial year 2007-08. Accordingly, RRBs would have the freedom to classify their entire investment portfolio of SLR securities under 'Held to Maturity' for the financial year 2007-08, with valuation on book value basis and amortisation of premium, if any, over the remaining life of securities.
	10	• Banks in India permitted to extend funded and/or non-funded credit facilities to wholly owned step-down subsidiaries of Indian companies' subsidiaries (where the holding by the Indian company is more than 51 per cent) abroad within the existing prudential limits and some additional safeguards.
	16	• In partial modification of the earlier guidelines on purchase/sale of NPAs dated July 13, 2005, SCBs (excluding RRBs), AIFIs, NBFCs (including RNBCs) advised that at least 10 per cent of the estimated cash flows should be realised in the first year and at least 5 per cent in each half year thereafter, subject to full recovery within three years.
	24	• The Banking Ombudsman Scheme, 2006 amended and all SCBs, RRBs and UCBs were directed to comply with the amended Scheme.
	25	• Concessions/credit relaxations to borrowers/customers in Jammu and Kashmir would continue to be operative for a further period of one year *i.e.* up to 31 March 2008.
	28	• Guidelines issued to all registered Securitisation Companies/Reconstruction Companies on declaration of net asset value of Security Receipts issued by them.
June	**13**	• The limit of loans under the Differential Rate of Interest (DRI) scheme raised from Rs 6,500 to Rs 15,000 and that of the housing loan under the scheme, from Rs 5,000 to Rs 20,000 per beneficiary.
	19	• With a view to providing more business avenues and opportunities to RRBs for lending, RRBs were permitted to participate in consortium lending, within the extant exposure limits, with their sponsor banks as also with other public sector banks and developmental financial institutions (DFIs), subject to the condition that the project to be financed is in the area of operation of the RRB concerned and guidance and appraisal of the project is provided by their sponsor bank.

Date of Announcement		POLICY ANNOUNCEMENTS
2007		**III. FINANCIAL SECTOR MEASURES** *(Concld.)*
June	**22**	• RRBs allowed to set up service branches/central processing centres/back offices exclusively to attend to back office functions such as data processing, verification and processing of documents, issuance of cheque books, demand drafts *etc*., and other functions incidental to their banking business.
	26	• Banks advised to put in place appropriate stress test policies and relevant stress test framework for the various risk factors by September 30, 2007.
	28	• RRBs were permitted to accept FCNR (B) deposits as announced in the Union Budget 2007-08. The eligibility criteria prescribed for authorisation to open /maintain Non-Resident (Ordinary / External) accounts in rupees were also reviewed.
		• Banks permitted to undertake Pension Fund Management (PFM) through their subsidiaries set up for the purpose, subject to their satisfying the eligibility criteria prescribed by PFRDA for Pension Fund Managers and as per guidelines set out by the Reserve Bank. Banks desiring to undertake PFM were advised to obtain prior approval of the Reserve Bank before entering into such business.
July	**2**	• Updated guidelines and directions together with Guidance Notes as on June 30, 2007 were issued to Securitisation Companies and Reconstruction Companies.
	13	• UCBs were advised that they were prohibited from extending any fund based or non-fund based credit facilities whether secured or unsecured to stockbrokers and commodity brokers.
		• Guidelines were issued to UCBs for issuance of ATM-cum-Debit Cards. Banks which were authorised to install on-site /off-site ATMs, could introduce ATM-cum-Debit cards with the approval of their Board.
	31	• All SCBs (except RRBs & LABs)/AIFIs/NBFCs were advised that SEBI had permitted FIMMDA to set up its reporting platform for corporate bonds.
		IV. CAPITAL MARKET POLICIES
2006		**a) Securities and Exchange Board of India (SEBI)**
April	**3**	• SEBI issued listing agreements for India Depository Receipts (IDR).
	4	• SEBI issued norms for rationalising of initial issue expenses and dividend distribution procedure for mutual funds.
	13	• SEBI amended the Clauses 40A and 35 of Equity Listing Agreement dealing with the minimum level of public shareholding of all the listed companies and the reporting format for shareholding pattern.
	21	• New guidelines issued on gold exchange traded funds pertaining to valuation and determination of net asset value.
	24	• The SEBI (Disclosure and Investment Protection) Guidelines, 2000 were amended to permit unlisted companies to opt for grading of Initial Public Offer (IPO) from credit rating agencies and to ensure disclosure of all grades, including unaccepted grades.
May	**8**	• In order to provide an additional route for raising funds in the domestic market, SEBI permitted listed companies to raise funds in the form of “Qualified Institutional Placement” (QIP).
June	**16**	• SEBI asked the stock exchanges to make the existing margining system more stringent in the cash segment. The stock exchanges directed to update risk arrays in the cash market at least five times in a day (as is done in derivative market) and accordingly update applicable margin rates.
July	**5**	• SEBI (Portfolio Managers) Regulations, 1993 defined the role of principal officer, their essential qualifications and experience. The regulation also required that every portfolio manager shall appoint a custodian in respect of securities managed or administered by it.
	13	• SEBI (Foreign Institutional Investors) Regulations, 1995 were amended to: reduce the validity period of registration certificate from five years to three years; increase the registration fee for FIIs from US $ 5,000 to US $ 10,000; and, increase the renewal fee from US $ 1,000 to US $ 2,000.
		• PAN was made mandatory for all the entities/persons, desirous of transacting in cash market with effect from October 1, 2006.
Aug.	**14**	• In case of Capital Protection Oriented Schemes, mutual funds are required to disclose in the offer document, Key Information Memorandum (KIM) and in the advertisements that the scheme offered was “oriented towards protection of capital” and “not with guaranteed returns”.

Date of Announce-ment		POLICY ANNOUNCEMENTS
2006		**IV. CAPITAL MARKET POLICIES** *(Contd.)*
Sept.	**12**	• The range of international entities that can invest in the stock market in India have been widened by including an institution established as incorporated outside India as a pension fund, MF, investment trust, insurance company and reinsurance company as registered FIIs. The list would also include international or multilateral agencies, foreign governmental agencies or foreign central banks. SEBI also allowed registration by an asset management company, investment manager adviser, banks or institutional portfolio manager, established or incorporated outside India and preparing to make investments in India on behalf of broad based proprietary funds.
	22	• Market wide position limit has been linked to free float market capitalisation. For single stock futures/option contracts, the market wide position limit will be equal to 20 per cent of the number of shares held by non-promoters in the relevant underlying security. The trading member/FII/Mutual Fund position limits in equity index option/futures contracts will be the higher of Rs.500 crore or 15 per cent of the total open interest in the market in equity index option contracts.
	26	• The deadline for the mandatory requirement of submitting a Permanent Account Number (PAN) card for opening a demat account was extended till December 31, 2006.
Oct.	**14**	• The benefit of exemption from lock-in for pre-issue shares of an unlisted company making an IPO is to be restricted to shares held by venture capital funds and foreign venture capital investors registered with SEBI for at least one year as on date of filing draft prospectus with SEBI.
	18	• In order to regulate the pre-issue publicity made by the companies proposing to make a public or rights issue during the period prior to filing, SEBI introduced provisions such as ensuring that publicity made during the period commencing from the date of approval of the issue by the Board of Directors of the issuer company till the allotment of shares in the issue is consistent with the past practices and does not contain projections, estimates or any information extraneous to the offer document. SEBI (DIP) Guidelines, 2000 will be amended to give effect to the above policy.
Dec.	**11**	• DPs are required to submit to their depository the tariff/charge structure every year, latest by April 30. The changes in their tariff/charge structure are also to be submitted, as and when they are effected.
	12	• BSE would be setting up and maintaining corporate bond reporting platform. For that purpose, SEBI made it mandatory for market participants to report all corporate bond deals, aggregating Rs.1 lakh or above to the Bombay Stock Exchange Limited (BSE) from January 1, 2007. All transactions above Rs. 1 lakh shall be reported within 30 minutes of closing the deal. Settlements have to be reported within one trading day from completion of trades. The BSE should ensure operation of the corporate bond reporting platform from 10 a.m. to 5.30 p.m. on all trading days and access shall be given to all market intermediaries for reporting.
	22	Foreign investment up to 49 per cent will be allowed in infrastructure companies in securities market, namely stock exchanges depositories and clearing corporations. Separate cap of FDI of 26 per cent and FII of 23 per cent was also fixed.
2007		
March	**1**	• The National Stock Exchange of India Ltd. (NSE) allowed to set up and maintain a corporate bond reporting platform to capture all information relating to trading in corporate bonds as accurately as close to execution as possible. In this connection, SEBI ruled that trades executed by the members of BSE and NSE shall be reported on the reporting platforms of their respective stock exchanges who would host such information on their websites.
April	**16**	• SEBI stipulated guidelines for parking of funds, pending deployment by mutual funds in short term deposits of scheduled commercial banks.
	20	• SEBI issued guidelines for consent orders and composition of offences. Under the prescribed guidelines, if the party against whom adjudication proceedings are pending, SEBI shall constitute a consent order panel headed by a retired high court judge and two other external experts as members which shall screen applications and forward its recommendations to Adjudication Officer for passing suitable order in line with the consent terms.
	26	• SEBI permitted listed companies to send a statement containing the salient features of the Balance Sheet, Profit and Loss Account and Auditors Report to each shareholder instead of sending a copy of the complete and full balance sheet, profit and loss account and Director’s report.
	27	• PAN was made the sole identification number for all transactions in securities market.

Date of Announcement		POLICY ANNOUNCEMENTS
2007		**IV. CAPITAL MARKET POLICIES** *(Concld.)*
April	**30**	• SEBI amended (Disclosure and Investor Protection) Guidelines, 2000 to make grading of IPOs mandatory and permitted companies with listing history of less than six months to raise money through preferential allotment.
May	**11**	• Guidelines on renewal of certificate of registration for portfolio managers have been clarified. If the application for renewal is not received at SEBI by the expiry date of the certificate of registration, the portfolio manger shall cease to be a portfolio manager on the date of such expiry. Furthermore, it shall immediately stop carrying on the portfolio manager activities from the date of expiry and may either transfer its business to another SEBI registered portfolio manager or allow the client to withdraw the securities and funds in its custody at the option of the client. If the portfolio manager fails to comply with the above, it will be considered as a violation of Section 12 and may attract action under the relevant provisions of SEBI Act, 1992.
	14	• SEBI decided that mutual funds can invest in ADRs/GDRs/foreign securities within overall limit of US $ 4 billion. This will be with a sub-ceiling for individual mutual funds which should not exceed 10 per cent of the net assets managed by them as on March 31 of each relevant year and subject to a maximum of US $ 200 million per mutual fund.
June	**25**	• In view of the introduction of Permanent Account Number (PAN) as the sole identification number, SEBI discontinued the Unique Identification Number (UIN) under the SEBI (Central Database of Market Participant's Regulations), 2005 (MAPIN regulations)/circulars.
	27	• SEBI extended the time limit for uploading of net asset value (NAV) for Fund of Funds Schemes on AMFIs website to 10.00 a.m. on the following business day in consideration of the practical difficulties being faced by mutual funds in uploading of NAV of such schemes.
July	**5**	• Filing of bi-monthly compliance test reports (CTR) have been simplified. SEBI decided that instead of filing of complete CTR with the SEBI, Asset Management Companies (AMCs) shall only do exceptional reporting on a bi-monthly basis. While the format and contents of CTR would continue, the AMCs would be required to report to SEBI only the exceptions in the CTR, *i.e.,* the AMCs shall report for only those points in the CTR where it had not complied with the same.
	10	• In order to facilitate government companies/corporations, statutory authorities/corporations or any special purpose vehicle set up by any of them, which are engaged in infrastructure sector, to raise funds in the Indian primary market through IPOs, SEBI decided to amend certain provisions of the SEBI (Disclosure and Investor Protection) Guidelines, 2000 relating to pricing by companies, promoter's contribution, lock in requirements and other issue requirements.
		• To rationalise and simplify the process and formats for submission of financial results to the stock exchange, SEBI decided to replace the existing Clause 41 of the Listing Agreement, *inter alia*, several amendments were made in the revised clause relating to submission of financial results and publication of results.
Aug	**6**	• SEBI decided that companies issuing debentures and the respective debenture trustees/stock exchanges shall disseminate all information regarding debentures to investors and general public.
	9	• SEBI issued guidelines for overseas investments by venture capital funds.
2007		**(ii) Government of India**
Feb.	**28**	• The Union Budget 2007-08 proposed the following measures: i) PAN to be made sole identification number for all participants in securities market with an alpha-numeric prefix or suffix to distinguish a particular kind of account (SEBI implemented it with effect from April 17, 2007), (ii) idea of self regulating organisations (SROs) to be taken forward for different market participants under regulations to be made by SEBI, (iii) MFs to be permitted to launch and operate dedicated infrastructure funds, (iv) Individuals to be permitted to invest in overseas securities through Indian mutual funds, (v) Short selling settled by delivery and securities lending and borrowing to be allowed to institutions to facilitate delivery, (vi) Enabling mechanism to be put in place to permit Indian companies to unlock a part of their holdings in group companies for meeting their financing requirements by issue of exchangeable bonds, (vii) Dividend distribution tax on dividends paid by money market mutual funds and liquid mutual funds to be raised to 25 per cent for all investors, (viii) Expenditure on free samples and on displays to be excluded from the scope of the fringe benefit tax (FBT), (ix) Employees' stock option plans (ESOPs) provided by companies to be brought under the FBT, (x) Pass-through status to be granted to venture capital funds only in respect of investments in venture capital undertakings in biotechnology, information technology, nanotechnology, seed research and development, development of new chemical entities in the pharmaceutical sector and production of bio-fuels.

Date of Announcement		POLICY ANNOUNCEMENTS
		V. EXTERNAL SECTOR POLICIES
2006		**a) Trade Policy**
April	**7**	• Annual Supplement 2006 to the Foreign Trade Policy (2004-09) announced. It substantiated the twin objectives of (Foreign Trade Policy 2004-09), *viz*, (i) putting the country's exports on a trajectory of quantum growth and (ii) to create employment opportunities. The Annual Supplement focuses on making manufacturing sector more competitive through concrete policy measures so as to help Indian companies become globally competitive and simultaneously, give Indian consumers world-class products and services; provides packages for several sectors including agriculture, marine products, export oriented units and service sectors; contains major procedural simplification initiatives to reduce transaction costs; and proposes setting up of an Inter State Trade Council to engage State Governments more actively in export effort.
July	**27**	• Online facility for issue of Importer-Exporter Code (IEC) introduced to boost exports by reducing transaction cost
2007		
April	**4**	• India announced its decision to allow duty free access to India to the Least Developed Countries (LDCs) of SAARC, which includes Bangladesh, Bhutan, Maldives and Nepal, before the end of this year.
	19	• Annual Supplement 2007 to the Foreign Trade Policy (2004-09) announced to impart further momentum to India's exports. The measures adopted for promoting exports *inter alia* included identification of thrust areas and commodities such as agriculture, handlooms, handicraft, gems and jewellery, leather and marine sectors, technological and infrastructural measures, fiscal measures, simplification of procedures and reducing transaction costs.
July	**13**	• To sustain the export growth momentum, the Government announced an export package to neutralise the adverse impact of rupee appreciation, which includes enhancement of Duty Entitlement Pass Book (DEPB) rates by 3 per cent for 9 sectors, *i.e.*, textiles, readymade garments, leather products, handicrafts, engineering products, processed agricultural products, marine products, sport goods and toys. The rate of interest on pre-shipment and post-shipment credit for exporters reduced by 2 per cent. The rates of duty drawback enhanced by 10 per cent to 40 per cent of existing rates.
2006		**b) Foreign Exchange Market**
April	**5**	• AD banks allowed remittances for acquiring shares under ESOP Schemes, irrespective of the method of the operationalisation of the scheme, *i.e.*, whether the shares under the scheme are offered directly by the issuing company or indirectly through a trust/a special purpose vehicle (SPV)/step down subsidiary provided (i) the company issuing the shares effectively, directly or indirectly, holds in the Indian company, whose employees/ directors are being offered shares, not less than 51 per cent of its equity, (ii) the shares under the ESOP Scheme are offered by the issuing company globally on uniform basis, and (iii) an Annual Return is submitted by the Indian company to the Reserve Bank through the AD banks giving details of remittances/beneficiaries. Foreign companies were also granted general permission to repurchase the shares issued to residents in India under any ESOP scheme provided (i) the shares were issued in accordance with the Rules/ Regulations framed under Foreign Exchange Management Act, 1999, (ii) the shares are being repurchased in terms of the initial offer document, and (iii) an annual return is submitted through the AD banks giving details of remittances/beneficiaries/*etc.*
	21	• The limit of invoice value which AD banks are allowed to grant extension of time for realisation of export proceeds beyond prescribed period from the date of export increased from US $ 1,00,000 to US $ 1 million subject to existing terms and conditions.
		• AD banks permitted remittance for expenses of branch offices opened abroad up to 10 per cent for initial (earlier two per cent) and up to five per cent (earlier one per cent) for recurring expenses of the average annual sales/income or turnover during last two accounting years, subject to the existing terms and conditions.
June	**26**	• In view of the difficulties expressed by Authorised Money Changers (AMCs) in implementing some of the Anti-Money Laundering (AML) guidelines issued in December 2005, it was decided to amend certain instructions as follows: (i) for purchase of foreign exchange less than US $ 200 or its equivalent, photocopies of the identification document need not be kept on record; full details of the identification document should be maintained, (ii) for encashment of foreign exchange between US $ 200 and US $ 2,000 or its equivalent, the photocopies of the identification document should be maintained for one year and completion of statutory audit, (iii) for encashment in excess of US $ 2,000 or its equivalent, the photocopies of the identification document should be maintained for a minimum period of five years, and (iv) requests for payment in cash by foreign visitors/non-resident Indians may be acceded to the extent of US $ 2,000 or its equivalent.

Date of Announce-ment		POLICY ANNOUNCEMENTS
2006		**V. EXTERNAL SECTOR POLICIES** *(Contd.)*
July	**17**	• The requirement of issue of encashment certificate on security paper if the amount of foreign currency encashed exceeds Rs.15,000 in value was dispensed with. Accordingly, AD category-I banks, when requested by the customer, were allowed to issue encashment certificate, duly signed by authorised officials, on their letter head (with their logo printed on it), irrespective of the amount. In cases where the encashment certificate is not issued, unspent local currency held by non-resident visitors will not be allowed to be converted into foreign currency.
	20	FIIs were permitted in consultation with the Central Government and the SEBI to offer foreign sovereign securities with AAA ratings as collateral to the recognised stock exchanges in India for their transactions in derivatives segment.
	26	• To enable the mutual funds to tap a larger investible stock overseas, the requirement of 10 per cent reciprocal share holding in the listed Indian companies by such overseas companies was dispensed with.
		• The aggregate ceiling for overseas investment by MFs, registered with SEBI, increased from US $ 1 billion to US $ 2 billion. It was also decided to allow a limited number of qualified Indian MFs to invest cumulatively up to US $ 1 billion in overseas Exchange Traded Funds, as may be permitted by the SEBI.
Sept.	**6**	• Trading in commodities exchanges overseas and setting up joint venture (JV)/ wholly owned subsidiaries (WOS) for trading in overseas commodities exchanges were reckoned as financial services activity and will require clearance from the Forward Markets Commission (FMC).
Nov.	**16**	• The ceiling on overseas investments by MFs , registered with the SEBI enhanced from US $ 2 billion to US $ 3 billion.
		• Non-resident Indians (NRIs) and Persons of Indian Origin (PIO) permitted to remit up to US $ 1 million per calendar year for any bonafide purpose out of the balances in their Non-Resident Ordinary (NRO) accounts. The balance in the NRO accounts could also include the sale proceeds of immovable property acquired by the non-resident out of her/his resources in India, or sale proceeds of property received by way of inheritance or gift. The remittance of sale proceeds of immovable property was subject to a lock in period of 10 years. With a view to providing greater flexibility, the lock-in period of 10 years for remittance of sale proceeds of immovable property was dispensed with, effective November 2006.
	17	• AD category-I banks permitted to issue guarantee on behalf of their customers importing services up to US $ 1,00,000, subject to conditions.
	28	• AD category-I banks permitted to allow drawal of foreign exchange by a person for purchase of trademark or franchise in India without approval of the Reserve Bank.
	30	• With a view to liberalising the procedure and providing greater flexibility, all categories of foreign exchange earners were allowed to credit up to 100 per cent of their foreign exchange earnings, to their EEFC account.
Dec.	**4**	• Corporates allowed to avail external commercial borrowing (ECB) of an additional amount of US $ 250 million with average maturity of more than 10 years under the approval route, over and above the existing limit of US $ 500 million under the automatic route, during a financial year. Other ECB criteria such as end-use, all-in-cost ceiling, recognised lender, *etc.* need to be complied with. Prepayment and call/put options, however, would not be permissible for such ECB up to a period of 10 years.
		• Corporates allowed prepayment of ECB up to US $ 300 million, as against the existing limit of US $ 200 million, without prior approval of the Reserve Bank subject to compliance with the minimum average maturity period as applicable to the loan.
		• AD category-I banks allowed to remit for initial expenses incurred for establishment offices abroad up to 15 per cent of the average annual sales/income/turnover or up to 25 per cent of the net worth, whichever is higher and up to 10 per cent of the average annual sales/income/turnover in the case of recurring expenses. AD category-I banks allowed remittances by a company incorporated in India having overseas offices, within the above limits for initial and recurring expenses, to acquire immovable property outside India for its business and for residential purpose of its staff.
	13	• AD category-I banks allowed to provide forward cover to hedge the economic (currency indexed) exposure of importers in respect of customs duty payable on imports. Accordingly, importers will be able to book forward contract for the customs duty component of the import. These contracts shall be held till maturity and cash settlement would be made on the maturity date by cancellation of the contracts. Forward contracts covering such transactions once cancelled are not eligible for rebooking. However, in case of changes in the rate of customs duties, importers may be allowed to cancel and/or rebook the forward contracts before maturities.

Date of Announcement		POLICY ANNOUNCEMENTS
2006		**V. EXTERNAL SECTOR POLICIES** *(Contd.)*
Dec.	**13**	• AD category-I banks permitted to allow importers and exporters to book forward contracts on the basis of a declaration of an exposure and based on past performance up to the average of the previous three financial years actual import/export turnover or the previous year's actual import/export turnover, whichever is higher, subject to the specified conditions. Hitherto, forward contracts booked in excess of 25 per cent of the eligible limit were to be on a deliverable basis and could not be cancelled. The limit of 25 per cent was increased to 50 per cent in December 2006 and to 75 per cent in May 2007. All other conditions and reporting requirements prescribed for this facility remain unchanged.
	20	• The Liberalised Remittance Scheme of US $ 25,000 further liberalised by enhancing the limit of US $ 25,000 per calendar year to US $ 50,000 per financial year for any current or capital account transactions or a combination of both. The limit of US $ 50,000 under the Scheme would also include remittances towards gift and donation by a resident individual. Investment by resident individual in overseas companies would be subsumed under the Scheme of US $ 50,000. The requirement of 10 per cent reciprocal holding in the Indian companies by the overseas companies dispensed with.
		• The facility of release of exchange by authorised persons up to US $ 10,000 or its equivalent in one calendar year on a declaration basis for one or more private visits to any country (except Nepal and Bhutan) continued to be available on a self-declaration basis. However, the facility would be now available on a financial year basis (earlier calendar year).
	22	• In consultation with the Government of India, foreign investment was allowed in infrastructure companies in securities market, *viz*., stock exchanges, depositories and clearing corporations, in compliance with the SEBI regulations, subject to the following conditions: i) foreign investment up to 49 per cent will be allowed with a separate FDI cap of 26 per cent and FII cap of 23 per cent; ii) FDI will be allowed with specific prior approval of the Foreign Investment Promotion Board (FIPB); and iii) FII investment will be allowed only through purchases in the secondary market.
2007		
Jan.	**8**	• AD category-I bank(s)/Exim Bank/Working Group allowed to permit exporters to open, maintain and operate one or more foreign currency account/s in currency/currencies of their choice with inter-project transferability of funds in any currency or country. The monitoring of the inter-project transfer of funds will be done by the AD category-I bank(s)/Exim Bank/Working Group .
		• Project/service exporters allowed to deploy their temporary cash surpluses, generated outside India, in the following instruments/products, subject to monitoring by the AD category-I bank(s)/Exim Bank/Working Group: (a) investments in short-term paper abroad including Treasury Bills and other monetary instruments with a maturity or remaining maturity of one year or less, with specified ratings and (b) deposits with branches/subsidiaries outside India of an AD category-I bank in India.
	31	• Banks prohibited from granting fresh loans in excess of Rs. 20 lakh against the NR(E)RA and FCNR(B) deposits, either to depositors or to third parties. They were also advised not to undertake artificial slicing of the loan amount to circumvent the ceiling.
Feb.	**8**	• FIIs allowed to cancel and rebook forward contracts up to a limit of two per cent of the market value of their entire investment in equity and/or debt in India. The limit for calculating the eligibility for rebookings shall be based upon market value of the portfolio as at the beginning of the financial year (April–March). The outstanding contracts shall be duly supported by underlying exposure at all times.
	28	• AD category-I banks allowed to grant extension of time to realise export proceeds beyond the prescribed period of six months, up to a period of six months at a time irrespective of the invoice value of exports, subject to certain conditions.
		• Status holder exporters allowed to write-off outstanding export dues to the extent of (i) five per cent of their average annual realisation during the preceding three financial years or (ii) 10 per cent of the export proceeds due during the financial year, whichever is higher.
		• In order to increase the competitiveness of the Indian IT sector, the requirement of repatriation of 30 per cent of the contract value in respect of on-site contracts by software exporter company/firm was dispensed with. The company should, however, repatriate the profits of on-site contract after the completion of the said contract.
		• AD category-I banks allowed to approve reduction in the invoice value up to 25 per cent of the invoice, subject to certain conditions, against the earlier limit of 10 per cent.

Date of Announcement		POLICY ANNOUNCEMENTS
2007		**V. EXTERNAL SECTOR POLICIES** *(Contd.)*
Feb.	**28**	• The requirement of obtaining credit report on the overseas supplier (where the import documents are received directly) was dispensed with in cases where the invoice value does not exceed US $ 1,00,000, provided that the AD category-I bank is satisfied about the bonafides of the transaction and track record of the importer constituent.
March	**2**	• Based on the recommendations of the Expert Committee on Gems and Jewellery Sector, AD category-I banks permitted to allow advance remittance, without any limit (as against the earlier limit of US $ 1 million) and without bank guarantee or standby letter of credit, by an importer (other than a public sector company or a department/undertaking of the Government of India/State Government/s), for import of rough diamonds into India from the specified mining companies. The advance remittance would be subject to specified guidelines such as good track record of export realisation, the bonafides of the transaction and adherence to the KYC norms. In case of an importer entity in the public sector or a department/undertaking of the Government of India/ State Government/s, AD category-I banks may permit advance remittance subject to the above conditions and a specific waiver of bank guarantee from the Government of India where the advance payment is equivalent to or exceeds US $ 1,00,000. The payment should made directly to the account of the company concerned.
April	**5**	• AD category-I banks, through whom the export proceeds were originally realised, allowed to consider requests for refund of export proceeds of goods exported from India and being re-imported into India on account of poor quality.
	20	Indian parties availing fund / non-fund facilities were allowed to transfer by way of pledged shares held in overseas JV / WOS to an overseas lender, subject to conditions.
	30	• The limit for prepayment of ECB enhanced from US $ 300 million to US $ 400 million without prior approval of the Reserve Bank, subject to compliance with the minimum average maturity period as applicable to the loan.
		• AD category-I banks permitted to make remittances on account of donations by corporates for specified purposes: (i) creation of Chairs in reputed educational institutes outside India; (ii) donations to funds (not being an investment fund) promoted by educational institutes; or (iii) donation to a technical institution or body or association in the field of activity of the donor company. The remittances are subject to a limit of one per cent of the foreign exchange earnings during the previous three financial years or US $ 5 million, whichever is less. The existing facility for remittance up to US $ 5,000 per remitter/per donor per financial year towards donations by Indian corporates would continue as hitherto.
		• The limit for remittance for consultancy service procured from outside India by Indian companies executing infrastructure projects increased from US $ 1 million per project up to US $ 10 million per project. For this purpose, infrastructure sector is defined as (i) power, (ii) telecommunication, (iii) railways, (iv) road including bridges, (v) sea port and airport, (vi) industrial parks, and (vii) urban infrastructure (water supply, sanitation and sewage projects).
		• Remittance of foreign exchange towards reimbursement of pre-incorporation expenses incurred in India allowed up to five per cent of the investment brought into India or US $ 1,00,000 whichever is higher, on the basis of certification from statutory auditors.
		• AD category-I banks permitted to allow ship manning / crew managing agencies, rendering services to shipping companies incorporated outside India, to open foreign currency accounts in India for the purpose of undertaking transactions in the ordinary course of their business provided: (a) credits to such accounts would be only by way of inward remittances through normal banking channels from the overseas principal; b) debits will be towards various expenses in connection with the management of the ships / crew in the ordinary course of its business; (c) no credit facility (fund based or non-fund based) should be granted against security of funds held in the account; (d) the bank should meet the prescribed reserve requirements in respect of such accounts; (e) no EEFC facility should be allowed in respect of the remittances received in the account; and (f) the account will be maintained only during the validity period of the agreement.
		• The Indian VCFs, registered with the SEBI, permitted to invest in equity and equity-linked instruments of off-shore venture capital undertakings, subject to an overall limit of US $ 500 million and compliance with the SEBI regulations issued in this regard.
May	**8**	• The limit of US $ 50,000 per financial year under the Liberalised Remittance Scheme for Resident Individuals enhanced to US $ 1,00,000 per financial year for any permitted current or capital account transactions or a combination of both. All other transactions which are otherwise not permissible under the FEMA and those in the nature of remittance for margins or margin calls to overseas exchanges / overseas counterparty are not allowed under the Scheme. Banks should not extend any kind of credit facilities to resident individuals to facilitate remittances under the Scheme.

Date of Announcement		POLICY ANNOUNCEMENTS
2007		**V. EXTERNAL SECTOR POLICIES** *(Contd.)*
May	**18**	• AD category-I banks and authorised banks allowed to permit remittance of the maturity proceeds of FCNR (B) deposits to third parties outside India, provided the transaction is specifically authorised by the account holder and the authorised dealer is satisfied about the bonafides of the transaction.
		• Resident individuals are required to surrender received/realised/unspent/unused foreign exchange to an authorised person within a period of 180 days from the date of receipt/realisation/ purchase/acquisition/date of return of the traveller, as the case may be.
		• AD category-I banks allowed the remittances by Navaratna PSUs towards investment in the oil sector (*i.e.*, for exploration and drilling for oil and natural gas, *etc.*) in an unincorporated entity overseas after ensuring that the proposal has been approved by the appropriate competent authority, and is duly supported by a certified copy of the Board Resolution approving such investment subject to reporting requirements.
	21	• Based on the review, the ECB policy has been modified as under :
		The exemption accorded to the development of integrated township as a permissible end-use of ECB has been withdrawn. Accordingly, utilisation of ECB proceeds is not permissible in real estate without any exemption.
		With the sovereign credit rating of India enhanced to investment grade, the all-in-cost ceilings for ECB were modified as follows : (i) All-in-cost ceilings over six months LIBOR for average maturity period of three years and up to five years was revised from 200 basis points to 150 basis points, (ii) All-in-cost ceilings over six months LIBOR for more than five years revised from 350 basis points to 250 basis points.
		Above changes are applicable to ECB both under the automatic route as well as approval route.
	24	• AD category-I banks allowed to permit payment towards cash calls to the operator for the purpose of oil exploration in India, either by credit to the foreign currency or rupee account in India as approved by the Reserve Bank wherever applicable, or by remittance overseas, subject to certain conditions.
		• AD category-I banks permitted to open escrow account and special account on behalf of non-resident corporates, without prior approval of the Reserve Bank, for acquisition/transfer of shares/convertible debentures through open offers/delisting/exit offers, subject to the relevant SEBI Regulations/provisions of the Companies Act, 1956 and to the terms and conditions stipulated by the Reserve Bank in this regard.
	25	• AD category-I banks permitted to allow BPO companies in India to make remittances towards the cost of equipment to be imported and installed at their overseas sites, subject to the following conditions: (i) the BPO company should have obtained necessary approval from the Ministry of Communications and Information Technology, Government of India and other authorities concerned for setting up of the International Call Centre (ICC); (ii) the remittance is made directly to the account of the overseas supplier; and (iii) obtain a certificate as evidence of import from the Chief Executive Officer (CEO) or auditor of the importer company that the goods for which remittance was made have actually been imported and installed at overseas sites.
		• The facility of operation of NRO account by Power of Attorney granted in favour of a resident by the non-resident individual account holder provided such operations are restricted to: (i) all local payments in rupees including payments for eligible investments subject to compliance with relevant regulations made by the Reserve Bank; and (ii) remittance outside India of current income in India of the non-resident individual account holder, net of applicable taxes. Furthermore, the resident Power of Attorney holder is not permitted to repatriate outside India funds held in the account other than to the non-resident individual account holder nor to make payment by way of gift to a resident on behalf of the non-resident account holder or transfer funds from the account to another NRO account.
	31	• AD category-I banks permitted remittance out of assets of Indian companies under liquidation under the provisions of the Companies Act, 1956 subject to any order issued by the Court winding up the company or the official liquidator or the liquidator in case of voluntary winding up and also subject to tax compliance and to certain terms and conditions.
		• AD category-I banks, specifically authorised by Reserve Bank allowed to permit domestic producers/users to hedge their price risk on aluminium, copper, lead, nickel and zinc in international commodity exchanges, based on their underlying economic exposures. Hedging may be permitted up to the average of previous three financial years' actual purchases/sales or the previous year's actual purchases/sales turnover, whichever is higher, of the above commodities. Further, only standard exchange traded futures and options (purchases only) may be permitted.

Date of Announcement		POLICY ANNOUNCEMENTS
2007		**V. EXTERNAL SECTOR POLICIES** *(Concld.)*
May	**31**	• AD category-I banks, specifically authorised by Reserve Bank allowed to permit actual users of aviation turbine fuel (ATF) to hedge their economic exposures in the international commodity exchanges based on their domestic purchases. Furthermore, if the risk profile warrants, the actual users of ATF may also use OTC contracts. Permission for hedging ATF would be granted only against firm orders and necessary documentary evidence. The AD category-I banks should ensure that the entities entering into hedging activities should have Board approved policies which define the overall framework within which derivatives activities should be conducted and the risks controlled.
June	**8**	• To enable the MFs to tap a larger investible stock, overseas, they were permitted to invest in (i) overseas mutual funds that make nominal investments (say to the extent of 10 per cent of net asset value) in unlisted overseas securities; (ii) overseas exchange traded funds that invest in securities; and (iii) ADRs/GDRs of foreign companies.
		• Guidelines for foreign investment in preference shares were revised as follows: (a) foreign investment coming as fully convertible preference shares would be treated as part of share capital. This would be included in calculating foreign equity for purposes of sectoral caps on foreign equity, where such caps have been prescribed; (b) foreign investment coming as any other type of preference shares (non- convertible, optionally convertible or partially convertible) would be considered as debt and shall require conforming to ECB guidelines / ECB caps; (c) any foreign investment as non-convertible or optionally convertible or partially convertible preference shares as on and up to April 30, 2007 would continue to be outside the sectoral cap till their current maturity; and (d) issue of preference shares of any type would continue to conform to the guidelines of RBI/SEBI and other statutory bodies and would be subject to all statutory requirements.
	14	• The limit for overseas investments by an Indian party was enhanced from 200 percent to 300 per cent of its net worth. However, the limit for partnership firm for overseas investments remained unchanged at 200 per cent of net worth.
		• The limit for portfolio investment by listed Indian companies in the equity of listed foreign companies was raised from 25 per cent to 35 per cent of the net worth of the investing company.
	19	• AD category-I banks permitted to allow cancellation of forward contracts entered into by residents for overseas direct investments (in equity and loan) for hedging the exchange risk. Further, 50 per cent of the cancelled contracts is allowed to be rebooked.
	29	• It was decided as a sector specific measure to allow Airline companies permitted by the Director General of Civil Aviation to operate as a schedule air transport service to make advance remittances without bank guarantee. Accordingly, AD category-I banks permitted to allow advance remittance, without bank guarantee or an unconditional irrevocable standby Letter of Credit, up to USD 50 million, for direct import of aircraft / helicopter / other aviation related purchases, subject to conditions.
July	**5**	RRBs have been authorised to open and maintain FCNR(B) Deposit accounts by NRIs / PIOs subject to prescribed guidelines.
	19	• SEBI approved clearing corporations of stock exchanges and their clearing members have been permitted to undertake the following transactions subject to the guidelines issued in this regard: (i) to open and maintain demat accounts with foreign depositories and to acquire, hold, pledge and transfer the foreign sovereign securities, offered as collateral by FIIs, (ii) to remit the proceeds arising from corporate action, if any, on such foreign sovereign securities and (iii) to liquidate such foreign sovereign securities if the need arises.
August	**7**	• Based on a review, ECB policy has been modified as under : (i) Henceforth, ECB more than US $ 20 million per borrower company per financial year is permitted only for foreign currency expenditure for permissible end-uses of ECB. Accordingly, borrowers raising ECB more than US $ 20 million shall park the ECB proceeds overseas for use as foreign currency expenditures for permissible end uses and shall not remit the funds to India both under the Automatic Route and the Approval Route. (ii) ECB up to US $ 20 million per borrowing company per financial year would be permitted for foreign currency expenditures for permissible end-uses under the Automatic Route and these funds shall be parked overseas and not be remitted to India. Borrowers proposing to avail ECB up to US $ 20 million for Rupees expenditure for permissible end uses would require prior approval of the Reserve Bank under the Approval Route. (iii) All other aspects of ECB policy such as eligible borrower, US $ 500 million limit per borrower company per financial year under the Automatic Route, recognized lender, average maturity period, all-in-cost-ceiling, prepayment, refinancing of existing ECB and reporting arrangements remain unchanged.