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Measures for Banks to ensure Business Continuity in Natural Calamities affected Areas

The Reserve Bank of India issued instructions to all scheduled banks for ensuring quick restoration of all banking services in areas affected by natural calamities. The Reserve Bank's instructions include providing continued access to the customers to their bank accounts and facilitating opening of new accounts by persons affected by natural calamities, especially for availing reliefs given by Government/other agencies. The guidelines also cover measures to be taken by banks to ensure continuity in other services like cheque clearing services and supply of cash.

The guidelines were issued as a follow-up of the recommendations made by an Internal Working Group set by the Reserve Bank to look into the whole gamut of issues involved in restoration of banking services in areas affected by natural calamities, in addition to the existing standing instructions providing relief to such persons. The Reserve Bank set up the Internal Working Group in accordance with the announcement it had made in its mid-term policy for 2005-06 in October 2005.

According to the Reserve Bank guidelines, in areas where the bank branches are affected by natural calamity and are unable to function normally, banks may operate from temporary premises, under advice to the Reserve Bank. Banks may also ensure rendering of banking services to the affected areas by setting up satellite offices, extension counters or mobile banking facilities. Further, to satisfy customer's immediate cash requirements, banks could consider waiving the penalties for accessing accounts, such as, fixed deposits. Restoration of the functioning of ATMs at the earliest or making alternate arrangements for providing such facilities may be given due importance. Banks may consider putting in place arrangements for allowing their customers to access other ATM networks, mobile ATMs, etc. Banks have been allowed to open cash repositories for temporary period reckoned as part of the currency chest balances for meeting cash requirements in the areas where currency chest services are dislocated.

While extending financial assistance, banks may, to their existing customers, provide consumption loans up to Rs. 10,000 without collateral; extend timely fresh financial assistance to resume productive activities not only to the existing borrowers, but also to other eligible borrowers; and depending on the severity of the calamity and its recurrence, extend the period of repayment of restructured term loans ranging from 7 to 10 years with one year of moratorium.

In the context of the floods in three States - Gujarat, Andhra Pradesh and Maharashtra - the Reserve Bank has asked the convenors of the State Level Bankers' Committee (SLBC) to hold special SLBC meetings immediately and take stock of the measures required to provide relief to those affected.

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