



## **Bangalore Chamber of Industry and Commerce**

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### ***Finance & Capital Markets***

Circular No.07

29.01.2009

All Members

Dear Sirs,

We enclose herewith the following Circulars issued by the Reserve Bank of India, Mumbai for your reference and record.

1. RBI/2008-2009/ 203, Ref: DBOD.No.Ret.BC. 52/12.01.001/2008-09, dated October 6, 2008 - Section 42(1) of Reserve Bank of India Act, 1934-Maintenance of CRR
2. RBI / 2008-09 / 207, DPSS.CO.No. 611 / 03.01.03(P) / 2008-09, dated October 8, 2008 - Levy of Service Charges for Electronic Payment Products and Outstation Cheque Collection
3. RBI/2008-09/208, DPSS.CO.No.619/02.23.02/ 2008-09, dated October, 08, 2008 - Mobile Banking transactions in India - Operative Guidelines for Banks
4. RBI/2008-09/210, A.P. (DIR Series) Circular No. 20, dated October 08, 2008 - External Commercial Borrowings Policy – Liberalisation
5. RBI announces Reduction in CRR for Liquidity Management
6. RBI/2008-09/219, DBOD.No.BP.BC.58 /21.04.048/2008-09, dated October 13, 2008 - (i) Disbursal of loans against sanctioned limits (ii) Restructuring of dues of the Small and Medium Enterprises (SMEs)
7. RBI/2008-09/223, DBOD.BP.BC.No.59/21.03.009/2008-09, dated October 14, 2008 - Loans to mutual funds against and buy back of Certificates of Deposits (CDs)
8. RBI/2008-09/224, FMD.MOAG. No. 27/01.01.01/2008-09, dated October 15, 2008 - SPECIAL FIXED RATE REPO UNDER LIQUIDITY ADJUSTMENT FACILITY
9. RBI/2008-09/227, A. P. (DIR Series) Circular No. 23, dated October 15, 2008 - Overseas Foreign Currency Borrowings by Authorised Dealer Banks – Enhancement of limit

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10. RBI/2008-09/ 228, Ref: DBOD.No.Ret.BC.61/12.01.001/2008-09, dated October 15, 2008 - Section 42(1) of Reserve Bank of India Act, 1934-Maintenance of CRR
11. RBI/2008-09/229, Ref. DBOD.No.Ret.BC. 62 / 12.02.001/2008-09, dated October 15, 2008 - Section 24 of the Banking Regulation Act, 1949 – Shortfall in Maintenance of Statutory Liquidity Ratio (SLR) – Additional Liquidity Support under Liquidity Adjustment Facility (LAF)
12. RBI/2008-09/230, DBOD. No. Dir. BC. 64/13.03.00/2008-09, dated October 15, 2008 - Interest Rates on Non-Resident (External) Rupee (NRE) Deposits and FCNR(B) deposits
13. RBI/2008-09/232, RPCD.CO.RF.BC.No.50/ 07.38.01/2008-09, dated October 15, 2008 - Interest Rate on FCNR(B) Deposits
14. RBI/2008-09/233, RPCD.CO.RF.BC.No.52/07.38.01/2008-09, dated October 15, 2008 - Interest Rate on Non-Resident (External) Rupee (NRE) Deposits
15. RBI/2008-09/234, RPCD.CO.RRB. No. BC.46/ 03.05.28(B)/2008-09, dated October 15, 2008 - Section 42 (1) of Reserve Bank of India Act, 1934 - Maintenance of Cash Reserve Ratio (CRR)- Regional Rural Banks (RRBs)
16. RBI/2008-09/240, A. P. (DIR Series) Circular No. 25, dated October 17, 2008 - Allocation of FII Investment between debt and equity
17. RBI/2008-2009/241, FMD.MOAG. No.28/01.01.01/2008-09, dated October 20, 2008 - LIQUIDITY ADJUSTMENT FACILITY – REPO AND REVERSE REPO RATES
18. RBI/2008-09/245, A.P. (DIR Series) Circular No. 26, dated October 22 , 2008 External Commercial Borrowings Policy: Liberalisation
19. Highlights of Mid-Term Review of the Annual Policy Statement for 2008-09-October 24, 2008
20. Circular No. SEBI/CFD/DIL/CG/2/2008/23/10, Dated 23-10-2008 - CORPORATE GOVERNANCE IN LISTED COMPANIES - CLAUSE 49 OF THE LISTING AGREEMENT
21. RBI.No.2008-09/247, DBOD.No.Dir.BC. 66/13.03.00/2008-2009, dated October 24, 2008 - 7% Savings Bonds 2002, 6.5% Savings Bonds 2003 (Non-taxable) & 8% Savings (Taxable) Bonds 2003 - Collateral facility
22. RBI/2008-09/250, DBOD.Dir.(Exp).BC.No. 68 /04.02.01/2008- 09, dated October 24 , 2008 - Rupee Export Credit Interest Rates

23. RBI/2008-09/ 251, A. P. (DIR Series) Circular No. 27, dated October 27 , 2008 - Trade Credits for Imports into India – Review of all-in-cost ceiling
24. RBI/2008-09/254,Ref: DBOD.No.Ret.BC.71/12.01.001/2008-09, dated November 03, 2008 - Section 42(1) of Reserve Bank of India Act, 1934-Maintenance of CRR
25. RBI/2008-2009/ 255, Ref.DBOD No. Ret.BC.73 /12.02.001/2008-09, dated November 03, 2008 - Section 24 of the Banking Regulation Act, 1949 Maintenance of Statutory Liquidity Ratio (SLR)
26. RBI/2008-09/266, RPCD.PLFS . No. BC. 60 /05.04.02/2008-09, dated November 3, 2008 - Temporary liquidity support for financing agricultural operations
27. RBI/2008-09/ 268, A.P. (DIR Series) Circular No.28, dated November 05, 2008 - Exim Bank's Line of Credit of USD 30 million to the African Export-Import Bank (Afreximbank)
28. RBI/2008-09/274, DBOD.Dir.(Exp).BC.No.77/04.02.01/2008-09, dated November 07, 2008 - Rupee Export Credit Interest Rates Subvention
29. RBI/2008/275, UBD.PCB.Cir.No. 24/ 13.05.001/ 08-09, dated November 10, 2008- Advances against pledge of Gold / Silver Ornaments
30. RBI/2008-09/276, A.P. (DIR Series) Circular No.34, dated November 10, 2008 - Foreign Exchange Management (Deposit) Regulations, 2000 Credit to Non Resident (External) Rupee Accounts – Clarification
31. RBI/2008-09/277, A.P. (DIR Series) Circular No.35, dated November 10, 2008 - Remittance related to Commodity Derivative Contract Issuance of Standby Letter of Credit / Bank Guarantee
32. RBI 2008-09/278, DBOD.No.BP.BC. 78 /21.04.048/2008-09, dated November 11, 2008 - Union Budget 2008-09 – Agricultural Debt Waiver and Debt Relief Scheme, 2008 – Prudential Norms on Income Recognition, Asset Classification, Provisioning and Capital Adequacy
33. RBI/2008-09/ 280, DBOD.Dir.(Exp).BC.No.80/04.02.01/2008- 09, dated November 15, 2008 - Rupee Export Credit Interest Rates-Extension of period of credit
34. RBI/2008-09/281, DBOD. No. Dir. BC. 82 /13.03.00/2008-09, dated November 15, 2008 - Interest Rates on Non-Resident (External) Rupee (NRE) Deposits and FCNR(B) deposits

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35. RBI/2008-09/284, Ref. MPD. No. 310 /07.01.279/2008-09, dated November 15, 2008 - Export Credit Refinance Facility: Relaxation

Thanking you,

Yours faithfully



**T. Ramappa**  
Secretary General

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RBI/2008-2009/ 203, Ref: DBOD.No.Ret.BC. 52/12.01.001/2008-09, dated October 6, 2008

**Section 42(1) of Reserve Bank of India Act, 1934-Maintenance of CRR**

Please refer to our Circular DBOD .No. Ret. BC.25 /12.01.001/ 2008-09 dated July 30, 2008 on the captioned subject. On a review of the current liquidity situation in the context of global and domestic developments, and as set out in the RBI Press Release 2008-2009/447 of date, it has been decided to reduce the Cash Reserve Ratio (CRR) for Scheduled Commercial Banks by 50 basis points from 9.00 per cent to 8.50 per cent of their net demand and time liabilities (NDTL) with effect from the fortnight beginning October 11, 2008. This measure is ad hoc, temporary in nature and will be reviewed on a continuous basis in the light of the evolving liquidity conditions.

2. A copy of the relative notification DBOD. No. Ret. BC.51/12.01.001/2008-2009 dated October 6, 2008 is enclosed.

**Sd/-**  
**(P.K.Mahapatra)**  
**General Manager**

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DBOD.No.Ret.BC. 51/12.01.001/2008-2009, dated October 6, 2008

**NOTIFICATION**

In exercise of the powers conferred under the sub-section (1) of Section 42 of the Reserve Bank of India Act, 1934 and in partial modification of its notification DBOD.No.Ret.BC.24/12.01.001/2008-09 dated July 30, 2008, the Reserve Bank of India hereby notifies that the average Cash Reserve Ratio (CRR) required to be maintained by every Scheduled Commercial Bank shall be reduced by 50 basis points to 8.50 per cent of its net demand and time liabilities from the fortnight beginning from October 11, 2008.

**Sd/=**  
**(H. R. Khan)**  
**Executive Director**

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RBI / 2008-09 / 207, DPSS.CO.No. 611 / 03.01.03(P) / 2008-09, dated October 8, 2008

### **Levy of Service Charges for Electronic Payment Products and Outstation Cheque Collection**

With immediate effect, the framework of charges to be levied by banks for offering various electronic products and for outstation cheque collection service shall be as under : –

#### 1. Electronic products

- a) Inward RTGS / NEFT / ECS transactions – free, no charge to be levied.
- b) Outward transactions –
  - (i) RTGS – Rs. 1 to 5 lakh – not exceeding Rs. 25 per transaction  
– Rs. 5 lakh and above – not exceeding Rs. 50 per transaction
  - (ii) NEFT – Up to Rs. 1 lakh – not exceeding Rs. 5 per transaction  
– Rs.1 lakh and above – not exceeding Rs. 25 per transaction
- c) Banks may prescribe charges not higher than cheque return charges for ECS debit returns.
- d) These charges shall be applicable for all types of transactions, including inter-bank funds transfers.

#### 2. Outstation cheque collection

- a) – Up to Rs. 10,000 – not exceeding Rs. 50 per instrument  
– Rs. 10,000 to Rs. 1,00,000 – not exceeding Rs. 100 per instrument  
– Rs.1,00,001 and above – not exceeding Rs. 150 per instrument
- b) The above charges will be all inclusive. No additional charges such as courier charges, out of pocket expenses, etc., should be levied from the customers.
- c) To reduce the clearing cycle and to promote electronic modes of payment, the drawee banks should use electronic modes like RTGS / NEFT, wherever available, to remit proceeds to the collecting bank branch.
- d) Banks may make increased use of Speed Clearing and National Clearing facilities for providing efficient service.

3. The above charges are applicable only to transactions originated and payable within India.

4. The provisions of this circular shall not be applicable to cash handling charges levied by banks for handling large value cash transactions.

5. No bank should refuse to offer the products to its customers or decline to accept outstation cheques deposited by its customers for collection.

6. These Directions are issued by the Reserve Bank of India, in exercise of the powers conferred by Section 18 of the Payment and Settlement Systems Act, 2007 (Act 51 of 2007), without prejudice to permissions / approvals, if any, required under any other law.

**Sd/-**  
**(G. Padmanabhan)**  
**Chief General Manager**

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RBI/2008-09/208, DPSS.CO.No.619/02.23.02/ 2008-09, dated October, 08, 2008

### **Mobile Banking transactions in India - Operative Guidelines for Banks**

Mobile phones as a medium for providing banking services have been attaining greater importance. In order to ensure a level playing field and considering that the technology is relatively new, Reserve Bank has brought out a set of operating guidelines for adoption by banks. The guidelines that have been finalised following a wide consultative process shall be operational with immediate effect.

2. These guidelines are issued under Section 18 of the Payment and Settlement Systems Act, 2007 (Act 51 of 2007), without prejudice to permissions / approvals, if any, required under any other law.

**Sd/-**  
**(G. Padmanabhan)**  
**Chief General Manager**

### **Mobile Banking transactions in India - Operative Guidelines for Banks** **Introduction**

1.1 Mobile phones as a medium for extending banking services have off-late been attaining greater significance. The rapid growth in users and wider coverage of mobile phone networks have made this medium an important platform for extending banking services to customers. With the rapid growth in the number of mobile phone subscribers in India (about 261 million as at the end of March 2008 and growing at about 8 million a month), banks have been exploring the feasibility of using mobile phones as an alternative channel of delivery of banking services. Some banks have started offering information based services like balance enquiry, stop payment instruction of cheques, transactions enquiry, location of the nearest ATM/branch etc. Acceptance of transfer of funds instruction for credit to beneficiaries of same/or another bank in favor of pre-registered beneficiaries have also commenced in a few banks. In order to ensure a level playing field and considering that the technology is relatively new, Reserve Bank has brought out a set of operating guidelines for adoption by banks.

1.2 For the purpose of these Guidelines, "mobile banking transactions" is undertaking banking transactions using mobile phones by bank customers that involve credit/debit to their accounts.

## **2. Regulatory & Supervisory Issues**

2.1 Only banks which are licensed and supervised in India and have a physical presence in India will be permitted to offer mobile banking services.

2.2 The services shall be restricted only to customers of banks and/or holders of debit/credit cards issued as per the extant Reserve Bank of India guidelines.

2.3 Only Indian Rupee based domestic services shall be provided. Use of mobile banking services for cross border inward and outward transfers is strictly prohibited.

2.4 Banks may also use the services of Business Correspondent appointed in compliance with RBI guidelines, for extending this facility to their customers.

2.5 The guidelines issued by the Reserve Bank on 'Risks and Controls in Computers and Telecommunications' vide circular DBS.CO.ITC.BC. 10/ 31.09.001/ 97-98 dated 4th February 1998 will apply mutatis mutandis to mobile banking.

2.6 The guidelines issued by Reserve Bank on "Know Your Customer (KYC)", "Anti Money Laundering (AML)" and Combating the Financing of Terrorism (CFT) from time to time would be applicable to mobile based banking services also.

2.7 Only banks who have implemented core banking solutions would be permitted to provide mobile banking services.

2.8 Banks shall file Suspicious Transaction Report (STR) to Financial Intelligence Unit – India (FIU-IND) for mobile banking transactions as in the case of normal banking transactions.

## **3. Registration of customers for mobile service**

3.1 Banks shall put in place a system of document based registration with mandatory physical presence of their customers, before commencing mobile banking service. Reserve Bank would consider relaxation in specific cases while approving the proposals of banks.

3.2 On registration of the customer, the full details of the Terms and Conditions of the service offered shall be communicated to the customer.

## **Technology and Security Standards**

4.1 Information Security is most critical to the business of mobile banking services and its underlying operations. Therefore, technology used for mobile banking must be secure and should ensure confidentiality, integrity, authenticity and non-repudiability. An illustrative, but not exhaustive framework is given at

**Annex-I.****5. Inter-operability**

5.1 Banks offering mobile banking service must ensure that customers having mobile phones of any network operator is in a position to avail of the service. Restriction, if any, to the customers of particular mobile operator(s) is permissible only during the initial stages of offering the service, up to a maximum period of six months subject to review.

5.2 The long term goal of mobile banking framework in India would be to enable funds transfer from account in one bank to any other account in the same or any other bank on a real time basis irrespective of the mobile network a customer has subscribed to. This would require inter-operability between mobile banking service providers and banks and development of a host of message formats. To ensure inter-operability between banks, and between their mobile banking service providers, banks shall adopt the message formats like ISO 8583, with suitable modification to address specific needs.

**6. Clearing and Settlement for inter-bank funds transfer transactions**

6.1 To meet the objective of a nation-wide mobile banking framework, facilitating inter-bank settlement, a robust clearing and settlement infrastructure operating on a 24x7 basis would be necessary. Pending creation of such a national infrastructure, banks may enter into bilateral or multilateral arrangement for inter-bank settlements, with express permission from Reserve Bank of India, unless such arrangements have been authorized by the Reserve Bank under the Payment and Settlement System Act, 2007.

**7. Customer Complaints and Grievance Redressal Mechanism**

7.1 The customer /consumer protection issues assume a special significance in view of the fact that the delivery of banking services through mobile phones is relatively new. Some of the key issues in this regard are given at **Annex-II.**

**8. Transaction limit**

8.1 For the present, banks are permitted to offer this facility to their customers subject to a daily cap of Rs. 5000/- per customer for funds transfer and Rs.10,000/- per customer for transactions involving purchase of goods/services.

8.2 Banks may also put in place monthly transaction limit depending on the bank's own risk perception of the customer.

**9. Board approval**

9.1 Approval of the Board of Directors (Local Board in case of foreign banks) for the product, as also the perceived risks and mitigation measures proposed to be adopted must be obtained before launching the scheme.

## 10. Approval of Reserve Bank of India

10.1 Banks wishing to provide mobile banking services shall seek prior one time approval of the Reserve Bank of India, by furnishing full details of the proposal.

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### Annex- I

#### Technology and Security Standards

1. The security controls/guidelines mentioned in this document are only indicative. However, it must be recognised, the technology deployed is fundamental to safety and soundness of any payment system. Therefore, banks are required to follow the Security Standards appropriate to the complexity of services offered, subject to following the minimum standards set out in this document. The guidelines should be applied in a way that is appropriate to the risk associated with services provided by the bank and the system which supports these services.

2. Banks are required to put in place appropriate risk mitigation measures like transaction limit (per transaction, daily, weekly, monthly), transaction velocity limit, fraud checks, AML checks etc. depending on the bank's own risk perception, unless otherwise mandated by the Reserve Bank.

#### 3. Authentication

Banks providing mobile banking services shall comply with the following security principles and practices for the authentication of mobile banking transactions:

- a. All mobile banking shall be permitted only by validation through a two factor authentication.
- b. One of the factors of authentication shall be mPIN or any higher standard.
- c. Where mPIN is used, end to end encryption of the mPIN is desirable, i.e mPIN shall not be in clear text anywhere in the network.
- d. The mPIN shall be stored in a secure environment.

4. Proper level of encryption and security shall be implemented at all stages of the transaction processing. The endeavor shall be to ensure end-to-end encryption of the mobile banking transaction. Adequate safe guards would also be put in place to guard against the use of mobile banking in money laundering, frauds etc. The following guidelines with respect to network and system security shall be adhered to:

- a. Implement application level encryption over network and transport layer encryption wherever possible.
- b. Establish proper firewalls, intruder detection systems (IDS), data file and system integrity checking, surveillance and incident response procedures and containment procedures.
- c. Conduct periodic risk management analysis, security vulnerability assessment of the application and network etc at least once in a year.

- d. Maintain proper and full documentation of security practices, guidelines, methods and procedures used in mobile banking and payment systems and keep them up to date based on the periodic risk management, analysis and vulnerability assessment carried out.
- e. Implement appropriate physical security measures to protect the system gateways, network equipments, servers, host computers, and other hardware/software used from unauthorized access and tampering. The Data Centre of the Bank and Service Providers should have proper wired and wireless data network protection mechanisms.

5. The dependence of banks on mobile banking service providers may place knowledge of bank systems and customers in a public domain. Mobile banking system may also make the banks dependent on small firms ( i.e mobile banking service providers) with high employee turnover. It is therefore imperative that sensitive customer data, and security and integrity of transactions are protected. It is necessary that the mobile banking servers at the bank's end or at the mobile banking service provider's end, if any, should be certified by an accredited external agency. In addition, banks should conduct regular information security audits on the mobile banking systems to ensure complete security.

6. For mobile banking facilities which do not contain the phone number as identity, a separate login ID and password is desirable to ensure proper authentication.

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## **Annex-II**

### **Customer Protection Issues**

1. Any security procedure adopted by banks for authenticating users needs to be recognized by law as a substitute for signature. In India, the Information Technology Act, 2000, provides for a particular technology as a means of authenticating electronic record. Any other method used by banks for authentication is a source of legal risk. Customers must be made aware of the said legal risk prior to sign up.

2. Banks are required to maintain secrecy and confidentiality of customers' accounts. In the mobile banking scenario, the risk of banks not meeting the above obligation is high. Banks may be exposed to enhanced risk of liability to customers on account of breach of secrecy, denial of service etc., on account of hacking/ other technological failures. The banks should, therefore, institute adequate risk control measures to manage such risks.

3. As in an Internet banking scenario, in the mobile banking scenario too, there is very limited or no stop-payment privileges for mobile banking transactions since it becomes impossible for the banks to stop payment in spite of receipt of stop payment instruction as the transactions are completely instantaneous and are incapable of being reversed. Hence, banks offering mobile banking should notify the customers the timeframe and the circumstances in which any stop-payment instructions could be accepted.

4. The Consumer Protection Act, 1986 defines the rights of consumers in India and is applicable to banking services as well. Currently, the rights and liabilities of customers availing of mobile banking services are being determined by bilateral agreements between the banks and customers. Taking into account the risks arising out of unauthorized transfer through hacking, denial of service on account of technological failure etc. banks providing mobile banking would need to assess the liabilities arising out of such events and take appropriate counter measures like insuring themselves against such risks, as in the case with internet banking.
5. Bilateral contracts drawn up between the payee and payee's bank, the participating banks and service provider should clearly define the rights and obligations of each party.
6. Banks are required to make mandatory disclosures of risks, responsibilities and liabilities of the customers on their websites and/or through printed material.
7. The existing mechanism for handling customer complaints / grievances may be used for mobile banking transactions as well. However, in view of the fact that the technology is relatively new, banks should set up a help desk and disclose the details of the help desk and escalation procedure for lodging the complaints, on their websites. Such details should also be made available to the customer at the time of sign up.
8. In cases where the customer files a complaint with the bank disputing a transaction, it would be the responsibility of the service providing bank, to expeditiously redress the complaint. Banks may put in place procedures for addressing such customer grievances. The grievance handling procedure including the compensation policy should be disclosed.
9. Customers complaints / grievances arising out of mobile banking facility would be covered under the Banking Ombudsman Scheme.
10. The jurisdiction of legal settlement would be within India.

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RBI/2008-09/210, A.P. (DIR Series) Circular No. 20, dated October 08, 2008

### **External Commercial Borrowings Policy - Liberalisation**

Attention of Authorised Dealer Category - I (AD Category - I) banks is invited to the A. P. (DIR Series) Circular No.5 dated August 1, 2005, A. P. (DIR Series) Circular No. 4 dated August 7, 2007, A. P. (DIR Series) Circular No. 43 dated May 29, 2008 and A.P. (DIR Series) No. 16 dated September 22, 2008 relating to External Commercial Borrowings (ECB).

2. As per the extant ECB policy, 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).

3. On a review of the ECB policy and to promote the development of the mining, exploration and refinery sectors in the country, it has been decided to expand the definition of Infrastructure sector for the purpose of availing of ECB. Accordingly, the Infrastructure sector would henceforth be defined as (i) power, (ii) telecommunication, (iii) railways, (iv) road including bridges, (v) sea port and airport (vi) industrial parks (vii) urban infrastructure (water supply, sanitation and sewage projects) and (viii) mining, exploration and refining.
4. The expanded definition of Infrastructure sector for the purpose of ECB shall come into force with immediate effect. All other aspects of the ECB policy such as USD 500 million limit per borrower, per financial year under the Automatic Route, eligible borrower, recognised lender, end-use of foreign currency expenditure for import of capital goods and overseas investments, average maturity period, prepayment, refinancing of existing ECB and reporting arrangements shall remain unchanged.
5. Necessary amendments to the Foreign Exchange Management (Borrowing or Lending in Foreign Exchange) Regulations, 2000 dated May 3, 2000 are being notified separately.
6. AD Category - I banks may bring the contents of this circular to the notice of their constituents and customers concerned.
7. The directions contained in this circular have been issued under sections 10(4) and 11 (1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and is without prejudice to permissions / approvals, if any, required under any other law.

**Sd/-**  
**Salim Gangadharan**  
**Chief General Manager-in-Charge**

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### **RBI announces Reduction in CRR for Liquidity Management**

On October 6, 2008 the Reserve Bank of India announced a reduction of the cash reserve ratio (CRR) for scheduled banks by 50 basis points to 8.5 per cent of net demand and time liabilities (NDTL) with effect from the fortnight beginning October 11, 2008. This measure was undertaken with a view to injecting liquidity into domestic financial markets so as to alleviate the pressures brought on by the deterioration in the global financial environment. In the ensuing days, the global situation has worsened further. International stock markets and money markets had been adversely affected in a significant manner. Central banks across the world have responded to these extraordinary developments by synchronised policy actions including measures for liquidity infusion.

In the context of the abrupt changes in the international financial environment, it is important to note that the macroeconomic fundamentals of the Indian economy are strong and resilient and that India's financial system is sound, well-capitalised and well-regulated. Money and forex markets in India have been operating in a relatively orderly

manner. The current domestic market conditions are essentially a reflection of the adverse developments and extreme uncertainty in international financial markets.

Market participants are assured that the Reserve Bank stands ready to respond swiftly to meet any liquidity requirements that may arise in the context of the highly volatile external situation.

Accordingly, on a review of the evolving liquidity situation in the context of global and domestic developments, it has been decided to reduce the Cash Reserve Ratio (CRR) by 150 basis points to 7.50 per cent of NDTL with effect from the fortnight beginning October 11, 2008 instead of the 50 basis points reduction announced on October 6, 2008. As a result of this reduction in the CRR, an amount of about Rs 60,000 crore would be released into the system (instead of the injection of Rs 20, 000 crore announced earlier).

The Reserve Bank is monitoring developments closely and continuously and would respond swiftly and even preemptively to any adverse external developments impinging on domestic financial stability, price stability and inflation expectations and the continuation of the growth momentum of the Indian economy. The Reserve Bank is committed to maintaining financial stability and active and flexible liquidity management using all policy instruments is an integral part of this objective.

**Sd/-**  
**Alpana Killawala**  
**Chief General Manager**

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RBI/2008-09/219, DBOD.No.BP.BC.58 /21.04.048/2008-09, dated October 13, 2008

**(i) Disbursal of loans against sanctioned limits**

**(ii) Restructuring of dues of the Small and Medium Enterprises (SMEs)**

It has come to our notice that in view of somewhat tight liquidity conditions in the domestic markets in the recent past, some of the banks have been averse to disbursing working capital limits and term loans (including short-term loans) to their clients against the sanctioned limits even in cases where the drawing power is available in the client's account and all the terms and conditions of the sanction of the loan stand complied with.

2. In view of the improved liquidity in the markets, the banks concerned are advised to review all such cases and permit drawal of sanctioned limits, guided by their usual commercial judgment.

3. Further, in terms of our circular DBOD. No. BP.BC.No.37/21.04.132/2008-09 dated August 27, 2008, the prudential guidelines on restructuring of advances have been

issued. It is understood that some of the banks have not been undertaking the restructuring of dues of the SMEs, where warranted. The banks concerned are, therefore, also advised to consider restructuring the dues of the SMEs, under the guidelines, on merits of the case.

**Sd/-**  
**(Prashant Saran)**  
**Chief General Manager-in-Charge**

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RBI/2008-09/223, DBOD.BP.BC.No.59/21.03.009/2008-09, dated October 14, 2008

**Loans to mutual funds against and buy back of Certificates of Deposits (CDs)**

Please refer to para 12 of the Master Circular No. FMD.MSRG.No.21/02.08.003/ 2008-09 July 1, 2008 on Guidelines for Issue of Certificate of Deposit in terms of which the banks and FIs are not permitted to grant loans against CDs. Furthermore, they are also not permitted to buy-back their own CDs before maturity.

2. On a review, it has been decided to relax these restrictions on lending and buy back, for a period of 15 days from the date of this Circular, only in respect of the CDs held by mutual funds.

3. While granting such loans to the mutual funds, the banks should keep in view the provisions of paragraph 44(2) of the SEBI (Mutual Funds) Regulations, 1996. Further, such finance, if extended to equity-oriented mutual funds, will form part of banks' capital market exposure, as hitherto.

**Sd/-**  
**(Prashant Saran)**  
**Chief General Manager-in-Charge**

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RBI/2008-09/224, FMD.MOAG. No. 27/01.01.01/2008-09, dated October 15, 2008

**SPECIAL FIXED RATE REPO UNDER LIQUIDITY ADJUSTMENT FACILITY**

The Reserve Bank announced and conducted a special fixed rate term repo at 9 per cent per annum against eligible securities for a notified amount of Rs.20,000 crore on October 14, 2008, with a view to enabling banks to meet the liquidity requirements of mutual funds. Banks utilized Rs 3500 crore of this facility on October 14, 2008.

2. The special fixed rate term repo under liquidity adjustment facility will now be conducted every day until further notice up to a *cumulative* amount of Rs 20,000 crore for the same purpose. Accordingly, the *residual* amount will be notified every day till further notice.

3. The eligible banks and PDs may submit their applications electronically through NDS between 2.30 PM to 3.15 PM. today. Allocations would normally be made on a *pro-rata* basis in case the tenders exceed the notified amount.
4. The Reserve Bank will issue a press release each day mentioning the *cumulative* utilisation by banks and PDs under this facility, the notified amount and the tenor for the next day's auction.
5. This repo will be in *addition* to the repo/reverse repo auctions conducted under Liquidity Adjustment Facility (LAF) and Second Liquidity Adjustment Facility (SLAF) which will be held as usual.
6. The settlement for the special repo would be conducted separately and on gross basis.
7. The other terms and conditions for the special repo would remain as notified by our earlier circulars on the Liquidity Adjustment Facility.

**Sd/-**  
**(Chandan Sinha)**  
**Chief General Manager**

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RBI/2008-09/227, A. P. (DIR Series) Circular No. 23, dated October 15, 2008

**Overseas Foreign Currency Borrowings by Authorised Dealer  
Banks – Enhancement of limit**

Attention of Authorised Dealer Category - I (AD Category – I) banks is invited to A. P. (DIR Series) Circular No. 81 dated March 24, 2004, in terms of which :

(i) all categories of overseas foreign currency borrowings including existing ECBs, loans and overdrafts from their Head Office, overseas branches and correspondents and overdrafts in Nostro accounts (not adjusted within five days) shall not exceed 25 per cent of their unimpaired Tier I capital as at the close of the previous quarter or USD 10 million (or its equivalent), whichever is higher, and

(ii) overseas borrowings by AD Category – I banks for the purpose of financing export credit in foreign currency, subordinated debt placed by head offices of foreign banks with their branches in India as Tier II capital, capital funds raised/augmented by the issue of innovative perpetual debt instruments and debt capital instruments in foreign currency and any other overseas borrowings with the specific approval of the Reserve Bank would be outside this limit.

2. With a view to providing greater flexibility to AD Category - I banks in seeking access to overseas funds, it has been decided to liberalise this facility further. Accordingly, AD Category - I banks may henceforth borrow funds from their Head Office, overseas branches and correspondents and overdrafts in nostro accounts up to a limit of 50 per

cent of their unimpaired Tier I capital as at the close of the previous quarter or USD 10 million (or its equivalent), whichever is higher, as against the existing limit of 25 per cent (excluding borrowings for financing of export credit in foreign currency and capital instruments).

3. All other instructions contained in A. P. (DIR Series) Circular No.81 dated March 24, 2004 remain unchanged.

4. AD Category – I banks may bring the contents of this circular to the notice of their constituents and customers concerned.

5. Necessary amendments to the Foreign Exchange Management (Borrowing or Lending in Foreign Exchange) Regulations, 2000 (Notification No.FEMA.3/2000-RB dated May 3, 2000) shall be issued separately.

6. The directions contained in this circular have been issued under Sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and is without prejudice to permissions/approvals, if any, required under any other law.

**Sd/-**  
**(Salim Gangadharan)**  
**Chief General Manager-in-Charge**

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RBI/2008-09/ 228, Ref: DBOD.No.Ret.BC.61/12.01.001/2008-09, dated October 15, 2008

### **Section 42(1) of Reserve Bank of India Act, 1934-Maintenance of CRR**

Please refer to our Circular DBOD. No. Ret. BC.55 /12.01.001/ 2008-09 dated October 10, 2008 on the captioned subject, advising reduction in Cash Reserve Ratio (CRR) by 150 basis points from 9.00 per cent to 7.50 per cent of net demand and time liabilities (NDTL) with effect from October 11, 2008.

2. On a review of the evolving liquidity situation, and as set out in the RBI Press Release 2008-2009/500 of date, it has been decided to further reduce the CRR for Scheduled Commercial Banks by 100 basis points from 7.50 per cent to 6.50 per cent of their NDTL with effect from the current reporting fortnight that began on October 11, 2008.

3. A copy of the relative notification DBOD. No. Ret. BC.60/12.01.001/2008-2009 dated October 15, 2008 is enclosed.

**Sd/-**  
**(P. K. Mahapatra)**  
**General Manager**

DBOD.No.Ret.BC.60/12.01.001/2008-2009, dated October 15, 2008

### NOTIFICATION

In exercise of the powers conferred under the sub-section (1) of Section 42 of the Reserve Bank of India Act, 1934 and in supersession of the earlier notification DBOD.No.Ret.BC.54/12.01.001/2008-09 dated October 10, 2008, the Reserve Bank of India hereby notifies that the average Cash Reserve Ratio (CRR) required to be maintained by every Scheduled Commercial Bank shall be reduced by 250 basis points to 6.50 per cent of its net demand and time liabilities from the fortnight beginning from October 11, 2008.

**Sd/-**  
**(Anand Sinha)**  
**Executive Director**

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RBI/2008-09/229, Ref. DBOD.No.Ret.BC. 62 / 12.02.001/2008-09, dated October 15, 2008

**Section 24 of the Banking Regulation Act, 1949 –**  
**Shortfall in Maintenance of Statutory Liquidity Ratio (SLR) –**  
**Additional Liquidity Support under Liquidity Adjustment Facility (LAF)**

Please refer to our circular DBOD. No. Ret. BC. 43/12.02.001/2008-09 dated September 16, 2008 on the captioned subject. It has been decided, purely as a temporary measure, that banks may avail of additional liquidity support exclusively for the purpose of meeting the liquidity requirements of mutual funds to the extent of up to 0.5 per cent of their net demand and time liabilities (NDTL). This additional liquidity support will terminate 14 days from the closure of the special term repo facility for mutual funds announced on October 14, 2008 vide our circular FMD.MOAG.No.26/01.01.01/2008-09. This accommodation will be in addition to the temporary measure contained in the above-mentioned circular permitting banks to avail of additional liquidity support to the extent of up to 1 per cent of their NDTL.

It is advised that for any shortfall in maintenance of SLR arising out of avilment of this additional liquidity support under LAF, bank may apply to the Reserve Bank in writing under sub-section (8) of Section 24 of the Banking Regulation Act, 1949 with a request not to demand payment of the penal interest thereon.

This measure is ad hoc, temporary in nature and will be reviewed on a continuous basis in the light of the evolving liquidity conditions.

**Sd/-**  
**(P. Vijaya Bhaskar)**  
**Chief General Manager**

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RBI/2008-09/230, DBOD. No. Dir. BC. 64/13.03.00/2008-09, dated October 15, 2008

## **Interest Rates on Non-Resident (External) Rupee (NRE) Deposits and FCNR(B) deposits**

### **Interest Rates on Non-Resident (External) Rupee (NRE) Deposits**

Please refer to paragraph 1 of our circular DBOD. No. Dir. BC. 44 /13.03.00/2008-09 dated September 16, 2008 on Interest Rates on Deposits held in Non-Resident (External) Rupee (NRE) Accounts. On a review, it has been decided that until further notice and with effect from close of business in India as on October 15, 2008, the interest rates on Non-Resident (External) Rupee (NRE) Term Deposits will be as under:

The interest rates on fresh Non-Resident (External) Rupee (NRE) Term Deposits for one to three years maturity should not exceed the LIBOR / SWAP rates plus 100 basis points, as on the last working day of the previous month, for US dollar of corresponding maturities (as against LIBOR / SWAP rates plus 50 basis points effective from the close of business on September 16, 2008). The interest rates as determined above for three year deposits will also be applicable in case the maturity period exceeds three years. The changes in interest rates will also apply to NRE deposits renewed after their present maturity period.

### **2. Interest Rates on FCNR(B) Deposits**

Please refer to paragraph 2 of our circular dated September 16, 2008 on Interest Rates on Deposits held in FCNR(B) Accounts. On a review, it has been decided that until further notice and with effect from the close of business in India as on October 15, 2008, the interest rates on FCNR(B) Deposits will be as under:

In respect of FCNR (B) deposits of all maturities contracted effective from the close of business in India as on October 15, 2008, interest shall be paid within the ceiling rate of LIBOR / SWAP rates plus 25 basis points for the respective currency / corresponding maturities (as against LIBOR / SWAP rates minus 25 basis points effective from close of business on September 16, 2008). On floating rate deposits, interest shall be paid within the ceiling of SWAP rates for the respective currency / maturity plus 25 basis points. For floating rate deposits, the interest reset period shall be six months.

**3.** The other instructions, as contained in our Master Circulars DBOD. Dir. BC.15/13.03.00/2008-09 and BC.16/13.03.00/2008-09 dated July 1, 2008, as amended from time to time, shall remain unchanged. An amending directive DBOD.No.Dir.BC.63 /13.03.00/2008-09 dated October 15, 2008 is enclosed.

**Sd/-**  
**(P. Vijaya Bhaskar)**  
**Chief General Manager**

**DBOD. No. Dir. BC. 63 /13.03.00/2008-09, dated October 15, 2008****Interest Rates on Non-Resident (External) Rupee (NRE) Deposits and FCNR(B) Deposits**

In exercise of the powers conferred by Section 35A of the Banking Regulation Act, 1949, and in modification of the directive DBOD.No.Dir.BC.43A/ 13.03.00/2008-09 dated September 16, 2008 on Interest Rates on Deposits held in Non-Resident (External) (NRE) Accounts and FCNR(B) Accounts, the Reserve Bank of India being satisfied that it is necessary and expedient in the public interest so to do, hereby directs that Interest Rates on Non-Resident (External) Rupee (NRE) Deposits and FCNR(B) deposits shall be as under:

**Interest Rates on Deposits held in Non-Resident (External) Rupee (NRE) Deposits**

" With effect from the close of business as on October 15, 2008, the interest rates on fresh Non-Resident (External) Rupee (NRE) Term Deposits for one to three years maturity should not exceed the LIBOR / SWAP rates plus 100 basis points, as on the last working day of the previous month, for US dollar of corresponding maturities (as against LIBOR / SWAP rates plus 50 basis points effective from the close of business on September 16, 2008). The interest rates as determined above for three year deposits will also be applicable in case the maturity period exceeds three years. The changes in interest rates will also apply to NRE deposits renewed after their present maturity period."

**Interest Rates on Deposits held in FCNR(B) Accounts**

" In respect of FCNR (B) deposits of all maturities contracted effective from the close of business in India as on October 15, 2008, interest shall be paid within the ceiling rate of LIBOR / SWAP rates plus 25 basis points for the respective currency / corresponding maturities (as against LIBOR / SWAP rates minus 25 basis points effective from the close of business on September 16, 2008). On floating rate deposits, interest shall be paid within the ceiling of SWAP rates for the respective currency / maturity plus 25 basis points. For floating rate deposits, the interest reset period shall be six months."

**Sd/-  
(Anand Sinha)  
Executive Director**

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RBI/2008-09/232, RPCD.CO.RF.BC.No.50/ 07.38.01/2008-09, dated October 15, 2008

**Interest Rate on FCNR(B) Deposits**

Please refer to our circular RPCD.CO.RF.BC.No.31/07.38.01/2008-09 dated September 17, 2008 on Interest Rate on FCNR(B) Deposits. On a review, it has been decided that until further notice and with effect from the close of business in India as on October 15, 2008, the interest rates on FCNR(B) Deposits will be as under:

In respect of FCNR(B) deposits of all maturities contracted effective from the close of business in India as on October 15, 2008, interest shall be paid within the ceiling rate of LIBOR / SWAP rates plus 25 basis points for the respective currency / corresponding maturities (as against LIBOR / SWAP rates minus 25 basis points effective from close of business on September 16, 2008). On floating rate deposits, interest shall be paid within the ceiling of SWAP rates for the respective currency / maturity plus 25 basis points. For floating rate deposits, the interest reset period shall be six months.

2. An amending Directive RPCD.CO.RF.BC.Dir.No.49/07.38.01/2008-09 dated October 15, 2008 is enclosed.

**Sd/-**  
**(G. Srinivasan)**  
**Chief General Manager-in-Charge**

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**RPCD.CO.RF.BC. Dir.No.49/07.38.01/2008-09, dated October 15, 2008**

**Foreign Currency (Non-Resident) Accounts (Banks) Scheme**

In exercise of the powers conferred by Section 35 A of the Banking Regulation Act, 1949 (As Applicable to Co-operative Societies), the Reserve Bank of India, being satisfied that it is necessary and expedient in the public interest so to do, hereby directs the following:

**Interest rates applicable to deposits accepted under Foreign Currency Non-Resident Accounts (Banks) Scheme**

In respect of FCNR(B) deposits of all maturities contracted effective from the close of business in India as on October 15, 2008, interest shall be paid within the ceiling rate of LIBOR / SWAP rates plus 25 basis points for the respective currency / corresponding maturities (as against LIBOR / SWAP rates minus 25 basis points effective from close of business on September 16, 2008). On floating rate deposits, interest shall be paid within the ceiling of SWAP rates for the respective currency / maturity plus 25 basis points. For floating rate deposits, the interest reset period shall be six months.

**Sd/-**  
**(Anand Sinha)**  
**Executive Director**

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RBI/2008-09/233, RPCD.CO.RF.BC.No.52/07.38.01/2008-09, dated October 15, 2008

**Interest Rate on Non-Resident (External) Rupee (NRE) Deposits**

Please refer to our Circular RPCD.CO.RF.BC.No.29/07.38.01/2008-09 dated September 17, 2008 on Interest Rate on NRE Rupee Deposits. On a review, it has been decided that until further notice and with effect from close of business in India as on October 15, 2008, the interest rates on Non-Resident (External) Rupee (NRE) Term Deposits will be as under:

The interest rates on fresh Non-Resident (External) Rupee (NRE) Term deposits for one to three years maturity should not exceed the LIBOR / SWAP rates plus 100 basis points, as on the last working day of the previous month, for US dollar of corresponding maturities (as against LIBOR / SWAP rates plus 50 basis points effective from close of business on September 16, 2008). The interest rates as determined above for three year deposits will also be applicable in case the maturity period exceeds three years. The changes in interest rates will also apply to NRE deposits renewed after their present maturity period.

2. The other instructions as contained in our Circular RPCD.No.RF.Dir.BC 54/D.1-87/88 dated November 2, 1987 shall remain unchanged. An amending directive RPCD.CO.RF.BC.Dir.No.51/07.38.01/2008-09 dated October 15, 2008 is enclosed.

**Sd/-**  
**(G. Srinivasan)**  
**Chief General Manager-in-Charge**

RPCD.CO.RF.BC.Dir.No.51/07.38.01/2008-09, dated October 15, 2008

Interest Rate on Non-Resident (External) Rupee (NRE) Deposits

In exercise of the powers conferred by Section 35 A of the Banking Regulation Act, 1949 (As Applicable to Co-operative Societies) and in partial modification of Directive RPCD No.Dir.BC.53/D.1-87/88 dated November 2, 1987, as amended from time to time, on Interest Rates on Deposits, the Reserve Bank of India being satisfied that it is necessary and expedient in the public interest so to do, hereby directs undernoted changes in the interest rates on Non-Resident (External) Rupee (NRE) deposits:

"With effect from the close of business as on October 15, 2008, the interest rates on fresh Non-Resident (External) Rupee (NRE) Term deposits for one to three years' maturity should not exceed the LIBOR / SWAP rates plus 100 basis points, as on the last working day of the previous month, for US dollar of corresponding maturities (as against LIBOR /SWAP rates plus 50 basis points effective from close of business on September 16, 2008). The interest rates as determined above for three year deposits will also be applicable in case the maturity period exceeds three years. The changes in interest rates will also apply to NRE deposits renewed after their present maturity period."

**Sd/-**  
**(Anand Sinha)**  
**Executive Director**

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Circular No.07

: 22 :

29.01.2009

RBI/2008-09/234, RPCD.CO.RRB. No. BC.46/ 03.05.28(B)/2008-09, dated October 15, 2008

**Section 42 (1) of Reserve Bank of India Act, 1934 - Maintenance of Cash Reserve Ratio (CRR)- Regional Rural Banks (RRBs)**

Please refer to our circular RPCD.CO.RRB.No.BC.44/03.05.28 (B)/2008-2009 (RBI/2008-09/213) dated October 10, 2008 on the captioned subject, advising reduction in Cash Reserve Ratio (CRR) by 150 basis points from 9.00 percent to 7.50 per cent of net demand and time liabilities with effect from October 11, 2008.

2. On a review of the evolving liquidity situation, and as set out in the RBI Press Release 2008-2009/500 of date, it has been decided to further reduce the Cash Reserve Ratio (CRR) for Regional Rural Banks by 100 basis points from 7.50 per cent to 6.50 per cent of their net demand and time liabilities (NDTL) with effect from the current reporting fortnight that began on October 11, 2008.

3. A copy of the relative notification RPCD RRB.CO No.4381/ 03.05.28(B)/ 2008 -09 dated October 15, 2008 is enclosed.

**Sd/-**  
**(G.Srinivasan)**  
**Chief General Manager-in-Charge**

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RPCD.CO.RRB.No.4381/ 03.05.28(B)/2008-09, dated October 15, 2008

**NOTIFICATION**

In exercise of the powers conferred under the sub-section (1) of Section 42 of the Reserve Bank of India Act, 1934 and in supersession of the earlier notification RPCD.CO.RRB.No 4161 /03.05.28 (B) /2008-2009 dated October 10, 2008, the Reserve Bank of India hereby notifies that the average Cash Reserve Ratio (CRR) required to be maintained by every Regional Rural Bank shall be reduced by 250 basis points to 6.50 per cent of its net demand and time liabilities from the fortnight beginning from October 11, 2008.

**Sd/-**  
**(Anand Sinha)**  
**Executive Director**

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RBI/2008-09/240, A. P. (DIR Series) Circular No. 25, dated October 17, 2008

**Allocation of FII Investment between debt and equity**

Attention of Authorised Dealer Category - I (AD Category – I) banks is invited to subparagraphs i) & ii) of Paragraph 1 of Schedule 5 to FEMA Notification No.20 dated May 3, 2000, as amended from time to time, in terms of which Foreign Institutional

... 23

Investors are allowed to purchase, on repatriation basis, dated Government securities/treasury bills, listed non-convertible debentures/bonds, commercial papers issued by an Indian company and units of domestic mutual funds and Security Receipts issued by Asset Reconstruction Companies either directly from the issuer of such securities or through a registered stock broker on a recognized stock exchange in India, provided that :

(i) the FII shall restrict allocation of its total investment between equity and debt instruments (including dated Government Securities and Treasury Bills in the Indian capital market) in the ratio of 70:30;

(ii) if the FII desires to invest up to 100 per cent in dated Government Securities including Treasury Bills, non-convertible debentures/bonds issued by an Indian company, it shall form a 100 per cent debt fund and get such fund registered with SEBI; and

(iii) the total holding by a single FII in each tranche of scheme of Security Receipts shall not exceed 10 per cent of the issue and the total holdings of all FIIs put together shall not exceed 49 per cent of the paid up value of each tranche of scheme of Security Receipts issued by the Asset Reconstruction Companies.

2. In order to accord flexibility to the FIIs to allocate their investments across equity and debt instruments, the Securities and Exchange Board of India (SEBI), in consultation with the Government of India, vide its Circular No IMD/FII & C/33/2007 dated October 16, 2008 has dispensed with the conditions provided in Regulation 15 (2) of the SEBI FII Regulations pertaining to restrictions of 70: 30 ratio of investments in equity and debt, respectively. Accordingly, it has been decided, to dispense with the existing provisions under FEMA Regulations, as mentioned in proviso (i) above. However, the stipulations made in proviso (iii) in respect of FII holdings in security receipts issued by Asset Reconstruction Companies shall continue.

3. AD Category – I banks may bring the contents of this circular to the notice of their constituents and customers concerned.

4. Necessary amendments to the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000 (Notification No.FEMA.20/2000-RB dated May 3, 2000) are being issued separately.

5. The directions contained in this circular have been issued under Sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and is without prejudice to permissions/approvals, if any, required under any other law.

**Sd/-**  
**(Salim Gangadharan)**  
**Chief General Manager-in-Charge**

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RBI/2008-2009/241, FMD.MOAG. No.28/01.01.01/2008-09, dated October 20, 2008

### **LIQUIDITY ADJUSTMENT FACILITY – REPO AND REVERSE REPO RATES**

In order to alleviate emerging pressures in the context of the indirect impact of global liquidity constraint, the Reserve Bank of India has decided to reduce the fixed repo rate under the Liquidity Adjustment Facility (LAF) by 100 basis points to 8.0 per cent from 9.0 per cent with immediate effect. Accordingly, the special term repo and the repo under the Second LAF would be conducted at the revised rate of 8.0 per cent with effect from October 20, 2008. From October 21, 2008 onwards, all repos under LAF would be conducted at 8.0 per cent.

2. The reverse repo rate under LAF remains unchanged at 6.00 per cent.
3. All other terms and conditions of the current LAF Scheme remain unchanged.

**Sd/-**  
**(Chandan Sinha)**  
**Chief General Manager**

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RBI/2008-09/245, A.P. (DIR Series) Circular No. 26, dated October 22 , 2008

### **External Commercial Borrowings Policy: Liberalisation**

Attention of Authorised Dealer Category-I (AD Category-I) banks is invited to the A. P. (DIR Series) Circular No.5 dated August 1, 2005, A. P. (DIR Series) Circular No. 60 dated May 21, 2007, A. P. (DIR Series) Circular No. 4 dated August 7, 2007 and A. P. (DIR Series) Circular No. 43 dated May 29, 2008, A.P.(DIR Series) Circular No. 16 dated September 22, 2008 and A.P. (DIR Series) Circular No. 20 dated October 8, 2008 relating to External Commercial Borrowings (ECB).

2. Based on a review, it has been decided to modify some aspects of the ECB policy as indicated below:
3. Henceforth, ECB up to USD 500 million per borrower per financial year would be permitted for Rupee expenditure and / or foreign currency expenditure for permissible end - uses under the Automatic Route. Accordingly, the requirement of minimum average maturity period of seven years for ECB more than USD 100 million for Rupee capital expenditure by the borrowers in the infrastructure sector has been dispensed with.
4. In order to further develop the telecom sector in the country, payment for obtaining license/permit for 3G Spectrum will be considered an eligible end - use for the purpose of ECB.
5. At present, ECB proceeds are required to be parked overseas until actual requirement in India and such proceeds can be invested in the following liquid assets

(a) deposits or certificate of deposit offered by banks rated not less than AA (-) by Standard and Poor / Fitch IBCA or Aa3 by Moody's; (b) deposits with overseas branch of an AD bank in India; and (c) Treasury bills and other monetary instruments of one year maturity having minimum rating as indicated above. It has now been decided that henceforth the borrowers will be extended the flexibility to either keep these funds off-shore as above or keep it with the overseas branches / subsidiaries of Indian banks abroad or to remit these funds to India for credit to their Rupee accounts with AD Category I banks in India, pending utilisation for permissible end-uses. However, as hitherto, the rupee funds will not be permitted to be used for investment in capital markets, real estate or for inter-corporate lending.

6. In view of the tight liquidity conditions in the International financial markets, it has been decided to rationalize and enhance the all-in-cost ceilings as under:

Average Maturity Period	All-in-Cost ceilings over 6 Months LIBOR*	
	Existing	Revised
Three years and up to five years	200 bps	300 bps
More than five years and up to seven years	350 bps	500 bps
More than seven years	450 bps	

\* for the respective currency of borrowing or applicable benchmark.

The all-in-cost ceilings will be reviewed from time to time depending on the conditions in the international financial markets.

7. Keeping in view the risks associated with unhedged foreign exchange exposures of SMEs, a system of monitoring such unhedged exposures by the banks on a regular basis is being put in place.

8. The amendments to the ECB guidelines will come into force with immediate effect. All other aspects of ECB policy such as USD 500 million limit per company per financial year under the Automatic Route, eligible borrower, recognised lender, end-use, average maturity period, prepayment, refinancing of existing ECB and reporting arrangements remain unchanged.

9. Necessary amendments to the Foreign Exchange Management (Borrowing or Lending in Foreign Exchange) Regulations, 2000 dated May 3, 2000 are being issued separately.

10. AD Category-I banks may bring the contents of this circular to the notice of their constituents and customers concerned.

11. The directions contained in this circular have been issued under sections 10(4) and 11 (1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and is without prejudice to permissions/approvals, if any, required under any other law.

**Sd**  
**(Salim Gangadharan)**  
**Chief General Manager-in-Charge**

**Highlights of Mid-Term Review of the Annual Policy Statement for 2008-09-October 24, 2008**

- Bank Rate, Repo Rate and Reverse Repo Rate kept unchanged.
- The flexibility to conduct overnight repo or longer term repo including the right to accept or reject tender(s) under the LAF, wholly or partially, is retained.
- CRR kept unchanged at 6.5 per cent.
- GDP growth forecast for 2008-09 revised to a range of 7.5-8.0 per cent.
- Keeping in view the supply management measures taken by the Government and the lagged demand response to the monetary policy measures taken by the Reserve Bank, it has been decided to maintain the earlier projection of inflation of 7.0 per cent by end-March 2009 for policy purposes.
- It will be the Reserve Bank's endeavour to bring down inflation to a tolerable level of below 5 per cent at the earliest, while aiming for convergence with the global average inflation of around 3.0 per cent over the medium-term.
- It is necessary to moderate the rate of money supply to 17 per cent in 2008-09.
- Based on the above overall assessment of the macroeconomic situation, the stance of monetary policy for the rest of 2008-09 will be as follows:

Ensure a monetary and interest rate environment that optimally balances the objectives of financial stability, price stability and well-anchored inflation expectations, and growth;

Continue with the policy of active demand management of liquidity through appropriate use of all instruments including the CRR, open market operations (OMO), the MSS and the LAF to maintain orderly conditions in financial markets;

In the context of the uncertain and unsettled global situation and its indirect impact on the domestic economy in general and the financial markets in particular, closely and continuously monitor the situation and respond swiftly and effectively to developments, employing both conventional and unconventional measures;

Emphasise credit quality and credit delivery, in particular, for employment-intensive sectors, while pursuing financial inclusion.

**Government Securities Market**

Floating rate bonds (FRBs) to be issued at an appropriate time taking into account the prevailing market conditions.

Government of India 7 per cent Savings Bonds, 2002, the 6.5 per cent Savings Bonds, 2003 (non-taxable), and the 8 per cent Savings Bonds, 2003 (taxable) schemes allowed for pledge or hypothecation or lien of these bonds as collateral for obtaining loans from scheduled banks.

The scheme for Non-Competitive Bidding Facility of State Development Loans (SDLs) to be operationalised by end-December 2008.

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Circular No. SEBI/CFD/DIL/CG/2/2008/23/10, Dated 23-10-2008

### **CORPORATE GOVERNANCE IN LISTED COMPANIES - CLAUSE 49 OF THE LISTING AGREEMENT**

I. SEBI vide circular SEBI/CFD/DIL/CG/1/2008/08/04 dated April 08, 2008 amended Clause 49 of the Equity Listing Agreement inter-alia including a provision stating that if the non-executive Chairman is a promoter or is related to promoters or persons occupying management positions at the board level or at one level below the board, at least one-half of the board of the company should consist of independent directors.

SEBI had received queries requesting to bring about further clarity on the said amendment where the promoter of a listed company is a listed or unlisted entity. After examining the same, it has been decided to include the following explanation to the existing Clause 49.

In Item I, Para (A), in sub-clause (ii), after the proviso, the following Explanation shall be inserted, namely -:

*“Explanation-For the purpose of the expression “related to any promoter” referred to in sub-clause (ii):*

*a. If the promoter is a listed entity, its directors other than the independent directors, its employees or its nominees shall be deemed to be related to it;*

*b. If the promoter is an unlisted entity, its directors, its employees or its nominees shall be deemed to be related to it.”*

### **II. Applicability:**

The aforesaid amendments in Clause 49 of Equity Listing Agreement shall be implemented as per the schedule of implementation given below:

(a) For entities seeking listing for the first time, at the time of seeking in-principle approval for such listing;

(b) For existing listed entities which are required to comply with clause 49, before March 31, 2009.

### **III. Advice to Stock Exchanges:**

1. All Stock Exchanges are advised to:

- a. Give effect to the abovementioned policies and appropriately amend Clause 49 of Equity Listing Agreement in line with the text of the amendments specified above.
  - b. Make consequential changes, if any, in other clauses of Equity Listing Agreement.
2. All Stock Exchanges are further advised to communicate to SEBI, status of implementation of the requirements of this circular in their quarterly report for the quarter ended March 31, 2009.

III. This circular is issued in exercise of powers conferred by sub-section (1) of Section 11, read with sub-section (2) of Section 11A, of the Securities and Exchange Board of India Act, 1992, to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.

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RBI.No.2008-09/247, DBOD.No.Dir.BC. 66/13.03.00/2008-2009, dated October 24, 2008

**7% Savings Bonds 2002, 6.5% Savings Bonds 2003 (Non-taxable) & 8% Savings (Taxable) Bonds 2003 - Collateral facility**

As you are aware, in terms of relevant Government of India Notifications, Savings Bonds issued under the captioned schemes, are presently not eligible as collateral for loans from banks, financial institutions and non banking financial companies, etc.

2. It has now been decided by the Government of India to allow for pledge or hypothecation or lien of the bonds issued under the captioned schemes as collateral for obtaining loans from scheduled banks. Accordingly, the holders of the said bonds will be entitled to create pledge or hypothecation or lien in favour of scheduled banks in accordance with section 28 of the Government Securities Act, 2006 (the G S Act) and regulations 21 and 22 of the Government Securities Regulations, 2007 (the G S Regulations). A copy each of the following amending notifications issued by the Government of India is enclosed.

- a. No. F.4(13)-W & M/2002 dated August 19, 2008 for 7% Savings Bonds, 2002
- b. No. F.4(9) -W & M/2003 dated August 19, 2008 for 6.5% Savings Bonds, 2003 (Non-taxable) and
- c. No. F.4(10)-W & M/2003 dated August 19, 2008 for 8% Savings (Taxable) Bonds, 2003

3. In view of the above amendments, you may please advise your branches to facilitate extension of collateral facility through pledge or hypothecation or lien as per the procedure laid down in Section 28 of the GS Act and Regulations 21 and 22 of the GS Regulations. Relevant extracts of the Act / Regulations along with the forms and the

relative press release issued by the Government of India are enclosed for ready reference.

4. It may be noted that collateral facility is available only for the loans extended to the holders of the bonds and, as such, **the facility is not available in respect of the loans extended to third parties.**

**Sd/-**  
**(P. Vijaya Bhaskar)**  
**Chief General Manager**

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Government of India  
Ministry of Finance  
Department of Economic Affairs

New Delhi, dated August 19, 2008

### NOTIFICATION

7% Savings Bonds, 2002

No. F 4(13)-W&M/2002: The Government of India hereby notifies that with effect from the date of this Notification, the following modifications shall be effected in Notification No. F. 4 (13)-W& M/2002 dated 5th September 2002 (Notification).

1. For the existing paragraph number 12 of the Notification the following paragraph shall be substituted, namely,

“The Bonds in the form of Bond Ledger Account and Stock Certificate shall not be transferable except as provided herein or by way of gift to a relative as defined in Section 6 of the Indian Companies Act, 1956, by execution of appropriate Transfer Form as given in Annexure 6A or 6B (as may be applicable) and execution of an affidavit by the holder. A list of relatives is given in Annexure 7.”

2. For the existing, paragraph number 14 of the Notification the following paragraph shall be substituted, namely,

“The Bonds shall not be tradable in the secondary market. However, the Bonds shall be eligible as collateral for loans from scheduled banks, and the holders of the said Bonds shall be entitled to create pledge or hypothecation or lien in favour of scheduled banks in accordance with Section 28 of the Government Securities Act, 2006 and Regulations 21 and 22 of Government Securities Regulations, 2007.”

By Order of the President of India

(L. M. Vas)  
Additional Secretary to the Government of India

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Government of India  
Ministry of Finance  
Department of Economic Affairs

New Delhi, dated August 19, 2008

**Notification**

**6.5% Savings Bonds, 2003 (Non-taxable)**

No. F.4(9)-W&M/2003 : The Government of India hereby notifies that with effect from the date of this Notification, the following modifications shall be effected in Notification No. F.4 (9)-W & M/2003 dated 13th March 2003 (Notification).

1. For the existing paragraph number 12 of the Notification the following paragraph shall be substituted, namely,

"The Bonds in the form of Bond Ledger Account and Stock Certificate shall not be transferable except as provided herein or by way of gift to a relative as defined in Section 6 of the Indian Companies Act, 1956, by execution of appropriate Transfer Form as given in Annexure 6A or 6B (as may be applicable) and execution of an affidavit by the holder. A list of relatives is given in Annexure 7."

2. For the existing, paragraph number 14 of the Notification the following paragraph shall be substituted, namely,

"The Bonds shall not be tradable in the secondary market. However, the Bonds shall be eligible as collateral for loans from scheduled banks, and the holders of the said Bonds shall be entitled to create pledge or hypothecation or lien in favour of scheduled banks in accordance with Section 28 of the Government Securities Act, 2006 and Regulations 21 and 22 of Government Securities Regulations, 2007."

By Order of the President of India

**(L. M. Vas)**  
**Additional Secretary to the**  
**Government of India**

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Government of India  
Ministry of Finance  
Department of Economic Affairs

New Delhi, dated August 19, 2008

**NOTIFICATION**

**8% Savings (Taxable) Bonds, 2003**

No. F 4(10)-W&M/2003: The Government of India hereby notifies that with effect from the date of this Notification, the following modifications shall be effected in Notification No. F.4 (10)-W & M/2003 dated 21st March 2003 (Notification).

1. For the existing paragraph number 12 of the Notification the following paragraph shall be substituted, namely,

“The Bonds in the form of Bond Ledger Account shall not be transferable except as provided herein.”

2. For the existing paragraph number 15 of Notification the following paragraph shall be substituted, namely,

“The Bonds shall not be tradable in the secondary market. However, the Bonds shall be eligible as collateral for loans from scheduled banks, and the holders of the said Bonds shall be entitled to create pledge or hypothecation or lien in favour of scheduled banks in accordance with Section 28 of the Government Securities Act, 2006 and Regulations 21 and 22 of Government Securities Regulations, 2007.”

By Order of the President of India

(L. M. Vas)

**Additional Secretary to the Government of India**

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#### **Extract from the Government Securities Act, 2006**

##### **Section 28 –**

28. Pledge, hypothecation or lien. - (1) Subject to such terms and conditions as may be prescribed, the holder of a Government security may create a pledge or hypothecation or lien in respect of such security.

(2) On receipt of notice of pledge or hypothecation or lien from the holder of the Government security, the Bank or any agent maintaining the account in respect of such security shall make necessary entry in its record and such entry shall be evidence of the pledge, hypothecation or lien thereof, as the case may be.

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#### **Extract from the Government Securities Regulations, 2007**

##### **CHAPTER VII**

##### **PLEDGE, HYPOTHECATION OR LIEN OF GOVERNMENT SECURITY**

**21. Pledge, Hypothecation or Lien of Government security.** - (1) The holder of a Government security may create a pledge, hypothecation or lien in respect of a Government security by-

(a) issuing a notice of pledge, hypothecation or lien to the Bank, or, as the case may be, its agent, in triplicate in Form - XIV; and

(b) submitting the stock certificate and the duly executed Form - III in relation thereto; or the duly executed Forms - III, IV or V, as may be applicable to the Government security,

where a pledge, hypothecation, or lien is to be created for the Government security held in subsidiary general ledger account or constituents' subsidiary general ledger account or bond ledger account, as the case may be.

(2) The Bank, or, as the case may be, its agent may on receipt of the notice as referred to in clause (a) of sub-regulation (1), -

(a) record the pledge, hypothecation or lien in its records and confirm the same on the duplicate and triplicate of the Form - XIV and such confirmation shall be conclusive proof of the creation of pledge, hypothecation or lien; and

(b) where any discrepancy is found in the Form - XIV, issue a return memo on the duplicate and triplicate of the notice in Form - XIV, stating the reasons for not recording the pledge, hypothecation or lien.

(3) The pledgee or creditor, at any time, when wants to invoke the pledge, hypothecation or lien may file an application in Form - XV in duplicate, to the Bank, or, as the case may be, its agent for transferring the Government securities in his favour along with the following documents, namely, -

(a) the stock certificate, if any;

(b) Form - XIV wherein the Bank, or, as the case may be, its agent has confirmed the recording of pledge; and

(c) Forms - III, IV or V which may be applicable to the Government security and was executed at the time of creation of pledge, hypothecation or lien by the holder of the Government security.

(4) The Bank, or, as the case may be, its agent may on receipt of the application under sub-regulation (3) -

(a) record in its books, the invocation of pledge, hypothecation or lien and transfer of the securities in favour of the pledgee or the creditor and confirm the same on the duplicate of the application in Form - XV; or

(b) issue a return memo to the pledgee or creditor on the duplicate of the application in Form - XV, if any discrepancy is found, stating the reasons for not transferring the securities in the name of the pledgee or the creditor.

(5) The pledgee or the creditor may, at any time, before the registration of transfer of the Government securities in the books of the Bank or its agent in his favour, apply to the Bank, or, as the case may be, its agent in Form - XVI in triplicate for cancellation of such pledge, hypothecation or lien application registration.

(6) The Bank, or, as the case may be, its agent may on receipt of the application under sub-regulation (5) -

(a) record the cancellation of pledge, hypothecation or lien registered in its books and confirm the cancellation on the duplicate and triplicate of the application in Form - XVI; and

(b) issue a return memo on the duplicate and triplicate of the application in Form - XVI to the pledgee or the creditor, stating therein the reasons for not cancelling the pledge, hypothecation or lien.

(7) The Forms - III, IV or V executed at the time of creation of pledge, hypothecation or lien, shall be valid during the currency of the pledge, hypothecation or lien created in respect of the Government security.

(8) Subject to the forms prescribed in this regulation, the transfer form, notice of pledge, hypothecation or lien, confirmation of pledge, hypothecation or lien, application for cancellation or invocation of pledge, hypothecation or lien, or return memo, may be executed in electronic form under digital signature, as defined in clause (p) of section 2 of the Information Technology Act, 2000 (21 of 2000).

**22. General provisions relating to pledge, hypothecation and lien.-** (1) The Bank or, as the case may be, the Government shall not be responsible to any person creating pledge, hypothecation or lien or party to thereof for any loss caused to him on account of the invocation of the pledge, hypothecation or lien by the pledgee or the creditor in violation of the terms of pledge, hypothecation or lien or the provisions of any other law for the time being in force.

(2) The Bank or, as the case may be, its agent shall

(a) not take cognizance of any notice or claim of any person that may be received by it before it has taken the steps required to be taken under regulation 21 on receipt of Forms - XIV, XV or XVI;

(b) take the steps required under regulation 21 as if it had not received such notice or claim.

(3) No transfer by the holder of any Government security in respect of which pledge, hypothecation or lien is in force shall be effected by the Bank or its agent without the prior concurrence of the pledgee or the creditor, as the case may be.

(4) The Government security in respect of which pledge, hypothecation or lien has been recorded in the books of the Bank or its agent, as the case may be, matures for repayment, the maturity proceeds shall not be payable to the holder of the security, without the written concurrence of the pledgee or creditor along with duly executed Form - XVI.

Explanation; For the purpose of regulation 21 and this regulation, –

(a) “pledgee” means a person in whose favour the Government security has been pledged;

(b) “creditor” means a person in whose favour the Government security has been hypothecated or a lien in respect thereof has been created.

**FORM - III**

[See regulations 4 (1)(c) and 21]

**TRANSFER OF STOCK CERTIFICATES**

I/We\* ..... (transferor/s) do hereby assign and transfer my/our\* interest or share in the inscribed stock certificate number .....of ..... percent Government Loan of ..... amounting to Rs. .... being the amount /a portion of the stock for Rs. .... as specified on the face of this instrument together with the accrued interest thereon to .....(transferee/s), his / her / their\* executors, administrators or assigns, and I/We\* ..... do freely accept the stock certificate number .....to the extent it has been transferred to me/us\*.

I/We\* ..... (transferee/s) hereby request that on my/our\* being registered as the holder/s of the stock transferred to me/us\*, the above stock certificate to the extent it has been transferred to me/us\* may be renewed in my/our\* name (s)/converted in my/our\* name(s).

@I/We\* ..... (transferor/s) hereby request that on the above transferee(s) being registered as the holder/s of the stock hereby transferred to him/them\*, the aforesaid stock certificate to the extent it has not been transferred to him/them\* may be renewed in my/our\* name (s).

As witness, our hand the ..... day of ..... two thousand and .....  
Signed by the above-named transferor Signature of transferor.....  
in the presence of\*\* ..... Address: .....  
.....  
Signed by the above-named transferee Signature of transferee.....  
in the presence\*\* .....  
.....

\*: Delete whichever is not applicable.

@: This paragraph is to be used only when a portion of the Certificate is transferred.

\*\* : Signature, occupation and address of witness. Witness should be different for transferor and transferee.

**Transferred:**

Stock Certificate issued No/s ..... dated .....  
Manager, Reserve Bank of India, .....

**FORM - V**

[See regulations 4 (1) (e) and 21]

**TRANSFER OF SECURITIES HELD IN THE RESERVE BANK OF INDIA (RBI)  
IN THE BOND LEDGER ACCOUNT RELATING TO GOVERNMENT SECURITIES**

I/We\* ..... (transferor/s) do hereby assign and transfer my/our\* interest or share in the Bond Ledger Account of the ..... Bonds amounting to Rs... being the amount / portion of the bonds for Rs... held in the Bond Ledger Account No. .... together with the accrued interest thereon due for repayment on ..... to ..... (transferee/s), his/her/their\* executors, administrators or assigns, and I/We\* ..... (transferee/s) do freely accept the Bonds in the above Bond Ledger Account No. .... amounting to Rs...

I/We\* ..... (transferee/s) request that I/We\* may be registered as the holder/s of the Bond hereby transferred to me/us\* and a Bond Ledger Account may be opened in my/our name\* credited to my/our Bond Ledger Account No\* .....

@I/We\* ..... (transferor/s) hereby request that on the above transferee(s) being registered as the holder(s) of the Bond hereby transferred to him/them\* the aforesaid Bond, to the extent it has not been transferred to him/them\*, may continue in my/our\* Bond Ledger Account No .....

As witness, our hand the ..... day of ..... two thousand and .....

Signed by the above-named Signature of transferor.....  
transferor Address: .....  
in the presence of\*\* .....

Signed by the above-named Signature of transferee.....  
transferee .....  
in the presence\*\* .....

\*: Delete whichever is not applicable.

@: This paragraph is to be used only when a portion of the Bond is transferred.

\*\* : Signature, occupation and address of witness. Witness should be different for transferor and transferee.

**FORM – XIV**

[See regulations 21 (1), (2), (3) and 22(2)]

**NOTICE OF PLEDGE/HYPOTHECATION/LIEN OF GOVERNMENT SECURITIES**

To, The Regional Reserve Bank Public Debt .....	To, Director The of India Name of Office Address: .....	To, The Manager, The CSGL A/c Holder Name of the agent Address: .....
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Dear Sir,

Please take notice that I/we ..... [name(s) of the holder(s)] have pledged/hypothecated/created lien<sup>1</sup> on the Government securities specified in Schedule 'A' hereto annexed {and have deposited the original scrip(s) with.....name(s) of the Pledgee(s)/Creditor(s)}. A duly executed transfer form is deposited with the pledgee<sup>2</sup>. Please record pledge/hypothecation/lien<sup>1</sup> in your books of account in respect of the securities listed in Schedule 'A' and oblige.

Yours faithfully,

Signature(s) and name(s) of the Holder(s) / Borrower(s).....  
Mailing address: .....  
Signature(s) and name(s) of the Pledgee(s) / Creditor(s).....  
Mailing address: .....  
Dated this .....day of .....

**Schedule 'A'**

Nomenclature of Distinctive the security and number of ISIN	SGL/CSGL/Bond Date of the Ledger Account maturity physical security No	Face value of security
---	--	---------------------------

Note: (i) This form has to be submitted in triplicate. Counter receipt will be issued if submitted at the counter. The Public Debt Office will retain the original. Confirmation of having recorded the pledge/hypothecation/lien in the books of Public Debt Office will be issued on the duplicate and triplicate. Holder(s)/borrower(s) or pledgee(s)/creditor(s) shall arrange to collect the same by surrendering the counter receipt duly discharged."

(ii) If this Form is submitted otherwise than at the counter, the duplicate and triplicate of the Form shall be dispatched by Post/Courier at the mailing addresses.

For Office use only:

**Return Memo**

Notice of pledge/hypothecation/lien could not be recoded in the books of account of Public Debt Office for the following reason(s).

- Discrepancies in the particulars of securities/Account No(s).
- Discrepancies in the names of holders.
- Form is incomplete.
- Enclosures not compiled properly.
- Signature not matching.
- Security not eligible for pledge/hypothecation/lien
- Security already under pledge/hypothecation/lien in favour of another creditor.
- Claims in respect of the security are pending.
- Under Stoppage.
- Any other reason.....

Authorised Officer

**Confirmation**

Confirmed that the notice of pledge/hypothecation/lien is recoded in the books of account of Public Debt Office / CSGL Account Holder / Agent.

Authorised Officer

**FORM – XV**

[See regulations 21 (3),(4) and 22 (2)]

**APPLICATION FOR TRANSFER OF GOVERNMENT SECURITIES UNDER PLEDGE/HYPOTHECATION/LIEN**

To, The Regional Reserve Bank Public Debt .....	To, Director The of India Name of Office Address: .....	To, Manager, The CSGL A/c Holder Name of Address: .....	To, The Manager of the agent .....
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Dear Sir,

Pledge/hypothecation/lien\* was created on the securities listed in Schedule 'A' below. I/we now submit herewith the following documents, namely:

- (1) Original scrips1
- (2) Form - XV containing the confirmation of pledge/hypothecation/ lien, and

(3) Transfer deed executed in our favour [at the time of creating pledge]2

I/We request that the Government securities specified in Schedule 'A' be transferred in your books of account in my/our favour.

Yours faithfully,

Signature(s) and name(s) of the Creditor(s) .....  
Mailing address: .....  
Dated this .....day of .....

**Schedule 'A'**

Nomenclature of Distinctive SGL/CSGL/Bond Date of Face value of  
the security and number of the Ledger Account maturity security  
ISIN physical security No

Note: (i) This form has to be submitted in duplicate. Counter receipt will be issued if submitted at the counter. The Public Debt Office will retain the original. Confirmation of having transferred the securities in favour of the Creditor(s) in the books of Public Debt Office will be issued on the duplicate. Creditor(s) shall arrange to collect the same by surrendering the counter receipt duly discharged.

(ii) If this Form is submitted otherwise than at the counter, the duplicate of the Form shall be dispatched by Post / Courier at the mailing address.

For Office use only:

**Return Memo**

Securities could not be transferred in the books of account of PDO in favour of the creditor(s) for the following reason(s).

- Discrepancies in the particulars of securities/account no(s).
- Discrepancy in the name(s) of holders.
- Form is incomplete.
- Enclosures not compiled properly.
- Signature not matching.
- Claims in respect of the security are pending.
- Under Stoppage.
- Any other reason.....

Authorised Officer

**Confirmation**

Confirmed that the pledge/hypothecation/lien recorded in respect of the securities has been cancelled and the securities have been transferred in the books of account of Public Debt Office in favour of the creditor(s)

Authorised Officer

**FORM – XVI**

[See regulations 21 (5) (6) and 22 (2) (4)]

**CANCELLATION OF PLEDGE/HYPOTHECATION/LIEN**

To, The Regional Reserve Bank Public Debt .....	To, Director of India Name of Office Address: .....	To, The Manager, CSGL A/c Holder Name of the agent Address: .....
---	--	---

Dear Sir,

The holder(s) of the Government securities listed in Schedule 'A' had created pledge/hypothecation/lien\*, on the said Government securities in my/our favour. I/we enclose in original, the duplicate of Form - XV containing the confirmation regarding the recording of the said pledge/hypothecation/lien\* in your books of account and request that the said pledge/hypothecation/lien be cancelled and that my/our name(s) be deleted from your books of account as the pledgee(s)/ creditor(s) in respect of the said Government securities.

Yours faithfully,

Signature(s) and name(s) of the  
Pledgee(s)/Creditor(s).....  
Mailing address: .....

Dated this .....day of .....

\*: Strike out whichever is not applicable

**Schedule 'A'**

Nomenclature of the security ISIN	Distinctive number of physical security	SGL/CSGL/Bond Ledger Account Date of maturity	Face value of security
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Note: (i) This form has to be submitted in triplicate. Counter receipt will be issued if submitted at the counter. The Public Debt Office will retain the original. Confirmation of having cancelled the pledge/hypothecation/lien in the books of Public Debt Office will be issued on the duplicate and triplicate. Holder(s)/borrower(s) or pledgee(s)/creditor(s) shall arrange to collect the same within by surrendering the counter receipt duly discharged.

(ii) If this Form is submitted otherwise than at the counter, the duplicate and triplicate of the Form shall be dispatched by Post/Courier at the mailing addresses.

For Office use only:

### Return Memo

Cancellation of pledge/hypothecation/lien could not be recorded in the books of account of PDO for the following reason(s).

- Discrepancies in the particulars of securities/account no(s).
- Discrepancies in the names of holders.
- Form is incomplete.
- Enclosures not compiled properly.
- Signature not matching.
- Any other reason.....

Authorised Officer

### Confirmation

Confirmed that the pledge/hypothecation/lien has been cancelled in the books of account of Public Debt Office.

Authorised Officer

## PRESS COMMUNIQUE

Government of India have amended the notifications relating to 7% Savings Bonds, 2002, 6.5% Savings (Non-Taxable) Bonds, 2003, and 8% Savings (Taxable) Bonds, 2003 Schemes, to allow for pledge/lien/hypothecation of the said Bonds as collateral for obtaining loans from Scheduled Banks. Accordingly, the holders of the said Bonds will be entitled to create pledge or hypothecation or lien in favour of scheduled banks in accordance with section 28 of the Government Securities Act, 2006 and regulations 21 and 22 of the Government Securities Regulations, 2007.

2. All other terms and conditions in respect of the said Bonds continue without change.

GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
DEPARTMENT OF ECONOMIC AFFAIRS

Dated, the 19th August 2008

<sup>1</sup>Strike out in the case of hypothecation, lien on securities held in SGL, CSGL A/c or BLA.

<sup>2</sup>Strike out in the case of hypothecation or lien.

<sup>1</sup> To be struck off in case the securities are held in SGL, CSGL or BLA Account.

<sup>2</sup> To be struck off in the case of hypothecation and lien

\* Strike off whichever is not applicable

Circular No.07

: 41 :

29.01.2009

RBI/2008-09/250, DBOD.Dir.(Exp).BC.No. 68 /04.02.01/2008- 09, dated October 24 , 2008

### **Rupee Export Credit Interest Rates**

Please refer to our circular DBOD.Dir.(Exp.)No.77/04.02.01/2007-08 dated April 28, 2008 on the captioned subject.

2. The validity of the interest rates on rupee export credit indicated in the above circular would now remain in force up to April 30, 2009. In this connection, you may please refer to RBI circular No.MPD.BC. 307 /07.01.279/2008-09 dated October 24, 2008. The rates of interest applicable have been incorporated in the Annexure to the Directive DBOD.Dir.(Exp).BC.No. 67 /04.02.01/2008-09 dated October 24, 2008 enclosed to this circular.

**Sd/-**  
**(P.Vijaya Bhaskar)**  
**Chief General Manager**

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DBOD.Dir.(Exp).BC.No. 67 /04.02.01/2008-09, dated October 24, 2008

### **Interest Rates on Advances**

In exercise of the powers conferred by Sections 21 and 35 A of the Banking Regulation Act, 1949, the Reserve Bank of India, being satisfied that it is necessary and expedient in the public interest so to do, hereby directs that, with effect from November 01, 2008 the interest rates on rupee export credit would be as indicated in the Annex enclosed to this Directive.

**Sd/-**  
**(Anand Sinha)**  
**Executive Director**

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### **ANNEX**

#### **Interest Rates on Rupee Export Credit of**

#### **Scheduled Commercial Banks**

Interest Rates effective from November 1, 2008 to April 30, 2009 will be not exceeding BPLR minus 2.5 percentage points per annum for the following categories of Export Credit.

Categories of Export Credit

1. *Pre-shipment Credit*

(a) Up to 180 days

(b) Against incentives receivable from Government covered by ECGC Guarantee up to 90 days

... 42

**2. Post-shipment Credit**

- (a) On demand bills for transit period (as specified by FEDAI)
- (b) Usance bills (for total period comprising usance period of export bills, transit period as specified by FEDAI, and grace period, wherever applicable)
  - i) Up to 90 days
  - ii) Up to 365 days for exporters under the Gold Card Scheme.
- (c) Against incentives receivable from Govt. (covered by ECGC Guarantee) up to 90 days
- (d) Against undrawn balances (up to 90 days)
- (e) Against retention money (for supplies portion only) payable within one year from the date of shipment (up to 90 days)

BPLR: Benchmark Prime Lending Rate

**Note:**

1. Since these are ceiling rates, banks would be free to charge any rate below the ceiling rates.
2. Interest rates for the above-mentioned categories of export credit beyond the tenors as prescribed above are deregulated and banks are free to decide the rate of interest, keeping in view the BPLR and spread guidelines.

\*\*\*\*\*

RBI/2008-09/ 251, A. P. (DIR Series) Circular No. 27, dated October 27 , 2008

**Trade Credits for Imports into India – Review of all-in-cost ceiling**

Attention of Authorised Dealer Category-I (AD Category-I) banks is invited to the A. P. (DIR Series) Circular No. 42 dated May 28, 2008 relating to the all-in-cost ceiling of Trade Credits for imports into India.

2. As the domestic importers are experiencing difficulties in raising trade credits within the existing all-in-cost ceiling in view of the tight liquidity conditions in the international credit markets, an enhancement of the all-in-cost ceiling for trade credits was announced in the Mid-term Review of Annual Policy Statement for the Year 2008-09 (para-147). Accordingly, the revised all-in-cost ceiling for Trade Credits will be as under:

Maturity Period	All-in cost ceiling over 6-month LIBOR*	
	Existing	Revised
Up to one year	75 basis points	200 basis points
More than one year up to three years	125 basis points	

\* for the respective currency of credit or applicable benchmark

The all-in-cost ceiling will be reviewed from time to time depending on the conditions in the international financial markets.

Circular No.07

: 43 :

29.01.2009

3. The change in the all-in-cost ceiling will come into force immediately. All other aspects of Trade Credit policy remain unchanged.
4. Necessary amendments to the Foreign Exchange Management (Borrowing or Lending in Foreign Exchange) Regulations, 2000 dated May 3, 2000 are being issued separately.
5. AD Category-I banks may bring the contents of this circular to the notice of their constituents and customers concerned.
6. The directions contained in this circular have been issued under sections 10(4) and 11 (1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and is without prejudice to permissions/approvals, if any, required under any other law.

**Sd/-**  
**(Salim Gangadharan)**  
**Chief General Manager**

\*\*\*\*\*

RBI/2008-09/254,Ref: DBOD.No.Ret.BC.71/12.01.001/2008-09, dated November 03, 2008

**Section 42(1) of Reserve Bank of India Act, 1934-Maintenance of CRR**

Please refer to our **Circular DBOD. No. Ret. BC.61 /12.01.001/ 2008-09 dated October 15, 2008** on the captioned subject.

2. On a review of the current and evolving macroeconomic situation and liquidity conditions in the global and domestic financial markets, and as set out in the RBI Press Release 2008-2009/603 dated November 01, 2008, it has been decided to reduce the Cash Reserve Ratio (CRR) for Scheduled Commercial Banks by 100 basis points from 6.50 per cent to 5.50 per cent of their net demand and time liabilities (NDTL) in two stages, effective from fortnights as indicated below:

Effective date (i.e., the CRR on net demand and time fortnight beginning from)	liabilities (per cent)
October 25, 2008	6.00
November 8, 2008	5.50

3. A copy of the relative notification DBOD. No. Ret. BC.70 /12.01.001/2008-2009 dated November 03, 2008 is enclosed.

**Sd/-**  
**(P. K. Mahapatra)**  
**General Manager**

Circular No.07

: 44 :

29.01.2009

RBI/2008-2009/ 255, Ref.DBOD No. Ret.BC.73 /12.02.001/2008-09, dated November 03, 2008

**Section 24 of the Banking Regulation Act, 1949  
Maintenance of Statutory Liquidity Ratio (SLR)**

Please refer to our circular DBOD. No. BC. 62/12.02.001/2007-08 dated February 13, 2008 on the captioned subject.

2. On a review of the current and evolving macroeconomic situation and liquidity conditions in the global and domestic financial markets, and as set out in the RBI Press Release 2008-2009/603 dated November 01, 2008, it has been decided that Statutory Liquidity Ratio for scheduled commercial banks be reduced from 25 per cent to 24 per cent of their net demand and time liabilities (NDTL) with effect from the fortnight beginning November 8, 2008.

3. A copy of the relative notification DBOD. No.Ret. BC.72/12.02.001/2008-09 dated November 03, 2008 is enclosed.

**Sd/-  
(P. K. Mahapatra)  
General Manager**

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Ref.DBOD.No.Ret.BC.72/12.02.001/2008-09, dated November 03, 2008

**NOTIFICATION**

In exercise of the powers conferred by sub-section (2A) of Section 24 of Banking Regulation Act, 1949 (10 of 1949) as amended from time to time and, in partial modification of Notification DBOD No.Ret.BC.61/12.02.001/2007-08 dated February 13, 2008, the Reserve Bank of India hereby specifies that with effect from the fortnight beginning November 8, 2008, every scheduled commercial bank shall maintain in India assets as detailed in the notification DBOD. No. Ret. BC. 61/12.02.001/2007-08 dated February 13, 2008, the value of which shall not at the close of business of any day be less than 24 per cent of the total net demand and time liabilities in India as on the last Friday of the second preceding fortnight.

**Sd/-  
(Anand Sinha)  
Executive Director**

\*\*\*\*\*

RBI/2008-09/266, RPCD.PLFS . No. BC. 60 /05.04.02/2008-09, dated November 3, 2008

**Temporary liquidity support for financing agricultural operations**

Please refer to our circular RPCD.PLFS. No. BC. 45 /05.04.02/2008-09 dated October 15, 2008, on the captioned subject.

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2. Reserve Bank has since decided to extend the facility of temporary liquidity support for financing agricultural operations, as mentioned therein, for a period up to **December 5, 2008**. The rate of interest on the temporary liquidity support, as mentioned therein, has also been revised. Accordingly, the rate of interest on the above facility would be **the prevailing fixed repo rate under LAF**.

3. All other conditions of the above circular remain unchanged.

**Sd/-**  
**(B.P. Vijayendra)**  
**Chief General Manager**

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RBI/2008-09/ 268, A.P. (DIR Series) Circular No.28, dated November 05, 2008

**Exim Bank's Line of Credit of USD 30 million  
to the African Export-Import Bank (Afreximbank)**

Export-Import Bank of India (Exim Bank) has concluded an Agreement dated March 20, 2008 with the African Export-Import Bank (Afreximbank), making available to the latter, a Line of Credit (LOC) of USD 30 million (USD thirty million ) to facilitate purchase of capital and engineering goods, industrial manufactures ,consumer durables and services and other items from India by Buyers in any of the Afreximbank's Member States . The goods and services from India for exports under this Agreement are those which are eligible for export under the Foreign Trade Policy of the Government of India and whose purchase may be agreed to be financed by the Exim Bank under this Agreement.

2. The Credit Agreement under the LOC is effective from September 22, 2008 and date of execution of Agreement is March 20, 2008. Under the LOC, the last date for opening of Letters of Credit and Disbursement will be 36 months ( September 21,2011) from the scheduled completion date(s) of contract(s) in case of project exports and 42 months (March 21, 2012) from the effective date of the Credit Agreement in case of supply contracts .

3.Shipments under the LOC will have to be declared on GR / SDF Forms as per instructions issued by Reserve Bank from time to time.

4. While no agency commission shall be payable in respect of exports financed under the above line of credit, Reserve Bank may consider, on merit, requests for payment of commission up to a maximum extent of 5 per cent of the f.o.b./ c&f /c.i.f. value in respect of goods exported and which require after sales service. In such cases, commission will have to be paid only by deduction from the invoice of relevant shipment and the reimbursable amount by the Exim Bank to the negotiating bank will be 90 per cent of the f.o.b. / c&f/ c.i.f value minus commission paid. Approval for the payment of commission should be obtained before the relevant shipment is effected. In other cases (i.e. exports not involving after sales service), if required the exporter may use his own

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resources or utilize balances of his EEFC account for payment of commission in free foreign exchange. Authorised Dealer Category-I (AD Category-I) banks may allow such remittance after realisation of full payment of contract value subject to compliance of prevailing instructions on payment of agency commission.

5. AD Category-I banks may bring the contents of this circular to the notice of their exporter constituents and advise them to obtain full details of the Line of Credit from Exim Bank's office at Centre One, Floor 21, World Trade Centre Complex, Cuffe Parade, Mumbai 400 005 or log on to [www.eximbankindia.in](http://www.eximbankindia.in)

6. The Directions contained in this circular have been issued under sections 10(4) and 11(1) of the Foreign Exchange Management Act (FEMA), 1999 (42 of 1999) and are without prejudice to permissions / approvals, if any, required under any other law.

**Sd/-**  
**Salim Gangadharan**  
**Chief General Manager-in-Charge**

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RBI/2008-09/274, DBOD.Dir.(Exp).BC.No.77/04.02.01/2008-09, dated November 07, 2008

### **Rupee Export Credit Interest Rates Subvention**

Please refer to our circulars DBOD. Dir.(Exp.)Nos. 22, 34B, 54, 73 and 28/04.02.01/2007-08/2008-09 dated July 13, October 6, November 30, 2007, April 25 and August 1, 2008 respectively to all Scheduled Commercial Banks regarding Rupee Export Credit Interest Rates subvention to the specified categories of exporters, with effect from April 01, 2007 up to September 30, 2008.

2. The banks and exporters' organizations have sought clarifications, inter alia, as to the eligibility of subvention either of 2 per cent or 4 per cent, in the context of variable Benchmark Prime Lending Rates (BPLR) leading to variable interest rates charged to the exporters by individual banks. The issue was examined in consultation with the Government and the clarifications are given in the Annex. The banks may verify the subvention claims submitted by them to RBI and if need be, recast them and confirm that the claims made are in conformity with the guidelines and the clarifications provided hereto. In case there is no change in the claims submitted earlier, banks may confirm the position to RBI.

**Sd/-**  
**(P.Vijaya Bhaskar)**  
**Chief General Manager**

Sl.No.	Issue raised by banks	Clarification
1.	Clarification sought regarding applicability of subvention of 2 per cent where certain banks were already granting export credit at BPLR less 4.5 per cent or more.	It is clarified that the 2 per cent interest subvention and the 4 per cent subvention as specified by the RBI Circulars for exports from certain sectors shall be applied subject to a floor cap of 7 per cent. It must be ensured that the banks pass on the benefit of this 2 per cent or 4 per cent interest subvention completely to the eligible exporters.
2.	Clarification sought regarding effective date for the additional sectors announced by the RBI on October 6, 2007.	With reference to the RBI circular dated October 6, 2007 in this regard, it is clarified that the Rupee Export Credit Interest Subvention shall become applicable to the additional sectors as defined in the RBI circular dated October 6, 2007 from the date of issue of the circular.
3.	It was mentioned in the Circular dated November 30, 2007 that interest rate after subvention will not fall below 7 per cent, which is the rate applicable to agriculture sector. Clarification was sought as to whether the banks are eligible for subvention for the period before issue of circular if the interest rates after subvention falls below 7 per cent and also whether floor rate is applicable to all the sectors mentioned in circulars dated July 13 and October 6, 2007.	In this regard it is clarified that banks are eligible to claim subvention so long as the rate of interest on rupee credit for exports after subvention does not fall below 7 per cent, this floor rate is also applicable for the specified sectors mentioned in the RBI Circulars dated July 13, 2007 and October 6, 2007.

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RBI/2008/275, UBD.PCB.Cir.No. 24/ 13.05.001/ 08-09, dated November 10, 2008

### **Advances against pledge of Gold / Silver Ornaments**

Please refer to UBD.PCB. Cir. No. 34 & 22 /13.05.000/07-08 dated March 2, 2006 and November 26, 2007 respectively. It was observed that some Urban Cooperative Banks were granting advances against the pledge of Gold / Silver without exercising due care in the sanction of such loans. In order to mitigate the inherent risks attached to sanction of loans and advances against Gold / Silver ornaments, Urban Cooperative Banks are advised to observe the safeguards as detailed in the Annex.

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2. Please acknowledge receipt to the regional office concerned.

**Sd/-**  
**(A.K Khound)**  
**Chief General Manager-in-Charge**

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## ANNEX

### Gold Loans : safeguards

#### 1. Ownership of Ornaments

It is advisable that the advances are made to persons properly introduced to the bank. The bank should satisfy itself about the ownership of the gold ornaments etc. before accepting them for pledge. The bank should obtain a declaration from the borrower that the ornaments are his own property and that he has the fullest right to pledge them to the bank. Taking of ornaments for pledge and release thereof to the parties concerned after repayment of the bank's dues should be done strictly in the authorised official's room to avoid any risk.

#### 2. Appraiser

The bank should appoint an approved jeweller or shroff as an appraiser for valuation of the gold ornaments proposed to be pledged to the bank and obtain adequate security from him in the form of cash and indemnity bond. Valuation and appraisal of the ornaments in the bank's premises itself would be ideal but when these are not possible, the bank should take suitable precautions against their loss while in transit. The bank should send the ornaments to the appraiser in a locked box, one key of which should be kept with the appraiser and the other with the bank. The box should be sent through a responsible member of the staff along with the prospective borrower. The placing of ornaments in the box at both the ends should be done in the presence of the employee carrying the ornaments to the appraiser and the borrower. The bank should take a suitable insurance cover for loss of the ornaments while in transit.

#### 3. Valuation Report

The valuation certificate of the appraiser should clearly indicate the description of the ornaments, their finess, the gross weight of the ornaments, net weight of the gold content exclusive of stones, lac, alloy, strings, fastenings and the value of the gold at the prevailing market price. The valuation report should be duly signed by the appraiser which should be kept along with the loan documents by the bank.

#### 4. Record of Security

The full name of the borrower, his residential address, date of advance, amount and description of the ornaments in detail should be recorded in the gold ornaments register which should be checked and initialled by the Manager.

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**5. Custody of Ornaments**

The ornaments belonging to each borrower(or articles of each loan) together with a list indicating the description of ornaments, gold loan account number , name of party, etc. should be kept separately in small cloth bags. A tag indicating loan account number and name of the party should be tied to the bag to facilitate identification. The bags should be arranged in trays according to loan account numbers and kept in the strong room or fire proof safes under joint custody.

**6. Period**

The period of advance against gold ornaments should be generally restricted to 6 months or 1 year.

**7. Margin**

Adequate margin on the market value should be maintained. The bank should collect interest on advances promptly. In no circumstances should it allow to water down the margin by debiting the interest accrued to the loan account.

**8. Return of Ornaments**

On repayment of the loan together with the interest payable in the account, the ornaments should be returned to the borrower and his receipt obtained in token of having received the ornaments.

**9. Part Release**

While allowing part release of the ornaments against part repayment of the loan, care should be taken to ensure that the value of the left-over ornaments is sufficient to cover the outstanding balance with the margin prescribed in the account.

**10. Delivery to third Parties**

When the ornaments are delivered to third parties, a letter of authority from the borrower and subsequent confirmation of the borrower should be obtained. The letter of authority should contain an undertaking by the borrower, absolving the bank of any responsibility in the event of dispute or loss arising from the delivery of the ornaments to the party named therein. The receipt of the third party should be obtained on the letter of authority as well as in the gold loan ledger.

**11. Default**

When the borrower fails to repay the loan on the due date, a notice calling upon him to repay the loan within a specified time should be given and if no response is received, a reminder should be sent by registered post informing the borrower that the ornaments would be auctioned and after adjusting the sale proceeds against the outstanding dues to the bank, the balance, if any, would be paid to the borrower against his receipt.

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**12. Re-pledge of Ornaments**

It is not advisable for UCBs to make advances against repledge of ornaments as this facility is likely to be misused for financing moneylenders, which is not a desirable activity.

**13. Insurance**

The jewels pledged to the bank should be insured for the appraised value against the risk of burglary. If banks store the pledged jewels in fire-proof strong rooms, insuring them against fire may not be necessary. Banks may take blanket insurance policy covering cash, jewels and other valuables and also covering all types of risks.

**14. Verification**

Surprise verification of the packets containing gold/silver ornaments by an officer other than the joint custodian be undertaken and should be recorded in a separate register with necessary details.

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RBI/2008-09/276, A.P. (DIR Series) Circular No.34, dated November 10, 2008

**Foreign Exchange Management (Deposit) Regulations, 2000  
Credit to Non Resident (External) Rupee Accounts - Clarification**

Attention of Authorised Dealer Category - I (AD Category-I) banks and Authorised Banks is invited to A.P.(DIR Series) Circular No.45 dated May 30, 2008 on the captioned subject. In this connection, it is clarified that AD Category-I banks and authorised banks may credit proceeds of account payee cheques also in addition to demand drafts / bankers' cheques, issued against encashment of foreign currency to the NRE account of the NRI account holder where the instruments issued to the NRE account holder are supported by encashment certificate issued by AD Category-I / Category-II.

2. AD Category-I banks and authorised banks may bring the contents of this circular to the notice of their constituents concerned.

3. The directions contained in this circular have been issued under Section 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and are without prejudice to permissions / approvals, if any, required under any other law.

**Sd/-  
Salim Gangadharan  
Chief General Manager-in-Charge**

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RBI/2008-09/277, A.P. (DIR Series) Circular No.35, dated November 10, 2008

**Remittance related to Commodity Derivative Contract  
Issuance of Standby Letter of Credit / Bank Guarantee**

Attention of Authorised Dealer Category - I (AD Category-I) banks is invited to Regulation 8 of Notification No.FEMA.25/2000-RB dated May 3, 2000 viz. Foreign Exchange Management (Foreign exchange derivative contracts) Regulations, 2000, as amended from time to time, regarding remittance of foreign exchange related to commodity derivative contract undertaken in accordance with the regulations.

2. The Reserve Bank has been receiving requests from banks for issuance of bank guarantee / standby letter of credit, in lieu of making a direct remittance towards payment obligations arising out of commodity derivative transactions entered into by customers with overseas counterparties. With a view to providing greater flexibility to resident entities who have such payment obligations related to commodity derivative contracts, it has been decided that AD Category-I banks may issue guarantees / standby letters of credit to cover these specific payment obligations subject to the conditions / guidelines given in the Annex to this Circular.

3. AD Category-I banks may issue guarantees / standby letters of credit only where the remittance is covered under the delegated authority or under the specific approval granted for overseas commodity hedging by the Reserve Bank.

4. The issuing bank shall have a Board approved policy on the nature and extent of exposures that the bank can take for such transactions and should be part of the credit exposure on the customers. The exposure should also be assigned risk weights, for capital adequacy purposes as per the extant provisions.

5. AD Category-I banks may bring the contents of this circular to the notice of their constituents concerned.

6. Necessary amendments to the Notification No.FEMA.8/2000-RB dated May 3, 2000 viz. Foreign Exchange Management (Guarantees) Regulations, 2000, is being issued separately.

7. The directions contained in this circular have been issued under Section 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and are without prejudice to permissions / approvals, if any, required under any other law.

**Sd/-  
Salim Gangadharan  
Chief General Manager-in-Charge**

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**ANNEX****[Annex to A.P.(DIR Series) Circular No.35  
dated November 10, 2008]****Conditions / Guidelines for issuance of standby letter of credit /  
bank guarantee - commodity hedging transactions**

1. The standby letter of credit / bank guarantee may be issued for the specific purpose of payment of margin money in respect of approved commodity hedging activities of the company.
2. The standby letter of credit / bank guarantee may be issued for an amount not exceeding the margin payments made to the specific counterparty during the previous financial year.
3. The standby letter of credit / bank guarantee may be issued for a maximum period of one year, after marking a lien on the non-funded facility available to the customer (letter of credit / bank guarantee limit).
4. The bank shall ensure that the guidelines for overseas commodity hedging have been duly complied with.
5. The bank shall ensure that broker's month-end reports duly confirmed / countersigned by corporate's financial controller have been submitted.
6. Brokers' month end reports shall be regularly verified by the bank to ensure that all off-shore positions are / were backed by physical exposures.

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RBI 2008-09/278, DBOD.No.BP.BC. 78 /21.04.048/2008-09, dated November 11, 2008

**Union Budget 2008-09 – Agricultural Debt Waiver and Debt Relief Scheme, 2008 –  
Prudential Norms on Income Recognition, Asset Classification, Provisioning and  
Capital Adequacy**

Please refer to our circular DBOD.No.BP.BC. 26/21.04.048/2008-09 dated July 30 2008, on the captioned subject.

2. In this regard, we advise that under the captioned scheme, the Government of India has since decided to pay interest on the 2nd, 3rd, and 4th instalments, payable by July 2009, July 2010, and July 2011 respectively, at the prevailing Yield to Maturity Rate on 364-day Government of India Treasury Bills. The interest will be paid on these instalments from the date of the reimbursement of the first instalment (i.e. November 2008) till the date of the actual reimbursement of each instalment.

3. In view of the above, in supersession of the instructions contained in paragraphs 2.2 to 2.7, 3.2 (a), and 3.4 to 3.8 of the aforesaid circular, it has been decided that the banks need not make any provisions for the loss in Present Value (PV) terms for moneys receivable only from the Government of India, for the accounts covered under the Debt Waiver Scheme and the Debt Relief Scheme. All other conditions in the aforesaid circular remain unchanged.

**Sd/-**  
**(Prashant Saran)**  
**Chief General Manager-in- Charge**

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RBI/2008-09/ 280, DBOD.Dir.(Exp).BC.No.80/04.02.01/2008- 09, dated November 15, 2008

**Rupee Export Credit Interest Rates-Extension of period of credit**

Please refer to our circular DBOD.Dir.(Exp.)No.68/04.02.01/2008-09 dated October 24, 2008 on the captioned subject.

2. In view of the difficulties faced by exporters on account of the weakening of external demand , it has been decided that the prescribed interest rate of BPLR minus 2.5 percentage points as applicable on Pre-shipment Rupee Export Credit may be extended up to 270 days (as against existing up to 180 days) with effect from November 15, 2008.

3. The revised period of credit has been incorporated in the Annexure to the Directive DBOD.Dir.(Exp).BC.No.79/04.02.01/2008-09 dated November 15, 2008 enclosed to this circular.

**Sd/-**  
**(Vinay Baijal)**  
**Chief General Manager**

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DBOD.Dir.(Exp).BC.No.79/04.02.01/2008-09, dated November 15, 2008

**Rupee Export Credit Interest Rates-Extension of period of credit**

In exercise of the powers conferred by Sections 21 and 35 A of the Banking Regulation Act, 1949, the Reserve Bank of India, being satisfied that it is necessary and expedient in the public interest so to do, hereby directs that, with effect from November 15, 2008 the interest rates on rupee export credit would be as indicated in the Annex enclosed to this Directive.

**Sd/-**  
**(Anand Sinha)**  
**Executive Director**

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**ANNEX****Interest Rates on Rupee Export Credit of  
Scheduled Commercial Banks**

Interest Rates effective from November 15, 2008 to April 30, 2009 will not be exceeding BPLR minus 2.5 percentage points per annum for the following categories of Export Credit.

## Categories of Export Credit

## 1. Pre-shipment Credit

(a) Up to 270 days

(b) Against incentives receivable from Government covered by ECGC Guarantee up to 90 days

## 2. Post-shipment Credit

(a) On demand bills for transit period (as specified by FEDAI)

(b) Usance bills (for total period comprising usance period of export bills, transit period as specified by FEDAI, and grace period, wherever applicable)

i) Up to 90 days

ii) Up to 365 days for exporters under the Gold Card Scheme.

(c) Against incentives receivable from Govt. (covered by ECGC Guarantee) up to 90 days

(d) Against undrawn balances (up to 90 days)

(e) Against retention money (for supplies portion only) payable within one year from the date of shipment (up to 90 days)

## BPLR Benchmark Prime Lending Rate

## Note:

1. Since these are ceiling rates, banks would be free to charge any rate below the ceiling rates.

2. Interest rates for the above-mentioned categories of export credit beyond the tenors as prescribed above are deregulated and banks are free to decide the rate of interest, keeping in view the BPLR and spread guidelines.

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RBI/2008-09/281, DBOD. No. Dir. BC. 82 /13.03.00/2008-09, dated November 15, 2008

**Interest Rates on Non-Resident (External) Rupee (NRE) Deposits and FCNR(B) deposits****1. Interest Rates on Non-Resident (External) Rupee (NRE) Deposits**

Please refer to paragraph 1 of our circular DBOD.No.Dir.BC.64/13.03.00/2008-09 dated October 15, 2008 on Interest Rates on Deposits held in Non-Resident (External) Rupee (NRE) Accounts. In view of the prevailing market conditions, it has been decided that

until further notice and with effect from close of business in India as on November 15, 2008, the interest rates on Non-Resident (External) Rupee (NRE) Term Deposits will be as under:

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The interest rates on fresh Non-Resident (External) Rupee (NRE) Term Deposits for one to three years maturity should not exceed the LIBOR/SWAP rates plus 175 basis points, as on the last working day of the previous month, for US dollar of corresponding maturities (as against LIBOR / SWAP rates plus 100 basis points effective from the close of business on October 15, 2008). The interest rates as determined above for three year deposits will also be applicable in case the maturity period exceeds three years. The changes in interest rates will also apply to NRE deposits renewed after their present maturity period.

## **2. Interest Rates on FCNR(B) deposits**

Please refer to paragraph 2 of our circular No. DBOD. Dir. BC 64 / 13.03.00 / 2008-09 dated October 15, 2008 on Interest Rates on Deposits held in FCNR(B) Accounts. It has also been decided that until further notice and with effect from the close of business in India as on November 15, 2008, the interest rates on FCNR(B) Deposits will be as under:

In respect of FCNR (B) deposits of all maturities contracted effective from the close of business in India as on November 15, 2008, interest shall be paid within the ceiling rate of LIBOR / SWAP rates plus 100 basis points for the respective currency / corresponding maturities (as against LIBOR / SWAP rates plus 25 basis points effective from close of business on October 15, 2008). On floating rate deposits, interest shall be paid within the ceiling of SWAP rates for the respective currency / maturity plus 100 basis points. For floating rate deposits, the interest reset period shall be six months.

3. All other instructions, as contained in our Master Circulars DBOD. Dir. BC.16/13.03.00/2008-09 dated July 1, 2008, as amended from time to time, shall remain unchanged. An amending directive DBOD.No.Dir.BC. 81 / 13.03.00/2008-09 dated November 15, 2008 is enclosed.

**Sd/-**  
**(Vinay Baijal)**  
**Chief General Manager**

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DBOD. No. Dir. BC. 81 /13.03.00/2008-09, dated November 15, 2008

## **Interest Rates on Non-Resident (External) Rupee (NRE) Deposits and FCNR(B) deposits**

In exercise of the powers conferred by Section 35A of the Banking Regulation Act, 1949, and in modification of the directive DBOD.No.Dir.BC.63/ 13.03.00/ 2008-09 dated October 15, 2008 on Interest Rates on Deposits held in Non-Resident (External) (NRE) Accounts and FCNR(B) Accounts, the Reserve Bank of India being satisfied that it is necessary and expedient in the public interest so to do, hereby directs that Interest Rates on Non-Resident (External) Rupee (NRE) Deposits and FCNR(B) deposits shall be as under:

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**Interest Rates on Deposits held in Non-Resident (External) Rupee (NRE) Deposits**

"With effect from the close of business as on November 15, 2008, the interest rates on fresh Non-Resident (External) Rupee (NRE) Term Deposits for one to three years maturity should not exceed the LIBOR / SWAP rates plus 175 basis points, as on the last working day of the previous month, for US dollar of corresponding maturities (as against LIBOR / SWAP rates plus 100 basis points effective from the close of business on October 15, 2008). The interest rates as determined above for three year deposits will also be applicable in case the maturity period exceeds three years. The changes in interest rates will also apply to NRE deposits renewed after their present maturity period".

**Interest Rates on FCNR(B) Deposits**

' In respect of FCNR (B) deposits of all maturities contracted effective from the close of business in India as on November 15, 2008, interest shall be paid within the ceiling rate of LIBOR / SWAP rates plus 100 basis points for the respective currency / corresponding maturities (as against LIBOR / SWAP rates plus 25 basis points effective from the close of business on October 15, 2008). On floating rate deposits, interest shall be paid within the ceiling of SWAP rates for the respective currency / maturities plus 100 basis points. For floating rate deposits, the interest reset period shall be six months.'

**Sd/-**  
**(Anand Sinha)**  
**Executive Director**

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RBI/2008-09/284, Ref. MPD. No. 310 /07.01.279/2008-09, dated November 15, 2008

**Export Credit Refinance Facility: Relaxation**

Please refer to paragraph No. 4(vii) of the Reserve Bank's Press Release dated November 15, 2008 on the above-mentioned subject. As indicated therein, the eligible limit of export credit refinance (ECR) facility has been enhanced from the existing level of 15 per cent of the outstanding rupee export credit eligible for refinance as at the end of the second preceding fortnight to 50 per cent. The rate of interest charged on the ECR facility will continue to be the prevailing repo rate under the liquidity adjustment facility (LAF) of the Reserve Bank which is currently 7.5 per cent.

3. Part A of the reporting format appearing in Annex III of the Master Circular Ref.No.MPD.302/07.01.279/2008-09 dated July 1, 2008 is accordingly modified and enclosed.

**Sd/-**

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**Annex III**

**Reporting Formats**

**Form DAD 389**

Name of the Bank \_\_\_\_\_

Statement showing the Export Credit Refinance Limit for the Fortnight ended \_\_\_\_\_

PART – A

(Rs. in lakh)

1. Outstanding Export Credit as on the last Friday of the second preceding reporting fortnight \* \_\_\_\_\_
2. Export Credit Refinance Limit (50 percent of item no. 1) \_\_\_\_\_

\* Outstanding Export Credit for the purpose of working out refinance limits will be aggregate outstanding export credit minus export bills rediscounted with other banks/Exim Bank/Financial Institutions, export credit against which refinance has been obtained from NABARD/Exim Bank, pre-shipment credit in foreign currency (PCFC), export bills discounted/rediscounted under the scheme of 'Rediscounting of Export Bills Abroad', overdue rupee export credit and other export credit not eligible for refinance.

\* \* \* \* \*