GIST OF HO CIRCULARS ISSUED DURING MAY - 2016

262/2016 Inventory items with Book Value of Rs.50000/- and above.

263/2016 Seeding of Aadhaar Numbers in the accounts of Pensioners – Directions from the Ministry of Finance, Government of India, New Delhi.

- Period from 1st to 31st May 2016 to be observed as “Aadhaar Seeding Month” in Pensioners accounts as per the directions of the Ministry of Finance;
- Branches can avail the services of Business Correspondents / Business Correspondent Agents enrolled by the Bank for collecting the Aadhaar Numbers from Pensioners for seeding in their accounts by making payment of Rs.10/- per account
- Branches to display the details of addresses of nearest Aadhaar Enrolment UIDAI Centres for the benefit of Pensioners.

264/2016 ePass Sheet to the Customers through Missed Call / SMS

265/2016 Atal Pension Yojana (APY) – Observing “One Staff, One APY Account (OSOA) on 19th and 20th May, 2016.

- Atal Pension Yojana enrollment will continue in FY 2016-17 also.
- Observing “One Staff, One APY Account” again on 19th and 20th of May 2016
- Each branch should source a minimum number of applications equal to their staff strength

266/2016 NName of National Rural Livelihoods Mission (NRLM) changed to “Deendayal Antyodaya Yojana (DAY) – National Rural Livelihoods Mission”

267/2016 Sanction of Gold Loans – Deficiencies observed and the corrective action required

268/2016 AUTOMATED EMAIL/SMS ALERTS REQUESTING VEHICLE LOAN BORROWERS TO SUBMIT RC COPY, INVOICE,INSURANCE AND TAX PAID RECEIPT - Facility provided to remind/alert vehicle loan borrowers through Email/SMS to submit RC Copy, invoice, insurance and tax paid receipt for their vehicle loans.

269/2016 USE OF SFMS FOR SENDING AND RECEIVING INLAND BANK GUARANTEES (BGs) REITERATION OF GUIDELINES.

- Use of SFMS is mandatory for advising Inland Bank Guarantee (BG) by issuing Bank to the beneficiary through an advising bank.
- Off-site Transaction Monitoring Cell at Circles to ensure transmission of BG Messages through SFMS by branches.
- Sanctioning Authorities to stipulate ‘transmission of BGs through SFMS‘ as a sanction condition and ascertain compliance while conducting credit monitoring exercise.
- Branches to maintain a register for recording receipt/advise of incoming messages to the beneficiaries.

270/2016 BANK GUARANTEES ISSUED IN FAVOUR OF GOVERNMENT AND OTHER BODIES – REITERATION OF GUIDELINESGuarantees issued in favour of President of India : Correspondence with regard to issuance of guarantee should be addressed to the concerned officer who accepted the guarantee and not to the President of India or President’s Secretariat

271/2016 MODIFICATIONS IN DELEGATION OF POWERS FOR SANCTION OF LOANS UNDER RETAIL LENDING SCHEMES

- Delegation of credit related powers for sanction of Retail Lending Scheme Loans to various authorities and CACs including at Regional Offices (which are formed/proposed to be formed as part of organizational restructuring of the Bank).
- Modification in delegation of powers under Retail Loans Schemes to various authorities at Branches and Offices.

272/2016 Memorandum of Understanding with M/s Volvo Eicher Commercial Vehicle Limited (VECV) to finance Eicher Make Vehicles is renewed for two years from 05.05.2016 to 04.05.2018

273/2016 CREDIT INFORMATION COMPANIES (CICs) - MODIFICATION IN DELEGATION OF POWERS FOR SANCTIONING OF LOANS UNDERCONSUMER SEGMENT. - Delegation of Powers for sanctioning loans by Regional Offices (ROs) under consumer segment based on risk grades assigned on the basis of CIBIL scores adopted.

274/2016 CREDIT INFORMATION COMPANIES (CICs) - MODIFICATION IN DELEGATION OF POWERS FOR SANCTIONING OF LOANS UNDERCONSUMER SEGMENT.Delegation of Powers for sanctioning loans by Regional Offices (ROs) under consumer segment based on risk grades assigned on the basis of CIBIL scores adopted.

275/2016 REVIEW OF PRUDENTIAL GUIDELINES - REVITALISING STRESSED ASSETS IN THE ECONOMY

- MODIFICATION UNDER STRATEGIC DEBT RESTRUCTURING (SDR) SCHEME
- MODIFICATION IN FRAMEWORK TO REVITALISE THE DISTRESSED ASSETS IN THE ECONOMY & JLF-EMPOWERED GROUP (JLF-EG)
- INCENTIVE FOR PROMPT DECISIONS UNDER THE FRAMEWORK ? APPLICABILITY OF FLEXIBLE STRUCTURING OF PROJECT LOANS TO ECB's

277/2016 Atal Pension Yojana Scheme – Observing "APY FORMATION DAY" in the Circles coming under Karnataka State.

- Observing "APY FORMATION DAY" on 10th of May, 2016 in all the Circles coming under Karnataka State due to holiday on 9th of May, 2016
- Each Branch should mobilize minimum 10 new APY accounts from the existing JAN DHAN SB a/c holders.

278/2016 BILLS UNDER LCs (BULC) SCHEME MODIFICATION OF GUIDELINES

- EMPOWERING REGIONAL HEAD CAC (ACCOUNTS UPTO THEIR DELEGATED POWERS) TO PERMIT CONCESSION IN ROI
- CONCESSION IN ROI UPTO 145 bps, SUBJECT TO MINIMUM OF APPICABLE MCLR
- CONCESSION TO BE MADE AVAILABLE ONLY TO NEW BILLS DISCOUNTED TILL 30.09.2016

279/2016 Transfer of the Ownership of Furniture provided to the quarters of the Officer's on Retirement/ Exit from the service of the Bank on or before 30.06.2018 – Calculation of the book value of the items.

280/2016 AMENDED TECHNOLOGY UPGRADATION FUND SCHEME (A-TUFS) FOR TEXTILE INDUSTRY – LIST OF ELIGIBLE MACHINERY AND CLARIFICATION

281/2016 Assessment of level of customer service at branches/offices – Incognito visit by RBI / BCSBI officials

- Deficiencies are being observed by RBI/BCSBI officials during their incognito visits to branches while assessing the level of customer service at branches & offices
- Branches / offices to take appropriate steps to render better customer service
- Soft copy of the booklet named "Documents/Policies to be preserved with the Branch Manager for the benefit of customer" has been sent.
- This folder has to be preserved on the desk top of the computers of Officers and above cadre up to Branch Head

282/2016 Furnishing of Annual Information Return or Statement of Financial Transactions (AIR or SFT) for the Financial Year 2015-16 by Branches/Offices under Section 285BA of I T Act, 1961.

283/2016 Aadhaar seeding to Bank accounts – obtention of consent.

284/2016 Scheme of Currency Distribution & Exchange Scheme (CDES) for Bank branches including Currency Chests based on the performance in rendering customer service to members of public - Revised scheme of Incentives & Penalties.

285/2016 Online package for sourcing of Health Insurance Policies of Apollo Munich Health Insurance Co. Ltd. (AMHI) - Modified procedure for submission of application forms

- In supersession of the instructions issued vide HO Cir 568/2015, the procedure for storing & submission of health insurance application forms to AMHI has been revised.
- The system of sending Health insurance application forms directly to AMHI by the branches has been dispensed with.
- As per the revised procedure, the branches shall submit the AMHI application forms generated from the online package to Circle Offices after obtaining signature from the customers on monthly basis.
- Circles shall collect application forms from all the concerned branches and handover the same to courier agent DTDC appointed by AMHI.

286/2016 Microfinance Policy 2016-17

287/2016 Pradhan Mantri Jan Dhan Yojana (PMJDY) – Opening of accounts - conversion of small accounts to Basic Savings Bank Deposit Accounts (BSBDA).

288/2016 Opening of Current Accounts- Need for Discipline.

- Branches should ensure due diligence to seek NOC from the bank with whom the customer is enjoying/supposed to be enjoying credit facilities as per his declaration.
- Branches should ensure verification of the data available in CRILC database before opening a current account, to ensure that the customer is not availing credit facilities from other banks.

289/2016 Monthly Certificate on Management of Conflicts of Interest - BRANCHES / REGIONAL OFFICES / CIRCLE OFFICES / WINGS OF HEAD OFFICE TO SUBMIT SEPARATE CERTIFICATE ON MANAGEMENT OF CONFLICTS OF INTEREST ON MONTHLY BASIS IN THE MODIFIED FORMATS

290/2016 Stand-Up India Scheme – Branch wise User ID and Password to access web portal www.standupmitra.in

- Exclusive web portal www.standupmitra.in was launched by Hon'ble Prime Minister on 05.04.2016 at Noida.
- Administrative Login Id and password are created for all the branches by stand-Up India Core Team.

291/2016 Foreign Contribution (Regulation) Act 2010- Incurring expenditure of Rs. 20,000/- and above by Associationsthrough account payee cheque /drafts

292/2016 Introduction of a scheme to issue "Irrevocable Non-Transferable Standby LC in lieu of guarantees for inland transactions for MSME clients in favour of Reliance Industries Limited/ Grasim Industries Limited" - The purpose of issuing SBLC shall be as under

- Against advance payment/materials received for supply of materials as per specifications agreed between the parties.
- Against Performance of contracts/rendering services/utilities.
- To get back the amount held for Warranty of Products supplied.
- The beneficiaries of SBLC are restricted to two Corporates Viz M/s Reliance Industries Limited and M/s Grasim Industries Limited , subject to their ECAI rating not below "A"
- Individual authorities at branches do not have power to sanction.
- Sanctioning Authority shall be CGM/GM-CO-CAC and above authorities, upto the normal delegated powers as applicable to Bank Guarantees
- Margin – 25%
- Depending upon the nature of request/purpose, maximum tenure of LC shall be two years.

293/2016 AGRARIAN DISTRESS IN VARIOUS PARTS OF THE COUNTRY

294/2016 RELEASE OF HANDBOOK ON BUSINESS CONTINUITY PLANNING

295/2016 "Sukanya Samriddhi Account Rules, 2016" – Implementation of modified guidelines pertaining to Sukanya Samriddhi Account with immediate effect. - "Sukanya Samriddhi Account" is a scheme introduced by the Government of India, for the benefit of the girl child who has not attained the age of 10 years. - All the authorized branches handling PPF-1968 Scheme are also authorized to open "Sukanya Samriddhi Account".

296/2016 VISITING CARD FACILITY TO ALL SCALE- 1 OFFICERS

297/2016 1. DELEGATION OF POWERS MODIFICATIONS - 2. MODIFICATION IN OTHER GUIDELINES

- Delegation of powers for permitting reduction in ROI for PCFC / BRD facilities
- Delegation of powers to PCB Heads to permit Temporary Overlimit in respect of Low & Normal risk rated accounts, subject to compliance of extant guidelines
- Modification in guidelines on (a) Conduct of Stock Inspection by Branch heads in case of High Risk/ NPA/SMA 2 Accounts (b) Submission of copy of appraisal note and sanction memorandum for branch sanctions in respect of KCCS/Loans to SHG (c) Collection of additional interest/service charge on Unhedged foreign currency exposure (d) Delegation of powers for waiver of additional interest / service charge

299/2016	Kisan RuPay Debit Cards Linking in CBS- Reiteration of Operative Guidelines
300/2016	Pro-forma on Monthly Compliance Certificate, Statutory Returns and Conflicts of Interest are placed in CANNETTO SPEED UP THE PROCESS OF SUBMISSION OF CERTIFICATES BY BRANCHES / REGIONAL OFFICES / CIRCLE OFFICES / WINGS THE PRO-FORMA (ANNEXURES) ON MONTHLY CERTIFICATES ARE PLACED IN CANNET
301/2016	INTRODUCTION OF NEW CUSTOMER TYPES FOR GOVERNMENT ACCOUNTS. • Introduction of 5 New Customer Types in CBS for identifying Government Deposits. • Branches to select the correct codes while creation of new customers in CBS.
302/2016	Payment of fall back wages, incentive remuneration and conveyance allowance to NNND Agents.
303/2016	BLACK LISTED NGO
304/2016	Annual guarantee fee payable to CGTMSE for the loans sanctioned and disbursed under MSE Vijeta model I scheme till 31.3.2016 shall be debited to GL code 420085505.
305/2016	Master policy on Credit Risk Management for 2016-17 for Domestic branches advised
306/2016	RuPay Insurance Program 2016-17 – Additional Declaration Form - Bank Branches to provide declaration as per the format, if any claim is lodged under the definition of “Customer induced transaction at Bank Branch”
307/2016	Pradhan Mantri Suraksha Bima Yojana (PMSBY) & Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) – Modifications in Scheme guidelines w.e.f 01.06.2016 • PMJJBY – All enrolments done on or after 01.06.2016 will have a 45 days lien clause whereby claims for death which occur during the first 45 days from the date of enrolment will not be paid. • PMSBY – All enrolments done on or after 01.06.2016 would get coverage from the date of debit of premium.
308/2016	Service Tax- Levy of Krishi Kalyan Cess (KKC) – 0.50% • Service Tax rate increased to 15.00% w.e.f. 01.06.2016 (Due to levy of Krishi Kalyan Cess of 0.5% w.e.f. 01.06.2016) • Levy of Krishi Kalyan Cess on Forex Transactions w.e.f. 01.06.2016 • 3. Procedural Guidelines For Payment of Krishi Kalyan Cess on Normal Charge and Reverse Charge Transactions.
309/2016	Incentive Scheme for Capacity Building for Officers and Clerical Employees - Corrigendum
310/2016	CERSAI - FILING/SATISFACTION OF SECURITY TRANSACTIONS SECURED BY MOVABLES & INTANGIBLES SECURITISATION AND RECONSTRUCTION OF FINANCIAL ASSETS AND ENFORCEMENT OF SECURITY INTERESTS (CENTRAL REGISTRY) RULES, 2011 HAVE BEEN AMENDED TO INCLUDE FILING/SATISFACTION OF SECURITY TRANSACTIONS SECURED BY MOVABLES & INTANGIBLES
311/2016	NACH-ECS-DEBIT FUNCTIONALITY -BO Report 124935 – on ECS Debit Rejections, and 124938 on Mandate/s Lodged for a Branch. • Business Objects Reports 124935 & 124938 INTRODUCED for ECS Debit Rejections and for Details on Mandates Lodged for a Branch. Branches to sanitise the details in CBS with the help of the mandates wherever applicable. • A system of preservation of records of mandates introduced for compliance.
312/2016	RISK BASED SUPERVISION (RBS) FRAMEWORK – FOCUS ON MIS ENRICHMENT • Our Bank has been brought under Risk Based Supervision framework by RBI and has undergone second cycle of inspection as at March 2015. • Qualitative and quantitative assessment of the Bank’s risk is made on an on-going basis through a combination of offsite and onsite Risk Discovery Process (RDY). • Focus on data cleansing for existing accounts and entry of all applicable MIS codes at the time of opening of accounts is of paramount importance for extraction of accurate data from CBS
313/2016	Quoting of interest rates on bulk term deposits to customers. • Bid letter/ offer letter/ quote for bulk deposits of Rs. 10 crore & above submitted by the branch to the party should be signed by Branch-in-charge and counter signed by the Overseeing Executive of MIPD Section of the Circle.

- The amount slab, period and rate of interest permitted by the Head Office should be correctly quoted by the branch and there should not be any variation in this regard

314/2016 STAND UP INDIA SCHEME

- Scheme for financing green field projects in manufacturing, services and trading sector.
- The loan quantum shall be above Rs.10 lakhs upto Rs.100 Lakhs.
- SC/ST/Women entrepreneurs are eligible to avail finance under this scheme.
- In case of Non-Individual Enterprises, 51% of the shareholding and controlling stake should be held by either SC/ST and/or Women Entrepreneur.
- Age Limit – Above 18 years.
- Borrower should not be in default to any Bank/Financial institution.
- Credit facility shall be composite loan (Inclusive of Term Loan and Working Capital)
- Margin – 25% of the project cost
- Exclusive Web Portal maintained by SIDBI - www.standupmitra.in
- Separate Scheme Code "75430 - Stand-Up India Scheme" is created in BAM 83

315/2016 FAQs on "PRADHAN MANTRI AWAS YOJANA" Scheme covering all the major aspects of the scheme.

316/2016 ACCOUNTING OF KRISHI KALYAN CESS (KKC) w.e.f 01.06.2016.1. Payment of Krishi Kalyan Cess (KKC) under Normal Charge/Full Reverse charge/Partial Reverse Charge2. Krishi Kalyan Cess (KKC) paid to Service Provider and also KKC paid under Reverse Charge, be debited to Code 420085475 GC ST – SBC PAID w.e.f. 01.06.20163. KKC collected on forex transactions to be credited to GL Code 209271153 – SL – ST – Forex TXNS – Krishi Kalyan Cess.4. As per Rule 5 of Point of Taxation Rules,2011, KKC @ 0.50% has to be paid for all Service Tax payments made on or after 01.06.20165. Other Important Points to be noted by all Branches/Offices

FX/41/2016 FOREIGN EXCHANGE MANAGEMENT (REMITTANCE OF ASSETS) REGULATIONS, 2016RBI HAS REVISED THE REGULATIONS ISSUED UNDER THE FOREIGN EXCHANGE MANAGEMENT (REMITTANCE OF ASSETS) REGULATIONS, 2000 AND THE SAID REGULATIONS HAVE BEEN REPEALED AND SUPERSEDED BY THE FOREIGN EXCHANGE MANAGEMENT (REMITTANCE OF ASSETS) REGULATIONS, 2016.

FX/43/2016 REVISION IN RATES OF INTEREST ON FCNR [B] & RFC DEPOSITS - REVISION IN INTEREST RATES ON FCNR (B) DEPOSITS/ RFC DEPOSITS W.E.F. 01.05.2016

FX/45/2016 APPLICATION FOR FORM A-2 / LIBERALISED REMITTANCE SCHEME – MODIFICATIONS OBTENTION OF ADDITIONAL DETAILS UNDER LIBERALISED REMITTANCE SCHEME

FX/48/2016 EXPORT OF GOODS AND SERVICES: EXPORT DATA PROCESSING AND MONITORING SYSTEM (EDPMS) BRANCHES/OFFICES SHALL ENSURE THAT RELATED SHIPPING BILL DATA IS AVAILABLE IN THE EDPMS FILE WHILE ENTERING EXPORT BILLS IN CBS

FX/51/2016 OPENING OF OUR WHOLLY OWNED BANKING SUBSIDIARY NAMED CANARA BANK (TANZANIA) LIMITED AT DAR ES SALAAM, TANZANIA.

FX/52/2016 REVISION IN RATES OF INTEREST ON FCNR [B] & RFC DEPOSITS REVISION IN INTEREST RATES ON FCNR (B) DEPOSITS/ RFC DEPOSITS W.E.F. 01.06.2016

TRANSFER OF A NEGOTIABLE INSTRUMENT AND ENDORSEMENT

BILL OF EXCHANGE

1. Demand Bill: A bill of exchange payable on demand or at sight or on presentment is called Demand Bill.
2. Usance Bill: A bill of exchange payable after some time is called Usance Bill.
3. Documentary bill is one which is accompanied by document of title to goods like railway receipt, bill of lading, etc.
4. Clean bill: is one which is not accompanied by any document of title to goods.
5. Inland bill: is one which is drawn or made in India and is either payable in India or on a person resident in India.
6. Foreign bill: is one which is not an inland Bill i.e. it is drawn outside India or if drawn in India is payable outside India on a person resident outside India. Foreign Bills are issued in more than one part.

7. Accomodation Bill: means a bill issued without consideration and dealing in such bills is called kite flying
8. Interest Rate: if in a bill of exchange or promissory note, interest rate is not mentioned, it will be 18% p.a.

CALCULATION OF DUE DATE

1. Usance bills should be presented for acceptance within a reasonable time.
2. he reasonable time is given under section 105 of NI Act. As per section 105, reasonable time means as per usage and practice of the area.
3. The drawee is allowed 48 hours excluding public holiday to accept the bill,
4. If a Usance bill is payable after date, its due date is calculated from date of the bill and if it is payable after sight, its due date is calculated from the date of acceptance.
5. As per section 22 of the N I Act, three days of grace are allowed in the case of Usance bills and Usance promissory notes. But if the due date is fixed on a particular day or days of grace are specifically prohibited, the same need not be given.
6. As per Section 25 of the Act, if a bill or promissory note matures for payment on public holiday under NI Act, 1881 (Sunday or any day declared to-be public holiday by the Central Government) it falls due on immediate next preceding business day. It may be noted that 26th Jan, 15th August and 2'd October are national holidays and if the bill falls due on any of these dates, then preceding business day will be the due date.
7. If the period of usance is given in days, then the day from which due date is to be calculated is excluded. Due consideration should be given to leap year in which February has 29 days.
8. If the period of usance is given in months and there is no corresponding day in the month in which bill matures, last day of the month is taken into account. For example, a bill dated 3111 Dec payable two months after date will fall due on 31st Feb without grace period. But since February has only 28 days, 28th February will be considered and after 3 days of grace, 3'd March will be due date.

DISHONOUR OF A BILL

1. If the drawee does not accept the bill within stipulated period it is treated as dishonoured by non acceptance. In such case, drawee will not be liable on the bill. In certain cases, such bill is required to be presented to a person named in the bill called as Drawee in case of need.
2. If a bill after being accepted is not paid on due date, it is said to have been dishonoured due to non payment.
3. **Noting and Protesting:** Under section 99 of the Act, when a promissory note or bill of exchange has been dishonoured by non-acceptance or non-payment, the holder may get the dishonour noted by a notary public upon the instrument within a reasonable time after dishonour.
4. if the dishonour is got certified from the Notary public, such certificate is called a pretest.(Sec 100).
5. While noting and protest is optional in case of Inland bills, foreign bills of exchange must be protested for dishonour when such protest is required by the law of the place where they are drawn (Section 104).
6. Noting and Protesting is done only in the case of dishonour of demand or usance bills or promissory notes and not in the case of dishnour of a cheque.
7. A person accepting the bill to save the honour of a party to the bill is called "Acceptor for Honour".
8. **Liabilities of the parties:** If a bill is dishonoured by non acceptance, then holder can recover the amount from all prior parties except drawee. In this case, the drawer will be the principal debtor.
9. if a bill is dishonoured due to non payment (it means it was accepted), then the holder can recover the amount from all prior parties including the acceptor of the bill (previously called the drawee), In this case, acceptor (drawee) will be the principal debtor.
10. Stamping of a Bill: A demand bill need not be stamped but a usance bill is stamped as per provisions of the Indian Stamp Act.
11. The value of stamps on a usance bill or promissory note depends on tenor and amount of the bill.
12. However, if the usance period of a bill is up to 3 months, no stamp duty is levied if the bill is for genuine trade transaction and bank is a party to the bill.

BANKING REGULATION ACT, 1949 & RBI ACT, 1934
BANKING REGULATION ACT, 1949

1. The law relating to banking came into force on 16.03.1949 under the name of the Banking Companies Act, 1949. W.e.f. 01.03.1966 its name was changed to Banking Regulation Act, 1949. Originally the Act was not applicable to the State of J&K. In 1956 it was made applicable to J&K also.
2. The Banking Regulation Act, 1949 does not apply to primary agricultural credit societies, cooperative land mortgage banks and non-agricultural primary credit societies with paid up capital and reserves of less than Rs.1 lakh.
3. Section 5: 'Banking' means the 'accepting, for the purpose of lending or investment of deposits of money from the public, repayable on demand or otherwise, and withdrpw-able by cheque, draft order or otherwise.'Demand Liabilities' means liabilities which must be met on demand and 'time liabilities' means liabilities which are not demand liabilities.
4. **Section 6:** lays down the forms of business in addition to the business of banking in which a bank may engage.
5. **Section 7:** prohibits use of words 'bank' banker' or banking company by a company other than a banking company.
6. **Section 8:** prohibits trading activities for a bank except in connection with realisation of security given to or held by it.
7. **Section 9:** a banking company cannot hold any immovable property, howsoever acquired except such as is required for its own use, for a period exceeding 7 years from the acquisition thereof. The aforesaid period of 7 years can be extended by RBI by a period not exceeding 5 years where it is satisfied that such extension would be in the interest of depositors of the banking company.
8. **Section 13:** payment of commission, brokerage, discount or remuneration in respect of any shares by a banking company shall not be more than 2.5% of the paid up value of said shares.(being changed as per Banking Companies Amendment Law Bill.
9. **Section 17:** a banking company is required to transfer to Reserve Fund 20% of the profits before declaring dividend. As per current guidelines of RBI a scheduled bank is required to transfer 25% of the profit before providing for bonus and declaring dividend.
10. **Section 19(2):** no banking company can hold shares in another company whether as pledgee, mortgagee or absolute owner of an amount exceeding 30% of the paid up. share capital of that company or 30% of its own paid up share capital and reserves, whichever is less.
11. **Section 20(a):** banks cannot grant loan against security of their own shares.
12. **Section 21:**RBI can issue directive to banks for loan policy (purpose, margin, extent, interest rate or other conditions).
13. **Section 21A:** Rate of Interest charged by banks are not subject to scrutiny of courts.
14. **Section 22:** Licence for Bank - obtaining of licence from RBI is essential.
15. **Section 23:** Branch licencing : RBI authority on branch licensing.
16. **Section 24:** banks are required to maintain Statutory Liquidity Ratio as prescribed by RBI. Maximum SLR will be 40% of NDTL. As per amendment to Banking Regulation Act, the condition of minimum SLR of 25% of NDTL has been removed. Thus, RBI has liberty to fix minimum SLR.
17. **Section 26:** banking companies are required to submit a return of all deposit accounts which have not been operated for the last 10 years. The return is submitted as on 31st December and within one month
18. **Section 35**: Inspection of banks - RBI authorised to inspect banks and give directions, as deemed appropriate. RBI has directed banks to round-off transactions to nearest rupee u/s 21 and Section 35.
19. **Section 35A:** RBI can issue directions to banks in public interest / banking policy.
20. **Section 45 Y** relates to power granted to Central Govt. to make rules for preservation of records.
21. **Section 45Z** relates to return of paid instruments to customers after keeping a true copy of all relevant parts of such instruments.
22. **Section 45ZA to 45 ZF** relate to **nomination** in deposits, safe custody and locker accounts.
23. **Section 49A**: Other than a banking company/RBUSBI, no person can accept deposits of money withdrawable by cheque

RESERVE BANK OF INDIA ACT, 1934

1. Reserve Bank of India Act, 1934 came into force on 01.04.1935.
2. RBI was established on the recommendations of the Hilton Young Commission.
3. Section 2(e): Scheduled Bank means a bank whose name is included in the 2nd schedule of RBI Act 1934
4. Section 4 : The capital of RBI shall be 5 crores of rupees.
5. Section 21: RBI has the right to transact Govt. business in India i.e. remittance, exchange keeping deposit free of interest etc.
6. Section 22: confers sole right on RBI to issue bank notes.
7. Section 24: RBI can issue bank notes of denomination of 2, 5, 10, 20, 50, 100, 500, 1000, 5000,10000. Central Govt. may direct discontinuance or non-issue of bank note of any denomination.
8. Section 26: Bank notes issued by RBI shall be legal tender and shall be guaranteed by Central Govt.
9. **Section 27** lays down that RBI shall not reissue bank notes which are torn, defaced or excessively spoiled.
10. **Section 28:** RB1'can frame rules for refunding value of mutilated, soiled or imperfect notes as a matter of grace.
11. **Section 29:** exempts RBI from stamp duty on Bank notes.
12. Section 31: prohibits drawing, accepting, making or issue of any bill of exchange, hundi, promissory notes payable to bearer on demand except by Central Govt or RBI. Promissory Note can not be issued payable to _bearer even if it is payable after some time.
13. **Section 33:** lays down that assets of the issue department of RBI shall consist of gold coin, gold bullion, foreign securities, rupee coins and rupee securities. The aggregate value of gold coin,gold bullion and foreign securities held shall not at anytime be less than Rs.200 crore of which gold coin and gold bullion not less than Rs.115 crore
14. **Section-42(1)** deals with cash reserves ratio to be maintained by scheduled commercial banks.
15. **Section: 45-A to F** - Empowers RBI to collect credit information. (Section 45-C — Return : last Friday of Apr & Oct giving information on borrowers enjoying secured credit limits of Rs.10 lac and above and-unsecured limits of Rs.5 lac and above). RBI also collects details (1/2yearly March/ Sept) of all doubtful, loss and suit filed accounts with aggregate outstanding of Rs.100 lac and above and circulates the information amongst banks and financial institutions.
16. **Section 49** requires RBI to publish bank rate from time to time.

CASH RESERVE RATIO

1. Scheduled Commercial Banks are required to maintain CRR as per section 42(1) of RBI Act.
2. Banks are required to maintain certain percentage of Net Demand & Time Liabilities as cash with RBI.
3. With effect from 1st April 2007, the RBI* can prescribe the Cash Reserve Ratio (CRR) for Scheduled Commercial Banks without any floor rate or ceiling rate. Accordingly, there is no minimum or maximum CRR as per RBI Act and RBI will fix CRR.
4. Banks are required to maintain the prescribed CRR based on their NDTL as on the last Friday of the second preceding fortnight.
5. The actual balance on any day of the fortnight (14 days) may be more or less than the required balance. However, cash balance with RBI on any day of the fortnight should not fall below 95 per cent of the required average daily cash balance.
6. RBI will not pay any interest on the CRR balances with effect from 31 s' March 2007.
7. In cases of default in maintenance of CRR requirement on a daily basis, which is presently 95% of the total Cash Reserve Ratio requirement, penal interest will be recovered for that day at the rate of three per cent per annum above the bank rate on the amount by which the amount actually maintained falls short of the prescribed minimum on that day and if the shortfall continues on the next succeeding day/s, penal interest will be recovered at a rate of five per cent per annum above the bank rate.
8. RBI has prescribed statutory returns i.e. Form A return (for CRR) to be sent fortnightly.

STATUTORY LIQUIDITY RATIO

1. Statutory Liquidity Ratio is maintained as per section 24 of Banking Regulation Act.
2. As per amendment to section 24 of the Banking Regulation Act, the provision relating to maintenance of minimum SLR of 25% of NDTL has been withdrawn. Thus, RBI is free to fix minimum SLR. However, it can be increased to maximum of 40% of NDTL.

3. SLR can be kept in the form of (a) cash (b) gold valued at a price not exceeding the current market price, (c) unencumbered approved securities valued at a price as specified by the RBI from time to time (d) cash balance with other banks (e) excess cash balance with RBI.
4. For calculation of SLR, banks are required to send monthly statement on Form VIII under Section 24 of the B R Act.
5. If a bank fails to maintain SLR on any day of the fortnight, RBI will charge penal interest for that day at the rate of three per cent per annum above the bank rate on the amount of shortfall. If the shortfall continues on the next succeeding day/s, penal interest will be recovered at a rate of five per cent per annum above the bank rate.

TOOLS OF MONETARY CONTROL

CRR-Cash Reserve Ratio: - CRR is the mandatory deposit (in Cash) held by the (schedule and unscheduled) banks with RBI. It is a certain/Percentage of their demand and Time Liabilities (DTL).

At present it is 4%. Demand liabilities are the deposits payable on demand (CA & SB) and time liabilities are time (fixed) deposits payable on the specified maturities. Non- maintenance of CRR will result in levy of penal interest by RBI. The decrease of CRR will result in pumping more liquidity in the banking system and increasing will squeeze the liquidity. A cut in CRR enhances loanable funds with the banks and reduces their dependence on the call and term money markets. This will bring down the call rates. Likewise an increase in CRR reduces the lending operations and the call rate will tend to increase.

Statutory Liquidity Ratio-SLR: - It is a supplementary liquid reserve to be maintained by banks in addition to CRR. It is a certain percentage of Demand and Time liabilities of banks to be held in cash(exclusive of CRR requirements), Current Account balances with SBI & other PSBs, unencumbered approved securities mostly Govt. securities and gold. The present SLR is 21.50%. (RBI can prescribe the SLR from0 to 40%).

SLR HAS THREE OBJECTIVES

To restrict expansion of banks' credit .to increase banks' investment in approved securities. to ensure the solvency of banks. Increasing SLR will have the effect of reduction in the lending capacity of banks by pre-empting a certain portion of DTL for Govt. and other securities. It has therefore a deflationary impact on the economy, not only by reducing the loanable funds but also by increasing the lending rates in the face of increasing demand for bank credit. And vice-versa when SLR is reduced.

Bank Rate: - is the standard rate at which RBI rediscount BE or other eligible commercial papers from banks. Bank Rate is tool used by the RBI to affect the cost-and availability of refinance and to change the loanable funds of banks. Change in Bank Rate will affect •the interest rates on loans and deposits in the banking

Open Market Operations (OMO):- are the sales or purchase of Govt. securities by RBI in open market with a view to increase or decrease the liquidity in the banking system and thereby affect the loanable funds of banks.

The pricing policy under OMO can 'also alter the interest rate" "structure.

Selective Credit Control (SCC):-/RE31 stipulates certain restrictions on bank' advances against specified sensitive commodities with the, objective of preventing speculative holding of essential commodities.

Regulatory Restrictions on Lending:- as per RBI directives or the Banking Regulation Act are:

1. No loans and advances can be granted against the security of pank's own shares.
2. No bank shall hold shares in a company, 3.As pledgee or mortgagee in excess' of the limit of 30% of the paid-up capital that company or 30%of the Bank's pait-up bapital + reserves whicheVer is less.
4. In the management of which MD or Manager the Bank is interested. 5.Banks' aggregate investment in shares, CDs, bonds etc. Should not exceed the limit of 40%of bank's net owned funds as on the previous year.

Interest Rates

1. The policy is issued in April. Bi Monthly reviews is undertaken by RBI.
2. RBI has deregulated interest rate on term deposits of banks except FCNR (B) deposits.
3. Interest rate on Domestic Saving deposits has been deregulated. It is decided by banks.
4. In respect of advances, RBI has deregulated interest except DRI where it is 4% p.a.

5. Interest rate on deposits and advances are decided by Board of Directors of Banks or by Asset Liability Management Committee of the respective banks if powers delegated by Board.
6. Interest rates on advances are linked to Base of the Bank which varies from bank to bank.
7. RBI has asked banks to adopt concept of Base Rate instead of BPLR w.e.f. 1.7.2010.

BASE RATE

* Base Rate concept has been introduced on the recommendations of Deepak Mohanty Committee.
* Base Rate is the minimum rate below which banks will not lend to any borrower except in the case of (a) DRI advances (b) loans to banks' own employees (c) loans to banks' depositors against their own deposits. Base Rate shall include all those elements of the lending rates that are common across all categories of borrowers.
* Base Rate shall include all those elements of the lending rates that are common across all categories of borrowers like (a)cost of funds (b) Unallocatable Overhead Cost (c) negative carry for SLR and CRR (d) Average Return on Net Worth 4. Objective of Base Rate:(i) Enhancing transparency in lending rates of banks (ii) Enabling better assessment of transmission of monetary policy.
* The Base Rate system will replace the BPLR system with effect from July 1, 2010.

MARGINAL COST OF FUNDS BASED LENDING RATE

For computing interest rates on advances, RBI has provided methodology based on the marginal cost of funds. The aimis to help improve the transmission of policy rates into the lending rates of banks.

* All rupee loans sanctioned and credit limits renewed w.e.f. April 1, 2018 will be priced .with reference to the Marginal Cost of Funds based Lending Rate (MCLR) which will be tenor linked internal benchmark for such purposes. The MCLR will comprise of: a) Marginal cost of funds; b) Negative carry on account of CRR; Operating costs; and d) Tenor premium. Actual lending rates will be determined by adding the components of spread to the MCLR.
* Banks will review and publish their MCLR of different maturities every month on a pre- announced date. The periodicity of reset shall be one year or lower.
* Banks may specify interest reset dates on their floating rate loans. They will have the option to offer loans with reset dates linked either to the date of sanction of the loanlaedit limits or to the date of review of MCLR.
* The MCLR prevailing on the day the loan Is sanctioned wig be applicable tifl the next reset date, Irrespective of the changes In the benchmark during the interim period.
* Banks will continue to review and publish Base Rate as hitherto.

Exposure Ceilings

1. The basic objective of exposure norms are better risk management and avoidance of credit risk.
2. In case of single borrowers, the exposure ceiling is 15% of capital funds of the bank and for borrower group, the exposure ceiling is 40% of capital funds of the bank. For oil marketing companies, the exposure ceiling for single borrower is 25% of capital funds of the bank.

* In case of infrastructure projects, the exposure ceiling in case of single borrowers is 20% of capital funds and in case of borrower group it is 50% of capital funds provided additional exposure of 5% or 10% is in respect of infrastructure project.
* In all of these cases, bank can take extra exposure of 5% with the approval of its Board of Directors. However, such cases have to be reported in the Balance Sheet of the Bank as part of Notes to Accounts.
* Bank may fix exposure ceiling at lower levels but not at higher levels.
* For the purpose of capital exposure norms,..bapital fund means Tier I & Tier II capital of the bank.
* Group means when there is Commonality of Management and effective control in various companies with the same persons.
* Exposure would include 100% of fund based as well as non fund based limits and investment in shares, debentures, commercial papers or any type of facility given to the company. In case of fully drawn term loans, the exposure will be outstanding and not the limit sanctioned.
* Exposure norms are not applicable to (a) Credit facilities to weak/sick industrial units under rehabilitation packages (b) Food credit (c) Loans guaranteed by Government of India (d)Advance against Bank's own deposit
* Infrastructure would also include (a) construction of cold storage for fruits, vegetables (b) laying down of gas pipeline (c) construction of educational institutions and hospitals.

Capital Market Exposure

* A bank can have exposure in capital market in two forms i.e. direct exposure and indirect exposure.
* Direct exposure means when bank invests in equity shares or convertible bonds and convertible debentures issued by company and units of equity oriented mutual funds.
* Indirect exposure would include loans against these instruments or issuing guarantee favouring stock exchange or commodity exchange on behalf of brokers.
* Exposure norms on capital markets have been prescribed because it is a sensitive sector.
* The bank's direct investment in shares, convertible bonds, convertible debentures, units of equity-oriented mutual funds and all exposures to Venture Capital Funds (VCFs) should not exceed 20% of its net worth.
* The aggregate exposure of a bank to the capital markets in all forms (both fund based and non-fund based) on solo basis as well as consolidated basis should not exceed 40% of its net worth as on March 31 of the previous year **As per Section 19(2)** of the Banking Regulation Act, 1949, a banking company can not hold shares in any company, whether as pledgee, mortgagee or absolute owner more than 30% of the paid-up'share capital of that company or 30% of paid-up share capital and reserves of the bank whichever is less.

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