

November 3, 2008

All Scheduled Commercial Banks
(excluding Regional Rural Banks)

**Special Refinance Facility (SRF) under Section 17(3B)
of the Reserve Bank of India Act, 1934**

Dear Sir/Madam,

Please refer to the Reserve Bank's Press Release 2008-2009/603 of November 01, 2008. As indicated therein, it has been decided to introduce a special refinance facility (SRF) under Section 17(3B) of the Reserve Bank of India Act, 1934. Under this facility, scheduled commercial banks (excluding Regional Rural Banks) will be eligible for refinance to the extent of up to 1.0 per cent of each bank's net demand and time liabilities (NDTL) as on October 24, 2008.

2. The terms and conditions for availment of the SRF are set out below:

- (i) Refinance under the SRF will be provided at the repo rate under the liquidity adjustment facility (LAF), *i.e.*, at 7.5 per cent with effect from November 3, 2008;
- (ii) Each bank's limit under the SRF will remain unchanged until further notice;
- (iii) The bank seeking refinance should deliver to the Reserve Bank demand promissory notes covering the principal amount of advances and the prescribed rates of interest (Proforma I);
- (iv) The bank seeking refinance should also give a declaration that it is seeking refinance against loans and advances made against *bonafide* commercial and trade transactions or for financing agricultural operations and marketing of the crops in excess the principal amount as on the date of the declaration and related undertakings (Proforma II); and
- (v) The availment of advances by any bank under this facility shall be restricted to a period of 90 days (including Sundays and holidays) reckoned from the date of first day of utilisation. The refinance can be drawn and repaid flexibly during this period. The bank availing refinance must repay the entire outstandings, if any, under the SRF within this stipulated time, failing which the Reserve Bank shall debit its account with it. In case a bank persists with defaults in this regard, the Reserve Bank will be constrained to withdraw the SRF for the defaulting bank.

Please confirm the acceptability of the abovementioned terms and conditions to our concerned office to enable them to take further action in the matter, under advice to us.

Yours faithfully,

(M.D.Patra)
Adviser-in-Charge

Demand Promissory Note
(Special Refinance Facility)

On demand, we _____ (Bank's Name) promise to pay to the Reserve Bank of India or order the sum of Rs. _____ (Rupees _____) with interest at repo rates as announced by the Reserve Bank of India for special refinance facility at the time of full repayment or as monthly rests, whichever is earlier, for value received.

For and on behalf of _____ Bank

(2 Authorised Signatories & revenue stamp)

Name and Designation of both signatories

Place:

Date:

Note: To be stamped as Demand Promissory Note

Declaration

Date : _____

The Chief General Manager,
Reserve Bank of India,
Deposit Accounts Department,
_____ .

Dear Sir,

We, the _____ Bank, hereby declare that our net demand and time liabilities stood at Rs. _____ crore (Rupees _____ crore) as on October 24, 2008.

2. We declare that as on the date of this declaration, we have made loans and advances for bonafide commercial and trade transactions or for financing agricultural operations and marketing of crops in excess of Rs. _____ crore (Rupees _____ crore) being the amount equivalent to one per cent of our net demand and time liabilities as on October 24, 2008.

3. We accept the terms and conditions indicated in the RBI circular MPD.BC.309/02.01.009/2008-09 dated November 3, 2008 on special refinance facility.

4. We undertake that the aggregate amount of the loans and advances made by us as aforesaid shall not be less than the loans and advances made available to us by you under the Section 17(3B) of the Reserve Bank of India Act, 1934.

5. We further agree that on the faith of the correctness of the contents of this declaration, you will make and / or continue advances to us under the Section 17(3B) of the said Act.

Yours faithfully,

For and on behalf of _____ Bank
(Authorised Signatory)

Name :

Designation :