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| **Priority Sector Lending Certificates (PSLC)** |
| |  | | --- | | **(Updated as on February 17, 2017)**  **1. What is the expiry date of PSLC?**  All PSLCs will be valid till March 31st and will expire on April 1st.  **2. Whether PSLCs can be issued for a limited period i.e., for one reporting quarter and multiples thereof?**  The duration of the PSLCs will depend on the date of issue with all PSLCs being valid till March 31st and expiring on April 1st.  **3. Whether service tax/ stamp duty/ transaction tax will be applicable while paying fee for PSLC?**  PSLCs may be construed in the nature of 'goods'[#](https://googleweblight.com/?lite_url=https://m.rbi.org.in/Scripts/FAQView.aspx%3FId%3D114&lc=en-IN&s=1&m=23&host=www.google.co.in&ts=1498480011&sig=ALNZjWkFhj-ZUnQPZp5cGzzIp96MlgCdrA#a-ANN), dealing in which has been notified as a permissible activity under section 6(1)(o) of BR Act vide Government of India Notification dated May 4, 2016. The tax implications on account of trading in PSLCs may be determined by the banks in accordance with the applicable tax laws. Further, as per the extant guidelines, no transaction charge/ fees is applicable on the participating banks payable to RBI for usage of the PSLC module on e-Kuber portal.  **4. Whether PSLC – Weaker Sections or PSLC – Export Credit can be traded?**  There are only four eligible categories of PSLCs i.e. PSLC General, PSLC Small and Marginal Farmer, PSLC Agriculture & PSLC Micro Enterprises.  **5. Whether Export Credit may form a part of PSLC 'General' and whether banks’ surplus in Export Credit can be sold as PSLC 'General’? Can foreign banks with less than 20 branches reckon PSLC General towards the incremental target for lending to sectors other than exports beyond the overall target of 32 per cent?**  'Export Credit' can form a part of underlying assets against the PSLC - General. However, any bank issuing PSLC-General against 'Export Credit' shall ensure that the underlying 'Export Credit' portfolio is also eligible for priority sector classification by domestic banks.  Foreign banks with less than 20 branches are not allowed to reckon PSLC General towards fulfilment of their incremental target for lending to sectors other than exports beyond the overall target of 32 per cent. However, such banks are allowed to reckon PSLC Agriculture, PSLC Micro Enterprises and PSLC SF / MF for the same.  **6. Where can the banks look for market information like prevailing prices, lot size, and historical transactions done by other market participants? Will this information be available in E-Kuber?**  The trade summary of PSLC market is available to the participants through the e-Kuber portal. Any new functionality will be notified to the participants via 'News & Announcements' section under e-Kuber portal.  **7. Is secondary market allowed for PSLCs i.e., Sale of surplus at a later point in time post purchase in anticipation of deficit at a prior point of time. Can the purchasing bank re-sell the PSLCs? Will only the net PSLC position be reckoned for ascertaining the underlying asset?**  A bank can purchase and issue PSLCs as per its requirements. The net position of PSLCs sold and purchased has to be included while reporting the quarterly and annual priority sector returns. However, with regard to ascertaining the underlying assets, as on March 31st, the bank must have met the priority sector target by way of the sum of outstanding priority sector portfolio and net of PSLCs issued and purchased.  **8. What happens if the RBI inspection team, at a later date, de-classifies a particular PSLC (which has been already traded by the bank as PSLC) ineligible?**  The misclassifications, if any, will have to be reduced from the achievement of PSLC seller bank only. There will be no counterparty risk for the PSLC buyer, even if, the underlying asset of the traded PSLC gets misclassified.  **9. While there is no transfer of assets, will there be any impact on the ANBC calculation?**  The banks may refer to guidelines related to computation of ANBC for priority sector reporting as advised vide [Master Circular on PSL dated July 1, 2015](https://googleweblight.com/?lite_url=https://m.rbi.org.in/Scripts/BS_ViewMasCirculardetails.aspx%3Fid%3D9857&lc=en-IN&s=1&m=23&host=www.google.co.in&ts=1498484343&sig=ALNZjWnTYvzeADHtug1i1U0ARC24u975Rg).  **10. The buyer would pay a fee to the seller of the PSLC which will be market determined. Is there any standard/ minimum fee prescribed by the RBI, for purchase of any PSLC?**  The premium will be completely market determined. No floor/ ceiling has been prescribed by RBI in this regard.  **11. How the charges/commission shall be paid through E-Kuber portal or separate RTGS is required to be made?**  There will be real time settlement of the matched premium and respective current accounts of the participating banks with RBI will be debited/ credited to the extent of matched premium accordingly.  **12. Will there be automatic matching of trades or can the buyer/seller select the counterparty? Will partial matching also happen?**  The order matching will be done on anonymous basis through the portal and the buyer/ seller cannot select the counterparty. Partial matching will happen depending on the matching of premium and availability of category wise PSLC lots for sale and purchase. | |

**Know Your Customer Guidelines**

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| **(Updated up to September 02, 2016)**  *(This is a summarised and simplified version of the Reserve Bank of India’s Know Your Customer guidelines.)*  **Q1. What is KYC? Why is it required?**  **Response:** KYC means “Know Your Customer”. It is a process by which banks obtain information about the identity and address of the customers. This process helps to ensure that banks’ services are not misused. The KYC procedure is to be completed by the banks while opening accounts. Banks are also required to periodically update their customers’ KYC details.  **Q2. What are the KYC requirements for opening a bank account?**  **Response:** To open a bank account, one needs to submit a ‘proof of identity and proof of address’ together with a recent photograph.  **Q3. What are the documents to be given as ‘proof of identity’ and ‘proof of address’?**  **Response:** The Government of India has notified six documents as ‘Officially Valid Documents’ (OVDs) for the purpose of producing proof of identity. These six documents are Passport, Driving Licence, Voters’ Identity Card, PAN Card, Aadhaar Card issued by UIDAI and NREGA Job Card. You need to submit any one of these documents as proof of identity. If these documents also contain your address details, then it would also be accepted as ‘proof of address’. If the document submitted by you for proof of identity does not contain address details, then you will have to submit another officially valid document which contains address details.  **Q4. If I do not have any of the documents listed above to show my ‘proof of identity’, can I still open a bank account?**  **Response:** Yes. You can still open a bank account known as ‘Small Account’ by submitting your recent photograph and putting your signature or thumb impression in the presence of the bank official.  **Q5. Is there any difference between such ‘small accounts’ and other accounts**  **Response:** Yes. The ‘Small Accounts’ have certain limitations such as:   * balance in such accounts at any point of time should not exceed Rs.50,000 * total credits in one year should not exceed Rs.1,00,000 * total withdrawal and transfers in a month should not exceed Rs.10,000 * Foreign remittances cannot be credited to such accounts.   Such accounts remain operational initially for a period of twelve months and thereafter, for a further period of twelve months if the holder of such an account provides evidence to the bank of having applied for any of the officially valid documents within twelve months of the opening of such account.  **Q6. Would it be possible, if I do not have any of the officially valid documents, to have a bank account, which is not subjected to any limitations as in the case of ‘small accounts’?**  **Response:** A normal account can be opened by submitting a copy of any one of the following documents as Proof of Identity (PoI):  (i) Identity card with person’s photograph issued by Central/State Government Departments, Statutory/Regulatory Authorities, Public Sector Undertakings, Scheduled Commercial Banks, and Public Financial Institutions;  or  (ii) letter issued by a gazetted officer, with a duly attested photograph of the person.  For Proof of Address (PoA), you may submit the following documents:   1. Utility bill, which is not more than two months old, of any service provider (electricity, telephone, post-paid mobile phone, piped gas, water bill); 2. Property or Municipal Tax receipt; 3. Bank account or Post Office savings bank account statement; 4. Pension or family Pension Payment Orders (PPOs) issued to retired employees by Government Departments or Public Sector Undertakings, if they contain the address; 5. Letter of allotment of accommodation from employer issued by State or Central Government departments, statutory or regulatory bodies, public sector undertakings, scheduled commercial banks, financial institutions and listed companies. Similarly, leave and license agreements with such employers allotting official accommodation; and 6. Documents issued by Government departments of foreign jurisdictions or letter issued by Foreign Embassy or Mission in India.   This, however, is not a general rule and it is left to the judgement of the banks to decide whether this simplified procedure can be adopted in respect of any customer.  **Q7. If my name has been changed and I do not have any OVD in the new name, how can I open an account?**  **Response:** A copy of the marriage certificate issued by the State Government or Gazette notification indicating change in name together with a certified copy of the ‘Officially Valid Documents’ in the prior name of the person is to be furnished for opening of account in cases of persons who change their names on account of marriage or otherwise.  **Q8. Are banks required to categorise their customers based on risk assessment?**  **Response:** Yes, banks are required to classify their customers into ‘low’, ‘medium’ and ‘high’ risk categories depending on their AML risk assessment.  **Q9. Do banks inform customers about this risk categorisation?**  **Response:** No  **Q10. If I refuse to provide requested documents for KYC to my bank for opening an account, what may be the result?**  **Response:** If you do not provide the required documents for KYC, the bank will not be able to open your account.  **Q11. Can I open a bank account with only an Aadhaar card?**  **Response:** Yes, Aadhaar card is accepted as a proof of both identity and address.  **Q12. Is it compulsory to furnish Aadhaar Card for opening an account?**  **Response:** No. you may furnish Aadhaar card or any of the other five OVDs for opening an account.  **Q13. What is e-KYC? How does e-KYC work?**  **Response:** e-KYC refers to electronic KYC.  e-KYC is possible only for those who have Aadhaar numbers. While using e-KYC service, you have to authorise the Unique Identification Authority of India (UIDAI), by explicit consent, to release your identity/address through biometric authentication to the bank branches/business correspondent (BC). The UIDAI then transfers your data comprising your name, age, gender, and photograph electronically to the bank. Information thus provided through e-KYC process is permitted to be treated as an ‘Officially Valid Document’ under PML Rules and is a valid process for KYC verification.  **Q14. Is introduction necessary while opening a bank account?**  **Response:** No, introduction is not required.  **Q15. If I am staying in Chennai but if my proof of address shows my address of New Delhi, can I still open an account in Chennai?**  **Response:** Yes. You can open a bank account in Chennai even if the address in the “Officially Valid Document” is that of New Delhi and you do not have a proof of address for your Chennai address. In such case, you can submit the officially valid document having your New Delhi address, together with a declaration about your Chennai address for communication purposes.  **Q16. Can I transfer my existing bank account from one place to another? Do I need to undergo full KYC again?**  **Response:** It is possible to transfer an account from one branch to another branch of the same bank. There is no need to undergo KYC exercise again for such transfer. However, if there is a change of address, then you will have to submit a declaration about the current address. If the address appearing in the ‘Officially Valid Documents’ (OVDs) submitted for proof of address is no longer your valid address (i.e. neither your permanent address nor your current address), you need to get an Officially Valid Document for Proof of Address containing the current or the permanent address and furnish the same within six months. In case of opening an account in another bank, however, you will have to undergo KYC exercise afresh.  **Q17. Do I have to furnish KYC documents for each account I open in a bank even though I have furnished the documents of proof of identity and address?**  **Response:** No, if you have opened a KYC compliant account with a bank, other than a ‘small account’, then for opening another account with the same bank, furnishing of documents is not necessary.  **Q18. For which banking transactions do I need to quote my PAN number?**  **Response:** PAN number needs to be quoted for transactions such as account opening, transactions above Rs.50,000 (whether in cash or non-cash), etc. A full list of transactions where PAN number needs to be quoted can be accessed from website of Income Tax Department at the following URL:  [http://www.incometaxindia.gov.in/\_layouts/15/dit/pages/viewer.aspx?grp=rule&cname=CMSID&cval=103120000000007541&searchFilter=&k=114b&IsDlg=0](http://googleweblight.com/?lite_url=http://www.incometaxindia.gov.in/_layouts/15/dit/pages/viewer.aspx%3Fgrp%3Drule%26cname%3DCMSID%26cval%3D103120000000007541%26searchFilter%3D%26k%3D114b%26IsDlg%3D0&lc=en-IN&s=1&m=23&host=www.google.co.in&ts=1498484347&sig=ALNZjWm0loX0GuYdq4w4tQL3IW-yfaKU_A)  **Q19. Whether KYC is applicable for Credit/Debit cards?**  **Response:** Yes. KYC exercise is necessary for Credit/ Smart Cards and also in respect of add-on/ supplementary cards. Since debit cards are issued only to account holders and accounts are opened only after the KYC procedure is completed, there is no need for separate KYC for issuing debit card.  **Q20. I do not have a bank account. But I need to make a remittance. Is KYC applicable to me?**  **Response:** Yes. KYC exercise needs to be done for all those who want to make domestic remittances of Rs. 50,000 and above and all foreign remittances.  **Q21. Can I purchase a Demand Draft/Payment Order/Travellers Cheque against cash?**  **Response:** Yes, Demand Draft/Payment Order/Travellers Cheques for below Rs.50,000/- can be purchased against cash and such instruments for Rs. 50000/- and above can be issued only by way of debiting the customer's account or against cheques.  **Q22. Do I need to submit KYC documents to the bank while purchasing third party products (like insurance or mutual fund products) from banks?**  **Response:** Yes, all customers who do not have accounts with the bank (known as walk-in customers) have to produce proof of identity and address while purchasing third party products from banks if the transaction is for Rs.50,000 and above. KYC exercise will not be necessary for bank’s own customers for purchasing third party products. However, instructions to make payment by debit to customers’ accounts or against cheques for remittance of funds/issue of travellers’ cheques, sale of gold/silver/platinum and the requirement of quoting PAN number for transactions of Rs.50,000 and above will be applicable to purchase of third party products from bank by its customers as also to walk-in customers.  **Q23. My KYC was completed when I opened the account. Why does my bank insist on doing KYC again?**  **Response:** Banks are required to periodically update KYC records. This is a part of their ongoing due diligence on bank accounts. The periodicity of such updation varies from account to account depending on its risk categorisation by the bank. Periodic updation of records also helps prevent frauds in customer accounts.  **Q24. What are the rules regarding periodic updation of KYC?**  **Response:** Different periodicities have been prescribed for updation of KYC records depending on the risk perception of the bank. KYC is required to be done at least once in two years for high risk customers, once in eight years for medium risk customers and once in ten years for low risk customers. This exercise would involve all formalities for KYC normally taken at the time of opening the account.  While periodic updation of KYC has to be carried out in respect of customer categorised as ‘low risk’ also, if there is no change in status with respect to the identity (change in name, etc.) and/or address of such customers the banks may ask such customers to submit only a self-certification about ‘no-change in status’ at the time of periodic updation. Banks may not ask such customers to submit copies of ‘Officially Valid Documents’ for periodic updation.  In case of change of address of such ‘low risk’ customers, they could merely forward a certified copy of the document (proof of address) by mail/post, etc. Physical presence of such low risk customer is not required at the time of periodic updation.  Customers who are minors have to submit fresh photograph on becoming major.  **Q25. What if I do not provide the KYC documents at the time of periodic updation?**  **Response:** If you do not provide your KYC documents at the time of periodic updation, bank has the option to close your account. Before closing the account, the bank may, however, impose ‘partial freezing’ (i.e. initially allowing all credits and disallowing all debits while giving an option to you to close the account and take your money back). Later, even credits also would not be allowed. The ‘partial freezing’ however, would be exercised by the bank after giving you due notice.  **Q26. How is partial freezing imposed?**  **Response:** Partial freezing is imposed in the following ways:   * Banks have to give due notice of three months initially to the customers before exercising the option of ‘partial freezing’. * After that a reminder for further period of three months will be issued. * Thereafter, banks shall impose ‘partial freezing’ by allowing all credits and disallowing all debits with the freedom to close the accounts. * If the accounts are still KYC non-compliant after six months of imposing initial ‘partial freezing’ banks shall disallow all debits and credits from/to the accounts, classifying them inoperative.   Meanwhile, the account holders can revive accounts by submitting the KYC documents. |

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| **Enhancing Credit Supply for Large Borrowers through Market Mechanism** |
| |  | | --- | | **(i) If a borrower has aggregate sanctioned credit limit of Rs.25,000 crore on or before March 31, 2016, will it still qualify as a ‘Specified Borrower’?**  Ans: In all such cases, the borrower will deemed to be a ‘Specified borrower’ from April 1, 2016 and the disincentive mechanism will be applicable from April 1, 2017 if the borrower borrows from the banking system beyond the NPLL.  **(ii) If a borrower becomes a ‘specified borrower’ during the last quarter of the FY 2016-17, say on March 31, 2017, then what will be the date of application of the disincentive mechanism?**  Ans: As the disincentive mechanism will be applicable from the FY succeeding the FY in which a borrower becomes a ‘specified borrower’, the disincentive mechanism will be applicable from April 1, 2017 for any borrowing from the banking system beyond the NPLL.  **(iii) Is there any restriction on borrowers tapping the market mechanism for their funding needs before they reach the ASCL?**  Ans: Borrower are free to raise their funding needs from any source at any level.  **(iv) Whether ECB and Trade Credit raised from overseas branches of Indian banks be counted towards ASCL?**  Ans: Yes, ECB and Trade Credit raised from overseas branches of Indian banks will count towards ASCL.  **(v) In terms of**[**circular DBOD.No.BP.BC.97/21.04.141/2009-10 dated April 23, 2010**](https://googleweblight.com/?lite_url=https://m.rbi.org.in/Scripts/NotificationUser.aspx%3FId%3D5620%26Mode%3D0&lc=en-IN&s=1&m=23&host=www.google.co.in&ts=1498484349&sig=ALNZjWnHwief432NLk-QkB_Wa6DNHqkrvw)**on “Classification of Investments by Banks in Bonds issued by Companies engaged in Infrastructure Activities”, investment by scheduled commercial banks in the long-term bonds issued by companies engaged in executing infrastructure projects and having a minimum residual maturity of seven years may be classified under HTM category. Whether this classification will be available for investments made by banks in bonds issued by infrastructure ‘specified borrowers’ beyond their NPLL?**  Ans: Bonds subscribed by banks and which meet the criteria specified in circular dated April 23, 2010 will continue to be classified under HTM category.  **(vi) Will the additional risk weight on incremental exposure result in change in credit rating also?**  Ans: No, additional risk weight on incremental exposure merely on account of borrower being classified as specified borrower, should not normally result in change in credit rating.  **(vii) Whether borrowers under restructuring will be covered in the framework? Whether additional credit facilities extended during restructuring of stressed borrowers will be included in computing the ASCL?**  Ans: In cases of accounts with ASCL above the cut-off where S4A is implemented, both the sustainable and unsustainable debt (Parts A & B) should be counted towards calculating ASCL.  Restructured accounts where cut-off ASCL is achieved/likely to be achieved due to additional finance under the restructuring package under JLF and other RBI frameworks, should not be subjected to disincentive mechanism for the incremental exposure.  **(viii) Whether subscription to the market instruments in the primary market will be reckoned towards NPPL.**  Ans: Yes, subscription to the market instruments in the primary market will be considered to determine exposures beyond NPPL. | |
| **Priority Sector Lending - Targets and Classification** |
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What are the Targets and Sub-targets for banks under priority sector?**  The targets and sub-targets for banks under priority sector are as follows:   |  |  |  | | --- | --- | --- | | **Categories** | **Domestic scheduled commercial banks and Foreign banks with 20 branches and above** | **Foreign banks with less than 20 branches** | | **Total Priority Sector** | 40 percent of Adjusted Net Bank Credit or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher.  Foreign banks with 20 branches and above have to achieve the Total Priority Sector Target within a maximum period of five years starting from April 1, 2013 and ending on March 31, 2018 as per the action plans submitted by them and approved by RBI. | 40 percent of Adjusted Net Bank Credit or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher; to be achieved in a phased manner by 2020. | |  |  |  | | **Agriculture #** | 18 percent of ANBC or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher.  Within the 18 percent target for agriculture, a target of 8 percent of ANBC or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher is prescribed for Small and Marginal Farmers, to be achieved in a phased manner *i.e.,* **7 per cent by March 2016 and 8 per cent by March 2017**.  Foreign banks with 20 branches and above have to achieve the Agriculture Target within a maximum period of five years starting from April 1, 2013 and ending on March 31, 2018 as per the action plans submitted by them and approved by RBI. The sub-target for Small and Marginal farmers would be made applicable post 2018 after a review in 2017. | Not applicable | | **Micro Enterprises** | 7.5 percent of ANBC or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher to be achieved in a phased manner i.e. **7 per cent by March 2016 and 7.5 per cent by March 2017**.  The sub-target for Micro Enterprises for foreign banks with 20 branches and above would be made applicable post 2018 after a review in 2017. | Not Applicable | | **Advances to Weaker Sections** | 10 percent of ANBC or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher.  Foreign banks with 20 branches and above have to achieve the Weaker Sections Target within a maximum period of five years starting from April 1, 2013 and ending on March 31, 2018 as per the action plans submitted by them and approved by RBI. | Not Applicable | | # Domestic banks have been directed to ensure that their overall direct lending to non-corporate farmers does not fall below the system-wide average of the last three years achievement. | | |   **3. What are the categories under ‘Agriculture’?**  The activities covered under Agriculture are classified under three sub-categories viz. Farm credit, Agriculture infrastructure and Ancillary activities.  **4. Whether limits are prescribed for loans sanctioned to Micro, Small and Medium Enterprises to be classified as priority sector?**  For classification under priority sector, no limits are prescribed for bank loans sanctioned to Micro, Small and Medium Enterprises engaged in the manufacture or production of goods under any industry specified in the first schedule to the Industries (Development and Regulation) Act, 1951 and as notified by the Government from time to time. The manufacturing enterprises are defined in terms of investment in plant and machinery under MSMED Act, 2006.  Bank loans up to ₹ 5 crore per unit to Micro and Small Enterprises and ₹ 10 crore to Medium Enterprises engaged in providing or rendering of services and defined in terms of investment in equipment under MSMED Act, 2006 are eligible for classification under priority sector.  **5. What is the applicable limit and purpose for social infrastructure loans under priority sector?**  Bank loans up to a limit of ₹ 5 crore per borrower for building social infrastructure for activities namely schools, health care facilities, drinking water facilities and sanitation facilities (including loans for construction/ refurbishment of toilets and improvement in water facilities in the household) in Tier II to Tier VI centres are eligible for classification under priority sector.  Bank credit to Micro Finance Institutions (MFI) extended for on-lending to individuals/ members of SHGs/ JLGs for water and sanitation facilities is also eligible for classification as priority sector loans under ‘Social Infrastructure’ subject to certain criteria.  **6. What is the applicable limit and purpose for loans for renewable energy under priority sector?**  Bank loans up to a limit of ₹ 15 crore to borrowers for purposes like solar based power generators, biomass based power generators, wind mills, micro-hydel plants and for non-conventional energy based public utilities *viz*. street lighting systems, and remote village electrification are eligible to be classified under priority sector loans under ‘Renewable Energy’. For individual households, the loan limit is ₹ 10 lakh per borrower.  **7. What is the loan limit for education under priority sector?**  Loans to individuals for educational purposes including vocational courses upto ₹ 10 lakh irrespective of the sanctioned amount are eligible for classification under priority sector.  **8. What is the limit for housing loans under priority sector?**  Loans to individuals up to ₹ 28 lakh in metropolitan centres (with population of ten lakh and above) and loans up to ₹ 20 lakh in other centres for purchase/construction of a dwelling unit per family, are eligible to be considered as priority sector provided the overall cost of the dwelling unit in the metropolitan centre and at other centres does not exceed ₹ 35 lakh and ₹ 25 lakh, respectively. Housing loans to banks’ own employees are not eligible for classification under priority sector.  **9. What is included under Weaker Sections under priority sector?**  Priority sector loans to the following borrowers are eligible to be considered under Weaker Sections category:-   |  |  | | --- | --- | | **No.** | **Category** | | 1. | Small and Marginal Farmers | | 2. | Artisans, village and cottage industries where individual credit limits do not exceed ₹ 1 lakh | | 3. | Beneficiaries under Government Sponsored Schemes such as National Rural Livelihoods Mission (NRLM), National Urban Livelihood Mission (NULM) and Self Employment Scheme for Rehabilitation of Manual Scavengers (SRMS) | | 4. | Scheduled Castes and Scheduled Tribes | | 5. | Beneficiaries of Differential Rate of Interest (DRI) scheme | | 6. | Self Help Groups | | 7. | Distressed farmers indebted to non-institutional lenders | | 8. | Distressed persons other than farmers, with loan amount not exceeding ₹ 1 lakh per borrower to prepay their debt to non-institutional lenders | | 9. | Individual women beneficiaries up to ₹ 1 lakh per borrower | | 10. | Persons with disabilities | | 11. | Overdrafts upto ₹ 5,000/- under Pradhan Mantri Jan-DhanYojana (PMJDY) accounts, provided the borrowers’ household annual income does not exceed ₹ 100,000/- for rural areas and ₹ 1,60,000/- for non-rural areas | | 12. | Minority communities as may be notified by Government of India from time to time |   In States, where one of the minority communities notified is, in fact, in majority, item (12) will cover only the other notified minorities. These States/ Union Territories are Jammu & Kashmir, Punjab, Meghalaya, Mizoram, Nagaland and Lakshadweep.  **10. Is bank credit to Micro Finance Institutions (MFIs) treated as priority sector lending?**  Bank credit to MFIs extended for on-lending to individuals and also to members of SHGs / JLGs is eligible for categorisation as priority sector advance under respective categories viz., Agriculture, Micro, Small and Medium Enterprises, Social Infrastructure and Others subject to the criteria laid down in para IX of the [Master Circular FIDD.CO.Plan.BC.04/04.09.01/2015-16 dated July 1, 2015](https://googleweblight.com/?lite_url=https://m.rbi.org.in/Scripts/BS_ViewMasCirculardetails.aspx%3Fid%3D9857&lc=en-IN&s=1&m=23&host=www.google.co.in&ts=1498484351&sig=ALNZjWnuR9S0Ennjay5kVBThfSm-lqxPNQ) on Priority Sector Lending- Targets and Classification.  **11. What are Priority Sector Lending Certificates (PSLCs)?**  Priority Sector Lending Certificates (PSLCs) are a mechanism to enable banks to achieve the priority sector lending target and sub-targets by purchase of these instruments in the event of shortfall. This also incentivizes surplus banks as it allows them to sell their excess achievement over targets thereby enhancing lending to the categories under priority sector. Under the PSLC mechanism, the seller sells fulfilment of priority sector obligation and the buyer buys the obligation with no transfer of risk or loan assets.  **12. What are the instructions to Banks with regard to acknowledgement of priority sector loan applications?**  Banks should provide acknowledgement for loan applications received under priority sector loan. A time limit is required to be prescribed by the Bank Board within which the bank communicates its decision in writing to the applicants.  **13. What is the rate of interest for loans under priority sector?**  The rate of interest on bank loans will be as per directives issued by the Department of Banking Regulation of RBI, from time to time. Priority sector guidelines do not lay down any preferential rate of interest for priority sector loans.  **14. Where are the latest instructions on Priority Sector Lending available?**  The latest instructions on Priority Sector Lending –Targets and Classification have been issued vide [RBI Circular FIDD.CO.Plan.BC.04/04.09.01/2015-16 dated July 1, 2015 (amended up to December 15, 2015)](https://googleweblight.com/?lite_url=https://m.rbi.org.in/Scripts/BS_ViewMasCirculardetails.aspx%3Fid%3D9857&lc=en-IN&s=1&m=23&host=www.google.co.in&ts=1498484351&sig=ALNZjWnuR9S0Ennjay5kVBThfSm-lqxPNQ). | |
| **Marginal Cost of Funds based Lending Rate (MCLR)** |
| |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | | **1. The guidelines specify that MCLR calculated using methodology prescribed shall correspond to the tenor of funds in the single largest maturity bucket provided it is more than 30% of the entire funds reckoned for determining the MCLR. But my bank does not have a single time bucket which has more than 30% share of the funds reckoned for MCLR. In such a case, the MCLR calculated as per the methodology indicated shall correspond to which tenor?**  Let’s assume a bank has following maturity profile of borrowings:   |  |  |  |  | | --- | --- | --- | --- | | **Sr. No.** | **Original Maturity** | **Balance outstanding as a percentage of total funds (other than equity)** | **Cumulative weightage** | | 1 | 5 years & above | 15.1% | **15.1%** | | 2 | 3 years & above but less than 5 years | 11.8% | **26.9%** | | 3 | 2 years & above but less than 3 years | 9.3% | **36.2%** | | 4 | 1 year & above but less than 2 years | 16.9% | 53.1% | | 5 | 6 months & above but less than 1 year | 24.3% | 77.4% | | 6 | 91 days & above but less than 6 months | 10.5% | 87.9% | | 7 | Up to 90 days | 12.1% | 100% | |  | Total | 100% |  |   In this case, the MCLR shall correspond to the weightage average of tenor of the first three time buckets.  **2. Whether the tenor premium charged will be for contractual tenor or residual tenor?**  Since floating rate loans are subject to periodic resets, the tenor premium will be the appropriate premium for the residual period up to the next reset date.  **3. What will be the denominator used for arriving at the operating cost for computing MCLR?**  Banks may calculate all operating costs as a percentage of marginal cost of funds for computing MCLR.  **4. Clarify the definition of short term borrowings.**  A short term borrowing means borrowing of tenor up to but less than one year.  **5. Can components of spread be negative?**  The components of the spread i.e. business strategy and Credit risk premium shall have either a positive value or be zero. In other words, the spread components cannot be negative.  **6. Banks grant fixed rate loans to long term projects where initial debt facility consists of loan for a medium term say 5 to 7 years. These loans are then refinanced after the specified period. Will these types of loans be permitted under MCLR system?**  Banks can grant fixed rate loans to long term projects wherein the interest rate are fixed till the loan is due for refinancing. The loan, at the time of refinancing, will be treated as a fresh fixed rate loan with a maturity period equal to the period upto the next date of refinancing. Such fixed rate loans will fall under the directions contained in Section 13(d)(v) of Reserve Bank of India (Interest Rate on Advances) Directions, 2016.  **7. Will the interest rates on fixed rate loans (or fixed portion of hybrid loans) be based on the date of sanction or disbursement?**  The interest charged on fixed rate loans as well as the fixed portion of hybrid loans will be the interest rate mentioned in the sanction letter. | |
| **Gold Monetisation Scheme, 2015** |
| |  | | --- | | **(Updated as on March 23, 2016)**  **1. Query:** Are banks required to obtain RBI approval to participate in the Gold Monetisation Scheme, 2015?  **Response:** No. However, banks should submit to RBI the implementation details including names of the CPTCs and refiners with whom they have entered into tripartite agreement and the branches operating the scheme. Banks should also report the amount of gold mobilised under the scheme by all branches in a consolidated manner on a monthly basis in the prescribed format.  **2. Query:** Can a deposit under the Scheme be made for 4 years or 8 years?  **Response:** No. However, a short term deposit initially made for 3 years could be rolled over for another year. The roll over facility is not available for medium and long term deposits.  **3. Query:** Is it mandatory to complete the KYC for potential customers of GMS prior to depositing gold?  **Response:** Yes, unless the potential depositor is already a bank’s KYC compliant customer.  **4. Query:** How will a Collection and Purity Testing Centre (CPTC) know that a depositor is already KYC compliant?  **Response:** Banks and the CPTCs may put in place a mutually acceptable procedure in this regard and notify that to the relevant CPTCs.  **5. Query:** Can a customer get back his jewellery if the purity determined by the CPTC is not acceptable to him/her and he/she does not want to invest in the GMS?  **Response:** The jewellery will be melted by the CPTC to conduct the fire assay and the customer can get back gold only in post-melted form. The jewellery can be taken back in original form before fire-assaying. Thus, the decision regarding taking back jewellery in original form has to be taken by the customer after XRF test and before giving consent for fire-assaying.  **6. Query:** Will the refined amount of gold deposited be credited only after receipt from the customer the Deposit Receipt issued by the CPTC? What if the customer produces the certificate at the bank but no intimation from the CPTC and Refinery has been received?  **Response:** No, regardless of the submission of the Deposit Receipt by the customer, the deposit taking bank will credit in the deposit account the amount of refined gold on receipt of intimation from the CPTC about the deposit, and from the Refiner regarding the refined gold being ready for use by the bank, but in any case not later than 30 days from the date of deposit at the CTPC. In cases where the Deposit Receipt is submitted by the customer before receipt of the relevant advice from the CPTC/Refinery, the bank should make enquiry with these entities and take further action based on the response.  **7. Query:** In what form will the depositor get back his gold at maturity?  **Response:** If the depositor opts for redemption in the form gold, he will get back physical gold at maturity in the form of bullion.  **8. Query:** Is the option of redeeming deposit in gold is available under both short term bank deposits and medium and long term bank deposits?  **Response:** No, the option of redemption of the deposit in the form of gold is available only under the Short Term Bank Deposits. The Medium and Long term deposits will be redeemed only in Indian Rupees (INR).  **9. Query:** Can a bank make repayment of the partial amount of gold (less than one gram) in INR in cases where the redemption is in gold?  **Response:** Yes. In case the maturity amount comes to, say 302.86 grams of gold, and the customer has to be paid in gold, a bank can repay 302 grams in gold and 0.86 grams in equivalent amount of INR.  **10. Query:** Who determines the rate of interest on the Medium and Long Term Deposits?  **Response:** It will be determined by the Central Government and advised to banks by RBI.  **11. Query:** Will a designated bank get any commission for servicing the MLTGD product?  **Response:** Yes.  **12. Query:** Is it compulsory for banks to participate in the auction of gold collected under the Medium and Long Term Deposit schemes?  **Response:** No.  **13. Query:** Can a designated bank purchase/borrow gold from local banks and refiners to replenish the GMS gold at maturity.  **Response:** Yes.  **14. Query:** Can banks hedge their gold exposures arising from operation of GMS?  **Response:** Yes, in international markets.  **15. Query:** Whether banks are allowed to hedge the price risk of gold under Gold Monetization Scheme, 2015 in the local commodity exchanges?  **Response:** Yes. banks are allowed to hedge their exposure in local commodity exchanges under Gold Monetization Scheme.  **16. Query:** Whether rupee loan is allowed against collateral of GMS deposits?  **Response:** Yes. Rupee loans may be given against collateral of gold deposits under Gold Monetization Scheme.  **17. Query:** What is the periodicity of interest payment under MLTGD?  **Response:** The periodicity of interest payment in case of Medium and Long Term Government Deposit (MLTGD) is annual.  **18. Query:** Whether interbank lending of gold mobilized under GMS is allowed?  **Response:** Yes. Designated banks are allowed to lend gold mobilized under the Scheme to other designated banks for similar use as prescribed under the scheme. | |
| **Savings Bank Deposit Account (BSBDA) – FAQs (RRBs/StCBs/DCCBs)** |
| |  | | --- | | **1. Query**  What is the definition of 'Basic Savings Bank Deposit Account' (BSBDA)?  **Response**  All the existing ‘No-frills’ accounts opened pursuant to guidelines issued vide [circular RPCD.RF.BC.54/07.38.01/2005-06 dated December 13, 2005](https://googleweblight.com/?lite_url=https://m.rbi.org.in/Scripts/NotificationUser.aspx%3FId%3D2662%26Mode%3D0&lc=en-IN&s=1&m=23&host=www.google.co.in&ts=1498484508&sig=ALNZjWlSPwqgm1mRpxdxNvatEFS9kNh8Jg) and [RPCD.CO.No.RRB.BC.58/ 03.05.33(F) / 2005-06 dated December 27, 2005](https://googleweblight.com/?lite_url=https://m.rbi.org.in/Scripts/NotificationUser.aspx%3FId%3D2669%26Mode%3D0&lc=en-IN&s=1&m=23&host=www.google.co.in&ts=1498484508&sig=ALNZjWnoizzbo3z4lFdZWo94vU3Y3IKdTw) and converted into BSBDA in compliance with the guidelines issued in [circular RPCD.CO.RRB.RCB.BC.No.24/07.38.01/2012-13 dated August 22, 2012](https://googleweblight.com/?lite_url=https://m.rbi.org.in/Scripts/NotificationUser.aspx%3FId%3D7519%26Mode%3D0&lc=en-IN&s=1&m=23&host=www.google.co.in&ts=1498484508&sig=ALNZjWnEhctOSxnePmdMtbATgcvLjJzZag) as well as fresh accounts opened under the said circular should be treated as BSBDA. Accounts enjoying additional facilities under the reasonable pricing structure for value added services, exclusively for BSBDA customers should not be treated as BSBDAs.  **2. Query**  Whether the guidelines issued on ‘no-frills’ account with 'nil' or very low minimum balances will continue even after the introduction of ‘Basic Savings Bank Deposit Account’?  **Response**  No. In supersession of instructions contained in [circular RPCD.RF.BC.54/07.38.01/2005-06 dated December 13, 2005](https://googleweblight.com/?lite_url=https://m.rbi.org.in/Scripts/NotificationUser.aspx%3FId%3D2662%26Mode%3D0&lc=en-IN&s=1&m=23&host=www.google.co.in&ts=1498484508&sig=ALNZjWlSPwqgm1mRpxdxNvatEFS9kNh8Jg) and [RPCD.CO.No.RRB.BC.58/03.05.33(F)/2005-06 dated December 27, 2005](https://googleweblight.com/?lite_url=https://m.rbi.org.in/Scripts/NotificationUser.aspx%3FId%3D2669%26Mode%3D0&lc=en-IN&s=1&m=23&host=www.google.co.in&ts=1498484508&sig=ALNZjWnoizzbo3z4lFdZWo94vU3Y3IKdTw) on No Frill accounts, banks have now been advised to offer a 'Basic Savings Bank Deposit Account' to all their customers vide [RPCD.CO.RRB.RCB.BC.No.24/07.38.01/2012-13 dated August 22, 2012](https://googleweblight.com/?lite_url=https://m.rbi.org.in/Scripts/NotificationUser.aspx%3FId%3D7519%26Mode%3D0&lc=en-IN&s=1&m=23&host=www.google.co.in&ts=1498484508&sig=ALNZjWnEhctOSxnePmdMtbATgcvLjJzZag) which will offer minimum common facilities as stated therein. Banks are required to convert the existing 'no-frills' accounts’ into 'Basic Savings Bank Deposit Accounts'.  **3. Query**  Can an Individual have any number of 'Basic Savings Bank Deposit Account' in one bank?  **Response**  No. An individual is eligible to have only one 'Basic Savings Bank Deposit Account' in one bank.  **4. Query**  Whether a 'Basic Savings Bank Deposit Account' holder can have any other saving account in that bank ?  **Response**  Holders of 'Basic Savings Bank Deposit Account' will not be eligible for opening any other savings account in that bank. If a customer has any other existing savings account in that bank, he / she will be required to close it within 30 days from the date of opening a 'Basic Savings Bank Deposit Account'.  **5. Query**  Can an individual have other deposit accounts where one holds 'Basic Savings Bank Deposit Account’?  **Response**  Yes. One can have Term/Fixed Deposit, Recurring Deposit etc., accounts in the bank where one holds 'Basic Savings Bank Deposit Account'.  **6. Query**  Whether the ‘Basic Savings Bank Deposit Account’ can be opened by only certain types of individuals like poor and weaker sections of the population?  **Response**  No. The 'Basic Savings Bank Deposit Account' should be considered as a normal banking service available to all customers, through branches.  **7. Query**  Whether there are any restrictions like age, income, amount etc criteria for opening BSBDA by banks for individuals?  **Response**  No. Banks are advised not to impose restrictions like age and income criteria of the individual for opening BSBDA.  **8. Query**  Is the 'Basic Savings Bank Deposit Account' a part of the Financial Inclusion plans of banks?  **Response**  The aim of introducing 'Basic Savings Bank Deposit Account' is very much part of the efforts of RBI for furthering Financial Inclusion objectives. All the accounts opened earlier as 'no-frills' account vide RPCD Circular dated [RPCD.RF.BC.54/07.38.01/2005-06 dated December 13, 2005](https://googleweblight.com/?lite_url=https://m.rbi.org.in/Scripts/NotificationUser.aspx%3FId%3D2662%26Mode%3D0&lc=en-IN&s=1&m=23&host=www.google.co.in&ts=1498484508&sig=ALNZjWlSPwqgm1mRpxdxNvatEFS9kNh8Jg) and [RPCD.CO.No.RRB.BC.58/03.05.33(F)/2005-06 dated December 27, 2005](https://googleweblight.com/?lite_url=https://m.rbi.org.in/Scripts/NotificationUser.aspx%3FId%3D2669%26Mode%3D0&lc=en-IN&s=1&m=23&host=www.google.co.in&ts=1498484508&sig=ALNZjWnoizzbo3z4lFdZWo94vU3Y3IKdTw) should be renamed as BSBDA as per the instructions contained in paragraph 2 of our [Circular RPCD.CO.RRB.RCB.BC.No.24/07.38.01/2012-13 dated August 22, 2012](https://googleweblight.com/?lite_url=https://m.rbi.org.in/Scripts/NotificationUser.aspx%3FId%3D7519%26Mode%3D0&lc=en-IN&s=1&m=23&host=www.google.co.in&ts=1498484508&sig=ALNZjWnEhctOSxnePmdMtbATgcvLjJzZag) and all the new accounts opened since the issue of our circular RPCD.CO.RRB.RCB.BC.No.24 dated August 22, 2012 should be reported under the monthly report of the progress of Financial Inclusion plans submitted by banks to RPCD, CO.  **9. Query**  What are KYC norms applicable to BSBDA accounts? Are there any relaxations in KYC norms for BSBDAs?  **Response**  The 'Basic Savings Bank Deposit Account' would be subject to provisions of PML Act and Rules and RBI instructions on Know Your Customer (KYC) / Anti-Money Laundering (AML) for opening of bank accounts issued from time to time. BSBDA can also be opened with simplified KYC norms. However, if BSBDA is opened on the basis of Simplified KYC, the accounts would additionally be treated as “BSBDA-Small account” and would be subject to the conditions stipulated for such accounts as indicated in our [circulars RPCD.CO.RCB.AML.BC.No.63/07.40.00/2010-11 dated April 26, 2011](https://googleweblight.com/?lite_url=https://m.rbi.org.in/Scripts/NotificationUser.aspx%3FId%3D6359%26Mode%3D0&lc=en-IN&s=1&m=23&host=www.google.co.in&ts=1498484508&sig=ALNZjWkQsfs9-G7sODosHVqjn2LkANRRxw) and [RPCD.CO.RRB.AML.BC.No.15/03.05.33(E)/2011-12 dated August 8, 2011](https://googleweblight.com/?lite_url=https://m.rbi.org.in/Scripts/NotificationUser.aspx%3FId%3D6663%26Mode%3D0&lc=en-IN&s=1&m=23&host=www.google.co.in&ts=1498484508&sig=ALNZjWlci-CxJph4PmDebCDjNkqqX1rqmQ).  **10. Query**  Can I have a ‘Small Account’ in ABC Bank as per the Government of India Notification No.14/2010/F.No.6/2/2007-E.S. dated December 16, 2010. Can I have additionally a 'Basic Savings Bank Deposit Account’?  **Response**  No, the BSBDA customer cannot have any other savings bank account in the same bank. If 'Basic Savings Bank Deposit Account’ is opened on the basis of simplified KYC norms, the account would additionally be treated as a 'Small Account' and would be subject to conditions stipulated for such accounts as indicated in our [circulars RPCD.CO.RCB.AML.BC.No.63/07.40.00/2010-11 dated April 26, 2011](https://googleweblight.com/?lite_url=https://m.rbi.org.in/Scripts/NotificationUser.aspx%3FId%3D6359%26Mode%3D0&lc=en-IN&s=1&m=23&host=www.google.co.in&ts=1498484508&sig=ALNZjWkQsfs9-G7sODosHVqjn2LkANRRxw) and [RPCD.CO.RRB.AML.BC.No.15/03.05.33(E)/2011-12 dated August 8, 2011](https://googleweblight.com/?lite_url=https://m.rbi.org.in/Scripts/NotificationUser.aspx%3FId%3D6663%26Mode%3D0&lc=en-IN&s=1&m=23&host=www.google.co.in&ts=1498484508&sig=ALNZjWlci-CxJph4PmDebCDjNkqqX1rqmQ) on 'Opening of Small Account.'  **11. Query**  What are the conditions stipulated for accounts which are additionally to be treated as ‘BSBDA-Small Account’?  **Response**  As notified in terms of Govt. of India notification dated December 16, 2010, BSBDA-Small Accounts would be subject to the following conditions:  i. Total credits in such accounts should not exceed one lakh rupees in a year.  ii. Maximum balance in the account should not exceed fifty thousand rupees at any time  iii. The total of debits by way of cash withdrawals and transfers will not exceed ten thousand rupees in a month  iv. Foreign remittances cannot be credited to Small Accounts without completing normal KYC formalities  v. Small accounts are valid for a period of 12 months initially which may be extended by another 12 months if the person provides proof of having applied for an Officially Valid Document.  vi. Small Accounts can only be opened at CBS linked branches of banks or at such branches where it is possible to manually monitor the fulfillments of the conditions  **12. Query**  What kinds of services are available free in the 'Basic Savings Bank Deposit Account’?  **Response**  The services available free in the 'Basic Savings Bank Deposit Account’ will include deposit and withdrawal of cash; receipt / credit of money through electronic payment channels or by means of deposit / collection of cheques at bank branches as well as ATMs.  **13. Query**  Is there requirement of any initial minimum deposit while opening a BSBDA as per the circular dated August 22, 2012?  **Response**  There is no requirement for any initial deposit for opening a BSBDA.  **14. Query**  Whether banks are free to offer more facilities than those prescribed for ‘Basic Savings Bank Deposit Account’?  **Response**  Yes. However, the decision to allow services beyond the minimum prescribed has been left to the discretion of the banks who can either offer additional services free of charge or evolve requirements including pricing structure for additional value-added services on a reasonable and transparent basis to be applied in a non-discriminatory manner with prior intimation to the customers. Banks are required to put in place a reasonable pricing structure for value added services or prescribe minimum balance requirements which should be displayed prominently and also informed to the customers at the time of account opening. Offering such additional facilities should be non - discretionary, non-discriminatory and transparent to all ‘Basic Savings Bank Deposit Account’ customers. However such accounts enjoying additional facilities will not be treated as BSBDAs.  **15. Query**  If BSBDA customers have more than 4 withdrawals and request for cheque book at additional cost, will it cease to be a BSBDA?  **Response**  Yes. Please refer to response to the above query (Query No.14). However, if the bank does not levy any additional charges and offers more facilities free than those prescribed under BDBDA a/cs without minimum balance then such accounts can be classified as BSBDA.  **16. Query**  Whether the existing facility available in a normal saving bank account of five free withdrawals in a month in other banks' ATMs as per IBA (DPSS) instructions will hold good for BSBDA?  **Response**  No. In BSBDA, banks are required to provide free of charge minimum four withdrawals, through ATMs and other mode including RTGS/NEFT/Clearing/Branch cash withdrawal/transfer/internet debits/standing instructions/EMI etc. It is left to the banks to either offer free or charge for additional withdrawal/s. However, in case the banks decide to charge for the additional withdrawal, the pricing structure may be put in place by banks on a reasonable, non-discriminatory and transparent manner by banks.  **17. Query**  Are the banks free to levy Annual ATM Debit Card charges?  **Response**  Banks should offer the ATM Debit Cards free of charge and no Annual fee should be levied on such Cards.  **18. Query**  Whether Balance enquiry in ATMs also should be counted within the four withdrawals permitted under BSBDA?  **Response**  Balance enquiry through ATMs should not be counted in the four withdrawals allowed free of charge at ATMs.  **19. Query**  If a customer of BSBDA agrees not to have ATM Debit card should the bank give ATM debit card by force?  **Response**  ATM debit cards may be offered at the time of opening BSBDA and issued if the customer requests for the same in writing. Banks need not force ATM debit cards on such customers.  **20. Query**  What about customers who are illiterate or old who may not be in a position to safe keep and use the ATM debit card and PIN associated with it?  **Response**  Banks while opening the BSBDA should educate such customers about the ATM Debit Card, ATM PIN and risk associated with it. However, if customer chooses not to have ATM Debit Card banks need not force ATM debit cards on such customers. If, however, customer opts to have an ATM Debit Card, banks should provide the same to BSBDA holders through safe delivery channels by adopting the same procedure which they have been adopting for delivery of ATM Debit Card and PIN to their other customers.  **21. Query**  Whether Passbooks are also to be offered free to BSBDA holders?  **Response**  Yes. BSBDA holders should be offered passbook facility free of charge in line with our instructions contained in [circulars RPCD.CO.RF.BC.28/07.40.06/2006-07 dated October 11, 2006](https://googleweblight.com/?lite_url=https://m.rbi.org.in/Scripts/NotificationUser.aspx%3FId%3D3122%26Mode%3D0&lc=en-IN&s=1&m=23&host=www.google.co.in&ts=1498484508&sig=ALNZjWlGXK5B7xDRajia39-zy8X_-xVOcg) and [RPCD.CO.RRB.BC.No.29/03.05.28-A/2006-07 dated October 13, 2006](https://googleweblight.com/?lite_url=https://m.rbi.org.in/Scripts/NotificationUser.aspx%3FId%3D3123%26Mode%3D0&lc=en-IN&s=1&m=23&host=www.google.co.in&ts=1498484508&sig=ALNZjWn4X7oyfybwT4mH1f2uzMnE_SY31g).  **22. Query**  If a customer opens a BSBDA but does not close his existing Savings Bank Account within 30 days, are banks then free to close such savings bank accounts?  **Response**  While opening the BSBDA customers’ consent in writing be obtained that his existing non-BSBDA Savings Banks accounts will be closed after 30 days of opening BSBDA and banks are free to close such accounts after 30 days.  **23. Query**  In certain accounts like NREGA where disbursements are made weekly and if a month has five weeks, it may result in more than four withdrawals. In such cases can banks permit five withdrawals?  **Response**  In BSBDA, banks are required to provide free of charge minimum four withdrawals, including through ATM and other mode. Beyond four withdrawals, it is left to discretion of the banks to either offer free or charge for additional withdrawal/s. However pricing structure may be put in place by banks on a reasonable, non-discretionary, non-discriminatory and transparent manner by banks.  **24. Query**  What is the prescribed rate of interest payable on balances in such ‘Basic Savings Bank Deposit Account’?  **Response**  Our instructions contained in [circular RPCD.CO.RRB.BC.No.57/03.05.33/2011-12 dated January 30, 2012](https://googleweblight.com/?lite_url=https://m.rbi.org.in/Scripts/NotificationUser.aspx%3FId%3D6971%26Mode%3D0&lc=en-IN&s=1&m=23&host=www.google.co.in&ts=1498484508&sig=ALNZjWneCxfwU1zJYR6dF0KGilg_fQkTtw) on Deregulation of Savings Bank Deposit Interest Rate, are applicable to deposits held in ‘Basic Savings Bank Deposit Account’.  **25. Query**  In terms of RBI [circular DPSS.CO.CHD.No.274/03.01.02/2012-13 dated August 10, 2012](https://googleweblight.com/?lite_url=https://m.rbi.org.in/Scripts/NotificationUser.aspx%3FId%3D7500%26Mode%3D0&lc=en-IN&s=1&m=23&host=www.google.co.in&ts=1498484508&sig=ALNZjWlpN_2gGr-K6y0tAobxIW-pFJ4mFg), if 'payable at par' / 'multi-city' cheques are issued to BSBDA customers based on their request, can banks prescribe minimum balance requirements?  **Response**  BSBDA does not envisage cheque book facility in the minimum facilities that it should provide to BSBDA customers. They are free to extend any additional facility including cheque book facility free of charge (in which case the account remains BSBDA) or charge for the additional facilities (in which case the account is not BSBDA).  **26. Query**  What is the time frame available to banks for converting 'No-Frills' Account as Basic Savings Bank Deposit Account? What is the time frame available to banks for issuing ATM Cards to all the existing Basic Savings Bank Deposit Account holders?  **Response**  All the existing 'No-Frill' accounts may be treated as BSBDA accounts from the date of the circular i.e., August 22, 2012 and banks may offer the prescribed facilities as per the circular such as issuing ATM card etc., to the existing ‘No-Frill’ account holders as and when the customer approaches the bank. However, for customers opening new accounts after the issue of our circular should be provided with the prescribed facilities immediately on opening of the account.  **27. Query**  Whether the normal saving bank account can be converted into BSBDA at the request of customer?  **Response**  Yes. Such customers should give their consent in writing and they should be informed of the features and extent of services available in BSBDAs. | |
| **Payment of Pension to Government Pensioners** |
| |  | | --- | | **Updated as on June 01, 2015**  **Scheme for Payment of Pension to Government Pensioners by Authorised Banks**  The Reserve Bank of India (the Reserve Bank) oversees disbursement of pension by its agency banks in respect of all Central Government Departments and some State Governments. In the process, it receives queries/complaints from pensioners in regard to fixation, calculation and payment of pension including revision of pension/Dearness Relief, transfer of pension account from one bank branch to another, etc. The Reserve Bank has analysed the queries/complaints, and put them in the form of answers to Frequently Asked Questions here. It is hoped that these will cover most of the queries/ doubts in the minds of pensioners.  **1. Can the pensioner draw his/ her pension through a bank branch?**  Yes. Even the Government employees earlier drawing their pension from a treasury or from a post office have the option to draw their pension from the authorized bank’s branches.  **2. Who is the pension sanctioning authority?**  The Ministry/ Department /Office where the Government servant last served is the pension sanctioning authority. The pension fixation is made by such authority for the first time and thereafter the refixation of pay, if any, is done by the pension paying bank based on the instructions from the concerned Central/ State Government authority.  **3. Is it necessary for the pensioner to open a separate pension account for the purpose of crediting his/ her pension in authorized bank?**  The pensioner is not required to open a separate pension account. The pension can be credited to his/her existing savings/ current account maintained with the branch selected by the pensioner.  **4. Can a pensioner open a Joint Account with his/ her spouse?**  Yes. All pensioners of the Central Government Pensioners and those State Governments which have accepted such arrangement can open Joint Account with their spouses.  **5. Whether Joint Account of the pensioner with spouse can be operated either by ''Former or Survivor" or "Either or Survivor".**  The Joint Account of the pensioner with spouse can be operated either as ‘‘Former or Survivor" or “Either or Survivor".  **6. Whether a Joint Account can be continued for family pension after death of a pensioner?**  Yes, the banks should not insist on opening of a new account in case of Central Government pensioner if the spouse in whose favour an authorization for family pension exists in the Pension Payment Order (PPO) is the survivor and the family pension should be credited to the existing account without opening a new account by the family pensioner for this purpose.  **7. What is the minimum balance required to be maintained in the pension account maintained with the banks?**  RBI has not stipulated any minimum balance to be maintained in pension accounts by the pensioners. Individual banks have framed their own rules in this regard. However, some banks have also permitted zero balance in the pensioners’ accounts.  **8. Who sends the Pension Payment Orders (PPOs) to the authorized bank branch?**  The concerned pension sanctioning authorities in the Ministries /Departments/ State Governments forward the PPOs to bank branches wherefrom the pensioner desires to draw his/her pension. However, on implementation of CPPCs, pension sanctioning authorities have gradually started sending PPOs to the CPPC of the bank instead of bank branch.  **9. When is the pension credited to the pensioner's account by the paying branch?**  The disbursement of pension by the paying branch is spread over the last four working days of the month depending on the convenience of the pension paying branch except for the month of March when the pension is credited on or after the first working day of April.  **10. Can a pensioner transfer his/ her pension account from one branch to another branch of the same bank or to the branch of another bank?**  (a) Pensioner can transfer his/ her pension account from one branch to another branch of the same bank within the same centre or at a different centre;  (b) He/ She can transfer his/ her account from one authorized bank to another within the same centre (such transfers to be allowed only once in a year);  (c) He/ She can also transfer his/ her account from one authorized bank to another authorized bank at a different centre.  **11. What is the procedure for payment of pension in the case of the transfer of PPO to another branch or bank, as the case may be?**  Pension will be paid for three months on the basis of the photocopy of the pensioner’s PPO at the transferee (new) branch from the date of the last payment made at the transferor (old) branch. Both the branches (old and new) are required to ensure that all the required documents are received by the transferee branch within these three months.  **12. Is it necessary for the pensioner to be present at the branch of the bank along with documents for the purpose of identification before commencement of pension?**  Yes. Before the commencement of pension, a pensioner has to be present at the paying branch for the purpose of identification. The paying branch shall obtain the specimen signatures or the thumb/toe impression from the pensioner.  **13. What is the procedure to be followed by the bank branch if the pensioner is handicapped /incapacitated and is not in a position to be present at the paying branch?**  If the pensioner is physically handicapped/incapacitated and unable to be present at the branch, the requirement of personal appearance is waived. In such cases, the bank official visits the pensioner’s residence/hospital for the purpose of identification and obtaining specimen signature or thumb/toe impression.  **14. Has the pensioner got right to retain half portion of the PPO for record and to get it updated from paying branch whenever there is a change in the quantum of pension due to revision in basic pension, dearness relief, etc.?**  Yes. The pensioner has right to retain half portion of the PPO for record and whenever there is a revision in the basic pension/Dearness Relief (DR), etc. the paying branch has to call for the pensioner's half of the PPO and record thereon the changes according to government orders/notifications and return the same to the pensioner.  **15. Whether the paying branch has to maintain a detailed record of pension payments made by it in the prescribed form?**  Yes. The pension paying branch is required to maintain a detailed record of pension payments made by it from time to time in the prescribed form duly authenticated by the authorized officer.  **16. Can the pension paying bank recover the excess amount credited to the pensioner’s account?**  Yes. The paying branch before commencement of pension obtains an undertaking from the pensioner in the prescribed form for this purpose and, therefore, can recover the excess payment made to the pensioner's account due to delay in receipt of any material information or due to any bonafide error. The bank also has the right to recover the excess amount of pension credited to the deceased pensioner’s account from his/her legal heirs/nominees.  **17. Question: Is it compulsory for a pensioner to furnish a Life Certificate/Non-Employment Certificate or Employment Certificate to the bank in the month of November? If so, how can this requirement be complied with?**  **Answer:** Yes. The pensioner is required to furnish a Life Certificate / Non – Employment Certificate or Employment Certificate to the bank in the prescribed format in the month of November every year to ensure continued receipt of pension without interruption. The pensioner can also present himself / herself at any branch of the pension paying bank for being identified for issue of life certificate. In case a pensioner is unable to obtain a Life Certificate on account of serious illness / incapacitation, bank official will visit his / her residence / hospital for the purpose of obtaining the life certificate.  There have been complaints that life certificates submitted over the counter of pension paying branches are misplaced causing delay in payment of monthly pensions. In order to alleviate the hardships faced by pensioners, agency banks were instructed to mandatorily issue duly signed acknowledgements. They were also requested to consider entering the receipt of life certificates in their CBS and issue a system generated acknowledgement which would serve the twin purpose of acknowledgement as well as real time updation of records.  A pensioner having Aadhar number can alternatively submit Jeevan Pramaan, a digital life certificate introduced by the Government of India. For obtaining this, he / she will have to enrol and biometrically authenticate himself / herself by downloading the application generating digital life certificate from the website jeevanpramaan.gov.in or other means described on the website. Once digital life certificates in the form of Jeevan Pramaan are fully implemented, pension paying branches will be able to obtain information about the digital life certificate of their pensioner customers by logging on to the website of Jeevan Pramaan and searching for the certificate or by downloading through their Core Banking Systems. Pensioners will also be able to forward to their bank branches by email/sms the relative link to their digital life certificate.  **18. Can a pensioner be allowed to operate his/ her account by the holder of Power of Attorney?**  The account is not allowed to be operated by a holder of Power of Attorney. However, the cheque book facility and acceptance of standing instructions for transfer of funds from the account is permissible.  **19. Who is responsible for deduction of Income Tax at source from pension payment?**  The pension paying bank is responsible for deduction of Income Tax from pension amount in accordance with the rates prescribed by the Income Tax authorities from time to time. While deducting such tax from the pension amount, the paying bank will also allow deductions on account of relief to the pensioner available under the Income Tax Act. The paying branch, in April each year, will also issue to the pensioner a certificate of tax deduction as per the prescribed form. If the pensioner is not liable to pay Income Tax, he should furnish to the pension paying branch, a declaration to that effect in the prescribed form (15 H).  **20. Can old, sick physically handicapped pensioner who is unable to sign, open pension account or withdraw his/ her pension from the pension account?**  A pensioner, who is old, sick or lost both his/her hands and, therefore, cannot sign, can put any mark or thumb/ toe impression on the form for opening of pension account. While withdrawing the pension amount he/she can put thumb/toe impression on the cheque/withdrawal form and it should be identified by two independent witnesses known to the bank one of whom should be a bank official.  **21. Can a pensioner withdraw pension from his/ her account when he/she is not able to sign or put thumb/toe impression or unable to be present in the bank?**  In such cases, a pensioner can put any mark or impression on the cheque/ withdrawal form and may indicate to the bank as to who would withdraw pension amount from the bank on the basis of cheque/withdrawal form. Such a person should be identified by two independent witnesses. The person who is actually drawing the money from the bank should be asked to furnish his/her specimen signature to the bank.  **22. When does the family pension commence?**  The family pension commences after the death of the pensioner. The family pension is payable to the person indicated in the PPO on receipt of a death certificate and application from the nominee.  **23. How the payment of Dearness Relief at revised rate is to be paid to the pensioners?**  Whenever any additional relief on pension/family pension is sanctioned by the Government, the same is intimated to the agency banks for issuing suitable instructions to their pension paying branches for payment of relief at the revised rates to the pensioners without any delay. The orders issued by Government Departments are also hosted on their websites and banks have been advised to watch the latest instructions on the website and act accordingly without waiting for any further orders from RBI in this regard.  **24. Can pensioners get pension slips?**  Yes. As decided by the Central Government (Civil, Defence & Railways), pension paying banks have been advised to issue pension slips to the pensioners in prescribed form when the pension is paid for the first time and thereafter whenever there is a change in quantum of pension due to revision in basic pension or revision in Dearness Relief.  **25. Which authority the pensioner should approach for redressal of his/ her grievances?**  A pensioner can initially approach the concerned Branch Manager and, thereafter, the Head Office of the concerned bank for redressal of his/her complaint. They can also approach the Banking Ombudsman of the concerned State in terms of Banking Ombudsman Scheme 2006 of the Reserve Bank of India (details available at the Bank’s website [www.rbi.org.in](https://googleweblight.com/?lite_url=https://m.rbi.org.in/&lc=en-IN&s=1&m=23&host=www.google.co.in&ts=1498484509&sig=ALNZjWnteCO31j0O_0AkPicIAMPphEvG6A)) This is applicable only in respect of complaints relating to **services** rendered by banks. For other issues, the complainant will have to approach the respective pension sanctioning authority.  **26. Where can a pensioner get information about the changes in the pension/Dearness Relief or any pension related issue?**  The pensioner can visit the Official Website of the concerned Government Department as also Reserve Bank of India Website ([www.rbi.org.in](https://googleweblight.com/?lite_url=https://m.rbi.org.in/&lc=en-IN&s=1&m=23&host=www.google.co.in&ts=1498484509&sig=ALNZjWnteCO31j0O_0AkPicIAMPphEvG6A)) to get the information about pension related issues.  **27. Whether a pensioner is entitled for any compensation from the agency banks for delayed credit of pension/ arrears of pension?**  Yes. A Pensioner is entitled for compensation for delayed credit of pension/arrears thereof at the fixed rate 8% and the same would be credited to the pensioner's account automatically by the bank on the same day when the bank affords delayed credit of such pension / arrears etc without any claim from the pensioner.  *These FAQs are issued by the Reserve Bank of India (The Reserve Bank) for information and general guidance purposes only. The Reserve Bank will not be held responsible for actions taken and/or decisions made on the basis of the same. For clarifications or interpretations, if any, readers are requested to be guided by the relevant circulars and notifications issued from time to time by the Reserve Bank and the Government.* | |
| **Senior Citizens Savings Scheme, 2004** |
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Tax will be deducted at source. | | **Investment to be in multiples of** | `1000/- | | **Maximum investment limit** | ` 15 lakh | | **Minimum eligible age for investment** | 60 years (55 years for those who have retired on superannuation or under a voluntary or special voluntary scheme). The retired personnel of Defence Services (excluding Civilian Defence Employees) will be eligible to invest irrespective of the age limits subject to the fulfillment of other specified conditions | |  |  | | **Premature closure/withdrawal facility** | Permitted after one year of opening the account but with penalty. | | **Transferability** | Not transferable | | **Tradability** | Not tradable | | **Nomination facility** | Nomination facility is available. | | **Modes of holding** | Accounts can be held both in single and joint holding modes. Joint holding is allowed only with spouse. | | **Application forms available with** | Post Offices and designated branches of 24 Nationalised banks and one private sector bank | | **Applicability to NRI, PIO and HUFs** | Non Resident Indians (NRIs), Persons of Indian Origin (PIO) and Hindu Undivided Family (HUF) are not eligible to open an account under the Scheme. | | **Transfer from one deposit office to another** | Transfer of account from one deposit office to another is permitted. |   **2.** **Can a joint account be opened under the scheme with any person?**  Joint account under the SCSS, 2004 can be opened only with the spouse. [Rule 3 (3)]  **3.** **What should be the age of the spouse in case of a joint account?**  In case of a joint account, the age of the first applicant / depositor is the only factor to decide the eligibility to invest under the scheme. There is no age bar/limit for the second applicant / joint holder (i.e. spouse). [Rule 3 (3)]  **4.** **What will be the share of the joint account holder in the deposit in an account?**  The whole amount of investment in an account under the scheme is attributed to the first applicant / depositor only. As such, the question of any share of the second applicant / joint account holder (i.e. spouse) in the deposit account does not arise. [Rule 3 (3)]  **5.** **Whether both the spouses can open separate accounts in their individual capacity with separate limit of Rs.15 lakh for each of them?**  Both the spouses can open individual and / or joint accounts with each other with the maximum deposits up to Rs.15 lakh each, provided both are individually eligible to invest under relevant provisions of the Rules governing the Scheme. (Rules 3 and 4 )  **6.** **Whether any income tax rebate / exemption is admissible?**  No income tax / wealth tax rebate is admissible under the Scheme. The prevailing Income Tax provisions shall apply. (GOI letter F. No.2/8/2004/NS-II dated October 13, 2004)  **7. Is TDS applicable to the scheme?**  Yes, TDS is applicable to the Scheme as interest payments have not been exempted from deduction of tax at source. (GOI letter F. No.2/8/2004/NS-II dated March 28, 2006)  **8. Whether any minimum limit has been prescribed for deduction of tax at source?**  Tax is to be deducted at source as per the minimum limit prescribed by the Government.  **9. What is the rate at which TDS is to be deducted from the account holder?**  The rate for TDS for a financial year is specified in Part II of Schedule I of the Finance Act for that year. (GOI letter F. No.2/8/2004/NS-II dated June 06, 2006)  **10. Whether TDS should also be recovered from the undrawn interest payable to the legal heirs of the deceased depositors?**  Tax shall be deducted at source even from any interest paid / payable to the legal heir of the account holder. (GOI letter F. No.2/8/2004/NS-II dated June 06, 2006)  **11.** **Whether TDS on interest payments will be applicable with retrospective effect or prospective basis?**  TDS is applicable from the very first day when SCSS, 2004 was made operational regardless of the fact that the Central Government or Reserve Bank of India or any authority might have issued any Notification / circular / clarification at a later stage. (GOI letter F. No.2/8/2004/NS-II dated June 06, 2006)  **12.** **Whether only one person or number of persons can be nominated in the accounts opened under the Scheme?**  The depositor may, at the time of opening of the account, nominate a person or persons who, in the event of death of the depositor, will be entitled to payment due on the account. [Rule 6 (1)]  **13.** **Can a nomination be made after the account has already been opened?**  Yes, nomination may be made by the depositor at any time after opening of the account but before its closure, by an application in Form C accompanied by the Pass book to the deposit office. [Rule 6 (2)]  **14.** **Can a nomination be cancelled or changed?**  Yes, the nomination made by the depositor may be cancelled or varied by submitting a fresh nomination in Form C to the deposit office where the account is being maintained. [Rule 6 (3)]  **15.** **Can nomination be made in joint account also?**  Nomination can be made in joint account also. In such a case, the joint holder will be the first person entitled to receive the amount payable in the event of death of the depositor. The nominee’s claim will arise only after the death of both the joint holders. [Rule 6 (4)]  **16. Can a person holding a Power of Attorney sign for the nominee in the nomination form ?**  No, a person holding a Power of Attorney cannot sign for the nominee in the nomination form. (GOI letter No. F.15/8/2005/NS-II dated March 02, 2006)  **17. In case of a joint account, if the first holder / depositor expires before maturity, can the account be continued?**  In case of a joint account, if the first holder / depositor expires before the maturity of the account, the spouse may continue the account on the same terms and conditions as specified under the SCSS Rules. However, if the second holder i.e. spouse has his / her own individual account, the aggregate of his/her individual account and the deposit amount in the joint account of the deceased spouse should not be more than the prescribed maximum limit. In case the maximum limit is breached, then the remaining amount shall be refunded, so that the aggregate of the individual account and deceased spouse’s joint account is maintained at the maximum limit. [Rules 6 (4) and 8 (3)]  **18. What happens to the accounts if both the spouses are maintaining individual accounts and not any joint account and one of them expires?**  If both the spouses have opened separate accounts under the scheme and either of the spouses dies during the currency of the account(s), the account(s) standing in the name of the deceased depositor/spouse shall not be continued and such account(s) shall be closed. The account can be closed by making an application in Form ‘F’. Annexures II & III to Form ‘F’ can be attested by the Oath Commissioner or Notary Public [Rule 8].  **19.** **Whether any fee has been prescribed for nomination and / or change / cancellation of nomination?**  No fee has been prescribed for nomination and / or change / cancellation of nomination(s) in the accounts under the SCSS, 2004. (GOI letter F. No.2/8/2004/NS-II dated October 13, 2004)  **20. What is the age limit in the case of retired Defence Personnel for investment in the scheme?**  The retired personnel of Defence Services (excluding Civilian Defence Employees) will be eligible to subscribe under the scheme irrespective of the age limit of 60 years subject to the fulfillment of other specified conditions. (The Senior Citizens Savings Scheme (Amendment) Rules, 2004 notified on October 27, 2004)  **21**. **What is the meaning of ‘retirement benefits’ for the purpose of SCSS, 2004?**  "Retirement benefits" for the purpose of SCSS Rules have been defined as 'any payment due to the depositor on account of retirement whether on superannuation or otherwise and includes Provident Fund dues, retirement / superannuation gratuity, commuted value of pension, cash equivalent of leave, savings element of Group Savings linked Insurance scheme payable by employer to the employee on retirement, retirement-cum-withdrawal benefit under the Employees’ Family Pension Scheme and ex-gratia payments under a voluntary retirement scheme'. (Rule 2 (a) of the Senior Citizens Savings Scheme (Amendment) Rules, 2004 notified on October 27, 2004)  **22. Can deposits under the SCSS scheme be made only from amounts received as retirements benefits?**  In case an investor has attained the age of 60 years and above, the source of amount being invested is immaterial [Rule 2 (d)(i)]. However, if the investor is 55 years or above but below 60 years and has retired under a voluntary scheme or a special voluntary scheme or has retired from the Defence services, only the retirement benefits can be invested in the SCSS. [Rule 2(d) (ii)].  **23. Is there a period prescribed for opening deposit account under the SCSS scheme, by the senior citizen, from the retirement benefits?**  If the investor is 60 years and above, there is no time period prescribed for opening the SCSS account(s). However for those below 60 years, following time limits have been prescribed.  (a) the persons who have attained the age of 55 years or more but less than 60 years and who retired under a voluntary retirement scheme or a special voluntary retirement scheme on the date of opening of an account under these rules, subject to the condition that the account is opened by such individual **within three months of the date of retirement**.  (b) the persons who have retired at any time before the commencement of these rules and attained the age of 55 years or more on the date of opening of an account under these rules, will also be eligible to subscribe under the scheme **within a period of one month of the date of the notification of the SCSS, 2004 i.e. 27th October 2004,** subject to fulfillment of other conditions. [Rule 2 of the Senior Citizens Savings Scheme (Amendment) Rules, 2004]  (c) the retired personnel of Defence Services (excluding Civilian Defence Employees) will be eligible to subscribe under the scheme **irrespective of the above age limits** subject to the fulfillment of other specified conditions. [Rule 2 of the Senior Citizens Savings Scheme (Amendment ) Rules, 2004]  **24. Can an account holder obtain loan by pledging the deposit / account under the SCSS, 2004?**  The facility of pledging the deposit / account under the SCSS, 2004 for obtaining loans, is not permitted since the account holder will not be able to withdraw the interest amount periodically, defeating the very purpose of the scheme. (GOI letter F. No.2/8/2004/NS-II dated May 31, 2005)  **25.** **Is premature withdrawal of the deposits from the accounts under the SCSS, 2004 permitted?**  Premature withdrawal / closure of the deposits from the accounts under the SCSS, 2004 has been permitted after completion of one year from the date of opening of the account after deducting the penalty amount as given below.  (i) If the account is closed after one year but before expiry of two years from the date of opening of the account, an amount equal to one and half per cent of the deposit shall be deducted.  (ii) If the account is closed on or after the expiry of two years from the date of opening of the account, an amount equal to one per cent of the deposit shall be deducted.  However, if the depositor is availing the facility of extension of account under Rule 4 (3), then he/she can withdraw the deposit and close the account at any time after the expiry of one year from the date of extension of the account without any deduction. [Rule 9 (1) (a) (b) and (2)]  **26. Are Non-resident Indians, Persons of Indian Origin and Hindu Undivided Family eligible to invest in the SCSS, 2004?**  Non resident Indians (NRIs), Persons of Indian Origin (PIO) and Hindu Undivided Family (HUF) are not eligible to invest in the accounts under the SCSS, 2004. If a depositor becomes a Non-resident Indian subsequent to his/her opening the account and during the currency of the account under the SCSS Rules, the account may be allowed to continue till maturity, on a non-repatriation basis and the account will be marked as a Non-Resident account. [Rule 13 and GOI letter F.No.2/8/2004/NS-II dated June 19, 2006)  **27.** **Can an account be transferred from one deposit office to another?**  A depositor may apply in Form G, enclosing the Pass Book thereto, for transfer of his account from one deposit office to another. If the deposit amount is rupees one lakh or above, a transfer fee of rupees five per lakh of deposit for the first transfer and rupees ten per lakh of deposit for the second and subsequent transfers shall be payable. [Rule 11 and GOI Notification GSR.(E) dated March 23, 2006)  **28.** **Can an SCSS account be extended?**  A depositor may extend the account for a further period of three years by making an application to the deposit office within a period of one year after maturity.  **29. Does an account, which is not extended on maturity, earn any interest?**  In case a depositor does not close the account on maturity and also does not extend the account, the account will be treated as matured and the depositor will be entitled to close the account at any time subject to the condition that the post maturity interest at the rate as applicable to the deposits under the Post office Savings Accounts from time to time will be payable on such matured deposits upto the end of the month preceding the month of the closure of the account.  **30.** **What happens if an account is opened in contravention of the SCSS Rules?**  If an account has been opened in contravention of the SCSS Rules, the account shall be closed immediately and the deposit in the account, after deduction of the interest, if any, paid on such deposit, shall be refunded to the depositor. (Rule 12)  **31. Whether commission is payable to the agents under the Scheme?**  Payment of commission on the Scheme has been discontinued w.e.f. December 1, 2011 (Government of India Notification dated November 25, 2011). | |
| **Micro, Small and Medium Enterprises** |
| |  | | --- | | **Updated as on March 16, 2015**  Q.1. What is the definition of MSME?  A.1. The Government of India has enacted the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 in terms of which the definition of micro, small and medium enterprises is as under:  (a) Enterprises engaged in the manufacture or production, processing or preservation of goods as specified below:  (i) A micro enterprise is an enterprise where investment in plant and machinery does not exceed Rs. 25 lakh;  (ii) A small enterprise is an enterprise where the investment in plant and machinery is more than Rs. 25 lakh but does not exceed Rs. 5 crore; and  (iii) A medium enterprise is an enterprise where the investment in plant and machinery is more than Rs.5 crore but does not exceed Rs.10 crore.  In case of the above enterprises, investment in plant and machinery is the original cost excluding land and building and the items specified by the Ministry of Small Scale Industries vide its notification [No.S.O.1722 (E) dated October 5, 2006](https://googleweblight.com/?lite_url=https://m.rbi.org.in/Scripts/bs_viewcontent.aspx%3FId%3D577&lc=en-IN&s=1&m=23&host=www.google.co.in&ts=1498484514&sig=ALNZjWnHPMhaXYpjRnOJaI2QQa3ItEo2iw).  (b) Enterprises engaged in providing or rendering of services and whose investment in equipment (original cost excluding land and building and furniture, fittings and other items not directly related to the service rendered or as may be notified under the MSMED Act, 2006 are specified below.  (i) A micro enterprise is an enterprise where the investment in equipment does not exceed Rs. 10 lakh;  (ii) A small enterprise is an enterprise where the investment in equipment is more than Rs.10 lakh but does not exceed Rs. 2 crore; and  (iii) A medium enterprise is an enterprise where the investment in equipment is more than Rs. 2 crore but does not exceed Rs. 5 crore.  Q.2. What is the status of lending by banks to this sector?  A.2. Bank’s lending to the Micro and Small enterprises engaged in the manufacture or production of goods specified in the first schedule to the Industries (Development and regulation) Act, 1951 and notified by the Government from time to time is reckoned for priority sector advances. However, bank loans up to Rs.5 crore per borrower / unit to Micro and Small Enterprises engaged in providing or rendering of services and defined in terms of investment in equipment under MSMED Act, 2006 are eligible to be reckoned for priority sector advances. Lending to Medium enterprises is not eligible to be included for the purpose of computation of priority sector lending. Detailed guidelines on lending to the Micro, Small and Medium enterprises sector are available in our [Master Circular no. RPCD.MSME & NFS.BC.No. 3/06.02.31/2014-15 dated July 1, 2014](https://googleweblight.com/?lite_url=https://m.rbi.org.in/scripts/BS_ViewMasCirculardetails.aspx%3Fid%3D9018&lc=en-IN&s=1&m=23&host=www.google.co.in&ts=1498484514&sig=ALNZjWmjSaEqnRwaQfTqKhC3tz7gOr6v-Q). The Master circulars issued by RBI, to banks, on various matters are available on our website [www.rbi.org.in](https://googleweblight.com/?lite_url=https://m.rbi.org.in/&lc=en-IN&s=1&m=23&host=www.google.co.in&ts=1498484514&sig=ALNZjWniNbqjOYkc4HR75lWihfK3MfQmNw) and updated in July each year.  Q.3. What is meant by Priority Sector Lending?  A.3. Priority sector lending include only those sectors as part of the priority sector, that impact large sections of the population, the weaker sections and the sectors which are employment-intensive such as agriculture, and Micro and Small enterprises. Detailed guidelines on Priority sector lending are available in our [Master Circular on Priority sector lending no. RPCD.CO.Plan.BC 10/04.09.01/2014-15 dated July 01, 2014](https://googleweblight.com/?lite_url=https://m.rbi.org.in/scripts/BS_ViewMasCirculardetails.aspx%3Fid%3D9046&lc=en-IN&s=1&m=23&host=www.google.co.in&ts=1498484514&sig=ALNZjWmFrw2pbU72y87oedp2g-vdyIx0QQ). The Master circulars issued by RBI, to banks, on various matters are available on our website [www.rbi.org.in](https://googleweblight.com/?lite_url=https://m.rbi.org.in/&lc=en-IN&s=1&m=23&host=www.google.co.in&ts=1498484514&sig=ALNZjWniNbqjOYkc4HR75lWihfK3MfQmNw) and updated in July each year.  Q.4. Are there any targets prescribed for lending by banks to MSMEs?  A.4. As per extant policy, certain targets have been prescribed for banks for lending to the Micro and Small enterprise (MSE) sector. In terms of the recommendations of the Prime Minister’s Task Force on MSMEs (Chairman: Shri T.K.A. Nair, Principal Secretary), banks have been advised to achieve a 20 per cent year-on-year growth in credit to micro and small enterprises, a 10 per cent annual growth in the number of micro enterprise accounts and 60% of total lending to MSE sector as on preceding March 31st to Micro enterprises.  In order to ensure that sufficient credit is available to micro enterprises within the MSE sector, banks should ensure that:  (a) 40 per cent of the total advances to MSE sector should go to micro (manufacturing) enterprises having investment in plant and machinery up to Rs. 10 lakh and micro (service) enterprises having investment in equipment up to Rs. 4 lakh ;  (b) 20 per cent of the total advances to MSE sector should go to micro (manufacturing) enterprises with investment in plant and machinery above Rs. 10 lakh and up to Rs. 25 lakh, and micro (service) enterprises with investment in equipment above Rs. 4 lakh and up to Rs. 10 lakh. Thus, 60 per cent of MSE advances should go to the micro enterprises.  For details, the [Master Circular RPCD.MSME & NFS. BC. No. 3/06.02.31/2014-15 dated July 1, 2014](https://googleweblight.com/?lite_url=https://m.rbi.org.in/scripts/BS_ViewMasCirculardetails.aspx%3Fid%3D9018&lc=en-IN&s=1&m=23&host=www.google.co.in&ts=1498484514&sig=ALNZjWmjSaEqnRwaQfTqKhC3tz7gOr6v-Q) on 'Lending to Micro, Small and Medium Enterprises (MSME) Sector, may please be seen.  Q.5. Are there specialized bank branches for lending to the MSMEs?  A.5. Public sector banks have been advised to open at least one specialized branch in each district. The banks have been permitted to categorize their MSME general banking branches having 60% or more of their advances to MSME sector, as specialized MSME branches for providing better service to this sector as a whole. As per the policy package announced by the Government of India for stepping up credit to MSME sector, the public sector banks will ensure specialized MSME branches in identified clusters/centres with preponderance of small enterprises to enable the entrepreneurs to have easy access to the bank credit and to equip bank personnel to develop requisite expertise. Though their core competence will be utilized for extending finance and other services to MSME sector, they will have operational flexibility to extend finance/render other services to other sectors/borrowers.  Q.6. How many such specialized branches for lending to MSMEs are there?  A.6. As on March 2014 there are 2887 specialized MSME branches.  Q.7. How do banks assess the working capital requirements of borrowers?  A.7. The banks have been advised to put in place loan policies governing extension of credit facilities for the MSE sector duly approved by their Board of Directors (Refer circular [RPCD.SME & NFS.BC.No.102/06.04.01/2008-09 dated May 4, 2009](https://googleweblight.com/?lite_url=https://m.rbi.org.in/scripts/NotificationUser.aspx%3FId%3D4964%26Mode%3D0&lc=en-IN&s=1&m=23&host=www.google.co.in&ts=1498484514&sig=ALNZjWlomHmmh6MqyQpgC9_brZgO9e2svQ)). Banks have, however, been advised to sanction limits after proper appraisal of the genuine working capital requirements of the borrowers keeping in mind their business cycle and short term credit requirement. As per Nayak Committee Report, working capital limits to SSI units is computed on the basis of minimum 20% of their estimated turnover up to credit limit of Rs.5crore. For more details paragraph 4.15.2 of the Master Circular on lending to the MSME sector dated July 1, 2014 may please be seen.  Q.8. Is there any provision for grant of composite loans by banks?  A.8.A composite loan limit of Rs.1crore can be sanctioned by banks to enable the MSME entrepreneurs to avail of their working capital and term loan requirement through Single Window in terms of our Master Circular on lending to the MSME sector dated July 1, 2014. All scheduled commercial banks were advised by our [circular RPCD.SME&NFS. BC.No.102/06.04.01/2008-09 on May 4, 2009](https://googleweblight.com/?lite_url=https://m.rbi.org.in/scripts/NotificationUser.aspx%3FId%3D4964%26Mode%3D0&lc=en-IN&s=1&m=23&host=www.google.co.in&ts=1498484514&sig=ALNZjWlomHmmh6MqyQpgC9_brZgO9e2svQ) that the banks which have sanctioned term loan singly or jointly must also sanction working capital (WC) limit singly (or jointly, in the ratio of term loan) to avoid delay in commencement of commercial production thereby ensuring that there are no cases where term loan has been sanctioned and working capital facilities are yet to be sanctioned. These instructions have been reiterated to scheduled commercial banks on March 11, 2010.  Q.9. What is Cluster financing?  A.9. Cluster based approach to lending is intended to provide a full-service approach to cater to the diverse needs of the MSE sector which may be achieved through extending banking services to recognized MSE clusters. A cluster based approach may be more beneficial (a) in dealing with well-defined and recognized groups (b) availability of appropriate information for risk assessment (c) monitoring by the lending institutions and (d) reduction in costs.  The banks have, therefore, been advised to treat it as a thrust area and increasingly adopt the same for SME financing. United Nations Industrial Development Organisation (UNIDO) has identified 388 clusters spread over 21 states in various parts of the country. The Ministry of Micro, Small and Medium Enterprises has also approved a list of clusters under the Scheme of Fund for Regeneration of Traditional Industries (SFURTI) and Micro and Small Enterprises Cluster Development Programme (MSE-CDP) located in 121 Minority Concentration Districts. Accordingly, banks have been advised to take appropriate measures to improve the credit flow to the identified clusters.  Banks have also been advised that they should open more MSE focussed branch offices at different MSE clusters which can also act as counselling centres for MSEs. Each lead bank of the district may adopt at least one cluster (Refer circular [RPCD.SME & NFS.No.BC.90/06.02.31/2009-10 dated June 29, 2010](https://googleweblight.com/?lite_url=https://m.rbi.org.in/scripts/NotificationUser.aspx%3FId%3D5751%26Mode%3D0&lc=en-IN&s=1&m=23&host=www.google.co.in&ts=1498484514&sig=ALNZjWmklBLzxlxxF368SjVBr14qyaxYqA))  Q.10. What are the RBI guidelines on interest rates for loans disbursed by the commercial banks?  A.10. As part of the financial sector liberalisation, all credit related matters of banks including charging of interest have been deregulated by RBI and are governed by the banks' own lending policies. With a view to enhancing transparency in lending rates of banks and enabling better assessment of transmission of monetary policy, all scheduled commercial banks had been advised in terms of our circular [DBOD.No.Dir.BC.88/13.03.00/2009-10 on April 9, 2010](https://googleweblight.com/?lite_url=https://m.rbi.org.in/scripts/NotificationUser.aspx%3FId%3D5579%26Mode%3D0&lc=en-IN&s=1&m=23&host=www.google.co.in&ts=1498484514&sig=ALNZjWmo5wA0HlkCnUJpwDzJswoo8LMcLQ) to introduce the Base Rate system w.e.f. July 1, 2010. Accordingly, the Base Rate System has replaced the BPLR system with effect from July 1, 2010. All categories of loans should henceforth be priced only with reference to the Base Rate.  Q.11. Can the MSE borrowers get collateral free loans from banks?  A.11. In terms of our circular [RPCD.SME&NFS.BC.No.79/06.02.31/2009-10 dated May 6, 2010](https://googleweblight.com/?lite_url=https://m.rbi.org.in/scripts/NotificationUser.aspx%3FId%3D5657%26Mode%3D0&lc=en-IN&s=1&m=23&host=www.google.co.in&ts=1498484514&sig=ALNZjWlxYplYcpFUUkBarCTa86o30K1QTQ), banks are mandated not to accept collateral security in the case of loans upto Rs 10 lakh extended to units in the MSE sector. Further, in terms of our circular [RPCD/PLNFS/BC.No.39/06.02.80/2002-04 dated November 3, 2003](https://googleweblight.com/?lite_url=https://m.rbi.org.in/scripts/NotificationUser.aspx%3FId%3D1420%26Mode%3D0&lc=en-IN&s=1&m=23&host=www.google.co.in&ts=1498484514&sig=ALNZjWmkAbbbutb-3LSV9m3FWXVW9FPzww), banks may, on the basis of good track record and financial position of MSE units, increase the limit of dispensation of collateral requirement for loans up to Rs.25 lakh with the approval of the appropriate authority.  Q.12. What is the Credit Guarantee Fund Trust Scheme for MSEs?  A.12. The Ministry of MSME, Government of India and SIDBI set up the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) with a view to facilitate flow of credit to the MSE sector without the need for collaterals/ third party guarantees. The main objective of the scheme is that the lender should give importance to project viability and secure the credit facility purely on the primary security of the assets financed. The Credit Guarantee scheme (CGS) seeks to reassure the lender that, in the event of a MSE unit, which availed collateral- free credit facilities, fails to discharge its liabilities to the lender, the Guarantee Trust would make good the loss incurred by the lender up to 85 per cent of the outstanding amount in default.  The CGTMSE would provide cover for credit facility up to Rs. 100 lakh which have been extended by lending institutions without any collateral security and /or third party guarantees. A guarantee and annual service fee is charged by the CGTMSE to avail of the guarantee cover. Presently the guarantee fee and annual service charges are to be borne by the borrower.  Q.13. Why is credit rating of the micro small borrowers necessary?  A.13. With a view to facilitating credit flow to the MSME sector and enhancing the comfort-level of the lending institutions, the credit rating of MSME units done by reputed credit rating agencies should be encouraged. Banks are advised to consider these ratings as per availability and wherever appropriate structure their rates of interest depending on the ratings assigned to the borrowing SME units.  Q.14. Is credit rating mandatory for the MSE borrowers?  A.14. Credit rating is not mandatory but it is in the interest of the MSE borrowers to get their credit rating done as it would help in credit pricing of the loans taken by them from banks.  Q.15. What are the guidelines for delayed payment of dues to the MSE borrowers?  A.15. With the enactment of the Micro, Small and Medium Enterprises Development (MSMED), Act 2006, for the goods and services supplied by the MSME units, payments have to be made by the buyers as under:  (i) The buyer is to make payment on or before the date agreed on between him and the supplier in writing or, in case of no agreement, before the appointed day. The agreement between seller and buyer shall not exceed more than 45 days.  (ii) If the buyer fails to make payment of the amount to the supplier, he shall be liable to pay compound interest with monthly rests to the supplier on the amount from the appointed day or, on the date agreed on, at three times of the Bank Rate notified by Reserve Bank.  (iii) For any goods supplied or services rendered by the supplier, the buyer shall be liable to pay the interest as advised at (ii) above.  (iv) In case of dispute with regard to any amount due, a reference shall be made to the Micro and Small Enterprises Facilitation Council, constituted by the respective State Government.  To take care of the payment obligations of large corporate borrowers to MSEs, banks have been advised that while sanctioning/renewing credit limits to their large corporate borrowers (i.e. borrowers enjoying working capital limits of Rs. 10 crore and above from the banking system), to fix separate sub-limits, within the overall limits, specifically for meeting payment obligations in respect of purchases from MSEs either on cash basis or on bill basis.  Banks were also advised to closely monitor the operations in the sub-limits, particularly with reference to their corporate borrowers’ dues to MSE units by ascertaining periodically from their corporate borrowers, the extent of their dues to MSE suppliers and ensuring that the corporates pay off such dues before the ‘appointed day’ /agreed date by using the balance available in the sub-limit so created. In this regard the relevant circular is [circular IECD/5/08.12.01/2000-01 dated October 16, 2000](https://googleweblight.com/?lite_url=https://m.rbi.org.in/scripts/NotificationUser.aspx%3FId%3D259%26Mode%3D0&lc=en-IN&s=1&m=23&host=www.google.co.in&ts=1498484514&sig=ALNZjWmq8Wg1g2uDmKIX7tTwhFFT-XXDTg) (reiterated on May 30, 2003, vide [circular No. IECD.No.20/08.12.01/2002-03](https://googleweblight.com/?lite_url=https://m.rbi.org.in/scripts/NotificationUser.aspx%3FId%3D1211%26Mode%3D0&lc=en-IN&s=1&m=23&host=www.google.co.in&ts=1498484514&sig=ALNZjWnQyHlNAtgrRYBfIn20_BJ9E8OnvQ)) available on our website.  Q.16. What is debt restructuring of advances?  A.16.A viable/potentially viable unit may apply for a debt restructuring if it shows early stage of sickness. In such cases the banks may consider to reschedule the debt for repayment, consider additional funds etc. A debt restructuring mechanism for units in MSME sector has been formulated and advised to all commercial banks .The detailed guidelines have been issued to ensure restructuring of debt of all eligible small and medium enterprises. Prudential guidelines on restructuring of advances have also been issued which harmonises the prudential norms over all categories of debt restructuring mechanisms (other than those restructured on account of natural calamities). The relevant circulars in this regard are circular [DBOD.BP.BC.No.34/21.04.132/2005-06 dated September 8, 2005](https://googleweblight.com/?lite_url=https://m.rbi.org.in/scripts/NotificationUser.aspx%3FId%3D2502%26Mode%3D0&lc=en-IN&s=1&m=23&host=www.google.co.in&ts=1498484514&sig=ALNZjWk4IlgfZZu5tOL5WxNvaivyrzKMVw) and circular [DBOD.No.BP.BC.37/21.04.132/2008-09 dated August 27, 2008](https://googleweblight.com/?lite_url=https://m.rbi.org.in/scripts/NotificationUser.aspx%3FId%3D4436%26Mode%3D0&lc=en-IN&s=1&m=23&host=www.google.co.in&ts=1498484514&sig=ALNZjWnwo5QFB5TItm_tmHKDpkZ0kWEq0Q) which are available on our website [www.rbi.org.in](https://googleweblight.com/?lite_url=https://m.rbi.org.in/&lc=en-IN&s=1&m=23&host=www.google.co.in&ts=1498484514&sig=ALNZjWniNbqjOYkc4HR75lWihfK3MfQmNw).  Q.17. What is the definition of a sick unit?  A.17. As per the extant guidelines, a Micro or Small Enterprise (as defined in the MSMED Act 2006) may be said to have become Sick, if  a. Any of the borrowal account of the enterprise remains NPA for three months or more  OR  b. There is erosion in the net worth due to accumulated losses to the extent of 50% of its net worth during the previous accounting year.  The criteria will enable banks to detect sickness at an early stage and facilitate corrective action for revival of the unit.  Q.18. Are all sick units put under rehabilitation by banks?  A.18. No. If a sick unit is found potentially viable it can be rehabilitated by the banks. The viability of the unit is decided by banks. A unit should be declared unviable only if such a status is evidenced by a viability study.  Q.19. Is there a time frame within which the banks are required to implement the rehabilitation package?  A.19. Viable / potentially viable MSE units/enterprises, which turn sick in spite of debt re-structuring would need to be rehabilitated and put under nursing. It will be for the banks/financial institutions to decide whether a sick MSE unit is potentially viable or not. The rehabilitation package should be fully implemented by banks within six months from the date the unit is declared as potentially viable/viable. During this six months period of identifying and implementing rehabilitation package banks/FIs are required to do “holding operation” which will allow the sick unit to draw funds from the cash credit account at least to the extent of deposit of sale proceeds. The relevant circular on rehabilitation of sick units is [RPCD.CO.MSME & NFS.BC.40/06.02.31/2012-2013 dated November 1, 2012](https://googleweblight.com/?lite_url=https://m.rbi.org.in/scripts/NotificationUser.aspx%3FId%3D7664%26Mode%3D0&lc=en-IN&s=1&m=23&host=www.google.co.in&ts=1498484514&sig=ALNZjWlUx-0u126TImNq6svpIgn1NR05jQ) is available on our website.  Q.20. What is the procedure and time frame for conducting the viability study?  A.20. The decision on viability of the unit should be taken at the earliest but not later than 3 months of the unit becoming sick under any circumstances.  The following procedure should be adopted by the banks before declaring any unit as unviable:  a. A unit should be declared unviable only if the viability status is evidenced by a viability study. However, it may not be feasible to conduct viability study in very small units and will only increase paperwork. As such for micro (manufacturing) enterprises, having investment in plant and machinery up to Rs. 5 lakh and micro (service) enterprises having investment in equipment up to Rs. 2 lakh, the Branch Manager may take a decision on viability and record the same, along with the justification.  b. The declaration of the unit as unviable, as evidenced by the viability study, should have the approval of the next higher authority/ present sanctioning authority for both micro and small units. In case such a unit is declared unviable, an opportunity should be given to the unit to present the case before the next higher authority. The modalities for presenting the case to the next higher authority may be worked out by the banks in terms of their Board approved policies in this regard.  c. The next higher authority should take such decision only after giving an opportunity to the promoters of the unit to present their case.  d. For sick units declared unviable, with credit facilities of Rs. 1 crore and above, a Committee approach may be adopted. A Committee comprising of senior officials of the bank may examine such proposals. This is expected to improve the quality of decisions as collective wisdom of the members shall be utilized, especially while taking decision on rehabilitation proposals.  e. The final decision should be communicated to the promoters in writing. The above process should be completed in a time bound manner and should not take more than 3 months.  Q. 21. What are the RBI guidelines on One Time Settlement Scheme (OTS) for MSEs for settlement of their NPAs?  A.21. Scheduled commercial banks have been advised in terms of our [circular RPCD.SME&NFS. BC.No.102/06.04.01/2008-09 dated May 4, 2009](https://googleweblight.com/?lite_url=https://m.rbi.org.in/scripts/NotificationUser.aspx%3FId%3D4964%26Mode%3D0&lc=en-IN&s=1&m=23&host=www.google.co.in&ts=1498484514&sig=ALNZjWlomHmmh6MqyQpgC9_brZgO9e2svQ) to put in place a non -discretionary One Time Settlement scheme duly approved by their Boards. The banks have also been advised to give adequate publicity to their OTS policies. (Refer circular RPCD.SME&NFS. BC.No.102/06.04.01/2008-09 dated May 4, 2009)  Q.22. Apart from the loans and other banking facilities, do the banks provide any guidance to MSE entrepreneurs?  A.22. Yes. Banks provide following services to the MSE entrepreneurs:  (i) Rural Self Employment Training Institutes (RSETIs)  At the initiative of the Ministry of Rural Development (MoRD), Rural Self Employment Training Institutes (RSETIs) have been set up by various banks all over the country. These RSETIs are managed by banks with active co-operation from the Government of India and State Governments. RSETIs conduct various short duration (ranging preferably from 1 to 6 weeks) skill upgradation programmes to help the existing entrepreneurs compete in this ever-changing global market. RSETIs ensure that a list of candidates trained by them is sent to all bank branches of the area and co-ordinate with them for grant of financial assistance under any Govt. sponsored scheme or direct lending.  (ii) Financial Literacy and consultancy support:  Banks have been advised to either separately set up special cells at their branches, or vertically integrate this function in the Financial Literacy Centres (FLCs) set up by them, as per their comparative advantage. Through these FLCs, banks provide assistance to the MSE entrepreneurs in regard to financial literacy, operational skills, including accounting and finance, business planning etc. (Refer circular [RPCD.MSME & NFS.BC.No.20/06.02.31/2012-13 dated August 1, 2012](https://googleweblight.com/?lite_url=https://m.rbi.org.in/scripts/NotificationUser.aspx%3FId%3D7488%26Mode%3D0&lc=en-IN&s=1&m=23&host=www.google.co.in&ts=1498484514&sig=ALNZjWlRdIXEerE6gi214w03TG0D_innDQ))  Further, with a view to providing a guide for the new entrepreneurs in this sector, a booklet titled “Nurturing Dreams, Empowering Enterprises – Financing needs of Micro and Small Enterprises – A guide” has been launched on August 6, 2013 by the Reserve Bank. The booklet has been placed on our website [www.rbi.org.in](https://googleweblight.com/?lite_url=https://m.rbi.org.in/&lc=en-IN&s=1&m=23&host=www.google.co.in&ts=1498484514&sig=ALNZjWniNbqjOYkc4HR75lWihfK3MfQmNw) under the following path & URL:  RBI main page – Financial Education – Downloads – For Entrepreneurs ([http://rbi.org.in/financialeducation/FinancialEnterprenure.aspx](https://googleweblight.com/?lite_url=https://m.rbi.org.in/financialeducation/FinancialEnterprenure.aspx&lc=en-IN&s=1&m=23&host=www.google.co.in&ts=1498484514&sig=ALNZjWkfv_W09v7ZME23ahEDP31hVJFv1g))  Q.23. What is the role of Banking Codes and Standard Board of India (BCSBI) for MSEs?  A.23. The Banking Codes and Standard Board of India (BCSBI) constituted a Working Group comprising members from select banks, Indian Banks Association, Rural Planning & Credit Department (now renamed as Financial Inclusion and Development Department) of Reserve Bank of India to formulate a Banking Code for SME Customers. On the basis of discussions with Industry Associations, banks, SIDBI and Government agencies, the BCSBI has formulated a Code of Bank's Commitment to Micro and Small Enterprises. This is a voluntary Code, which sets minimum standards of banking practices for banks to follow when they are dealing with Micro and Small Enterprises (MSEs) as defined in the Micro Small and Medium Enterprises Development (MSMED) Act, 2006. The Code may be accessed on the website of BCSBI www.bcsbi.org.in | |
| **Basic Savings Bank Deposit Account (UCBs)** |
| |  | | --- | | **1. What is the definition of “Basic Savings Bank Deposit Account” (BSBDA)?**  All the existing ‘No-frills’ accounts opened pursuant to guidelines issued vide [circular UBD.BPD.Cir.No.19/13.01.000/2005-06 dated  November 24, 2005](https://googleweblight.com/?lite_url=https://m.rbi.org.in/scripts/NotificationUser.aspx%3FId%3D2636%26Mode%3D0&lc=en-IN&s=1&m=23&host=www.google.co.in&ts=1498484522&sig=ALNZjWmJTB-QOQfYFrBXQTArKmDf-xCjgQ) and converted into BSBDA in compliance with the guidelines issued in [circular  UBD.BPD.Cir.No.5/13.01.000/2012-13 dated August 17, 2012](https://googleweblight.com/?lite_url=https://m.rbi.org.in/scripts/NotificationUser.aspx%3FId%3D7511%26Mode%3D0&lc=en-IN&s=1&m=23&host=www.google.co.in&ts=1498484522&sig=ALNZjWn8KyrtOx0G15Yg9dh9yESYT78WRQ) as well as fresh accounts opened under the said circular should be treated as BSBDA.  **2. Whether the guidelines issued on ‘no-frills’ account with 'nil' or very low minimum balances will continue even after the introduction of ‘Basic Savings Bank Deposit Account’?**  No. In supersession of instructions contained in [circular  UBD.BPD.Cir.No.19/13.01.000/2005-06 dated  November 24, 2005](https://googleweblight.com/?lite_url=https://m.rbi.org.in/scripts/NotificationUser.aspx%3FId%3D2636%26Mode%3D0&lc=en-IN&s=1&m=23&host=www.google.co.in&ts=1498484522&sig=ALNZjWmJTB-QOQfYFrBXQTArKmDf-xCjgQ) on No Frill accounts, banks have now been advised to offer a 'Basic Savings Bank Deposit Account' to all their customers vide  [UBD.BPD.Cir.No.5/13.01.000/2012-13 dated August 17, 2012](https://googleweblight.com/?lite_url=https://m.rbi.org.in/scripts/NotificationUser.aspx%3FId%3D7511%26Mode%3D0&lc=en-IN&s=1&m=23&host=www.google.co.in&ts=1498484522&sig=ALNZjWn8KyrtOx0G15Yg9dh9yESYT78WRQ), which will offer minimum common facilities as stated therein. Banks are required to convert the existing 'no-frills' accounts’ into 'Basic Savings Bank Deposit Accounts'.  **3. Can an Individual have any number of 'Basic Savings Bank Deposit Account' in one bank?**  No. An individual is eligible to have only one 'Basic Savings Bank Deposit Account' in one bank.  **4. Whether a 'Basic Savings Bank Deposit Account' holder can have any other savings bank account in that bank ?**  Holders of 'Basic Savings Bank Deposit Account' will not be eligible for opening any other savings bank account in that bank. If a customer has any other existing savings bank account in that bank, he / she will be required to close it within 30 days from the date of opening a 'Basic Savings Bank Deposit Account'.  **5. Can an individual have other deposit accounts where one holds 'Basic Savings Bank Deposit Account’?**  Yes. One can have Term/Fixed Deposit, Recurring Deposit etc., accounts in the bank where one holds 'Basic Savings Bank Deposit Account'.  **6. Whether the ‘Basic Savings Bank Deposit Account’ can be opened by only certain types of individuals like poor and weaker sections of the population?**  No. The 'Basic Savings Bank Deposit Account' should be considered as a normal banking service available to all customers, through branches.  **7. Whether there are any restrictions like age, income, amount etc criteria for opening BSBDA by banks for individuals?**  No. Banks are advised not to impose restrictions like age and income criteria of the individual for opening BSBDA.  **8. Is the 'Basic Savings Bank Deposit Account' a part of furthering the Financial Inclusion objectives of banks?**  The aim of introducing 'Basic Savings Bank Deposit Account' is very much part of the efforts of RBI for furthering Financial Inclusion objectives. All the accounts opened earlier as 'no-frills' account vide [UBD.BPD.Cir.No.19/13.01.000/2005-06 dated  November 24, 2005](https://googleweblight.com/?lite_url=https://m.rbi.org.in/scripts/NotificationUser.aspx%3FId%3D2636%26Mode%3D0&lc=en-IN&s=1&m=23&host=www.google.co.in&ts=1498484522&sig=ALNZjWmJTB-QOQfYFrBXQTArKmDf-xCjgQ) should be renamed as BSBDA as per instructions contained in paragraph 2 of our [Circular  UBD.BPD.Cir.No.5/13.01.000/2012-13 dated August 17, 2012](https://googleweblight.com/?lite_url=https://m.rbi.org.in/scripts/NotificationUser.aspx%3FId%3D7511%26Mode%3D0&lc=en-IN&s=1&m=23&host=www.google.co.in&ts=1498484522&sig=ALNZjWn8KyrtOx0G15Yg9dh9yESYT78WRQ).  **9. What are KYC norms applicable to BSBDA accounts? Are there any relaxations in KYC norms for BSBDAs?**  The 'Basic Savings Bank Deposit Account' would be subject to provisions of PML Act and Rules and RBI instructions on Know Your Customer (KYC) / Anti-Money Laundering (AML) for opening of bank accounts issued from time to time. BSBDA can also be opened with simplified KYC norms. However, if BSBDA is opened on the basis of Simplified KYC, the accounts would additionally be treated as “BSBDA-Small  Account” and would be subject to the conditions stipulated for such accounts as indicated in [para 2.6](https://googleweblight.com/?lite_url=https://m.rbi.org.in/scripts/BS_ViewMasCirculardetails.aspx%3Fid%3D8127%2326&lc=en-IN&s=1&m=23&host=www.google.co.in&ts=1498484522&sig=ALNZjWma-E_X818HKr0bTWwiHH1nVCalWQ) (iii) of Master Circular No.UBD.BPD.(PCB).MC. No.16 /12.05.001/2012-13 dated July 1, 2013.  **10. Can I have a ‘Small Account’ in ABC Bank as per the Government of India Notification No.14/2010/F.No.6/2/2007-E.S. dated December 16, 2010. Can I have additionally a 'Basic Savings Bank Deposit Account’?**  No, the BSBDA customer cannot have any other savings bank account in the same bank. If 'Basic Savings Bank Deposit Account’ is opened on the basis of simplified KYC norms, the account would additionally be treated as a 'Small Account' and would be subject to conditions stipulated for such accounts as indicated in [para 2.6](https://googleweblight.com/?lite_url=https://m.rbi.org.in/scripts/BS_ViewMasCirculardetails.aspx%3Fid%3D8127%2326&lc=en-IN&s=1&m=23&host=www.google.co.in&ts=1498484522&sig=ALNZjWma-E_X818HKr0bTWwiHH1nVCalWQ) (iii) of Master Circular No.UBD.BPD.(PCB).MC.No.16/12.05.001/2012-13 dated July 1, 2013 on 'KYC norms / AML Measures/ Combating of Financing of Terrorism (CFT) / Obligation of banks under PMLA, 2002'.  **11. What are the conditions stipulated for accounts which are additionally to be treated as ‘BSBDA-Small Account’?**  As notified  in Govt of India notification dated December 16, 2010, BSBDA-Small Accounts would be subject to the following conditions:   1. Total credits in such accounts should not exceed one lakh rupees in a year. 2. Maximum balance in the account should not exceed fifty thousand rupees at any time 3. The total of debits by way of cash withdrawals and transfers will not exceed ten thousand rupees in a month 4. Remittances from abroad can not be credited to Small Accounts without completing normal KYC formalities 5. Small accounts are valid for a period of 12 months initially which may be extended by another 12 months if the person provides proof of having applied for an Officially Valid Document. 6. Small Accounts can only be opened at CBS linked branches of banks or at such branches where it is possible to manually monitor the fulfilment of the conditions.   **12. What kinds of services are available free in the 'Basic Savings Bank Deposit Account’?**  The services available free in the 'Basic Savings Bank Deposit Account’ will include deposit and withdrawal of cash; receipt / credit of money through electronic payment channels or by means of deposit / collection of cheques at bank branches as well as ATMs.  **13. of any initial minimum deposit Is there requirement while opening a BSBDA as per the circular dated August 17, 2012?**  There is no requirement for any initial deposit for opening a BSBDA.  **14. Whether banks are free to offer more facilities than those prescribed for ‘Basic Savings Bank Deposit Account’?**  Yes. However, the decision to allow services beyond the minimum prescribed has been left to the discretion of the banks who can either offer additional services free of charge or evolve requirements including pricing structure for additional value-added services on a reasonable and transparent basis, to be applied in a non-discriminatory manner with prior intimation to the customers. Banks are required to put in place a reasonable pricing structure for value added services or prescribe minimum balance requirements which should be displayed prominently and also informed to the customers at the time of account opening. Offering such additional facilities should be non - discretionary, non-discriminatory and transparent to all ‘Basic Savings Bank Deposit Account’ customers. However, such accounts enjoying additional facilities will not be treated as BSBDAs.  **15. If BSBDA customers have more than 4 withdrawals and request for cheque book at additional cost, will it cease to be a BSBDA?**  Yes. Please refer to response to the Query No. 14. However, if the bank does not levy any additional charges and offers more facilities free than those prescribed under BDBDA a/cs without minimum balance then such a/cs can be classified as BSBDA.  **16. Whether the existing facility available in a normal saving bank account of five free withdrawals in a month in other banks ATMs as per IBA (DPSS) instructions will hold good for BSBDA?**  No. In BSBDA, banks are required to provide free of charge minimum four withdrawals, through ATMs and other mode including RTGS/NEFT/Clearing/Branch cash withdrawal/transfer/internet debits/standing instructions/EMI etc It is left to the banks to either offer free or charge for additional withdrawal/s. However, in case the banks decide to charge for the additional withdrawal, the pricing structure may be put in place by banks on a reasonable, non-discriminatory and transparent manner.  **17. Are the banks free to levy Annual ATM Debit Card charges?**  Banks should offer the ATM Debit Cards free of charge and no Annual fee should be levied on such Cards.  **18. Whether Balance enquiry in ATMs also should be counted within the four withdrawals permitted under BSBDA?**  Balance enquiry through ATMs should not be counted in the four withdrawals allowed free of charge at ATMs.  **19. If a customer of BSBDA opts not to have ATM Debit card, should the bank compel the customer to accept the ATM debit card ?**  ATM debit cards may be offered at the time of opening BSBDA and issued if the customer requests for the same in writing. Banks need not  insist that  a customer accepts ATM debit card.  **20. What about customers who are illiterate or old who may not be in a position to safe keep and use the ATM debit card and PIN associated with it?**  Banks while opening the BSBDA should educate such a customers about the ATM Debit Card, ATM PIN and risk associated with it. However, if a customer chooses not to have an  ATM Debit Card,  banks need not compel such customer to accept ATM Debit Card. If, however, customer opts to have an ATM Debit card, banks should provide the same to BSBDA holders through safe delivery channels by adopting the same procedure which they have been adopting for delivery of ATM Debit card and PIN to their other customers.  **21. Whether Passbooks are also to be offered free to BSBDA holders?**  Yes. BSBDA holders should be offered passbook facility free of charge in line with our instructions contained in [Circular UBD.CO.(PCB).Cir.No.15/09.39.000/2006-07 dated October 16, 2006](https://googleweblight.com/?lite_url=https://m.rbi.org.in/scripts/NotificationUser.aspx%3FId%3D3124%26Mode%3D0&lc=en-IN&s=1&m=23&host=www.google.co.in&ts=1498484522&sig=ALNZjWlh8gf1g5amhnLSPxq6wKntCBmh1A).  **22. If a customer opens a BSBDA but does not close his existing Savings Bank Account within 30 days, are banks then free to close such savings bank accounts?**  While opening the BSBDA customers’ consent in writing be obtained that his existing non-BSBDA Savings Banks accounts will be closed after 30 days of opening BSBDA and banks are free to close such accounts after 30 days.  **23. In certain accounts to which disbursements under MGNREGA are made weekly, the number of withdrawals may be more than four in a month of five weeks. In such cases, can banks permit five withdrawals?**  In BSBDA, banks are required to provide free of charge minimum four withdrawals, including through ATM and other mode. Beyond four withdrawals, it is left to discretion of the banks to either offer free or charge for additional withdrawal/s. However pricing structure may be put in place by banks on a reasonable, non-discretionary, non-discriminatory and transparent manner.  **24. What is the prescribed rate of interest payable on balances in such ‘Basic Savings Bank Deposit Account’?**  Our instructions contained in [circular UBD.BPD(PCB).Cir.No.18/13.01.000/2011-12 dated February 7, 2012](https://googleweblight.com/?lite_url=https://m.rbi.org.in/scripts/NotificationUser.aspx%3FId%3D6996%26Mode%3D0&lc=en-IN&s=1&m=23&host=www.google.co.in&ts=1498484522&sig=ALNZjWn5W6OVnYRW3q-xRUsi27IOYhE6mg) on Deregulation of Savings Bank Deposit Interest Rate, are applicable to deposits held in ‘Basic Savings Bank Deposit Account’.  **25. In  terms of RBI circular**[**DPSS. CO.CHD. No. 274/03.01.02/2012-13 dated August 10, 2012**](https://googleweblight.com/?lite_url=https://m.rbi.org.in/scripts/NotificationUser.aspx%3FId%3D7500%26Mode%3D0&lc=en-IN&s=1&m=23&host=www.google.co.in&ts=1498484522&sig=ALNZjWkmw1sKSKYAXjdm5aYazgqpsIAxnw)**, if “payable at par” / “multi-city” cheques are issued to BSBDA customers based on their request, can banks prescribe minimum balance requirements?**  BSBDA does not envisage cheque book facility in the minimum facilities that should be provided  to BSBDA customers. They are free to extend any additional facility including cheque book facility free of charge (in which case the account remains BSBDA) or charge for the additional facilities (in which case the account is not BSBDA).  **26. What is the time frame available to banks for converting “No-Frills” Account as Basic Savings Bank Deposit Account? What is the time frame available to banks for issuing ATM Cards to all the existing Basic Savings Bank Deposit Account holders?**  All the existing “No-Frill” accounts may be treated as BSBDA accounts from the date of the circular i.e., August 17, 2012 and banks may offer the prescribed facilities as per the circular such as issuing ATM card etc., to the existing ‘No-Frill’ account holders as and when the customer approaches the bank. However, customers opening new accounts after the issue of our circular should be provided prescribed facilities immediately on opening of the account.  **27. Whether the normal saving bank account can be converted into BSBDA at the request of customer?**  Yes. Such customers should give their consent in writing and they should be informed of the features and extent of services available in BSBDAs. | |
| **Basic Savings Bank Deposit Account** |
| |  | | --- | | **1. Query**  Whether the guidelines issued on ‘no-frills’ account with 'nil' or very low minimum balances will continue even after the introduction of ‘Basic Savings Bank Deposit Account’?  **Response**  No. In supersession of instructions contained in circular [DBOD.No.Leg. BC.44/09.07.005/2005-06 dated November 11, 2005](https://googleweblight.com/?lite_url=https://m.rbi.org.in/scripts/NotificationUser.aspx%3FId%3D2615%26Mode%3D0&lc=en-IN&s=1&m=23&host=www.google.co.in&ts=1498484525&sig=ALNZjWm84VWbX6ZwaHEiqC9MYzrwob7DFg) on No Frill accounts, banks have now been advised to offer a 'Basic Savings Bank Deposit Account' to all their customers vide [DBOD.No.Leg.BC.35/09.07.005/20012-13 dated August 10, 2012](https://googleweblight.com/?lite_url=https://m.rbi.org.in/scripts/NotificationUser.aspx%3FId%3D7501%26Mode%3D0&lc=en-IN&s=1&m=23&host=www.google.co.in&ts=1498484525&sig=ALNZjWmx9tm2DXS_MLXDvvT-S-ZR930F5Q), which will offer minimum common facilities as stated therein. Banks are required to convert the existing 'no-frills' accounts’ into 'Basic Savings Bank Deposit Accounts'.  **2. Query**  Can an Individual have any number of 'Basic Savings Bank Deposit Account' in one bank?  **Response**  No. An individual is eligible to have only one 'Basic Savings Bank Deposit Account' in one bank.  **3. Query**  Whether a 'Basic Savings Bank Deposit Account' holder can have any other saving account in that bank ?  **Response**  Holders of 'Basic Savings Bank Deposit Account' will not be eligible for opening any other savings account in that bank. If a customer has any other existing savings account in that bank, he / she will be required to close it within 30 days from the date of opening a 'Basic Savings Bank Deposit Account'.  **4. Query**  Can an individual have other deposit accounts where one holds 'Basic Savings Bank Deposit Account’?  **Response**  Yes. One can have Term/Fixed Deposit, Recurring Deposit etc., accounts in the bank where one holds 'Basic Savings Bank Deposit Account'.  **5. Query**  Whether the ‘Basic Savings Bank Deposit Account’ can be opened by only certain types of individuals like poor and weaker sections of the population?  **Response**  No. The 'Basic Savings Bank Deposit Account' should be considered as a normal banking service available to all customers, through branches .  **6. Query**  Whether there are any restrictions like age, income, amount etc criteria for opening BSBDA by banks for individuals?  **Response**  No. Banks are advised not to impose restrictions like age and income criteria of the individual for opening BSBDA.  **7. Query**  Is the 'Basic Savings Bank Deposit Account' a part of the Financial Inclusion plans of banks?  **Response**  The aim of introducing 'Basic Savings Bank Deposit Account' is very much part of the efforts of RBI for furthering Financial Inclusion objectives. All the accounts opened earlier as 'no-frills' account vide DBOD Circular dated DBOD.No.Leg.BC.44/09.07.005/2005-06dated November 11, 2005 should be renamed as BSBDA as per the instructions contained in paragraph 2 of our Circular DBOD. No. Leg. BC. 35/09.07.005/2012-13 dated August 10, 2012 and all the new accounts opened since the issue of our circular DBOD.No.Leg.BC.35 dated August 10, 2012 should be reported under the monthly report of the progress of Financial Inclusion plans submitted by banks to RPCD, CO.  **8. Query**  What are KYC norms applicable to BSBDA accounts? Are there any relaxations in KYC norms for BSBDAs?  **Response**  The 'Basic Savings Bank Deposit Account' would be subject to provisions of PML Act and Rules and RBI instructions on Know Your Customer (KYC) / Anti-Money Laundering (AML) for opening of bank accounts issued from time to time. BSBDA can also be opened with simplified KYC norms. However, if BSBDA is opened on the basis of Simplified KYC, the accounts would additionally be treated as “BSBDA-SMALL account” and would be subject to the conditions stipulated for such accounts as indicated in [para 2.7](https://googleweblight.com/?lite_url=https://m.rbi.org.in/scripts/NotificationUser.aspx%3FId%3D7361%26Mode%3D0%23sma&lc=en-IN&s=1&m=23&host=www.google.co.in&ts=1498484525&sig=ALNZjWmKOnyIvnrLozzV6PeN5tpX5CNy3g) of Master Circular DBOD.AML.BC.No. 11/14.01.001/2012-13 dated July 2, 2012. .  **9. Query**  Can I have a ‘Small Account’ in ABC Bank as per the Government of India Notification No.14/2010/F.No.6/2/2007-E.S. dated December 16, 2010. Can I have additionally a 'Basic Savings Bank Deposit Account’?  **Response**  No, the BSBDA customer cannot have any other savings bank account in the same bank.. If 'Basic Savings Bank Deposit Account’ is opened on the basis of simplified KYC norms, the account would additionally be treated as a 'Small Account' and would be subject to conditions stipulated for such accounts as indicated in paragraph 2.7 of Master Circular DBOD.AML.BC.No.11/14.01.001/2012-13 dated July 02, 2012 on 'KYC norms / AML standards / Combating of Financing of Terrorism (CFT) / Obligation of banks under PMLA, 2002'.  **10. Query**  What are the conditions stipulated for accounts which are additionally to be treated as ‘BSBDA-Small Account’?  **Response**  As notified in terms of Govt of India notification dated December 16, 2010, BSBDA-Small Accounts would be subject to the following conditions:  i. Total credits in such accounts should not exceed one lakh rupees in a year.  ii. Maximum balance in the account should not exceed fifty thousand rupees at any time  iii. The total of debits by way of cash withdrawals and transfers will not exceed ten thousand rupees in a month  iv. Foreign remittances can not be credited to Small Accounts without completing normal KYC formalities  v. Small accounts are valid for a period of 12 months initially which may be extended by another 12 months if the person provides proof of having applied for an Officially Valid Document.  vi. Small Accounts can only be opened at CBS linked branches of banks or at such branches where it is possible to manually monitor the fulfilments of the conditions  **11. Query**  What kinds of services are available free in the 'Basic Savings Bank Deposit Account’?  **Response**  The services available free in the 'Basic Savings Bank Deposit Account’ will include deposit and withdrawal of cash; receipt / credit of money through electronic payment channels or by means of deposit / collection of cheques at bank branches as well as ATMs.  12. Is there requirement of any initial minimum deposit while opening a BSBDA as per the circular dated August 10, 2012?  **Response**  There is no requirement for any initial deposit for opening a BSBDA.  **13. Query**  Whether banks are free to offer more facilities than those prescribed for ‘Basic Savings Bank Deposit Account’?  **Response**  Yes. However, the decision to allow services beyond the minimum prescribed has been left to the discretion of the banks who can either offer additional services free of charge or evolve requirements including pricing structure for additional value-added services on a reasonable and transparent basis to be applied in a non-discriminatory manner with prior intimation to the customers. Banks are required to put in place a reasonable pricing structure for value added services or prescribe minimum balance requirements which should be displayed prominently and also informed to the customers at the time of account opening. Offering such additional facilities should be non - discretionary, non-discriminatory and transparent to all ‘Basic Savings Bank Deposit Account’ customers. However such accounts enjoying additional facilities will not be treated as BSBDAs.  **14. Query**  If BSBDA customers have more than 4 withdrawals and request for cheque book at additional cost, will it cease to be a BSBDA?  **Response**  Yes. Please refer to response to the above query (Query No.13).  However, if the bank does not levy any additional charges and offers more facilities free than those prescribed under BDBDA a/cs without minimum balance then such a/cs can be classified as BSBDA.  **15. Query**  Whether the existing facility available in a normal saving bank account of Five free withdrawals in a month in other banks ATMs as per IBA (DPSS) instructions will hold good for BSBDA?  **Response**  No. In BSBDA, banks are required to provide free of charge minimum four withdrawals, through ATMs and other mode including RTGS/NEFT/Clearing/Branch cash withdrawal/transfer/internet debits/standing instructions/EMI etc It is left to the banks to either offer free or charge for additional withdrawal/s. However, in case the banks decide to charge for the additional withdrawal, the pricing structure may be put in place by banks on a reasonable, non-discriminatory and transparent manner by banks.  **16. Query**  Are the banks free to levy Annual ATM Debit Card charges?  **Response**  Banks should offer the ATM Debit Cards free of charge and no Annual fee should be levied on such Cards.  **17. Query**  Whether Balance enquiry in ATMs also should be counted within the four withdrawals permitted under BSBDA?  **Response**  Balance enquiry through ATMs should not be counted in the four withdrawals allowed free of charge at ATMs.  **18. Query**  If a customer of BSBDA agrees not to have ATM Debit card should the bank give ATM debit card by force?  **Response**  ATM debit cards may be offered at the time of opening BSBDA and issued if the customer requests for the same in writing. Banks need not force ATM debit cards on such customers.  **19. Query**  What about customers who are illiterate or old who may not be in a position to safe keep and use the ATM debit card and PIN associated with it?  **Response**  Banks while opening the BSBDA should educate such customers about the ATM Debit Card, ATM PIN and risk associated with it. However, if customer chooses not to have ATM Debit Card banks need not force ATM debit cards on such customers. If, however, customer opts to have an ATM Debit card, banks should provide the same to BSBDA holders through safe delivery channels by adopting the same procedure which they have been adopting for delivery of ATM Debit card and PIN to their other customers.  **20. Query**  Whether Passbooks are also to be offered free to BSBDA holders?  **Response**  Yes. BSBDA holders should be offered passbook facility free of charge in line with our instructions contained in [Circular DBOD. No. Leg. BC.32 /09.07.005 /2006-07dated October 4, 2006](https://googleweblight.com/?lite_url=https://m.rbi.org.in/scripts/NotificationUser.aspx%3FId%3D3106%26Mode%3D0&lc=en-IN&s=1&m=23&host=www.google.co.in&ts=1498484525&sig=ALNZjWnFvS-pbjj2f8Xn6FCRQmgCGBW4aQ).  **21. Query**  If a customer opens a BSBDA but does not close his existing Savings Bank Account within 30 days, are banks then free to close such savings bank accounts?  **Response**  While opening the BSBDA customers’ consent in writing be obtained that his existing non-BSBDA Savings Banks accounts will be closed after 30 days of opening BSBDA and banks are free to close such accounts after 30 days.  **22. Query**  In certain accounts like NREGA where disbursements are made weekly and if a month has five weeks, it may result in more than four withdrawals. In such cases can banks permit five withdrawals?  **Response**  In BSBDA, banks are required to provide free of charge minimum four withdrawals, including through ATM and other mode. Beyond four withdrawals, it is left to discretion of the banks to either offer free or charge for additional withdrawal/s. However pricing structure may be put in place by banks on a reasonable, non-discretionary, non-discriminatory and transparent manner by banks.  **23. Query**  What is the prescribed rate of interest payable on balances in such ‘Basic Savings Bank Deposit Account’?  **Response**  Our instructions contained in circular [DBOD.Dir.BC.75/13.03.00/2011-12 dated January 25, 2012](https://googleweblight.com/?lite_url=https://m.rbi.org.in/scripts/NotificationUser.aspx%3FId%3D6965%26Mode%3D0&lc=en-IN&s=1&m=23&host=www.google.co.in&ts=1498484525&sig=ALNZjWmNe7VOLawLw0lJChGWEZHVrEm87w) on Deregulation of Savings Bank Deposit Interest Rate, are applicable to deposits held in ‘Basic Savings Bank Deposit Account’.  **24. Query**  In terms of RBI circular [DPSS. CO.CHD. No. 274/03.01.02/2012-13 dated August 10, 2012](https://googleweblight.com/?lite_url=https://m.rbi.org.in/scripts/NotificationUser.aspx%3FId%3D7500%26Mode%3D0&lc=en-IN&s=1&m=23&host=www.google.co.in&ts=1498484525&sig=ALNZjWnRAiQtjO0DLiqactP5cD_1trKAKQ), if “ payable at par” / “multi-city” cheques are issued to BSBDA customers based on their request, can banks prescribe minimum balance requirements?  **Response**  BSBDA does not envisage cheque book facility in the minimum facilities that it should provide to BSBDA customers. They are free to extend any additional facility including cheque book facility free of charge (in which case the account remains BSBDA) or charge for the additional facilities (in which case the account is not BSBDA).  **25. Query**  What is the definition of “Basic Savings Bank Deposit Account”(BSBDA)?  **Response**  All the existing ‘No-frills’ accounts opened pursuant to guidelines issued vide circular DBOD. No. Leg. BC. 44/09.07.005/2005-06 dated November 11, 2005 and converted into BSBDA in compliance with the guidelines issued in circular DBOD.No.Leg.BC.35/09.07.005/20012-13 dated August 10, 2012 as well as fresh accounts opened under the said circular should be treated as BSBDA. Accounts enjoying additional facilities under the reasonable pricing structure for value added services, exclusively for BSBDA customers should not be treated as BSBDAs.  **26. Query**  What is the time frame available to banks for converting “No-Frills” Account as Basic Savings Bank Deposit Account? What is the time frame available to banks for issuing ATM Cards to all the existing Basic Savings Bank Deposit Account holders?  **Response**  All the existing “No-Frill” accounts may be treated as BSBDA accounts from the date of the circular i.e., August 10, 2012 and banks may offer the prescribed facilities as per the circular such as issuing ATM card etc., to the existing ‘No-Frill’ account holders as and when the customer approaches the bank. However, for customers opening new accounts after the issue of our circular should be provided with the prescribed facilities immediately on opening of the account.  **27. Query**  Whether the normal saving bank account can be converted into BSBDA at the request of customer?  **Response**  Yes. Such customers should give their consent in writing and they should be informed of the features and extent of services available in BSBDAs.  **28 Query**  Whether Foreign Banks in India are also required to open BSBDA for customers? Whether Circular dated August 10, 2012 on BSBDA is applicable to Foreign Banks having branches in India?  **Response**  RBI instructions/guidelines contained in circular dated August 10, 2012 on BSBDA is applicable to all scheduled commercial banks in India including Foreign Banks having branches in India. | |
| **RBI as Banker to Government** |
| |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | | **1. What is RBI's role with regard to conduct of Government's banking transaction?**  In terms of Section 20 of the RBI Act 1934, RBI has the obligation to undertake the receipts and payments of the Central Government and to carry out the exchange, remittance and other banking operations, including the management of the public debt of the Union. Further, as per Section 21 of the said Act, RBI has the right to transact Government business of the Union in India.  State Government transactions are carried out by RBI in terms of the agreement entered into with the State Governments in terms of section 21 A of the Act. As of now, such agreements exist between RBI and all the State Governments except Government of Sikkim.  **2. How does Reserve Bank of India discharge its statutory obligation of being 'Banker to Government'?**  Reserve Bank of India maintains the Principal Accounts of Central as well as State Governments at its Central Accounts Section, Nagpur. It has put in place a well structured arrangement for revenue collection as well as payments on behalf of Government across the country. A network comprising the Public Accounts Departments of RBI and branches of Agency Banks appointed under Section 45 of the RBI Act carry out the Govt. transactions. At present all the public sector banks and three private sector banks viz. ICICI Bank Ltd., HDFC Bank Ltd. and Axis Bank Ltd. act as RBI's agents. Only authorised branches of Agency banks can conduct Govt. business.  **3. How payment into Government account is made?**  All monies for credit to Government account like taxes or other remittances can be made by filling the prescribed challans of the Government/Department concerned. These challans along with the requisite amount (by way of cash, cheque or DD) are required to be tendered with the authorised bank branches.  **4. When is the receipted challan for payment made into Government Account made available?**  The receipted challans in case of cash tender are generally handed over to the remitter immediately across the counter. In case of payments made by cheque/DD, the receipted challan is issued only on realization of the instruments based on the clearing cycle of the local Clearing House. In all such cases, a paper token is issued to the depositor indicating the date on which the receipted challan will be ready for delivery. The receipted challan will have to be collected within 15 days from the date indicated on the paper token by surrendering the paper token.  **5. What if the paper token is misplaced / lost?**  In case of loss of original token, on a specific request and on payment of prescribed fees, the receipted challan is issued.  **6. What if the Receipted Challan is misplaced?**  No duplicate challan is issued under any circumstances. Instead, a 'Certificate of Credit' is issued on specific request with the requisite particulars and payment of prescribed fee.  **7. What is the remedy if the cheque issued by Government is misplaced or lost in transit?**  The payee of the cheque has to approach the cheque issuing authority and apply for a duplicate cheque explaining the circumstances under which the original cheque was lost or misplaced. After satisfying himself, the drawer may issue a letter to the payee bank requesting it to record STOP payment against the lost cheque. The bank thereafter checks whether the cheque is already paid. If not paid, it records 'STOP PAYMENT' order till the expiry of the validity of the cheque and issues a 'NON PAYMENT CERTIFICATE'.  **8. Are Agency banks compensated for conduct of Central/State Government business?**  The accredited banks are paid remuneration by RBI for conduct of State/Central Government transactions. Such remuneration is called Agency Commission. The rates of agency commission applicable at present (from July 1, 2012) are as under:   |  |  |  |  | | --- | --- | --- | --- | | **Sr. No.** | **Type of Transaction** | **Unit** | **Rate** | | 1 (i) | Receipts – Physical mode | Per transaction | ` 50 | | (ii) | Receipts – e-mode \* | Per transaction | ` 12 | | 2 | Pension Payments | Per transaction | ` 65 | | 3 | Payments other than Pension | Per ` 100 turnover | 5.5 paise |   \*In this context, it may please be noted that ‘Receipts – e-mode’ indicated against Sl No. 1(ii) in the above table would refer to those transactions involving remittance of funds from the remitter’s bank account through internet banking as well as all such transactions which do not involve physical receipt of cash / instruments.  **On-line Tax Accounting System (OLTAS) for Direct Taxes**  **9. What is OLTAS?**  It is a system introduced in April, 2004 for collection, accounting and reporting of the receipts and payments of Direct Taxes on-line through a network of bank branches. The tax payers’ data flow from banks directly to Tax Information Network (TIN) maintained by National Securities Depository Ltd.  **10. What are the major changes envisaged?**  Under OLTAS, only a Single Copy Challan is used with a tear off portion for the Tax Payer. The three new single copy challan in use are as under:  A common single copy Challan**No. ITNS 280** for payment of Income Tax on Companies (Corporation Tax) and Income Tax (other than Companies).  Challan **No. ITNS 281** for depositing Tax Deducted at Source/Tax collected at source (TDS/TCS). It has two major Heads i.e. (a) 0020 for company deductees and (b) 0021 for non-company deductees.  Challan **No. ITNS 282** for payment of Hotel Receipts Tax, Gift-Tax, Estate Duty, Expenditure Tax, Wealth Tax, Securities Transaction Tax and Other miscellaneous direct taxes.  **11. Does a tax-payer get his copy of the challan?**  No. He only gets the tear-off portion from the challan from the bank after getting it duly stamped by the bank with a unique **Challan Identification Number (CIN).**  **12. What is CIN?**  It is Challan Identification Number. It is a unique number containing the following information:  (i) 7 digits BSR Code of the bank branch where tax is deposited  (ii) Date of presentation of the challan (DD/MM/YY)  (iii) Serial number of Challan in that branch on that day (5 digits)  The CIN has to be quoted in the Income Tax Return as a proof of payment. CIN is also to be quoted in any further enquiry.  **13. How to obtain the new Challans?**  The Challans are available on the website [http://www.incometaxindia.gov.in](http://googleweblight.com/?lite_url=http://www.incometaxindia.gov.in/&lc=en-IN&s=1&m=23&host=www.google.co.in&ts=1498484713&sig=ALNZjWnyFCzDgSiTmqC24ZQhY6DRp8ogrA). Challans are also available at the local Income Tax Offices and also with private vendors.  **14. What would happen if the acknowledgement counterfoil is misplaced?**  Approach the bank where tax was deposited. The branch will issue a certificate after following certain procedures which contains payment particulars including CIN.  **15. Can the Tax payer pay Direct/Indirect taxes through internet?**  Yes. Most of the banks are providing the facility to their customers.  **16. Where can a tax-payer get the detailed procedure on OLTAS?**  Please visit [http://www.incometaxindia.gov.in](http://googleweblight.com/?lite_url=http://www.incometaxindia.gov.in/&lc=en-IN&s=1&m=23&host=www.google.co.in&ts=1498484713&sig=ALNZjWnyFCzDgSiTmqC24ZQhY6DRp8ogrA).  **17. What is the new procedure for payment of direct taxes at banks?**  The authorised bank branches accept Direct Taxes by cash or cheque/demand draft drawn on the same branch or on other banks/branches with Single Challan. The bank immediately returns the tear off portion of the challan duly stamped with a unique Challan Identification Number (CIN) when the payment is made in cash. In the case of challans presented with cheque/demand draft drawn on other banks/branches, tear-off portion of the challan will be released to the tax-payer only after the realisation of the cheque/demand draft but tax shall be deemed to have been paid on the date of tender.  **18. How does the new system benefit the taxpayer?**  The new system is of immense benefit to the common taxpayer. Now a single copy simplified Challan has to be filled up replacing the earlier quadruplicate Challan. Secondly, it would be possible to obtain an acknowledgement for taxes paid at your own bank branch immediately. Further, the acknowledgement counterfoil with the rubber stamp containing the **Challan Identification Number (CIN)**assures that the payment is properly accounted for. The Tax payer can view the details of tax paid by him by logging on to [http://www.tin-nsdl.com](http://googleweblight.com/?lite_url=http://tinnsdl.com/&lc=en-IN&s=1&m=23&host=www.google.co.in&ts=1498484713&sig=ALNZjWmwGulZtstvrrnuI4jX1LAzsROaKg) and typing the unique CIN given by the bank. (For more details please visit NSDL Home page [www.nsdl.co.in](http://googleweblight.com/?lite_url=http://www.nsdl.co.in/&lc=en-IN&s=1&m=23&host=www.google.co.in&ts=1498484713&sig=ALNZjWlsZCamYfIea3iedI05hMPXOzJTzw)). Tax-payer is no longer required to attach copies/acknowledgement of challan with the Return. He should only mention the CIN details in the Income-tax Returns.  **19. Can the tax-payer still use the old forms?**  No. Tax is accepted only with the new prescribed challan forms.  **These FAQs are issued by the Reserve Bank of India for information and general guidance purposes only. The Bank will not be held responsible for actions taken and/or decisions made on the basis of the same. For clarifications or interpretations, if any, the readers are requested to be guided by the relevant circulars and notifications issued from time to time by the Bank and the Government.** | |
| **Reserve Bank’s Instructions on Banking matters** |
| |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | | **Department of Banking Operations and Development Central Office**   |  |  | | --- | --- | | **INDEX** | | |  |  | | I. | [Domestic Deposits](https://googleweblight.com/?lite_url=https://m.rbi.org.in/Scripts/FAQView.aspx%3FId%3D51&lc=en-IN&s=1&m=23&host=www.google.co.in&ts=1498480011&sig=ALNZjWkQszz7M8RNIGwOEpR-FHRnteqlYg#a-1) | | II. | [Deposits of Non-Resident Indians (NRIs)](https://googleweblight.com/?lite_url=https://m.rbi.org.in/Scripts/FAQView.aspx%3FId%3D51&lc=en-IN&s=1&m=23&host=www.google.co.in&ts=1498480011&sig=ALNZjWkQszz7M8RNIGwOEpR-FHRnteqlYg#a-2) | | III. | [Advances](https://googleweblight.com/?lite_url=https://m.rbi.org.in/Scripts/FAQView.aspx%3FId%3D51&lc=en-IN&s=1&m=23&host=www.google.co.in&ts=1498480011&sig=ALNZjWkQszz7M8RNIGwOEpR-FHRnteqlYg#a-3) | | IV. | [Advances Against Shares And Debentures](https://googleweblight.com/?lite_url=https://m.rbi.org.in/Scripts/FAQView.aspx%3FId%3D51&lc=en-IN&s=1&m=23&host=www.google.co.in&ts=1498480011&sig=ALNZjWkQszz7M8RNIGwOEpR-FHRnteqlYg#a-4) | | V. | [Donations](https://googleweblight.com/?lite_url=https://m.rbi.org.in/Scripts/FAQView.aspx%3FId%3D51&lc=en-IN&s=1&m=23&host=www.google.co.in&ts=1498480011&sig=ALNZjWkQszz7M8RNIGwOEpR-FHRnteqlYg#a-5) | | VI. | [Loans For Premises](https://googleweblight.com/?lite_url=https://m.rbi.org.in/Scripts/FAQView.aspx%3FId%3D51&lc=en-IN&s=1&m=23&host=www.google.co.in&ts=1498480011&sig=ALNZjWkQszz7M8RNIGwOEpR-FHRnteqlYg#a-6) | | VII. | [Service Charges](https://googleweblight.com/?lite_url=https://m.rbi.org.in/Scripts/FAQView.aspx%3FId%3D51&lc=en-IN&s=1&m=23&host=www.google.co.in&ts=1498480011&sig=ALNZjWkQszz7M8RNIGwOEpR-FHRnteqlYg#a-7) |   **I. DOMESTIC DEPOSITS**  **1. Whether banks can accept interest free deposits?**  Banks cannot accept interest free deposits other than in current account.  **2. What rate of Interest is paid by banks on savings bank accounts?**  With effect from October 25, 2011, saving bank deposit interest rate stands deregulated. Accordingly, banks are free to determine their savings bank deposit interest rate, subject to the following two conditions:  (a) First, each bank will have to offer a uniform interest rate on savings bank deposits up to Rs.1 lakh, irrespective of the amount in the account within this limit.  (b) Second, for savings bank deposits over Rs.1 lakh, a bank may provide differential rates of interest, if it so chooses, subject to the condition that banks will not discriminate in the matter of interest paid on such deposits, between one deposit and another of similar amount, accepted on the same date, at any of its offices.  Further, Banks may ensure that interest rate is applied, as stated above, on the end-of-day balances of all domestic savings deposits accounts and no discrimination is made at any of its offices. Prior approval of the Board / Asset Liability Management Committee (if powers are delegated by the Board) may be obtained by a bank while fixing interest rates on such deposits.  **3. Whether banks can pay interest on savings bank accounts quarterly?**  Banks can pay interest on savings bank accounts at quarterly or longer rests.  **4. How is the computation of interest on savings bank deposits done by banks?**  With effect from April 1, 2010 payment of interest on savings bank accounts by scheduled commercial banks would be calculated on a daily product basis.  **5. How banks can pay interest on term deposits repayable in less than three months or where the terminal quarter is incomplete?**  In such cases interest should be paid proportionately for the actual number of days reckoning the year as 365 days. Some banks are adopting the method of reckoning the year at 366 days in a Leap year and 365 days in other years. While banks are free to adopt their methodology, they should provide information to their depositors about the manner of calculation of interest appropriately while accepting the deposits and display the same at their branches.  **6. Whether banks can pay interest on term deposits monthly?**  Interest on term deposits is payable at quarterly or longer rests.  **7. Whether banks can pay differential rates of interest on term deposits aggregating Rs.15 lakh and above?**  Differential rates of interest can be paid on single term deposits of Rs.15 lakh and above and not on the aggregate of individual deposits where the total exceeds Rs.15 lakh.  **8. Whether banks can pay commission for mobilising deposits?**  Banks are prohibited from employing/engaging any individual, firm, company, association, institution for collection of deposits or selling of deposit linked products on payment of remuneration or fees or commission in any form or manner except commission paid to agents employed to collect door-to-door deposits under a special scheme. Banks have also been permitted to use the services of Non-Governmental Organisations(NGOs)/Self Help  Groups(SHGs)/ Micro Finance Institutions(MFIs and other Civil Society Organisations(CSOs) as intermediaries in providing financial and banking services including collection of deposits through the use of the Business Facilitator and Business Correspondent models and pay reasonable commission/fees.  **9. Whether banks can prematurely repay term deposits on their own?**  A term deposit is a contract between the bank and the customer for a definite term and it cannot be paid prematurely at the bank’s option. However, a term deposit can be paid prematurely at the request of the customer subject to the terms of the contract, including penalty, if any.  **10. Whether banks can refuse premature withdrawal of term deposits?**  Banks may not normally refuse premature withdrawal of term deposits of individuals and Hindu Undivided Families (HUF), irrespective of the size of the deposit. However, banks at their discretion, may disallow premature withdrawal of large deposits held by entities other than individuals and Hindu Undivided Families. Banks should notify such depositors of their policy of disallowing premature withdrawals in advance, i.e. at the time of acceptance of deposits.  **11. Whether banks can levy penalty for premature withdrawal?**  Banks have the freedom to determine their own penal rates of interest for premature withdrawal of term deposits.  **12. How and when are banks required to pay interest on the deposits maturing on holiday/ non-business working day/ Sunday?**  Whenever the due dates fall on Saturday/Sunday/non-business working day/holidays, banks are permitted to pay interest on deposits at the originally contracted rate for the intervening period between the due date and date of payment so that no interest loss is suffered by the depositors.  **13. Whether additional interest admissible to banks' staff can be paid on the compensation awarded by the court to a minor child and deposited in the joint names of minor child and parent?**  No. As the money belongs to the minor child and not the banks' staff, additional interest cannot be paid.  **14. Whether banks are permitted to offer differential rate of interest on other deposits?**  Banks can formulate special fixed deposit schemes specifically for resident Indian senior citizens offering higher and fixed rates of interest as compared to normal deposits of any size.  **15. At what rate is interest payable on a deposit standing in the name of a deceased depositor?**  a. In the case of a term deposit standing in the name/s of a deceased individual depositor, or two or more joint depositors, where one of the depositors has died, the criterion for payment of interest on matured deposits in the event of death of the depositor in the above cases has been left to the discretion of individual banks subject to their Board laying down a transparent policy in this regard.  b. In the case of balances lying in current account standing in the name of a deceased individual depositor/ sole proprietorship concern, interest should be paid only from May 1, 1983 or from the date of death of the depositor, whichever is later, till the date of repayment to the claimant/s at the rate of interest applicable to savings deposits as on the date of payment. However, in the case of NRE deposits, if the claimants are residents, the deposit on maturity is treated as a domestic rupee deposit and interest is paid for the subsequent period at the rate applicable to  domestic deposits of similar maturity.  **16. What are the guidelines for renewal of overdue deposits?**  All aspects concerning renewal of overdue deposits may be decided by individual banks subject to their Board laying down a transparent policy in this regard and the customers being notified of the terms and conditions of renewal, including interest rate, at the time of acceptance of the deposit. The policy should be non-discretionary and non-discriminatory.  **II. DEPOSITS OF NON-RESIDENTS INDIANS (NRIs)**  **17. Whether banks are permitted to offer differential rate of interest on NRE  deposits?**  Banks are permitted to offer differential rates of interest on NRE term deposits as in the case of domestic term deposits of Rs.15 lakh and above.  **18. Whether concessional rate of interest is applicable when a loan against FCNR(B) deposit is repaid in foreign currency?**  Banks have the freedom to fix the rate of interest chargeable on loans and advances against FCNR(B) deposits to the depositors with reference to their Base rate  irrespective of whether repayment is made in Rupees or in Foreign Currency.  **19. Whether banks can accept recurring deposits under the FCNR(B) Scheme?**  No. Banks cannot accept recurring deposits under the FCNR(B) Scheme.  **20. Whether banks are permitted to offer differential rate of interest on FCNR(B)   deposits?**  Banks are free to decide the currency-wise minimum quantum on which differential rate of interest may be offered subject to the overall ceiling prescribed.  **21. Whether FCNR(B) deposits can be renewed with retrospective effect (i.e. from the maturity date)? If yes, what is the rate of interest payable?**  A bank may, at its discretion, renew an overdue FCNR(B) deposit or a portion thereof provided the overdue period from the date of maturity till the date of renewal (both days inclusive), does not exceed 14 days and the rate of interest payable on the amount of the deposit so renewed shall be the appropriate rate of interest for the period of renewal as prevailing on the date of maturity or on the date when the depositor seeks renewal, whichever is lower. In the case of overdue deposits where the overdue period exceeds 14 days and if the depositor places the entire amount of overdue deposit or a portion thereof as a fresh FCNR(B) deposit, banks may fix their own interest rates for the overdue period on the amount so placed as a fresh term deposit.  Banks are free to recover the interest so paid for the overdue period if the deposit is withdrawn after renewal before completion of the minimum stipulated period under the scheme.  **22. Whether interest rate stipulations applicable to loans in rupees under FCNR(B) schemes are applicable to loans denominated in foreign currency?**  No. Interest rate stipulations applicable to loans in rupees under FCNR(B) schemes are not applicable to loans denominated in foreign currency, which are governed by the instructions issued by the Foreign Exchange Department of RBI.  **23. Under what circumstances additional interest over and above the declared rate of interest can be paid in case of NRE & FCNR(B) deposits?**  Banks should not allow the benefit of additional interest rate on any type of deposits of non-residents. Accordingly, the discretion given to banks to allow the benefit of additional interest rate of one per cent per annum as available to bank's own staff on deposits under NRE and FCNR(B) accounts stands withdrawn with effect from July 18, 2012..  **24. In the case of a deceased depositor’s NRE/FCNR(B) deposit, in the event of legal heirs effecting premature withdrawal before completion of the minimum prescribed period, whether any interest is payable?**  No. A deposit has to run for a minimum stipulated period, which is at present one year for both FCNR(B) and NRE deposits, to be eligible to earn interest..  **25. Whether banks can pay interest on NRE and FCNR(B) deposits for the intervening Saturday, Sunday and holidays between the date of maturity and payment?**  Yes. Whenever the due dates fall on Saturday/Sunday/non-business working day/holidays, banks are permitted to pay interest on NRE and FCNR(B) deposits at the originally contracted rate for the intervening period between the due date and date of payment so that no interest loss is suffered by the depositors.  **III. ADVANCES**  **26. What is the Base Rate System?**   1. The Base Rate system has replaced the erstwhile Benchmark Prime Lending Rate system with effect from July 1, 2010. Base Rate shall include all those elements of the lending rates that are common across all categories of borrowers. Banks may choose any benchmark to arrive at the Base Rate for a specific tenor that may be disclosed transparently. Banks are free to use any methodology, as considered appropriate, provided it is consistent and is made available for supervisory review/scrutiny, as and when required. 2. Banks may determine their actual lending rates on loans and advances with reference to the Base Rate and by including such other customer specific charges as considered appropriate. 3. Banks are required to review the Base Rate at least once in a quarter with the approval of the Board or the Asset Liability Management Committees (ALCOs) as per the bank’s practice. Since transparency in the pricing of lending products has been a key objective, banks are required to exhibit the information on their Base Rate at all branches and also on their websites. Changes in the Base Rate should also be conveyed to the general public from time to time through appropriate channels. Banks are required to provide information on the actual minimum and maximum lending rates to the Reserve Bank on a quarterly basis, as hitherto*.*   **27. Are any exemptions available from the Base Rate Regime?**  All categories of loans should henceforth be priced only with reference to the Base Rate. However, the following categories of loans could be priced **without** reference to the Base Rate: (a) DRI advances (b) loans to banks’ own employees (c) loans to banks’ depositors against their own deposits.  **28. Can the Base Rate serve as a benchmark for floating loan product?**  The Base Rate could also serve as the reference benchmark rate for floating rate loan products, apart from external market benchmark rates. The floating interest rate based on external benchmarks should, however, be equal to or above the Base Rate at the time of sanction or renewal.  **29. Can banks extend loans/advances below Base Rate?**  Since the Base Rate will be the minimum rate for all loans, banks are not permitted to resort to any lending below the Base Rate. Accordingly, the current stipulation of BPLR as the ceiling rate for loans up to Rs. 2 lakh stands withdrawn.  **30. Whether the BPLR regime is still in operation.**  From July 1,  2010 the Benchmark Prime Lending Rate system has been replaced by the Base Rate mechanism. However, for loans sanctioned prior to July 1, 2010 the BPLR regime is applicable. The renewal of such loans would however, be covered under the Base rate mechanism.  **31. Whether banks can grant fixed rate loans for purposes other than project finance?**  Banks have the freedom to offer all loans at fixed or floating rates subject to conformity to their Asset Liability Management (ALM) Guidelines. Banks should use only external or market-based rupee benchmark interest rates for pricing of their floating rate loan products.  **32. What should be penal rate of interest?**  With effect from October 10, 2000, banks have been given the freedom to formulate a transparent policy for charging penal interest with the approval of their Board of Directors. However, in the case of loans to borrowers under priority sector, no penal interest should be charged for loans up to Rs.25,000. Penal interest may be levied for reasons such as default in repayment, non-submission of financial statements, etc. However, the policy on penal interest should be governed by well-accepted principles of transparency, fairness, incentive to service the debt and genuine difficulties of customers.  **33. Whether interest on loans and advances could be charged at varying periods ranging from monthly rests to yearly rests?**  With effect from April 1, 2002 banks have been charging interest on loans and advances at monthly rests except in the case of agricultural advances (including short term loans and other allied activities) where the existing practice continues.  **34. What rate of interest is chargeable on loans/ advances granted to Staff Members of the banks or Staff Members of Co-operative Credit Societies?**  The interest rate directives on advances granted by banks will not be applicable to loans or advances or other financial accommodation made or provided or renewed by a scheduled bank, inter alia, to its own employees. Where the advances are provided by banks to co-operative credit societies formed by the banks' staff members for lending to constituents (i.e. staff of the bank), the interest rate directives of RBI will not apply in case of such advances.  **35. Can banks charge foreclosure charges/pre-payment penalty on Floating rate Home Loans?**  Banks are not permitted to levy foreclosure charges/pre-payment penalties on home loans on floating interest rate basis, with  effect from June 5, 2012.  **36. Can banks Levy  fore-closure charges/pre-payment penalty in case of Special rate/Dual rate Home Loans**  The benefit of waiver from payment of foreclosure charges/ prepayment penalty shall be available to the borrower from the date the loan becomes a floating rate loan.  **IV. ADVANCES AGAINST SHARES AND DEBENTURES**  **37. Whether banks can sanction loans against the equity shares of the banking company to its directors?**  No.  **38. Whether any ceiling has been fixed on the bank’s exposure to the capital market?**  With effect from April 1, 2007 a bank's total exposure, including both fund based and non-fund based exposure, to the capital market in all forms covering its direct investment in equity shares, convertible bonds and debentures and units of equity oriented mutual funds; advances against shares to individuals for investment in equity shares (including IPOs), bonds and debentures, units of equity-oriented mutual funds and secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers; all exposures to Venture Capital Funds (both registered and unregistered)  should not exceed 40 per cent of its net worth, as on March 31 of the previous year. Within this overall ceiling, the bank’s direct investment in shares, convertible bonds / debentures, units of equity-oriented mutual funds and all exposures to Venture Capital Funds (VCFs) [both registered and unregistered] should not exceed 20 per cent of its net worth. For computing the ceiling on exposure to capital market, the bank’s direct investment in shares will be calculated at cost price of the shares.  The aggregate exposure of a consolidated bank to capital markets (both fund based and non-fund based) should not exceed 40 per cent of its consolidated net worth as on March 31 of the previous year. Within this overall ceiling, the aggregate direct exposure by way of the consolidated bank’s investment in shares, convertible bonds / debentures, units of equity-oriented mutual funds and all exposures to Venture Capital Funds (VCFs) [both registered and unregistered] should not exceed 20 per cent of its consolidated net worth.  **39. What is the definition of net worth of a bank?**  Net worth would comprise of Paid-up capital plus Free Reserves including Share Premium but excluding Revaluation Reserves, plus Investment Fluctuation Reserve and credit balance in Profit & Loss account, less debit balance in Profit and Loss account, Accumulated Losses and Intangible Assets. No general or specific provisions should be included in computation of net worth. Infusion of capital through equity shares, either through domestic issues or overseas floats after the published balance sheet date, may also be taken into account for determining the ceiling on exposure to capital market.  **40. What should be the method of valuation for advances against shares/ debentures/ bonds?**  Shares/ debentures/ bonds accepted by banks as security for loans/ advances should be valued at the prevailing market prices.  **41. Whether banks can sanction bridge loans to companies?**  Yes. Banks can sanction bridge loans to companies for a period not exceeding one year against the expected equity flows/ issues as also the expected proceeds of non-convertible Debentures, External Commercial Borrowings, Global Depository Receipts and/ or funds in the nature of Foreign Direct Investments, provided the bank is satisfied that the borrowing company has made firm arrangements for raising the aforesaid resources/ funds. Bridge loans extended by a bank will be included within the ceiling of 40% of net worth prescribed for banks’ aggregate exposure to the capital market.  **42. What is the ceiling on the quantum of loans which can be sanctioned by banks to individuals against security of shares, debentures and PSU bonds, if held in physical form and in dematerialized form?**  Loans/ advances granted to individuals against the security of shares, debentures and PSU bonds should not exceed Rs.10 lakh and Rs.20 lakh, if the securities are held in physical form and dematerialized form respectively. The maximum amount of finance that can be granted to an individual for subscribing to IPOs is Rs.10 lakh. However, the bank should not provide finance to companies for their investment in IPOs of other companies. Banks can grant advances to employees for purchasing shares of their own companies under Employees Stock Option Plan (ESOP) to the extent of 90% of purchase price of shares or Rs.20 lakh whichever is lower. NBFCs should not be provided finance for on-lending to individuals for subscribing to IPOs. Loans/ advances granted by a bank for subscribing to IPOs should be reckoned as an exposure to capital market.  **43. What is the margin stipulated for advances against shares held in physical form and dematerialised form?**  A uniform margin of 50% has been stipulated for all advances against shares/ /financing of IPOs/issue of guarantees for capital market operations. Within this 50 percent margin, a minimum cash margin of 25 percent should be maintained in respect of guarantees issued by banks for capital market operations.  **44. Is any margin stipulated for banks' exposure to commodity markets?**  The minimum margin of 50% and minimum cash margin of 25% (within the margin of 50%), as stipulated in the case of banks' exposure to capital markets, will also apply to guarantees issued by banks on behalf of commodity brokers in favour of the national level commodity exchanges, viz, National Commodity & Derivatives Exchange (NCDEX), Multi Commodity Exchange of India Limited (MCX) and National Multi-Commodity Exchange of India Limited (NMCEIL) in lieu of margin requirements.  **V. DONATIONS**  **45. Whether banks can make donations?**  Yes. The profit making banks may make donations during a financial year, aggregating up to one percent of the published profit of the bank for the previous year. However, the contributions/ subscriptions made by banks to Prime Minister’s Relief Fund and to professional bodies/ institutions like Indian Banks’ Association, National Institute of Bank Management, Indian Institute of Banking and Finance, Institute of Banking Personnel Selection, Foreign Exchange Dealers Association of India, during a year will be exempted from the above ceiling. Unutilised amount of the permissible limit of a year should not be carried forward to the next year for the purpose of making donations.  **46. Whether loss-making banks can make donations?**  Yes, loss making banks can make donations up to Rs.5 lakh only in a financial year.  **47. Whether overseas branches of the banks can make donations abroad?**  Yes, the overseas branches of the banks can make donations abroad, provided the banks do not exceed the prescribed ceiling of one per cent of their published profit of the previous year.  **VI. LOANS FOR PREMISES**  **48. What are the norms and procedure laid down by RBI for acquisition of accommodation on lease/ rental basis by commercial banks for their use, i.e. for office and residence of the staff?**  i). All powers relating to hiring of premises, rentals, deposits/advances to premises owners, for acquisition of accommodation on lease/rental basis for their own use (i.e. for Office and Residence of Staff) have been delegated to banks.  ii) While acquiring premises for opening of a branch, banks should ensure that the location of the branch complies with the local norms/laws of Municipal Corporation/Nagar Palika/Town area authority/Village Panchayat or any other competent authority.  iii).The Board of Directors of the banks should lay down the policy and formulate operational guidelines separately in respect of metropolitan, urban, semi-urban and rural areas covering all areas in respect of acquiring premises on lease/ rental basis for the banks’ use. These guidelines should include also delegation of powers at various levels. The decision in regard to surrendering or shifting of premises other than at rural centers should be taken at the central office level by a committee of senior executives.  iv). The Board of Directors of the bank should lay down separate policy for granting of loans to landlords who provide them premises on lease/ rental basis. The banks’ Boards may determine the rate of interest to be charged on such loans subject to Base Rate guidelines issued by RBI.  v). Banks should provide a suitable mechanism for redressing the genuine grievances of the landlord expeditiously.  vi). The details of negotiated contracts in respect of advances to landlords and rental (including taxes etc. and deposits of Rs.25 lakh and above) on premises taken on lease/ rental by the public sector banks, should be reported to the Central Bureau of Investigation (CBI) as per the extant Government instructions. This requirement will not be applicable to banks in the private sector.  **VII. SERVICE CHARGES**  **49. Is there any ceiling on service charges to be levied by the banks?**  Indian Banks’ Association (IBA) has dispensed with the practice of prescribing service charges to be levied by banks for various services rendered by them. With effect from September, 1999, the Reserve Bank has granted freedom to banks to prescribe service charges with the approval of the respective Board of Directors.  As announced in the Annual Policy Statement for the year 2006-2007, in order to ensure fair practices in banking services, Reserve Bank of India (RBI) constituted a Working Group to formulate a scheme for ensuring reasonableness of bank charges, and to incorporate it in the Fair Practices Code, the compliance of which would be monitored by the Banking Codes and Standards Board of India (BCSBI). The Working Group, which examined various issues, such as basic banking/financial services to be rendered to individual customers, the methodology adopted by banks for fixing the charges and the reasonableness of such charges, has identified twenty-seven services related to deposit/loan accounts, remittance facilities and cheque collections, as an indicative list of basic banking services to be offered by banks. The recommendations of the Working Group have been accepted by RBI with certain modifications. Based on the recommendations of the Working Group, RBI has issued a circular DBOD. No. Dir. BC. 56/13.03.00/2006-07 dated February 2, 2007 to all scheduled commercial banks.  **50. What are the parameters to be adopted for identifying basic banking services?**  Banks have been advised to identify basic banking services on the basis of two parameters indicated by the Working Group, namely, (i) banking services that are ordinarily availed by individuals in the middle and lower segments and (ii) the value of transactions, namely, cheque collections and remittances up to Rs. 10,000 for each transaction  and up to $500 for forex transactions. The indicative list of banking services includes services relating to Deposit Accounts (cheque book facility, issue of pass book / statement, ATM Card, Debit Card, stop payment, balance enquiry, account closure, cheque return - inward, signature verification); Loan Accounts (no dues certificate); Remittance facilities (Demand Draft – issue/ cancellation/ revalidation, Payment Order - issue/ cancellation/ revalidation/ duplicate, Telegraphic Transfer - issue/ cancellation/ duplicate, Electronic Clearing Service (ECS), National Electronic Fund Transfer (NEFT) / Electronic Fund Transfer (EFT); Collection Facilities (collection of local /outstation cheques, cheque return- outward). Banks are required to implement the recommendations of the Working Group on making available the basic banking services at reasonable prices/ charges and   towards this, delivering the basic services outside the scope of the bundled products.  **51. What are the principles to be followed by banks in order to ensure reasonableness in fixing and communicating service charges?**  Banks are required to follow the following principles for ensuring reasonableness in fixing and communicating the service charges-  (a) For basic services to individuals, banks should levy charges at rates that are lower than the rates applied when the same services are given to non-individuals.  (b) For basic services rendered to special category of individuals (such as individuals in rural areas, pensioners and senior citizens), banks should levy charges on more liberal terms than the terms on which the charges are levied to other individuals.  (c) For basic services rendered to individuals, banks should levy charges only if the charges are just and supported by reason.  (d) For basic services to individuals, banks should levy services charges ad-valorem only to cover any incremental cost and subject to a cap.  (e) Banks should provide to the individual customers upfront and in a timely manner, complete information on the charges applicable to all basic services.  (f) Banks should provide advance information to the individual customers about the proposed changes in the service charges.  (g) Banks should collect for services given to individuals only such charges which have been notified to the customer.  (h) Banks should inform the customers in an appropriate manner recovery of service charges from the account or the transaction.  **52. What are the other steps to be taken by banks?**  Banks are required to take steps to ensure that customers are made aware of the service charges upfront and changes in the service charges are implemented only with prior notice to the customers.  Banks are also required to have a robust grievance redressal structure and processes, to ensure prompt in-house redressal of all their customer complaints. Further, full-fledged information on bank products and their implications should be disclosed to the customers, so that the customers can make an informed judgment about their choice of products. | |
| **Commercial Paper** |
| |  | | --- | | **1. What is Commercial Paper (CP)?**  Commercial Paper (CP) is an unsecured money market instrument issued in the form of a promissory note.  **2. When it was introduced?**  It was introduced in India in 1990.  **3. Why it was introduced?**  It was introduced in India in 1990 with a view to enabling highly rated corporate borrowers to diversify their sources of short-term borrowings and to provide an additional instrument to investors. Subsequently, primary dealers and all-India financial institutions were also permitted to issue CP to enable them to meet their short-term funding requirements for their operations.  **4. Who can issue CP?**  Corporates, primary dealers (PDs) and the All-India Financial Institutions (FIs) are eligible to issue CP.  **5. Whether all the corporates would automatically be eligible to issue CP?**  No. A corporate would be eligible to issue CP provided –  a. the tangible net worth of the company, as per the latest audited balance sheet, is not less than Rs. 4 crore  b. company has been sanctioned working capital limit by bank/s or all-India financial institution/s; and  c. the borrowal account of the company is classified as a Standard Asset by the financing bank/s/ institution/s.  **6. Is there any rating requirement for issuance of CP? And if so, what is the rating requirement?**  Yes. All eligible participants shall obtain the credit rating for issuance of Commercial Paper either from Credit Rating Information Services of India Ltd. (CRISIL) or the Investment Information and Credit Rating Agency of India Ltd. (ICRA) or the Credit Analysis and Research Ltd. (CARE) or the FITCH Ratings India Pvt. Ltd. or such other credit rating agency (CRA) as may be specified by the Reserve Bank of India from time to time, for the purpose.  The minimum credit rating shall be A-2 *[As per rating symbol and definition prescribed by Securities and Exchange Board of India (SEBI)].*  The issuers shall ensure at the time of issuance of CP that the rating so obtained is current and has not fallen due for review.  **7. What is the minimum and maximum period of maturity prescribed for CP?**  CP can be issued for maturities between a minimum of 7 days and a maximum of up to one year from the date of issue.However,the maturity date of the CP should not go beyond the date up to which the credit rating of the issuer is valid.  **8. What is the limit up to which a CP can be issued?**  The aggregate amount of CP from an issuer shall be within the limit as approved by its Board of Directors or the quantum indicated by the Credit Rating Agency for the specified rating, whichever is lower.  As regards FIs, they can issue CP within the overall umbrella limit prescribed in the Master Circular on Resource Raising Norms for FIs, issued by DBOD and updated from time-to-time.  **9. In what denominations a CP that can be issued?**  CP can be issued in denominations of Rs.5 lakh or multiples thereof.  **10. How long can the CP issue remain open?**  The total amount of CP proposed to be issued should be raised within a period of two weeks from the date on which the issuer opens the issue for subscription.  **11. Whether CP can be issued on different dates by the same issuer?**  Yes. CP may be issued on a single date or in parts on different dates provided that in the latter case, each CP shall have the same maturity date. Further, every issue of CP, including renewal, shall be treated as a fresh issue.  **12. Who can act as Issuing and Paying Agent (IPA)?**  Only a scheduled bank can act as an IPA for issuance of CP.  **13. Who can invest in CP?**  Individuals, banking companies, other corporate bodies (registered or incorporated in India) and unincorporated bodies, Non-Resident Indians (NRIs) and Foreign Institutional Investors (FIIs) etc. can invest in CPs. However, investment by FIIs would be within the limits set for them by Securities and Exchange Board of India (SEBI) from time-to-time.  **14. Whether CP can be held in dematerilaised form?**  Yes. CP can be issued either in the form of a promissory note (Schedule I given in the Master Circular-Guidelines for Issue of Commercial Paper dated July 1, 2011 and updated from time –to-time) or in a dematerialised form through any of the depositories approved by and registered with SEBI. Banks, FIs and PDs can hold CP only in dematerialised form.  **15. Whether CP is always issued at a discount?**  Yes. CP will be issued at a discount to face value as may be determined by the issuer.  **16. Whether CP can be underwritten?**  No issuer shall have the issue of Commercial Paper underwritten or co-accepted.  **17. Whether CPs are traded in the secondary market?**  Yes. CPs are actively traded in the OTC market. Such transactions, however, are to be reported on the FIMMDA reporting platform within 15 minutes of the trade for dissemination of trade information to market participation thereby ensuring market transparency.  **18. What is the mode of redemption?**  Initially the investor in CP is required to pay only the discounted value of the CP by means of a crossed account payee cheque to the account of the issuer through IPA. On maturity of CP,  (a) when the CP is held in physical form, the holder of the CP shall present the instrument for payment to the issuer through the IPA.  (b) when the CP is held in demat form, the holder of the CP will have to get it redeemed through the depository and receive payment from the IPA.  **19. Whether Stand by facility is required to be provided by the bankers/FIs for CP issue?**  CP being a `stand alone’ product, it would not be obligatory in any manner on the part of banks and FIs to provide stand-by facility to the issuers of CP.  However, Banks and FIs have the flexibility to provide for a CP issue, credit enhancement by way of stand-by assistance/credit backstop facility, etc., based on their commercial judgement and as per terms prescribed by them. This will be subjected to prudential norms as applicable and subject to specific approval of the Board.  **20. Whether non-bank entities/corporates can provide guarantee for credit enhancement of the CP issue?**  Yes. Non-bank entities including corporates can provide unconditional and irrevocable guarantee for credit enhancement for CP issue provided :  a. the issuer fulfils the eligibility criteria prescribed for issuance of CP;  b. the guarantor has a credit rating at least one notch higher than the issuer by an approved credit rating agency and  c. the offer document for CP properly discloses: the networth of the guarantor company, the names of the companies to which the guarantor has issued similar guarantees, the extent of the guarantees offered by the guarantor company, and the conditions under which the guarantee will be invoked.  **21. Role and responsibilities of the Issuer/Issuing and Paying Agent and Credit Rating Agency.**  **Issuer:**  a. Every issuer must appoint an IPA for issuance of CP.  b. The issuer should disclose to the potential investors its financial position as per the standard market practice.  c. After the exchange of deal confirmation between the investor and the issuer, issuing company shall issue physical certificates to the investor or arrange for crediting the CP to the investor's account with a depository.  Investors shall be given a copy of IPA certificate to the effect that the issuer has a valid agreement with the IPA and documents are in order (Schedule II given in the Master Circular-Guidelines for Issue of Commercial Paper dated July 1, 2011 and updated from time –to-time).  **Issuing and Paying Agent**  a. IPA would ensure that issuer has the minimum credit rating as stipulated by the RBI and amount mobilised through issuance of CP is within the quantum indicated by CRA for the specified rating or as approved by its Board of Directors, whichever is lower.  b. IPA has to verify all the documents submitted by the issuer viz., copy of board resolution, signatures of authorised executants (when CP in physical form) and issue a certificate that documents are in order. It should also certify that it has a valid agreement with the issuer (Schedule II given in the Master Circular-Guidelines for Issue of Commercial Paper dated July 1, 2011 and updated from time –to-time).  c. Certified copies of original documents verified by the IPA should be held in the custody of IPA.  **Credit Rating Agency**  a. Code of Conduct prescribed by the SEBI for CRAs for undertaking rating of capital market instruments shall be applicable to them (CRAs) for rating CP.  b. Further, the credit rating agencies have the discretion to determine the validity period of the rating depending upon its perception about the strength of the issuer. Accordingly, CRA shall at the time of rating, clearly indicate the date when the rating is due for review.  c. While the CRAs can decide the validity period of credit rating, CRAs would have to closely monitor the rating assigned to issuers vis-a-vis their track record at regular intervals and would be required to make its revision in the ratings public through its publications and website  **22. Is there any other formalities and reporting requirement with regard to CP issue?**  Fixed Income Money Market and Derivatives Association of India (FIMMDA), may prescribe, in consultation with the RBI, any standardised procedure and documentation for operational flexibility and smooth functioning of CP market. Issuers / IPAs may refer to the detailed guidelines issued by FIMMDA on July 5, 2001 in this regard, and updated from time-to-time.  Every CP issue should be reported to the Chief General Manager, Reserve Bank of India, Financial Markets Department, Central Office, Fort, Mumbai through the Issuing and Paying Agent (IPA) within three days from the date of completion of the issue, incorporating details as per Schedule III given in the Master Circular-Guidelines for Issue of Commercial Paper dated July 1, 2011 and updated from time-to-time | |
| **Automated Data Flow** |
| |  | | --- | | **Automated Data Flow (ADF) from banks to Reserve Bank of India**  The Reserve Bank of India has placed on its website an Approach Paper describing the goals and objectives of Automated Data Flow (ADF) and advised the banks to implement Automated Data Flow. The approach paper can be accessed through the link Home >> Press Releases >> [November 11, 2010](http://googleweblight.com/?lite_url=http://m.rbi.org.in/scripts/BS_PressReleaseDisplay.aspx%3Fprid%3D23408&lc=en-IN&s=1&m=23&host=www.google.co.in&ts=1498484719&sig=ALNZjWns9aL2xlU61_MnMofY0RpRfORB8A). Banks have been individually seeking clarification from RBI officials on ADF. Consolidated questions and responses are presented as FAQs on ADF.  **Frequently Asked Questions (FAQs) on ADF**  **1. WHAT IS THE BACKGROUND FOR ADF?**  In several of its functions, Reserve Bank of India relies on data submitted by banks and quality of data is of great importance. In order to meet the need for correct and consistent data, the Reserve Bank of India has initiated the project on Automated Data Flow (ADF).  **2. WHAT IS THE OBJECTIVE OF ADF?**  ADF seeks to ensure submission of correct and consistent data from the banks straight from their systems to Reserve Bank without any manual intervention.  **3. WHY IS ADF THOUGHT OF NOW?**  With CBS in banks, it is felt that time has come to utilize CBS system capabilities to meet requirements like MIS, ADF, etc, in addition to regular transactional activities.  **4. WHETHER ANY SPECIFIC APPROACH HAS BEEN RECOMMENDED?**  No specific approach has been recommended for achieving ADF due to the reason that various banks are at different levels of IT and Process maturity. However, the Approach Paper on ADF clearly articulates the common end state for achieving the objectives of ADF.  **5. WHETHER ANY PARTICULAR TECHNOLOGY OR PROCESS HAS BEEN RECOMMENDED FOR ADF?**  No specific Technology, Vendor, Service Provider or Process has been recommended for achieving ADF and it has been left to the banks to decide on these issues on the basis of internal requirements.  **6. HOW DO BANKS ASSESS THEIR LEVEL OF TECHNOLOGY AND PROCESS MATURITY TO IMPLEMENT ADF?**  Banks can refer to the methodology given in the Approach Paper to assess People, Process and Technology maturity and place themselves in a specific cluster which in turn would help in determining the time lines for implementation of ADF.  **7. WHAT IS THE MEANING OF ‘DIRECTLY FROM SOURCE SYSTEM WITHOUT ANY MANUAL INTERVENTION’ IN THE CONTEXT OF ADF?**  ‘Direct from the source system without any manual intervention’ implies that whatever data and information is available in CBS and other IT systems of the banks would be submitted to the regulator without any manual aggregation, conversion or filling of data.  Activities like collecting or collating of data from diverse source systems and compiling them into RBI prescribed formats manually would fall within the meaning of manual intervention.  **8. WHETHER ANY DATA DEFINITION, REPORTING FORMAT, RATIONALISATION OF RETURNS ETC. HAS BEEN PRESCRIBED UNDER ADF PROJECT?**  No. It is clarified that requirement under ADF is restricted to ensuring that data as available in the banks’ source systems is submitted to Reserve Bank without any manual intervention. All returns, statement and reports prescribed by RBI to be submitted by banks fall under the ADF project.  **9. WHETHER DATA WILL BE ‘PUSHED’ OR ‘PULLED’ UNDER ADF?**  For the present, the priority under ADF is to ensure that the banks put in place a system which will ensure quality of data compiled from source systems of banks to be submitted to RBI. After a verifiable system has been put in place by all banks, it will be decided in due course as to what arrangements would be best suited for flow of data from banks.  **10. WHETHER ADF IMPLEMENTATION WILL BE PIECE-MEAL OR HOLISTIC?**  Banks are free to go ahead with a holistic plan by designing and implementing long-term solutions. However, the banks need to implement ADF for the returns committed under their roadmaps.  Further, the returns identified by Reserve Bank for immediate implementation in a time bound manner also need to be brought under ADF.  **11. WHETHER ANY TIMELINES HAVE BEEN RECOMMENDED FOR ADF?**  The total time for complete implementation of ADF would depend on the cluster in which the bank places itself after making an assessment of Process and Technology maturity as per the methodology given in the Approach Paper. However, it is expected that the banks with advanced IT systems and experience of working in computerised environment would take the lead and implement ADF in shortest possible time, say, even 2-3 months. In general, banks should strive to meet the objectives within shortest possible timelines.  **12. WHAT LEVEL OF ‘GRANULARITY’ IS DESIRABLE IN ADF**  The granularity to be built in the system should be able to meet the current requirements of regulatory reporting as prescribed by various departments of Reserve Bank. However, over and above this, banks are free to determine and have a finer granularity not only to meet ad- hoc requirements of RBI from time to time but also for internal MIS..  **13. WHICH ALL RETURNS ARE APPLICABLE TO A BANK?**  A list of returns generally applicable to the banks has been made available in the Approach Paper. However, every bank is required to work on all the RBI returns applicable to it.  **14. IS A ‘ROADMAP’ ESSENTIAL PART OF ADF?**  Yes. The Roadmap to be prepared as per the recommendations of the Approach Paper would enable the banks to set milestones for achieving ADF which in turn would also help in monitoring from time to time the progress made in implementation.  **15. WHAT ABOUT RETURNS REQUIRING QUALITATIVE INPUTS?**  Such returns which require qualitative or subjective inputs and narrations may be considered for classification as complex returns by the banks and may be taken up for implementation towards the end of the project. | |
| **Housing Loans** |
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For what purposes can I seek a first time home loan?**  You can generally seek a first time home loan for buying a house or a flat, renovation, extension and repairs to your existing house. Most banks have a separate policy for those who are going for a second house. Please remember to seek specific clarifications on the above-mentioned issues from your commercial bank.  **2. How will your bank decide your home loan eligibility?**  Your bank will assess your repayment capacity while deciding the home loan eligibility. Repayment capacity is based on your monthly disposable / surplus income, (which in turn is based on factors such as total monthly income / surplus less monthly expenses) and other factors like spouse's income, assets, liabilities, stability of income etc. The main concern of the bank is to make sure that you comfortably repay the loan on time and ensure end use. The higher the monthly disposable income, higher will be the amount you will be eligible for loan. Typically a bank assumes that about 55-60 % of your monthly disposable / surplus income is available for repayment of loan. However, some banks calculate the income available for EMI payments based on an individual’s gross income and not on his disposable income.  The amount of the loan depends on the tenure of the loan and the rate of interest also as these variables determine your monthly outgo / outflow which in turn depends on your disposable income. Banks generally fix an upper age limit for home loan applicants.  **3. What is an EMI?**  You repay the loan in Equated Monthly Installments (EMIs) comprising both principal and interest. Repayment by way of EMI starts from the month following the month in which you take full disbursement. (For understanding how EMI is calculated, please see annex).  **4. What documents are generally sought for a loan approval?**  In addition to all legal documents relating to the house being bought,  banks will also ask you to submit Identity and Residence Proof, latest salary slip ( authenticated by the employer and self attested for employees ) and Form 16 ( for business persons/ self-employed ) and last 6 months bank statements / Balance Sheet, as applicable . You also need to submit the completed application form along with your photograph. Loan applications form would give a checklist of documents to be attached with the application.  Do not be in a hurry to seal the deal quickly.  Please do discuss and seek more information on any waivers in terms and conditions provided by the commercial bank in this regard. For example some banks insist on submission of Life Insurance Policies of the borrower / guarantor equal to the loan amount assigned in favour of the commercial bank. There are usually amount ceilings for this condition which can also be waived by appropriate authority. Please read the fine print of the bank’s scheme carefully and seek clarifications.  **5. What are the different interest rate options offered by banks?**  Banks generally offer either of the following loan options: Floating Rate Home Loans and Fixed Rate Home Loans. For a Fixed Rate Loan, the rate of interest is fixed either for the entire tenure of the loan or a certain part of the tenure of the loan. In case of a pure fixed loan, the EMI due to the bank remains constant. If a bank offers a Loan which is fixed only for a certain period of the tenure of the loan, please try to elicit information from the bank whether the rates may be raised after the period (reset clause). You may try to negotiate a lock-in that should include the rate that you have agreed upon initially and the period the lock-in lasts.  Hence, the EMI of a fixed rate loan is known in advance. This is the cash outflow that can be planned for at the outset of the loan. If the inflation and the interest rate in the economy move up over the years, a fixed EMI is attractively stagnant and is easier to plan for. However, if you have fixed EMI, any reduction in interest rates in the market, will not benefit you.  **Determinants of floating rate:**  The EMI of a floating rate loan changes with changes in market interest rates. If market rates increase, your repayment increases. When rates fall, your dues also fall. The floating interest rate is made up of two parts: the index and the spread. The index is a measure of interest rates generally (based on say, government securities prices), and the spreadis an extra amount that the banker adds to cover credit risk, profit mark-up etc. The amount of the spread may differ from one lender to another, but it is usually constant over the life of the loan. If the index rate moves up, so does your interest rate in most circumstances and you will have to pay a higher EMI. Conversely, if the interest rate moves down, your EMI amount should be lower.  Also, sometimes banks make some adjustments so that your EMI remains constant. In such cases, when a lender increases the floating interest rate, the tenure of the loan is increased (and EMI kept constant).  Some lenders also base their floating rates on their Benchmark Prime Lending Rates (BPLR). You should ask what index will be used for setting the floating rate, how it has generally fluctuated in the past, and where it is published/disclosed. However, the past fluctuation of any index is not a guarantee for its future behavior.  **Flexibility in EMI:**  Some banks also offer their customers flexible repayment options. Here the EMIs are unequal. In step-up loans, the EMI is low initially and increases as years roll by (balloon repayment). In step-down loans, EMI is high initially and decreases as years roll by.  Step-up option is convenient for borrowers who are in the beginning of their careers. Step-down loan option is useful for borrowers who are close to their retirement years and currently make good money.  **6. What is monthly reducing balances method?**  Borrowers benefit more from a loan that's calculated on a monthly reducing basis than on an annual basis. In case of monthly resets, interest is calculated on the outstanding principal balance for that month. The principal paid is deducted from the opening principal outstanding balance to arrive at the opening principal for the next month and interest is computed on the new, reduced principal outstanding. In case of annual resets, principal paid is adjusted only at the end of the year. Hence, you continue to pay interest on a portion of the principal that has been paid back to the lender.  **7. How does tenure affect cost of loan?**  The longer the tenure of the loan, the lesser will be your monthly EMI outflow. Shorter tenures mean greater EMI burden, but your loan is repaid faster. If you have a short-term cash flow mismatch, your bank may increase the tenure of the loan, and your EMI burden comes down. But longer tenures mean payment of larger interest towards the loan and make it more expensive.  **8. What is an amortization schedule?**  This is a table that gives details of the periodic principal and interest payments on a loan and the amount outstanding at any point of time. It also shows the gradual decrease of the loan balance until it reaches zero. ([**See annex**](https://googleweblight.com/?lite_url=https://m.rbi.org.in/Scripts/FAQView.aspx%3FId%3D77%23An&lc=en-IN&s=1&m=23&host=www.google.co.in&ts=1498484724&sig=ALNZjWnuSH-uZ-VPqk8efwemFu3utbN8tg))  **9. What is pre-EMI interest?**  Sometimes loan is disbursed in installments, depending on the stages of completion of the housing project.  Pending final disbursement, you may be required to pay interest only on the portion of the loan disbursed. This interest called pre-EMI interest. Pre-EMI interest is payable every month from the date of each disbursement up to the date of commencement of EMI.  However, many banks offer a special facility whereby customers can choose the installments they wish to pay for under construction properties till the time the property is ready for possession. Anything paid over and above the interest by the customer goes towards Principal repayment. The customer benefits by starting EMI payment earlier and hence repays the loan faster. Please check with your banker whether this facility is available before availing of the loan.  **10. What security will you have to provide?**  The security for a housing loan is typically a first mortgage of the property, normally by way of deposit of title deeds. Banks also sometimes ask for other collateral security as may be necessary. Some banks insist on margin / down payment (borrowers contribution to the creation of an asset) to be maintained / made also.  Collateral security assigned to your bank could be life insurance policies, the surrender value of which is set at a certain percentage to the loan amount, guarantees from solvent guarantors, pledge of shares/ securities and investments like KVP/ NSC etc. that are acceptable to your banker. Banks would also require you to ensure that the title to the property is free from any encumbrance. (i.e., there should not be any existing mortgage, loan or litigation, which is likely to affect the title to the property adversely).  **11. What precautions do you need to take if you are purchasing a property that is not a newly built one?**  Ensure that the documents being provided to you are not colour photocopies. Check the internet for other modus operandi to fraud and ensure clear title to the asset. Seek advice only from authentic sources such as your bank.  Get the no encumbrance certificate to find the true title holder and if it is mortgaged to any financier. Obtain all tax papers to ensure that all documents are up to date.  **12. What should be your strategy in dealing with the banks?**  Give yourself comfortable time. Do not hurry your purchase or loan in any case. Shopping around for a home loan will help you to get the best financing deal. Shopping, comparing, seeking clarification and negotiating with banks may save you thousands of rupees.  **a) Obtain information from several banks**  Home loans are available from mainly two types of lenders--commercial banks and housing finance companies. Different lenders may quote you different rates of interest and other terms and conditions, so you should contact several lenders to make sure you’re getting the best value for money.  Find out how much of a down payment you are required to pay, and find out all the costs involved in the loan (including processing fees, administrative charges and prepayment charges levied by banks). Knowing just the amount of the EMI or the interest rate is not good enough. Similarly, ask for information on loan amount, loan term, and type of loan (fixed or floating) so that you can compare the information and take an informed decision.  The following is some important information that you will require.  **i) Rates**  Ask your lender about its current home loan interest rates and whether the rate is fixed or floating.  Remember that when interest rates in the economy go up so does the floating rates and hence the monthly re-payment.  If the rate quoted is a floating rate, ask how your rate and loan payment will vary, including the extent to which your loan payment will be reduced when rates go down by a certain percentage. Ask your lender to what index your floating home loan is referenced / linked and the periodicity of updation of that index. Also ask your bank whether the index is internal or external and how and where it is published.  Ask about the loan’s annual percentage rates (APR). The APR takes into account not only the interest rate but also fees and certain other charges that you may be required to pay, expressed as a yearly rate. Banks are obliged to reveal the APR if requested for by the customer.  **ii) Reset Clause**  Check the reset clause, especially in the case of fixed interest rate loan as the rates will not be fixed throughout the tenure of the loan.  **iii) Spread/Mark up**  Check if the margin in the case of the floating rate is fixed or variable. The rate of interest you have to pay will vary accordingly.  **iv) Fees**  A home loan often requires payment of various fees, such as loan origination or processing charges, administrative charges, documentation, late payment, changing the loan tenure, switching to different loan package during the loan tenure, restructuring of loan, changing from fixed to floating interest rate loan and vice versa, legal fee, technical inspection fee, recurring annual service fee, document retrieval charges and pre-payment charges, if you want to prepay the loan. Every lender should be able to give you an estimate of its fees. Many of these fees are negotiable / can be waived also.  Ask what each fee includes. Sometimes several components are lumped into one fee. Ask for an explanation of any fee you do not understand. Also, remember that most of these fees are perhaps negotiable! Do negotiate with your bank before agreeing to a particular fee. See how the all inclusive rate compares with the all inclusive rates offered by other banks. While planning your finances, don't forget to include the costs of stamp duty and registration.  **v) Down Payments / Margin**  Some lenders require 20/30 percent of the home’s purchase price as a down payment from you. However, many lenders also offer loans that require less than 20/30 percent down payment, sometimes as little as 5 percent .Ask about the lender’s requirements for a down payment and also negotiate with him to reduce the down payments.  **b) Obtain the best deal**  Once you know what each bank has to offer in terms of rates, fees and down payments, negotiate for the best deal. Ask the lender to write down all the costs associated with the loan. Then ask if the bank will waive or reduce one or more of its fees or agree to a lower rate. Do make sure that the bank is not agreeing to lower one fee while raising another or to lower the rate while raising the fees. Ask for clarification in case you do not understand any particular term. All banks are obliged to explain the most important terms and conditions of the home loan in detail.  Once you are satisfied with the terms you have negotiated, please do obtain a written offer letter from the lender and keep a copy with you. Read the offer letter carefully before signing.  **13. Can you repay your loan ahead of schedule? Is pre-payment of loan allowed?**  Yes, most banks allow you to repay the loan ahead of schedule by making lump sum payments. However, many banks charge early repayment penalties up to 2-3% of the principal amount outstanding. Prepayment penalty may vary according to the reasons and source of funds - if you obtain a loan from another bank for pre-payment the charges are usually higher than when you pay from your own sources. However, you may credit more than your EMI amount into your loan account on a periodic basis and bring down your interest burden as and when funds are available with you. Most banks do not charge a pre-payment penalty if you deposit more than your EMI payable on a periodic basis. Please check such stipulations while availing the loan.  **14. What are Switch over charges/ balances transfer charges?**  When other banks reduce the interest rate, you may prefer to close your account with the bank with whom you are banking, to avail of the loan from the bank offering reduced rates of interest. You have to pay pre-payment charges for doing so. In order to ensure that their customers do not approach other banks for availing reduced interest rates, banks allow customers to switch over from a higher interest loan to a lower interest loan by paying a switch over fees which is lesser than the pre-payment charges. Generally switchover fee is taken as percentage of the outstanding loan amount.  Keep up-dating yourself on various changes in the home loan market. Visit the branch, discuss with the officials to get the best out of any changes in the home loan scenario.  **15.  Do you get a tax benefit on the loan?**  Yes. Resident Indians are eligible for certain tax benefits on both principal and interest components of a loan under the Income Tax Act, 1961. Under the current laws, you are entitled to an income tax rebate for interest repayment up to Rs. 1,50,000 /- per annum. Moreover, you can get added tax benefits under Section 80 C on repayment of principal amount up to Rs. 1,00,000 /- per annum.  **16. What are the minimum standards that banks are required to follow when they sell you a home loan?**   1. At the time of sourcing the loan, banks are required to provide information about the interest rate applicable, the fees / charges and any other matter which affects your interest and the same are usually furnished in the product brochure of the banks. Complete transparency is mandatory. 2. The banks will supply you authenticated copies of all the loan documents executed by you at their cost along with a copy each of all enclosures quoted in the loan document on request.   A bank cannot reject your loan application without furnishing valid reason(s) for the same.  **17. What do you do if you have a grievance?**  If you have a complaint against only scheduled bank on any of the above grounds, you can lodge a complaint with the bank concerned in writing in a specific complaint register provided at the branches as per the recommendation of the Goiporia Committee or on a sheet of paper. Ask for a receipt of your complaint. The details of the official receiving your complaint may be specifically sought. If the bank fails to respond within 30 days, you can lodge a complaint with the Banking Ombudsman. (Please note that complaints pending in any other judicial forum will not be entertained by the Banking Ombudsman). No fee is levied by the office of the Banking Ombudsman for resolving the customer’s complaint. A unique complaint identification number will be given to you for tracking purpose. (A [**list of the Banking Ombudsmen along with their contact details**](https://googleweblight.com/?lite_url=https://m.rbi.org.in/Scripts/bs_viewcontent.aspx%3FId%3D164&lc=en-IN&s=1&m=23&host=www.google.co.in&ts=1498484724&sig=ALNZjWlQEBRccVq-WjltbINqjuGEa1f2OA) is provided on the RBI website).  Complaints are to be addressed to the Banking Ombudsman within whose jurisdiction the branch or office of the bank complained against is located. Complaints can be lodged simply by writing on a plain paper or online at [**www.bankingombudsman.rbi.org.in**](https://googleweblight.com/?lite_url=https://bankingombudsman.rbi.org.in/&lc=en-IN&s=1&m=23&host=www.google.co.in&ts=1498484724&sig=ALNZjWnWLdoXbVUUsgk-RfE9i2X6YS-qnw) or by sending an email to the Banking Ombudsman. Complaint forms are available at all bank branches also.  Complaint can also be lodged by your authorised representative (other than a lawyer) or by a consumer association / forum acting on your behalf.  If you are not happy with the decision of the Banking Ombudsman, you can appeal to the Appellate Authority in the Reserve Bank of India.  **REVERSE MORTGAGE LOAN**  **18. What is reverse mortgage loan? What is my eligibility and how I will get back the title deeds?**  The scheme of reverse mortgage has been introduced recently for the benefit of senior citizens owning a house but having inadequate income to meet their needs. Some important features of reverse mortgage are:   * Ahomeowner who is above 60 years of age is eligible for **reverse mortgage** **loan.** It allows him to **turn the equity in his home into one lump sum or periodic payments** mutually agreed by the borrower and the banker. * The property should be clear from encumbrances and should have clear title of the borrower. * **NO REPAYMENT** is required as long as the borrower lives, Borrower should pay all taxes relating to the house and maintain the property as his primary residence. * The amount of loan is based on several factors: borrower’s age, value of the property, current interest rates and the specific plan chosen. Generally speaking, the higher the age, higher the value of the home, the more money is available. * The valuation of the residential property is done at periodic intervals and it shall be clearly specified to the borrowers upfront. The banks shall have the option to revise the periodic / lump sum amount at such frequency or intervals based on revaluation of property. * Married couples will be eligible as joint borrowers for financial assistance. In such a case, the age criteria for the couple would be at the discretion of the lending institution, subject to at least one of them being above 60 years of age. * The loan shall become due and payable only when the last surviving borrower dies or would like to sell the home, or permanently moves out. * On death of the home owner, the legal heirs have the choice of keeping or selling the house. If they decide to sell the house, the proceeds of the sale would be used to repay the mortgage, with the remainder going to the heirs. * As per the scheme formulated by National Housing Bank (NHB), the maximum period of the loan period is 15 years. The residual life of the property should be at least 20 years. Where the borrower lives longer than 15 years, periodic payments will not be made by lender. However, the borrower can continue to occupy. * From FY 2008-09, the lump sum amount or periodic payments received on reverse mortgage loan will not attract income tax or capital gains tax.   Note- Reverse mortgage is a fixed interest discounted product in reverse. It does not take into account the changes in interest rates as yet.  **Important –** This part is fine printed to help you practice reading the fine print. The loan agreement documentation runs into nearly 50 pages and its language is complex. If you thought everyone signs the same agreements with the bank, where is the need to read? You are not taking an informed decision. If you thought somebody would have pointed this to me if there was any problem, then maybe they did but you could not read or listen to it. Think again! Borrowers' and lenders' rights may not be expressed clearly in a transparent manner in all the loan agreements. The home loan agreement may not be provided to you in advance so that this could be read and understood before you sign the agreement. Every method may be used to delay handing over a copy to the borrower in sufficient time. Some areas you may focus are a) check the “reset clause” incorporated by some banks in their home loan agreements that allows them to change the interest rate in the future, even on fixed rate loans. Banks may set their reset clauses for 3 or 2 year intervals.  They say a lender cannot have an agreement that a fixed rate is set for the entire tenure of 15 to 20 years as this will cause an asset-liability mismatch. Talk to your bank. b) Please seek clarifications on the term “exceptional circumstances” (if stated in the loan agreement) under which loan rates can be unilaterally changed by your bank. c) A common person thinks that default ideally means non-payment of one or more loan installments. In some loan documentation it can include divorce and death (in individual case) and even involvement in civil litigation or criminal offence. d) Does the loan agreement say that disbursement of the loan may be made directly to the builder or developer and in the case of a ready-built property to the vendor thereof and/or in such other manner as may be decided solely by bank? It is the borrower whose original property papers are retained with the bank, so why disburse to the builder. Possession of property has been  delayed in some cases when the cheque was issued in the name of the builder and the builder refused to pay delay penalty to the borrower e) Does the agreement enable assignment of your loan to a third party?  You take into account reputation and credibility of the bank before entering into a loan agreement with it. Are you comfortable with third party takes over or should you also be allowed to move your home loan from one bank to another in that case? Look for ambiguous clauses and discuss with the banker. Some agreements say changes in employment etc. have to be informed well in advance without quantifying the term “well in advance”. f) In one case the loan documentation says “issuance of pre-approval letter should not be construed as a commitment by the bank to grant the housing loan and processing fees is not re-fundable even if the home loan is not processed”. This is never ending it seems. The above are only indicative instances of what has been observed / reported/ indicated by various sources. However, our main objective was to get you into the habit of reading the fine print. If you have read this, you would have understood the importance of reading fine print in any document and we have achieved our objective. I only wish I could have made the print smaller as in the real cases.  **ANNEX**  **EXAMPLE OF EMI CALCULATION (PURE FIXED LOAN)**   |  |  |  |  |  | | --- | --- | --- | --- | --- | |  | **Amount of Loan** | | **1,000,000.00** |  | |  | **Annual Interest Rate** | | **15.00%** |  | |  | **Number of Payments** | | **120** |  | |  | **Monthly Payment** | | **16,133.50** |  | | **Number** | **Payment** | **Interest** | **Principal** | **Balance** | | 0 |  |  |  | 1,000,000.00 | | 1 | 16,133.50 | 12,500.00 | 3,633.50 | 996,366.50 | | 2 | 16,133.50 | 12,454.58 | 3,678.91 | 992,687.59 | | 3 | 16,133.50 | 12,408.59 | 3,724.90 | 988,962.69 | | 4 | 16,133.50 | 12,362.03 | 3,771.46 | 985,191.23 | | 5 | 16,133.50 | 12,314.89 | 3,818.61 | 981,372.62 | | 6 | 16,133.50 | 12,267.16 | 3,866.34 | 977,506.28 | | 7 | 16,133.50 | 12,218.83 | 3,914.67 | 973,591.62 | | 8 | 16,133.50 | 12,169.90 | 3,963.60 | 969,628.02 | | 9 | 16,133.50 | 12,120.35 | 4,013.15 | 965,614.87 | | 10 | 16,133.50 | 12,070.19 | 4,063.31 | 961,551.56 | | 11 | 16,133.50 | 12,019.39 | 4,114.10 | 957,437.46 | | 12 | 16,133.50 | 11,967.97 | 4,165.53 | 953,271.93 | | 13 | 16,133.50 | 11,915.90 | 4,217.60 | 949,054.34 | | 14 | 16,133.50 | 11,863.18 | 4,270.32 | 944,784.02 | | 15 | 16,133.50 | 11,809.80 | 4,323.70 | 940,460.32 | | 16 | 16,133.50 | 11,755.75 | 4,377.74 | 936,082.58 | | 17 | 16,133.50 | 11,701.03 | 4,432.46 | 931,650.12 | | 18 | 16,133.50 | 11,645.63 | 4,487.87 | 927,162.25 | | 19 | 16,133.50 | 11,589.53 | 4,543.97 | 922,618.28 | | 20 | 16,133.50 | 11,532.73 | 4,600.77 | 918,017.51 | | 21 | 16,133.50 | 11,475.22 | 4,658.28 | 913,359.24 | | 22 | 16,133.50 | 11,416.99 | 4,716.51 | 908,642.73 | | 23 | 16,133.50 | 11,358.03 | 4,775.46 | 903,867.27 | | 24 | 16,133.50 | 11,298.34 | 4,835.15 | 899,032.12 | | 25 | 16,133.50 | 11,237.90 | 4,895.59 | 894,136.52 | | 26 | 16,133.50 | 11,176.71 | 4,956.79 | 889,179.73 | | 27 | 16,133.50 | 11,114.75 | 5,018.75 | 884,160.98 | | 28 | 16,133.50 | 11,052.01 | 5,081.48 | 879,079.50 | | 29 | 16,133.50 | 10,988.49 | 5,145.00 | 873,934.50 | | 30 | 16,133.50 | 10,924.18 | 5,209.31 | 868,725.18 | | 31 | 16,133.50 | 10,859.06 | 5,274.43 | 863,450.75 | | 32 | 16,133.50 | 10,793.13 | 5,340.36 | 858,110.39 | | 33 | 16,133.50 | 10,726.38 | 5,407.12 | 852,703.28 | | 34 | 16,133.50 | 10,658.79 | 5,474.70 | 847,228.57 | | 35 | 16,133.50 | 10,590.36 | 5,543.14 | 841,685.43 | | 36 | 16,133.50 | 10,521.07 | 5,612.43 | 836,073.00 | | 37 | 16,133.50 | 10,450.91 | 5,682.58 | 830,390.42 | | 38 | 16,133.50 | 10,379.88 | 5,753.62 | 824,636.81 | | 39 | 16,133.50 | 10,307.96 | 5,825.54 | 818,811.27 | | 40 | 16,133.50 | 10,235.14 | 5,898.35 | 812,912.92 | | 41 | 16,133.50 | 10,161.41 | 5,972.08 | 806,940.83 | | 42 | 16,133.50 | 10,086.76 | 6,046.74 | 800,894.10 | | 43 | 16,133.50 | 10,011.18 | 6,122.32 | 794,771.78 | | 44 | 16,133.50 | 9,934.65 | 6,198.85 | 788,572.93 | | 45 | 16,133.50 | 9,857.16 | 6,276.33 | 782,296.59 | | 46 | 16,133.50 | 9,778.71 | 6,354.79 | 775,941.81 | | 47 | 16,133.50 | 9,699.27 | 6,434.22 | 769,507.58 | | 48 | 16,133.50 | 9,618.84 | 6,514.65 | 762,992.93 | | 49 | 16,133.50 | 9,537.41 | 6,596.08 | 756,396.85 | | 50 | 16,133.50 | 9,454.96 | 6,678.54 | 749,718.31 | | 51 | 16,133.50 | 9,371.48 | 6,762.02 | 742,956.30 | | 52 | 16,133.50 | 9,286.95 | 6,846.54 | 736,109.75 | | 53 | 16,133.50 | 9,201.37 | 6,932.12 | 729,177.63 | | 54 | 16,133.50 | 9,114.72 | 7,018.78 | 722,158.85 | | 55 | 16,133.50 | 9,026.99 | 7,106.51 | 715,052.34 | | 56 | 16,133.50 | 8,938.15 | 7,195.34 | 707,857.00 | | 57 | 16,133.50 | 8,848.21 | 7,285.28 | 700,571.72 | | 58 | 16,133.50 | 8,757.15 | 7,376.35 | 693,195.37 | | 59 | 16,133.50 | 8,664.94 | 7,468.55 | 685,726.82 | | 60 | 16,133.50 | 8,571.59 | 7,561.91 | 678,164.91 | | 61 | 16,133.50 | 8,477.06 | 7,656.43 | 670,508.47 | | 62 | 16,133.50 | 8,381.36 | 7,752.14 | 662,756.33 | | 63 | 16,133.50 | 8,284.45 | 7,849.04 | 654,907.29 | | 64 | 16,133.50 | 8,186.34 | 7,947.15 | 646,960.14 | | 65 | 16,133.50 | 8,087.00 | 8,046.49 | 638,913.64 | | 66 | 16,133.50 | 7,986.42 | 8,147.08 | 630,766.57 | | 67 | 16,133.50 | 7,884.58 | 8,248.91 | 622,517.65 | | 68 | 16,133.50 | 7,781.47 | 8,352.03 | 614,165.63 | | 69 | 16,133.50 | 7,677.07 | 8,456.43 | 605,709.20 | | 70 | 16,133.50 | 7,571.37 | 8,562.13 | 597,147.07 | | 71 | 16,133.50 | 7,464.34 | 8,669.16 | 588,477.91 | | 72 | 16,133.50 | 7,355.97 | 8,777.52 | 579,700.39 | | 73 | 16,133.50 | 7,246.25 | 8,887.24 | 570,813.15 | | 74 | 16,133.50 | 7,135.16 | 8,998.33 | 561,814.82 | | 75 | 16,133.50 | 7,022.69 | 9,110.81 | 552,704.01 | | 76 | 16,133.50 | 6,908.80 | 9,224.70 | 543,479.31 | | 77 | 16,133.50 | 6,793.49 | 9,340.00 | 534,139.31 | | 78 | 16,133.50 | 6,676.74 | 9,456.75 | 524,682.56 | | 79 | 16,133.50 | 6,558.53 | 9,574.96 | 515,107.59 | | 80 | 16,133.50 | 6,438.84 | 9,694.65 | 505,412.94 | | 81 | 16,133.50 | 6,317.66 | 9,815.83 | 495,597.11 | | 82 | 16,133.50 | 6,194.96 | 9,938.53 | 485,658.58 | | 83 | 16,133.50 | 6,070.73 | 10,062.76 | 475,595.81 | | 84 | 16,133.50 | 5,944.95 | 10,188.55 | 465,407.26 | | 85 | 16,133.50 | 5,817.59 | 10,315.90 | 455,091.36 | | 86 | 16,133.50 | 5,688.64 | 10,444.85 | 444,646.51 | | 87 | 16,133.50 | 5,558.08 | 10,575.41 | 434,071.09 | | 88 | 16,133.50 | 5,425.89 | 10,707.61 | 423,363.48 | | 89 | 16,133.50 | 5,292.04 | 10,841.45 | 412,522.03 | | 90 | 16,133.50 | 5,156.53 | 10,976.97 | 401,545.06 | | 91 | 16,133.50 | 5,019.31 | 11,114.18 | 390,430.88 | | 92 | 16,133.50 | 4,880.39 | 11,253.11 | 379,177.77 | | 93 | 16,133.50 | 4,739.72 | 11,393.77 | 367,784.00 | | 94 | 16,133.50 | 4,597.30 | 11,536.20 | 356,247.80 | | 95 | 16,133.50 | 4,453.10 | 11,680.40 | 344,567.40 | | 96 | 16,133.50 | 4,307.09 | 11,826.40 | 332,741.00 | | 97 | 16,133.50 | 4,159.26 | 11,974.23 | 320,766.77 | | 98 | 16,133.50 | 4,009.58 | 12,123.91 | 308,642.85 | | 99 | 16,133.50 | 3,858.04 | 12,275.46 | 296,367.39 | | 100 | 16,133.50 | 3,704.59 | 12,428.90 | 283,938.49 | | 101 | 16,133.50 | 3,549.23 | 12,584.26 | 271,354.23 | | 102 | 16,133.50 | 3,391.93 | 12,741.57 | 258,612.66 | | 103 | 16,133.50 | 3,232.66 | 12,900.84 | 245,711.82 | | 104 | 16,133.50 | 3,071.40 | 13,062.10 | 232,649.72 | | 105 | 16,133.50 | 2,908.12 | 13,225.37 | 219,424.35 | | 106 | 16,133.50 | 2,742.80 | 13,390.69 | 206,033.66 | | 107 | 16,133.50 | 2,575.42 | 13,558.07 | 192,475.58 | | 108 | 16,133.50 | 2,405.94 | 13,727.55 | 178,748.03 | | 109 | 16,133.50 | 2,234.35 | 13,899.15 | 164,848.89 | | 110 | 16,133.50 | 2,060.61 | 14,072.88 | 150,776.00 | | 111 | 16,133.50 | 1,884.70 | 14,248.80 | 136,527.21 | | 112 | 16,133.50 | 1,706.59 | 14,426.91 | 122,100.30 | | 113 | 16,133.50 | 1,526.25 | 14,607.24 | 107,493.06 | | 114 | 16,133.50 | 1,343.66 | 14,789.83 | 92,703.23 | | 115 | 16,133.50 | 1,158.79 | 14,974.71 | 77,728.52 | | 116 | 16,133.50 | 971.61 | 15,161.89 | 62,566.63 | | 117 | 16,133.50 | 782.08 | 15,351.41 | 47,215.22 | | 118 | 16,133.50 | 590.19 | 15,543.31 | 31,671.91 | | 119 | 16,133.50 | 395.90 | 15,737.60 | 15,934.32 | | 120 | 16,133.50 | 199.18 | 15,934.32 | 0.00 |   **Loan amount x rpm x  (1+pm)** **(1+pm)**   * **rpm= interest per month (rate of interest per year/12)** * **n= number of installments**   **NB: If you have a fixed budget towards EMI you can arrive at loan amount by changing the other variables such as by reducing the rate of interest or by increasing the tenure of loan. This can also be arrived at through**[**EMI calculator**](http://googleweblight.com/?lite_url=http://rbidocs.rbi.org.in/rdocs/Content/DOCs/HLC191109.xls&lc=en-IN&s=1&m=23&host=www.google.co.in&ts=1498484724&sig=ALNZjWnFpCprZ6T7NoOP70_rleb3TAS9xw)**by a trial-and-error approach.** | |
| **Deposit Insurance** |
| |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | | **A Guide to the deposit insurance and credit guarantee corporation (DICGC)**  **Outline of the System and Q & A**  **Q1 Which banks are insured by the DICGC?**  Commercial Banks: All commercial banks including branches of foreign banks functioning in India, local area banks and regional rural banks are insured by the DICGC.  Cooperative Banks: All State, Central and Primary cooperative banks, also called urban cooperative banks, functioning in States / Union Territories which have amended the local Cooperative Societies Act empowering the Reserve Bank of India (RBI) to order the Registrar of Cooperative Societies of the State / Union Territory to wind up a cooperative bank or to supersede its committee of management and requiring the Registrar not to take any action regarding winding up, amalgamation or reconstruction of a co-operative bank without prior sanction in writing from the Reserve Bank are covered under the Deposit Insurance System. At present all co-operative banks other than those from the States of Meghalaya, and the Union Territories of Chandigarh, Lakshadweep and Dadra and Nagar Haveli are covered under the deposit insurance system of DICGC.  Primary cooperative societies are not insured by the DICGC.  **Q 2** **What does the DICGC insure?**  In the event of a bank failure, DICGC protects bank deposits that are payable in India. The DICGC insures all deposits such as savings, fixed, current, recurring, etc. except the following types of deposits. (i)  Deposits of foreign Governments;  (ii) Deposits of Central/State Governments; (iii)Inter-bank deposits; (iv) Deposits of the State Land Development Banks with the State co-operative bank; (v) Any amount due on account of any deposit received outside India (vi) Any amount, which has been specifically exempted by the corporation with the previous approval of Reserve Bank of India.  **Q 3 What is the maximum deposit amount insured by the DICGC?**  Each depositor in a bank is insured upto a maximum of Rs.1,00,000 (Rupees One Lakh) for both principal and interest amount held by him in the same capacity and same right as on the date of liquidation/cancellation of bank's licence or the date on which the scheme of amalgamation/merger/reconstruction comes into force.  **Q 4** **How will I know whether my bank is insured by the DICGC or not?**  The DICGC while registering the banks as insured banks furnishes them with printed leaflets for display giving information relating to the protection afforded by the Corporation to the depositors of the insured banks. In case of doubt, depositor should make specific enquiry from the branch official in this regard.  **Q 5** **What is the ceiling on amount of Insured deposits kept by one person in different branches of a bank?**  The deposits kept in different branches of a bank are aggregated for the purpose of insurance cover and a maximum amount upto Rupees one lakh is paid.  **Q 6 Does the DICGC insure just the principal on an account or both principal and accrued interest?**  The DICGC insures principal and interest upto a maximum amount of Rs. One lakh. For example, if an individual had an account with a principal amount of Rs.95,000 plus accrued interest of Rs.4,000, the total amount insured by the DICGC would be Rs.99,000. If, however, the principal amount in that account was Rs. One lakh, the accrued interest would not be insured, not because it was interest but because that was the amount over the insurance limit.  **Q 7 Can deposit insurance be increased by depositing funds into several different accounts all at the same bank?**  All funds held in the same type of ownership at the same bank are added together before deposit insurance is determined. If the funds are in different types of ownership or are deposited into separate banks they would then be separately insured.  **Q 8 What is a single ownership account?**  A single (or individual) ownership account is an account owned by one person. Such accounts include those in the owner’s name; those established for the benefit of the owner by agents, nominees, guardians, custodians, or conservators; and those established by a business that is a sole proprietorship.  **Q 9 Are deposits in different banks separately insured?**  Yes. If you have deposits with more than one bank, deposit insurance coverage limit is applied separately to the deposits in each bank.  **Q 10 If I have my funds on deposit at two different banks, and those two banks are closed on the same day, are my funds added together, or insured separately?**  Your funds from each bank would be insured separately, regardless of the date of closure.  **Q 11 What is the meaning of deposits held in the same capacity and same right; and deposits held in different capacity and different right?**  If an individual opens more than one deposit account in one or more branches of a bank, e.g. Shri S. K. Pandit opens one or more savings/current account and one or more fixed/recurring deposit accounts etc., all these are considered as accounts held in the same capacity and in the same right. Therefore, the balances in all these accounts are aggregated and maximum insurance cover is available upto rupees one lakh.  If Shri S. K. Pandit holds other deposit accounts in his capacity as a partner of a firm or guardian of a minor or director of a company or trustee of a Trust or a joint account, say with his wife Smt. S. K. Pandit, in one or more branches of the bank then such accounts are considered as held in different capacity and different right. Accordingly, such deposits accounts will also enjoy the insurance cover upto rupees one lakh separately.  It is further clarified that the deposit held in the name of the proprietary concern where a depositor is the sole proprietor and the deposit held in his individual capacity are aggregated and insurance cover is available upto rupees one lakh in maximum.  **Illustrations**   **Deposits held in different capacities**   |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | |  | **Savings A/C** | **Current A/C** | **FD A/C** | **Total Deposits** | **Deposits Insured** | | **Shri S. K. Pandit (individual)** | **17,200** | **22,000** | **80,000** | **1,19,200** | **1,00,000** | | **Shri S. K. Pandit (Partner of ABC & Co.)** |  | **75,000** | **50,000** | **1,25,000** | **1,00,000** | | **Shri S. K. Pandit (Guardian for Master Ajit)** | **7,800** |  | **80,000** | **87,800** | **87,800** | | **Shri S. K. Pandit (Director, J.K. Udyog Ltd.)** |  | **2,30,000** | **45,000** | **2,75,000** | **1,00,000** | | **Shri S. K. Pandit** **Jointly with Smt. K. A. Pandit** | **7,500** | **1,50,000** | **50,000** | **2,07,500** | **1,00,000** |   **Deposits held in joint accounts (revised w.e.f. April 26, 2007)**  If more than one deposit accounts (Savings, Current, Recurring or Fixed deposit) are jointly held by individuals in one or more branches of a Bank say three individuals A, B & C hold more than one joint deposit accounts in which their names appear in the same order then all these accounts are considered as held in the same capacity and in the same right. Accordingly, balances held in all these accounts will be aggregated for the purpose of determining the insured amount within the limit of Rs.1 lakh.  However, if individuals open more than one joint accounts in which their names are not in the same order for example, A, B and C; C, B and A; C, A and B; A, C and B; or group of persons are different say A, B and C and A, B and D etc. then, the deposits held in this joint accounts are considered as held in the different capacity and different right. Accordingly, insurance cover will be available separately upto rupees one lakh to every such joint account where the names appear in different order or names are different.  **Illustrations**  **Deposits held in joint accounts**   |  |  |  | | --- | --- | --- | | Account (i) (Savings or Current A/C) | First a/c holder- "A"  Second a/c holder - "B" | Maximum insured amount upto Rs.1 lakh | | Account (ii) | First a/c holder - "A" Second a/c holder - "C" | Maximum insured amount upto Rs.1 lakh | | Account (iii) | First a/c holder - "B" Second a/c holder - "A" | Maximum insured amount upto Rs.1 lakh | | Account (iv) at Branch 'X' of the bank | First a/c holder - "A"  Second a/c holder - "B" Third a/c holder - "C" | Maximum insured amount upto Rs.1 lakh | | Account (v) | First a/c holder - "B" Second a/c holder - "C" Third a/c holder - "A" | Maximum insured amount upto Rs.1 lakh | | Account (vi)  Recurring or  (Fixed deposit) | First a/c holder - "A" Second a/c holder - "B" | The account will be clubbed with the a/c at (i) | | Account (vii) at Branch 'Y' of the bank | First a/c holder – "A" Second a/c holder – "B"  Third a/c holder – "C" | The account will be clubbed with the a/c at (iv) | | Account (viii) | First a/c holder – "A" Second a/c holder – "B"  Third a/c holder – "D" | Maximum insured amount upto Rs.1 lakh |   **Q 12 Can the bank deduct the amount of dues payable by the depositor?**  Yes. Banks have the right to set off their dues from the amount of deposits. The deposit insurance is available after netting of such dues.  **Q 13 Who pays the cost of deposit insurance?**  Deposit insurance premium is borne entirely by the insured bank.  **Q 14 When is the DICGC liable to pay?**  **If a bank goes into liquidation:**The DICGC is liable to pay to each depositor through the liquidator, the amount of his deposit upto Rupees one lakh within two months from the date of receipt of claim list from the liquidator.  **If a bank is reconstructed or amalgamated / merged with another bank:**Where in respect of an insured bank a scheme of compromise or arrangement or of reconstruction or amalgamation has been sanctioned by any competent authority and the said scheme provides for each depositor being paid or credited with, on the date on which the scheme comes into force, an amount which is less than the original amount and also the specified amount, the Corporation shall be liable to pay to every such depositor in accordance with the provisions of section 18 of DICGC Act an amount equivalent to the difference between the amount so paid or credited and the original amount, or the difference between the amount so paid or credited and the specified amount, whichever is less:  Provided that where any such scheme also provides that any payment made to a depositor before the coming into force of the scheme shall be reckoned towards the payment due to him under that scheme, then the scheme shall be deemed to have provided for that payment being made on the date of its coming into force.  **Q 15 Does the DICGC directly deal with the depositors of failed banks?**  No. In the event of a bank's liquidation, the liquidator prepares depositor wise claim list and sends it to the DICGC. After scrutiny the DICGC pays the money to the liquidator who is liable to pay to the depositors. In the case of amalgamation / merger of banks, the amount due to each depositor is paid to the transferee bank.  **Q 16 Can any insured bank withdraw from the  DICGC coverage?**  No. The deposit insurance scheme is compulsory and no bank can withdraw from it.  **Q 17 Can the DICGC withdraw deposit insurance coverage from any bank?**  The Corporation may cancel the registration of an insured bank if it fails to pay the premium for three consecutive half year periods. In the event of the DICGC withdrawing its coverage from any bank for default in the payment of premium the public will be notified through newspapers.  Registration of an insured bank stands cancelled if the bank is prohibited from receiving fresh deposits; or its licence is cancelled or a licence is refused to it by the RESERVE BANK; or it is wound up either voluntarily or compulsorily; or it ceases to be a banking company or a co-operative bank within the meaning of Section 36A(2) of the Banking Regulation Act, 1949; or it has transferred all its deposit liabilities to any other institution; or it is amalgamated with any other bank or a scheme of compromise or arrangement or of reconstruction has been sanctioned by a competent authority and the said scheme does not permit acceptance of fresh deposits. In the event of the cancellation of registration of a bank, deposits of the bank remain covered by the insurance till the date of the cancellation.  **Q 18** **What will be the Corporation’s liability to the banks on de-registration.**  The Corporation has deposit insurance liability on liquidation etc. of "Insured banks" i.e. banks which have been de-registered (a) on account of prohibition on receiving fresh deposits or (b) on cancellation of license or it is found that license can not be granted. The liability of the Corporation in these cases is limited to the extent of deposits as on the date of cancellation of registration of bank as an insured bank.  On liquidation etc. of other de-registered banks i.e. banks which have been de-registered on other grounds such as non payment of premium or their ceasing to be eligible co-operative banks under section 2(gg) of the DICGC Act, 1961, the Corporation will have no liability. | |
| **Banking Ombudsman Scheme, 2006** |
| |  | | --- | | **FAQs on the Banking Ombudsman Scheme** | | **1. What is the Banking Ombudsman Scheme?**  The Banking Ombudsman Scheme enables an expeditious and inexpensive forum to bank customers for resolution of complaints relating to certain services rendered by banks. The Banking Ombudsman Scheme is introduced under Section 35 A of the Banking Regulation Act, 1949 by RBI with effect from 1995.  **2. Who is a Banking Ombudsman?**  The Banking Ombudsman is a senior official appointed by the Reserve Bank of India to redress customer complaints against deficiency in certain banking services.  **3. How many Banking Ombudsmen have been appointed and where are they located?**  As on date, fifteen Banking Ombudsmen have been appointed with their offices located mostly in state capitals. The addresses and contact details of the Banking Ombudsman offices have been provided in the annex.  **4. Which are the banks covered under the Banking Ombudsman Scheme, 2006?**  All Scheduled Commercial Banks, Regional Rural Banks and Scheduled Primary Co-operative Banks are covered under the Scheme.  **5. What are the grounds of complaints?**  The Banking Ombudsman can receive and consider any complaint relating to the following deficiency in banking services (including internet banking):   * non-payment or  inordinate delay in the payment or collection of cheques, drafts, bills etc.; * non-acceptance, without sufficient cause, of small denomination notes tendered for any purpose, and for charging of commission in respect thereof; * non-acceptance, without sufficient cause, of coins tendered and for charging of commission in respect thereof; * non-payment or delay in payment of inward remittances ; * failure to issue or delay in issue of drafts, pay orders or bankers’ cheques; * non-adherence to prescribed working hours ; * failure to provide or delay in providing a banking facility (other than loans and advances) promised in writing by a bank or its direct selling agents; * delays, non-credit of proceeds to parties accounts, non-payment of deposit or non-observance of the Reserve Bank directives, if any, applicable to rate of interest on deposits in any savings,current or other account maintained with a bank ; * complaints from Non-Resident Indians having accounts in India in relation to their remittances from abroad, deposits and other bank-related matters; * refusal to open deposit accounts without any valid reason for refusal; * levying of charges without adequate prior notice to the customer; * non-adherence by the bank or its subsidiaries to the instructions of Reserve Bank on ATM/Debit card operations or credit card operations; * non-disbursement or delay in disbursement of pension (to the extent the grievance can be attributed to the action on the part of the bank concerned, but not with regard to its employees); * refusal to accept or delay in accepting payment towards taxes, as required by Reserve Bank/Government; * refusal to issue or delay in issuing, or failure to service or delay in servicing or redemption of Government securities; * forced closure of deposit accounts without due notice or without sufficient reason; * refusal to close or delay in closing the accounts; * non-adherence to the fair practices code as adopted by the bank or non-adherence to the provisions of the Code of Bank s Commitments to Customers issued by Banking Codes and Standards Board of India and as adopted by the bank ; * non-observance of Reserve Bank guidelines on engagement of recovery agents by banks; and * any other matter relating to the violation of the directives issued by the Reserve Bank in relation to banking or other services.   A customer can also lodge a complaint on the following grounds of deficiency in service with respect to loans and advances   * non-observance of Reserve Bank Directives on interest rates; * delays in sanction, disbursement or non-observance of prescribed time schedule for disposal of loan applications; * non-acceptance of application for loans without furnishing valid reasons to the applicant; and * non-adherence to the provisions of the fair practices code for lenders as adopted by the bank or Code of Bank’s Commitment to Customers, as the case may be; * non-observance of any other direction or instruction of the Reserve Bank  as may be specified by the Reserve Bank for this purpose  from time to time. * The Banking Ombudsman may also deal with such other matter as may be specified by the Reserve Bank from time to time.   **6. When can one file a complaint?**  One can file a complaint before the Banking Ombudsman if the reply is not received from the bank within a period of one month after the bank concerned has received one s representation, or the bank rejects the complaint, or if the complainant is not satisfied with the reply given by the bank.  **7. When will one s complaint not be considered by the Ombudsman ?**  One s complaint will not be considered if:  a. One has not approached his bank for redressal of his grievance first.  b. One has not made the complaint within one year from the date one has received the reply of the bank or if no reply is received if it is more than one year and one month from the date of representation to the bank.  c. The subject matter of the complaint is pending for disposal / has already been dealt with at any other forum like court of law, consumer court etc.  d. Frivolous or vexatious.  e. The institution complained against is not covered under the scheme.  f. The subject matter of the complaint is not within the ambit of the Banking Ombudsman.  g. If the complaint is for the same subject matter that was settled through the office of the Banking Ombudsman in any previous proceedings.  **8. What is the procedure for filing the complaint before the Banking Ombudsman?** One can file a complaint with the Banking Ombudsman simply by writing on a plain paper. One can also file it online (at “[click here to go to Banking Ombudsman scheme](https://googleweblight.com/?lite_url=https://m.rbi.org.in/commonman/English/Scripts/AgainstBank.aspx&lc=en-IN&s=1&m=23&host=www.google.co.in&ts=1498484728&sig=ALNZjWn3zaryXpbGXLhtteYiUy-0GJyqxQ)” or by sending an [email](https://googleweblight.com/?lite_url=https://m.rbi.org.in/commonman/English/Scripts/AgainstBankABO.aspx&lc=en-IN&s=1&m=23&host=www.google.co.in&ts=1498484728&sig=ALNZjWmMZPhnM_sk2X4O-RaE3n8K_6vb6g) to the Banking Ombudsman. There is a [form](https://googleweblight.com/?lite_url=https://secweb.rbi.org.in/BO/precompltindex.htm&lc=en-IN&s=1&m=23&host=www.google.co.in&ts=1498484728&sig=ALNZjWnEjHw_3oW8n_9lc98NSxm7ldnoiQ) along with details of the scheme in our website.However, it is not necessary to use this format.  **9. Where can one lodge his/her complaint?**  One may lodge his/ her complaint at the office of the [Banking Ombudsman under whose jurisdiction](https://googleweblight.com/?lite_url=https://m.rbi.org.in/commonman/English/Scripts/AgainstBankABO.aspx&lc=en-IN&s=1&m=23&host=www.google.co.in&ts=1498484728&sig=ALNZjWmMZPhnM_sk2X4O-RaE3n8K_6vb6g), the bank branch complained against is situated.  For complaints relating to credit cards and other types of services with centralized operations, complaints may be filed before the Banking Ombudsman within whose territorial jurisdiction the billing address of the customer is located.  Address and area of operation of the banking ombudsmen are provided in the annex.  **10.Can a complaint be filed by one s authorized representative?**  Yes. The complainant can be filed by one s authorized representative (other than an advocate).  **11. Is there any cost involved in filing complaints with Banking Ombudsman?**  No. The Banking Ombudsman does not charge any fee for filing and resolving customers’ complaints.  **12. Is there any limit on the amount of compensation as specified in an award?**  The amount, if any, to be paid by the bank to the complainant by way of compensation for any loss suffered by the complainant is limited to the amount arising directly out of the act or omission of the bank or Rs 10 lakhs, whichever is lower.  **13. Can compensation be claimed for mental agony and harassment?**  The Banking Ombudsman may award compensation not exceeding Rs 1 lakh to the complainant only in the case of complaints relating to credit card operations for mental agony and harassment. The Banking Ombudsman will take into account the loss of the complainant s time, expenses incurred by the complainant, harassment and mental anguish suffered by the complainant while passing such award.  **14. What details are required in the application?**  The complaint should have the name and address of the complainant, the name and address of the branch or office of the bank against which the complaint is made, facts giving rise to the complaint supported by documents, if any, the nature and extent of the loss caused to the complainant, the relief sought from the Banking Ombudsman and a declaration about the compliance of conditions which are required to be complied with by the complainant.  **15. What happens after a complaint is received by the Banking Ombudsman?**  The Banking Ombudsman endeavours to promote, through conciliation or mediation, a settlement of the complaint by agreement between the complaint and the bank named in the complaint.  If the terms of settlement (offered by the bank) are acceptable to one in full and final settlement of one s complaint, the Banking Ombudsman will pass an order as per the terms of settlement which becomes binding on the bank and the complainant.  **16. Can the Banking Ombudsman reject a complaint at any stage?**  Yes. The Banking Ombudsman may reject a complaint at any stage if it appears to him that a complaint made to him is:   * not on the grounds of complaint referred to above * compensation sought from the Banking Ombudsman is beyond  Rs 10 lakh . * requires consideration of elaborate documentary and oral evidence and the proceedings before the Banking Ombudsman are not appropriate for adjudication of such complaint * without any sufficient cause * that it is not pursued by the complainant with reasonable diligence * in the opinion of the Banking Ombudsman there is no loss or damage or inconvenience caused to the complainant.   **17. What happens if the complaint is not settled by agreement?**  If a complaint is not settled by an agreement within a period of one month, the Banking Ombudsman proceeds further to pass an award. Before passing an award, the Banking Ombudsman provides reasonable opportunity to the complainant and the bank, to present their case.  It is up to the complainant to accept the award in full and final settlement of your complaint or to reject it.  **18.Is there any further recourse available if one rejects the Banking Ombudsman’s decision?**  If one is not satisfied with the decision passed by the Banking Ombudsman, one can approach the appellate authority against the Banking Ombudsmen’s decision. Appellate Authority is vested with a Deputy Governor of the RBI. One can also explore any other recourse and/or remedies available to him/her as per the law.  The bank also has the option to file an appeal before the appellate authority under the scheme.  **19. Is there any time limit for filing an appeal?**  If one is aggrieved by the decision, one may, within 30 days of the date of receipt of the award, appeal against the award before the appellate authority. The appellate authority may, if he/ she is satisfied that the applicant had sufficient cause for not making an application for appeal within time, also allow a further period not exceeding 30 days.  **20. How does the appellate authority deal with the appeal?**  The appellate authority may  i. dismiss the appeal; or  ii. allow the appeal and set aside the award; or  iii. send the matter to the Banking Ombudsman for fresh disposal in accordance with such directions as the appellate authority may consider necessary or proper; or  iv. modify the award and pass such directions as may be necessary to give effect to the modified award; or  v. pass any other order as it may deem fit. | |