

RBI Circulars from April-June 2011

1) RBI's Circular No.UBD.CO.BPD(PCB) Cir.No.42 /09.73.000/2010-11 dated March 29, 2011 on Coins of 25 Paise and below – Withdrawal from Circulation

Please refer to our [circular UBD.BPD\(PCB\) Cir.No. 39/09.73.000/2010-11 dated March 15, 2011](#) on the captioned subject.

2. In partial modification of the above circular, we advise that the coins of 25 Paise and below will be exchanged at the branches of the specified banks as also the offices of the Reserve Bank of India till the close of business on June 29, 2011 (instead of June 30, 2011 as advised earlier). These coins shall cease to be legal tender thereafter. The UCBs may take note of the above instructions.

2) RBI's Circular No.UBD.CO.BPD (PCB) Cir.No. 43/14.01.062/2010-11 dated March 31, 2011 on List of Terrorist Individuals /Organisations under UNSCR 1267 (1999) and 1822 (2008) on Taliban/Al-Qaida Organisation – Primary (Urban) Co-operative Banks

Please refer to our [circular UBD.CO. BPD \(PCB\).Cir.No.31/14.01.062/2010-11 dated December 28, 2010](#). We enclose, as detailed below, copies of notification (received from Government of India – Ministry of External Affairs) of the Chairman of UN Security Council's 1267 Committee regarding changes made in the Consolidated List of Individuals and entities linked to Al-Qaida and Taliban:

1. [Note dated January 19, 2011](#)
2. [Note dated January 24, 2011](#)
3. [Note dated February 09, 2011](#)
4. [Note dated March 10, 2011](#)

2. Urban Co-operative Banks are required to update the consolidated list of individuals/entities as circulated by Reserve Bank and before opening any new account, it should be ensured that the name/s of the proposed customer does not appear in the list. Further, banks should scan all existing accounts to ensure that no account is held by or linked to any of the entities or individuals included in the list.

3. Urban Co-operative Banks are advised to strictly follow the procedure laid down in the UAPA Order dated August 27, 2009 enclosed to our [circular UBD.CO.BPD. PCB.Cir. No. 21/12.05.001/2009-10 dated November 16, 2009](#) and ensure meticulous compliance to the Orders issued by the Government.

4. As far as freezing of funds, financial assets or economic resources or related services held in the form of bank accounts of the designated individuals/entities are concerned, action should be taken as detailed in paragraph 6 of the circular dated November 16, 2009 mentioned above.

5. The complete details of the said consolidated list are available on the UN website: <http://www.un.org/sc/committees/1267/consolist.shtml>

3) RBI's Circular No.UBD.CO.BPD (PCB) Cir.No. 8/14.01.062/2010-11 dated May 2, 2011 on Anti-Money Laundering (AML)/Combating of Financing of Terrorism (CFT) – Standards – Primary (Urban) Co-operative Banks

Please refer to our [circular UBD. CO.BPD \(PCB\).Cir.No.7/14.01.062/2010-11 dated March 17, 2011](#) forwarding the Financial Action Task Force (FATF) Statement identifying a list of jurisdictions which gave strategic AML/CFT deficiencies.

2. FATF has further issued a Statement on February 25, 2011 ([copy enclosed](#)) calling upon jurisdictions listed in the Statement to complete the implementation of their action plan within the time frame. The FATF, in the Statement, has called upon its members to consider the information given in the Statement.

4) RBI's Circular No. UBD.CO.BPD (PCB) Cir.No. 9/14.01.062/2010-11 dated May 02, 2011 on Anti-Money Laundering (AML)/Combating of Financing of Terrorism (CFT) – Standards – Primary (Urban) Co-operative Banks

Please refer to our [circular UBD. CO.BPD \(PCB\).Cir.No.6/14.01.062/2010-11 dated March 17, 2011](#) on risks arising from the deficiencies in AML/CFT regime of Iran and Democratic People's Republic of Korea (DPRK).

2. Financial Action Task Force (FATF) has issued a further Statement on February 25, 2011 on the subject ([copy enclosed](#)) calling its members and other jurisdictions to apply counter-measures to protect the international financial system from the ongoing and substantial money laundering and terrorist financing risks emanating from Iran and DPRK.

3. Urban Co-operative Banks are accordingly advised to take into account risks arising from the deficiencies in AML/CFT regime of these countries, while entering into business relationships and transactions with persons (including legal persons and other financial institutions) from or in these countries/jurisdictions.

5) RBI's Circular No UBD.CO.BPD (PCB) Cir.No.44/14.01.062/2010-11 dated May 02, 2011 on List of Terrorist Individuals /Organisations under UNSCR 1267 (1999) and 1822 (2008) on Taliban/AI-Qaida Organisation – Primary (Urban) Co-operative Banks.

Please refer to our circular [UBD.CO. BPD \(PCB\).Cir.No.43/14.01.062/2010-11 dated March 31, 2011](#). We have since received from Government of India (Ministry of External Affairs) [copy of note dated March 24, 2011](#) forwarded by the Chairman of UN Security Council's 1267 Committee regarding changes made in the Consolidated List of Individuals and entities linked to Al-Qaida and Taliban.

2. Urban Co-operative Banks are required to update the consolidated list of individuals/entities as circulated by Reserve Bank and before opening any new account, it should be ensured that the name/s of the proposed customer does not appear in the list. Further, banks should scan all existing accounts to ensure that no account is held by or linked to any of the entities or individuals included in the list.

3. Urban Co-operative Banks are advised to strictly follow the procedure laid down in the UAPA Order dated August 27, 2009 enclosed to our [circular UBD.CO.BPD. PCB.Cir. No. 21/12.05.001/2009-10 dated November 16, 2009](#) and ensure meticulous compliance to the Orders issued by the Government.

4. As far as freezing of funds, financial assets or economic resources or related services held in the form of bank accounts of the designated individuals/entities are concerned, action should be taken as detailed in paragraph 6 of the circular dated November 16, 2009 mentioned above.

5. The complete details of the said consolidated list are available on the UN website : <http://www.un.org/sc/committees/1267/consolist.shtml>

6) RBI's Circular No. UBD.BPD.(PCB)CIR No.45/13.01.00/2010-11 dated May 3, 2011 on Interest Rates on Deposits

Please refer to our Directive No.UBD.DC.102/V.1-86/87 dated June 25, 1987 on the captioned subject as amended from time to time.

2. It has since been decided to increase the interest rate on domestic and ordinary Non-Resident savings deposits as well as savings deposits under Non-Resident (External) Accounts Scheme by 0.5 percentage point from 3.5 per cent to 4.0 per cent per annum with immediate effect.

3. All other instructions issued from time to time in this regard will remain unchanged.

7) RBI's Circular No. UBD.BPD.(PCB)CIR No.46 /09.09.001/2010-11 dated May 11, 2011 on Limit of Housing Loans Under Priority Sector Advances - UCBs

Please refer to our [Circular UBD.PCB.Cir.No.11/09.09.01/2007-08 dated August 30, 2007](#) forwarding therewith the guidelines for UCBs on lending to priority sector. In terms of item (vi) under 'Categories of Priority Sector' and also para 7.1 of section I of Annex of the above Circular, loans up to Rs.20 lakh irrespective of location, to individuals for purchase / construction of dwelling unit per family, excluding loans granted by banks to their own employees are eligible for classification under priority sector.

2. Pursuant to the announcements made by Union Finance Minister in paragraph 44 of the Budget Speech for the year 2011-12, it has been decided to increase the above limit from Rs.20 lakh to Rs.25 lakh. The change will be applicable to housing loans sanctioned on or after April 1, 2011.

8) RBI's Circular No. UBD.CO.BPD (PCB) Cir.No.48/14.01.062/2010-11 dated May 11, 2011 on List of Terrorist Individuals /Organisations under UNSCR 1267 (1999) and 1822 (2008) on Taliban/Al-Qaida Organisation.

Please refer to our [circular UBD.CO. BPD \(PCB\).Cir.No.44/14.01.062/2010-11 dated May 2, 2011](#). We have since received from Government of India (Ministry of External Affairs) [copy of note dated April 28, 2011](#) forwarded by the Chairman of UN Security Council's 1267 Committee regarding changes made in the Consolidated List of Individuals and entities linked to Al-Qaida and Taliban.

2. Urban Co-operative Banks are required to update the consolidated list of individuals/entities as circulated by Reserve Bank and before opening any new account, it should be ensured that the name/s of the proposed customer does not appear in the list. Further, banks should scan all existing accounts to ensure that no account is held by or linked to any of the entities or individuals included in the list.

3. Urban Co-operative Banks are advised to strictly follow the procedure laid down in the UAPA Order dated August 27, 2009 enclosed to our [circular UBD.CO.BPD. PCB.Cir. No. 21/12.05.001/2009-10 dated November 16, 2009](#) and ensure meticulous compliance to the Order issued by the Government.

4. As far as freezing of funds, financial assets or economic resources or related services held in the form of bank accounts of the designated individuals/entities are concerned, action should be taken as detailed in paragraph 6 of the circular dated November 16, 2009 mentioned above.

5. The complete details of the said consolidated list are available on the UN website : <http://www.un.org/sc/committees/1267/consolist.shtml>

9) RBI's Circular No. UBD.BPD.(PCB). Cir. No.47/13.05.000/2010-11 dated May 11, 2011 on Monetary Policy Statement 2011-12 -Exposure to Housing, Real Estate and Commercial Real Estate - Primary (Urban) Co-operative Banks.

Please refer to [para 2.3.4](#) of our Master Circular UBD.PCB.MC.No.1/13.05.000/2010-11 dated July 1, 2010 on Exposure Norms and Statutory / Other Restrictions and [para 4.7.4](#) of Master Circular UBD.PCB.MC.No. 2/09.22.010/2010-11 dated July 1, 2010 on Finance for Housing Schemes stating that the limit prescribed for lending by UCBs to Housing, Real Estate and Commercial Real Estate may be exceeded to the extent of funds obtained for the purpose from higher financing agencies and refinance from the National Housing Bank. Please also refer to [Circular UBD.BPD. \(PCB\).Cir.No.23/13.05.000/2010-11 dated November 15, 2010](#) advising that the exposure of UCBs to Housing, Real Estate and Commercial Real Estate would be limited to 10 percent of their total assets which could be exceeded by an additional 5 percent of total assets for the purpose of grant of housing loans to individuals for purchase or construction of dwelling units costing up to Rs. 10 lakh.

2. As announced in the Monetary Policy Statement 2011-12 ([para 101- extract appended](#)), UCBs would, henceforth, be permitted to lend upto an additional 5 percent of total assets, referred to in para 1 of Circular dated November 15, 2010, for housing loans to individuals upto Rs.15 lakh.

3. It has also been decided that, the provisions contained in para 2.3.4 and para 4.7.4 of Master Circulars dated July 1, 2010, mentioned above, will not be applicable from the date of this Circular.

4. All other instructions regarding grant of loans by UCBs to Housing, Real Estate and Commercial Real Estate sectors, including on computation of total assets, remain unchanged.

10) RBI's Circular No. UBD.BPD.(PCB) CIR No. 49/09.14.000/2010-11 dated May 24, 2011 on Enhancement in gratuity limits - Prudential Regulatory Treatment.

Please refer to para 10 of Memorandum attached to our Circular UBD.No.I&L.38/J.1-92/93 dated February 9, 1993 advising UCBs that it is necessary to estimate the liabilities on account of Provident Fund, Pension, Gratuity etc. on actuarial basis and full provision should be made every year for the purpose, in the profit and loss account by the primary co-operative banks.

2. Consequent upon the enhancement in gratuity limits following the amendment to Payment of Gratuity Act 1972, UCBs and their Associations have expressed that it would be difficult to absorb the large amount involved in a single year.

3. The issue has been examined from a regulatory perspective and it has been decided that UCBs may take the following course of action in the matter:

- a. The expenditure, as indicated in paragraph 2 above, may, if not fully charged to the Profit and Loss Account during the financial year 2010-11, be deferred over a period of five years beginning with the financial year ended March 31, 2011 subject to charging to the Profit and Loss Account a minimum of 1/5th of the total amount involved every year.
- b. Such deferment of expenditure due to enhancement of gratuity, will not be permitted in respect of amounts payable to the retired / separated employees.

4. The expenditure so deferred, may be disclosed suitably in the Annual Financial Statements.

5. In view of the exceptional nature of the event, the deferred expenditure would not be reduced from Tier-I capital of UCBs.

11) RBI's Circular No. UBD.BPD.(PCB)CIR No. 50/13.05.000(B)/2010-11 dated June 2, 2011 on Financing of Self Help Groups (SHGs) and Joint Liability Groups (JLGs) by Primary (Urban) Co-operative Banks (UCBs).

As announced in the Monetary Policy 2011-12 [[para 100 - appended](#)], with a view to further expanding the outreach of UCBs and opening an additional channel for promoting financial inclusion, it has been decided to allow UCBs to lend to Self Help Groups (SHGs) and Joint Liability Groups (JLGs). UCBs may with the approval of their Board frame a policy in this regard based on the guidelines given in the [Annex](#), before undertaking such activity.(Please refer the circular).