

RBI Circulars from July-Sept 2011

1) RBI's Circular No RBI/2011-12/37 UBD.BPD.(PCB) MC No. 1 /13.05.000/2011-12 dated July 1, 2011 on Master Circular- Exposure Norms and Statutory / Other Restrictions - UCBs

Please refer to our [Master Circular UBD. PCB. MC. No. 1 / 13.05.000 / 2010-11 dated July 1, 2010](#) on the captioned subject (available at RBI website www.rbi.org.in). The enclosed [Master Circular](#) consolidates and updates all the instructions / guidelines issued on the subject upto June 30, 2011 and listed in the Appendix.

2) RBI's Circular No RBI/2011-12/38 UBD.BPD.(PCB) MC No.2/09.22.010/2011-12 dated July 1, 2011 on Master Circular- Finance for Housing Schemes - UCBs

Please refer to our [Master Circular UBD. PCB. MC. No. 2 / 09.22.010 / 2010-11 dated July 1, 2010](#) on the captioned subject (available at RBI website www.rbi.org.in). The enclosed [Master Circular](#) consolidates and updates all the instructions / guidelines on the subject issued up to June 30, 2011 and listed in the Appendix.

3) RBI's Circular No RBI/2011-12/39 UBD.BPD.(PCB) MC No. 4/09.27.000/2011-12 dated July 1, 2011 on Master Circular- Guarantees, Co-Acceptances & Letters of Credit - UCBs

Please refer to our [Master Circular UBD. PCB. MC. No. 4 / 09.27.000 / 2010-11 dated July 1, 2010](#) on the captioned subject (available at RBI website www.rbi.org.in). The enclosed [Master Circular](#) consolidates and updates all the instructions / guidelines on the subject issued upto up to June 30, 2011 and listed in the [Appendix](#).

4) RBI's Circular No. RBI/2011-2012/40 UBD.PCB. MC.No:15 /12.03.000/2011-12 dated July 1, 2011 on Master Circular on Maintenance of Statutory Reserves-Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR) by Primary (Urban) Co-operative Banks

Please refer to our [Master Circular UBD CO.PCB.MC.No.15/12.03.000/2010-11 dated July 1, 2010](#) on the captioned subject. The enclosed [Master Circular](#) consolidates and updates all the instructions/guidelines on the subject issued up to June 30, 2011 and mentioned in the [Appendix](#)

5) RBI's Circular No. RBI/2011-12/41 UBD.BPD.(PCB) MC No. 6/09.18.201/2011-12 dated July 1, 2011 on Master Circular- Prudential Norms on Capital Adequacy - UCBs

Please refer to our [Master Circular UBD. PCB. MC. No. 6 / 09.18.201 / 2010-11 dated July 1, 2010](#) on the captioned subject (available at RBI website www.rbi.org.in). The enclosed [Master Circular](#) consolidates and updates all the instructions / guidelines on the subject issued up to June 30, 2011 and listed in the [Appendix](#).

6) RBI's Circular No. RBI/2011-12/42 UBD.PCB. MC.No.11/13.01.000/2011-12 dated July 1, 2011 on Master Circular Interest Rates on Rupee Deposits – Primary (Urban) Co-operative Banks

Please refer to our [Master Circular UBD.BPD.MC.No.11/ 13.01.00/2010-11 dated July 1, 2010](#) on the captioned subject (available at RBI website www.rbi.org.in). The enclosed [Master Circular](#) consolidates and updates all the instructions/guidelines on the subject issued up to June 30, 2011 and mentioned in the [Appendix](#).

7) RBI's Circular No. RBI/2011-12/43 UBD.BPD.(PCB) MC No. 7/09.09.001/2011-12 dated July 1, 2011 on Master Circular- Priority Sector Lending - UCBs

Please refer to our [Master Circular UBD. PCB. MC. No. 7 / 09.09.001 / 2010-11 dated July 1, 2010](#) on the captioned subject (available at RBI website www.rbi.org.in). The enclosed [Master Circular](#) consolidates and updates all the instructions / guidelines on the subject issued up to June 30, 2011 and listed in the Appendix.

8) RBI/2011-12/44 UBD.PCB. MC.No:13/13.01.000/2011-12 dated July 1, 2011 on Master Circular on Maintenance of Deposit Accounts –Primary (Urban) Co-operative Banks

Please refer to our [Master Circular UBD\(PCB\) MC.No: 13 /13.01.000/2010-11 dated July 1, 2010](#) on the captioned subject (available at RBI website www.rbi.org.in). The enclosed [Master Circular](#) consolidates and updates all the instructions/guidelines on the subject issued up to June 30, 2011 and mentioned in the Appendix.

9) RBI/2011-12/45 UBD.CO. BPD. MC.No. 8 /12.05.001/2011-12 dated July 1, 2011 on Master Circular on Board of Directors – Primary (Urban) Co-operative Banks

Please refer to our [Master Circular UBD.BPD \(PCB\) MC. No. 8 /12.05.001/ 2010-11 dated July 1, 2010](#) on the captioned subject (available at RBI website www.rbi.org.in). The enclosed [Master Circular](#) consolidates and updates all the instructions / guidelines issued on the subject up to June 30, 2011 and mentioned in [Appendix](#).

10) RBI/2011-12/46 UBD.CO.BPD.(PCB) MC.No.9 /12.05.001/2011-2012 dated July 1, 2011 on Master Circular on Inspection and Audit Systems in Primary (Urban) Co-operative Banks

Please refer to our [Master Circular UBD.BPD.\(PCB\).MC.No.9 /12.05.001/2010-11 dated July 1, 2010](#) on the captioned subject (available at RBI website www.rbi.org.in). The enclosed [Master Circular](#) consolidates and updates all the instructions / guidelines on the subject issued up to June 30, 2011 and mentioned in the [Appendix](#).

11) RBI/2011-12/47 UBD. BPD (PCB).MC.No.12/16.20.000/2011-12 dated July 1, 2011 on Master Circular on Investments by Primary (Urban) Co-operative Banks

Please refer to our [Master Circular UBD \(PCB\) MC.No: 12/16.20.000/2010-11 dated July 1, 2010](#) on the captioned subject (available at RBI website www.rbi.org.in). The enclosed [Master Circular](#) consolidates and updates all the instructions/guidelines on the subject issued up to June 30, 2011 and mentioned in the Appendix.

12) RBI/2011-12/48 UBD.BPD.(PCB) MC No. 3/09.14.000/2011-12 dated July 1, 2011 on Master Circular- Income Recognition, Asset Classification, Provisioning and Other Related Matters - UCBs

Please refer to our [Master Circular UBD. PCB. MC. No. 3 / 09.14.000 / 2010-11 dated July 1, 2010](#) on the captioned subject (available at RBI website www.rbi.org.in). The enclosed Master Circular consolidates and updates all the instructions / guidelines on the subject issued up to June 30, 2011 and listed in the Appendix.

13) RBI/2011-12/49 UBD.BPD. (PCB).MC.No. 10/12.05.001/2011-12 dated July 1, 2011 on Master Circular on Customer Service – Primary (Urban) Co-operative Banks

Please refer to our [Master Circular UBD.BPD. \(PCB\).MC No. 10/09.39.00/2010-11 dated July 1, 2010](#) on the captioned subject (available at RBI website www.rbi.org.in). The enclosed [Master Circular](#) consolidates and updates all the instructions / guidelines on the subject issued up to June 30, 2011 and mentioned in the [Appendix](#).

14) RBI/2011-12/75 DBS.CO.FrMC.BC. No.2/23.04.001/2011-12 dated July 01, 2011 on Frauds – Classification and Reporting

Please refer to our letter [DBS.CO. FrMC BC No. 2/23.04.001/2009-10 dated July 01, 2010](#) forwarding therewith [Master Circular](#) on 'Frauds – Classification & Reporting'. It may be noted that the Master Circular consolidates and updates all the instructions issued during the year since the date of the last Master Circular dated July 01, 2010. The Master Circular also incorporates instructions contained in certain clarifications issued by RBI to banks during the course of the year. The Master Circular has been updated as on June 30, 2011 and has been placed on the web-site of the Reserve Bank of India (www.rbi.org.in).

15) RBI/2011-12/78 DCM(FNVD) No.G-5/16.01.05/ 2011-12 dated July 1, 2011 on Master Circular – Detection and Impounding of Counterfeit Notes

Please refer to the [Master Circular DCM \(FNVD\) No.G-4/16.01.05/ 2010-11 dated July 1, 2010](#) consolidating the instructions issued till June 30,2010 relating to detection and impounding of Counterfeit Notes. The [Master Circular](#) has been since been updated by incorporating the instructions issued till date and has been placed on the RBI website www.rbi.org.in.

The Master Circular is a compilation of the instructions contained in the circulars issued by RBI on the above subject which are operational as on the date of this Circular.

16) RBI/2011-12/79 UBD.BPD.(PCB).MC.No. 16/12.05.001/2011-2012 dated July 1, 2011 on Master Circular on Know Your Customer (KYC) Norms / Anti-Money Laundering (AML) Standards / Combating of Financing of Terrorism (CFT)/Obligation of banks under Prevention of Money Laundering Act, 2002

Please refer to our [Master Circular UBD.BPD. \(PCB\).MC.No.16 /12.05.001/2010-11 dated July 1, 2010](#) on the captioned subject (available at RBI website www.rbi.org.in). The enclosed [Master Circular](#) consolidates and updates all the instructions / guidelines issued on the subject up to June 30, 2011 and mentioned in the [appendix](#).

17) RBI/2011-12/91 IDMD.PCD.3 /14.01.01/2011-12 dated July 1, 2011 on Master Circular on Call/Notice Money Market Operations

The Reserve Bank of India has, from time to time, issued a number of guidelines/instructions/directives to banks and the Primary Dealers in regard to call/notice money market. To enable eligible institutions to have current instructions at one place, a [Master Circular](#) incorporating all the existing guidelines/instructions/directives on the subject has been prepared for reference of the market participants and others concerned. It may be noted that this Master Circular consolidates and updates all the instructions/guidelines contained in the circulars listed in the Appendix in so far as they relate to operations of eligible institutions in the call/notice money markets. This Master Circular has also been placed on the RBI website at www.mastercirculars.rbi.org.in.

18) RBI/2011-12/102 UBD.LS (PCB) MC. No.14/07.01.00/2011-12 dated July 1, 2011 on Master Circular on Area of Operation, Branch Authorisation Policy, Opening/ Up-gradation of Extension Counters, ATMs and Shifting/Splitting/Closure of Offices

Please refer to our [Master Circular UBD.LS \(PCB\) MC. No.14/07.01.00/2010-11, dated July 1, 2010](#) on the captioned subject. [Master Circular](#) consolidates and updates all the instructions/guidelines issued on the subject up to June 30, 2011.

19) RBI/2011-12/103 UBD.BPD.(PCB) MC No. 5 /13.05.000/2011-12 dated July 1, 2011 on Master Circular- Management of Advances - UCBs

Please refer to our [Master Circular UBD. PCB. MC. No. 5 / 13.05.000 / 2010-11 dated July 1, 2010](#) on the captioned subject (available at RBI website www.rbi.org.in). The enclosed [Master Circular](#) consolidates and updates all the instructions / guidelines issued on the subject upto June 30, 2011 and listed in the Appendix.

20) RBI/2011-12/104 RPCD.CO.RCB.AML.No.53 /07.02.12/2011-12 dated July 4, 2011 on List of Terrorist Individuals/Organisations - under UNSCR 1267(1999) and 1822(2008) on Taliban/Al-Qaida Organisation

21) RBI/2011-12/109 UBD.CO.BPD (PCB) Cir.No.1/14.01.062/2011-12 dated July 07, 2011 on List of Terrorist Individuals /Organisations under UNSCR 1267 (1999) and 1822 (2008) on Taliban/Al-Qaida Organisation

22) RBI/2011-2012/120 UBD.CO.BPD (PCB) Cir.No.2/14.01.062/2011-12 dated July 22, 2011 on List of Terrorist Individuals /Organisations under UNSCR 1267 (1999) and 1822 (2008) on Taliban/Al-Qaida Organisation

23) RBI/2011-12/121 DPSS.CO.CHD.No. 120 / 03.06.01 / 2011-12 dated July 25, 2011 on Dishonour / Return of Cheques - Need to Sign / Initial the Cheque Return Memo

Please refer to our [circular DPSS. CO. CHD. No. 485 / 03.06.01 / 2010-11 dated September 1, 2010](#) on Dishonour / Return of Cheques - Need to Mention the 'Date of Return' in the Cheque Return Memo, wherein citing the criticality of the document in case of recourse to legal action, it has been indicated that instruments returned unpaid should have a signed / initialed objection slip on which a definite and valid reason for refusing payment must be stated, as prescribed in Rule 6 of the Uniform Regulations and Rules for Bankers' Clearing Houses (URRBCH).

Certain instances of banks not signing the Cheque Return Memos stating that the Memos are computer generated and therefore no signature is necessary, have been brought to our notice. Such practices are violation of instructions contained in Uniform Regulations and Rules for Bankers' Clearing Houses (URRBCH) which is issued under Payment and Settlement Systems Act 2007 read with Payment and Settlement Systems Regulations 2008.

Banks are, therefore, advised to strictly adhere to the instructions and sign/initial the Cheque Return Memos as laid down in Rule 6 of URRBCH.

24) RBI/2011-12/128 RPCD.CO.RCB.AML.No.987/07.02.12/2011-12 dated July 26, 2011 on List of Terrorist Individuals/Organisations - under UNSCR 1267(1999) and 1822(2008) on Taliban/Al-Qaida Organisation

25) RBI/2011-12/129 DCM(FNVD) No. 502/16.01.05/2011-12 dated July 25, 2011 on Detection of Counterfeit Banknotes – Revised Procedure

Please refer to the [Master Circular DCM \(FNVD\) No. G-5/16.01.05/2011-12 dated July 1, 2011](#) on the above subject. In terms of Para 4 of the circular, among other things, FIRs are required to be filed in respect of all cases of counterfeit banknotes.

26) RBI/2011-12/139 RPCD.CO.RCB.AML.No.1286/07.02.12/2011-12 dated August 3, 2011 on Anti-Money Laundering (AML)/Combating of Financing of Terrorism (CFT) - Standards

Please refer to our [letter RPCD.CO.RCB.AML.No.12293/07.02.12/2010-11 dated April 27, 2011](#) forwarding the Financial Action Task Force (FATF) Statement identifying a list of jurisdictions which have strategic AML/CFT deficiencies.

27) RBI/2011-12/140 RPCD.CO.RCB.AML.No.1287/07.02.12/2011-12 dated August 03, 2011 on Anti-Money Laundering (AML)/Combating of Financing of Terrorism (CFT) - Standards

28) RBI/2011-12/141 UBD.CO.BPD (PCB) Cir.No.1/14.01.062/2011-12 dated August 03, 2011 on Anti-Money Laundering (AML)/Combating of Financing of Terrorism (CFT) – Standards – Primary (Urban) Co-operative Banks

29) RBI/2011-12/142 UBD.CO.BPD (PCB) Cir.No. 2/14.01.062/2011-12 dated August 03, 2011 on Anti-Money Laundering (AML)/Combating of Financing of Terrorism (CFT) – Standards – Primary (Urban) Co-operative Banks

30) RBI/2011-12/145 DPSS.PD.CO. No.223/02.14.003/2011-2012 dated August 04, 2011 on Security Issues and Risk mitigation measures related to Card Not Present (CNP) transactions.

Please refer to our [circular RBI/DPSS No. 1501 / 02.14.003 / 2008-2009 dated February 18, 2009](#) wherein a directive was issued making it mandatory for banks to put in place additional authentication / validation based on information not visible on the cards for all on-line card not present(CNP) transactions except IVR transactions from August 01, 2009. This mandate was extended to cover all IVR transactions with effect from February 01, 2011 vide our [circular RBI/DPSS No. 1503 / 02.14.003 /2010-2011 dated December 31, 2010](#).

31) RBI/2011-12/164 RPCD.CO.RCB.AML.No.2507/07.02.12/2011-12 dated September 2, 2011 on List of Terrorist Individuals/Organisations - under UNSCR 1267(1999), 1822(2008) and 1989(2011) on Taliban/Al-Qaida Organisation

32) RBI/2011-2012/189 UBD.CO.BPD (PCB) Cir.No.4/14.01.062/2011-12 dated September 19, 2011 on List of Terrorist Individuals /Organisations under UNSCR 1267 (1999), 1822 (2008) and 1989 (2011) on Taliban/Al-Qaida Organisation

33) DOC/2011-12/191 DPSS. CO.PD.No.497/02.12.004/2011-12 dated September 21, 2011 on Dishonour of electronic funds transfer for insufficiency of funds in the bank account – clarification

As you may be aware section 25 of the Payment and Settlement Systems Act, 2007 accords the same rights and remedies to the payee (beneficiary) against dishonour of electronic funds transfer instructions for insufficiency of funds in the account of the payer (remitter), as are available to the payee under section 138 of the Negotiable Instruments Act, 1881.

2. The sub-section (5) of the section 25 of the Payment and Settlement Systems Act, 2007 provides for punishment of two years and twice the amount of electronic funds transfer instruction, or both for dishonour of such electronic funds transfer on par with the penalties stipulated for dishonour of cheques under the Negotiable Instruments Act, 1881.

3. We accordingly advise you to popularise the electronic fund transfer modes amongst your customers by allaying any apprehensions on the rights and remedies available to the payees against dishonour of electronic funds transfer instructions.

34) RBI/2011-12/192 RPCD.CO.RCB.AML.No.3164/07.02.12/2011-12 dated September 21, 2011 on List of Terrorist Individuals/Organisations under UNSCR 1267(1999), 1822(2008) and 1989(2011) on Taliban/Al-Qaida Organisation

35) RBI/2011-12/193 DPSS.CO.OD.494/04.04.009/2011-2012 dated September 21, 2011 on Access criteria for payment systems

1. A reference is invited to circular [DPSS.CO. No. 528/04.04.009/2008-09 dated September 22, 2008](#) prescribing the access criteria for national payment systems.

1.1. With a view to strengthening the risk management framework, as also to facilitate wider access to payment systems, the Reserve Bank of India had constituted a Working Group to review of the existing access criteria guidelines.

1.2. It may also be recalled that in the Second Quarter Review of Monetary policy 2010-11 ([November 2, 2010- para 97](#)), it was decided:

a. to allow all licensed Urban Cooperative Banks (UCBs) (other than those under all inclusive directions) the facility of Indian Financial Network (INFINET) membership, current and subsidiary general ledger (SGL) accounts with the Reserve Bank; and

b. to grant RTGS membership to only well-managed and financially sound UCBs having minimum net-worth of Rs.25 crore.

1.3. Based on the recommendations of the Working Group, and the announcement made in the Second Quarter Review of Monetary Policy (November 2010) and the consultations thereafter, the existing access criteria guidelines have been revised. Accordingly there will be two sets of access criteria viz. one for *centralised payment systems* and the other for *decentralised payment systems*.

3. Access criteria for centralised payment systems

3.1. The centralised payment systems include Real Time Gross Settlement (RTGS) System, National Electronic Fund Transfer (NEFT) system and National Electronic Clearing Service (NECS) and any other system as may be decided by RBI from time to time.

3.2. Membership to the centralised payment systems will be open to all licensed banks.

3.3. The revised uniform access criteria for centralised payment systems are given below:

- i. Minimum CRAR of 9% (as per the latest audited balance sheet);
- ii. Net NPAs below 5% (as per the latest audited balance sheet);
- iii. Minimum net-worth of Rs. 25 crore; and
- iv. Recommendation of the regulatory department concerned.

4. Access criteria for decentralised payment systems

4.1. The decentralised payment systems for the purpose of access criteria guidelines include Clearing Houses at MICR centres (including Cheque Truncation System centres) and Electronic Clearing Service (ECS) including the Regional Electronic Clearing Service (RECS) and any other system as decided by RBI from time to time.

4.2. Membership to the decentralised payment systems will be open to all licensed banks.

4.3. The revised uniform access criteria for decentralised payment systems are given below:

- I. Minimum CRAR of 9% (as per the latest audited balance sheet);
- II. Net NPAs below 5% (as per the latest audited balance sheet); and
- III. Recommendation of the regulatory department concerned.

36) RBI/2011-12/194 DPSS.PD.CO.No.513/02.14.003/2011-2012 dated September 22, 2011 on Security Issues and Risk mitigation measures related to Card Present (CP) transactions.

37) RBI/2011-2012/198 UBD.CO.BPD (PCB) Cir.No.5 /14.01.062/2011-12 dated September 23, 2011 on List of Terrorist Individuals /Organisations under UNSCR 1267 (1999), 1822 (2008) and 1989 (2011) on Taliban/AI-Qaida Organisation - Primary (Urban) Cooperative Banks

38) RBI/2011-12/202 UBD.BPD.(SCB)Cir No. 1/09.18.300/2011-12 dated September 26, 2011 on Internet Banking for Customers of UCBs

As announced in the Monetary Policy Statement 2011-12, [[para 102 - appended](#)], it has been decided to permit scheduled UCBs satisfying certain criteria to provide internet banking facility to their customers. Accordingly, scheduled UCBs having minimum networth of Rs. 100 crore, CRAR of at least 10%, net NPA less than 5% and have earned net profit continuously in the last three financial years are eligible to offer internet banking facility to their customers. Eligible UCBs, desirous of offering internet banking facility, may, with the approval of their Board, frame a policy on internet banking in accordance with the Guidelines given in the [Annex 1](#) and [2](#) and approach the Regional Office concerned of Reserve Bank of India for permission before offering such facility to their customers.

39) RBI/2011-12/209 RPCD.CO RCB. BC No.20/03.03.02/2011-12 dated September 30, 2011 on Advances to State Co-operative Banks under Section 17 (4) (a) of the RBI Act, 1934 for general banking business