ANNEX V

CHRONOLOGY OF MAJOR POLICY ANNOUNCEMENTS: APRIL 2007-JULY 2008

Date of Announcement		POLICY ANNOUNCEMENTS
		I. MONETARY POLICY MEASURES
2007 April	**12**	• Validity of the interest rate ceiling stipulated at BPLR minus 2.5 per cent on pre-shipment Rupee export credit up to 180 days and post-shipment export Rupee credit up to 90 days extended to October 31, 2007.
	24	• Fixed repo rate and reverse repo rate under the LAF kept unchanged at 7.75 per cent and at 6.0 per cent, respectively.
		• Ceiling Interest rate on FCNR (B) deposits reduced by 50 basis points to LIBOR/SWAP rates minus 75 basis points for respective currency/maturities.
		• Ceiling Interest rate on NR(E)RA deposits reduced by 50 basis points to LIBOR/SWAP rates for US dollar of corresponding maturity.
July	**31**	• Fixed repo rate and reverse repo rate under the LAF kept unchanged at 7.75 per cent and at 6.0 per cent, respectively.
		• Withdrawal of the ceiling of Rs. 3,000 crore on daily reverse repo under the LAF with effect from August 6, 2007.
		• The second LAF which was introduced from November 28, 2005 was withdrawn with effect from August 6, 2007.
		• CRR increased by 50 basis points to 7.0 per cent with effect from the fortnight beginning August 4, 2007.
Oct.	**30**	• Fixed repo rate and reverse repo rate under the LAF kept unchanged at 7.75 per cent and at 6.0 per cent, respectively.
		• CRR increased by 50 basis points to 7.5 per cent effective fortnight beginning November 10, 2007.
2008 Jan.	**29**	• Fixed repo rate and reverse repo rate under the LAF kept unchanged at 7.75 per cent and at 6.0 per cent, respectively.
		• CRR was kept unchanged at 7.5 per cent.
April	**17**	• CRR increased by 25 basis points twice to 7.75 per cent with effect from the fortnight beginning April 26, 2008 and to 8.0 per cent with effect from the fortnight beginning May 10, 2008.
	29	• Fixed repo rate and reverse repo rate under the LAF kept unchanged at 7.75 per cent and at 6.0 per cent, respectively.
		• CRR increased by 25 basis points to 8.25 per cent with effect from the fortnight beginning May 24, 2008.
June	**11**	• Repo rate increased by 25 basis points with effect from June 12, 2008.
	24	• Repo rate increased by 50 basis points effective from June 25, 2008.
		• CRR raised by 50 basis points in two stages, 25 basis points each, with effect from fortnight beginning July 5 and July 19, 2008 respectively.
July	**29**	• Repo rate increased by 50 basis points to 9.0 per cent effective from June 30, 2008.
		• CRR raised by 25 basis points with effect from fortnight beginning August 30, 2008.
	31	• Second LAF was re-introduced on Reporting Fridays with effect from August 1, 2008.
		II. INTERNAL DEBT MANAGEMENT POLICIES
2007 May	**21**	• Odd lot trading commenced on NDS-OM with a view to encourage retail trading.
	24	• The limit for ways and means advance (WMA) for the Government of India fixed at Rs.20,000 crore for the first half of the year 2007-08 (April to September) and Rs. 6,000 crore for the second half of the year (October to March).
	25	• Qualified CSGL constituents permitted to trade on NDS-OM through their custodians.
June	**29**	• The Reserve Bank transferred its entire share holding in the State Bank of India to the Government of India.
July	**31**	• All primary dealers (PDs) were required to report their secondary market transactions in corporate bonds done in the over-the-counter (OTC) market, on FIMMDA's reporting platform with effect from September 1, 2007.
Aug.	**23**	• All banks and PDs were required to report all their interest rate swaps (IRS)/forward rate agreements (FRA) trades on the reporting platform developed by Clearing Corporation of India Limited (CCIL) which would capture the transactions in OTC interest rate derivatives.
Nov.	**14**	• The underwriting scheme for Government of India auctions was reviewed and it was decided that the minimum bidding requirement for each PD in the additional competitive underwriting (ACU) auction would henceforth be equal to the amount of minimum underwriting commitment (MUC) announced by the Reserve Bank.

Date of Announce-ment		POLICY ANNOUNCEMENTS
2007		**II. INTERNAL DEBT MANAGEMENT POLICIES** *(Contd.)*
Nov.	**27**	• Systemically Important Non-Deposit taking NBFCs (NBFC-ND-SI) were included as a 'qualified entity' for accessing the negotiated dealing system-order matching (NDS-OM) using the constituents' subsidiary general ledger (CSGL) route. With the above addition, qualified entities for accessing NDS-OM through the CSGL route included deposit taking NBFCs, NBFC-ND-SIs, provident funds, pension funds, mutual funds, insurance companies, cooperative banks, regional rural banks and trusts.
Dec.	**6**	• The Reserve Bank entered into an agreement with the Government of Union Territory of Puducherry, effective from December 17, 2007, to carry on its general banking business, manage rupee public debt and to act as the sole agent for investment of the Government's funds.
2008 **Jan.**	**1**	• The cover leg of short-sale/when-issued (WI) transactions were permitted to be undertaken even outside the NDS-OM platform. In other words, the transactions to cover short positions in government securities were allowed to be undertaken either on or outside the NDS-OM platform, *i.e.*, the telephone market or through purchases in primary issuance.
March	**25**	• The aggregate Normal WMA limits of State Governments including the Union Territory of Puducherry were retained at Rs.9,925 crore for 2008-09.
	28	• The arrangement regarding WMA to the Central Government was reviewed in consultation with the Government of India and the WMA limits were fixed on a half-yearly basis. Accordingly, the WMA limits for 2008-09 were placed at Rs.20,000 crore and Rs.6,000 crore for the first and second half of the year, respectively. The Reserve Bank retained the flexibility to revise the limits in consultation with the Government of India. The interest rate on WMA is to be at the repo rate and that on overdraft to be at repo rate *plus* two percentage points.
May	**27**	• Indirect access to the NDS-OM was extended to other segments of investors, such as, other non-deposit taking NBFCs, corporates and foreign institutional investors (FIIs). These entities were allowed to place orders on NDS-OM through direct NDS-OM members *viz.,* banks and PDs using the CSGL route.
June	**2**	• A system of 'Multi Modal Settlements' (MMS) in Government securities market was put in place to facilitate the settlement of Government security transactions undertaken by the non-bank/non-PD NDS members. Under this arrangement, the funds leg of the transactions shall be settled through the fund accounts maintained by these entities with select commercial banks chosen as 'designated settlement banks' (DSB).
		III. FINANCIAL SECTOR MEASURES
2007 **April**	**4**	• With the enactment of the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 and its notification on October 2, 2006, the definition of micro, small and medium enterprises engaged in manufacturing/production or providing/rendering of services was modified and required to be implemented by the banks along with other policy measures. Banks' lending to medium enterprises would not be included for the purpose of reckoning under the priority sector. The boards of banks may review the existing guidelines/instructions and formulate a comprehensive and liberal policy in respect of loans to micro, small and medium sectors and adopt the same at the earliest. Similar guidelines were issued to UCBs on April 18, 2007.
		• NBFCs advised to explicitly state in their advertisements issued in print/electronic media (including web-sites)/statement in lieu of advertisement that the Reserve Bank does not accept any responsibility or guarantee about the financial soundness of the company or for the correctness of any of the statements or representations made or opinions expressed by the company and for repayment of deposits/discharge of the liabilities by the company.
	5	• SCBs (excluding RRBs) advised to generally insist that the person opening a deposit account makes a nomination. They were also advised to explain the advantages of nomination facility if the person declined to do so. If the person opening the account still did not want to nominate and declined to give a letter to the effect, the bank should record the fact on the account opening form and proceed with opening of the account, if otherwise found eligible. Under no circumstances can a bank refuse to open an account solely on the ground that the person opening the account refused to nominate. Similar guidelines were issued to StCBs/DCCBs on April 12, 2007, to RRBs on April 13, 2007 and to UCBs on April 19, 2007.
	12	• SCBs (excluding RRBs) advised to ensure that the date of completion of the infrastructure projects financed by them should be clearly spelt out at the time of financial closure of the project and to treat such accounts as sub-standard if the date of commencement of commercial production extended beyond a period of one year after the date of completion of the project as originally envisaged. The revised instructions came into force with effect from March 31, 2007.
	13	• Guidelines on KYC Norms/AML Standards/Combating of Financing of Terrorism (CFT) – Wire Transfers issued to SCBs. Similar guidelines were issued to StCBs and DCCBs on May 18, 2007, to RRBs on May 21, 2007, to UCBs on May 25, 2007 and to NBFCs on April 23, 2008.

Date of Announce-ment		POLICY ANNOUNCEMENTS
2007		**III. FINANCIAL SECTOR MEASURES** *(Contd.)*
April	**17**	• Fresh guidelines on various aspects relating to safe deposit lockers/safe custody articles issued to SCBs for easy operation of lockers based on the recommendations of the Committee on Procedures and Performance Audit on Public Services (CPPAPS). Similar guidelines issued to StCBs/DCCBs on May 18, 2007 and to UCBs on June 21, 2007.
	18	• SCBs (excluding RRBs) advised that for the purpose of segment reporting under AS-17, the 'other banking business' segment should be divided into three categories: corporate/wholesale banking, retail banking and other banking operations. Accordingly, banks were required to adopt the following business segments for public reporting purposes, from March 31, 2008: a) treasury; b) corporate/wholesale banking; c) retail banking; and d) other banking business. The geographical segments would remain unchanged as 'domestic' and 'international'.
	20	• Comprehensive guidelines on derivatives issued to banks enunciating the major requirements for undertaking any derivative transaction from the regulatory perspective. The guidelines also cover extant instructions relating to rupee interest rate derivatives.
		• Final guidelines on compliance function in banks issued to SCBs for implementation. SCBs were advised that as compliance function in banks is one of the key elements in the banks' corporate governance structure, it has to be adequately enabled and made sufficiently independent. Banks should organise their compliance function and set priorities for the management of the compliance risks in their organisation to suit their requirement.
	24	• The maximum interest rate payable on public deposits by NBFCs/miscellaneous non-banking companies (chit fund companies) revised to 12.5 per cent per annum. The new rate of interest would be applicable to fresh public deposits and renewals of matured public deposits.
	25	• Banks advised to ensure that none of their bank branches/staff refuse to accept lower denomination notes and/or coins. Stern action would have to be taken in the event of refusal/non-compliance by any staff member. Similar guidelines were issued to RRBs on May 10, 2007.
	27	• Prudential Guidelines on Capital Adequacy and Market Discipline – Implementation of the New Capital Adequacy Framework finalised for implementation.
		• Systemically Important NBFCs – ND advised to put in place a system for submission of an annual statement of capital funds, risk asset ratio *etc*., as at end-March every year in Form NBS-7. The first such return would be submitted for the year ending March 31, 2007. The return would be submitted within a period of three months from the close of the financial year, every year.
		• SCBs advised to monitor credit flow to minorities in 103 minority concentration districts, which have at least 25 per cent minority population. On July 16, 2007, the number of minority concentrated districts for monitoring credit flow was revised to 121.
	30	• SCBs (including RRBs) to immediately dispense with the requirement of "no dues" certificate for small loans up to Rs.50,000 to small and marginal farmers, share-croppers and the like and, instead, obtain self-declaration from the borrower. Furthermore, banks may accept certificates provided by local administration/*Panchayati Raj* Institutions regarding the cultivation of crops in case of loans to landless labourers, share-croppers and oral lessees.
		• The risk weight on loans up to Rs.1 lakh against gold and silver ornaments reduced to 50 per cent from 125 per cent in the case of UCBs with immediate effect.
		• Relaxed prudential guidelines on income recognition, asset classification and provisioning norms for UCBs extended by one year.
		• Revised guidelines on lending to priority sector issued to SCBs (excluding RRBs).
May	**3**	• RRBs permitted to take up corporate agency business, without risk participation, for distribution of all types of insurance products, including health and animal insurance, subject to specified guidelines.
		• Risk weight in respect of housing loans extended by banks up to Rs. 20 lakh to individuals against the mortgage of residential housing properties reduced from 75 per cent to 50 per cent. Similarly, the risk weight for banks' investment in mortgage backed securities, which are backed by housing loans and are issued by the housing finance companies regulated by the National Housing Bank, reduced from 75 per cent to 50 per cent. The reduced risk weights would be reviewed after one year keeping in view the default experience and other relevant factors. Similar guidelines were issued to UCBs on May 4, 2007.
	7	• SCBs advised to lay out appropriate internal principles and procedures so that usurious interest, including processing and other charges, were not levied by them on loans and advances. Similar guidelines were issued to RRBs on May 15, 2007, to StCBs/DCCBs on May 16, 2007, to UCBs on May 18, 2007 and to NBFCs on May 24, 2007.

Date of Announcement		POLICY ANNOUNCEMENTS
2007		**III. FINANCIAL SECTOR MEASURES** *(Contd.)*
May	**7**	• SCBs advised to scale up their financial inclusion efforts by utilising appropriate technology. Banks were also advised to ensure that the solutions developed are highly secure, amenable to audit and follow widely accepted open standards to allow inter-operability among the different systems adopted by different banks. Similar guidelines were issued to StCBs/DCCBs on May 18, 2007 and to RRBs on May 21, 2007.
		• UCBs registered in States that have entered into MoUs with the Reserve Bank or registered under the Multi State Co-operative Societies Act, 2002 permitted to undertake insurance agency business as corporate agents without risk participation, provided that the UCB has a minimum networth of Rs. 10 crore and it has not been classified as Grade III or IV bank.
	8	• Exemption to RRBs from 'mark to market' norms in respect of their investments in SLR securities extended by one more year, *i.e.*, for the financial year 2007-08. Accordingly, RRBs would have the freedom to classify their entire investment portfolio of SLR securities under 'Held to Maturity' for the financial year 2007-08, with valuation on book value basis and amortisation of premium, if any, over the remaining life of securities.
		• Deposit taking NBFCs with deposit size of Rs.20 crore and above and NBFCs-ND-SI have been advised to frame their internal guidelines on corporate governance which, *inter alia*, include constitution of audit committee, nomination committee, risk management committee; to follow disclosure and transparency practices and instructions on connected lending.
	10	• Banks in India permitted to extend funded and/or non-funded credit facilities to wholly owned step-down subsidiaries of subsidiaries of Indian companies (where the holding by the Indian company is more than 51 per cent) abroad within the existing prudential limits and some additional safeguards.
	16	• In partial modification of the earlier guidelines on purchase/sale of NPAs dated July 13, 2005, SCBs (excluding RRBs), AIFIs, NBFCs (including RNBCs) advised that at least 10 per cent of the estimated cash flows should be realised in the first year and at least 5 per cent in each half year thereafter, subject to full recovery within three years.
	24	• The Banking Ombudsman Scheme, 2006 amended and all SCBs, RRBs and scheduled UCBs were directed to comply with the amended Scheme.
		• In view of several complaints regarding levying of excessive interest and charges on certain loans and advances by NBFCs, they were advised to lay out appropriate internal principles and procedures in determining interest rates and processing and other charges, even though interest rates are not regulated by the Reserve Bank. NBFCs, have been advised to keep in view the guidelines on Fair Practices Code about transparency in respect of terms and conditions of the loan.
	25	• Concessions/credit relaxations to borrowers/customers in Jammu and Kashmir would continue to be operative for a further period of one year *i.e.*, up to 31 March 2008.
	28	• Guidelines issued to all registered Securitisation Companies/Reconstruction Companies on declaration of net asset value of Security Receipts issued by them.
	29	• SCBs (excluding RRBs) were advised that Government of India had allocated a target of 375,690 to States/UTs under Prime Minister's *Rozgar Yojana* (PMRY) for the year 2007-08.
June	**13**	• The limit of loans under the Differential Rate of Interest (DRI) scheme raised from Rs.6,500 to Rs.15,000 and that of the housing loan under the scheme, from Rs.5,000 to Rs.20,000 per beneficiary.
	15	• With a view to encouraging RRBs to open branches in hitherto uncovered districts, the concerned Empowered Committees for RRBs were given discretion in respect of certain conditions stipulated for opening of branches by RRBs.
	19	• With a view to providing more business avenues and opportunities to RRBs for lending, RRBs were permitted to participate in consortium lending, within the extant exposure limits, with their sponsor banks as also with other public sector banks and developmental financial institutions (DFIs), subject to the condition that the project to be financed is in the area of operation of the RRB concerned and guidance and appraisal of the project is provided by their sponsor bank.
	22	• RRBs were allowed to set up service branches/central processing centres/back offices exclusively to attend to back office functions and other functions incidental to their banking business.
	26	• Banks advised to put in place appropriate stress test policies and relevant stress test framework for the various risk factors by September 30, 2007.
	28	• RRBs were permitted to accept FCNR (B) deposits as announced in the Union Budget 2007-08. The eligibility criteria prescribed for authorisation to open/maintain Non-Resident (Ordinary/External) accounts in rupees were also reviewed.

Date of Announce-ment		POLICY ANNOUNCEMENTS
2007		**III. FINANCIAL SECTOR MEASURES** *(Contd.)*
June	**28**	• Banks permitted to undertake Pension Fund Management (PFM) through their subsidiaries set up for the purpose, subject to their satisfying the eligibility criteria prescribed by PFRDA for Pension Fund Managers and as per guidelines set out by the Reserve Bank. Banks desiring to undertake PFM were advised to obtain prior approval of the Reserve Bank before entering into such business.
July	**2**	• Updated guidelines and directions together with Guidance Notes as on June 30, 2007 were issued to Securitisation Companies and Reconstruction Companies.
	3	• Keeping in view the continuous complaints from credit card subscribers and the observations of the Hon'ble High Court of Delhi in the context of a Public Interest Litigation in this regard, the Telecom Regulatory Authority of India (TRAI) is in the process of taking certain national level initiatives to address the various issues relating to Unsolicited Commercial Communications (UCC). As part of these measures, TRAI has framed The Telecom Unsolicited Commercial Communications (UCC) Regulations 2007 for curbing UCC. Banks were advised to implement the instructions issued in this regard. Similar guidelines were issued to NBFCs on November 26, 2007.
	13	• UCBs were advised that they were prohibited from extending any fund based or non-fund based credit facilities whether secured or unsecured to stockbrokers and commodity brokers.
		• Guidelines were issued to UCBs for issuance of ATM-cum-Debit Cards. Banks which were authorised to install onsite/ off-site ATMs, could introduce ATM-cum-Debit cards with the approval of their Board.
	31	• SEBI has permitted FIMMDA to set up its reporting platform for corporate bonds. It has also been mandated to aggregate the trades reported on its platform as well as those reported on BSE and NSE with appropriate value addition. FIMMDA has proposed to go live with its platform from September 1, 2007. All SCBs (except RRBs & LABs)/AIFIs/NBFCs are required to report their secondary market transactions in corporate bonds in OTC market on FIMMDA's reporting platform with effect from September 1, 2007.
Aug.	**3**	• All SCBs (excluding RRBs) were advised that (i) in cases where negotiation of bills drawn under LC is restricted to a particular bank, and the beneficiary of the LC is not a constituent of that bank, the bank concerned may negotiate such an LC, subject to the condition that the proceeds will be remitted to the regular banker of the beneficiary. However, the prohibition regarding negotiation of unrestricted LCs of non-constituents will continue to be in force; and (ii) the banks may negotiate bills drawn under LCs, on 'with recourse' or 'without recourse' basis, as per their discretion and based on their perception about the credit worthiness of the LC issuing bank. However, the restriction on purchase/discount of other bills (the bills drawn otherwise than under LC) on 'without recourse' basis will continue to be in force.
	9	• In view of the fact that the priority sector guidelines have been revised with effect from April 30, 2007, SCBs (excluding RRBs) were advised to furnish the data in the existing formats of special returns I, II and III as on the last reporting Friday of June 2007. However, loans granted from April 30, 2007 to June 22, 2007 were to be classified on the basis of revised guidelines on priority sector advances.
	13	• All RRBs were advised that they may extend, with the approval of their Boards, direct finance to the housing sector up to Rs. 20 lakh, irrespective of the area. Further, the limit of 5 per cent of incremental deposits over previous year, prescribed earlier also stood withdrawn.
	14	• All Scheduled UCBs were guided about the notification issued by the Ministry of Consumer Affairs, Food and Public Distribution in regard to creation of buffer stock. As per the GoI notification, the Government has decided to create a buffer stock of 20 lakh tons of sugar for a period of one year with effect from May 1, 2007. Under the arrangement, the Government will release subsidy of Rs.378 crore out of Sugar Development Fund and the banks have to sanction additional credit limit amounting to Rs.420 crore to release the margin consequent upon creation of the buffer stock from the existing stock of sugar. For operation of the Scheme, it would be necessary for sugar mills to segregate the stocks meant for buffer stock operations from the stock of sugar already held by them. The banks should allocate out of the regular limits, separate sub-limits representing 100 per cent value of buffer stocks held by sugar mills. The amount released as a result of providing 100 per cent drawings against buffer stocks, *i.e.*, the amount in lieu of the margin money should be credited to a special account. It would be necessary for the banks to ensure that the amount available in this account is utilised for making cane payments.
	22	• All SCBs were advised to discontinue furnishing of statement on housing finance disbursement that were required to be submitted on a quarterly basis indicating details of disbursement made by them towards housing finance.
		• All SCBs were advised to invariably furnish a copy of the loan agreement to all the borrowers at the time of sanction/ disbursement of loans.
		• Revised guidelines on lending to priority sector issued to RRBs.

Date of Announcement		POLICY ANNOUNCEMENTS
2007		**III. FINANCIAL SECTOR MEASURES** *(Contd.)*
Aug.	**23**	• All Scheduled Commercial Banks (excluding RRBs and LABs) and PDs were advised that the CCIL has developed a reporting platform for OTC Interest Rate Derivatives, which would capture the transactions in OTC interest rate derivatives (Interest Rate Swaps and Forward Rate Agreement (IRS/FRA)). The platform would be operationalised by August 30, 2007. All banks and PDs are required to report all their IRS/FRA trades on the reporting platform within 30 minutes from the deal time. Client trades are not to be reported. Banks and PDs may also ensure that details of all the outstanding IRS/ FRA contracts (excluding the client trades) are migrated to the reporting platform by September 15, 2007. Detailed operational guidelines in this regard would be made available by CCIL.
	28	• All UCBs were advised that the Bank has decided to consider their requests to shift their branches from one city to another in their area of operation within the same State subject to the following conditions – (i) The new centre is of the same or lower population group as the existing centre, e.g., a branch at a 'D' centre can be shifted to another 'D' centre only; (ii) A branch located in underbanked district can be shifted to another centre in underbanked district only; and (iii) The shifting should be beneficial to the bank in terms of cost and business.
	30	• All UCBs were advised to issue necessary instructions to their controlling offices, branch offices advising them to specially monitor the credit flow to minorities in the specified 121 minority concentrated districts thereby ensuring that the minority communities receive an equitable portion of the credit within the overall target of the priority sector. The above requirement should be kept in view for the purpose of earmarking of targets and location of development projects under the 'Prime Ministers New 15 Point Programme for the Welfare of the Minorities'.
		• All UCBs were advised the revised guidelines on lending to priority Sector, which take into account the revised definition of small and micro enterprises as per the Micro, Small and Medium Enterprises Development Act, 2006.
Sept.	**3**	• All Scheduled Commercial Banks were advised to take necessary steps for strengthening the branch level committees with greater involvement of customers. It is desirable that branch level committees include their customers too. Further as senior citizens usually form an important constituency in banks, a senior citizen may preferably be included therein.
		• The reporting formats for data on priority sector lending were revised in view of the revision of guidelines on lending to priority sector.
	4	• All deposits taking NBFCs were advised that a copy of FMR-1 where the amount involved in the fraud is Rs.25 lakh and above should also be submitted to the Regional Office of the Department of Non-Banking Supervision of Reserve Bank of India under whose jurisdiction the Registered Office of the NBFC falls.
		• All RRBs were allowed to set up extension counters at places of worship and market places. The condition of being principal bankers would not apply in such cases. However, RRBs shall be required to obtain necessary licence from the concerned Regional Office of the Reserve Bank.
	5	• All Commercial Banks (excluding RRBs) were advised that; (a) the banks may adopt a more granular approach to measurement of liquidity risk by splitting the first time bucket (1-14 days at present) in the Statement of Structural Liquidity into three time buckets, *viz.*, next day, 2-7 days and 8-14 days; (b) The net cumulative negative mismatches during the next day, 2-7 days, 8-14 days and 15-28 days buckets should not exceed 5 per cent, 10 per cent, 15 per cent and 20 per cent of the cumulative cash outflows in the respective time buckets in order to recognise the cumulative impact on liquidity. The format of Statement of Structural Liquidity has been revised suitably.
	7	• All SCBs were advised that the name of "The Sangli Bank Ltd." has been excluded from the Second Schedule to the Reserve Bank of India Act, 1934.
	10	• All PSBs were advised that it has been decided in consultation with the Government of India to withdraw 5 more circulars, *viz*., Delegation of powers to CMD/ED of nationalised banks, Delegation of powers to CMD/ED for compromise/write off, Vigilance arrangements in banks, reporting of cases of bank robberies/dacoities/burglaries and meeting of Standing Committee on Customer Services Settlement procedures in respect of payment of fraudulent instruments.
	12	• All lead banks in Jammu and Kashmir State were advised that it has been decided to regularise the assignment of lead bank responsibility in respect of newly created districts to State Bank of India and the Jammu and Kashmir Bank Ltd.
	13	• All RRBs were advised that it has been decided to allow RRBs to convert their satellite offices into full-fledged branches after obtaining concurrence from the Empowered Committee on RRBs. RRBs should also obtain necessary licence from the concerned Regional Office of the Reserve Bank.

Date of Announcement		POLICY ANNOUNCEMENTS
2007		**III. FINANCIAL SECTOR MEASURES** *(Contd.)*
Sept.	**13**	• All Primary UCBs were advised to ensure that loan facilities are utilised by borrowers for the purpose sanctioned. Banks should therefore have a mechanism for proper monitoring of the end use of funds. Wherever diversion is observed, they should take appropriate action against the borrowers concerned and the steps needed to protect the bank's interest. The bank may put in place more stringent safeguards, especially where accounts show sign of turning into NPAs. In such cases banks may strengthen their monitoring system by resorting to more frequent inspections of borrowers' godowns, ensuring that sale proceeds are routed through the borrower's accounts maintained with the bank and insisting on pledge of the stock in place of hypothecation. Whenever stocks under hypothecation to cash credit and other loan accounts are found to have been sold but the proceeds thereof not credited to the loan account, such action should normally be treated as a fraud. In such cases, banks may take immediate steps to secure the remaining stock so as to prevent further erosion in the value of the available security; as also other action as warranted.
	17	• All Commercial Banks were advised to ensure that all the branches of their bank meticulously adhere to the instructions issued by the Reserve Bank while extending home loans.
	18	• All Salary Earners Primary UCBs were advised that it has been decided not to insist upon induction of two professional directors on the Boards of Salary Earners Banks.
		• Guidelines were issued to all Primary UCBs with a view to allowing them greater flexibility in making non-SLR investments.
	20	• All Primary (Urban) Co-operative Banks were advised that when a UCB has availed a loan from a DCCB/StCB with which it is maintaining deposits, the amount of loan availed from the DCCB/StCB would be deducted from the deposits irrespective of whether lien has been marked on such deposits or not, for the purpose of computation of SLR. UCBs are given a period of six months to comply with the SLR requirements in case of shortfall, if any, arising from the above instructions.
	21	• All RRBs were advised that since the restrictive provisions of Service Area Approach have been dispensed with, some of the provisions relating to shifting of branches at rural areas and at semi-urban, merger of loss making branches *etc*. have been modified.
Oct.	**9**	• RRBs were advised that in cases of RRBs having negative networth but earning net profits for the last three years, the application for accepting NRO/NRE/FCNR deposits by RRBs may be examined by the Empowered Committee on a case to case basis from the supervisory comfort angle and recommend to the Reserve Bank.
		• The Empowered Committee may, taking into account the local conditions and the financials of a bank, permit a RRB to open a controlling office, even if it does not have 75 branches.
	10	• Guidelines were issued to NBFCs (including RNBCs) on September 28, 2006 for framing the Fair Practices Code in which it was prescribed under 'Loan appraisal and terms/conditions', that the NBFCs should convey in writing to the borrower by means of sanction letter or otherwise, the amount of loan sanctioned along with the terms and conditions including annualised rate of interest and method of application thereof and keep the acceptance of these terms and conditions by the borrower on its record. In this connection, NBFCs were advised to invariably furnish a copy of the loan agreement along with a copy each of all enclosures quoted in the loan agreement to all the borrowers at the time of sanction/ disbursement of loans.
	18	• RRBs permitted to apply for currency chest facility to the Reserve Bank subject to compliance of eligibility norms.
	23	• The name of 'Lord Krishna Bank Ltd' was excluded from the Second Schedule to the Reserve Bank of India Act, 1934.
	24	• The Guidelines on Asset-Liability Management (ALM) System was amended and all commercial banks advised that: (a) the banks may adopt a more granular approach to measurement of liquidity risk by splitting the first time bucket (1-14 days) in the Statement of Structural Liquidity into three time buckets, *viz*., next day, 2-7 days and 8-14 days, (b) the statement of structural liquidity may be compiled on best available data coverage, in due consideration of non-availability of a fully net worked environment. Banks may, however, make concerted and requisite efforts to ensure coverage of 100 per cent data in a timely manner, (c) the net cumulative negative mismatches during the next day, 2-7 days, 8-14 days and 15-28 days buckets should not exceed 5 per cent, 10 per cent, 15 per cent and 20 per cent of the cumulative cash outflows in the respective time buckets in order to recognise the cumulative impact on liquidity, (d) banks may undertake dynamic liquidity management and should prepare the statement of structural liquidity on daily basis. The statement of structural liquidity, may, however, be reported to the Reserve Bank, once a month, as on the third Wednesday every month.
	30	• On a review of the current liquidity situation, it has been decided to increase cash reserve ratio (CRR) of Scheduled Commercial Banks by 50 basis points to 7.50 per cent of their demand and time liabilities with effect from the fortnight beginning November 10, 2007. Similar circular was also issued for RRB's on October 31, 2007 and for Scheduled Primary (Urban) Co-op. on November 1, 2007.

Date of Announcement		POLICY ANNOUNCEMENTS
2007		**III. FINANCIAL SECTOR MEASURES** *(Contd.)*
Oct.	**30**	• The name of 'UTI Bank Ltd' was changed to 'Axis Bank Ltd' in the Second Schedule to the Reserve Bank of India Act, 1934 with effect from July 30, 2007.
Nov.	**1**	• The Reserve Bank laid down specific 'fit and proper' criteria to be fulfilled by the persons being elected as directors on the Boards of the nationalised banks under the provisions of Section 9(3)(i) of Banking Companies (Acquisition and Transfer of undertakings) Act 1970/80.
	6	• At the time of financing projects banks generally adopt one of the following methodologies as far as determining the level of promoters' equity is concerned.1) Promoters bring their entire contribution upfront before the bank starts disbursing its commitment.2) Promoters bring certain percentage of their equity (40% – 50%) upfront and balance is brought in stages.3) Promoters agree, *ab initio*, that they will bring in equity funds proportionately as the banks finance the debt portion. The Reserve Bank observed that the last method has greater equity funding risk. To contain this risk, banks were advised to have a clear policy regarding the Debt Equity Ratio (DER) and to ensure that the infusion of equity/fund by promoters should be such that the stipulated level of DER is maintained at all times. Further they were advised to adopt funding sequences so that possibility of equity funding by banks is obviated.
	8	• All the Public Sector Banks and the relevant private sector banks were advised that the rate of interest on delayed remittances and double/excess reimbursement would remain unchanged at 8 per cent (*i.e.*, Bank rate 6 per cent + 2 per cent) till further instructions.
	14	• StCBs/DCCBs were advised that before launching new domestic deposit mobilisation scheme with the approval of their respective Boards, they should ensure that the provisions of Reserve Bank's directives on interest rates on deposits, premature withdrawal of term deposits, sanction of loans/advances against term deposits, *etc*., issued from time to time, are strictly adhered to. Any violation in this regard will be viewed seriously and may attract penalty under the Banking Regulation Act, 1949 (AACS). Similar guidelines were issued to RRBs on November 29, 2007.
	20	• StCBs/DCCBs were advised to rely upon the Guardianship Certificate issued either by the District Court under Mental Health Act or by the Local Level Committees under the above Act for the purposes of opening/operating bank accounts for disabled persons with autism, cerebral palsy, mental retardation and multiple disabilities. RRBs may also ensure that their branches give proper guidance so that the parents/relatives of the disabled persons do not face any difficulty in this regard. Similar guidelines were issued to RRBs on November 22, 2007.
	22	• The Ministry of Corporate Affairs regulates Mutual Benefit Financial Companies (Notified *Nidhis*) and Mutual Benefit Companies (Potential *Nidhis*) compreshensively since 2001. Accordingly reflecting this status, the provisions of the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998 as applicable to Mutual Benefit Financial Companies have been updated and such companies were exempted from the provisions of the said directions. However, if the application of any MBC (Potential *Nidhis*) for grant of *Nidhi* status is rejected by the Government of India under the provisions of the Companies Act, 1956 the provisions of the said Directions as applicable to NBFCs would apply to such companies.
	30	• It was decided to bring down the priority sector lending target for UCBs to 40 per cent of the adjusted bank credit (ABC) (total loan and advances plus investments made by UCBs in non-SLR bonds) or credit equivalent amount of off balance sheet exposure (OBE), whichever is higher, as on March 31 of the previous year.
Dec.	**4**	• StCBs/DCCBs were previously outside the Capital to Risk Weighted Assets Ratio (CRAR) framework. In order to assess their capital structure in the context of financial stability of the whole system, StCBs/DCCBs were advised to disclose their CRAR as on March 31, 2008 and thereafter every year as 'Notes on Accounts' to their Balance Sheets. Similar guidelines were issued to RRBs on December 28, 2007.
	12	• The commercial banks/sponsor banks and RRBs were advised that all loans granted by commercial banks/sponsor banks to RRBs for on-lending to agriculture and allied activities sector may be classified as indirect finance to agriculture in the books of commercial banks/sponsor banks. Consequently, the amount lent by RRBs out of funds borrowed from commercial banks/sponsor banks, may not be classified by RRBs as part of their priority sector advances. The RRBs need not also include such lending as part of their Bank Credit for the purpose of computing achievement level under priority sector lending.
	14	• RNBCs were advised that in the interest of the depositors, where an RNBC fails to repay the deposits along with interest on maturity on the claim made by the depositor, it shall be liable to pay interest in the manner prescribed in the directions.

Date of Announcement		POLICY ANNOUNCEMENTS
2007		**III. FINANCIAL SECTOR MEASURES** *(Contd.)*
Dec.	**20**	• All SCBs were advised to take note of issues relating to corporate social responsibility, sustainable development and non-financial reporting and consider using the same to put in place a suitable and appropriate plan of action towards helping the cause of sustainable development with the approval of their boards.
2008		
Jan.	**8**	• In terms of Section 17 (2) read with Section 51 of the Banking Regulation Act, 1949, where a banking company appropriates any sum or sums from the reserve fund, it shall, within twenty one days from the dates of such appropriation report the fact to the Reserve Bank explaining the circumstances relating to such appropriation. In order to ensure that such recourse to drawing down the reserve fund is done prudently and is not in violation of any of the regulatory prescriptions, RRBs were advised to take prior approval from the Reserve Bank before any appropriation is made from the statutory reserve or any other reserve. Guidelines were also issued relating to disclosures in balance sheet regarding the drawdown of such reserves.
	15	• With prior approval of Central Government, the Reserve Bank notified mortgage guarantee companies as non-banking financial companies. Further, mortgage guarantee companies have been exempted from the provisions of Section 45-IA (requirement of registration), Section 45-IB (maintenance of liquid assets) and Section 45-IC (creation and transfer to Reserve Fund a certain percentage of the net profit) of the RBI Act.
Feb.	**15**	• Guidelines on registration and operations of mortgage guarantee companies and prudential norms and investment directions as applicable to them were issued.
	18	• In terms of Know-Your-Customer guidelines, the SCBs (excluding RRBs) were earlier advised that customer identification means identifying the customer and verifying his/her identity by using reliable, independent source documents, data or information to their satisfaction. An indicative list of the nature and type of documents/information that may be relied upon for customer identification was also given. It was observed that some banks treat this indicative list as exhaustive list and as a result a section of public is being denied access to banking services. Banks were advised to take a review of their extant internal instructions in this regard. Banks were also advised to carry out the review of risk categorisation of customers at a periodicity of not less than once in six months. The periodicity of updation of customer identification data including photograph should not be less than once in five years in case of low risk category customers and not less than once in two years in case of high and medium risk categories. Banks were also advised to develop suitable mechanism through appropriate policy framework for enhanced monitoring of accounts suspected of having terrorist links. Similar guidelines were also issued to UCBs on February 25, 2008, to RRBs on February 27, 2008, and to StCBs and DCCBs on February 28, 2008.
	19	• In view of loss of income occurred due to culling of birds as well as steep fall in the demand for poultry products and their prices, guidelines on relief measures to poultry industry were issued to SCBs.
March	**5**	• The securitisation companies/reconstruction companies registered with the Reserve Bank were advised to furnish a copy of audited balance sheets along with the directors report/auditors report every year within one month from the date of annual general body meeting, in which the audited results are adopted, starting with the balance sheet as on March 31, 2008.
		• Deposit taking NBFCs (including RNBCs) were advised that cases of ‘negligence and cash shortage’ and irregularities in foreign exchange transactions were to be reported as fraud if the intention to cheat/defraud was suspected/proved.
	10	• With a view to ensuring that the customer is able to access any ATM installed in the country free of charge through equitable co-operative initiative by banks, all the SCBs (except RRBs) were directed to allow customers to use bank’s own ATM for any purpose free; to use any other bank ATMs for balance enquiries free. Furthermore, banks were also instructed not to increase the charges prevailing as on December 23, 2007; those banks which were charging more than Rs. 20 per transaction were instructed to reduce the charges to a maximum of Rs. 20 per transaction by March 31, 2008 and all the transactions may be made free with effect from April 1, 2009. Similar guidelines were issued to StCBs and DCCBs on May 13, 2008.
		• All the commercial banks and co-operative banks were advised that with effect from April 10, 2008, all the payment transactions of Rs. 1 crore and above between RBI regulated entities such as banks/primary dealers and NBFCs are required to be routed through electronic payment mechanism. Furthermore, all payments of Rs. 1 crore and above in RBI regulated markets such as money market, Government securities market and foreign exchange market may also be routed through electronic payment mechanism with effect from April 1, 2008.
April	**8**	• Based on the recommendations of the Report of Internal Working Group set up by the Reserve Bank to examine various issues related to migration from paper-based systems to electronic systems, it was decided to make large value payments of Rs.1 crore and above to be mandatorily routed through electronic payment mechanism.

Date of Announcement		POLICY ANNOUNCEMENTS
2008		**III. FINANCIAL SECTOR MEASURES** *(Contd.)*
April	**10**	• SCBs (excluding RRBs) were advised the revised income criteria for availing loans under DRI scheme. Accordingly, borrowers with annual family income of Rs.18,000 in rural areas and Rs.24,000 in urban areas will now be eligible to avail the facility.
	15	• SCBs were advised to meet the entire credit requirements of SHG members as envisaged in the Finance Minister's Union Budget speech for the year 2008-09.
		• Guidelines on new self employment scheme for rehabilitation of manual scavengers (SRMS) issued to banks.
	17	• The Reserve Bank advised that the matter concerning accounting procedure to be followed for transfer of accounts under SCSS, from one Agency Bank to another Agency Bank/Post Office was examined by the Ministry of Finance, and the Ministry conveyed their approval for adopting the same procedure for inter Agency bank/Post Office transfer of accounts under SCSS as is being followed for PPF scheme, subject to the payment of transfer fee as applicable under the relevant rules of the captioned scheme. Accordingly the Reserve Bank notified an illustrative list of procedures to be followed in this regard.
	22	• In order to enable the investors to make informed investment decisions in the SRs, the disclosure in respect of underlying basket of assets required to be made by SCs/RCs in the offer documents as above, include disclosure in respect of the date of acquisition of the assets, valuation of the assets and the interest of SCs/RCs in such assets at the time of issue of SRs.
	24	• In view of the rise in the number of disputes and litigations against banks for engaging recovery agents in the recent past, it was felt that the adverse publicity would result in serious reputational risk for the banking sector as a whole. Against this background, the Reserve Bank issued detailed guidelines regarding the policy, practice, and procedure involved in the engagement of recovery agents banks in India.
		• It was decided to permit banks to engage retired bank employees, ex-servicemen and retired government employees as Business Correspondents (BCs) with immediate effect, in addition to the entities already permitted, subject to appropriate due diligence. While appointing such individuals as BCs, banks were advised to ensure that these individuals are permanent residents of the area in which they propose to operate as BCs and also institute additional safeguards as may be considered appropriate to minimise agency risk.
May	**2**	• SCBs were advised to ensure that a suitable mechanism exists for receiving and addressing complaints from customers/ constituents with specific emphasis on resolving such complaints fairly and expeditiously.
		• SCBs were advised to formulate a policy which would enable them to settle the claims of a missing person.
	6	• SCBs (including RRBs) were advised to classify 100 per cent of the credit outstandings under GCCs and overdrafts up to Rs.25,000 (per account) granted against 'no-frills' accounts in rural and semi-urban areas as indirect finance to agriculture under priority sector.
		• SCBs (excluding RRBs) were advised that the shortfall in lending to weaker sections will also be taken into account for the purpose of allocating amounts for contribution to RIDF or funds with other FIs with effect from April, 2009.
	8	• In view of the representations made in regard to delays in completion of infrastructure projects for legal and other extraneous reasons, the asset classification norms for infrastructure projects under implementation were modified with effect from March 31, 2008. The revised norms stipulated that in case of infrastructure projects, financed by the bank after May 28, 2002, the date of completion of the project should be clearly spelt out at the time of financial closure of the project and if the date of commencement of commercial production extends beyond a period of two years (as against the earlier norm of one year) after the date of completion of the project, as originally envisaged, the account should be treated as sub-standard.
	22	• In terms of earlier guidelines issued on 'Know Your Customer Norms' and 'Anti-Money Laundering Measures' banks were required to prepare a profile for each customer based on risk categorization. The need for periodical review of risk categorization was also emphasized. It was reiterated that banks, as a part of transaction monitoring mechanism, are required to put in place an appropriate software application to throw alerts when the transactions are inconsistent with risk categorization and updated profile of customers. Further, a reporting mechanism for attempted banking transactions and also for transactions involving counterfeit currency report was also introduced.
		• RRBs permitted to sell loan assets held by them under priority sector categories in excess of their priority sector lending target of 60 per cent.
	23	• The Finance Minister in his Budget Speech (2008-09) had announced the Debt Waiver and Debt Relief Scheme for farmers. A detailed scheme in this regard was notified for implementation by all scheduled commercial banks, besides RRBs and co-operative credit institutions. Banks were advised that the implementation of the Debt Waiver and DebtRelief Scheme should be completed by June 30, 2008.

Date of Announce-ment		POLICY ANNOUNCEMENTS
2008		**III. FINANCIAL SECTOR MEASURES** *(Concld.)*
May	**26**	• As announced in the Annual Policy Statement for the year 2008-09 the eligibility norms for opening up of on-site ATMs have been liberalised. Accordingly, UCBs that are registered in states which have entered into MoU with RBI or are registered under the Multi-State Cooperative Societies Act, 2002 and classified in Grades other than Grade III and IV, may hereafter, set up on-site ATMs without prior approval of the Reserve Bank.
June	**2**	• The operative instructions for smooth implementation of the Agricultural Debt Waiver and Debt Relief Scheme, 2008 were issued. Accordingly PCBs/UCBs were advised that one time consolidated claims for the bank as a whole may be submitted by them through their Head Office by September 30, 2008, to the respective regional office of Reserve Bank. Guidelines regarding procedure for reimbursement of claims, data maintenance, monitoring of progress in implementation, procedure for audit of the claims were also issued.
	4	• It has been observed that, over the years, the Government of India has, from time to time, issued several special securities which do not qualify for the purpose of complying with the SLR requirements of FIs. Such Government securities are governed by a separate set of terms and conditions and entail a higher degree of illiquidity spread. Currently, the guidelines issued by FIMMDA regarding the valuation of such non-SLR securities provide that such securities be valued by applying a mark-up of 50 basis points (bps) above the corresponding yield on Government of India securities. The issue of valuation of such special securities has since been examined. It has been decided that, for the limited purpose of valuation, all special securities issued by the Government of India, directly to the beneficiary entities, which do not carry SLR status, may be valued at a spread of 25 bps above the corresponding yield on Government of India securities. This amendment would come into force from the financial year 2008-09.Similar circular was issued for StCBs and DCCBs on June 23, 2008.
		• Banks were advised to ensure that all the banking facilitiesincluding cheque book facility including third party cheques, ATMs, net banking, locker, retail loans, credit card, *etc.* are invariably offered to the visually challenged without any discrimination. Banks were also advised to instruct their branches to render all possible assistance to the visually challenged for availing various banking facilities.
	17	• To ensure a measured movement towards strengthening the financials of all deposit taking NBFCs by increasing their net owned fund (NoF) to a minimum of Rs.200 lakh, NBFCs-D having a minimum NoF of less than Rs.200 lakh were advised to freeze their deposits at the level currently held by them and further bring down public deposits to the revised ceiling of deposits as prescribed.
	18	• In terms of instructions issued earlier, it was reiterated that RRBs, as a part of transaction monitoring mechanism, are required to put in place an appropriate software application to throw alerts when the transactions are inconsistent with risk categorization and updated profile of customers.
	30	• The reporting formats for priority sector lending by UCBs were revised. Accordingly, the UCBs were advised that data under the revised formats may be submitted to the concerned regional office concerned on a yearly basis within 15 days of close of the financial year to which it pertains.
July	**3**	• In terms of Agriculture Debt Waiver and Debt Relief Scheme, 2008, the Government of India clarified that: "If the loan is for poultry farming or sheep rearing or piggery or a cattle farm and part of the loan amount is used for sheds, pens, fences *etc*., the entire composite loan amount would be reckoned for calculating 'eligible amount' as defined in the scheme. If it is a standalone loan for putting up fencing or sheds *etc.*, these would not be covered." Accordingly the earlier circular in respect of the Scheme was modified.
	9	• StCBs/DCCBs were advised to ensure that all the banking facilities such as cheque book facility including third party cheques, ATM facility, Net banking facility, locker facility, retail loans, credit cards, *etc*., are invariably offered to the visually challenged without any discrimination. StCBs/DCCBs may also advise their branches to render all possible assistance to the visually challenged for availing the various banking facilities. Similar circular was also issued for RRBs on July 23, 2008.
	15	• In order to facilitate raising of capital funds (Tier l and Tier ll) UCBs have been permitted to issue preference shares *viz*., (i) perpetual non-cumulative preference shares (PNCPS), (ii) perpetual cumulative preference shares (PCPS), (iii) redeemable non-cumulative preference shares (RNCPS) and (iv) redeemable cumulative preference shares (RCPS). Further, UCBs have also been permitted to raise term deposits for a minimum period of not less than five years, which will be eligible to be treated as Tier II capital.
	31	• NBFCs were advised that the balance in deferred tax liability (DTL) account will not be eligible for inclusion in Tier I or Tier II capital for capital adequacy purpose as it is not an eligible item of capital. Further, deferred tax asset (DTA) will be treated as an intangible asset and should be deducted from Tier I capital.

Date of Announcement		POLICY ANNOUNCEMENTS
		IV. CAPITAL MARKET POLICIES
2007		**a) Securities and Exchange Board of India (SEBI)**
April	**16**	• SEBI stipulated guidelines for parking of funds, pending deployment by mutual funds in short term deposits of scheduled commercial banks.
	20	• SEBI issued guidelines for consent orders and composition of offences. Under the prescribed guidelines, if the party against whom adjudication proceedings are pending, SEBI shall constitute a consent order panel headed by a retired high court judge and two other external experts as members which shall screen applications and forward its recommendations to Adjudication Officer for passing suitable order in line with the consent terms.
	26	• SEBI permitted listed companies to send a statement containing the salient features of the Balance Sheet, Profit and Loss Account and Auditor's Report to each shareholder instead of sending a copy of the complete and full balance sheet, profit and loss account and Directors' report.
	27	• Permanent Account Number (PAN) was made the sole identification number for all transactions in securities market.
	30	• SEBI amended (Disclosure and Investor Protection) Guidelines, 2000 to make grading of IPOs mandatory and permitted companies with listing history of less than six months to raise money through preferential allotment.
May	**11**	• Guidelines on renewal of certificate of registration for portfolio managers have been clarified. If the application for renewal is not received at SEBI by the expiry date of the certificate of registration, the portfolio manger shall cease to be a portfolio manager on the date of such expiry. Furthermore, it shall immediately stop carrying on the portfolio manager activities from the date of expiry and may either transfer its business to another SEBI registered portfolio manager or allow the client to withdraw the securities and funds in its custody at the option of the client. If the portfolio manager fails to comply with the above, it will be considered as a violation of Section 12 and may attract action under the relevant provisions of SEBI Act, 1992.
	14	• SEBI decided that mutual funds can invest in ADRs/GDRs/foreign securities within overall limit of US$ 4 billion. This will be with a sub-ceiling for individual mutual funds which should not exceed 10 per cent of the net assets managed by them as on March 31 of each relevant year and subject to a maximum of US$ 200 million per mutual fund.
June	**25**	• In view of the introduction of PAN as the sole identification number, SEBI discontinued the Unique Identification Number (UIN) under the SEBI (Central Database of Market Participants' Regulations), 2003 (MAPIN regulations)/circulars.
	27	• SEBI extended the time limit for uploading of net asset value (NAV) for Fund of Funds Schemes on AMFI's website to 10.00 a.m. on the following business day in consideration of the practical difficulties being faced by mutual funds in uploading of NAV of such schemes.
July	**5**	• Filing of bi-monthly compliance test reports (CTR) have been simplified. SEBI decided that instead of filing of complete CTR with the SEBI, Asset Management Companies (AMCs) shall only do exceptional reporting on a bi-monthly basis. While the format and contents of CTR would continue, the AMCs would be required to report to SEBI only the exceptions in the CTR, *i.e.*, the AMCs shall report for only those points in the CTR where it had not complied with the same.
	10	• In order to facilitate government companies/corporations, statutory authorities/corporations or any special purpose vehicle set up by any of them, which are engaged in infrastructure sector, to raise funds in the Indian primary market through IPOs, SEBI decided to amend certain provisions of the SEBI (Disclosure and Investor Protection) Guidelines, 2000 relating to pricing by companies, promoter's contribution, lock in requirements and other issue requirements.
		• To rationalise and simplify the process and formats for submission of financial results to the stock exchange, SEBI decided to replace the existing Clause 41 of the Listing Agreement, *inter alia*, several amendments were made in the revised clause relating to submission of financial results and publication of results.
Aug.	**6**	• SEBI decided that companies issuing debentures and the respective debenture trustees/stock exchanges shall disseminate all information regarding debentures to investors and general public.
	9	• SEBI issued guidelines for overseas investments by venture capital funds.
Sept.	**7**	• In the light of discontinuation of the requirement of Unique Identification Number under the SEBI (Central Database of Market Participants' Regulations), 2003 (MAPIN Regulations/Circulars), SEBI has advised depositories to discontinue with the practice of accepting 'MAPIN Card' as one of the documents for the purpose of Proof of Identity' while opening a Beneficial Owner (BO) account.
	11	• SEBI cleared the proposal allowing foreign institutional investors (FIIs) to provide AAA-rated foreign government securities as collateral for margins against transactions in the derivatives segment.

Date of Announcement		POLICY ANNOUNCEMENTS
2007		**IV. CAPITAL MARKET POLICIES** *(Contd.)*
Sept.	**26**	• In order to facilitate overseas investments by mutual funds, SEBI decided to raise the aggregate ceiling for overseas investments by mutual funds to US$ 5 billion. Within the overall limit of US$ 5 billion, mutual funds can make overseas investments subject to maximum of US $ 300 million per mutual fund. The overall ceiling for investment in overseas exchange traded funds that invest in securities was kept at US$ 1 billion subject to a maximum of US$ 50 million per mutual fund.
Oct.	**25**	• SEBI confirmed the proposal to ban issue of participatory notes to unregulated foreign entities. To accommodate more and more investors through the registration route, SEBI agreed to several changes to the FII registration criteria.
Nov.	**29**	• SEBI approved new derivative products relating to mini contracts on equity indices, options with longer tenure, volatility index and futures and options contracts, exchange traded currency futures and options.
Dec.	**3**	• SEBI amended the provisions pertaining to issuances of corporate bonds under the SEBI (Disclosure and Investor Protection) (DIP) Guidelines, 2000.
	20	• SEBI allowed all classes of investors to short sell subject to a broad framework. SEBI also decided to set up a full-fledged securities lending and borrowing (SLB) scheme for all participants in the market under the overall framework of “Securities Lending Scheme, 1997”. Further, naked short selling was not allowed and FIIs were prohibited from day trading.
	27	• SEBI amended Equity Listing Agreement with regards to monitoring of utilisation of issue proceeds and electronic filing through corporate filing and dissemination system (CFDS).
		• SEBI introduced mini derivatives contract on index with a minimum contract size of Rs.1 lakh at the time of its introduction in the market.
2008		
Jan.	**11**	• SEBI recommended the introduction of option contracts on indices and stocks with life tenure of up to five years (60 months).
	15	• The Derivatives Contracts Review Committee appointed by SEBI recommended the introduction of volatility index and futures and options in this index.
	31	• In order to bring in more transparency and clarity to the investors in terms of the expenses charged to them in close-ended schemes, SEBI decided that there will not be any provision of charging initial issue expense and amortisation of the same. Also, all mutual fund schemes have been asked to meet the sales, marketing and other such expenses connected with sales and distribution of schemes from the entry load.
	31	• SEBI enhanced the cumulative debt investment limit available for investments by FIIs/sub accounts in Government securities/T-bills to US$ 3.2 billion.
March	**12**	• SEBI in consultation with the stock exchanges decided that in cases of merger, de-merger, amalgamation, capital reduction and scheme of arrangement, in terms of Companies Act and/or sanctioned by the courts, rehabilitation packages approved by the Board of Industrial and Financial Reconstruction under Sick Industrial Companies Act and Corporate Debt Restructuring (CDR) packages by the CDR Cell of the Reserve Bank, there is no need to have a price band on the first day of commencement/recommencement of trading. The price band may be retained in all other cases on the first day.
	17	• SEBI included National Investment Fund in the definition of Qualified Institutional Buyers (QIBs).
	18	• Based on recommendations of AMFI Working Group on Standardisation of Key Operational Areas, it was decided that Asset Management Companies (AMCs) shall not charge entry as well as exit load on bonus units and of units allotted on reinvestment of dividend.
	19	• SEBI decided that all institutional trades in the cash market shall be subject to payment of margins as applicable to transactions of other investors with effect from April 21, 2008. However, in the light of difficulties expressed by the market participants regarding implementation of upfront margining of institutional trades in the cash market, SEBI *vide* circular dated May 22, 2008 decided to keep the same in abeyance. Accordingly, institutional trades in the cash market continued to be margined on T+1 basis till further directions.
		• SEBI decided to operationalise short selling and securities lending and borrowing scheme for all market participants with effect from April 21, 2008.
April	**03**	• Investors residing in Sikkim were exempted from the mandatory requirement of PAN for their investments in mutual funds.
	07	• Filing fees for offer documents was revised downwards by SEBI.
	08	• SEBI increased the aggregate ceiling for overseas investment by mutual funds to US$ 7 billion.

Date of Announcement		POLICY ANNOUNCEMENTS
2008		**IV. CAPITAL MARKET POLICIES** *(Concld.)*
April	**09**	• SEBI amended provisions with respect to independent directors in Clause 49 of the listing agreement.
	16	• Mutual funds were allowed to sell government securities contracted for purchase in DVP III mode for government securities market.
		• SEBI amended (Mutual Funds) Regulations, 1996 to permit mutual funds to launch Real Estate Mutual Funds.
	17	• Guidelines were issued by SEBI for Comprehensive Risk Management framework for cash market.
	30	• SEBI revised the format of Monthly Cumulative Report of Mutual Funds.
May	**05**	• Cross margining across cash and derivatives segments were allowed.
	06	• SEBI simplified the process of half-yearly reporting of information by merchant bankers. Accordingly, reports have to be submitted only in electronic form. SEBI also simplified reporting of information with respect to bankers to issue and debenture trustees.
	29	• SEBI (FIIs) Regulation, 1995 was amended. Under this, asset management company, investment manager, or institutional portfolio manager owned by NRIs, shall be eligible to be registered as FII subject to the condition that they shall not invest their proprietary funds. Furthermore, the type of securities in which FIIs were permitted to invest has been widened to include schemes floated by a Collective Investment Scheme.
June	**06**	• The cumulative debt-investment limit for FII Investments in Government Securities and corporate debt was increased to US$ 5 billion and US$ 3 billion from US$ 3.2 billion and US$1.5 billion, respectively.
	19	• SEBI (Intermediaries) Regulations, 2008 was released, whereby a comprehensive regulation, applicable to all intermediaries, simplifies registration practices.
		• SEBI released SEBI (Public Offer and Listing of Securitised Debt Instruments), Regulations, 2008.
		• SEBI notified regulation for Issuance and listing of debt securities to provide for simplified regulatory framework for issuance and listing of non-convertible debt securities issued by any company, public sector or statutory corporations.
	30	• SEBI clarified that PAN may not be insisted in case of Central Government, State Government and court officials for transacting in securities markets.
July	**07**	• SEBI instructed all registered intermediaries to create a designated email-id for regulatory communications. It was clarified that the email-id shall be an exclusive email-id only for the above purpose and should not be a person centric email-id.
	23	• SEBI instructed all the exchanges to conduct comprehensive audit relating to examination of trading systems, clearing and settlement systems (clearing corporation/clearing house), risk management, databases, disaster recovery sites, business continuity planning, security capacity management and information security of their systems by a reputed independent auditor on an annual basis.
	30	• In its continuing endeavour to make the existing public issue process more efficient, SEBI introduced a supplementary process of applying in public issues, *viz*., the "Applications Supported by Blocked Amount (ASBA)" process. The ASBA process shall be available in all public issues made through the book building route. It shall co-exist with the current process.
2008		**b) Government of India**
Feb.	**29**	• The Union Budget 2008-09 proposed the following measures: i) Take measures to develop the bond, currency and derivatives markets that will include launching exchange-traded currency and interest rate futures and developing a transparent credit derivatives market with appropriate safeguards, (ii) Enhance the tradability of domestic convertible bonds by putting in place a mechanism that will enable investors to separate the embedded equity option from the convertible bond and trade it separately, (iii) Encourage the development of a market-based system for classifying financial instruments based on their complexity and implicit risks, (iv) Requirement of PAN extended to all transactions in the financial market subject to suitable threshold exemption limits, (v) Empowered Committee of State Finance Ministers to be requested to work with the Central Government to create pan Indian market for securities that will expand the market base and enhance the revenues of the State Governments, (vi) Service tax to be imposed on asset management service provided under ULIP, to bring it on par with asset management service provided under mutual funds, (vii) Service tax to be imposed on services provided by stock/commodity exchanges and clearing houses, (viii) Corporate debt instruments issued in demat form and listed on recognised stock exchanges exempted from TDS, (ix) Parent company allowed to set off the dividend received from its subsidiary company against dividend distributed by the parent company, provided that the dividend received has suffered dividend distribution tax (DDT) and the parent company is not a subsidiary of another company, (x) To increase the rate of tax on short term capital gains under Section 111A and Section 115AD from 10 per cent to 15 per cent which will also encourage investors to stay invested for a longer term, (xi) STT paid to be treated like any other deductible expenditure against business income. Levy of STT, in the case of options to be only on premium, where the option is not exercised, liability to be on the seller. Where the option is exercised, levy to be on the settlement price and the liability on the buyer. No change in the present rates.

Date of Announcement		POLICY ANNOUNCEMENTS
		V. EXTERNAL SECTOR POLICIES
2007		**a) Trade Policy**
April	**4**	• India announced its decision to allow duty free access to India to the Least Developed Countries (LDCs) of SAARC, which includes Bangladesh, Bhutan, Maldives and Nepal, before the end of this year.
	19	• The Annual Supplement (2007) to the Foreign Trade Policy (2004-09) announced to impart further momentum to India's exports. The measures adopted for promoting exports, *inter alia*, included identification of thrust areas and commodities, such as agriculture, handlooms, handicraft, gems and jewellery, leather and marine sectors, technological and infrastructural measures, fiscal measures, simplification of procedures and reducing transaction costs.
July	**13**	• To sustain the export growth momentum, the Government announced an export package to neutralise the adverse impact of rupee appreciation, which includes enhancement of Duty Entitlement Pass Book (DEPB) rates by 3 per cent for 9 sectors, *i.e.*, textiles, readymade garments, leather products, handicrafts, engineering products, processed agricultural products, marine products, sport goods and toys. The rate of interest on pre-shipment and post-shipment credit for exporters reduced by 2 per cent. The rates of duty drawback enhanced by 10 per cent to 40 per cent of existing rates.
Sept.	**17**	• The Government announced refund of service tax paid by exporters on four taxable services which were not in the nature of "input services" but could be linked to export goods.
Oct.	**6**	• Relief measures were announced by Government of India for exporters including extension of refund of service tax to additional three taxable services, which are not in the nature of "input services" but could be linked to export of goods, provision to pay interest on EEFC accounts of exporters on outstanding balances, extension of the period for interest subvention on pre-shipment and post-shipment credit, extension of interest subvention to four more sectors and extension of coverage under *Vishesh Krishi and Gram Udyog Yojana* (VKGUY).
	31	• Government of India introduced "Served from India Scheme" to facilitate exporters of various type of services in order to accelerate growth in export of services. Under this scheme, service providers of more than 100 services are entitled for Duty Credit Scrip.
Nov.	**7**	• Reserve Bank of India announced the enhancement of the limit for direct receipt of import bills/documents from US $ 100,000 to US $ 300,000 in the case of import of rough diamonds as a relief to non-status holder exporters.
	29	• Relief measures were announced by Government of India for exporters including reduction of basic customs duty on certain items relating to textile sector, refund of service tax paid on business exhibition service provided to manufacturer-exporters of textile goods, extension of refund of service tax paid by exporters on taxable services linked to exports to two more taxable services, additional subvention of 2 per cent (in addition to the 2 per cent offered earlier) in pre-shipment and post-shipment credit to the specified sectors and extension of payment of interest for delays in payment of terminal excise duty (TES) and central sales tax (CST).
2008		
Jan.	**16**	• All Exporters/Importers need to maintain only one core-banking enabled bank account at national level for transactions with any of the stakeholders for trade to be effective throughout India from April 1, 2008.
April	**11**	• The Annual Supplement (2008) to India's Foreign Trade Policy (2004-09) announced by the Government of India to further strengthen the export sector by introducing sector specific initiatives, promotional measures, relief to sectors affected by rupee appreciation, measures to reduce transaction cost and procedural simplification.
2007		**b) Foreign Exchange Market**
April	**5**	• AD category-I banks, through whom the export proceeds were originally realised, allowed to consider requests for refund of export proceeds of goods exported from India and being re-imported into India on account of poor quality.
	20	• Indian entities availing fund/non-fund facilities were allowed to transfer by way of pledged shares held in overseas JV/WOS to an overseas lender, subject to conditions.
	30	• The limit for prepayment of external commercial borrowing (ECB) enhanced from US$ 300 million to US$ 400 million without prior approval of the Reserve Bank, subject to compliance with the minimum average maturity period as applicable to the loan.
		• AD category-I banks permitted to make remittances on account of donations by corporates for specified purposes: (i) creation of Chairs in reputed educational institutes outside India; (ii) donations to funds (not being an investment fund) promoted by educational institutes; or (iii) donation to a technical institution or body or association in the field of activity of the donor company. The remittances are subject to a limit of one per cent of the foreign exchange earnings during the previous three financial years or US$ 5 million, whichever is less. The existing facility for remittance up to US$ 5,000 per remitter/per donor per financial year towards donations by Indian corporates would continue as hitherto.

Date of Announcement		POLICY ANNOUNCEMENTS
2007		**V. EXTERNAL SECTOR POLICIES** *(Contd.)*
April	**30**	• The limit for remittance for consultancy service procured from outside India by Indian companies executing infrastructure projects increased from US $ 1 million per project up to US$ 10 million per project. For this purpose, infrastructure sector is defined as (i) power, (ii) telecommunication, (iii) railways, (iv) road including bridges, (v) sea port and airport, (vi) industrial parks, and (vii) urban infrastructure (water supply, sanitation and sewage projects).
		• Remittance of foreign exchange towards reimbursement of pre-incorporation expenses incurred in India allowed up to five per cent of the investment brought into India or US$ 100,000 whichever is higher, on the basis of certification from statutory auditors.
		• AD category-I banks permitted to allow ship manning/crew managing agencies, rendering services to shipping companies incorporated outside India, to open foreign currency accounts in India for the purpose of undertaking transactions in the ordinary course of their business provided: (a) credits to such accounts would be only by way of inward remittances through normal banking channels from the overseas principal; b) debits will be towards various expenses in connection with the management of the ships/crew in the ordinary course of its business; (c) no credit facility (fund based or non-fund based) should be granted against security of funds held in the account; (d) the bank should meet the prescribed reserve requirements in respect of such accounts; (e) no EEFC facility should be allowed in respect of the remittances received in the account; and (f) the account will be maintained only during the validity period of the agreement.
		• The Indian VCFs, registered with the SEBI, permitted to invest in equity and equity-linked instruments of off-shore venture capital undertakings, subject to an overall limit of US$ 500 million and compliance with the SEBI regulations issued in this regard.
May	**8**	• The limit of US$ 50,000 per financial year under the Liberalised Remittance Scheme for Resident Individuals enhanced to US$ 100,000 per financial year for any permitted current or capital account transactions or a combination of both. All other transactions which are otherwise not permissible under the FEMA and those in the nature of remittance for margins or margin calls to overseas exchanges/overseas counterparty are not allowed under the Scheme. Banks should not extend any kind of credit facilities to resident individuals to facilitate remittances under the Scheme.
	18	• AD category-I banks and authorised banks allowed to permit remittance of the maturity proceeds of FCNR (B) deposits to third parties outside India, provided the transaction is specifically authorised by the account holder and the authorised dealer is satisfied about the bonafides of the transaction.
		• Resident individuals are required to surrender received/realised/unspent/unused foreign exchange to an authorised person within a period of 180 days from the date of receipt/realisation/purchase/acquisition/date of return of the traveller, as the case may be.
		• AD category-I banks allowed the remittances by Navaratna PSUs towards investment in the oil sector (*i.e.*, for exploration and drilling for oil and natural gas, *etc*.) in an unincorporated entity overseas after ensuring that the proposal has been approved by the appropriate competent authority, and is duly supported by a certified copy of the Board Resolution approving such investment subject to reporting requirements.
May	**21**	• Based on the review, the ECB policy has been modified as under: The exemption accorded to the development of integrated township as a permissible end-use of ECB has been withdrawn. Accordingly, utilisation of ECB proceeds is not permissible in real estate, without any exemption. With the sovereign credit rating of India enhanced to investment grade, the all-in-cost ceilings for ECB were modified as follows: (i) All-in-cost ceilings over six months LIBOR for average maturity period of three years and up to five years was revised from 200 basis points to 150 basis points, (ii) All-in-cost ceilings over six months LIBOR for more than five years revised from 350 basis points to 250 basis points. Above changes are applicable to ECB both under the automatic route as well as approval route.
	24	• AD category-I banks allowed to permit payment towards cash calls to the operator for the purpose of oil exploration in India, either by credit to the foreign currency or rupee account in India as approved by the Reserve Bank wherever applicable, or by remittance overseas, subject to certain conditions.
		• AD category-I banks permitted to open escrow account and special account on behalf of non-resident corporates, without prior approval of the Reserve Bank, for acquisition/transfer of shares/convertible debentures through open offers/delisting/ exit offers, subject to the relevant SEBI Regulations/provisions of the Companies Act, 1956 and to the terms and conditions stipulated by the Reserve Bank in this regard.

Date of Announcement		POLICY ANNOUNCEMENTS
2007		**V. EXTERNAL SECTOR POLICIES** *(Contd.)*
May	**25**	• AD category-I banks permitted to allow business process outsourcing (BPO) companies in India to make remittances towards the cost of equipment to be imported and installed at their overseas sites, subject to the following conditions: (i) the BPO company should have obtained necessary approval from the Ministry of Communications and Information Technology, Government of India and other authorities concerned for setting up of the International Call Centre (ICC); (ii) the remittance is made directly to the account of the overseas supplier; and (iii) obtain a certificate as evidence of import from the Chief Executive Officer (CEO) or auditor of the importer company that the goods for which remittance was made have actually been imported and installed at overseas sites.
		• The facility of operation of NRO account by Power of Attorney granted in favour of a resident by the non-resident individual account holder provided such operations are restricted to: (i) all local payments in rupees including payments for eligible investments subject to compliance with relevant regulations made by the Reserve Bank; and (ii) remittance outside India of current income in India of the non-resident individual account holder, net of applicable taxes. Furthermore, the resident Power of Attorney holder is not permitted to repatriate outside India funds held in the account other than to the non-resident individual account holder nor to make payment by way of gift to a resident on behalf of the non-resident account holder or transfer funds from the account to another NRO account.
	31	• AD category-I banks permitted remittance out of assets of Indian companies under liquidation under the provisions of the Companies Act, 1956 subject to any order issued by the court winding up the company or the official liquidator or the liquidator in case of voluntary winding up and also subject to tax compliance and to certain terms and conditions.
		• AD category-I banks, specifically authorised by Reserve Bank allowed to permit domestic producers/users to hedge their price risk on aluminium, copper, lead, nickel and zinc in international commodity exchanges, based on their underlying economic exposures. Hedging may be permitted up to the average of previous three financial years' actual purchases/ sales or the previous year's actual purchases/sales turnover, whichever is higher, of the above commodities. Further, only standard exchange traded futures and options (purchases only) may be permitted.
		• AD category-I banks, specifically authorised by Reserve Bank allowed to permit actual users of aviation turbine fuel (ATF) to hedge their economic exposures in the international commodity exchanges based on their domestic purchases. Furthermore, if the risk profile warrants, the actual users of ATF may also use OTC contracts. Permission for hedging ATF would be granted only against firm orders and necessary documentary evidence. The AD category-I banks should ensure that the entities entering into hedging activities should have Board approved policies which define the overall framework within which derivatives activities should be conducted and the risks controlled.
June	**8**	• To enable the MFs to tap a larger investible stock overseas, they were permitted to invest in (i) overseas mutual funds that make nominal investments (say to the extent of 10 per cent of net asset value) in unlisted overseas securities; (ii) overseas exchange traded funds that invest in securities; and (iii) ADRs/GDRs of foreign companies.
		• Guidelines for foreign investment in preference shares were revised as follows: (a) foreign investment coming as fully convertible preference shares would be treated as part of share capital. This would be included in calculating foreign equity for purposes of sectoral caps on foreign equity, where such caps have been prescribed; (b) foreign investment coming as any other type of preference shares (non- convertible, optionally convertible or partially convertible) would be considered as debt and shall require conforming to ECB guidelines/ECB caps; (c) any foreign investment as non-convertible or optionally convertible or partially convertible preference shares as on and up to April 30, 2007 would continue to be outside the sectoral cap till their current maturity; and (d) issue of preference shares of any type would continue to conform to the guidelines of the Reserve Bank/SEBI and other statutory bodies and would be subject to all statutory requirements.
	14	• The limit for overseas investments by an Indian entity was enhanced from 200 percent to 300 per cent of its net worth. However, the limit for partnership firm for overseas investments remained unchanged at 200 per cent of net worth.
		• The limit for portfolio investment by listed Indian companies in the equity of listed foreign companies was raised from 25 per cent to 35 per cent of the net worth of the investing company.
	19	• AD category-I banks permitted to allow cancellation of forward contracts entered into by residents for overseas direct investments (in equity and loan) for hedging the exchange risk. Further, 50 per cent of the cancelled contracts is allowed to be rebooked.
	29	• It was decided as a sector specific measure to allow airline companies permitted by the Director General of Civil Aviation to operate as a schedule air transport service to make advance remittances without bank guarantee. Accordingly, AD category-I banks permitted to allow advance remittance, without bank guarantee or an unconditional irrevocable standby Letter of Credit, up to US$ 50 million, for direct import of aircraft/helicopter/other aviation related purchases, subject to conditions.

Date of Announcement		POLICY ANNOUNCEMENTS
2007		**V. EXTERNAL SECTOR POLICIES** *(Contd.)*
July	**5**	• RRBs have been authorised to open and maintain FCNR(B) Deposit accounts by NRIs/PIOs subject to prescribed guidelines.
	19	• SEBI approved clearing corporations of stock exchanges and their clearing members have been permitted to undertake the following transactions subject to the guidelines issued in this regard: (i) to open and maintain demat accounts with foreign depositories and to acquire, hold, pledge and transfer the foreign sovereign securities, offered as collateral by FIIs, (ii) to remit the proceeds arising from corporate action, if any, on such foreign sovereign securities and (iii) to liquidate such foreign sovereign securities if the need arises.
Aug.	**7**	• Based on a review, ECB policy has been modified as under : (i) Henceforth, ECB more than US$ 20 million per borrower company per financial year is permitted only for foreign currency expenditure for permissible end-uses of ECB. Accordingly, borrowers raising ECB more than US$ 20 million shall park the ECB proceeds overseas for use as foreign currency expenditures for permissible end uses and shall not remit the funds to India both under the Automatic Route and the Approval Route. (ii) ECB up to US$ 20 million per borrowing company per financial year would be permitted for foreign currency expenditures for permissible end-uses under the Automatic Route and these funds shall be parked overseas and not be remitted to India. Borrowers proposing to avail ECB up to US$ 20 million for Rupees expenditure for permissible end uses would require prior approval of the Reserve Bank under the Approval Route. (iii) All other aspects of ECB policy such as eligible borrower, US$ 500 million limit per borrower company per financial year under the Automatic Route, recognized lender, average maturity period, all-in-cost-ceiling, prepayment, refinancing of existing ECB and reporting arrangements remain unchanged.
	22	• It was decided to allow AD Category–I banks to grant rupee loans to NRI employees of Indian companies for acquiring shares of the companies under the ESOP Scheme. The loan scheme should be as per the policy approved by the bank's Board and would further be subject to certain conditions.
Sep.	**26**	• The Liberalised Remittance Scheme for Resident Individuals was further liberalised. Accordingly, it was decided to enhance the existing limit of US$ 100,000 per financial year to US$ 200,000 per financial year (April-March). Accordingly, AD Category – I banks were allowed to remit up to US$ 200,000, per financial year, under the Scheme, for any permitted current or capital account transaction or a combination of both. • The limit for prepayment of ECB was enhanced from US$ 400 million to US$ 500 million. • The limit for portfolio investment by listed Indian companies in the equity of listed foreign companies was raised from 35 per cent to 50 per cent of the net worth of the investing company as on the date of its last audited balance sheet. Furthermore, the requirement of reciprocal 10 per cent shareholding in Indian companies has been dispensed with. • The overseas investment limit (total financial commitments) for Indian parties (companies incorporated in India under an Act of Parliament) was enhanced from 300 per cent of their net worth to 400 per cent as per the last audited balance sheet. The overseas investment limit for registered partnership firms was enhanced from 200 per cent to 400 per cent of net worth. • The aggregate ceiling for overseas investment by mutual funds, registered with SEBI, was enhanced from US$ 4 billion to US$ 5 billion. The existing facility to allow a limited number of qualified Indian mutual funds to invest cumulatively up to US$ 1 billion in overseas Exchange Traded Funds, as may be permitted by the SEBI, would continue. • Mutual Funds, registered with SEBI were permitted to invest in ADRs/GDRs of Indian and foreign companies, rated debt instruments not below investment grade by accredited/registered credit rating agencies, in the equity of overseas companies listed on a recognised stock exchange overseas, in overseas mutual funds that make nominal investments (say to the extent of 10 per cent of net asset value) in unlisted overseas securities, and overseas exchange traded funds that invest in securities. Mutual funds allowed to invest in additional instruments, subject to the guidelines issued by SEBI, in order to enable them to tap a larger investible stock overseas.
Oct.	**6**	• All Exchange Earners' Foreign Currency (EEFC) account holders were permitted to maintain outstanding balances to the extent of US$ 1 million in the form of term deposits up to 1 year maturing on or before October 31, 2008.
	17	• The following Anti Money Laundering guidelines were amended: (i) Requests for payment in cash by foreign visitors/non-resident Indians was acceded to the extent of US$ 3000 or its equivalent (earlier limit was US$ 2000). (ii) PAN card may be accepted as a suitable document for establishing the relationship with the company/firm.

Date of Announce-ment		POLICY ANNOUNCEMENTS
2007		**V. EXTERNAL SECTOR POLICIES** *(Contd.)*
Oct.	**29**	• In order to enable resident individuals to manage/hedge their foreign exchange exposures arising out of actual or anticipated remittances, both inward and outward, it was decided to permit them to book forward contracts, without production of underlying documents, up to a limit of US$ 100,000, based on self declaration. The contracts booked under this facility would normally be on a deliverable basis. However, in case of mismatches in cash flows or other exigencies, the contracts booked under this facility would be allowed to be cancelled and re-booked. The notional value of the outstanding contracts should not exceed US$ 100,000 at any time. Further, the contracts may be permitted to be booked up to tenors of one year only.
		• In order to enable Small and Medium Enterprises (SMEs), having direct and/or indirect exposures to foreign exchange risk to manage their exposures effectively, AD Category - I banks were allowed to permit such entities to book/cancel/rebook/roll over forward contracts without production of underlying documents, subject to conditions.
Nov.	**6**	• It was decided to permit domestic oil marketing and refining companies to hedge their commodity price risk to the extent of 50 per cent of their inventory based on the volumes in the quarter preceding the previous quarter. The hedging may be undertaken through AD Category – I banks, which have been authorised by the Reserve Bank. The hedges would be undertaken using over-the-counter (OTC)/exchange traded derivatives overseas with the tenor restricted to a maximum of one-year forward.
	7	• The limit for direct receipt of import bills/documents was enhanced from US$ 100,000 to US$ 300,000 in the case of import of rough diamonds. Accordingly, AD Category - I banks were permitted to allow remittance for imports up to US$ 300,000 where the importer of rough diamonds has received the import bills/documents directly from the overseas supplier and the documentary evidence for import is submitted by the importer at the time of remittance, subject to conditions.
Dec.	**14**	• In consultation with the Central Government, with effect from November 29, 2007, it was decided that the equity instruments are to be issued within 180 days of the receipt of the inward remittance. In case, the equity instruments are not issued within 180 days from the date of receipt of the inward remittance or date of debit to the NRE/FCNR (B) account, the amount of consideration so received should be refunded immediately to the non-resident investor by outward remittance through normal banking channels or by credit to the NRE/FCNR (B) account, as the case may be. The AD Category - I banks were permitted to allow such outward remittances after satisfying themselves with the bonafides of the transactions and that no part of the remittance represents interest on the funds received as advance. Non-compliance with the above provision would be reckoned as a contravention under FEMA and could attract penal provisions.
		• In exceptional cases, refund of the amount of consideration outstanding beyond a period of 180 days from the date of receipt may be considered by the Reserve Bank on the merits of the case. In all cases where, as on November 28, 2007, 180 days have elapsed since receipt of funds and the equity instruments have not been issued, the companies are required to approach the Reserve Bank with a definite action plan either for allotment of equity instruments or for refund of the advance, with full details, for specific approval. It is clarified that the advances against equity instruments may be received only where the FDI is allowed under the automatic route.
	19	• A person who is a citizen of Bangladesh or an entity incorporated in Bangladesh may, with the prior approval of the Foreign Investment Promotion Board, was allowed to purchase shares and convertible debentures of an Indian company under Foreign Direct Investment Scheme, subject to the terms and conditions.
	31	• FIIs registered with the SEBI and sub-accounts of FIIs were allowed to short sell, lend and borrow equity shares of Indian companies subject to certain conditions.
2008		
April	**3**	• The aggregate ceiling for overseas investment by mutual funds registered with the SEBI was enhanced from US$ 5 billion to US$ 7 billion. The existing facility to allow a limited number of qualified Indian mutual funds to invest cumulatively up to US$ 1 billion in overseas Exchange Traded Funds, as may be permitted by SEBI, would continue. The investments would be subject to the terms and conditions and operational guidelines as issued by SEBI.
	16	• The limit for direct receipt of import bills/documents was enhanced from US$ 100,000 to US$ 300,000 in the case of import of rough precious and semi-precious stones by non-status holder exporters, subject to certain specified conditions.
	28	• It was decided, in consultation with Central Government, that the prior permission of Administrative Ministry/Authorisation from Central Government may not be necessary for International Competitive Bidding (ICB).
		• Credit information companies complying with the Credit Information Companies (Regulations) Act, 2005 were permitted an aggregate foreign investment limit of 49 per cent, with the prior approval of FIPB and regulatory clearance from the Reserve Bank. Investment by SEBI Registered FIIs was permitted only through purchases in the secondary market to an extent of 24 per cent within the overall limit of 49 per cent for foreign investment. No FII was allowed to individually hold directly or indirectly more than 10 per cent of the equity.

Date of Announcement		POLICY ANNOUNCEMENTS
2008		**V. EXTERNAL SECTOR POLICIES** *(Contd.)*
April	**28**	• Commodity Exchanges were permitted foreign investment within a composite ceiling of 49 per cent, with a FDI limit of 26 per cent and an FII limit of 23 per cent, subject to certain terms and conditions.
May	**28**	• The all-in-cost ceiling in respect of trade credits up to one year was enhanced from 50 basis points over six months LIBOR to 75 basis points over six months LIBOR for the respective currency of credit or applicable benchmark. All other aspects of trade credit remained unchanged.
	29	• It was decided to allow borrowers in the infrastructure sector to avail ECBs up to US $ 100 million for rupee expenditure for permissible end-uses under the approval route. In the case of other borrowers, the existing limit of US$ 20 million for rupee expenditure for permissible end-uses under the Approval Route was enhanced to US$ 50 million. The all-in-cost ceilings were revised upwards from 150 bps to 200 bps over 6-month LIBOR for ECBs with an average maturity between three years and up to five years, and from 250 bps to 350 bps for ECBs with average maturity of more than five years.
	30	• In terms of the extant Anti-Money Laundering guidelines, Full-Fledged Money Changers (FFMCs) were permitted to encash foreign currency and make cash payment only up to US$ 3,000 or its equivalent. Amount exceeding US$ 3,000 or its equivalent has to be paid by way of demand draft or bankers' cheque.
June	**2**	• It was decided to allow entities in the service sector, *viz*. hotels, hospitals and software companies to avail ECBs up to US$ 100 million per financial year, for the purpose of import of capital goods under the approval route.
	3	• With a view to provide greater flexibility to Indian parties for investment abroad, it was decided to allow Indian companies to invest in excess of 400 per cent of their net worth, as on the date of the last audited balance sheet, in the energy and natural resources sectors such as oil, gas, coal and mineral ores. The investments in excess of 400 per cent of the net worth shall be made only with the prior approval of the Reserve Bank.
		• It was decided to allow the above facility to other Indian entities to invest in overseas unincorporated entities in oil sector. AD Category – I banks would allow remittance up to 400 per cent of the net worth of the Indian company after ensuring that the proposal has been approved by the competent authority and is duly supported by a certified copy of the Board Resolution approving such investment. Applications by Indian companies, other than by Navaratna PSUs, ONGC Videsh Ltd (OVL) and Oil India Ltd (OIL), for investment in excess of 400 per cent of the net worth of the company as on the date of the last audited balance sheet, in overseas unincorporated entities, where such investments are approved by the competent authority, should be referred by AD Category-I banks to the Reserve Bank for prior approval, as per the procedure laid down.
		• Domestic crude oil refining companies were permitted to hedge their commodity price risk on domestic purchase of crude oil and sell petroleum products on the basis of underlying contracts linked to international prices on overseas exchanges/ markets. The hedging was allowed strictly on the basis of underlying contracts.
		• Domestic crude oil refining companies were permitted to hedge their commodity price risk on crude oil imports in overseas exchanges/markets, on the basis of their past performance up to 50 per cent of the volume of actual imports during the previous year or 50 per cent of the average volume of imports during the previous three financial years, whichever is higher. Contracts booked under this facility will have to be regularised by production of supporting import orders during the currency of hedge. An undertaking may be obtained from the companies to this effect.
		• The hedging has to be undertaken only through AD Category - I banks, who have been specifically authorised by the Reserve Bank in this regard, subject to specified terms and conditions.
		• Earlier, Navaratna Public Sector Undertakings (PSUs) are allowed to invest in overseas unincorporated entities in oil sector (*i.e.*, for exploration and drilling for oil and natural gas, *etc*.), which are duly approved by the Government of India, without any limits, under the automatic route. This facility was extended to ONGC Videsh Ltd (OVL) and Oil India Ltd (OIL).
		• AD Category - I banks were permitted to write off, in addition to the claims settled by Export Credit Guarantee Corporation (ECGC), the outstanding export bills settled by other insurance companies which are regulated by IRDA subject to verifying that the claim in respect of the outstanding export bills has been settled and that the export incentives, if any, have been surrendered. Such write-off will not be restricted to the existing limit of 10 per cent of export dues.
	3	• The claims settled in Rupees by ECGC/insurance companies were not be construed as export realisation in foreign exchange and claim amount should not be allowed to be credited to EEFC account of the exporter.
		• The period of realisation and repatriation to India of the amount representing the full export value of goods or software exported, was enhanced from six months to 12 months from the date of export, subject to review after one year.

Date of Announcement		POLICY ANNOUNCEMENTS
2008		**V. EXTERNAL SECTOR POLICIES** *(Contd.)*
June	**27**	• It was decided to allow Registered Trusts and Societies engaged in manufacturing/educational sector to make investment in the same sector(s) in a Joint Venture or Wholly Owned Subsidiary outside India, with the prior approval of the Reserve Bank.
July	**11**	• Prior approval from the Reserve Bank was dispensed with and AD Category - I banks were permitted to convey 'no objection' under the FEMA,1999 for creation of charge on immovable assets, financial securities and issue of corporate or personal guarantees in favour of overseas lender/security trustee, to secure the ECB to be raised by the borrower, subject to certain specified conditions.