

March 11, 1985

All Scheduled State Co-operative Banks

Dear Sir,

Amendments to the Reserve Bank of India Scheduled Banks Regulations , 1951

Section 6 of the Banking Laws (Amendment) Act, 1983 amends section 42 of the Reserve Bank of India Act, 1934 to provide for change in the basis for the maintenance of 'average daily balances' by Scheduled Banks with the Reserve Bank from the average of the balances held at the close of business on each day of a week to such balances being held at the close of business of each day of a fortnight and the Periodicity of returns relating thereto from 'weekly' to 'fortnightly' basis. The periodicity of the maintenance of average daily balance and the submission of returns indicating the Position thereof are changed mainly with a view to granting banks a longer time to collect more accurate and reliable data. The fortnightly return with the Reserve Bank from the average of the balances held at the close of business on each alternate Friday in Form B as amended. The average daily balance held during the fortnight will be based on the Demand and Time Liabilities (DTL) obtaining on Friday immediately preceding the fortnight. Provision has also been made filing a special return on the last Friday of a month if it does not happen to be an alternate Friday. This apart, certain other amendments to Section 42 of the Reserve Bank of India Act, 1934, are also made among other things, for exclusion of loans taken by a Scheduled State Co- operative Bank from the National Co-operative Development Corporation and by a Regional Rural Bank from its sponsor bank, from 'liabilities' for the purpose of calculation of Cash Reserve Ratio (CRR). In order to give effect to these provisions, the RBI Scheduled Banks' Regulations, 1951 have been amended .

2. The date of commencement of the Reserve Bank of India Scheduled Banks' (Amendment) Regulations, 1984 has been fixed as 29th March 1985 which shall be the date on which sections 6 and 7 of the Banking Laws (Amendment) Act, 1983, amending sections 42 and 43 of the Reserve Bank of India Act, 1934, come into force. Government have been requested to issue a suitable notification in this regard. A copy of the Reserve Bank of India Scheduled Banks' (Amendment) Regulations, 1984 is enclosed (Annexure I) A copy of revised form 'B' is also enclosed for your information.

3. The first alternate Friday for the purpose of fortnightly return has been fixed as the 29th March 1985 and all subsequent alternate Fridays will be reckoned from this first alternate Friday. Accordingly , on the basis of Demand and Time Liabilities obtaining on the 29th March 1985, i.e., the first alternate Friday, scheduled banks will maintain the prescribed cash reserves during the immediate succeeding fortnight (i.e. beginning with 30th March 1985 and ending with 12th April 1985) under the new provisions - Similarly , the second alternate Friday will be 12th April 1985 and during the fortnight (i.e., 13th to 26th April 1985) immediately succeeding it, the banks will maintain Cash Reserve Ratio based on the DTL obtaining on the 12th April 1985.

4. Thus it will be observed that while the residual matters regarding operational aspects remain unchanged, the only major change is the switch over from the 'weekly' return to the 'fortnightly' return under Section 42 of the Reserve Bank of India Act, 1934. It may however, be ensured that all the additional information 9 which is at present furnished in the return, is continued to be furnished.

5. It may also be noted that-the time; limit for the submission of provisional as well as final returns in Form 'B' has been changed from 5 and 10 days to 7 and 20 days respectively. Thus, the banks are given enough time to determine the DTL for the purpose of determining the obligation as to CRR; it is expected that banks shall not fail to furnish us with the provisional and final returns well in time as prescribed under sub-section (2) of section 42 of the Act. There should be no occasion to revise or amend the returns once the final returns are submitted.

Please acknowledge receipt.

Yours faithfully,

Sd/-

(R.P.Satpute)

Chief Officer

Annexure I

In exercise of the powers conferred by sub-section (1) read with clause (o) of sub-section (2), of Section 58 of the Reserve Bank of India Act, 1934 (2 of 1934), the Central Board, with the previous sanction of the Central Government, hereby makes the following regulations further to amend the Reserve Bank of India Scheduled Banks' Regulations, 1951, namely:

1. (1) These regulations may be called the Reserve Bank of, India Scheduled Banks' (Amendment) Regulations, 1984.

(2) They shall come into force on 29th March 1985.

2. In regulation 2 of the Reserve Bank of India Scheduled Banks' Regulations, 1951 (hereafter referred to as 'the said Regulations), clause (bb) shall be omitted.

3. In regulations 6 of the said Regulations -

(a) for the Word "weekly", wherever it occurs, the word "fortnightly" shall be substituted;

(b) for the words - monthly return furnished under the second proviso, the Words "monthly" return furnished under the third provision shall be substituted (c) in clause (ii) , for sub-clause (a) , the following sub-clause shall be substituted, namely (a) in the case of a bank already included in the Second Schedule on the commencement of the Reserve Bank of India Scheduled Banks' (Amendment) Regulations, 1984, from the 29th March 1985; and

4. In regulations 7 of the said Regulations, in the proviso, for the words "first weekly return" the words "first fortnightly return" shall be substituted.

5. In Form A to the said Regulations -

(i) For sub-item (b) of item 1, the following sub-item shall be substituted, namely:-

"(b) Borrowings from, banks (in the case of agricultural rural bank, other than from its sponsors Bank)*,

(ii) for sub-item (b) of item 11, the following sub-item shall be substituted, namely:-

"(b) Borrowings (other than from Reserve Bank of India, Industrial Development Bank of India, National Bank for Agriculture and Rural Development and Export-import Bank of India)"

(iii) in sub-item (a) of item 11, the brackets and words "(Other than Reserve Bank of India)" shall be omitted.

(iv) in item VI,

(a) for sub-item A relating to net liabilities, the following sub-item shall be substituted, namely:-

- A. NET LIABILITIES FOR THE PURPOSE OF (I-III) + II, if (I-III) is a Plus figure
SECTION 42 OF RESERVE BANK OF INDIA
ACT 1934 OR
- = NET LIABILITIES TO THE BANKING SYSTEM II-only, if (I-III) is a Minus figure".
LIABILITIES TO OTHERS IN INDIA

(b) for sub-item B relating to amount of minimum deposit required to be kept with the Reserve Bank of India, the following sub-item shall be substituted, namely:-

- B. Amount of minimum deposit required to be kept
with the Reserve Bank of India under the Act = Rs.
(rounded off Rs. to the nearest rupee)

6. In Form B to the said Regulations,

(i) for sub-item (b) of item II. the following sub-item shall be substituted namely:-
"(b) Borrowings (other than from Reserve Bank of India, industrial Development Bank of India National Bank for Agriculture and Rural Development , Export-Import Bank of India, the State Government and the National Co-operative Development Corporation (ii) in sub-item (a) of item III. the brackets and words (Other than Reserve Bank of India) shall be omitted;

(iii) in item VI -

(a) for sub-item A relating to net liabilities. the following sub-item shall be substituted, namely:-

- A. NET LIABILITIES FOR THE PURPOSE OF (I-III) + II, if (I-III) is a Plus figure
SECTION 42 OF RESERVE BANK OF INDIA
ACT 1934 OR
- = NET LIABILITIES TO THE BANKING SYSTEM II-only, if (I-III) is a Minus
LIABILITIES TO OTHERS IN INDIA figure".

(b) for sub-item B relating to the amount of minimum deposit required to be kept with the Reserve Bank of India. the following sub-item shall be substituted. namely:-

B. =Rs.

(iv) in item 2 under the heading -"Borrowings from" after sub-item (v), the following sub-items shall be inserted. namely:-

"(vi) National Co-operative Development Corporation.....

(vii) Export-import Bank of India"