

DBS.No.FBC.BC.34/13.12.001/99-2000>

Also Refer

DBS.CO.PP.BC.11/11.01.005/2007-08 dt 24-03-08

DBS.CO.PP/15939/11.01.02/2006-07 dt 21-05-07

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April 6, 2000

Chairman / Managing Director / Chief Executive /  
All Indian banks having overseas branches /  
offices and subsidiaries.

Dear Sir,

**Report of the Working Group on Supervision of  
Foreign Branches of Indian Banks - Implementation**

As you are aware the Reserve Bank had constituted an informal Working Group on Supervision of foreign branches of Indian banks to review the existing reporting system and suggest additional guidelines for supervision of the foreign branches of Indian banks. The recommendations of the Working Group were accepted by the Board for Financial Supervision (BFS) at its recent meeting. The BFS also directed that top priority be accorded to the implementation of the recommendations of the Working Group. A copy of the Working Group's Report and a draft memorandum for implementation were circulated already among the banks concerned along with our letter No. DBS.621/13.12.001/1999-2000 dated December 16, 1999. Our Executive Director (Shri G.P. Muniappan) also had a meeting with the Chairman / Chief Executives of the banks concerned on February 16, 2000 to have the banks' views on the strategies for implementation of the Working Group's recommendations. Taking into account the feedback received in the course of the meeting, the guidelines for the implementation of the Working Group's recommendations have been framed are enclosed (Annexure I and II).

Accordingly, all Indian banks having branches / offices / subsidiaries / Joint Ventures abroad are advised to put in place appropriate strategies for the expeditious implementation of the various action points emerging from the Working Group's recommendations. The banks should also keep us informed on the progress in implementation of the aforesaid guidelines and the first such report should be submitted in the first week of July 2000, followed by quarterly reports till the end of the calendar year 2000.

Please acknowledge receipt.

Yours faithfully,

Sd/-

**(M. R. Srinivasan)**  
Chief General Manager

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Annexure - I

**Reporting System for Overseas Branches of Indian Banks**

The Working Group has recommended a new reporting system consisting of the DSB - Overseas (DSB-O) Return, which will come into effect from the quarter ended June 2000. The new reporting system besides serving as a primary tool of off-site surveillance for the Reserve Bank will also meet the management information requirements of the banks' head offices. This would replace the existing RALOO reporting system introduced in terms of DBOD Circular No. 824/23.53.001/92-93, dated February 16, 1993. Banks will, therefore, not be required to submit the RALOO Statements from the quarter ended June 2000 onwards. As against ten returns to be submitted under the earlier system (RALOO) including four annual returns, the DSB-O reporting system will consist of the following seven returns:

- \* Report on Assets, Liabilities and Off-Balance sheet exposures (DSB-O-1)
- \* Report on Structural Liquidity (DSB-O-2)
- \* Report on Problem Credit and Investments (DSB-O-3)
- \* Report on Large Exposures (DSB-O-4)
- \* Report on Country Exposures and Maturity (DSB-O-5)
- \* Report on Profitability (DSB-O-6)
- \* Report on Frauds (DSB-O-7)

All banks having branches / offices / subsidiaries joint ventures abroad are required to submit the reports quarterly as at the end of March, June, September and December and within 21 days of the close of the quarter to which it relates. In the case of joint ventures, the bank having the largest stake in joint venture would have the responsibility of filing the returns. If the participating banks in a joint venture have equal stake, the responsibility for filing the DSB-O returns would rest with the partner bank having

the largest presence in the region. To start with the returns may be submitted on floppy in Microsoft EXCEL in the format provided by us. The DSB-O reporting formats (manuscript and in magnetic media), guidance notes and validation checklists are accordingly enclosed herewith for necessary compliance action.

The DSB-O returns are statutory returns being called in exercise of powers vested in the Reserve Bank under Section 27(2) of the Banking Regulation Act. Non submission or wrong reporting in these returns will attract penalties as specified under Section 46 of the Act. Chairman's DO letter on overseas branches operations.

The current Monthly Reporting System by way of DO letters addressed to the Deputy Governor in charge of Banking Supervision introduced in terms of circular D.O.IBS.702/C.212(MON)-89 dated May 17, 1989 has been replaced by a Quarterly reporting system as recommended by the Working Group. Accordingly banks are required to send us the D.O. letters addressed to Shri G. P. Muniappan, Executive Director, Reserve Bank of India, Central Office, Mumbai 400 001 at the end of each quarter instead of the monthly as at present with effect from the quarter ended June 2000 covering the developments during the quarter. The requirement in terms of the monthly reporting system is withdrawn with effect from April 2000. While banks have the necessary flexibility in regard to the format of these letters, structures letters focusing on working of the foreign branches that need to be brought to the Reserve Bank's attention would be useful. Other matters connected with overseas regulatory developments may be given in the Annexure to the DO letter. However, banks would continue to keep the Reserve Bank informed at the earliest regarding significant changes in regulatory policy / market conditions in the host countries and other branch specific major concerns by exception reporting. The new system is expected to reduce the reporting burden of banks.

#### ----- Annexure - II

Policy and procedure guidelines for overseas operations. The Working Group had also suggested detailed guidelines covering policy formulation and implementation procedures in regard to credit / investment management, supervision and control and personnel management relating to overseas branches. These recommendations which were earlier communicated as part of the draft memorandum were discussed in the Executive Director's meeting with the Chairmen and Managing Directors / Executive Directors of the banks and modified based on the suggestions made during the meeting. These are listed hereunder for implementation by end June 2000.

#### **Credit Management**

- \* Banks are advised to formulate a 'Credit Policy' specially structured for their overseas branches duly approved by the Board of Directors. Banks should also formulate country wise sub policies, which need to be approved by the International Divisions at the Head Office.
- \* Lending policy should appropriately incorporate both individual transactions as well as portfolio considerations specifying risk tolerances as well as pricing policy and mechanics. The credit policy should stress on the fundamental obligation of 'knowing the customer'.
- \* A comprehensive 'Manual of Instructions' to be followed by the foreign branches in respect to different aspects of its credit portfolio, should be compiled and enforced for observance at all levels.
- \* The banks should also put in place a 'Credit Audit' system to go into all aspects of the credit decision and communicate the findings to the top management of the bank. The credit audit system primarily would ensure a post-facto review of credit decisions (say US\$ 2.00 million and above) and adequacy of compliance with terms of sanction within 3-4 months period by unconnected independent officials / persons. Credit audit, unless mandated otherwise by the host country regulator, can also be entrusted to an in-house function and localised at the Head Office subject to the availability of all documents necessary for such audit function.
- \* The broad policy approved by the bank's Board should cover, inter alia, aspects such as portfolio monitoring and recovery processes, credit concentration limits, one-off transactions, off-balance sheet exposures, security review, periodic review of credit portfolio and recovery and compromise settlements
- \* The banks should have a mechanism to review the delegated powers of functionaries at the overseas branches / International Divisions as regards adequacy of such powers to meet market opportunities and timely business response needs.

#### **Investment Management**

- \* The banks should formulate an investment policy to suit their scale, nature and area of operations and corporate goals, apart from business considerations.
- \* The policy should indicate eligible securities / products, operating and holding limits, arrangements for portfolio management on behalf of constituents, trading, use of derivatives, accounting and audit systems, and associated Management Information Systems.
- \* The policy should lay down emergency procedures / systems to be followed by overseas branches in the event of erosion in the value of the investment or changes in its risk profile.
- \* Accounting policy / systems to be followed by branches with respect to their investment portfolio should clearly be specified in the investment policy.
- \* Centre specific sub-policies should be formulated within the framework of the bank's overall investment policy.
- \* The banks should also have a system to test their investment portfolio with respect to key variables or events or create scenario analysis and review by the Top Management.

- \* The policy should articulate its risk management policies and preferences, procedures, prudential risk limits, review mechanisms, reporting and auditing systems. The banks should review their risk management policies at regular intervals, say at least not later than two years.

### **Risk Management**

- \* The banks should construct suitable risk management models, which would meet the regulatory requirements of the host / home country and home country supervisory authorities.
- \* The risk management policy should specify operating guidelines for the use of the overseas branches for identification, assessment / quantification, monitoring and controlling of risks and risk management organisational structures including setting up of Risk Committees.
- \* Prudential operating limits conforming to their total regulatory environment should be developed to control risks covering asset concentration (single borrower / group borrower exposure, country exposures, transfer risk exposures etc.), loan loss provisions, liquidity, interest rate gaps, internal control systems, audits / inspections etc.
- \* Risk management committees should be constituted at all important overseas centres with representation from both Credit and Treasury wings of the branches concerned. This committee will be in addition to the Credit Sanction Committee, which may be in place at some of the overseas centres.

### **Supervision and Control by Parent Bank**

- \* The banks should review and revise all control returns including the system of periodical reviews submitted by the foreign branches to their International Divisions, to ensure that they serve quality assurance parameters set for this purpose. The off-site monitoring systems of the banks should take into account the data to be received under the DSB-O returns so as to avoid duplication.
- \* The system of communication by way of structured monthly D.O. letter from the foreign branches to the International Division / Chairman should be enlarged to serve as a meaningful source of market intelligence. Synopsis of the findings of the inspection / audit / scrutiny and compliance submitted by the branches and put up to the Audit Committee of the Board during each calendar quarter should be forwarded to the RBI.
- \* Banks should stipulate the frequency of on-site inspections on the basis of actual need and in consonance with host country regulations. In the absence of any guidelines, internal inspections / audit by the Head Office should be conducted at least once in 18 months.
- \* Copies of the calendar of reviews in respect of the overseas operations need no longer be forwarded to the Reserve Bank.

### **Personnel Policies**

- \* The personnel policies duly approved by the Board should address all issues related to placement, succession and retention at foreign centres.
- \* A proper succession policy should be put in place to ensure key posts are not kept vacant and continuity is maintained. The officers posted to non-English speaking areas should be imparted a working knowledge of the local language.

## **Guidance Note to Reporting Institutions**

### **DSB (O) Returns are statutory**

DSB (O) returns are statutory returns being called in exercise of powers vested in RBI under Section 27(2) of Banking Regulation Act which read as under "The Reserve Bank of India may at any time direct a banking company to furnish it within such time as may be specified by the Reserve Bank, with such statements and information relating to the business or affairs of the banking company (including any business or affairs with which such banking company is concerned) as the Reserve Bank may consider necessary or expedient to obtain for the purposes of this Act". Non-submission of or wrong reporting in these returns attract penalties as specified in Section 46 of the Act.

Date on which DSB (O) Returns comes into effect and the due dates for submission.

This reporting system becomes formally operative from the quarter ended June 2000 and first set of the DSB-O returns are to be submitted by 21st of July, 2000. Thereafter, these returns are to be submitted on quarterly basis and the due date for submission would be 21st of the following month to which it relates.

### **Who should report ?**

All commercial banks, which have overseas branches, are required to file DSB(O) returns.

### **Reporting and Record keeping obligation**

The reporting under DSB (O) Returns should be based on the reporting institution's books of accounts and other relevant records. The reporting banks are required to keep copies of the returns / reports and of the detailed notes used in their preparation at least for a period of 3 years.

### **Trial Run**

Trial runs of the automated DSB-O reporting system will be conducted based on the data for the quarters ended December 1999 and March 2000. While trial reports as on December 1999 have already fallen due, the report for the quarter ended March 2000 may be submitted by May 31, 2000 as advised earlier. Banks that have already submitted the DSB-O returns as on December 1999 need not do so again.

### **Automation**

Department of Banking Supervision (DBS) prefers DSB (O) returns to be submitted on diskette. The relevant guidance for data compilation and validations in diskette format is attached.

### **Who should file the returns ?**

DSB (O) returns should be filed with DBS, duly certified by the Chief Executive of the bank and another member of the senior management team (executive) - normally the person-in-charge of the regulatory reporting and compliance function in the bank.

### **Where to file or mail DSB (O) returns ?**

DSB (O) returns should be addressed to :

The Chief General Manager,  
Department of Banking Supervision,  
Reserve Bank of India, Central Office,  
Foreign Branches Cell  
Centre I, World Trade Centre,  
Cuffe Parade, Mumbai 400 005.

One copy of the set of returns should also be sent to the officer-in-charge of DBS of the Regional Office of RBI, which has supervisory jurisdiction over the bank and to which the bank submits the regulatory returns.

### **General**

All the returns (except DSB-O-2-Report on structural liquidity) have to be compiled and forwarded to us branch-wise. Further, consolidation of these returns country-wise and for the entire overseas sector in the same formats should be done at the International Division and these consolidated statements should also be sent to us together with the branch reports. While doing country-wise consolidation, inter-branch borrowings / placements with branches in the same country should be netted off. Like wise, while doing consolidation for the entire overseas sector, inter branch borrowings / placements with branches in other foreign centers should also be netted off. DSB-O-2 should be submitted country-wise and no consolidated statement for the entire overseas sector need be submitted.

Banks should also report figures in respect of subsidiaries / joint ventures in the same format on a stand alone basis, i.e. these figures should not be reckoned while undertaking country-wise / overseas sector consolidation. In respect of joint ventures where more than one bank has equity stake, the bank having the largest stake only need to report the figures. If, however, banks have equal stake, the responsibility for filing the returns would rest with the bank having the largest presence in the region. Unless otherwise specified, all amounts are to be indicated in US dollars. For uniformity, banks should use the London Inter Branch closing rate on the last working day of the reporting quarter for their currency conversions.

## ----- **DSB (O) Return - I**

### **Report on Assets, Liabilities and Off-Balance Sheet Exposures**

\* Amounts are to be indicated in U.S. Dollars millions.

\* The maturity buckets are to be filled on the basis of residual maturity or next re-pricing period whichever is earlier.

### **Assets**

**1. Cash on hand and Balances with Monetary Authorities :** Cash balances held with the branches, the balances held with monetary authorities are to be reported.

The amount may be shown under 1-28 days time bucket.

**2. Investment in Securities :** Investment in securities, bonds, debentures, shares etc. may be shown under this head. The investments are to be broken up into 4 major categories viz. Local Government, India Related, OECD countries and Others. Shares may be shown under over 5 years bucket. Other investments may be shown under respective time-buckets on the basis of residual maturity. Investments classified as sub-standard may be shown under 3-5 years bucket and classified as doubtful under over 5 years bucket.

**3. Inter Branch Placements / Deposits :** The amount shown under this head should tally with the total of amounts shown under 3.1, 3.2 and 4.2 in respective time buckets. The amount outstanding under this head may be shown under the respective time buckets.

**4. Inter Bank Placements / Deposits :** The amount shown under this head should tally with the total of amounts shown under 4.1 and 4.2 in respective time buckets. While non-withdrawable portion on account of stipulations of minimum balances may be shown under 1-3 years time bucket, the remaining balance in current account may be shown under 1-30 days. Other Deposits may be shown under respective maturity buckets.

**5. Customer Credit (Gross) :** The amount shown under this head should tally with the total of amounts shown under 5.1 and 5.2 in respective time buckets. The amount shown under 5.1 Loans / Overdrafts should tally with the total of amounts shown under 5.1.1, 5.1.2, 5.1.3, 5.1.4, 5.1.5, 5.1.6, 5.1.7 and 5.1.8 and the amount shown under 5.1.5. (Sovereign Loans) should tally with the total of amounts shown under 5.1.5.1 and 5.1.5.2. Any residual item which does not fit into the various heads may be shown under 5.1.8 (Other loans) in respective time buckets.

Customer Credit - Performing :

Bills Purchased and Discounted : - Respective maturity buckets

Term Loans :- Interim cash flows may be shown under respective maturity buckets.

Overdraft and Demand Loans :- Respective maturity buckets

Customer Credit - Non-performing and Netting items :

Sub-standard Advances :- 3 - 5 years bucket.

Doubtful and Loss Advances :- Over 5 years bucket.

**6. Netting Items :** The amount shown under this head should tally with the total of amounts shown under 6.1 and 6.2 in respective time buckets.

**7. Customer Credit - Net :** The amount shown under this head should be equal to Customer Credit - Gross (5) reduced by Netting Items (6).

**8. Accumulated Losses :** Amount may be shown under over 5 years bucket.

**9. Other Assets :** Intangible assets and assets not representing cash receivables may be shown in over 5 years bucket. Other items may be shown under respective time buckets.

#### **Total Assets :**

The amount shown under this item should be equal to the sum total of items 1, 2, 3, 4, 7, 8 and 9.

#### **Liabilities**

**10. Head Office Funds :** The amount shown under this item should be equal to the total of items 10.1, 10.2, 10.3 and 10.4 under respective time buckets. The amounts under these items may be shown under over 5 years bucket.

**11. Customer Deposits :** The amount shown under this item should be equal to the total of items 11.1 and 11.2.

The amounts under these items may be shown under respective time buckets.

**12. Inter Branch Borrowings / Deposits :** The amount shown under this head should tally with the total of amounts shown under 12.1, 12.2 and 12.3 in respective time buckets.

The amount outstanding under this head may be shown under the respective time buckets.

**13. Inter Bank Borrowings / Deposits :** The amount shown under this head should tally with the total of amounts shown under 13.1 and 13.2 in respective time buckets. While non-withdrawable portion on account of stipulations of minimum balances may be shown under 1-3 years time bucket, the remaining balance in current account may be shown under 1-28 days. Other deposits may be shown under the respective time buckets.

**14. Other Debt Instruments :** The amount may be shown under respective time buckets.

**15. Other Liabilities :** The amount shown under this item should tally with the total of item numbers 15.1. and 15.2. The amount may be shown under respective time buckets. Items not representing cash payables (i.e. income received in advance, etc.) may be placed in over 5 years bucket. Provisions other than for loan loss and depreciation in investments may be shown under respective buckets depending on the purpose.

#### **Total Liabilities :**

The amount shown under this item should tally with the total of item numbers 10, 11, 12, 13, 14 and 15.

#### **Other products**

In respect of interest rate risk management products shown under Other products, only the net amounts in the respective buckets should be shown. For example, an interest rate swap may be treated as two notional positions in government securities with the same maturities. A bank receiving floating rate of interest and paying fixed can be treated as a long position in a floating rate instrument of maturity equivalent to the period until the next interest fixing date and a short position in a fixed-rate instrument of maturity equivalent to the residual life of the swap. The net amount after netting off the long and short positions in relevant time buckets may be reported under this head. As a general rule, a net long position would take a positive sign whereas a net short position would take a negative sign.

#### **Annexure I - Details of off-balance sheet exposures**

The book value / notional principal amount in respect of the various items should be reported under this head.

**Annexure II - Entries pending for reconciliation**

1. Accounts with other branches - Under this section, entries pending for reconciliation pertaining to other branches of the bank.
2. Accounts with other Indian branches in the same foreign centre - Under this section, entries pending for reconciliation pertaining to other Indian bank branches operating in the same centre / country.
3. Accounts with other banks - Under this section, entries pending for reconciliation pertaining to other banks.
4. Amount outstanding are to be shown in US Dollar millions and the number of entries pending in actual numbers.

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**DSB (O) Return - II**

**Report on Structural Liquidity Inflows**

**1. Cash on hand and Balances with Monetary Authorities :**

Cash balances may be shown under 1-7 days time bucket. As regards balances with Central Banks / Monetary Authorities, while mandatory balances may be put in the over 5 years time bucket, other balances may be put in the 1-7 days time bucket.

**2. Investment in Securities (Performing) :**

Investments made under statutory regulations may be placed in the over 5 year time bucket. While securities in the trading book may be placed in the 1-7 days, 8-14 days, 15 to 28 days and 29 days and upto 3 months according to the holding period, other investments may be placed in the respective maturity buckets. Investments in subsidiaries / joint ventures may be placed in the over 5 years time bucket

**3. Inter Branch Placements / Deposits :**

Exclude placement amongst branches within a country. Rest may be shown in the respective maturity buckets based on residual maturity.

**4. Inter Bank Placements / Deposits :**

Current account balances - While the non withdrawable portion on account of stipulations of minimum balances, if any may be shown in the 1-3 years time bucket, remaining balances may be shown in the respective time buckets. Term deposits and other placements - respective maturity buckets.

**5. Customer Credit (Performing)**

Respective maturity buckets. Where banks are equipped to estimate pre-payments on the basis of past data / empirical studies, amounts of such pre-payments may be classified into the relevant time buckets.

**6. NPAs (Credit & Investment)**

Non-performing assets should be shown net of provisions and interest suspense. While sub-standard assets may be shown under 3-5 years time bucket, doubtful assets may be shown under over 5 years time bucket.

**7. Other Assets**

Inter office adjustments - Net debit balance may be shown in the 1-7 days time bucket. Intangible assets and assets not representing cash receivables may be shown in the over 5 years time bucket.

**8. Lines of Credit Committed by Institutions**

Amount under this head may be shown under 1-7 days time bucket.

**Liabilities :****9. Head Office Funds :**

The amount shown under this item should be equal to the total of items 13.1, 13.2, 13.3 and 13.4 under respective time buckets. The amounts under these items may be shown under over 5 years bucket.

**10. Customer Deposits :**

The amount shown under this item should be equal to the total of items 14.1 and 14.2. The amounts under these items may be shown under respective time buckets.

**11. Inter Branch Borrowings / Deposits :**

The amount shown under this head should tally with the total of amounts shown under 15.1 and 15.2 in respective time buckets. The amount outstanding under this head may be shown under the respective time buckets.

**12. Inter Bank Borrowings / Deposits :**

The amount shown under this head should tally with the total of amounts shown under 16.1 and 16.2 in respective time buckets. While non-withdrawable portion on account of stipulations of minimum balances may be shown under 1-3 years time bucket, the remaining balance in current account may be shown under 1-30 days. Other deposits may be shown under the respective time buckets.

**13. Other Debt Instruments :**

The amount may be shown under respective time buckets.

**14. Other Liabilities :**

The amount shown under this item should tally with the total of item numbers 18.1, 18.2 and 18.3. Inter-office adjustments- Net credit balance may be shown in the 1-7 days time bucket. Provisions other than for loan losses and depreciation in investments - respective time buckets depending on the purpose. Others - Items not representing cash payables like income received in advance may be placed in the over 5 years time bucket.

15. Line of credit committed to institutions / customers - May be classified in the 1-7 days time bucket.

16. Unavailed portion of customer credit - Based on historical drawdown rates, may be placed in the relevant maturity bucket upto one year.

17. L/Cs/Guarantees - Based on historical trend of devolvement, amounts in respect of outstanding LCs / Guarantees (net of margins) may be placed in the relevant time buckets. The assets created out of devolvements may be shown under respective maturity buckets on the basis of probable recovery rates.

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**DSB (O) Return - III**

**Report on Problem Credits and Investments**

Part - A

**Section I**

1. Under Section I, list of individual borrowers should be given where the total limits sanctioned or the amount outstanding as on the date of reporting is above US \$ 2 millions.
2. Under the industry column, the industry to which the account belong to should be indicated.
3. Under Sovereign Character column indicate whether it is Sovereign or Non-Sovereign.
4. Under Category column, "New" to be indicated in respect of new accounts added during the quarter and "Existing" to be indicated in respect of other accounts.
5. Total Limits Sanctioned column should tally with the total of Funded Limits Sanctioned and Non-funded Limits Sanctioned columns.
6. Under Security Value column, the realisable value of securities should be indicated.
7. Under Asset Classification column, the classification of assets as "Standard" Sub-standard", "Doubtful" and "Loss" should be indicated.
8. Under Provisions held at Head Office column, provisions held by Head Office for the particular account should be indicated.
10. Under Interest Suspense, the portion of interest suspense out of the total outstanding loans should be indicated.
11. Total column should tally with the total of Provisions held at Branch, Provisions held at Head Office and Interest Suspense.
12. The provision requirement, account-wise, by the regulatory authorities (higher of either host country regulation or the home country regulation) should be indicated.
13. Shortfall column should tally with the provision required by regulatory authorities reduced by the total of provisions and interest suspense. Only the shortfalls are to be indicated and excess provisions held should be ignored.
14. Under 'Developments during the quarter' column, a brief description about the account and the present position be given.

**Section II**

1. Under Section II list of individual borrowers need not be given. Instead, aggregate amount and number of accounts should be indicated, one for the new accounts added during the quarter and the other for the existing accounts.

**Gross Total :**

1. Gross Total should tally with the total of Section I and Section II.

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 Part - B

**Section I**

1. Under Section I, list of individual investment accounts should be given where the book value of investments as on the date of reporting is above US \$ 1 million.
2. Under the market value column, indicate the market value if the investment is quoted.
3. Shortfall column should tally with the provision required by regulatory authorities reduced by the total of provisions held at the branch and the Head Office. Only the shortfalls are to be indicated and excess provisions held should be ignored.

**Section II**

1. Under Section II list of individual investment accounts need not be given. Instead, aggregate amount and number of accounts should be indicated, one for the new accounts added during the quarter and the other for the existing accounts.

Gross Total :

1. Gross Total should tally with the total of Section I and Section II.

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**DSB (O) Return - IV**

**Report on Large Exposures**

1. Only those accounts where the total limits sanctioned or the amount outstanding is above US \$ 5 millions as on the reporting date need to be reported under Section I. However, if there are no accounts with limit sanctioned or amount outstanding above US \$ 5 mio, the top five accounts above US \$ 1 mio should be reported under this section. In case there are no accounts with limit sanctioned or amount outstanding above US \$ 1 mio, top five accounts irrespective of the amount should be shown here.
2. Total should tally with sum total of amounts indicated under individual borrowers.
3. Under Section II, only new accounts of Loans and Advances sanctioned during the quarter where the amount involved is between US\$ 1 mio and US\$ 5 mio. Overlapping of accounts between Section I & II should be avoided.
4. Under Section III, only those investments which are made during the quarter for US \$ 1 mio and above are to be indicated.

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**DSB (O) Return - V**

**Report on Country Exposure and Maturity**

1. Under Column 1, the country codes where the ultimate risk is there should be indicated. List of Country Codes is enclosed for ready reference.
2. Country Classification should be indicated as "Low Risk", "Moderate Risk", "High Risk" or "Off-credit".
3. Columns 3,4,5 and 6 should be filled on the basis of residual maturity.
4. Column No. 7 should be equal to the total of column number 3, 4, 5 and 6.

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**DSB (O) Return - VI**

**Report on Profitability**

1. The data under this return should be reported under two columns; one pertaining to the current quarter and the second cumulative position upto the current quarter during the current accounting year.
2. Business per Employee and Profit per Employee need to be indicated only at the year end.
3. Net interest income should be equal to interest income minus interest expense.
4. Gross Income should be equal to total of Net Interest Income and Other Income.
5. Total Expenses should be equal to total of Staff Expenses and Other Expenses.
6. Operational Surplus / Deficit should be equal to Gross Income reduced by Total Expenses. Deficit should be indicated with a negative sign.
7. Profit / Loss before Tax should be equal to the Operational Surplus / Deficit reduced by the total of Bad Debts Written off, Extra Ordinary loss, H.O. administration charges, and Provisions (other than tax).
8. Net Profit / Loss should be equal to the PBT reduced by the provisions for taxes.
9. Average Yield on Interest Earning Assets = (Yield on Interest Earning Assets / Monthly Average Interest Earning Assets) \* 100.



10. Average Cost of Funds = (Cost of funds / Monthly Average Funds) \* 100

11. Return on Assets = (Net profit / Monthly Average Total Assets) \* 100

12. Interest Spread = (Net Interest Income / Monthly Average Total Assets) \* 100

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**DSB (O) Return - VII**

**Report on Frauds**

As per the details required vide the return.

Numeric Validation