

**Computation of Net Demand and Time Liabilities (NDTL)  
for the purpose of maintenance of CRR/SLR**

DBOD. No. Ret. BC. 14/12.01.001/2003-04

August 21 , 2003

To all Scheduled Commercial Banks  
(Excluding RRBs and LABs)

Dear Sir,

**Computation of Net Demand and Time Liabilities (NDTL) for the purpose of maintenance of CRR/SLR**

It has been observed that the scheduled commercial banks are not following a uniform practice in reckoning their liability in respect of arrangements with correspondent banks for remittance facilities and disbursement of interest/dividend warrants. Under both the arrangements, there is a transfer of funds by accepting bank to its correspondent bank and it is an obligation of the correspondent bank to honour the instruments. However, such transfer of funds and obligation of correspondent bank to honour the instruments in no way absolves the primary liability of the accepting bank issuing drafts and interest/dividend warrants to its customers. It is, therefore, advised that all scheduled commercial banks should reckon the liability in the following manner:

i) When a bank accepts funds from a client under its remittance facility scheme, it becomes a liability (Liabilities to Others) in its books. The liability of the bank accepting funds will extinguish only when the correspondent bank honours the drafts issued by the accepting bank to its customers. As such, the balance amount in respect of the drafts issued by the accepting bank on its correspondent bank under the remittance facility scheme and remaining unpaid should be reflected in the accepting bank's books as an outside liability and the same should also be taken into account for computation of NDTL for CRR/SLR purpose.

ii) The amount received by correspondent banks has to be shown as ' Liabilities to the Banking System ' by them and not as ' Liabilities to Others ' and this liability could be netted off by the correspondent banks against their inter-bank assets. Likewise sums placed by banks issuing drafts/interest/dividend warrants are to be treated as 'Assets with Banking System' in their books and can be netted off from their inter-bank liabilities.

Please acknowledge receipt.

Yours faithfully,

**(R.C.Mittal)**  
**General Manager**