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EDITORIAL

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CA VINOD JAIN*

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1.0 RBI UNVEILS NORMS FOR MORTGAGE FIRMS

The Reserve Bank of India (RBI) unveiled draft guidelines for mortgage guarantee firm, stipulating minimum net owned funds of Rs.100 crore at the time of commencement of business, to be augmented to Rs.300 crore within three years from the date of commencement of business. RBI also stipulated that such companies maintain 12% of their aggregate risk weighted assets as the minimum capital adequacy ratio or any other percentage that may be prescribed by the RBI for the purpose, from time to time.

A mortgage guarantee company will also have to maintain at least 8% of its aggregate risk weighted assets as Tier 1 capital. No single guarantee for a housing project can exceed 10% of the company's Tier I and Tier II capital.

2.0 FIRST SET OF AMALGAMATIONS, MERGERS REFERRED TO I-T DEPT.

The Income Tax Department will have a say in mergers, demergers and amalgamations in 2006-07, with the Registrar of Companies (RoC) referring the first set of cases for clearance to the department.

The move follows a June 2006 Bombay High Court ruling, according to which, the Company Law Board can direct the RoC to get an I-T clearance before such deals are approved by the court.

3.0 RBI UPS CRR, REPO RATE TO CHECK INFLATION

Reserve Bank of India (RBI) raised the Cash Reserve Ratio (CRR) by 50 basis points to 6.5 % from April 28 and the repo rate by 25 basis point to 7.75 % with immediate effect.

With this, the central bank has raised the CRR thrice, by 150 basis points, and the repo rate five times, by 125 basis points, in the current financial year. The RBI will also reduce the interest on CRR balances from 1 % to 0.5 %.

4.0 RBI CAUTIONS BANKS ON EXPORT FINANCE

The Reserve Bank of India (RBI) has advised banks to be cautious while extending guarantees against export advances, so as to ensure that no violation of Foreign Exchange Management Act 1999 (FEMA) regulations takes place and banks are not exposed to various risks.

Banks should also ensure that the export advances received by the exporters are in compliance with the regulation / directions issued under the FEMA 1999.

5.0 LONG DISTANCE TELEPHONY LICENCE NORMS SIMPLIFIED.

The Government has simplified the national and international long distance license norms, under which new entrants will be given 3 years to set up their infrastructure. The move will allow faster roll-outs and spice up competition in this sector as new licensees will now be permitted to ride on the infrastructure of existing players.

At present, all national and international long distance operators are mandated to install four gateways as a pre-condition before they can launch services. But as per the amendments made to the license agreement, they will have to install only a single gateway within three years of receiving the license.

6.0 FAIR PRACTICES CODE FOR LENDERS

Banks/Financial Institutions (FIs) were advised that loan application forms in respect of priority sector advances up to Rs.2 lakhs should be comprehensive and should include information about the fees/ charges, if any, payable for processing, the amount of such fees refundable in the case of non-acceptance of application, pre-payment options and any other matter which affects the interest of the borrower, so that a meaningful comparison with that of other banks can be made and informed decision can be taken by the borrower.

The above instructions will be applicable to all loan applications **in respect of all categories of loans irrespective of the amount of loan sought by the borrower.**

In the case of small borrowers seeking loans up to Rs. 2 lakhs, bank / FIs have to convey the main regions, in writing, which led to reject the loan applications.

On a review, it has been decided that **in case of all categories of loans irrespective of any threshold limits, including credit card applications**, banks / FIs should convey in writing the main reason / reasons which, in the opinion of the bank / FI have led to rejection of the loan applications.

(RBI/2006-2007/280/ dt. 06-03-07)

7.0 FAB POLICY OFFERS 25% CAPITAL SUBSIDY

Global IT majors setting up semiconductor units in India will get a 25% capital subsidy from the Government. The FAB policy cleared by the Cabinet said the subsidy would be available for companies manufacturing all semiconductors, displays, storage devices, solar cells, and other advanced micro and nano-technology products.

The subsidy, in the form of tax breaks and interest-free loans, will encourage companies like Intel to reconsider their investment plans in India.

8.0 EBs OFFER FUND LEEWAY

The Government will allow companies to issue Exchangeable Bonds (EBs), which would allow companies to unlock part of their holdings in group companies for meeting financing requirements.

The Context

EBs will help group holding companies to provide funding support for takeovers or other large investment needs. Holding companies will now be able to issue bonds, which could be converted into shares of subsidiaries, unlike in a convertible issue where bonds are converted into shares of the issuing company.

The Impact

The measure will have far-reaching implications for the corporate debt market, which is currently quite illiquid and suffers from lack of demand from banks and institutions.

9.0 RED SIGNAL FOR BANKING ACT AMENDMENT

The Government is unlikely to table the much awaited Bill aimed at amending the Banking Regulation Act. Though the Government has come up with an ordinance to provide flexibility to the RBI in reducing the Statutory Liquidity Ratio floor, it may not be able to amend the Bill in its totality.

The amendments includes aligning the voting rights of foreign stakeholders in Indian Private Sector Banks with their shareholding pattern.

10.0 SEBI-RBI SPAT GROUNDS VENTURE CAPITAL IN REAL ESTATE

Sharp difference between the Reserve Bank of India (RBI) and the Securities and Exchange of India (SEBI) have stalled foreign venture capital real estate funds from setting up shop in India.

The RBI is insisting that funds floated by foreign venture capital investors (FVCIs) be brought on a par with real estate funds coming through the Foreign Direct Investment (FDI) route for regulatory purposes.

At present, the FDI in the real estate sector is permitted through the automatic route and does not require the Foreign Investment Promotion Board (FIPB) nod. But fund houses have to adhere to certain project and financial restrictions.

11.0 DEBT BUYBACK SCHEME BY RBI

Given the improving revenues and surplus funds available with the State Governments, the Reserve Bank of India (RBI) announced a debt buy-back scheme for the state governments. Two State Governments *viz,* Orissa and Rajasthan, have been permitted to buy back specified State Development Loans (SDLs) issued by each of them respectively.

The move would prove to be a step towards the development of the state government debt markets.

12.0 HOME LOAN FOR POOR AT 4%

Weaker sections of the society will now be able to access housing loans of Rs. 20,000 at just four per cent. Under the “Differential Rate of Interest (DRI) Scheme” banks provide finance at a rate of four per cent to the weaker sections of the community engaged in gainful occupations. The Union Budget has proposed to raise the limit of the housing loan from Rs. 5,000 to Rs. 20,000 per beneficiary.

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SPECIAL ECONOMICS ZONES ...

1.0 INCOME TAX DECISIONS

1.1 **Interest on borrowed capital for investment in shares:** In an interesting decision, Hon'ble Allahabad High Court in the matter of CIT Vs. Gorawara Plastics & General Industries Pvt. Ltd. held that dividend income received by the assessee is in fact not exempted but the instance of tax has been shifted from the shareholders to the company. Ultimately it is the income of the shareholders, which is being assessed either in his own hands or in the hands of the company. The contention of the department that the dividend income is exempted from tax and therefore no expenditure can be allowed against that income is without any substance. [789 ITR 224]

1.2 **Trust for un-borne child is a valid trust:** Hon'ble Allahabad High Court in the matter of CWT Vs. Rakesh Mohan held that a trust in favour of an unborne child was a valid trust in existence even if the basic conditions of Section 6 of the Indian Trust Act, 1882 were not satisfied. [289 ITR 308].

1.3 **Hon'ble ITAT Delhi Bench in the matter of Samaj Kalyan Parishad Vs. Income Tax Officer** held that if profit of business carried on by trust are used for charitable objects then it can be stated that activity carried on by trust is not guided solely by a profit motive. [105 ITD 29].

1.4 **Hon'ble ITAT Amritsar Bench in the matter of Pyramid Software & Technologies** held that Expression 'reason to believe', as used in section 147, does not mean 'reason to suspect' and it requires higher level of evidence and material than requirement of 'satisfaction' of Assessing Officer, which essentially means that material, which comes to notice of Assessing Officer, must be definite, specific and direct and not unspecific or vague. [105 ITD 305]

1.5 **Taxability of Scholarship received by son from Employer:** Hon'ble Allahabad High Court in the matter of CIT Vs. B. L. Garg held that the amount of scholarship were received by the assessee's son and not by the assessee, the amounts were exempted u/s 10(16) and not taxable in the hands of the assessee u/s 17(2)(iii)(c) of the Income Tax Act. [289 ITR 218].

2.0 CBEC REVISES SERVICE TAX RETURN FORM

The Central Board of Excise and Customs (CBEC) has revised the Service Tax Return Form (ST-3) to facilitate electronic filing of return and include new changes in the tax laws and procedures in last two years. The tax payers will have to use the new form to file Service Tax Returns by April 25, 2007.

3.0 LS PASSES BILL TO PHASE OUT CST IN FOUR STAGES

The Lok Sabha (LS) has passed the Taxation Laws (Amendment) Bill, which aims at phasing out Central Sales Tax (CST) in four stages to eliminate it completely in 3 years. Abolition of CST will pave the way for an integrated Goods and Services Tax (GST), which will be introduced by April 1, 2010. The bill seeks to amend the CST Act, 1956 where by CST is proposed to be reduced by 1% to 3% from April 1 this year. The package for compensation to states for revenue loss on this account shall consist of non-monetary as well as monetary measures.

4.0 ONLINE TAX PAYMENT SYSTEM

All Corporates, who are liable to pay union excise duty and service tax of atleast Rs.50 lakh in a year, will have to do so on electronic mode from next fiscal. The threshold of Rs.50 lakh would be subsequently removed and everybody will have to pay excise duty and service tax online in due course.

5.0 MINISTRY MODIFIED TAX FORMS

The Finance Ministry has modified the format of certain Tax Deducted at Source (TDS) certificates (Form 16, 16A) and also Tax Collected at Source (TCS) certificate (form 27D).

The separate space has been assigned for receipt acknowledgement number for quarterly statements of TDS and TCS as given to the filer by the Tax Information Network (TIN) facilitator or as the case may be by the NSDL Web site.

The space for TDS circle has been dispensed with, as the TDS circle is now identifiable on the basis of TAN. The new forms specifically require the deductor and the collector to furnish payment-wise / transaction-wise details for the tax deducted or collected and paid to the credit of the Central Government.

6.0 NO TAX SOPS FOR OLD MACHINERY TO SEZs

The finance ministry has made it tough for companies to migrate equipment to Special Economic Zones by disallowing tax sops to those importing or shifting second-hand machinery from outside the SEZs.

This amendment is proposed with respective effect through Finance Bill 2007 in section 10AA.

7.0 TDS PENALTY

Employers, who are not collecting and depositing Tax Deducted at Source (TDS) from the salary of their employees, will have to pay heavy penalty from April 1 onwards, as the Income Tax Department has decided to tighten the noose around them.

8.0 SERVICE PROVIDERS HIT BY 4% CVD ON IMPORTS

The Budget 2007-08 has kept the Countervailing Duty (CVD) on imports in lieu of State Vat not cenvatable against service tax liability. This is in equitous as Cenvat credit for the CVD is available for the manufacturing industry against its excise liability. But there is no unanimous view on this among analysts. A section of them believes that since the output service is not subject to State Vat, the 4% CVD should not be cenvatable against service tax.

9.0 NO FINAL CALL YET ON TAX LIABILITY OF ESOPs

Finance Minister P. Chidambaram said he was open to meeting with industry to decide if the gains arising from Employee Stock Option Plans (ESOPs) should be treated as fringe benefits and taxed at the employer's end or taken as perquisites and taxed at the employee level. Asserting that ESOPs were not outside the tax ambit, the minister said the method of calculation was yet to be worked out.

10.0 INDIA, UAE TO ISSUE TAX NOTIFICATION

India and the United Arab Emirates (UAE) have agreed to simultaneously issue notifications regarding the taxability of a UAE resident in India. The proposed amendments to be incorporated in the India-UAE Double Taxation Avoidance Agreement (DTAA) and is expected to clear the confusion created by contradictory verdicts on the issue by various judicial bodies in India.

11.0 NO EXEMPTION ON AIRCRAFT LEASE TAX FROM APRIL 1

The Government has decided not to extend the exemption on withholding tax given to airlines for lease rental payments and aircraft engine leasing to the next fiscal.

The withholding tax exemption on payments made for leasing of aircraft and engines will cease from March 31 this year. This would lead to an increase in fleet acquisition cost of domestic airlines.

SERVICE TAX

1.0 TAXATION OF KNOW-HOW A CONTENTIOUS ISSUE

In a recent judgement, the Tribunal has held that in case the agreement relating to transfer of technical know-how is a composite one and speaks of both licensing rights in the "know-how" and also the provision of technical assistance to be rendered in context thereof, the entire consideration relatable to the licensing of technical know-how will not be chargeable to service tax and only the consideration relatable to the provision of technical assistance will be chargeable. However, the new definition of Intellectual Property (IP) Services, as currently in force, holds that the taxable service consists of transferring, temporarily or permitting, the use or enjoyment of any intellectual property right. It can, therefore, be seen that the permanent transfers of IPR of any kind is not chargeable to service tax.

2.0 NO SERVICE TAX ON MONEY CHANGERS

Central Board of Excise & Customs (CBEC) has clarified that services provided by money changers in relation to sale and purchase of foreign exchange at the prevalent market rates is not liable to service tax under the head 'Banking and Other Financial Services'. (Circular No. 92/3/2007-ST, dated 12th March, 2007)

3.0 SERVICE TAX ON INTERCONNECTION USAGE CHARGES

Central Board of Excise & Customs (CBEC) has clarified that Interconnect Usage Charges (IUC) charged by one telecom operator to another telecom operator for providing interconnection facility are not chargeable to service tax under the under the head 'Telephone Services' in view of the fact that latter is not a subscriber for the former.

But now, such charges shall be chargeable to service tax under the new head 'Tele-communication Services' from the notified date after the enactment of Finance Bill, 2007.

(CIR No. 91/2/2007-ST, Dt. 12-03-07)

CAPITAL MARKET

1.0 INDEPENDENT DIRECTOR NORMS THROUGH CLAUSE49

The Securities & Exchange Board of India (SEBI) has proposed tough changes to the crucial clause 49 of the Listing Agreements in a bid to tighten corporate governance norms for listed companies. Sebi has proposed that :-

- Non-executive chairman not to be treated as independent director if he is a promoter.
- In such cases, the company would be required to have 50% independent directors on its board.
- Companies to disclose the relationship between independent directors and other directors. Proposed changes have been prompted by instances of promoters and relatives designating themselves non-executive chairman.

2.0 GOVT. TO CHANGE NORMS FOR IDRs

On advice from SEBI, the Government announced plans to change the eligibility criteria for foreign companies to issue Indian Depository Receipts (IDRs) and raise funds from the capital market in India. The government has invited suggestion from ICAI and others to take a final view on the matters. A relation in these norms is being shot with a view to attract foreign companies to list in India.

3.0 FIIs, MFs LENDING SHARES FOR SHORT SELLING : NO TAX

Financial Institution Investors (FIIs), Mutual Funds (MFs) and other institutions which play the role of the lender of securities in shorting will not be liable for Securities Transaction Tax (STT). The seller of the security in the market, however, will attract STT on each transaction as per the provisions of the tax. Security Lending Norms are under active consideration of SEBI and Government.

4.0 BSE, NSE LAUNCH COMMON WEB PORTAL FOR E-FILING

On the diktats of the capital market regulator, Securities and Exchange Board of India (SEBI), both the leading bourses, the Bombay Stock Exchange (BSE) and National Stock Exchange (NSE), have launched a common platform for listed companies to file their submissions electronically for the dissemination of information to investors. SEBI has authorised all institutional investors, both domestic and foreign; to short sell in the cash segment of the capital market.

5.0 SEBI TIGHTENS SCREW ON REALTY FIRMS

The Securities and Exchange Board of India (SEBI) has tightened the disclosure norms for real estate companies which are planning to launch Initial Public Offerings (IPOs). The move is aimed at imparting details of the real valuation of the property for the investing public and to arrest any kind of asset bubble in this sector.

6.0 DIRECT ENTRY FOR HEDGE FUNDS

The Securities and Exchange Board of India (SEBI), the capital markets regulator, has for the first time directly invited hedge funds to register with it and participate in the Indian stock markets without the cover of participatory notes. Participatory notes are often seen as tools for money laundering and there have been numerous calls, including from the Reserve Bank of India, to curtail them. The detailed norms for hedge funds entry are being finalized.

It is widely estimated that 48 per cent of the $50 billion investment by Foreign Institutional Investors in the Indian markets has come through offshore participatory notes.

7.0 PIVOTAL ROLE FOR PAN

The Finance Minister has proposed to make the permanent account number (PAN) as the sole identification number for all transactions in the securities market. The only addition to the PAN, would be an alpha-numeric prefix or suffix to distinguish different kind of investments such as mutual funds, equity, debt and derivatives.

Now investors have to quote PAN for all financial transactions, irrespective of the quantum of investment.

8.0 SEBI OKAY WITH BOURSE FOR SMEs

The Securities and Exchange Board of India (SEBI) has taken an in-principle view to promote an exchange for small and medium enterprises (SME exchange) as part of the existing stock exchanges. The object of the exchange will be to provide capital to SMEs which in turn will help them grow in size. Subsequently they could list in bigger exchanges, which then will be more of a formality rather than a separate exercise.

This is because, the bigger exchanges by then will have the preliminary data for necessary surveillance of the companies.

9.0 SEBI AMENDS DEBENTURE LISTING AGREEMENT

The Securities and Exchange Board of India (SEBI) has amended the listing agreement for debentures in order to rationalize the provisions of continous disclosures made by issuers who have only securities listed and not their equity shares.

Issuers whose debentures have been issued on private placement basis shall submit unaudited half-yearly results subject to a limited review instead of half-yearly audited results, as required at present. Issuers whose debentures have been issued on public or rights issue basis shall be required to submit unaudited quarterly results subject to a limited review, instead a unaudited quarterly results without limited review required at present. The results are to be submitted to the exchange within one month from the end of the reporting period and a copy of the limited review report prepared by the Statutory Auditors of the company (or in the case of public sector undertaking, by any practicing Chartered Accountants) is to be submitted within two months from the end of the period.

COMMODITY

1.0 MCX REMOVES SPECIAL MARGIN ON NATURAL GAS

The Multi Commodity Exchange of India Ltd. (MCX) has removed the special margin of 1.5% that was levied on all contracts of Natural Gas w.e.f. 12-03-07. Accordingly, the margins applicable in Natural Gas contracts shall be the initial margin of 7%.

2.0 RBI MOVES TO PREVENT HOARDING OF FOODGRAINS

The RBI asked a section of big Non-Banking Finance Companies (NBFCs) to furnish details of their exposure to large borrowers (corporates and other entities) for procurement of foodgrains.

It is feared that some corporates use non-deposit taking NBFCs as a vehicle to enable them to stock up on commodities.

INSURANCE

1.0 ULIP EXPOSURE IN MONEY MARKET DOUBLED

In a bid to enhance the flexibility in the operations of the Unit-Linked Products (ULIPs), the Insurance Regulatory and Development Authority (IRDA) has decided to raise the limit of investment into money market instruments. IRDA said that they would enhance the share of money market instruments to 40% of the total (for each policy holder) from the existing 20%. These new limits will be applicable for all insurance companies from February 20 this year.

2.0 IRDA FIAT ON DISCOUNTS IRKS PSU INSURERS

The regulator has prescribed, "Premiums can not be less than 25 per cent of the erstwhile base tariff." This implied that the regulator would allow for a tariff drop of only 25 per cent over the tariffs that each of the insurers had filed with the regulator on their respective products.

EXIM / FEMA

1.0 TELECOM FDI NORMS APPROVED

The Union Cabinet has approved a revised set of guidelines for telecom companies to qualify for raising Foreign Direct Investment (FDI) up to 74%. The norms were first notified in November. Though Press Note 5 allowed telecom firms to raise FDI to 74%, from the earlier 49%, the conditions governing eligibility were put in abeyance as the industry considered them too harsh.

2.0 RBI EASES NORMS FOR ROUGH DIAMONDS IMPORTS

The Reserve Bank of India (RBI) eased the norms for import of rough diamonds from six mining companies, permitting authorised banks to allow advance remittance without limit, bank guarantee or standby letter of credit to diamond processing companies.

The six companies include Rio Tinto, UK-based Diamond Trading Company Pvt. Ltd., Russia's Alrosa and Gokharan, Endiama E P, Angola and BHP Billiton of Australia.

However, this liberalisation will not be applicable to a public sector company or department or to any undertaking of either the Central or State Governments.

3.0 EXCHANGEABLE BONDS CLUBBED UNDER ECB LTD

Exchangeable Bonds (EBs), which announced in the Budget as major instrument for India Inc to unlock the value of stakes in group firm, will have curbs on a par with External Commercial Borrowings (ECBs), if issued abroad. Put simply, a company will be able to tap overseas funds either through the EB or ECB window within the overall cap of $500 million. The overall annual cap for ECBs is $22 billion for the current financial year.

"Broadly, guidelines for exchangeable bonds will be on the lines of those for ECBs, with some differences. To begin with, EBs can be issued within the exlisting ceiling applicable for ECBs," EBs are expected to have a maturity period of 3-5 years, similar to that for ECBs.

4.0 FDI LIMIT IN CREDIT INFO COs TO BE CUT TO 49%

With increased concern about protection of credit related information, the Government has decided to reduce the Foreign Direct Investment (FDI) limit in credit information services companies from existing 100 percent to 49 percent. This would ensure that the Indian partners would have larger say in the running of the company.

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ICAI NEWS

ICAI SEEK REVIEW OF AUDIT LIMIT AND NORMS OF PSB BRANCHES

Faced with prospect of loss of assignments, the auditing community is seeking a review of RBI's recent decision to waive statutory audits for Public Sector Bank (PSB) branches that lend below Rs. 5 crore annually. Hitherto, the audit waiver was applicable only for branches with total advances of Rs. 1 core and below. ICAI Council could persuade RBI to reduce the limit to Rs. 3 Crore advances. Such smaller branches could be subject to audit once in three years.

ICAI's Professional Development Committee said that the institute would now work closely with the RBI and the Government, to see how best the members' interests could be protected.

The following major areas of concern have been identified by the profession:

- More judicial transparent and equitable allotment of branch audit strictly as per norms.
- Priority to small firms, proprietorship firms and younger firms.
- Care to be taken by RBI to not to allot audits in Banks where firms have disclosed their interest
- Deposit taking branches to be covered
- Members associated with multiple firms to be permitted with an option to choose the firm which should get full credit.
- Part C category of firms to be reintroduced
- Existing senior Central Statutory Audit firms to get their due weightage.
- Number of auditors per bank to be increased in view of larger business.
- Private Sector Bank's auditors to be appointed by RBI on similar lines.
- Public Sector Bank's promoted entities auditors, currently being appointed by bank boards, to be left to RBI.

ICAI IN FAVOUR OF REVISING LIMIT FOR TRAINING STUDENTS

The Institute of Chartered Accountants of India (ICAI), deciding in favour of easing restriction of the number of students that a practising CA could train. At present, a lots of students, who equalify in the Common Proficiency Test, are not able to enrol for a three-and-half-years training, called articleship, because a practising CA could train only a few, depending on his experience. Now, ICAI wants to double this limit.

PRESENT POSITION

A Chartered Accountant with three years of experience can train only one student while one with five-year experience can train two, and those with seven years and more could train three. Depending on the number of paid assistants employed, an experienced CA could also have up to five students.

PROPOSAL UNDER FINAL CLEARANCE BY GOVERNMENT

ICAI council has proposed to increase the entitlement as follows:

CAs upto 3 years of experience	1 Article Trainee
CAs from 3 – 5 years of experience	3 Article Trainee
CAs from 5 - 10 years of experience	5 Article Trainee
CAs above 10 years of experience	10 Article Trainee

In addition to above, even CAs employed under a CA firm can also train article trainee, upto 100 CA employees, 1 article trainee per employer. Above 100 CA employees a graded eligibility is being permitted.

AUDIT

1.0 RBI SEEKS DATA FROM BANKS ON FRAUDS

The Reserve Bank of India (RBI) has instructed banks to furnish data on frauds, thefts and burglaries on a quarterly basis to the Regional Offices of the Urban Banks Department of RBI. Cases of online fraud and identity theft (also known broadly as phishing) come under the purview of this notification.

2.0 BANKs TO STICK TO BASEL - I NORMs ON CAPITAL ADEQUACY

In its revised guidelines on the implementation of Basel II norms, the RBI has said that banks' minimum capital requirement can not fall below the amount of capital necessary under Basel I. The Basel II norms will be applicable to Indian banks with operations overseas, as well as foreign banks, w.e.f. March 31, 2008.

3.0 RBI LIMITS INTER-BANK LIABILITIES

With a view to control the concentration risk on the liability side of banks, the Reserve Bank of India (RBI) has stipulated limits for Inter-Bank Liabilities (IBL).

As per the guidelines, the IBL of every bank should not exceed 200% of its net worth as on March 31 of the previous year. However, the banks, who enjoy a Capital to Risk Adjusted Ratio (CRAR) of at least 25% more than the minimum CRAR (9%) i.e. 11.25% as on March 31 of the previous year, have been permitted to have a higher limit upto 300% of the networth of RBI.

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