Statement on Developmental and Regulatory Policies

This Statement sets out various developmental and regulatory policy measures relating to (i) Regulation; (ii) Financial Markets; and (iii) Payment and Settlement systems.

I. Regulation and Supervision

1. Individual Housing Loans by Cooperative Banks – Enhancement in Limits

Extant guidelines prescribe prudential limits on the amount of individual housing loans that can be extended by Primary (Urban) Co-operative Banks (UCBs), and Rural Cooperative Banks (RCBs - State Cooperative Banks and District Central Cooperative Banks) to their customers. These limits were last revised for UCBs in 2011 and for RCBs in 2009. Taking into account the increase in housing prices since the limits were last revised and considering the customer needs, it has been decided to increase the existing limits on individual housing loans by cooperative banks. Accordingly, the limits for Tier I /Tier II UCBs shall stand revised from ₹30 lakh/ ₹70 lakh to ₹60 lakh/ ₹140 lakh, respectively. As regards RCBs, the limits shall increase from ₹20 lakh to ₹50 lakh for RCBs with assessed net worth less than ₹100 crore; and from ₹30 lakh to ₹75 lakh for other RCBs. A detailed circular will be issued separately.

2. Permitting Rural Co-operative Banks (RCBs) to Lend to Commercial Real Estate - Residential Housing (CRE-RH) Sector

As per the extant guidelines, State Co-operative Banks (StCBs) and District Central Co-operative Banks (DCCBs) are prohibited from extending loans to the commercial real estate sector. Considering the growing need for affordable housing and to realise their potential in providing credit facilities to the housing sector, it has been decided to allow StCBs and DCCBs to extend finance to Commercial Real Estate – Residential Housing (CRE-RH) within the existing aggregate housing finance limit of 5 per cent of their total assets. A detailed circular will be issued separately.

3. Permitting Urban Cooperative Banks (UCBs) to Offer Door-step banking

In order to attain harmonization of regulatory framework across REs and to provide convenience of banking services to the customers at their door-step, it has been decided to permit UCBs to extend doorstep banking services to their customers on par with scheduled commercial banks. A detailed circular will be issued separately.

II. Financial Markets

4. Margin Requirements for Non-centrally Cleared Derivatives (NCCDs)

Well-established variation and initial margining requirements for over the counter (OTC) NCCD transactions contribute to financial stability and are a key component of the post-crisis G20 recommendations for these markets. With the objective of strengthening the resilience of OTC derivative market, the Reserve Bank had earlier issued a discussion paper to implement global practices related to margin requirements for OTC derivatives. The promulgation of the Act for Bilateral Netting of Qualified Financial Contracts, 2020, ensuring legal recognition for bilateral netting of an OTC derivative transaction, has put in place a significant enabler for efficient margining. Against this backdrop, Directions on exchange of Variation Margin (VM) for NCCDs were issued on June 1, 2022. Draft Directions on exchange of Initial Margin (IM) for NCCDs are being issued for public feedback separately.

III. Payment and Settlement Systems

5. e-Mandates on Cards for Recurring Payments – Enhancement of Limit

The framework on processing of e-mandate based recurring payments, inter-alia, provides for an Additional Factor of Authentication (AFA) during registration, sending a pre-debit notification, subsequent recurring transactions to be executed without AFA, and an easier avenue to withdraw such mandates. Benefits of convenience, safety and security are available to the users. The system also benefits from users' confidence. Major banks are providing the facility and the transaction volumes are seeing good traction. Till date, over 6.25 crore mandates have been registered under this framework, including for over 3,400 international merchants. Requests have been received from stakeholders to increase the limit under the framework to facilitate payments of larger value like subscriptions, insurance premia, education fee, etc. To further augment customer convenience and leverage the benefits available under the framework, it is proposed to enhance the limit from ₹5,000 to ₹15,000 per recurring payment. Necessary instructions will be issued shortly.

6. Enhancements to Unified Payments Interface (UPI) – Linking of RuPay Credit Cards

UPI has become the most inclusive mode of payment in India. Currently, over 26 crore unique users and 5 crore merchants are onboarded on the UPI platform. In May 2022 alone, 594.63 crore transactions amounting to ₹10.40 lakh crore were processed through UPI. UPI currently facilitates transactions by linking Savings / Current Accounts through Debit Cards of users. The interoperability of PPIs has also facilitated access of PPIs to the UPI payment system for undertaking transactions. In order to further deepen the reach and usage, it is proposed to allow linking of credit cards to UPI. To start with Rupay credit cards will be enabled with this facility. This arrangement is expected to provide more avenues and convenience to the customers in making payments through UPI platform. This facility would be available after the required system development is complete. Necessary instructions will be issued to NPCI separately.

7. Review of Payments Infrastructure Development Fund Scheme

The Payments Infrastructure Development Fund (PIDF) Scheme was operationalised by the Reserve Bank in January 2021 to incentivise the deployment of payment acceptance infrastructure such as physical Point of Sale (PoS), mPoS (mobile PoS), Quick Response (QR) codes in Tier-3 to 6 centres and North Eastern States. The Scheme had targeted 90 lakh Points of Sale (PoS) terminals and Quick Response (QR) codes to be deployed over three years (till end-2023). Beneficiaries of PM SVANidhi Scheme in Tier-1 and 2 centres were included in August 2021. As at end-April 2022, over 1.18 crore new touch points have been deployed under the Scheme.

It is now proposed to make modifications to the PIDF Scheme by, inter-alia, enhancing the subsidy amount, simplifying the subsidy claim process, etc. This is expected to further accelerate and augment the deployment of payment acceptance infrastructure in the targeted geographies. The amendments will be notified shortly.