

MONETARY & CREDIT INFORMATION REVIEW



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I. Regulation

Standing External Advisory Committee

The Reserve Bank on March 22, 2021 announced the names of the members of the Standing External Advisory Committee (SEAC) for evaluating applications for Universal Banks as well as Small Finance Banks. The composition of SEAC is as follows :

- i. Smt. Shyamala Gopinath, former Deputy Governor, Reserve Bank of India, Chairperson.
- ii. Ms. Revathy Iyer, Director, Central Board, Reserve Bank of India, Member.
- iii. Shri B. Mahapatra, former Executive Director, Reserve Bank of India and presently Chairman, National Payments Corporation of India, Member.
- iv. Shri T.N. Manoharan, former Chairman, Canara Bank, Member.
- v. Shri Hemant G. Contractor, former Managing Director, State Bank of India and former Chairman, Pension Fund Regulatory and Development Authority, Member.

It may be recalled that [Guidelines for 'on tap' Licensing of Universal Banks in the Private Sector dated August 1, 2016](#) and [Guidelines for 'on tap' Licensing of Small Finance Banks in the Private Sector dated December 5, 2019](#), indicated that the applications for Universal Banks and Small Finance Banks will be initially screened by the Reserve Bank to ensure prima facie eligibility of the applicants. It was also stated that a SEAC comprising eminent persons with experience in banking, financial sector and other relevant areas, will evaluate the applications thereafter and that the constitution of the SEAC will be announced by Reserve Bank. The tenure of this SEAC will be for three years. To read more, please click [here](#).

Data Format for Furnishing of Credit Information

The Reserve Bank on March 12, 2021 modified the three formats given in the two Annexes of the Uniform Credit Reporting Format. The Annex-I contains two formats for credit reporting, viz., Consumer Bureau and Commercial Bureau, whereas Annex-II contains credit reporting format for Micro Finance Institution (MFI) segment. The modified formats are as under:

- ❑ Consumer Bureau: The label of the field 'Written off and Settled status' is modified as 'Credit Facility Status' and it will also have a new catalogue value, viz., 'Restructured due to COVID-19'.
- ❑ Commercial Bureau: The existing field 'Major reasons for restructuring' will have a new catalogue value, viz., 'Restructured due to COVID-19'.
- ❑ MFI Bureau: The existing field 'Account status' will have a new catalogue value, viz., 'Restructured due to COVID-19'.

The modifications are being made to enable banks/AIFIs/NBFCs to report the information relating to restructured loans to CICs as envisaged in [circular DOR.No.BP.BC.3/21.04.048/2020-21 dated August 6, 2020](#), on the Resolution Framework for COVID-19 related stress. To read more, please click [here](#).

Amendment to Master Direction on KYC

The Reserve Bank on March 23, 2021 amended the [Master Direction on KYC dated February 25, 2016](#), in line with the revised order dated February 2, 2021, issued by the Ministry of Home Affairs (MHA). Further, Section 54 has been amended to include the following: "The list of Nodal Officers for UAPA is available on the website of Ministry of Home Affairs."

Regulated Entities (REs) have been instructed, inter alia, that the procedure laid down in the Unlawful Activities (Prevention) Act, 1967, (UAPA) Order dated March 14, 2019, as provided in the Annex-II to the Master Direction, shall be strictly followed and meticulous compliance with the order issued by the Government shall be ensured. In this regard,

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Note from the Editor

Welcome to yet another edition of the Monetary and Credit Information Review (MCIR). This monthly periodical of the RBI helps keep abreast with new developments and important policy initiatives taken by the RBI during the month of March in the world of money and credit. MCIR can be accessed at <https://mcir.rbi.org.in> as well as by scanning the QR code.

Through this communication tool, we aim to share information, educate, and stay in touch while ensuring factual accuracy and consistency in disseminating the information.

We welcome your feedback at mcir@rbi.org.in

Yogesh Dayal
Editor

MHA has issued a revised order dated February 2, 2021, in supersession of the earlier order dated March 14, 2019. To read more, please click [here](#).

Large Exposures Framework

The Reserve Bank on March 23, 2021 decided that non-centrally cleared derivatives exposures will continue to be outside the purview of exposure limits till September 30, 2021. To read more, please click [here](#).

Amalgamation of UCBs

The Reserve Bank on March 23, 2021 issued the Master Direction - Amalgamation of Urban Cooperative Banks, Directions, 2020. These guidelines shall cover amalgamation of two or more Urban Cooperative Banks (UCBs).

The Reserve Bank may consider proposals for merger and amalgamation in the following circumstances :

- (i) When the net worth of the amalgamated bank is positive and the amalgamating bank assures to protect entire deposits of all the depositors of the amalgamated bank.
- (ii) When the net worth of amalgamated bank is negative and the amalgamating bank on its own assures to protect deposits of all the depositors of the amalgamated bank.
- (iii) When the net worth of the amalgamated bank is negative and the amalgamating bank assures to protect the deposits of all the depositors of the amalgamated bank with the financial support from the State Government extended upfront as part of the process of merger.

Boards of the banks concerned shall play a crucial role in the process, while dealing with the amalgamation proposals of UCBs. The decision of amalgamation shall be approved by two-third majority of the total number of Board members, both in number and value of both amalgamating and amalgamated UCBs and not just of those present and voting.

A dissenting shareholder is entitled, in the event of the amalgamation scheme being sanctioned by the Reserve Bank, to claim within 3 months from the date of sanction, from the UCB concerned, in respect of the shares held by him in that UCB, the value as per the scheme of amalgamation sanctioned by Reserve Bank. However, if certain shareholders of either of the UCBs who have subscribed to shares as linkage with borrowing have outstanding dues in respect of credit facilities availed, such shareholders will become entitled for refund of the value only after full and final settlement of his/her dues to the UCB concerned. To read the full master direction, please click [here](#).

Bilateral Netting of QFC

The Bilateral Netting of Qualified Financial Contracts Act, 2020 (hereafter referred to as "the Act"), has been notified by the Government of India. The Act provides a legal framework for enforceability of bilateral netting of qualified financial contracts (QFC). In exercise of the powers conferred the Act, the Reserve Bank, has since notified (a) "derivatives"; and (b) "repo" and "reverse repo" transactions as defined under Section 45(U) of Chapter III-D of the Reserve Bank of India Act, 1934 as a

QFC. Accordingly, select instructions contained in the following circulars have been modified/ amended appropriately:

- a) [Master Circular DBR.No.BP.BC.1/21.06.201/2015-16 dated July 1, 2015](#) on 'Basel III Capital Regulations' as provided in [Annex 1](#);
- b) [Circular DBR.BP.BC.No.106/21.04.098/2017-18 dated May 17, 2018](#) on 'Basel III Framework on Liquidity Standards – Net Stable Funding Ratio (NSFR) – Final Guidelines' as provided in [Annex 2](#);
- c) [Master Circular DBR.No.BP.BC.2/21.04.048/2015-16 dated July 1, 2015](#) on 'Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances' as provided in [Annex 3](#); and
- d) [Master Circular DBR.No.BP.BC.4./21.06.001/2015-16 dated July 1, 2015](#) on Prudential Guidelines on Capital Adequacy and Market Discipline-New Capital Adequacy Framework (NCAF) as provided in [Annex 4](#).

To read more, please click [here](#).

II. Payment and Settlement Systems

Extension of CTS

The Reserve Bank on March 15, 2021 decided to extend Cheque Truncation System (CTS) across all bank branches in the country. To facilitate this, banks shall have to ensure that all their branches participate in image-based CTS under respective grids by September 30, 2021. They are free to adopt a model of their choice, like deploying suitable infrastructure in every branch or following a hub & spoke model among other things and concerned banks shall coordinate with the respective Regional Offices of the Reserve Bank to operationalise this. To read more, please click [here](#).

Processing of E-mandates

The Reserve Bank had put in place the framework for registering e-mandates for recurring online transactions using cards/wallets/Unified Payments Interface (UPI) vide the circulars dated [August 21, 2019](#), [January 10, 2020](#) and [December 4, 2020](#).

The framework had ensured that changing payment needs of customers were accommodated by adequately balancing safety, security and convenience of such transactions. Stakeholders were given sufficient time by the Reserve Bank to complete the process of migration to the framework by March 31, 2021.

It was, however, noted that the progress of onboarding existing as well as new mandates of customers as per the framework is not satisfactory. Keeping in view the requests of some stakeholders and to prevent any inconvenience to customers, the Reserve Bank decided, as a one-time measure, to extend the timeline for ensuring full compliance to the framework till September 30, 2021. During the extended timeline, no new mandate for recurring online transactions shall be registered by the stakeholders, unless such mandates are compliant with the framework.

Any further delay in ensuring complete adherence to the

framework beyond the extended timeline will attract stringent supervisory action from the Reserve Bank. To read more, please click [here](#).

Guidelines on Regulation of Payment Aggregators and Payment Gateways

The Reserve Bank, on March 31, 2021, issued a directive on the guidelines on regulation of Payment Aggregators (PAs) and Payment Gateways.

Neither the authorised PAs nor the merchants onboarded by them can store customer card credentials within their database or server as per the circular dated [March 17, 2020](#).

Based on the representations received from the industry seeking additional time for implementing the above instructions, the Reserve Bank decided, as a one-time measure, to extend the timeline for non-bank PAs by six months, i.e., till December 31, 2021, to enable the payment system providers and participants to put in place workable solutions, such as tokenisation, within the framework set out in the circular dated [March 17, 2020](#) and circular dated [January 08, 2019](#) on "Tokenisation – Card transactions". All other provisions of the circular dated [March 17, 2020](#) shall remain unchanged. To read more, please click [here](#).

Special Clearing Operations

The Reserve Bank on March 26, 2021 informed all banks that normal clearing timings as applicable to any working "Wednesday" shall be followed on March 31, 2021.

Further, to facilitate accounting of all the Government transactions for the current financial year (2020-21) by March 31, 2021, it was decided to conduct Special Clearing exclusively for Government Cheques across the three CTS grids (New Delhi, Chennai and Mumbai) on March 31, 2021.

It was mandatory for all banks to participate in the special clearing operations on March 31, 2021. All the member banks under the respective CTS Grids were required to keep their inward clearing processing infrastructure open during the Special Clearing hours and maintain sufficient balance in their clearing settlement account to meet settlement obligations arising out of the Special Clearing. To read more, please click [here](#).

III. Foreign Exchange

FETERS - Cards

The Reserve Bank on March 25, 2021 decided to collect more details of international transactions using credit card/debit card/unified payment interface (UPI) along with their economic classification (merchant category code – MCC) through a new return called 'FETERS-Cards', using the same web-portal (<https://bop.rbi.org.in>).

Nodal offices of Authorised Dealers (ADs) may submit FETERS-Cards details on the web-portal in the following manner :

- ❑ Sale of forex by AD towards international transaction made by Indian resident (to be reported by the card issuing / transaction originating AD); and
- ❑ Purchase of forex by AD under transaction by foreign resident with Indian resident (to be reported by merchant acquirer AD).
- ❑ AD Banks need to report all card transactions (e.g., through PoS terminals / e-commerce (online purchase) / for transferring funds to bank accounts).
- ❑ ADs shall submit the FETERS-Cards data on the web-portal (<https://bop.rbi.org.in>) by using the Reserve Bank provided login-name and password, within seven working days from the last date of the month for which data are being reported.
- ❑ FETERS-Cards reporting will be implemented for the transactions taking place from April 1, 2021.
To read more, please click [here](#).

FPI Investment Limits

The Reserve Bank on March 31, 2021 informed that the limits for Foreign Portfolio Investors (FPI) investment in corporate bonds shall remain unchanged at 15% of outstanding stock of securities for FY 2021-22. The revised limits for FPI investment in Central Government securities (G-secs) and State Development Loans (SDLs) for FY 2021-22 will be advised separately. To read more, please click [here](#).

IV. Banker to the Government

Annual Closing of Government Accounts

The Reserve Bank on March 25, 2021 notified all agency banks that all government transactions done by agency banks for financial year 2020-21 must be accounted for within the same financial year. Accordingly, the following arrangements are put in place to report and account for government transactions for March 31, 2021 :

- ❑ All agency banks must keep their designated branches open for over the counter transactions related to government transactions upto the normal working hours on March 31, 2021.
- ❑ Transactions through National Electronic Funds Transfer (NEFT) and Real Time Gross Settlement (RTGS) System will continue upto 2400 hours as hitherto on March 31, 2021.
- ❑ Special clearing will be conducted for collection of government cheques on March 31, 2021 for which the Department of Payment and Settlement Systems (DPSS), RBI will issue necessary instructions.
- ❑ Regarding reporting of Central and State Government transactions to RBI, including uploading of GST / e-receipts luggage files, the reporting window of March 31, 2021 will be extended and kept open till 1200 hours on April 1, 2021.
- ❑ Agency banks may take note and give adequate publicity to the special arrangements made as above.
To read more, please click [here](#).

V. Monetary Policy

MPC Meeting Schedule

The Reserve Bank on March 31, 2021 released the dates of the meetings of the Monetary Policy Committee during 2021-22 as per section 45 ZI of Reserve Bank of India Act, 1934.

Dates of meetings of Monetary Policy Committee for 2021-22 are as follows :

- ❑ April 5 to 7, 2021
- ❑ June 2 to 4, 2021
- ❑ August 4 to 6, 2021
- ❑ October 6 to 8, 2021
- ❑ December 6 to 8, 2021
- ❑ February 7 to 9, 2022

To read more, please click [here](#).

VI. RBI Publications

RBI Bulletin March 2021

The Reserve Bank on March 19, 2021 released the [March 2021](#) issue of the Bulletin. The Bulletin included one speech, four articles and current statistics.

The four articles are as follows :

❑ **State of the Economy** - As countries rush to inoculate their populations, the global economy should regain lost momentum in Q2. Bond vigilantes could, however, undermine the recovery, unsettle financial markets and trigger capital outflows from emerging markets. The Reserve Bank is striving to ensure an orderly evolution of the yield curve, but it takes two to tango and forestall a tando.

❑ **Unconventional Monetary Policy in Times of COVID-19** - This article presents a synoptic overview of various unconventional monetary policy tools deployed by central banks world-wide and their rationale. In the backdrop of the international experience, the article discusses several measures announced by the Reserve Bank and their efficacy in revitalising financial market activity.

Empirical analysis suggests significant announcement impact of long term repo operations (LTROs) and targeted long term repo operations (TLTROs) in money and bond markets while the announcement of special OMOs (Operation Twists) caused significant moderation of term premium in the G-sec market, thereby lowering funding costs and easing financial conditions.

❑ **Union Budget 2021-22: An Assessment** - This article presents an assessment of the Union Budget 2021-22. The budget strikes the right chord by prioritising counter-cyclical investment-led fiscal support to post-COVID recovery in growth.

❑ **Q2:2020-21 Estimates of Household Financial Savings and Household Debt-GDP Ratio** - This article provides estimates for Q2:2020-21 along with the estimate of households' debt to GDP ratio. Major highlights of the article are presented below:

i) Preliminary estimates show a substantial waning of the household financial savings rate to 10.4 per cent of GDP

in Q2:2020-21 from the high of 21.0 per cent in the immediately preceding quarter, as households switched from an 'essentials only' spending to discretionary spending with the gradual reopening/unlocking of the economy.

ii) Household debt to GDP ratio, which has been steadily increasing since Q1:2018-19 rose sharply to 37.1 per cent in Q2:2020-21 from 35.4 per cent in Q1:2020-21.

iii) The moderation in household financial savings has taken place despite an increase in their financial assets, as the flow of financial liabilities returned to positive territory on the back of loans from banks and NBFCs in Q2:2020-21.

iv) Households' financial savings rate might have fallen further in Q3:2020-21 with the intensification of consumption and economic activity.

To read more, please click [here](#).

VII. Survey

Survey on Computer Software and ITES

The Reserve Bank on March 16, 2021 released the [data](#) related to the 2019-20 round of its annual survey on exports of computer software and information technology enabled services.

Highlights of the survey are as follows:

❑ India's export of software services stood at US\$ 128.6 billion during 2019-20, registering 9.1 per cent growth over the previous year.

❑ Exports of computer services and ITES/BPO services contributed 66.6 per cent and 33.4 per cent, respectively, of the total software services exports.

To read more, please click [here](#).

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I, Yogesh Dayal, hereby declare that the particulars given above are true to the best of my knowledge and belief.

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