

MONETARY & CREDIT INFORMATION REVIEW



MCIR

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I. Regulation

Resolution Framework for COVID-19 related Stress

The Reserve Bank on September 07, 2020 advised all lending institutions to mandatorily consider the following key ratios while finalising the resolution plans in respect of eligible borrowers under the Resolution Framework:

	Key Ratio	Definition
1	Total Outside Liabilities/ Adjusted Tangible Net Worth (TOL/ATNW)	Addition of long-term debt, short term debt, current liabilities and provisions along with deferred tax liability divided by tangible net worth net of the investments and loans in the group and outside entities.
2	Total Debt/EBITDA	Addition of short term and long-term debt divided by addition of profit before tax, interest and finance charges along with depreciation and amortisation.
3	Current Ratio	Current assets divided by current liabilities
4	Debt Service Coverage Ratio (DSCR)	For the relevant year addition of net cash accruals along with interest and finance charges divided by addition of current portion of long term debt with interest and finance charges.
5	Average Debt Service Coverage Ratio (ADSCR)	Over the period of the loan addition of net cash accruals along with interest and finance charges divided by addition of current portion of long term debt with interest and finance charges.

The Resolution Framework envisaged constitution of an Expert Committee by the Reserve Bank to make recommendations on the required financial parameters with sector specific benchmark ranges for such parameters. The Expert Committee has since submitted its recommendations to the Reserve Bank on September 4, 2020, which have been broadly accepted by the Reserve Bank. The Reserve Bank on September 07, 2020 issued a follow up circular to the Resolution Framework guidelines announced in August 6, 2020 by specifying five specific financial ratios and the sector-specific thresholds for each ratio in respect of 26 sectors to be taken into account while finalising the resolution plans. To read more, please click [here](#).

SLR holdings in HTM category

The Reserve Bank on September 01, 2020 allowed banks to hold under Held to Maturity (HTM) category, SLR securities acquired on or after September 1, 2020 up to an overall limit of 22 per cent of NDTL, up to March 31, 2021, which shall be reviewed thereafter. Currently, banks are permitted to exceed the limit of 25 per cent of the total investments under HTM category, provided the excess comprises only of SLR securities and total SLR securities held under HTM

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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 September 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

category is not more than 19.5 per cent of NDTL. To read more, please click [here](#)

Draft Variation Margin Directions, 2020

The Reserve Bank on September 7, 2020 placed on its website the [Draft Variation Margin \(Reserve Bank\) Directions, 2020](#) for comments from banks, market participants and other interested parties. The Reserve Bank in its [Statement on Developmental and Regulatory Policies dated February 6, 2020](#) announced that RBI will issue the directions regarding exchange of variation margin for non-centrally cleared derivatives (NCCDs), following the G-20 recommendations, and with a view to improve safety of settlement of over-the-counter derivatives that are not centrally cleared. To read more, please click [here](#).

II. Supervision

Compliance Functions in Banks

The Reserve Bank on September 11, 2020 advised the following guidelines meant to bring uniformity in the approach followed by banks, as also to align the supervisory expectations on Chief Compliance Officer (CCOs) with best practices:

i) Policy

A bank shall lay down a board-approved compliance policy clearly spelling out its compliance philosophy, expectations on compliance culture covering tone from the top, accountability, incentive structure and effective communication and challenges thereof, structure and role of the compliance function, role of CCO, processes for identifying, assessing, monitoring, managing and reporting on compliance risk throughout the bank.

ii) Tenor for appointment of CCO

The CCO shall be appointed for a minimum fixed tenure of not less than 3 years.

iii) Transfer/Removal of CCO

The CCO may be transferred / removed before completion of the tenure only in exceptional circumstances.

iv) Eligibility Criteria for appointment as CCO

The CCO shall be a senior executive of the bank, not more than 55 years, shall have an overall experience of at least 15 years in the banking or financial services, good understanding of industry and risk management, knowledge of regulations, legal framework and sensitivity to supervisors' expectations;

v) Selection Process

Selection of the candidate for the post of the CCO shall be done on the basis of a well-defined selection process and recommendations made by the senior executive level selection committee constituted by the Board for the purpose.

vi) Reporting Requirements

A prior intimation to the Department of Supervision, Reserve Bank of India, Central Office, Mumbai, shall be provided before appointment, premature transfer/removal of the CCO.

vii) Reporting Line

The CCO shall have direct reporting lines to the MD & CEO and/or Board/Board Committee (ACB) of the bank.

viii) Authority

The CCO and compliance function shall have the authority to communicate with any staff member and have access to all records or files that are necessary to enable him/her to carry out entrusted responsibilities in respect of compliance issues.

ix) The duties and responsibilities of the compliance function

To apprise the Board and senior management on regulations, rules and standards and any further developments, to provide clarification on any compliance related issues, to conduct assessment of the compliance risk (at least once a year) and to develop a risk-oriented activity plan for compliance assessment. The activity plan should be submitted to the ACB for approval and be made available to the internal audit.

x) Internal Audit

The compliance function shall be subject to internal audit.

Other guidelines pertaining to dual halting, membership to committees and core elements of the mandate of CCO were also covered in the guidelines. To read more, please click [here](#).

Long Form Audit Report

The Reserve Bank on September 05, 2020 revised the Long Form Audit Report (LFAR) formats of statutory central auditors, branch auditors, specialised branches and large/irregular/critical accounts for branch auditors. The revised LFAR formats are required to be put into operation for the period covering FY 2020-21 and onwards. To read more, please click [here](#).

Income Recognition, Asset Classification and Provisioning Processes

The Reserve Bank on September 14, 2020 advised banks to put in place/upgrade their systems to conform to the guidelines in order to ensure the completeness and integrity of the automated asset classification (classification of advances/investments as NPA/NPI and their upgradation), provisioning calculation and income recognition processes. To read more please click [here](#)

Technology Vision for Cyber Security of UCBs

The Reserve Bank on September 24, 2020 placed on its website the "[Technology Vision for Cyber Security' for Urban Co-operative Banks \(UCBs\) - 2020-2023](#)". The Technology Vision Document aims at enhancing the cyber security posture of the Urban Co-operative banking sector against evolving IT and cyber threat environment. The Technology Vision Document for Cyber Security for UCBs has been formalised based on inputs from various stakeholders. It envisages to achieve its objective through a five-pillared strategic approach GUARD, viz., Governance Oversight, Utile Technology Investment, Appropriate Regulation and Supervision, Robust Collaboration and Developing necessary IT, cyber security skills set. To read more, please click [here](#).

III. Monetary Policy

Extension of Relaxation of MSF

The Reserve Bank on September 28, 2020 decided to continue with the Marginal Standing Facility (MSF) relaxation for a further period of six months, i.e., up to March 31, 2021 to participant banks under the MSF by dipping into the statutory liquidity ratio (SLR) by up to an additional one per cent of net demand and time liabilities (NDTL), i.e., cumulatively up to 3 per cent of NDTL. To read more, please click [here](#).

Extension of Relaxation in WMA limits

The Reserve Bank on September 29, 2020 decided to extend the increase in WMA limit of the States/UTs by 60 per cent over and above the level as on March 31, 2020. To read more, please click [here](#).

IV. Financial Inclusion

MD on Priority Sector Lending

The Reserve Bank on September 04, 2020 reviewed the Priority Sector Lending (PSL) guidelines based on recommendations made by the 'Expert Committee on Micro, Small and Medium Enterprises' under the chairmanship of Shri U.K. Sinha and the 'Internal Working Group to Review Agriculture Credit' chaired by Shri M.K. Jain. The objective was to align the guidelines with emerging national priorities and bring sharper focus on inclusive development, after having wide ranging discussions with all stakeholders. Some of the salient features of revised PSL guidelines are:

- i) Addresses regional disparities in the flow of priority sector credit;
- ii) The targets prescribed for small and marginal farmers and weaker sections are being increased in a phased manner;

- iii) Higher credit limit has been specified for Farmers/Producers/Organisations/Companies;
- iv) Loan limits for renewable energy have been increased;
- v) For improvement of health infrastructure, credit limit for health infrastructure (including those under 'Ayushman Bharat') has been doubled. To read more, please click [here](#).

V. Payment & Settlement System

Positive Pay System for CTS

The Reserve Bank on September 25, 2020 advised banks to create adequate awareness among their customers on features of Positive Pay System through SMS alerts, display in branches, ATMs as well as through their web-site and internet banking. National Payments Corporation of India shall develop the facility of Positive Pay in Cheque Truncation System (CTS) and make it available to participant banks. Banks, in turn, shall enable it for all account holders issuing cheques for amounts of ₹50,000 and above. Positive Pay System shall be implemented from January 01, 2021. To read more, please click [here](#).

VI. Data Releases

The India KLEMS Database

The Reserve Bank on September 10, 2020 placed on its website the update on "[Measuring Productivity at the Industry Level – The India KLEMS Database](#)" - Data Manual 2019 along with [time-series data on productivity for 27 industries covering the period 1980-81 to 2017-18](#), prepared under the India KLEMS [capital (K), labour (L), energy (E), material (M) and services (S)] research project. The database is part of a research project supported by the Reserve Bank to analyse productivity performance in the Indian economy at disaggregated industry level. To read more, please click [here](#).

Handbook of Statistics on the Indian Economy 2019-20

The Reserve Bank on September 18, 2020 released the annual publication titled "[Handbook of Statistics on the Indian Economy, 2019-20](#)" (HBS). This publication, the 22nd in the series, disseminates time series data on various economic and financial indicators relating to the Indian economy. The current volume contains 240 statistical tables covering national income aggregates, output, prices, money, banking, financial markets, public finances, foreign trade and balance of payments and select socio-economic indicators. To read the full document, please click [here](#)

Other important Data Releases by the Reserve Bank in the month of September 2020:

	Data Release
1	Sectoral Deployment of Bank Credit – August 2020
2	India's International Investment Position (IIP), June 2020
3	India's External Debt as at the end of June 2020
4	Sources of Variation in Foreign Exchange Reserves in India during April-June 2020
5	Developments in India's BoP during the First Quarter (April-June) of 2020-21

VII. Research

Working Papers

The Reserve Bank published three publications under its working paper series in the month of September 2020.

The first working paper titled "Measuring Financial Stress in India" authored by Manjusha Senapati and Rajesh Kavediya focuses on the construction of financial stress indices for the Indian financial system using market-based indicators and three different aggregation methods. To read the full paper, please click [here](#).

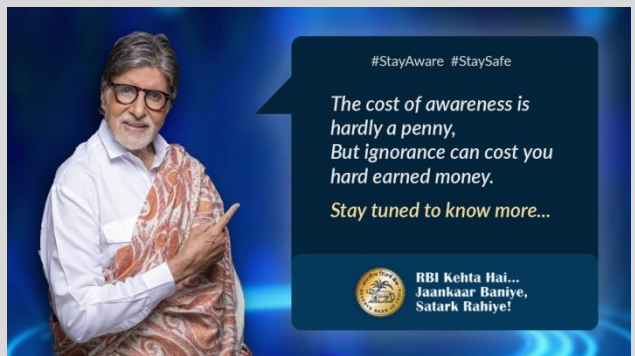
The second working paper titled "Are Food Prices Really Flexible? Evidence from India" authored by GV Nadhanael looks at the price setting behaviour in food sector in India using a novel micro level dataset. To read the full paper, please click [here](#).

The third working paper titled "Inflation Forecast Combinations – The Indian Experience" authored by Joice John, Sanjay Singh and Muneesh Kapur examines empirically the forecasting performance of different combination approaches in the Indian context relative to wide range of forecasts generated from different modelling frameworks and the benchmark random walk model. To read the full paper, please click [here](#).

Award Scheme for Writing Books in Hindi

The Reserve Bank on September 09, 2020 launched an 'Award scheme for writing books originally in Hindi on Economics/Banking/Financial subjects' with a view to encourage original writings and research in Hindi. Working/retired Professors (including Assistants and Associates, etc.) of Indian Universities (UGC recognised) may be awarded three prizes of ₹1,25,000/- each for writing books originally in Hindi on Economics/Banking/Financial subjects. To read more, please click [here](#).

RBI ropes in AB for Public Awareness



Shri Amitabh Bachchan has been roped in as the brand ambassador for RBI's Public Awareness Campaigns.

A creative with Shri Bachchan, explaining the benefits and convenience of Safe Digital Banking was released in April 2020 in 14 languages on RBI's social media handle 'RBI Says' on Twitter and Facebook.

Creatives on the themes, such as, convenience of digital banking, facilities for senior citizens and differently abled persons, cyber security and setting limits on cards, creatives are being relayed on television from September 28, 2020. To give further impetus to the campaign, and to bring about the reinforcement effect, a social media campaign, with Shri Amitabh Bachchan conveying messages on various themes of relevance to members of public is being released on RBI's social media handles from September 29, 2020 onwards.

Follow @RBIsays (<https://twitter.com/rbisesays>) on Twitter and the Reserve Bank's Facebook page (<https://www.facebook.com/RBIsays>) to know more.

