

MONETARY & CREDIT INFORMATION REVIEW



MCIR

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I. Governor meets Heads of Public and Private Sector Banks

The Governor held meetings with the Managing Directors/Chief Executive Officers of public sector banks and select private sector banks on December 22 and 23, 2020 respectively through video conference. In his opening remarks, the Governor touched upon the current economic situation and emphasised the importance of the banking sector in supporting the ongoing revival in economic activities. With specific reference to the financial sector, he highlighted the measures taken by the RBI since the onset of the pandemic to stabilise the economy and to ensure financial stability.

Among other matters, the following issues were discussed in the meeting:

- Assessment of the current economic situation and outlook;
- Monetary policy transmission and liquidity situation;
- Credit flows to different sectors of the economy including stressed sectors and MSMEs;
- Progress in the implementation of Resolution Framework for COVID-related stressed assets;
- Progress in making the identified districts in States/UTs 100% digitally enabled;
- Strengthening and enhancing the capacity and efficiency of the IT infrastructure and IT systems in banks; and
- Focussed attention on improving grievance redress mechanisms in banks.

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

II. Monetary Policy

Resolution of the MPC

On the basis of an assessment of the current and evolving macroeconomic situation, the Monetary Policy Committee (MPC) at its meeting held on December 04, 2020 decided to keep the policy repo rate under the liquidity adjustment facility (LAF) unchanged at 4.0 per cent. Consequently, the reverse repo rate under the LAF remains unchanged at 3.35 per cent and the marginal standing facility (MSF) rate and the Bank Rate at 4.25 per cent.

The MPC also decided to continue with the accommodative stance as long as necessary – at least during the current financial year and into the next financial year – to revive growth on a durable basis and mitigate the impact of COVID-19 on the economy, while ensuring that inflation remains within the target going forward.

These decisions are in consonance with the objective of achieving the medium-term target for consumer price index (CPI) inflation of 4 per cent within a band of +/- 2 per cent, while supporting growth. To read more, please click [here](#).

Developmental and Regulatory Policies – Highlights

Liquidity Measures to Revive Activity

- Proposal to bring the 26 stressed sectors identified by the Kamath Committee within the ambit of sectors eligible under On Tap TLTRO;
- To permit the RRBs to participate in the Call/Notice money market, both as borrowers and lenders;

Regulation and Supervision

- Scheduled commercial banks (SCBs) and cooperative banks shall not make any dividend pay-out from the profits pertaining to financial year 2019-20;
- Different categories of NBFCs would be allowed to declare dividend as per a matrix of parameters, subject to a set of generic conditions;
- There is a need to review the regulatory framework in line with changing risk profile of NBFCs. It has been decided to carry out consultation with stakeholders before finalising



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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 December 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

NBFCs. It has been decided to carry out consultation with the revised regulatory framework;

- ❑ To issue guidelines to large UCBs and NBFCs on adoption of Risk Based Internal Audit (RBIA);
- ❑ To harmonise guidelines on appointment of statutory auditors for commercial banks, UCBs and NBFC;
- ❑ Proposal to issue Reserve Bank of India (Digital Payment Security Controls) Directions, 2020 for regulated entities;
- ❑ To expand the reach of the Centres for Financial Literacy (CFLs) at every block in the country in a phased manner by March 2024;
- ❑ To put in place a comprehensive framework comprising inter alia of enhanced disclosures on customer complaints by the banks;

Deepening Financial Markets

- ❑ To review the guidelines for Credit Default Swaps;
- ❑ Review of the extant comprehensive guidelines on derivatives, issued in November 2011;
- ❑ Release of three sets of draft directions on call, notice and term money markets; certificate of deposit (CDs); and commercial papers (CPs) and non-convertible debentures (NCDs) with original maturity of less than one year for public feedback;

External Trade – Facilitation

- ❑ To remove the monetary ceiling to enable AD banks to regularise cases, where export proceeds have been realised, irrespective of the value of export shipment;
- ❑ To delegate the power of allowing write-off to the AD banks, without limits in specified circumstances;
- ❑ To permit AD banks to allow Indian companies to set-off their export receivables against import payables;
- ❑ To allow AD banks to consider refund requests without insisting on import of goods;

Payment and Settlement Systems

- ❑ Proposal to allow settlement files of payment systems (viz., AePS, IMPS, NETC, NFS, RuPay, UPI) to be posted to the Reserve Bank on all days of the year;
- ❑ Proposal to enhance, at the discretion of the user, the limits for contactless card transactions and e-mandates for recurring transactions through cards (and UPI) from ₹2,000 to ₹5,000 from January 1, 2021.

III. Regulation

Access to Call/Notice/Term Money Market

The Reserve Bank on December 04, 2020 permitted Regional Rural Banks (RRBs) to participate in the call/notice and term money markets both as borrowers and lenders. The prudential limits and other guidelines on call/notice/term money markets for the RRBs shall be the same as those applicable to scheduled commercial banks in terms of the Reserve Bank [Master Direction No.2/2016-17, dated July 7, 2016](#) on Money Market Instruments: Call/Notice Money Market, Commercial Paper, Certificates of Deposit and Non-Convertible Debentures (original maturity up to one year), as amended from time to time. These Directions have been issued by RBI in exercise of the powers conferred under section 45W of the Reserve Bank

of India Act, 1934 and of all the powers enabling it in this behalf. To read more, please click [here](#).

Introduction of LAF and MSF for RRBs

The Reserve Bank on December 04, 2020 decided to extend Liquidity Adjustment Facility (LAF) and Marginal Standing Facility (MSF) to scheduled RRBs meeting the following criteria:

- ❑ Implemented Core Banking Solution (CBS)
- ❑ There is a minimum CRAR of nine per cent and
- ❑ Fully compliant with the terms and conditions for availing LAF and MSF issued by Financial Markets Operations Department (FMOD), Reserve Bank of India.

The names of RRBs which meet the eligibility norms to participate in LAF and MSF (Positive List) and of those RRBs found ineligible (Negative List) will be intimated to the banks concerned. The eligibility status of the banks will be reviewed on an ongoing basis. To read more, please click [here](#).

Declaration of Dividends by Banks

The Reserve Bank on December 04, 2020 advised all commercial banks and cooperative banks, not to make any dividend payment on equity shares from the profits pertaining to the financial year ended March 31, 2020. The objective was to further strengthen the banks' balance sheets, while at the same time support lending to the real economy. In view of the ongoing stress and heightened uncertainty on account of COVID-19, it is imperative that banks continue to conserve capital to support the economy and absorb losses. To read more, please click [here](#).

Opening of Current Accounts by Banks

The Reserve Bank on December 14, 2020 permitted banks to open specific accounts which are stipulated under various statutes and instructions of other regulators/regulatory departments, without any restrictions in terms of the [circular dated August 6, 2020](#). An indicative list of such accounts is as given below:

- ❑ Accounts for real estate projects mandated under Section 4 (2) I (D) of the Real Estate (Regulation and Development) Act, 2016 for the purpose of maintaining 70% of advance payments collected from the home buyers.
- ❑ Nodal or escrow accounts of payment aggregators/pre-paid payment instrument issuers for specific activities as permitted by Department of Payments and Settlement Systems (DPSS), Reserve Bank of India under Payment and Settlement Systems Act, 2007.
- ❑ Accounts for settlement of dues related to debit card/ATM card/credit card issuers/acquirers.
- ❑ Accounts permitted under FEMA, 1999.
- ❑ Accounts for the purpose of IPO/NFO/FPO share buyback /dividend payment/issuance of commercial papers/allotment of debentures/gratuity, etc. which are mandated by respective statutes or regulators and are meant for specific/limited transactions only.
- ❑ Accounts for payment of taxes, duties, statutory dues, etc. opened with banks authorized to collect the same, for borrowers of such banks which are not authorized to collect such taxes, duties, statutory dues, etc.

❑ Accounts of white label ATM Operators and their agents for sourcing of currency.

Banks shall monitor all current accounts and cash credit/overdrafts regularly, at least on a half-yearly basis, specifically with respect to the exposure of the banking system to the borrower, to ensure compliance with instructions contained in [circular dated August 6, 2020](#) *ibid.* To read more, please click [here](#).

On Tap TLTRO

The Reserve Bank on December 11, 2020 decided to cover stressed sectors under the On Tap Targeted Long-Term Repo Operations (TLTRO) Scheme, in synergy with the credit guarantee available under the Emergency Credit Line Guarantee Scheme (ECLGS 2.0) of the Government. Accordingly, in addition to the five sectors announced under the On Tap TLTRO Scheme on [October 21, 2020](#), the 26 stressed sectors notified under ECLGS 2.0 have been brought within the ambit of the sectors eligible under the On Tap TLTRO scheme. To read more, please click [here](#).

Amendment to MD on KYC

The Reserve Bank on December 18, 2020 decided to extend the CKYCR (Centralised KYC Registry) to Legal Entities (LEs). Accordingly, Regulated Entities (REs) shall upload the KYC data pertaining to accounts of LEs opened on or after April 1, 2021, on to CKYCR in terms of Rule 9 (1A) of the PML Rules. To read more, please click [here](#).

IV. Payment and Settlement Systems

24x7 Availability of RTGS System

The Reserve Bank made RTGS available round the clock on all days of the year with effect from 00:30 hours on December 14, 2020. The member banks participating in RTGS were advised as under:

- ❑ RTGS shall be available for customer and inter-bank transactions round the clock, except for the interval between 'end-of-day' and 'start-of-day' processes, whose timings would be duly broadcasted through the RTGS system.
- ❑ RTGS shall continue to be governed by the RTGS System Regulations, 2013, as amended from time to time.
- ❑ Intra-Day Liquidity (IDL) facility shall be made available to facilitate smooth operations.

Members were also advised to put in place necessary infrastructure to provide RTGS round the clock to their customers. This directive was issued under Section 10 (2) read with Section 18 of Payment and Settlement Systems Act, 2007 (Act 51 of 2007). To read more, please click [here](#).

Card Transactions

The Reserve Bank decided to increase the contactless card per transactions limit to ₹5,000/- on December 04, 2020. The present COVID-19 pandemic has underlined the benefits of contactless transactions. Keeping this in view

and based on stakeholder feedback, it was announced in the [Statement on Developmental and Regulatory Policies dated December 4, 2020](#) that per transaction limit for Additional Factor of Authentication (AFA) relaxation for contactless card transactions will be increased. This directive is issued under Section 10 (2) read with Section 18 of Payment and Settlement Systems Act, 2007 (Act 51 of 2007). To read more, please click [here](#).

Perpetual Validity for CoA

The Reserve Bank on December 04, 2020 decided to grant authorisation for all Payment System Operators (PSOs) both new and existing, on a perpetual basis, subject to the usual conditions. For existing authorised PSOs, grant of perpetual validity shall be examined as and when the Certificate of Authorisation (CoA) becomes due for renewal subject to their adherence to the following:

- ❑ Full compliance with the terms and conditions subject to which authorisation was granted;
- ❑ Fulfilment of entry norms such as capital, net worth requirements, etc.;
- ❑ No major regulatory or supervisory concerns related to operations of the PSO, as observed during onsite and / or offsite monitoring;
- ❑ Efficacy of customer grievance redressal mechanism;
- ❑ No adverse reports from other departments of RBI / regulators / statutory bodies, etc.

Existing PSOs who do not satisfy all conditions will be given one-year renewals to enable them to comply; if any entity fails to do so in a reasonable time, its authorisation may be withdrawn. To read more, please click [here](#).

Introduction of Cooling Period

The Reserve Bank on December 04, 2020 decided to introduce the concept of Cooling Period (CP) in the following situations:

- ❑ Authorised Payment System Operators (PSOs) whose Certificate of Authorisation (CoA) is revoked or not-renewed for any reason; or
- ❑ CoA is voluntarily surrendered for any reason; or
- ❑ Application for authorisation of a payment system has been rejected by the Reserve Bank.
- ❑ New entities that are set-up by promoters involved in any of the above categories; definition of promoters for the purpose, shall be as defined in the Companies Act, 2013.

The CP shall be for one year from the date of revocation/non-renewal/acceptance of voluntary surrender /rejection of application, as the case may be. In respect of entities whose application for authorisation is returned for any reason by the Reserve Bank, condition of CP shall be invoked after giving the entity an additional opportunity to submit the application. To read more, please click [here](#).

Regulatory Sandbox

The Reserve Bank on December 24, 2020 announced that the remaining four entities selected under the first cohort of Regulatory Sandbox (RS) for the 'Test Phase', have started testing of their products as per details below:

- ❑ Tap Smart Data Information Services Private Ltd. (City Cash) Mumbai - The product is a set of Near-Field

Communication (NFC) based Prepaid card and NFC enabled Point of Sale (PoS) device, to facilitate offline Person-to-Merchant (P2M) transactions. The card can be used as travel pass and wallet to pay for purchase of bus tickets as well as payment at select merchants.

❑ ToneTag (Brand of Naffa Innovations Pvt. Ltd.) Bengaluru - The product is an offline, feature phone-based UPI payment solution for P2M transactions over 'sound medium' by establishing a secure channel for data transfer over Interactive Voice Response (IVR) between devices. The product enables contactless payment even without internet.

❑ Ubona Technologies Pvt. Ltd. Bengaluru - The voice-based UPI payment solution facilitates offline Person-to-Person (P2P) and P2M transactions using mobile phones including feature phones. The product also offers convenience of preferred Indian language to the customer through IVR, making adoption of digital transactions user friendly.

❑ Eroute Technologies Pvt. Ltd. Noida - The product is UPI based offline payment solution using SIM overlay smartcard placed on the SIM to drive SIM Tool Kit (STK) menu-based user interface to facilitate P2P/P2M transactions. This product offers payment solution to non-internet connected feature phone users.

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

Opening of Second Cohort under RS

The Reserve Bank on December 16, 2020 announced opening of Second Cohort under the Regulatory Sandbox with 'Cross Border Payments,' as its theme. To encourage innovation and broad base the eligibility criteria, the enabling framework has been modified by reducing net worth requirement from the existing ₹25 lakh to ₹10 lakh, as also including Partnership firms and Limited Liability Partnership (LLPs) to participate in the Regulatory Sandbox. It has also been decided to select 'MSME Lending' as the theme for the Third Cohort, details of which shall be announced in due course. To read more, please click [here](#).

V. Financial Inclusion

Centres for Financial Literacy

With a view to promote inclusive growth, deepen financial inclusion and protect the customers by promoting financial literacy, RBI had launched a pilot project in 2017 involving select banks and Non-Governmental Organisations (NGOs) to spread financial literacy in an innovative way through community led participatory approach in 80 blocks by setting up Centres for Financial Literacy (CFL) with funding support from Financial Inclusion Fund (FIF of NABARD) and respective sponsor banks. The project was further extended to 20 more blocks in tribal/economically backward areas in 2019 with funding from the Depositor Education and Awareness (DEA) Fund and sponsor banks.

Based on the experience gained, feedback received from the stakeholders (banks and NGOs) and to promote financial literacy at grass root level in a sustainable manner, as announced by the Governor, RBI in the Statement on Developmental and Regulatory Policies dated

December 04, 2020, it has been decided to expand the reach of the CFLs at every block in the country in a phased manner by March 2024. The scaled up project is being implemented through select NGOs empanelled with DEA Fund along with all the Convenor Banks having Lead District responsibilities.

VI. RBI Cautions

The Reserve Bank on December 23, 2020 cautioned the members of public not to fall prey to unscrupulous activities and verify the antecedents of the company/ firm offering loans online or through mobile apps. Moreover, consumers should never share copies of KYC documents with unidentified persons, unverified/unauthorised Apps and should report such Apps/Bank Account information associated with the Apps to concerned law enforcement agencies or use Sachet portal (<https://sachet.rbi.org.in>) to file an on-line complaint.

There have been reports about individuals/small businesses falling prey to growing number of unauthorised digital lending platforms/Mobile Apps on promises of getting loans in quick and hassle-free manner. Legitimate public lending activities can be undertaken by Banks, Non-Banking Financial Companies (NBFCs) registered with RBI and other entities who are regulated by the State Governments under statutory provisions, such as the money lending acts of the concerned states. To read more, please click [here](#).

VII. Trend & Progress of Banking in India

The Reserve Bank on January 29, 2020 released the [Report on Trend and Progress of Banking in India 2019-20](#), a statutory publication in compliance with Section 36 (2) of the Banking Regulation Act, 1949. This Report presents the performance of the banking sector, including co-operative banks, and non-banking financial institutions during 2019-20 and 2020-21 so far. The broad theme of this year's report is the impact of COVID-19 on banking and non-banking sectors, and the way forward. The highlights of the Report are :

❑ During 2019-20 and first half of 2020-21, scheduled commercial banks (SCBs) consolidated the gains achieved after the turnaround in 2018-19.

❑ SCBs' gross non-performing assets (GNPA) ratio declined from 9.1 per cent at end-March 2019 to 8.2 per cent at end-March 2020 and further to 7.5 per cent at end-September 2020.

❑ Capital to risk weighted assets (CRAR) ratio of SCBs strengthened from 14.3 per cent at end-March 2019 to 14.7 per cent at end-March 2020 and further to 15.8 per cent at end-September 2020, partly aided by recapitalisation of public sector banks and capital raising from the market by both public and private sector banks.

❑ The Reserve Bank undertook an array of policy measures to mitigate the effects of COVID-19; its regulatory ambit was reinforced by legislative amendments, giving it greater powers over co-operative banks, non-banking financial companies (NBFCs), and housing finance companies (HFCs); and it also undertook a series of initiatives to bolster its supervisory framework.

To read the full report, please click [here](#).