

# MONETARY & CREDIT INFORMATION REVIEW

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## I. Monetary Policy

### Minutes of the Monetary Policy Committee Meeting

The 38<sup>th</sup> meeting of the Monetary Policy Committee (MPC), constituted under section 45ZB of the Reserve Bank of India Act, 1934, was held during September 28-30, 2022. The meeting was attended by Dr. Shashanka Bhide, Honorary Senior Advisor, National Council of Applied Economic Research, Delhi; Dr. Ashima Goyal, Emeritus Professor, Indira Gandhi Institute of Development Research, Mumbai; Prof. Jayanth R. Varma, Professor, Indian Institute of Management, Ahmedabad; Dr. Rajiv Ranjan, Executive Director (the officer of the Reserve Bank nominated by the Central Board under Section 45ZB(2)(c) of the Reserve Bank of India Act, 1934); Dr. Michael Debabrata Patra, Deputy Governor in charge of monetary policy and was chaired by Shri Shaktikanta Das, Governor.

As per Section 45ZL of the Reserve Bank of India Act, 1934, the Reserve Bank published, on the 14<sup>th</sup> day after every meeting of the MPC, the minutes of the proceedings of the meeting which included the resolution adopted at the meeting of the MPC; the vote of each member of the MPC and the statement of each member of the MPCe under sub-section (11) of section 45ZI on the resolution adopted in the said meeting. To read more, please click [here](#).

### Additional Meeting of the MPC for 2022-2023

The Reserve Bank on October 27, 2022 announced an additional meeting of the MPC has been scheduled on November 3, 2022, under the provisions of Section 45ZN of the Reserve Bank of India (RBI) Act 1934. The announcement is made as per Section 45ZI(4) of the RBI Act 1934. To read more, please click [here](#).

### Meeting of Central Board

The 598<sup>th</sup> meeting of the Central Board of Directors of the Reserve Bank was held on October 31, 2022 in Mumbai under the Chairmanship of Shri Shaktikanta Das, Governor.

The Board in its meeting reviewed the current economic situation, global and domestic challenges including the overall impact of current global geopolitical crises. The Board also discussed the functioning of various Sub-Committees of the Central Board, Ombudsman Scheme and activities of select Central Office Departments.

Deputy Governors Shri Mahesh Kumar Jain, Dr. Michael Debabrata Patra, Shri M. Rajeshwar Rao, Shri T. Rabi Sankar and other Directors of the Central Board viz. Shri Satish K. Marathe, Shri S. Gurumurthy, Smt. Revathy Iyer, Prof. Sachin Chaturvedi, Shri Venu Srinivasan, Shri Pankaj Ramanbhai Patel and Dr. Ravindra H. Dholakia attended the meeting. Shri Ajay Seth, Secretary, Department of Economic Affairs also attended the meeting.

## II. Regulation

### Review of Prudential Norms

The Reserve Bank had advised External Credit Assessment Institutions (ECAIs) to disclose the name of the banks and the corresponding credit facilities rated by them in the press releases issued on rating actions by August 31, 2021. However, the above disclosures are not available in a large number of PRs issued by ECAIs owing to the absence of requisite consent by the borrowers to the ECAIs.

The Reserve Bank, on October 10, 2022, advised that a bank loan rating without the above disclosure by the ECAI shall not be eligible for being reckoned for capital computation by banks. Banks shall treat such exposures as unrated and assign applicable risk weights. The instructions shall be effective from March 31, 2023. To read more, please click [here](#).



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## Note from the Editor

Welcome to another edition of the Monetary and Credit Information Review (MCIR). This monthly periodical of the Reserve Bank helps keep abreast with new developments and important policy initiatives taken by the Reserve Bank during the month of October 2022 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](mailto:mcir@rbi.org.in)

Yogesh Dayal  
Editor

## RBI launches दक्ष (DAKSH)

Shri Shaktikanta Das, Governor, on October 6, 2022 launched a new SupTech initiative named 'दक्ष (DAKSH) – Reserve Bank's Advanced Supervisory Monitoring System', which is expected to make the Supervisory processes more robust. 'दक्ष (DAKSH)' is a web-based application to monitor compliance requirements in a more focused manner with the objective of further improving the compliances in supervised entities (SEs) like Banks, NBFCs. The application will also enable seamless communication, inspection planning and execution, cyber incident reporting and analysis, provision of various MIS reports through a platform which enables anytime-anywhere secure access. To read more, please click [here](#).

## Unhedged Foreign Currency Exposure

The Reserve Bank on October 11, 2022, after administering a comprehensive review, issued consolidated directions on unhedged foreign currency exposure (UFCE) of the entities which have borrowed from banks. To read more, please click [here](#).

## Claims from the National Credit Guarantee Trustee Company Ltd.

The Reserve Bank on October 13, 2022 decided that the amounts received by a bank from the National Credit Guarantee Trustee Company Ltd. (NCGTC) towards claims in respect of guarantees invoked and held by them pending adjustment of the same towards the relative advances, need not be treated as outside liabilities for the purpose of computation of NDTL for Cash Reserve Ratio (CRR)/Statutory Liquidity Ratio (SLR).

Accordingly, para 9 of the Master Direction on CRR/SLR – 2021 will henceforth include amount received by the eligible banks from NCGTC by invoking the guarantee towards claims and pending adjustments thereof. To read more, please click [here](#).

## Information Technology Governance- Draft Master Direction

The Reserve Bank on October 20, 2022 placed a draft 'Master Direction - Information Technology Governance, Risk, Controls and Assurance Practices' for comments/feedback of stakeholders and members of the public. The final Master Direction will be issued by the Reserve Bank after considering the feedback received. To read more, please click [here](#).

## Financial Action Task Force

The Financial Action Task Force (FATF) had earlier identified 22 jurisdictions as having strategic deficiencies and under increased monitoring. As per the October 21, 2022 FATF public statement, Democratic Republic of the Congo, Mozambique and Tanzania have been added to the list of Jurisdictions under Increased Monitoring while Nicaragua and Pakistan have been removed from this list based on review by the FATF. Myanmar has been added to the list of High-Risk Jurisdictions in the October 2022 FATF plenary. The Reserve bank on October 27, 2022 updated public statements and document released by FATF on October 21, 2022. To read more, please click [here](#).

## Designation as Terrorists

The Reserve Bank on October 27, 2022 intimated ten individuals as 'Terrorists' who have been listed in the Schedule IV under Section 35 (1) (a), of the Unlawful Activities (Prevention) Act (UAPA), 1967, on the basis of Gazette notification dated October 4, 2022, of the Ministry of Home Affairs (MHA) and advised the regulated entities (REs) to take note of the Gazette notifications issued by MHA for necessary compliance. To read more, please click [here](#).

## Amalgamation

The Reserve Bank on October 29, 2022 in exercise of the powers under the provisions of Section 44A read with Section 56 of the Banking Regulation Act, 1949 as amended vide the Banking Regulation (Amendment) Act, 2020 (39 of 2020), sanctioned the scheme of amalgamation of Shree Sharada Sahakari Bank Ltd, Pune (Maharashtra) with The Cosmos Co-operative Bank Ltd., Pune (Maharashtra). The Scheme came into force with effect from October 30, 2022. All the branches of Shree Sharada Sahakari Bank Ltd, Pune (Maharashtra) will function as branches of The Cosmos Co-operative Bank Ltd., Pune (Maharashtra) with effect from October 30, 2022. To read more, please click [here](#).

## Diversification of Activities

Standalone primary dealers (SPDs) are permitted to offer foreign exchange products, to their foreign portfolio investor (FPI) clients. They are allowed to offer all foreign exchange market-making facilities to users, as currently permitted to Category-I Authorised Dealers, subject to adherence to the prudential regulations.

The Reserve Bank on October 11, 2022 announced that all financial transactions involving the Rupee undertaken globally by related entities of the SPDs shall be reported to CCIL's Trade Repository before 12:00 noon of the business day following the date of transaction, with effect from January 01, 2023. SPDs shall comply with other regulations and prudential norms issued by Reserve Bank from time to time. To read more, please click [here](#).

The Reserve Bank on October 11, 2022 also issued prudential regulations to be followed by SPDs to undertake the foreign exchange activities which would continue to be part of their non-core activity. To read more, please click [here](#).

## Disclosure of Divergence

Commercial banks excluding Regional Rural Banks (RRBs) are required to disclose details of divergence in asset classification and provisioning where such divergence assessed by the Reserve Bank exceeds certain specified thresholds. The Reserve Bank on October 11, 2022 decided to introduce similar disclosure requirements for Primary Urban Co-operative Banks (UCBs) and revise the specified thresholds for commercial banks. These instructions effective for disclosures in the notes to the annual financial statements of the year ending March 31, 2023 and onwards, are applicable to all commercial banks (excluding RRBs) and all UCBs. To read more, please click [here](#).

## Asset Reconstruction Companies

The Reserve Bank on October 11, 2022 issued amended regulatory framework for ARCs on the basis of committee's recommendations, feedback from the stakeholders, the working of ARCs and recommendations of suitable measures for enabling them to function in a more transparent and efficient manner. To read more, please click [here](#).

## Multiple NBFCs in a Group

The Reserve Bank on October 11, 2022 ascertained, in line with the existing policy on consolidation of assets of the NBFCs in a group, that the total assets of all the NBFCs in a group shall be consolidated to determine the threshold for their classification in the Middle Layer, delineating four layered regulatory structure for NBFCs under scale based regulatory framework. If the consolidated asset size of the group is ₹1,000 crore and above, then each investment and credit company lying in the group shall be classified as an NBFC in the middle layer and consequently, regulations as applicable to the middle layer shall be applicable to them. These guidelines shall be effective from October 1, 2022. Provisions contained in this circular will not be applicable for classifying an NBFC in the Upper Layer. To read more, please click [here](#).

## III. Payment and Settlement Systems

### Revocation of Certificate of Authorisation

The Reserve Bank on October 20, 2022 in exercise of the powers conferred on it under Section 8 of the Payment and Settlement Systems Act, 2007 (PSS Act), revoked the certificate of authorisation of GI Technology Private Limited, Chennai. The company cannot transact the business of issuance and operation of prepaid payment instruments. However, customers or merchants having a valid claim, if any, on the company can approach the company for settlement of their claims. To read more, please click [here](#).

## IV. FinTech

### Central Bank Digital Currency

The Reserve Bank on October 31, 2022 announced the first pilot in the Digital Rupee - Wholesale segment (e₹-W) to commence on November 1, 2022. Use of e₹-W is expected to make the inter-bank market more efficient. Nine banks have been identified for participation in the pilot. To read more, please click [here](#).

## V. Consumer Education and Protection

### Appointment of Internal Ombudsman

The Reserve Bank on October 6, 2022 in exercise of the powers conferred by sub section (1) of Section 11 of the Credit Information Companies (Regulation) Act, 2005 (the Act), in the public interest to do so, directed all Credit Information Companies holding a certificate of registration under sub-section (2) of Section 5 of the Act, to appoint Internal Ombudsman at the apex of their

internal grievance redress mechanism by April 1, 2023. To read more, please click [here](#).

## VI. Foreign Exchange Management

### Short-Term Line of Credit to Republic of Cuba

Export-Import Bank of India (Exim Bank) entered into an agreement dated June 23, 2022 with the Banco Exterior de Cuba- an agency nominated by the Government of Republic of Cuba for making available to the latter, short term line of credit of EUR 100 million for the purpose of financing procurement of rice from India to the Republic of Cuba. To read more, please click [here](#).

## VII. Financial Markets

### Diversification of Activities by SPDs Review of Permissible Non-core Activities

The Reserve Bank on October 11, 2022 decided to allow standalone primary dealers (SPDs) to offer all foreign exchange market-making facilities to users, as currently permitted to Category-I Authorised Dealers, subject to adherence to the prudential regulations and other guidelines to be issued separately in this regard. Further, with effect from January 1, 2023 all financial transactions involving the Rupee undertaken globally by related entities of the SPD shall be reported to CCIL's Trade Repository before 12:00 noon of the business day following the date of transaction. To read more, please click [here](#).

### Prudential Regulations and other Instructions

The Reserve Bank on October 11, 2022 advised SPDs to continue the foreign exchange activities permitted to SPDs as part of their non-core activity. SPDs desirous of undertaking this activity may approach the Reserve Bank, for necessary authorisation. In case of failure of SPDs to meet the obligations of primary dealership (PD) business in the Government securities market or any other violations on regulations on conducting the PD business, the Reserve Bank reserves the right to impose restrictions or withdraw permission to undertake the foreign exchange business. To read more, please click [here](#).

## VIII. RBI Bulletin

### RBI Bulletin – October 2022

The Reserve Bank on October 17, 2022 released the October 2022 issue of its monthly bulletin. The bulletin includes one speech, five articles and current statistics.

#### I. State of the Economy

In India, broader economic activity remained resilient and poised to expand further with domestic demand accelerating as the contact-intensive sectors are experiencing a bounce-back. Robust credit growth and fortified corporate and bank balance sheets provided strength to the economy. Headline inflation is set to ease from its September high. These factors will entrench India's prospects as one of the fastest growing economies of the world.

#### II. Estimation of Green GDP for India

This article provides an estimation of Green GDP for

environmental deterioration and fading natural resources.

### III. 'Bigtechs' in the Financial Domain: Balancing Competition and Stability

This article analyses the benefits and the challenges of bigtechs in the financial domain.

### IV. Market Returns and Flows to Debt Mutual Funds

The article analyses the growth of debt mutual funds in India.

### V. Financial Liabilities of Household Sector in India – An Assessment

This article examines the determinants of Indian household borrowings and assesses the sustainability of borrowings in different episodes of shocks. To read more, please click [here](#).

## IX. RBI Publications

### 50 years' of Basic Statistical Returns

The Reserve Bank organised the BSR@50 conference on October 28, 2022 to discuss the role of basic statistical returns (BSR) system in supporting the expansion of the Indian banking system and financial inclusion policies during the last 50 years (1972-2022) and reflect on the way forward. The participants included officers of the Reserve Bank, representatives of major commercial banks, including their chief compliance officers and select ex-officials who contributed to the BSR system in the past.

In his keynote address Dr. Michael Debabrata Patra, Deputy Governor noted that the BSR system has endured the test of time as an exhaustive data collection system, which has continuously adapted and incorporated the structural changes in the economy and in the banking system. To read more, please click [here](#).

### The India KLEMS Database

The Reserve Bank on October 4, 2022 placed on its website the Data Manual 2021 on 'Measuring Productivity at the Industry Level-The India KLEMS [capital (K), Labour (L), Energy (E), Material (M) and services (S)] Database'. To read more, please click [here](#).

### RBI - Occasional Papers

The Reserve Bank on October 18, 2022 released Volume 42, No.2, 2021 of its occasional papers, a research journal containing contributions from its staff. This issue contains four articles and two book reviews. The articles are:

1. **Forecasting Food Inflation Using News-based Sentiment Indicators** by Bhanu Pratap, Abhishek Ranjan, Vimal Kishore and Binod B. Bhoi. They examined the utility of information content in newspaper articles to predict consumer price inflation (CPI) in vegetables and food in India. Using news items on three key vegetables published in leading English dailies namely, tomatoes, onions and potatoes (TOP) that contribute heavily to volatility in both CPI food and headline inflation in India, the authors employ natural language processing techniques to construct news-based sentiment indices to capture price dynamics of TOP commodities. To read more, please click [here](#).

2. **Behavioural Equilibrium Exchange Rates in Emerging**

**Market Economies** by Dirghau Keshao Raut. Author assessed the equilibrium exchange rates in emerging market economies using the behavioural equilibrium exchange rate model. Employing data from 1994-2020 for ten EMEs, the author finds that the real effective exchange rate in the long-run confirms the Balassa-Samuelson effect. To read more, please click [here](#).

3. **India's Innovation Ecosystem for Productivity-led Growth: Opportunities and Challenges** by Siddhartha Nath, Sreerupa Sengupta and Sadhan Kumar Chattopadhyay. The authors highlighted the recent trends in research and development (R&D) expenditures in the major advanced and EMEs, including India. The study indicates that India's R&D expenditure as a percentage of GDP, a major driver of innovation and productivity growth, is yet to be at par with other major economies. To read more, please click [here](#).

4. **Price Stickiness in CPI and its Sensitivity to Demand Shocks in India** by Sujata Kundu, Himani Shekhar and Vimal Kishore. The authors examined the degree of price stickiness in the All India Consumer Price Index-Combined (CPI-C) by classifying item level data into different price-setting methods and construct a Sticky Price Index and a Flexible Price Index and find that headline inflation is primarily driven by flexible price inflation, while inflation excluding food and fuel largely co-moves with sticky price inflation. To read more, please click [here](#).

### Book Review:

a) Sreerupa Sengupta reviewed the book 'Measuring Economic Growth and Productivity: Foundations, KLEMS Production Models and Extensions' edited by Barbara M. Fraumeni. The book provides a comprehensive perspective on productivity, that ranges from an analysis of trade productivity linkages, energy and environmental issues to models of welfare and human capital development. To read more, please click [here](#).

b) Shruti Joshi reviewed the book 'Foundations of Post-Schumpeterian Economics: Innovation, Institutions and Finance' written by Beniamino Callegri. The book offers a philosophical interpretation of the Schumpeter's theory by drawing insights from the works of Henry Bergson, French philosopher and Georgescu-Roegen, economist. To read more, please click [here](#).

## X. Data Releases

Important data releases by the Reserve Bank during the month of October 2022 are as follows:

S. N.	Title
1.	<a href="#">India's International Trade in Services: August 2022</a>
2.	<a href="#">ECB/FCCB/RDB: August 2022</a>
3.	<a href="#">Overseas Direct Investment: September 2022</a>
4.	<a href="#">Sectoral Deployment of Bank Credit: September 2022</a>
5.	<a href="#">Survey on International Trade in Banking Services: 2021-22</a>
6.	<a href="#">Lending and Deposit Rates of Scheduled Commercial Banks: October 2022</a>