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Note from the Editor

Welcome to another edition of the Monetary and Credit Information Review (MCIR). This monthly periodical of Reserve Bank of India helps keep abreast with new developments and important policy initiatives taken by the Reserve Bank during the month of May 2024 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

Puneet Pancholy
Editor

I. Regulation

Meeting with major stakeholders in UPI ecosystem

Governor held a meeting on May 8, 2024, with the major stakeholders in the UPI ecosystem viz. Banks, National Payments Corporation of India (NPCI), Third Party Application Providers and Technology Service Providers to discuss potential strategies for further expanding the reach of UPI. The meeting was also attended by Deputy Governor, Shri T. Rabi Sankar along with Senior Officials of RBI.

There were discussions on enhancing the adoption and usage of UPI, with stakeholders providing valuable inputs and suggestions on several key areas: strategies for scaling up UPI infrastructure and expanding the product portfolio, addressing challenges faced by the ecosystem with innovative solutions and integrating potential users into the digital payment's ecosystem. The Reserve Bank will review these suggestions and take appropriate actions in due course.

Conference for the Heads of Assurance Functions of Non-Banking Financial Companies (NBFCs)

The Reserve Bank of India on May 15, 2024 held a conference for Heads of Assurance Functions from select Non-Banking Financial Companies (NBFCs) in Mumbai. The theme of the conference was 'Resilient Financial System – Role of Effective Assurance Functions'. Deputy Governors Shri M. Rajeshwar Rao and Shri Swaminathan J. emphasized the importance of robust assurance functions in managing risks and ensuring transparency, governance and resilience in NBFC operations. The conference included technical sessions and presentations on best practices, concluding with an open house interaction with senior RBI officials. To read more, please click [here](#).

Conference for the Heads of Assurance Functions of Urban Co-operative Banks (UCBs)

The Reserve Bank of India on May 16, 2024 held a conference for Heads of Assurance Functions from select Urban Co-operative Banks (UCBs) in Mumbai. The conference was attended by about 300 participants from over 120 UCBs. The theme of the conference was 'Resilient Financial System – Role of Effective Assurance Functions'. Deputy Governors Shri M. Rajeshwar Rao and Shri Swaminathan J. emphasized the importance of effective and independent assurance functions, highlighting the need for proactive risk management, compliance and internal audit practices. The conference included technical sessions and concluded with an open house interaction between participants and senior RBI officials. To read more, please click [here](#).

Conference for the Directors and MD/CEOs of Asset Reconstruction Companies (ARCs)

The Reserve Bank of India on May 17, 2024 held a conference in Mumbai for Directors and MD/CEOs of Asset Reconstruction Companies (ARCs), attended by over 80 participants from all 27 ARCs. The theme of the Conference was 'Governance in ARCs – Towards Effective Resolutions' as part of the RBI's supervisory engagements. Deputy Governors Shri M. Rajeshwar Rao and Shri Swaminathan J. highlighted the importance of strong governance, ethical conduct and compliance with regulations. They emphasized the roles of Boards in establishing robust business models, the need for transparent recovery practices and the critical role of risk management, compliance and internal audit. The conference included technical sessions on regulatory aspects and an interactive session with RBI Executive Directors. To read more, please click [here](#).

608th Meeting of Central Board of the Reserve Bank of India

The Reserve Bank on May 22, 2024 conducted the 608th meeting of the Central Board of Directors at Mumbai under the Chairmanship of Shri Shaktikanta Das, Governor.

The Board reviewed the global and domestic economic scenario, including risks to the outlook. The Board also discussed the working of the Reserve Bank during the year April 2023 – March 2024 and approved the Reserve Bank's Annual Report and Financial Statements for the year 2023-24. The Board approved the transfer of ₹2,10,874 crore as surplus to the Central Government for the accounting year 2023-24. The Board also approved the Bank's budget for the accounting year 2024-25.

Deputy Governors Dr. Michael Debabrata Patra, Shri M. Rajeshwar Rao, Shri T. Rabi Sankar, Shri Swaminathan J. and other Directors of the Central Board – Shri Satish K. Marathe, Smt. Revathy Iyer, Shri Anand Gopal Mahindra, Shri Venu Srinivasan, Shri Pankaj Ramanbhai Patel and Dr. Ravindra H. Dholakia – attended the meeting. Shri Ajay Seth, Secretary, Department of Economic Affairs and Dr. Vivek Joshi, Secretary, Department of Financial Services, also attended the meeting.

Prudential Framework for Projects Under Implementation – Draft Guidelines

The Reserve Bank on May 3, 2024 released a draft Direction on the prudential framework for financing project loans. The revised guidelines aim to provide an enabling framework for regulated entities while addressing the complexities and risks of project finance. Public and stakeholder comments on the draft guidelines are invited by June 15, 2024. To read more, please click [here](#).

Certificate of Registration

15 Non-Banking Financial Companies (NBFC) have surrendered the Certificate of Registration (CoR) granted to them by the Reserve Bank of India (RBI). The RBI, in exercise of powers conferred on it under Section 45-IA (6) of the Reserve Bank of India Act, 1934, has therefore cancelled their CoR. To read more, please click [here](#).

II. Fintech

Launch of PRAVAAH, RBI Retail Direct Mobile Application and FinTech Repository

Shri Shaktikanta Das, Governor on May 28, 2024 launched three significant initiatives: the PRAVAAH portal, the Retail Direct Mobile App and a FinTech Repository, in the presence of dignitaries and senior officials of the Reserve Bank, banks, NBFCs, and other financial entities. These initiatives, previously announced in RBI's bi-monthly Statements on Development and Regulatory Policies in April 2023, April 2024 and December 2023 respectively, aim to streamline regulatory approvals through the PRAVAAH portal, provide retail investors seamless access to government securities through the Retail Direct Mobile App and enhance understanding of the Indian FinTech sector through the Fintech Repository. The PRAVAAH portal will facilitate online applications for regulatory approvals, improving efficiency in the approval processes, while the Retail Direct Mobile App will simplify retail investors' access to government securities transactions. The Fintech Repository will offer comprehensive information on the Indian FinTech sector for regulatory purposes. To read more, please click [here](#).

Framework for Recognising SRO(s) for FinTech Sector

The Reserve Bank of India has finalised the Framework for Recognising Self-Regulatory Organisations (SROs) in the FinTech sector, encouraging self-regulation and

adherence to high standards. Eligible non-profit entities that represent a significant portion of the FinTech sector, demonstrate robust governance and promote ethical practices can apply. Applications must include governance details, financial statements and evidence of sector representation. The RBI will review applications and publish eligible entities on its website. To read more, please click [here](#).

III. Financial Markets

Master Direction – Margining for Non-Centrally Cleared OTC Derivatives

The Reserve Bank on May 8, 2024 issued directions regarding exchange of variation margin (VM) and initial margin (IM) for non-centrally cleared derivatives (NCCDs) in exercise of the powers conferred under Section 45W of the Reserve Bank of India Act, 1934 and Sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and of all the powers enabling it in this behalf. To read more, please click [here](#).

IV. Foreign Exchange

Instructions on Money Changing Activities

The Reserve Bank on May 27, 2024 updated the FED Master Direction No.3/2015-16 on Money Changing Activities, effective July 1, 2024, requiring Full Fledged Money Changers (FFMCs) and non-bank Authorised Dealers (ADs) Category-II to sell at least 75% of purchased foreign currency notes to the public quarterly. They must maintain data for audits and submit their annual audited balance sheets and net owned funds certificates to the RBI by October 31 each year. These updates are issued under the Foreign Exchange Management Act, 1999, and the Master Direction will be revised to reflect these changes. To read more, please click [here](#).

Action against Authorised Dealer Bank – The HSBC Limited

The Reserve Bank on May 29, 2024 imposed a monetary penalty of ₹36,38,000 on HSBC Limited for violating reporting requirements under the Liberalised Remittance Scheme of FEMA 1999. Following a Show Cause Notice, the RBI found the violations substantiated after reviewing the bank's written and oral submissions. To read more, please click [here](#).

V. Supervision

Monetary Penalty

The Reserve Bank imposed monetary penalty during the month of May 2024 on the following entities under various sections of Banking Regulation Act, 1949.

Name of the Entity	Amount of Monetary Penalty
SBM Bank (India) Limited	₹ 88.70 lakh
Bharati Sahakari Bank Limited, Pune	₹ 20.00 lakh
The Greater Bombay Co-operative Bank Limited, Mumbai	₹ 25.00 lakh
Yes Bank Ltd	₹ 91.00 lakh
ICICI Bank Ltd	₹ 1.00 crore
Hero FinCorp Limited	₹ 3.10 lakh
The Urban Co-operative Bank Ltd., Budaun	₹ 7.00 lakh
Karnataka Bank Ltd	₹ 59.10 lakh
The Sutex Co-operative Bank Ltd., Surat, Gujarat	₹ 5.00 lakh
The Vaijapur Merchants Co-operative Bank Ltd., Vaijapur, Maharashtra	₹ 2.50 lakh
Belstar Microfinance Limited, Chennai	₹ 3.10 lakh
Noida Commercial Co-operative Bank Ltd., Ghaziabad, Uttar Pradesh	₹ 2.50 lakh
Lokmangal Co-operative Bank Limited, Solapur, Maharashtra	₹ 5.00 lakh
The Satara Sahakari Bank Limited, Mumbai	₹ 2.00 lakh
The Bhadohi Urban Co-operative Bank Ltd., Bhadohi, Uttar Pradesh	₹ 2.00 lakh
The Bapunagar Mahila Co-operative Bank Ltd., Ahmedabad, Gujarat	₹ 1.00 lakh
The Gandhinagar Urban Co-operative Bank Ltd., Gandhinagar, Gujarat	₹ 1.00 lakh

Action against ECL Finance Limited and Edelweiss Asset Reconstruction Company Limited

The Reserve Bank on May 29, 2024 imposed business restrictions on two Edelweiss Group entities, ECL Finance Ltd (ECL) and Edelweiss Asset Reconstruction Company Limited (EARCL). ECL Finance Ltd (ECL) to cease and desist, with immediate effect, from undertaking any structured transactions in respect of its wholesale exposures, other than repayment and/ or closure of accounts in its normal course of business. Edelweiss Asset Reconstruction Company Limited (EARCL) to cease and desist from acquisition of financial assets including security receipts (SRs) and reorganising the existing SRs into senior and subordinate tranches. Despite engagement with the entities' senior management, no substantial corrective measures were taken, prompting the RBI's restrictions. The RBI has directed both companies to strengthen their compliance functions, with the restrictions to be reviewed upon satisfactory rectification of the observed deficiencies. To read more, please click [here](#).

VI. Issuer of Currency

Withdrawal of ₹2000 denomination Banknotes

The Reserve Bank on June 3, 2024 released the status of withdrawal of ₹2000 denomination banknotes. As per the data, the total value of ₹2000 banknotes in circulation declined to ₹ 7755 crore at the close of business on May 31, 2024. Thus, 97.82% of the ₹2000 banknotes in circulation as on May 19, 2023, has since been returned. To read more, please click [here](#).

VII. Statistics and Information

Survey on Computer Software and Information Technology Enabled Services (ITES) Exports: 2023-24

The Reserve Bank on June 3, 2024 initiated its annual survey on Computer Software and Information Technology Enabled Services (ITES) Exports for the 2023-24 period. This survey collects data on computer services exports, ITES and business process outsourcing (BPO), disseminating results publicly and contributing to India's external sector statistics. All software and ITES/BPO exporting entities are required to complete the survey schedule, with the updated format available on the RBI's website. The soft form of the survey schedule, in both Hindi and English, can be filled and submitted via email by July 15, 2024, facilitating regulatory reporting and data compilation. To read more, please click [here](#).

Survey on Foreign Liabilities and Assets of Mutual Funds and Asset Management Companies: 2023-24

The Reserve Bank on June 3, 2024 launched the 2023-24 edition of its annual survey on 'Foreign Liabilities and Assets of Mutual Funds and Asset Management Companies'. This survey gathers data from mutual fund companies and asset management firms on their external financial liabilities and assets as of the end of March of the latest financial year. The survey results are shared publicly and contribute to India's external sector statistics. To read more, please click [here](#).

VIII. Publication

Half Yearly Report on Management of Foreign Exchange Reserves

The Reserve Bank on May 13, 2024 released the Report on Management of Foreign Exchange Reserves as part of its efforts towards enhanced transparency and levels of disclosure. The present report (42nd in the series) is with reference to the position as at end-March 2024. The report is divided into two parts: Part I contains the developments regarding movement of foreign exchange reserves, information on the external liabilities vis-à-vis the reserves, adequacy of reserves, etc., during the half-year under review. Objectives of reserve management, statutory provisions, risk management practices, information on transparency and disclosure practices followed by the RBI with regard to reserve management are covered in Part II. To read more, please click [here](#).

Appointment of Executive Director

The Reserve Bank on May 9, 2024 appointed Shri R. Lakshmi Kanth Rao as Executive Director with effect from May 9, 2024. Prior to being appointed as Executive Director, Shri Rao was serving as Chief General Manager-in-Charge in the Department of Regulation. Shri Rao has experience of over three decades in the Reserve Bank having worked in the areas of Regulation of Banks and NBFs, Supervision of Banks and Consumer Protection. He had served as Banking Ombudsman at RBI Chennai and as Regional Director of Uttar Pradesh at Lucknow.

As Executive Director, Shri Rao will look after 1. Deposit Insurance and Credit Guarantee Corporation, 2. Right to Information Act (FAA), 3. Department of Communication.

Annual Report

The Reserve Bank on May 30, 2024 under section 53 (2) of the Reserve Bank of India Act, 1934 released its Annual Report of the year 2023-24. The report is a statutory report of its Central Board of Directors. It covers the working and functions of Reserve Bank for the period April 2023 - March 2024.

Major Highlights of the Annual Report are:

- i) The report indicates a positive economic outlook for India despite challenges. However, it notes that climate-related risks could pose uncertainties to inflation and growth.
- ii) India's GDP growth is projected to remain robust at 7% for the fiscal year 2024-25. This growth is underpinned by strong investment demand, healthy balance sheets of banks and corporations, and effective government policies focused on capital expenditure.
- iii) Unclaimed deposits in banks saw a significant increase of 26% year-on-year, reaching ₹78,213 crore by the end of March 2024. The RBI has introduced new guidelines to help banks manage and reduce these unclaimed deposits
- iv) The RBI's net income surged to ₹2.11 lakh crore, primarily due to a significant rise in interest from foreign securities. The central bank's balance sheet grew by 11.08%, reaching ₹70.48 lakh crore as of March 31, 2024.
- v) There was a notable decline in FDI inflows into the manufacturing sector, which fell by 18% to \$9.3 billion. Overall FDI inflows into India dropped slightly to \$44.4 billion from \$46 billion in the previous fiscal year.
- vi) The number of bank frauds increased dramatically by 166% year-on-year, with over 36,075 cases reported in FY24. But the amount involved in the total bank frauds almost halved (down by 46.7 percent) to Rs 13,930 crore from Rs 26,127 crore in the previous year
- vii) While there was a decrease in FDI in several sectors, including financial services and retail, the electricity transmission and generation sector saw a substantial increase in FDI inflows.
- viii) The RBI maintained a cautious stance, adjusting the policy repo rate to 6.50% to balance growth and inflation. Continued focus on liquidity management to ensure adequate system liquidity while avoiding excesses.
- ix) The expenditure on security printing increased to ₹5,101.4 crore in 2023-24 from ₹4,682.8 crore in the previous year, reflecting higher production and security measures.

RBI - Working Paper

The Reserve Bank in the month of May 2024 released the following working paper: *Assessing the Impact of Macroprudential Policies on Housing Credit Dynamics: Evidence from India* by Amar Nath Yadav, Vivek Kumar, Alok Kumar Chakrawal and Jyoti Kumari published on May 3, 2024. The major objective of macroprudential (MaP) policies is to strengthen the banking and financial system through pre-emptive regulatory measures, aiming to prevent or mitigate the consequences of credit cycle busts by utilizing buffers built during booms. To read more, please click [here](#).

RBI Bulletin

The Reserve Bank on May 21, 2024 released the May 2024 issue of its monthly Bulletin. The Bulletin includes three speeches, four articles, and current statistics. The four articles are:

- I. State of the Economy
- II. Decentralised Finance: Implications for Financial System
- III. Currency Swaps of the Reserve Bank of India: Role in the GFSN and Fostering International Financial Cooperation
- IV. Consumer Confidence in India: A Regional Perspective. To read more, please click [here](#).

IX. Data Release

Important data released by the Reserve Bank during the month of May 2024 are as follows:

S/N	Title
1	Scheduled Banks' Statement of Position in India as on May 17, 2024
2	Overseas Direct Investment for April 2024
3	Lending and Deposit Rates of Scheduled Commercial Banks – May 2024
4	Data on ECB / FCCB / RDB for March 2024
5	Sectoral Deployment of Bank Credit – April 2024
6	All-India House Price Index (HPI) for Q4:2023-24