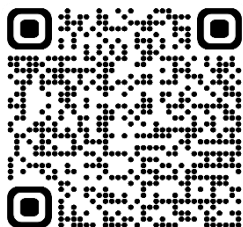


MONETARY & CREDIT INFORMATION REVIEW



MCIR

Volume XIX Issue 10 January 2024



I. Regulation

Inoperative Accounts/Unclaimed Deposits in Banks

The Reserve Bank on January 1, 2024 as a measure to assist the account holders and with a view to consolidating and rationalising the extant instructions on inoperative accounts, decided to issue comprehensive guidelines on the measures to be put in place by the banks covering various aspects of classifying accounts and deposits as inoperative accounts and unclaimed deposits, as the case may be, periodic review of such accounts and deposits, measures to prevent fraud in such accounts/deposits, grievance redressal mechanism for expeditious resolution of complaints, steps to be taken for tracing the customers of inoperative accounts/unclaimed deposits including their nominees/legal heirs for re-activation of accounts, settlement of claims or closure and the process to be followed by them. These instructions were expected to complement the ongoing efforts and initiatives taken by banks and the Reserve Bank, to reduce the quantum of unclaimed deposits in the banking system and return such deposits to their rightful owners/ claimants.

The revised instructions are applicable to all Commercial Banks (including RRBs) and all Co-operative Banks and shall come into effect from April 1, 2024. To read more, please click [here](#).

Instructions on Bulk Deposits for UCBs

The Reserve Bank on January 1, 2024 enhanced the bulk deposit limit for Scheduled Primary (Urban) Co-operative Banks (UCBs) in Tier 3 and 4 to Rupees one crore and above. Accordingly, 'Bulk Deposit' for Primary UCBs would now mean:

- Single Rupee term deposits of Rupees one crore and above for Scheduled UCBs categorised as Tier 3 and 4 UCBs under the revised regulatory framework.
- Single Rupee term deposits of Rupees fifteen lakh and above for all other UCBs, i.e., other than Scheduled UCBs in Tier 3 and 4. To read more, please click [here](#).

DG's meeting with MD and CEOs of CICs

Shri Swaminathan J, Deputy Governor, Reserve Bank of India on January 2, 2024 chaired a meeting held with the Managing Director and Chief Executive Officers of all the Credit Information Companies (CICs).

Deputy Governor acknowledged the vital role played by CICs in the financial system. He pointed out that, of late, there is a rise in customer complaints related to credit information and some concerns have emerged during Reserve Bank's supervisory assessment. The Deputy Governor highlighted six key areas for the CICs to focus on, namely,

- Need to improve the data quality,
- Timely redressal of customer complaints,
- Strengthening of internal ombudsman framework,
- Streamlining the process for handling data correction requests,
- Strengthening of cybersecurity and data privacy through robust information security governance framework and
- Concerns arising out of usage of data for consulting, analytics, etc. To read more, please click [here](#).

Draft Circular on Declaration of Dividend by Banks

The Reserve Bank on January 2, 2024 issued a draft circular on the dividend declaration criteria of the banks and remittance of profits to head office by foreign bank branches in India. The Bank said the guidelines were reviewed in light of the implementation of Basel III standards, the revision of the prompt corrective action (PCA) framework, and the introduction of differentiated banks.

According to the draft guidelines, commercial banks, small finance banks, payments banks, local area banks, and regional rural banks will have to meet the 'applicable' regulatory capital requirement (capital to risk-weighted assets ratio/CRAR) for each of the last three financial years, including the financial year for which the dividend is proposed. The draft also mentioned that net non-performing assets (NNPA) ratio should be less than 6 per cent for the financial year for which the dividend is proposed, To read more, please click [here](#).

Contents

Sections	Page
I. Regulation	1-3
II. Supervision	3
III. Financial Market	3-4
IV. Foreign Exchange	4
V. Debt Management	4
VI. Payment and Settlement	4
VII. Publications	4
VIII. Data Release	4

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 January 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

Yogesh Dayal
Editor

Re-appointment of Deputy Governor

The Central Government re-appointed Dr. Michael Debabrata Patra as Deputy Governor, Reserve Bank of India for a further period of one year with effect from January 15, 2024, or until further orders, whichever is earlier.

Dr. Patra was first appointed as the RBI Deputy Governor in January 2020 for three years. In 2023, the government extended his term by one year. Dr. Patra will continue to be an ex-officio member of the MPC as the Deputy Governor. Notable that he is the only member of the MPC who has been on the rate-setting panel since its inception in 2016.

Amendment to the MD on KYC

The Reserve Bank on January 4, 2024 amended the Master Direction (MD) on Know Your Customer (KYC) guidelines, aiming to redefine and provide clearer parameters for identifying Politically Exposed Persons (PEPs).

In the extant Direction, the definition of Politically Exposed Persons (PEPs) is provided in sub-clause (xvii) of clause (a) of Section 3 of the MD on KYC. However, in order to provide better clarity, the Bank included the definition of PEPs as an explanation to Section 41 of the MD as under:

‘For the purpose of this Section, Politically Exposed Persons (PEPs) are individuals who are or have been entrusted with prominent public functions by a foreign country, including the Heads of States/Governments, senior politicians, senior government or judicial or military officers, senior executives of State-owned corporations and important political party officials.’ To read more, please click [here](#).

‘On tap’ Licensing of SFBs

The Reserve Bank on January 8, 2024 released the name of applicant under the guidelines for ‘on tap’ licensing of Small Finance Banks (SFBs) in the Private Sector. The Bank said that during the quarter ended December 31, 2023, only Fino Payments Bank Limited applied for a license of SFB. To read more, please click [here](#).

Conference of SCBs

The Reserve Bank on January 11, 2024 held a conference in Mumbai for the Chief Compliance Officers, Chief Risk Officers and Heads of Internal Audit of all Scheduled Commercial Banks (SCBs). The theme of the conference was ‘Resilient Financial System–Role of Effective Assurance Functions’. Deputy Governors Shri M. Rajeshwar Rao and Shri Swaminathan J. addressed the participants during the conference. To read more, please click [here](#).

Certificate of Registration

The Reserve Bank on January 11, 2024 in exercise of powers conferred on it under Section 45-IA (6) of the Reserve Bank of India Act, 1934 cancelled the Certificate of Registration (CoR) of five Non-Banking Financial Companies (NBFC) that had surrendered their CoRs. To read more, please click [here](#).

Credit Risk Transfer

The Reserve Bank on January 15, 2024 in order to ensure uniformity and consistency in computation of concentration norms among NBFCs, reviewed the extant concentration norms as under:

A. Regulations for NBFC-Middle Layer (ML)

Computation of exposure–Credit Risk Transfer Instruments

Aggregate exposure to a counterparty comprising both on and off-balance sheet exposures are calculated based on the method prescribed for capital computation in MD on NBFC and MD on HFC, i.e., on-balance sheet exposures are reckoned at the outstanding amount while the off-balance sheet exposures are converted into credit risk equivalent by applying the credit conversion factor prescribed under capital requirements. Further, as per Annex XIV of the MD on NBFC, credit default swaps (CDS) are currently allowed as credit risk transfer instruments for offsetting exposure to the underlying counterparty. Henceforth, the exposures of NBFC-ML shall also be offset with credit risk transfer instruments listed as under:

- i) Cash margin/caution money/security deposit held as collateral on behalf of the borrower against the advances for which right to set off is available,
- ii) Central government guaranteed claims which attract 0 per cent risk weight for capital computation,
- iii) State government guaranteed claims which attract 20 per cent risk weight for capital computation and
- iv) Guarantees issued under the Credit Guarantee Schemes of Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE), Credit Risk Guarantee Fund Trust for Low Income Housing (CRGFTLIH) and individual schemes under National Credit Guarantee Trustee Company Ltd.. (NCGTC).

Provided that to be eligible as a credit risk transfer instrument, guarantees shall be direct, explicit, irrevocable and unconditional.

Exemptions from credit/investment concentration norms

In addition to the exposures already exempted from credit/investment concentration norms of MD on HFC, exposures listed below shall also be exempt from credit/investment concentration norms:

- i) Exposure to the Government of India and State governments which are eligible for zero percent risk weight under capital regulations applicable to NBFC and
- ii) Exposure where the principal and interest are fully guaranteed by the Government of India.

B. Regulations for NBFC-Base Layer (BL)

NBFC-BL shall put in place an internal Board approved policy for credit/investment concentration limits for both single borrower/party and single group of borrowers/parties. Computation of exposure shall be on similar lines as that for NBFC-ML.

C. Regulations for NBFC-Upper Layer (UL)

A reference is drawn to paragraph 110.4.2 of Master Direction on NBFC which lists out the credit risk transfer instruments. It is clarified that to be eligible as a credit risk transfer instrument, guarantees shall be direct, explicit, irrevocable and unconditional. To read more, please click [here](#).

Appointment/Re-appointment of Statutory Auditors

The Reserve Bank on January 15, 2024 issued comprehensive guidelines for the appointment and re-appointment of Statutory Auditors (SA) for State Co-operative Banks (StCBs) and Central Co-operative Banks (CCBs). This move comes in response to the Banking Regulation (Amendment) Act, 2020 (No. 39 of 2020), which became effective on April 1, 2021, impacting Rural Co-operative Banks.

In accordance with the amendments outlined in the Act, RBI, utilising its authority under Section 30(1A) of the Banking Regulation Act, 1949, formulated guidelines addressing the process of appointing, re-appointing, or removing Statutory Auditors and other related matters.

Effective from April 1, 2024, these guidelines require StCBs and CCBs to submit applications for RBI's prior approval before July 31 of the respective accounting year for all periods commencing on or after April 1, 2024.

The SAs shall be appointed at a time for a period of one year only and shall be reappointed annually for the succeeding two years subject to them continuing to satisfy eligibility norms stated in these guidelines. During such period, premature removal of the SA shall require prior approval of RBI. To read more, please click [here](#).

Norms for Inclusion of UCBs in Second Schedule

The Reserve Bank on January 17, 2024 revised the eligibility norms for inclusion of UCBs in the Second Schedule to the Reserve Bank of India Act, 1934 to bring them in conformity with the Revised Regulatory Framework.

The Government of India, through a notification dated Sep 4, 2023 stated that licensed Tier 3 and Tier 4 Primary (Urban) Co-operative Banks fulfilling the criteria for Financially Sound and Well Managed by the Reserve Bank, subject to maintenance of minimum deposits required for categorisation as a Tier 3 Urban Co-operative Bank for two consecutive years would be eligible financial institutions. To be considered for inclusion in the Second Schedule, UCBs must meet the following criteria:

- i) Capital Adequacy: Maintain a Capital to Risk Weighted Asset Ratio (CRAR) of at least 3 per cent more than the minimum CRAR requirement applicable to the UCB.
- ii) Regulatory and Supervisory Compliance: Have no major regulatory and supervisory concerns. To read more, please click [here](#).

Conference of Directors of select UCBs of Southern Zone

The Reserve Bank on January 24, 2024 held a Conference of Directors of select UCBs of Southern Zone in Hyderabad. The theme of the Conference was 'Governance in UCBs: Combating Cyber Threats and Enhancing Resilience'. Shri Swaminathan J., Deputy Governor in his keynote address emphasised the pivotal role UCBs play in furthering financial inclusion and the importance of proactive measures to uphold the resilience of the UCB sector. To read more, please click [here](#).

Leveraging Use of Technology

The Reserve Bank on January 31, 2024 advised the regulated entities to carry out a comprehensive review of the existing internal compliance tracking and monitoring processes and institute necessary changes to existing systems or implement new systems latest by June 30, 2024. To read more, please click [here](#).

II. Supervision

Action against a Payment Bank

The Reserve Bank on January 31, 2024 in exercise of its powers under section 35A of the Banking Regulation Act, 1949, directed Paytm Payments Bank Ltd. (PPBL or the bank) to stop onboarding of new customers with immediate effect. The Comprehensive System Audit report and subsequent compliance validation report of the external auditors revealed persistent non-compliances and continued material supervisory concerns in the bank, warranting further supervisory action. Accordingly, the Bank directed PPBL as below:

- i) No further deposits or credit transactions or top ups shall be allowed in any customer accounts, prepaid instruments, wallets, FASTags, NCMC cards, etc., after February 29, 2024, other than any interest, cashbacks, or refunds which may be credited anytime.
- ii) Withdrawal or utilisation of balances by its customers from their accounts including savings bank accounts, current accounts, prepaid instruments, FASTags, National Common Mobility Cards, etc., are to be permitted without any restrictions, upto their available balance.
- iii) No other banking services, other than those referred in (ii) above, like fund transfers (irrespective of name and nature of services like AEPS, IMPS, etc.), BBPOU and UPI facility should be provided by the bank after February 29, 2024.
- iv) The Nodal Accounts of One97 Communications Ltd. and Paytm Payments Services Ltd. are to be terminated at the earliest, in any case not later than February 29, 2024.
- v) Settlement of all pipeline transactions and nodal accounts (in respect of all transactions initiated on or before February 29, 2024) shall be completed by March 15, 2024 and no further transactions shall be permitted thereafter. To read more, please click [here](#).

III. Financial Market

MD on CPs and NCDs

The Reserve Bank on January 3, 2024 reviewed the directions on Commercial Papers (CPs) and Non-Convertible Debentures (NCDs) of original or initial maturity up to one year. The Bank stated that issuers of CPs and NCDs have to disclose information on any default in payments through various channels, including publicly disseminating such information through their website. Further, the Bank put a cap on the total subscription by all individuals, including Hindu Undivided Families (HUF) in any primary issuance of CPs or NCDs to 25 per cent of the total amount issued. The Bank also expanded the category of CP and NCD issuers to include Infrastructure Investment Trusts (InvITS) and Real Estate Investment Trusts (REITs). To read more, please click [here](#).

Hedging of Foreign Exchange Risk

The Reserve Bank on January 5, 2024 consolidated norms on Currency Futures and Exchange Traded Currency Options. According to the directions, for OTC foreign exchange transactions, authorised dealers shall classify users as retail or non-retail to offer foreign exchange derivative contracts and foreign currency interest rate derivative contracts. To read more, please click [here](#).

Standing Liquidity Facility

The Reserve Bank on January 30, 2024 decided to made available an additional aggregate amount of ₹5,000 crore to the Standalone Primary Dealers (SPDs) under the Standing Liquidity Facility at the prevailing repo rate starting from January 31, 2024. To read more, please click [here](#).

IV. Foreign Exchange Management

Guidelines on Import of Gold

The Reserve Bank on January 31, 2024 decided that subject to the directions as mentioned in A.P. (DIR Series) Circular No. 04 dated May 25, 2022, Authorised Dealer Category-I banks may allow valid Tariff Rate Quota (TRQ) holders under the India-UAE Comprehensive Economic Partnership Agreement (CEPA) to remit advance payment for eleven days for import of gold through India International Bullion Exchange IFSC Ltd.. (IIBX) against the TRQ. To read more, please click [here](#).

V. Debt Management

Working Group on State Government Guarantees

The Reserve Bank on January 16, 2024 published the Report of the Working Group on State Government Guarantees. The terms of reference of the Working Group included, inter alia, prescribing a uniform guarantee ceiling for the States, uniform reporting framework for the guarantees given by the State governments, assessing the adequacy of States' contribution to the Guarantee Redemption Fund, etc. The major recommendations of the Working Group are as under:

- i) The word 'Guarantee' should include all instruments, which create an obligation, contingent or otherwise, on part of the State government.
- ii) The purpose for which Government guarantees are issued should be clearly defined.
- iii) State Governments may consider fixing a ceiling for incremental guarantees issued during a year at 5 per cent of Revenue Receipts or 0.5 per cent of Gross State Domestic Product, whichever is less.
- iv) State governments may consider charging a minimum guarantee fee for guarantees extended and additional risk premium may be charged based on the risk category and the tenor of the underlying loan.
- v) State governments may publish/ disclose data relating to guarantees, as per the Indian government Accounting Standard (IGAS). To read more, please click [here](#).

VI. Payment and Settlement

RBI-Digital Payments Index

The Reserve Bank on January 31, 2024 published the Digital Payment Index (DPI) for September 2023. The index stood at 418.77 as against 395.57 for March 2023, which

stood at 418.77 as against 395.57 for March 2023, which was announced on July 27, 2023.

The DPI index increased across all parameters driven particularly by growth in payment enablers, payment performance and consumer centricity across the country over the period. The index series since its inception is as:

Period	RBI - DPI Index
March 2018 (Base)	100
March 2019	153.47
September 2019	173.49
March 2020	207.84
September 2020	217.74
March 2021	270.59
September 2021	304.06
March 2022	349.30
September 2022	377.46
March 2023	395.57
September 2023	418.77

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

VII. Publication

RBI Bulletin

The Reserve Bank on January 18, 2024 released the January 2024 issue of its monthly Bulletin. The Bulletin includes seven speeches, six articles and current statistics. The six articles are:

- i) State of the Economy,
- ii) Are Food Prices the 'True' Core of India's Inflation?
- iii) Dynamics of Credit Growth in the Retail Segment: Risk and Stability Concerns.
- iv) Stock-Bond Correlation and the Macroeconomy: Evidence from India
- v) Agriculture Supply Chain Dynamics: Evidence from Pan-India Survey
- vi) Climate Stress Testing and Scenario Analysis: Navigating Uncharted Waters.

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

Finances of Panchayati Raj Institutions

The Reserve Bank on January 24, 2024 released its Report titled 'Finances of Panchayati Raj Institutions'. Drawing upon data on 2.58 lakh Panchayats for the years 2020-21 to 2022-23, it presents an assessment of their finances and their role in India's socio-economic development. To read more, please click [here](#).

VIII. Data Release

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

S/N	Title
1	India's International Trade in Services for the Month of November 2023
2	Reserve Bank of India Survey
3	Union Government Accounts at a Glance
4	Scheduled Banks' Statement of Position in India as on Friday, January 12, 2024