

MONETARY & CREDIT INFORMATION REVIEW

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MCIR



I. Regulation

FATF High Risk and Other Monitored Jurisdictions

The Reserve Bank on November 1, 2023 informed regarding Financial Action Task Force's (FATF) public document 'High-Risk Jurisdictions subject to a Call for Action' – October 2023. FATF, earlier identified some jurisdictions as having strategic deficiencies in their regimes to counter money laundering, terrorist financing and proliferation financing and placed the jurisdictions under Increased Monitoring, which developed action plan with the FATF to deal with them. These jurisdictions are; Albania, Barbados, Burkina Faso, Cameroon, Cayman Islands, Democratic Republic of the Congo, Croatia, Gibraltar, Haiti, Jamaica, Jordan, Mali, Mozambique, Nigeria, Panama, Philippines, Senegal, South Africa, South Sudan, Syria, Tanzania, Turkey, Uganda, United Arab Emirates, Vietnam and Yemen. As per the October 27, 2023 FATF public statement, Bulgaria has been added to this list of jurisdictions under Increased Monitoring while Albania, Cayman Islands, Jordan and Panama have been removed from this list based on review by the FATF. To read more, please click [here](#).

IT Governance, Risk, Controls and Assurance Practices

The Reserve Bank on November 7, 2023 issued a new comprehensive Master Direction to banks and non-banking financial companies (NBFCs) on Information Technology Governance, Risk, Controls and Assurance Practices. The key focus areas of IT Governance shall include strategic alignment, risk management, resource management, performance management and Business Continuity/ Disaster Recovery Management. The guidelines have directed all regulated entities to keep a close watch on 'Cyber events' defined as any observable occurrence in an information system. The effective date of these directions is April 1, 2024. These guidelines, however, shall not be applicable to Local Area Banks and NBFC-Core Investment Companies. To read more, please click [here](#).

India Finance Report of CAFRAL

Shri Shaktikanta Das, Governor, Reserve Bank of India on November 7, 2023 released 'India Finance Report 2023' (IFR 2023), the first flagship publication of the Centre for Advanced Financial Research and Learning (CAFRAL). The IFR 2023, with 'Connecting the Last Mile' as its theme, provides an in-depth assessment of non-banking financial companies (NBFCs) in India. To read more, please click [here](#).

Certificate of Registration

The Reserve Bank on November 10, 2023 in exercise of powers conferred under Section 45-IA (6) of the Reserve Bank of India Act, 1934, has cancelled the Certificate of Registration (CoR) of two Non-Banking Financial Companies (NBFCs).

Further, on November 10, 2023, four NBFCs and two Housing Finance Companies (HFCs) surrendered CoRs granted to them by the Reserve Bank of India. The Reserve Bank, in exercise of powers conferred on it under Section 45-IA (6) of the Reserve Bank of India Act, 1934 and Section 29A of National Housing Bank Act, 1987, respectively, cancelled their CoR. To read more, please click [here](#).

Action against an NBFC

The Reserve Bank on November 15, 2023 in exercise of its powers under section 45L(1)(b) of the Reserve Bank of India Act, 1934 directed Bajaj Finance Ltd. ('the company') to stop sanction and disbursement of loans under its two lending products 'eCOM' and 'Insta EMI Card', with immediate effect.

The action is necessitated due to non-adherence of the company to the extant provisions of Digital lending guidelines of Reserve Bank, particularly non-issuance of Key Fact Statements to the borrowers under these two lending products and the deficiencies in the Key Fact Statements issued in respect of other digital loans sanctioned by the company. 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 November 2023 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

Appointment of Executive Director

The Reserve Bank on November 1, 2023 appointed Shri Manoranjan Mishra as Executive Director with effect from November 1, 2023. Prior to being promoted as Executive Director, Shri Mishra was serving as Chief General Manager in the Department of Regulation. Shri Mishra has experience of over three decades in the Reserve Bank having worked in the areas of regulation of banks and NBFCs, supervision of banks and currency management. He has served as a member in several Working Groups at the national and international levels contributing to formulation of regulatory/ supervisory policies.

As Executive Director, Shri Mishra will look after i) Enforcement Department, ii) Risk Monitoring Department and iii) Department of External Investments & Operations.

Consumer Credit and Bank Credit to NBFCs

The Reserve Bank on November 16, 2023 issued the following regulatory measures towards consumer credit and bank credit to NBFCs.

A. Consumer credit exposure

i) Consumer credit exposure of commercial banks

The Reserve Bank decided to increase the risk weights in respect of consumer credit exposure of commercial banks (outstanding as well as new), including personal loans, but excluding housing loans, education loans, vehicle loans and loans secured by gold and gold jewellery, by 25 percentage points from 100 per cent to 125 per cent.

ii) Consumer credit exposure of NBFCs

The Reserve Bank decided that the consumer credit exposure of NBFCs (outstanding as well as new) categorised as retail loans, excluding housing loans, educational loans, vehicle loans, loans against gold jewellery and microfinance/SHG loans, shall attract a risk weight of 125 per cent.

iii) Credit card receivables

The Reserve Bank decided to increase the risk weights on credit card receivables exposures by 25 percentage points to 150 per cent and 125 per cent for scheduled commercial banks (SCBs) and NBFCs, respectively.

B. Bank credit to NBFCs

The Reserve Bank decided to increase the risk weights on exposures of SCBs to NBFCs, excluding core investment companies by 25 percentage points in all cases where the extant risk weight as per external rating of NBFCs is below 100 per cent. For this purpose, loans to HFCs and loans to NBFCs which are eligible for classification as priority sector in terms of the extant instructions shall be excluded. To read more, please click [here](#).

Supersession of Board of Directors

The Reserve Bank on November 24, 2023 in exercise of the powers conferred under Section 36 AAA read with section 56 of the Banking Regulation Act, 1949 (As Applicable to Co-operative Societies) superseded the Board of Directors of Abhyudaya Cooperative Bank Ltd., for a period of 12 months.

Consequently, the Reserve Bank appointed Shri Satya Prakash Pathak, former Chief General Manager of State Bank of India as 'Administrator' to manage the affairs of the bank during the period. The Reserve Bank also appointed a 'Committee of Advisors' to assist the Administrator to discharge his duties. The members of the 'Committee of Advisors' are Shri Venkatesh Hegde (former General Manager, SBI), Shri Mahendra Chhajer (Chartered Accountant) and Shri Suhas Gokhale (former

MD, COSMOS Co-operative Bank Limited). To read more, please click [here](#).

II. Foreign Exchange Management

Import of Silver

The Reserve Bank on November 10, 2023 decided that Authorised Dealer Category-I banks may allow Qualified Jewellers to remit advance payment for eleven days for import of silver through India International Bullion Exchange IFSC Ltd (IIBX) subject to certain conditions. To read more, please click [here](#).

International Trade Settlement in INR

The Reserve Bank on November 17, 2023 in terms of Para 4.1 of circular [DOR.CRE.REC.23/21.08.008/2022-23 dated April 19, 2022](#) on opening of Current Accounts and CC/OD Accounts by Authorised Dealer Category – I (AD Category – I) banks and in order to provide greater operational flexibility to the exporters, AD Category-I banks maintaining Special Rupee Vostro Account as per the provisions of the Reserve Bank circular [A.P. \(DIR Series\) Circular No.10 dated July 11, 2022](#) are permitted to open an additional special current account for its exporter constituent exclusively for settlement of their export transactions. To read more, please click [here](#).

III. Financial Market

Report on Forex Reserves

The Reserve Bank on November 9, 2023 released the '41st Half-yearly report on Management of Foreign Exchange Reserves' with reference to end-September 2023. The position of foreign exchange reserves as on October 27, 2023, is as under:

		US \$ Billion
Sl. No.	Foreign Exchange Reserves (i+ii+iii+iv)	586.11
1	Foreign Currency Assets (FCA)	517.50
2	Gold	45.92
3	Special Drawing Rights (SDRs)	17.91
4	Reserve Tranche Position (RTP)	4.77

* Difference, if any, is due to rounding-off.

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

Fully Accessible Route

The Reserve Bank on November 8, 2023 designated all Sovereign Green Bonds issued by the Government in the fiscal year 2023-24 as 'specified securities' under the Fully Accessible Route (FAR), with immediate effect.

The directions have been issued under Section 45W of Chapter IIID of the Reserve Bank of India Act, 1934 and are without prejudice to permissions/approvals, if any, required under any other law. To read more, please click [here](#).

Alert List

The Reserve Bank on November 24, 2023 added 19 entities/platforms/websites to the Alert List of unauthorised forex trading platforms, taking the total number to 75.

The Alert List contains names of entities which are neither authorised to deal in forex under the Foreign Exchange Management Act, 1999 (FEMA) nor authorised to operate electronic trading platform (ETP) for forex transactions under the Electronic Trading Platforms (Reserve Bank) Directions, 2018. The Alert List also contains names of entities/platforms/websites which appear to be promoting unauthorised entities/ETPs, including through advertisements of such unauthorised entities or claiming to be providing training/advisory services. To read more, please click [here](#).

IV. Debt Manager

Floating Rate Bond 2024

The Reserve Bank on November 6, 2023 decided the rate of interest on Government of India Floating Rate Bond 2024 (FRB 2024) applicable for the half year November 07, 2023 to May 06, 2024 shall be 7.14 per cent per annum. To read more, please click [here](#).

V. Currency Management

Withdrawal of ₹2000 Denomination Banknotes

The Reserve Bank on December 1, 2023 released the status of withdrawal of ₹2000 denomination banknotes. As per the data released, the total value of ₹2000 banknotes in circulation, which amounted to ₹3.56 lakh crore as at the close of business on May 19, 2023 when the withdrawal of ₹2000 banknotes was announced, has declined to ₹9,760 crore as at the close of business on November 30, 2023. Thus, 97.26 per cent of the ₹2000 banknotes in circulation as on May 19, 2023, has since been returned. To read more, please click [here](#).

VI. Publications

Handbook of Statistics on Indian States, 2022-23

The Reserve Bank on November 15, 2023 released the 8th edition of its statistical publication titled 'Handbook of Statistics on Indian States, 2022-23'. Through this publication, the Reserve Bank has been disseminating wide-ranging data on the regional economies of India.

This publication covers sub-national statistics on socio-demographics, health, state domestic product, agriculture, environment, price and wages, industry, infrastructure, banking and fiscal indicators across Indian states over various time periods ranging from 1951 to 2022-23. In the current edition of the Handbook, in addition to the updation of the existing data series, 6 new tables have been included on the following indicators:

i) Social and Demographic Indicators

- a) State-wise Population Estimates – Multi-dimensional Poverty Index, and
- b) State-wise Natural Population Growth Rate;

ii) Health

- a) State-wise Public Expenditure on Health;

iii) Environment

- a) State-wise Expenditure on Relief on Natural Calamities, and
- b) State-wise Sustainable Development Goals (SDGs) Score;

iv) Infrastructure

- a) State-wise Road constructed under Pradhan Mantri Gram Sadak Yojana.

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

RBI Bulletin

The Reserve Bank on November 16, 2023 released the November 2023 issue of its monthly Bulletin. The Bulletin includes five speeches, four articles and current statistics. The five speeches are:

i) Dr. Michael Debabrata Patra, Deputy Governor on October 9, 2023 delivered the inaugural address on 'Towards A Greener Cleaner India' at the New York Fed Central Banking Seminar organised by the Federal Reserve Bank, New York.

ii) Shri Swaminathan J, Deputy Governor on October 12, 2023 delivered a speech on 'Fostering Economic Growth through Sustainable Finance and Financial Inclusion' at the conference on priority sector lending held at College of Agricultural Banking (CAB), Pune.

iii) Shri Shaktikanta Das, Governor on October 20, 2023 delivered the plenary address on 'Price and Financial Stability: Managing Complementarities and Trade-Offs' at the Kautilya Economic Conclave Organised by the Institute of Economic Growth and Ministry of Finance, Government of India, New Delhi.

iv) Shri M. Rajeshwar Rao, Deputy Governor, on November 2, 2023 delivered a speech on 'Reflections: Challenges in Regulations' at the Gatekeepers of Governance Summit organised by 'Excellence Enablers' in Mumbai.

v) Shri Shaktikanta Das, Governor on November 9, 2023 delivered a speech on 'Emerging India: A Land of Stability and Opportunities', organised by Institute of Indian Economic Studies (IIES), Tokyo.

The four articles are:

i) State of the Economy

The global economy shows signs of slowing down in the final quarter of 2023 as manufacturing languishes while services sector activity appears to have reached the end of its post-pandemic expansion. Going forward, tightening financial conditions is a significant risk to the global outlook. In India, the momentum of the change in

GDP is sequentially expected to be higher in Q3:2023-24, with festival demand remaining ebullient. Investment demand appears to be resilient with the government's infrastructure spending, an uptick in private capex, automation, digitalisation and indigenisation providing a boost. Headline inflation came down to 4.9 per cent in October from the average of 6.7 per cent in 2022-23 and 7.1 per cent in July-August 2023.

ii) Reading the Market's Mind: Decoding Monetary Policy Expectations from Financial Data

This article uses the Overnight Index Swaps (OIS) rate to decode the near-term market expectations of changes in the monetary policy rate during 2016 to 2023. Further, this article also analyses the impact of anticipated and unanticipated changes in the policy rate on interest rates across market segments and maturities.

iii) Transitioning India's Power Sector: Repurposing of Coal-Fired Power Plants

As India navigates the dual challenge of balancing its growing energy demands with environmental sustainability, this article explores the potential risks associated with stranded assets in the coal and fossil fuel sectors, as well as their probable impact on banks and financial institutions (FIs) that have exposure to these sectors.

iv) Monetary Policy Transmission in India: Recent Dynamics

Against the backdrop of the shift in the monetary policy cycle, this article reviews recent monetary policy transmission dynamics in India. It estimates the degree of pass-through to lending and deposit rates and attempts to delineate the potential determinants of the pass-through.

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

RBI - Occasional Papers

The Reserve Bank on November 28, 2023 released Volume 43, No. 2, 2022 of its Occasional Papers, a research journal containing contributions from its staff. This issue contains three articles and two book reviews.

Articles:

i) Cash versus Digital Payment Transactions in India: Decoding the Currency Demand Paradox

Given the perceived substitutability between cash and digital payments, the simultaneous rise in both seems counterintuitive, giving rise to a currency demand paradox. This paper attempts to decode this paradox in the Indian context and empirically derive the important drivers of cash demand.

ii) Inflation Forecasting in India: Are Machine Learning Techniques Useful?

The authors use supervised Machine Learning (ML) techniques to capture the non-linear relationships between inflation and its determinants and compare their forecasting performance with that of the popular traditional linear models, such as the autoregressive time-series models, linear regression and Phillips curve for both the pre-COVID and post-COVID periods over forecast horizons of one quarter and four quarters.

iii) A New Unit Root Test Criterion

The empirical literature contains many standard unit root tests. The power of these tests, however, is often low for small samples. This paper proposes a new criterion to test the presence of unit root in any zero-mean time series with no deterministic trend and no structural break. The

test is developed based on the ratio of the probability distribution function (PDF) of the data under the null of a unit root to the PDF of the data under the alternative. As the distribution of the test statistic is non-standard, the Monte Carlo simulation technique has been used to determine the empirical distribution of the test statistic, followed by a comparison of the power of the test criteria for a finite sample. To read more, please click [here](#)

VII. Surveys

Inflation Expectations Survey of Households

The Reserve Bank on November 1, 2023 launched the Inflation Expectations Survey of Households (IESH). The survey aims at capturing subjective assessments on price movements and inflation, based on their individual consumption baskets, across 19 cities of the country. The survey seeks qualitative responses from households on price changes in the three months ahead as well as in the one year ahead period and quantitative responses on current, three months ahead and one year ahead inflation rates. The results of this survey provide useful inputs for monetary policy. To read more, please click [here](#).

Consumer Confidence Survey

The Reserve Bank on November 1, 2023 launched the Consumer Confidence Survey (CCS). The survey seeks qualitative responses from households, regarding their sentiments on general economic situation, employment scenario, price level, households' income and spending, across 19 cities of the country. To read more, please click [here](#).

VIII. Data Release

Important data released by the Reserve Bank during the month of November 2023 are as follows:

S/N	Title
1	Monthly Data on India's International Trade in Services for the Month of September 2023
2	Overseas Direct Investment for October 2023
3	Data on India's Invisibles for First Quarter (April - June) 2023-24
4	Performance of Private Corporate Business Sector during Q2:2023-24
5	All-India House Price Index (HPI) for Q2:2023-24
6	Lending and Deposit Rates of Scheduled Commercial Banks - November 2023
7	Sectoral Deployment of Bank Credit – October 2023
8	Reserve Bank of India Survey
9	Business in India – All Scheduled Banks and All Scheduled Commercial Banks