

MONETARY & CREDIT INFORMATION REVIEW



MCIR

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I. RBI Central Board Meets at Chandigarh

The Reserve Bank of India (RBI) Central Board met in Chandigarh on October 11, 2019 under the Chairmanship of Shri Shaktikanta Das, Governor. This was the 579th meeting of the Central Board. The board reviewed the current economic situation, global and domestic challenges and various areas of operation of the Reserve Bank. In this context, it also discussed in detail the current state of the financial sector with special focus on the regulatory and supervisory architecture of commercial and co-operative banks as also NBFCs. The Board discussed the role of Payment Banks and Small Finance Banks in enhancing financial inclusion, annual activity reports of Local Boards, the various sub-committees of the Board and functioning of a few Central Office Departments. The Board was also informed about the formation of the Strategy Sub-Committee of the Central Board of Directors. Deputy Governors Shri N. S. Vishwanathan, Shri B. P. Kanungo and Shri Mahesh Kumar Jain and other Directors of the Central Board – Shri N. Chandrasekaran, Shri Bharat Doshi, Shri Sudhir Mankad, Shri Manish Sabharwal, Dr. Ashok Gulati, Dr. Prasanna Kumar Mohanty, Shri Dilip S. Shanghvi, Shri Satish Marathe, Shri Swaminathan Gurumurthy, Ms. Revathy Iyer and Prof. Sachin Chaturvedi attended the meeting. The Government Directors Shri Rajiv Kumar, Finance Secretary and Secretary, Department of Financial Services and Shri Atanu Chakraborty, Secretary, Department of Economic Affairs also attended the meeting.

II. Banking Regulation

Lending by banks to InvTs

Banks and other stakeholders have been seeking clarity on provision of credit facilities to InvTs. The RBI has examined the matter and decided to permit banks to lend to InvTs subject to the conditions enlisted below:

- ❑ Banks shall put in place a Board approved policy on exposures to InvTs which shall inter alia cover the appraisal mechanism, sanctioning conditions, internal limits, monitoring mechanism, etc.
- ❑ Without prejudice to generality, banks shall undertake assessment of all critical parameters including sufficiency of cash flows at InvT level to ensure timely debt servicing. The overall leverage of the InvTs and the underlying SPVs put together shall be within the permissible leverage as per the Board approved policy of the banks. Banks shall also monitor performance of the underlying SPVs on an ongoing basis as ability of the InvTs to meet their debt obligation will largely depend on the performance of these SPVs. As InvTs are trusts, banks should keep in mind the legal provisions in respect of these entities especially those regarding enforcement of security.
- ❑ Banks shall lend to only those InvTs where none of the underlying SPVs, which have existing bank loans, is facing 'financial difficulty' as defined in the circular dated June 07, 2019.
- ❑ Bank finance to InvTs for acquiring equity of other entities shall be subject to the conditions given in the Master Circular on Loans & Statutory & Other

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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 October 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

Restrictions dated July 1, 2015.

❑ The Audit Committee of the Board of banks shall review the compliance to the above conditions on a half yearly basis.

III. Cooperative Banking Regulation

Revision in Proforma and Reporting of Bank / Branch details under CISBI

The RBI has decided to put in place a new reporting system 'Central Information System for Banking Infrastructure (CISBI), to replace the legacy MoF system. This has been done with the objective of being consistent with the needs of branch licensing and financial inclusion policies as well as the need for requisite coverage of additional dimensions and features. All the past information reported by banks has been migrated to CISBI and additional information should be reported in CISBI henceforth. The portal contains the relevant circulars, user manuals and other relevant documents to facilitate reporting. The RBI has provided login credentials to Nodal Officers of banks for submitting their information in CISBI. Access to the portal can also be sought by making e-mail request at mofbsd@rbi.org.in. To read more, please click [here](#).

IV. Financial Inclusion

Expanding and Deepening of Digital Payments Ecosystem

The RBI has decided that all State/UT Level Bankers Committees (SLBCs/UTLBCs) shall identify one district in their respective States/UTs on a pilot basis in consultation with banks and stakeholders. The identified district shall be allotted to a bank having significant footprint which will endeavour to make the district 100 per cent digitally enabled within one year to enable every individual in the district to make/receive payments digitally in a safe, secure, quick, affordable and convenient manner. This would, inter alia, include providing the necessary infrastructure and literacy to handle such transactions. SLBCs/UTLBCs shall endeavour to ensure that to the extent possible, districts identified are converged with the 'Transformation of Aspirational Districts' programme of the Government of India. The allotment of the identified district to a bank should be done, as far as possible, through mutual consultation and voluntary acceptance by the bank. SLBC/UTLBC Convenor Banks are advised to monitor the progress made in this regard on a quarterly basis and report the same

to concerned Regional Offices/Sub-Offices of the Reserve Bank of India. To read more, please click [here](#).

V. Internal Debt Management

Sovereign Gold Bond Scheme – Marking of Lien

The RBI on October 31, 2019 clarified that Sovereign Gold Bonds (SGBs) are issued in the form of Government of India Stock and are held either as Bond Ledger Account (BLA) in RBI's E-Kuber system or as dematerialised bond with the Depository. Investors in SGBs are issued Certificate of Holding (CoH) as a proof of investment if the bonds are held in BLA account with RBI. In case the bonds are held in dematerialized forms, the title of a holder could be verified from the demat statements provided by Depositories. The clarification has been issued after the RBI had been approached by several banks and non-bank entities desirous of knowing whether the CoH held by a bond holder is a valid proof of its title and the procedure for marking lien on the said bond. It is also clarified that lien marking rights in case of bonds held in BLA form is provided to the banks. The lien marking should be recorded by the banks extending the loan by using the facility provided on the E-Kuber portal. To read more, please click [here](#).

VI. Monetary Policy

VI) a Fourth Bi-monthly Monetary Policy 2019-20

The Fourth Bi-monthly monetary policy announcement was made by the RBI on October 4, 2019. The [Monetary Policy Report \(MPR\)](#) was also released.

Resolution of the MPC

Based on an assessment of the current and evolving macroeconomic situation, the Monetary Policy Committee (MPC) at its meeting on October 4, 2019 decided to:

- i. Reduce the policy repo rate under the liquidity adjustment facility (LAF) by 25 basis points to 5.15 per cent from 5.40 per cent with immediate effect.
- ii. Consequently, the reverse repo rate under the LAF stands reduced to 4.90 per cent, and the marginal standing facility (MSF) rate and the Bank Rate to 5.40 per cent.

The MPC also decided to continue with an accommodative stance as long as it is necessary to revive growth, while ensuring that inflation remains within the target. 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.

<https://rbi.org.in/scripts/Annualpolicy.aspx>

Statement on Developmental and Regulatory Policies: Non-Banking Financial Company – Micro Finance Institution (NBFC-MFI):

Taking into consideration the important role played by Micro Finance Institutions in delivering credit to those in the bottom of the economic pyramid and enable them to play their assigned role in a growing economy, it is proposed to revise these criteria as under:

i. Increase the household income limit for borrowers of these companies from the current level of ₹1.00 lakh for rural areas and ₹1.60 lakh for urban/semi urban areas to ₹1.25 lakh and ₹2.00 lakh, respectively.

ii. Raise the lending limit from ₹1.00 lakh to ₹1.25 lakh per eligible borrower.

Detailed guidelines in this regard will be issued shortly.

Offshore Rupee Markets:

The RBI examined the recommendations made in the report of the Task Force on Offshore Rupee Markets constituted under the chairmanship of Smt. Usha Thorat to incentivise non-residents to access the Offshore Foreign Exchange Market. It has been decided to accept the following recommendations:

i. Allowing domestic banks to freely offer foreign exchange prices to non-residents at all times, out of their Indian books, either by a domestic sales team or through their overseas branches; and

ii. Allowing rupee derivatives (with settlement in foreign currency) to be traded in International Financial Services Centres (IFSCs).

Non-resident Rupee Account – A Review of Policy

The RBI, with the objective to popularise cross-border transactions in Indian Rupee (INR), especially in respect of external commercial borrowing (ECB), trade credit and exports and imports has decided in consultation with the Government of India to enhance the scope of non-interest bearing Special Non-resident Rupee (SNRR) Account by permitting persons resident outside India to open such accounts to facilitate rupee denominated ECB, trade credit and trade invoicing.

Liquidity Support for the Proposed 24x7 National Electronic Funds Transfer (NEFT) System

The RBI has decided that it will extend the collateralised liquidity support, which is currently available till 7.45 pm on NEFT working days, round the clock to help banks in better management of funds. It was announced in the Third Bi-monthly Monetary Policy of August 7, 2019 that the Reserve

Bank of India will make available the facility of National Electronic Funds Transfer on 24x7 basis for members of public from December 2019. This has been decided with the objective to facilitate smooth settlement of these transactions in the accounts of the banks maintained by the Reserve Bank.

Internal Ombudsman by large non-bank Prepaid Payment Instrument (PPI) Issuers

The RBI has decided to institutionalise an internal ombudsman scheme at the large non-bank PPI issuers (entities who have more than 10 million prepaid payment instruments outstanding) with the objective to further strengthen the grievance redressal mechanism at the entity level itself. The internal ombudsman is intended to facilitate a swift and cost-effective complaint redressal mechanism within the entity and provide an additional tier for grievance redressal.

Payment System Data Dissemination

In line with the recommendation of the Committee on Deepening of Digital Payments under the chairmanship of Shri Nandan Nilekani and given the rapid developments in the digital payments space, it has been decided to disseminate more granular information on payment data covering the payment systems authorised by the Reserve Bank.

Acceptance Development Fund (ADF)

The RBI has decided to create an 'Acceptance Development Fund' (ADF) in consultation with the stakeholders, framework of which will be operationalised by December 2019. This will help in increasing digitisation in these areas in line with the Payment System Vision Document 2021 of RBI and recommendations made by the Committee on Deepening of Digital Payments under the Chairmanship of Shri Nandan Nilekani.



Minutes of the Monetary Policy Committee Meeting

The RBI on October 18, 2019 placed on its website the minutes of the Fourth Bi-monthly Monetary Policy Committee (MPC) meeting held during October 01-04, 2019. The meeting was attended by all the members, Dr. Chetan Ghate, Professor, Indian Statistical Institute; Dr. Pami Dua, Director, Delhi School of Economics; Dr. Ravindra H. Dholakia, former Professor, Indian Institute of Management Ahmedabad; Dr. Michael Debabrata Patra, Executive Director (the officer of the Reserve Bank nominated by the Central Board under Section 45 ZB(2)(c) of the Reserve Bank of India Act, 1934); Shri Bibhu Prasad Kanungo, Deputy Governor in charge of monetary policy – and was chaired by Shri Shaktikanta Das, Governor. The MPC reviewed the surveys conduct-

ed conducted by the Reserve Bank to gauge consumer confidence, households' inflation expectations, corporate sector performance, credit conditions, the outlook for the industrial, services and infrastructure sectors, and the projections of professional forecasters. It also reviewed in detail staff's macroeconomic projections, and alternative scenarios around various risks to the outlook. Drawing on the above and after extensive discussions on the stance of Monetary Policy, the MPC adopted the resolution. Based on an assessment of the current and evolving macroeconomic situation, the MPC decided to reduce the policy repo rate under the Liquidity Adjustment Facility (LAF) by 25 basis points to 5.15 per cent from 5.40 per cent with immediate effect and continue with an accommodative stance as long as it is necessary to revive growth, while ensuring that inflation remains within the target. 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. All members of the MPC voted to reduce the policy repo rate and to continue with the accommodative stance of monetary policy. Dr. Chetan Ghate, Dr. Pami Dua, Dr. Michael Debabrata Patra, Shri Bibhu Prasad Kanungo and Shri Shaktikanta Das voted to reduce the repo rate by 25 basis points. Dr. Ravindra H. Dholakia voted to reduce the repo rate by 40 basis points. The next meeting of the MPC is scheduled during December 3-5, 2019. The full minutes of the MPC meeting can be accessed by clicking [here](#).

VII. Payment & Settlement System

On-tap Authorisation of Payment Systems

The RBI has decided to offer On-tap authorisation for the Bharat Bill Payment Operating Unit (BBPOU), Trade Receivables Discounting System (TReDS) and White Label ATMs. The payment system operators should ensure interoperability among different retail payment systems. RBI had on January 21, 2019 released a policy paper on Authorisation of New Retail Payment Systems on its website and invited public comments there on. Comments/Feedback were received from individuals, public and private entities, institutions and industry associations. Based on the feedback received, it was announced in the Statement on Developmental and Regulatory Policies issued with Monetary Policy Statement dated August 07, 2019 that in order to benefit from diversification of risk as also to encourage innovation and competition, Reserve Bank will issue instructions on

'on tap' authorisation to entities desirous to function /operate/provide platforms for Bharat Bill Payment Operating Unit (BBPOU); Trade Receivables Discounting System (TReDS); and White Label ATMs (WLAs). To read more, please click [here](#).

VIII. Data Releases

RBI releases the results of Forward Looking Surveys

The RBI released and placed on its website, the results of forward looking surveys on October 4, 2019.

i. Consumer Confidence Survey (CCS)

The RBI released the results of the September 2019 round of its Consumer Confidence Survey (CCS) on October 04, 2019. The findings of the survey can be accessed by clicking [here](#).

ii. Households' Inflation Expectations Survey

The RBI released the results of the September 2019 round of the Inflation Expectations Survey of Households on October 04, 2019. The findings of the survey can be accessed by clicking [here](#).

iii. Survey of Professional Forecasters on Macroeconomic Indicators

The RBI released the results of the 60th round of the Survey of Professional Forecasters (SPF) on October 04, 2019. The Bank has been conducting the Survey of Professional Forecasters (SPF) since September 2007. The findings of the survey can be accessed by clicking [here](#).

iv. Industrial Outlook Survey of the Manufacturing Sector

The RBI released the results of the 87th round of the Industrial Outlook Survey (IOS) conducted during July-September, Q2:2019-20 on October 04, 2019. The findings of the survey can be accessed by clicking [here](#).

v. OBICUS Survey on the Manufacturing sector

The RBI released the results of the 46th round of the Order Books, Inventories and Capacity Utilisation Survey (OBICUS) for the quarter April-June 2019 covering 818 manufacturing companies on October 04, 2019. The survey provides a snapshot of demand conditions in India's manufacturing sector. The findings of the survey can be accessed by clicking [here](#).