



Monetary and Credit Information Review

MCIR

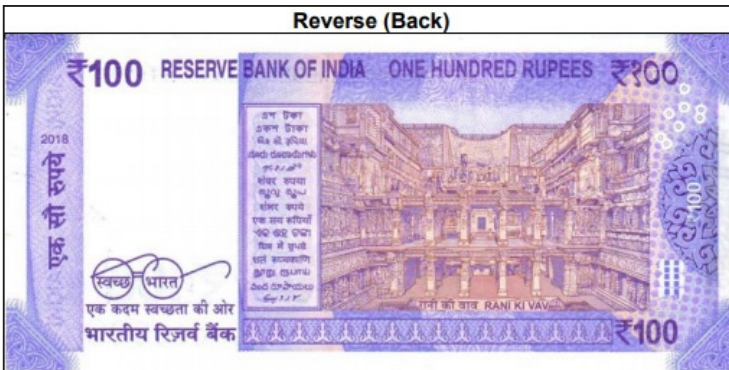
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Currency Management

RBI to issue New Design of ₹ 100 Denomination Banknote

The Reserve Bank on July 19, 2018 notified that it will shortly issue ₹ 100 denomination banknotes in the Mahatma

The salient features of ₹ 100 denomination banknotes in the Mahatma Gandhi (New) Series are as under:



Gandhi (New) Series, bearing the signature of Dr Urjit R. Patel, Governor, Reserve Bank of India. The new denomination has motif of "RANI KI VAV" on the reverse, depicting the country's cultural heritage. The base colour of the note is lavender. The note has other designs, geometric patterns aligning with the overall colour scheme, both at the obverse and reverse. The dimension of the banknote will be 66 mm × 142 mm.

All the banknotes in the denomination of ₹ 100 issued by the Reserve Bank in the earlier series will continue to be legal tender.

As is normal, when a new design of banknote is introduced, printing and supply of these notes for distribution to the public through the banking channel will gradually increase.

The Obverse (Front)

- See-through register with denominational numeral 100;
- Latent image with denominational numeral 100;
- Denominational numeral 100 in Devnagari;
- Portrait of Mahatma Gandhi at the centre;
- Micro letters 'RBI', 'भारत', 'India' and '100';
- Windowed security thread with inscriptions 'भारत' and RBI with colour shift; colour of the thread changes from green to blue when the note is tilted;
- Guarantee Clause, Governor's signature with promise clause and the RBI emblem towards the right of Mahatma Gandhi portrait;
- Ashoka Pillar emblem on the right;
- Mahatma Gandhi portrait and electrotype (100) watermarks;
- Number panel with numerals in ascending font on the top left side and bottom right side;
- For visually impaired intaglio or raised printing of Mahatma Gandhi portrait, Ashoka Pillar emblem raised, triangular identification mark with micro-text 100, four angular bleed lines both on the right and left sides.

The Reverse (Back)

- Year of printing of the note on the left;
- Swachh Bharat logo with the slogan;
- Language panel;
- A motif of RANI KI VAV;
- Denominational numeral 100 in Devnagari.

https://rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=44533

Banking Regulation

Incorporation of Name of Purchaser on DD

In order to address the concerns arising out of the anonymity provided by payments through demand drafts (DD) and the possible misuse for money laundering, the Reserve Bank on July 12, 2018 decided that the name of the purchaser be incorporated on the face of the demand draft, pay order, banker's cheque, etc., by the issuing bank. These instructions shall take effect for such instruments issued on or after September 15, 2018. (<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11332&Mode=0>)

Cooperative Bank Regulation

Spreading of MTM Losses by Co-operative Banks

Urban Co-operative Banks (UCBs) which are not mandatorily required to create investment fluctuation reserve (IFR) (that is, UCBs with aggregate demand and time liabilities (DTL) less than ₹ 100 crore as on March 31, 2017) have now been granted, the option to spread provisioning for mark to market (MTM) losses on investments held in available for sale (AFS) and held for trading (HFT) category for the quarters ended December 31, 2017, March 31, 2018 and June 30, 2018 only. The provisioning for each of these quarters may be spread equally over the four quarters, commencing with the quarter in which the loss was incurred. It has also been decided to grant a similar option to all state cooperative banks/district central cooperative banks (DCCBs) (StCBs/DCCBs) in respect of investments held in the current category. The decision was taken with a view to addressing the systemic impact of a sharp increase in the yields on government securities.

All eligible co-operative banks that utilise the above option shall make suitable disclosures in their notes to accounts providing details of :

- the provisions for depreciation of the investment portfolio for each of the quarters ended December 2017, March 2018 and June 2018 made during the quarter/year;
- the balance required to be made in the remaining quarters.

Furthermore, with a view to building up an adequate reserve to guard against market risks, henceforth, all co-operative banks shall build IFR out of realised gains on the sale of investments, and subject to available net profit. All UCBs, irrespective of their DTL, shall be required to maintain IFR. All StCBs/DCCBs shall also be required to maintain IFR on similar lines, a minimum threshold, which shall be computed with reference to their investment in the current category.

A bank may, at its discretion, drawdown the balance available in IFR in excess of five per cent of its investment in AFS and HFT/Current category (as applicable), for credit to the balance of profit/loss as disclosed in the profit and loss account at the end of any accounting year. In the event the balance in the IFR is less than 5 per cent of its investment in AFS & HFT/current category (as applicable), a drawdown will be permitted subject to the following conditions:

- The drawdown amount is used only for meeting the minimum tier I capital requirements by way of appropriation to free reserves or reducing the balance of loss;
- The amount drawdown is not more than the extent to which the MTM provisions made during the aforesaid year exceed the net profit on the sale of investments during that year.

The IFR consisting of realised gains from the sale of investments held in AFS and HFT/current category (as applicable) will be eligible for inclusion in tier II capital.

(<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11329&Mode=0>)

Government and Bank Accounts

Agency Commission Claims by Banks

The Reserve Bank on July 12, 2018 decided to reduce the time period allowed to agency banks to furnish their claim on agency commission to the Reserve Bank from 90 days to 60 calendar days from the end of the quarter in which the transactions have been conducted. If the banks fail to lodge claims within the stipulated period, the Reserve Bank will have the discretion to reject the claims. This will be applicable for the agency commission claims for the quarter ended June 30, 2018 onwards. The decision was taken keeping in view the steady increase in the electronic transactions, especially after the implementation of the Goods and Services Tax (GST) framework.

The Reserve Bank also advised the agency banks to scrupulously follow the instructions issued by RBI while submitting the claims for agency commission in the prescribed format. It is further advised that the granularity, frequency and process of submission of agency transaction related data by agency banks is being examined by the Reserve Bank and detailed instructions will be issued to the banks shortly.

The advice was issued after it was observed that agency banks were not reporting all the requisite information, as per the prescribed format, while claiming agency commission from the Reserve Bank resulting in gaps and inconsistency in data submission. (<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11334&Mode=0>)

Financial Market Regulation

Transactions in 'When Issued' Market in Central G- Secs

The Reserve Bank on July 24, 2018 issued a comprehensive review of the existing guidelines on 'When Issued' market and the revised directions are as under:-

Eligible participants

The following participants are eligible to undertake both net long and short position in 'When Issued' market for both new and reissued securities under these Directions:

- All eligible entities participating in the primary auction of central government securities (G-secs);
- Resident individuals, Hindu undivided families (HUF), non-resident Indians (NRI) and overseas citizens of India (OCI) are eligible to undertake a long position only in the 'When Issued' securities;
- Entities other than scheduled commercial banks and primary dealers (PDs), shall close their short positions, if any, by the close of trading on the date of auction of the underlying central government security.

Operational Instructions

Transactions in a security on a 'When Issued' basis shall be undertaken in terms of the following directions:

- 'When Issued' transactions would commence after the issue of a security is notified by the Central Government and it would cease at the close of trading on the date of the auction.
- All 'When Issued' transactions for all trade dates shall be contracted for settlement on the date of issue.
- In the case of reissued securities, 'When Issued' securities shall form a part of the settlement of the secondary market transaction on the date of issue. At the time of settlement of secondary market transactions on the date of issue, trades in the 'When Issued' security will be netted off with trades in the existing security.
- In case an entity is unable to deliver securities sold on a 'When Issued' basis to the buyer on the date of issue, the transaction will be settled as per the default settlement mechanism of Clearing Corporation of India Limited (CCIL).
- Members of the Securities Settlement Segment of CCIL (hereafter referred to as 'members') shall be responsible for settlements and reporting of trades of their constituent entities, viz., entities maintaining gilt accounts or demat accounts. Accordingly, eligible constituent entities shall undertake 'When Issued' transactions to the extent permitted by the members through whom they settle their securities transactions, within the limits prescribed.
- At the cessation of 'When Issued' trading on the date of the auction, no entity shall run a short 'net position' in a security in excess of the limits prescribed for short sale positions in Central Government securities.

- In the event of cancellation of the auction for whatever reason, all 'When Issued' trades will be deemed null and void ab-initio on grounds of force-majeure.

Limits

The open position limits in the 'When Issued' market shall be as below:

Position Limits		
Categories	Long	Short
PDs and scheduled commercial banks	Not exceeding 25 per cent of the notified amount in the auction	Not exceeding 25 per cent of the notified amount in the auction
Other eligible entities	Not exceeding 25 per cent of the notified amount in the auction	Not exceeding 10 per cent of the notified amount in the auction (Individuals, HUFs, NRIs and OCIs are not allowed to take short positions in the 'When Issued' market)

The earlier requirement that aggregate net short positions (sum of all net short positions across all entities) in a new security capped at 90 per cent of the notified amount has now been dispensed with. Aggregate net short positions will not be subject to any limits.

Trading venues

'When Issued' transactions shall be undertaken only on the Negotiated Dealing System-Order Matching (NDS-OM) platform. However, an existing position in a 'When Issued' security may be closed either on the NDS-OM platform or outside the NDS-OM platform, that is, through Over-the-Counter (OTC) market.

Reporting

All OTC 'When Issued' transactions shall be reported to NDS-OM within 15 minutes of the trade.

The Statement on Developmental and Regulatory Policies, announced by the Reserve Bank on June 6, 2018 had proposed to liberalise the eligible participant base and relax the entity-wise limits for transactions in the "When Issued" (WI) market in Central Government Securities. (<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11344&Mode=0>)

Financial Markets Operation Department

FBIL to Disseminate Forex Reference Rate

As announced in the Sixth Bi-monthly policy statement for the year 2017-18, Financial Benchmarks India Private Limited (FBIL) took over from the Reserve Bank, the responsibility of computation and dissemination of reference rate for USD/INR and exchange rate of other major currencies. FBIL commenced the process of computing and disseminating reference rate for USD/INR and

exchange rate of other major currencies with effect from July 10, 2018 (Tuesday). Earlier, the Reserve Bank was compiling and publishing on a daily basis the Reference Rate for Spot USD/INR and exchange rate of other major currencies.

As is being done currently, these rates would be published on every week-day (excluding Saturdays, Sundays and Bank Holidays in Mumbai) and it would be available on FBIL's website (www.fbil.org.in). Accordingly, the daily press release on Reference Rate on foreign exchange (forex) issued by the Reserve Bank was discontinued after July 9, 2018 (Monday). (https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=44393)

State Finances: A Study of Budgets released

The Reserve Bank on July 12, 2018 released the report entitled "State Finances: A Study of Budgets of 2017-18 and 2018-19", an annual publication that provides information, analysis and an assessment of the finances of state governments. While the 2017 issue covered state budgets for 2016-17, this issue eliminates the lag in data availability by covering developments right up to budget estimates for 2018-19 against the backdrop of actual outcomes for 2015-16, 2016-17 and revised estimates of 2017-18.

Highlights of the report are:

- States' consolidated gross fiscal deficit (GFD) overshoot the budget estimates in 2017-18 due to shortfalls in own tax revenues and higher revenue expenditure.
- For 2018-19, states have budgeted for a correction, mainly emanating from a modest revenue surplus.
- Visible fiscal pressures are emerging for several states on the expenditure side, particularly under the committed heads and other state-specific schemes like agricultural debt waivers.
- In 2018-19, states' revenue capacity is likely to be augmented with the stabilisation of GST and the consequent expansion of tax base and efficacy. With the implementation of the E-way bill for inter-state movement of goods from April 2018, states could also strive for generating more revenues by locking inefficiency in tax administration.
- Better fiscal marksmanship and efficiency of expenditures appear essential in providing robustness to state finances if revenue receipts end up again in shortfall relative to budgeted levels. (https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=44478)

Master Directions/Circulars

The Reserve Bank issued following master directions/circulars in the month of July 2018:-

Master Direction/Circular	Date
Disbursement of Government Pension by Agency Banks	July 2, 2018
Conduct of Government Business by Agency Banks - Payment of Agency Commission	July 2, 2018
Facility for Exchange of Notes and Coins	July 2, 2018
Detection and Impounding of Counterfeit Notes	July 2, 2018
SHG-Bank Linkage Programme	July 2, 2018
Lead Bank Scheme	July 2, 2018
Relief/Savings Bonds	July 2, 2018
Credit Facilities to Minority Communities	July 2, 2018
Deendayal Antyodaya Yojana - National Rural Livelihoods Mission (DAY-NRLM)	July 3, 2018
Scheme of Penalties for bank branches based on performance in rendering customer service to the members of public	July 3, 2018
Levy of Penal Interest for Delayed Reporting / Wrong Reporting / Non-Reporting of Currency Chest Transactions and Inclusion of Ineligible Amounts in Currency Chest Balances	July 3, 2018
Currency Distribution & Exchange Scheme (CDES) based on performance in rendering customer service to the members of public	July 3, 2018
Kisan Credit Card (KCC) Scheme	July 4, 2018