

# MONETARY & CREDIT INFORMATION REVIEW



MCIR

Volume XV | Issue 5 | NOVEMBER 2019



## I. RBI reorganises its Regulation and Supervision Departments

The Reserve Bank of India on November 01, 2019 reorganised its regulatory and supervisory departments. The creation of a separate supervisory and regulatory cadre in the Reserve Bank was approved by the RBI Central Board in its meeting on May 21, 2019.

The restructuring of the regulation and supervision function is among a series of steps taken by the Reserve Bank to implement this decision. The restructuring was done with the objective to have a holistic approach to supervision and regulation of the regulated entities so as to address growing complexities, size and inter-connectedness as also to deal more effectively with potential systemic risk that could arise due to possible supervisory arbitrage and information asymmetry.

It is envisaged that the restructuring would:

- i) Make supervisory and regulatory process more activity based rather than being segmented purely based on the organizational structure of regulated entities;
- ii) Bestow graded supervisory approach to all the RBI supervised entities linked to their size and complexity;
- iii) Facilitate more effective consolidated supervision of financial conglomerates among the RBI supervised entities;
- iv) Result in more efficient allocation of human resources attending to regulation and supervision of financial sector entities under the Reserve Bank's purview; and
- v) Help build an experienced and skilled human resources in the area of regulation and supervision of financial sector entities.

The supervision function of the Reserve Bank is now integrated into a unified Department of Supervision and regulatory functions into a unified Department of Regulation with effect from November 01, 2019. To read more, please click [here](#).

## II. Regulation

### Compensation of Officials in Private and Foreign Banks

The Reserve Bank of India on November 04, 2019 reviewed the guidelines on Compensation of Whole Time Directors/ Chief Executive Officers/ Material Risk Takers and Control Function staff of all private sector banks and foreign banks operating in India. The guidelines have been reviewed to better align them with the Financial Stability Board (FSB) Principles and Implementation Standards for Sound Compensation Practices and the Supplementary Guidance issued by the FSB.

The guidelines are intended to reduce incentives towards excessive risk taking that may arise from the structure of compensation schemes and are aimed at effective governance of compensation, alignment of compensation with prudent risk taking, effective supervisory oversight and stakeholder engagement. The Implementation Standards are specific norms, prioritising the areas that should be addressed by firms and supervisors to achieve effective global implementation

MCIR  
November 2019

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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 November 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](mailto:mcir@rbi.org.in)

Yogesh Dayal  
Editor

of the Principles. The Principles have been endorsed by the G-20 countries and the Basel Committee on Banking Supervision (BCBS). The guidelines can be accessed by clicking [here](#).

## LRM Framework for NBFCs and CICs

The Reserve Bank of India on November 04, 2019 revised the guidelines on Liquidity Risk Management (LRM) framework for Non-Banking Financial Companies (NBFCs) with the objective to strengthen and raise the standard of the Asset Liability Management (ALM) framework applicable to them. All non-deposit taking NBFCs with asset size of ₹100 crore and above, systemically important Core Investment Companies (CICs) and all deposit taking NBFCs irrespective of their asset size, shall adhere to the liquidity risk management guidelines.

Some of the current regulatory prescriptions applicable to NBFCs on ALM framework have been recast below:

*i) Granular Maturity Buckets and Tolerance Limits*

The 1-30 day time bucket in the Statement of Structural Liquidity is segregated into granular buckets of 1-7 days, 8-14 days and 15-30 days.

*ii) Liquidity risk monitoring tools*

NBFCs shall adopt liquidity risk monitoring tools/metrics in order to capture strains in liquidity position, if any.

*iii) Adoption of “stock” approach to liquidity*

In addition to the measurement of structural and dynamic liquidity, NBFCs are also mandated to monitor liquidity risk based on a “stock” approach to liquidity.

*iv) Extension of liquidity risk management principles*

In addition to the liquidity risk management principles underlining extant prescriptions on key elements of ALM framework the relevant principles to cover other aspects of monitoring and measurement of liquidity risk were expanded.

A few additional features including disclosure standards have also been introduced. The guidelines can be accessed by clicking [here](#).

## DEA Fund – Guidelines updated

The Reserve Bank of India on November 14, 2019 issued the guidelines on the criteria for registering institutions, organisations and associations for ‘on tap’ grant of financial assistance from the Depositor Education and Awareness (DEA) Fund. The Reserve Bank decided to invite applications ‘on tap’ for registration of eligible entities with a view to widening and deepening depositor awareness efforts. Eligible

entities desirous of registering with DEA Fund may apply in the prescribed format along with necessary documents/information as per the list of documents indicated in the application form. The guidelines can be accessed by clicking [here](#).

## Specifications for AA Ecosystem

The Reserve Bank of India on November 08, 2019 put in place a set of core technical specifications for the participants of the Account Aggregator (AA) ecosystem. These specifications have been framed by Reserve Bank Information Technology (ReBIT) with the objective to ensure that movement of data from financial entities to the NBFC-AA is secured, duly authorised, smooth and seamless. NBFC-AA shall ensure that its IT systems have all the features necessary to carry out its functions strictly in conformity with the NBFC-AA Master Directions as updated from time to time. To read more, please click [here](#).

## Qualifying Assets Criteria for NBFC-MFI Borrowers

The Reserve Bank of India on November 08, 2019 reviewed the limits of qualifying assets criteria for borrowers of Non-Banking Financial Companies-Microfinance Institutions (NBFC-MFIs).

The household income limits for borrowers of NBFC-MFIs has been revised from the current level of ₹1,00,000 for rural areas and ₹1,60,000 for urban/semi-urban areas to ₹1,25,000 and ₹2,00,000 respectively. Further, the limit on total indebtedness of the borrower has been increased from ₹1,00,000 to ₹1,25,000. In light of the revision to the limit on total indebtedness, the limits on disbursement of loans have been raised from ₹60,000 for the first cycle and ₹1,00,000 for the subsequent cycles to ₹75,000 and ₹1,25,000 respectively.

This has been done considering the important role played by MFIs in delivering credit to those in the bottom of the economic pyramid and to enable them play their assigned role in a growing economy. To read more, please click [here](#).

## III. Payment and Settlement Systems

### Furthering Digital Payments

The Reserve Bank of India on November 08, 2019 proposed to undertake certain initiatives to empower the citizens of the country with an exceptional e-payment experience and provide them with access to a bouquet of options.

Some of these initiatives include:

- i) Mandate banks not to charge savings bank account customers for online transactions in the NEFT system with effect from January 2020;
- ii) Operationalise the Acceptance Development Fund to increase acceptance infrastructure with effect from January 1, 2020;
- iii) Constitute a Committee to assess the need for plurality of QR codes and merits of their co-existence or convergence from both systemic and consumer viewpoints;
- iv) Permit all authorised payment systems and instruments (non-bank PPIs, cards and UPI) for linking with National Electronic Toll Collection (NETC) FASTags. Going forward, this will facilitate the use of FAS Tags for parking, fuel, etc., payments in an interoperable environment;
- v) Enable processing of e-mandates for transactions through UPI.

The Reserve Bank has also facilitated the acceptance of RuPay cards in Bhutan and would actively engage with the payment system regulators in other jurisdictions and share its experience to derive synergies and reduce the cost and time taken for inward remittances, especially in key remittance corridors. To read more, please click [here](#).

## First Cohort under Regulatory Sandbox

The Reserve Bank of India on November 04, 2019 opened the first cohort under the Regulatory Sandbox with 'Retail Payments', as the theme. The adoption of this theme is expected to spur innovation in the digital payments space and help in offering payment services to the unserved and underserved segment of the population. The innovative products/services that shall be considered for inclusion under the Regulatory Sandbox are mobile payments including feature phone-based payment services, offline payment solutions and contactless payments. To read more, please click [here](#).

## IV. Foreign Exchange Management

### SNRR Account Opening - Amended

The Reserve Bank of India on November 13, 2019 in consultation with the Government of India decided to expand the scope of the Special Non-Resident Rupee (SNRR) account by permitting persons residing outside India to open such account for:

- i) External Commercial Borrowings in INR;
- ii) Trade Credits in INR;
- iii) Trade (Export/Import) invoicing in INR; and

- iv) Business related transactions outside International Financial Service Centre (IFSC) by IFSC units at GIFT city like administrative expenses in INR outside IFSC, INR amount from the sale of scrap, government initiatives in INR, etc. The account will be maintained with a bank in India (outside IFSC).

The Reserve Bank in consultation with the Government of India, further decided to rationalise certain other provisions for operation of the SNRR account as given below:

- i) Remove the restriction on the tenure of the SNRR account opened for the purposes as the proposed transactions are more enduring in nature;
- ii) Apart from Non-Resident Ordinary (NRO) Account, permit credit of amount due/ payable to non-resident nominee from account of a deceased account holder to Non-Resident External (NRE) Account or direct remittance outside India through normal banking channels.

All other provisions of the policy on Deposits and Accounts remain unchanged. AD Category - I banks should bring the contents of this circular to the notice of their constituents and customers. To read more, please click [here](#).

## V. Committee Reports

### Report on the Regulatory and Supervisory Framework for CICs

The Working Group to Review Regulatory and Supervisory Framework for Core Investment Companies (CICs) under the chairmanship of Shri Tapan Ray, former Secretary, Ministry of Corporate Affairs submitted its report to the Governor, RBI. The Bank placed the report on its website on November 06, 2019.

The key recommendations of the Working Group are as follows:

- i) Capital contribution by a CIC in a step-down CIC, over and above 10% of its owned funds, should be deducted from its Adjusted Networth, as applicable to other NBFCs. Further, step-down CICs may not be permitted to invest in any other CIC, while allowing them to invest freely in other group companies;
- ii) The number of layers of CICs in a group should be restricted to two. As such, any CIC within a group shall not make investment through more than a total of two layers of CICs, including itself;
- iii) Every Group having a CIC should have a Group Risk Management Committee (GRMC);
- iv) Constitution of the Board level committees viz.,

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## VI. RBI Top Management Speaks

### 'Indian Banking at Crossroads': RBI Governor

Shri Shaktikanta Das, Governor, Reserve Bank of India delivered a speech at the First Annual Economics Conference, Amrut Mody School of Management, Ahmedabad University on November 16, 2019.

The Governor spoke on the theme 'Indian Banking at Crossroads: Some Reflections' focussing on the current challenges that lay ahead for the broader banking sector and the approach to tackling the issues in the non-banking finance companies and cooperative banks. He underlined the current challenges and the Role of Exogenous Factors, strong corporate governance, Resolution of Stressed Assets, Mergers of Public Sector Banks, Non-Bank Financial Companies (NBFC) Sector, Urban Co-operative Banks, New Frontiers of Banking. He also highlighted the need for a strong corporate governance culture which sets an example and a merger process executed without creating any disruption in the normal functioning of the banks.

The Governor concluded his speech by saying that banks have a critical role in the economy and have responsibility to shoulder when it comes to contributing to the growth of economy. To read the full speech, please click [here](#).

### Microfinance - The next wave of Financial Inclusion

Shri M.K. Jain, Deputy Governor, Reserve Bank of India delivered a speech at the SIDBI National Microfinance Congress 2019 on November 28, 2019 at Mumbai. He spoke about the phenomenal growth witnessed by the Indian micro-finance sector over the past two decades. He said that Microfinance, involving extension of small loans and other financial services to low income groups, is a very important economic conduit designed to facilitate financial inclusion and assist the poor to work their way out of poverty. He also spoke about

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Audit Committee and Nomination and Remuneration Committee should be mandated;

v) Offsite returns may be designed by the Reserve Bank and may be prescribed for the CICs on the lines of other NBFCs. Annual submission of Statutory Auditors Certificates may also be mandated; and

vi) Onsite inspection of CICs may be conducted periodically. Comments on the report may be sent by November 30, 2019 through email. To read more, please click [here](#).

the potential of microfinance in the backdrop of a major demographic change which is taking place in our country with a huge and growing working population.

In his concluding remarks, he said that the focus of the sector must be on 'Digital Microfinance' and redressing consumer complaints quickly and effectively should be on top of the agenda for Micro-Finance Institutions. They must broaden their client outreach to reduce concentration risk and to serve a wider clientele base while also being cognisant of the vulnerability of the sector to external developments. To read the full speech, please [click here](#).

### Rural and Agriculture Finance: Critical Input to Achieve Inclusive and Sustainable Development

Shri M.K. Jain, Deputy Governor, Reserve Bank of India delivered a speech at the 6<sup>th</sup> World Congress on November 29, 2019. He spoke on 'Rural and Agricultural Finance: Critical Input to Achieve Inclusive and Sustainable Development. He spoke about the need to integrate agriculture to be closely integrated with the Sustainable Development Goals targets.

He presented a brief on Indian agriculture and spoke about the role of institutional credit in Indian agriculture, challenges in agricultural financing and technology as a key driver for sustainable agriculture. He also explained about the various initiatives of the Reserve Bank in the direction of Financial Inclusion and spoke about the Internal Working Group set by the RBI to understand the issues and recommend workable solutions to address the constraints in agricultural financing. To read the full speech, please click [here](#).

## VII. Surveys

### Survey on Computer Software and IT-Enabled Services Exports: 2018-19

The Reserve Bank of India released the results of the 2018-19 round of its annual survey on exports of computer software and information technology enabled services (ITES) on November 18, 2019. The survey provides information on various characteristics (e.g., type of activity; on-site/off-site nature of services; country of destination; and modes of supply) of India's exports of software and ITES. For the 2018-19 round of the survey, 8,084 IT companies were approached of which, 1,818 companies, including the twenty largest companies, responded. The survey findings can be accessed by clicking [here](#).