

MONETARY & CREDIT INFORMATION REVIEW

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I. Regulation

Prompt Corrective Action Framework for SCBs

The Reserve Bank of India on November 02, 2021 announced the revised Prompt Corrective Action (PCA) framework. Some highlights of the revised framework are:-

- ❑ Capital, asset quality and leverage will be the key areas for monitoring in the revised framework;
- ❑ Indicators to be tracked for capital, asset quality and leverage would be Capital to Risk (Weighted) Assets Ratio (CRAR)/ Common Equity Tier I Ratio, Net Non Performing Asset (NPA) Ratio and Tier Leverage Ratio, respectively;
- ❑ Breach of any risk threshold may result in invocation of PCA;
- ❑ The PCA framework would apply to all banks operating in India including foreign banks operating through branches or subsidiaries based on breach of risk thresholds of identified indicators.

The provisions of the revised PCA framework will be effective from January 1, 2022. To read more, please click [here](#).

Recommendations of the IWG on Private Sector Banks

The Reserve Bank on November 26, 2021 decided to accept 21 recommendations (some with partial modifications, where considered necessary) out of 33 recommendations submitted by the Internal Working Group (IWG) in its report on November 20, 2020. IWG was constituted by the Reserve Bank on June 12, 2020 to review the extant guidelines on ownership and corporate structure for Indian private sector banks. The remaining recommendations of the IWG are under examination.

The consequential amendments in instructions/ circulars/ master directions/ licensing guidelines following the acceptance of the recommendations (with or without modifications) are being carried out and will be notified in due course. However, during the interregnum, all stakeholders may be guided by these decisions. To read more, please click [here](#).

RRA 2.0 - Interim Recommendations

The Regulations Review Authority (RRA 2.0) on November 16, 2021 recommended withdrawal of 150 redundant circulars in the first tranche of recommendations based on the consultations with both – internal as well as external stakeholders of the Regulated Entities (REs) and the suggestions of the Advisory Group representing the REs.

The RRA 2.0 was set up by the Reserve Bank on April 15, 2021. Shri M. Rajeshwar Rao, Deputy Governor was appointed as the Regulations Review Authority. The objective of RRA 2.0 was to review the regulatory instructions, removing redundant and duplicate instructions, reduce the compliance burden on REs by streamlining reporting structure, revoking obsolete instructions and wherever possible obviating paper-based submission of returns. It was also envisaged that the RRA will engage internally as well as externally with all regulated entities and other stakeholders to facilitate this process. To read more, please click [here](#).

[FCNR(B)] Scheme - Master Direction

In view of the impending discontinuance of LIBOR as a benchmark rate, the Reserve Bank of India on November 11, 2021 permitted banks to offer interest

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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 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

rates on FCNR (B) deposits using widely accepted 'Overnight Alternative Reference Rate (ARR) for the respective currency' with upward revision in the interest rates ceiling by 50 bps. As a measure to handle the information asymmetry during the transition, the Foreign Exchange Dealers Association of India (FEDAI) may publish the ARR till such time the widely accepted benchmark is established. To read more, please click [here](#).

Master Circulars – Release/Clarification

The Reserve Bank of India released/issued clarification on the following Master Circulars in the month of November 2021:-

Sr	Particulars	Release Date
1)	Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances - Clarifications	November 12, 2021
2)	Master Circular - Guarantees and Co-acceptances	November 09, 2021
3)	Master Circular - Guarantees, Co-Acceptances & Letters of Credit - UCBs	November 02, 2021
4)	Master Circular - Income Recognition, Asset Classification, Provisioning and Other Related Matters - UCBs	November 01, 2021

Report on Digital Lending

The Working Group (WG) on digital lending including lending through online platforms and mobile apps has submitted its [report](#) on November 18, 2021. The WG was constituted by the Reserve Bank on January 13, 2021 under the chairmanship of Shri Jayant Kumar Dash, Executive Director, Reserve Bank in the backdrop of business conduct and customer protection concerns arising out of the spurt in digital lending activities. The thrust of the report has been on enhancing customer protection and making the digital lending ecosystem safe and sound while encouraging innovation. Comments of stakeholders and members of the public on the report to be submitted by December 31, 2021 through email digitallendingwg@rbi.org.in. The comments will be examined before a final view is taken on the recommendations and suggestions made by the WG. To read more, please click [here](#).

II. Supervision

Appointment of Administrator

The Reserve Bank, on November 29, 2021 superseded the board of directors of M/s Reliance Capital Ltd. and appointed Shri Nageswara Rao Y., former Executive Director, Bank of Maharashtra as the Administrator. Further, the Reserve Bank on November 30, 2021 constituted a three member Advisory Committee comprising of Shri Sanjeev Nautiyal,

ex-DMD, State Bank of India, Shri Srinivasan Varadarajan, ex-DMD, Axis Bank, Shri Praveen P. Kadle, ex-MD and CEO, Tata Capital Limited. To read more, please click [here](#).

III. Payment and Settlement System

PIDF – Status Update

Contribution to the Payments Infrastructure Development Fund (PIDF), as on November 16, 2021, stands at ₹614 crore. The PIDF was operationalised by the Reserve Bank from January 01, 2021. The contribution to PIDF was made by the Reserve Bank, authorised card networks and card issuing banks. The number of payment acceptance devices deployed under the PIDF scheme as at end - September 2021 is :

Location	Physical Devices*	Digital Devices**
Tier 3 & 4 Centres	98,504	20,46,075
Tier 5 & 6 Centres	84,968	30,47,750
North-eastern States	18,449	2,42,145
Tier 1 & 2 Centres (PM SVANidhi scheme)	44,021	2,00,708
Total	2,45,942	55,36,678

*Physical devices include PoS, mPoS (mobile PoS), GPRS (General Packet Radio Service), PSTN (Public Switched Telephone Network) and **digital devices include inter-operable QR code-based payments, such as, UPI QR and Bharat QR. To read more, please click [here](#).

IV. Financial Market Regulation

Investment by FPIs in Debt

The Reserve Bank on November 08, 2021 permitted Foreign Portfolio Investors (FPIs) to invest in debt securities issued by Infrastructure Investment Trusts (InvITs) and Real Estate Investment Trusts (REITs). Accordingly, FPIs can acquire debt securities issued by InvITs and REITs under the Medium-Term Framework (MTF) or the Voluntary Retention Route (VRR). Such investments shall be reckoned within the limits and shall be subject to the terms and conditions for investments by FPIs in debt securities under the respective regulations of MTF and VRR. To read more, please click [here](#).

V. Banker to Government

Retail Direct Scheme

Shri Narendra Modi, Hon'ble Prime Minister of India launched the Reserve Bank of India- Retail Direct (RBI-RD) scheme on November 12, 2021. The scheme will bring Government securities (G-sec) within easy reach of the common man by simplifying the process of investment. The scheme aims to provide a safe, simple, direct and secured platform to investors.

Under the scheme, retail individual investors will be able to open a Retail Direct Gilt (RDG) account with the Reserve Bank of India, using an online portal (<https://rbiretaildirect.org.in>). Investments can be made using the following routes:

□ **Primary issuance of Government securities:** Investors

can place bid as per the non-competitive scheme for participation in primary auction of Government securities and procedural guidelines for SGB issuance.

□ *Secondary market:* Investors can buy and sell Government securities on NDS-OM ('Odd Lot' and 'Request for Quotes' segments).

Payments for transactions can be done conveniently using saving bank account through internet-banking or Unified Payments Interface (UPI). Investors can obtain help and other support facilities on the portal itself and through a toll-free telephone number 1800-267-7955 (10am to 7pm) and email support@rbiretaildirect.org.in. Investor services include provisions for transaction and balance statements, nomination facility, pledge or lien of securities and gift transactions. No fee will be charged for facilities provided under the scheme. To read more, please click [here](#).

Non-Competitive Bidding Facility

Under the Retail Direct scheme, the Reserve Bank on November 12, 2021 permitted Clearing Corporation of India Limited (CCIL) to aggregate the bids received from 'Retail investor' in non-competitive segment of primary auctions of Government securities and Treasury Bills. To read more, please click [here](#).

VI. Consumer Education and Protection

Integrated Ombudsman Scheme, 2021

Shri Narendra Modi, Hon'ble Prime Minister of India launched the Reserve Bank - Integrated Ombudsman scheme, 2021 (the scheme) on November 12, 2021. The scheme integrates the existing three Ombudsman schemes of the Reserve Bank, namely, i) the Banking Ombudsman scheme, 2006; ii) the Ombudsman scheme for Non-Banking Financial Companies, 2018; and iii) the Ombudsman scheme for Digital Transactions, 2019.

The scheme will provide cost-free redress of customer complaints involving deficiency in services rendered by entities regulated by the Reserve Bank, if not resolved to the satisfaction of the customers or not replied within a period of 30 days by the regulated entity.

In addition to integrating the three existing schemes, the scheme also includes under its ambit non-scheduled primary co-operative banks with a deposit size of ₹50 crore and above. The scheme adopts 'One Nation One Ombudsman' approach by making the Reserve Bank Ombudsman mechanism jurisdiction neutral. Some of the salient features of the scheme are:

□ It will no longer be necessary for a complainant to identify under which scheme he/she should file complaint with the Ombudsman.

□ The scheme defines 'deficiency in service' as the ground for filing a complaint, with a specified list of exclusions. Therefore, the complaints would no

longer be rejected simply on account of "not covered under the grounds listed in the scheme".

□ The scheme has done away with the jurisdiction of each ombudsman office.

□ A Centralised Receipt and Processing Centre (CRPC) has been set up at RBI, Chandigarh for receipt and initial processing of physical and email complaints in any language.

□ The responsibility of representing the regulated entity and furnishing information in respect of complaints filed by customers against the regulated entity would be that of the Principal Nodal Officer in the rank of a General Manager in a Public Sector Bank or equivalent.

□ The regulated entity will not have the right to appeal in cases where an Award is issued by the Ombudsman against it for not furnishing satisfactory and timely information/documents.

The Executive Director - in charge of Consumer Education and Protection Department of the Reserve Bank would be the Appellate Authority under the scheme.

Complaints can continue to be filed online on <https://cms.rbi.org.in>. Complaints can also be filed through the dedicated e-mail crpc@rbi.org.in or sent in physical mode to the CRPC at Reserve Bank of India, 4th floor, Sector 17, Chandigarh - 160017 in the prescribed format.

Additionally, a Contact Centre with a toll-free number - 14448 (9:30am to 5:15pm) - is also being operationalised in Hindi, English and in eight regional languages to begin with and will be expanded to cover other Indian languages in due course. The Contact Centre will provide information/clarifications regarding the alternate grievance redress mechanism of the Reserve Bank and to guide complainants in filing of a complaint. To read more, please click [here](#).

Appointment of IO by NBFCs

The Reserve Bank on November 15, 2021 directed non-banking financial companies (NBFCs) registered with it under Section 45-IA of the Reserve Bank of India Act, 1934, to appoint an Internal Ombudsman (IO).

NBFCs fulfilling the following criteria as on date would be required to appoint the IO:

- Deposit-taking NBFCs (NBFCs-D) with 10 or more branches.
- Non-Deposit taking NBFCs (NBFCs-ND) with asset size of ₹5,000 crore and above and having public customer interface.

All complaints that are partly or wholly rejected by the NBFC, will be reviewed by the IO before the final decision of the NBFC is conveyed to the complainant. The IO will not entertain any complainant directly from members of public.

NBFCs not having public customer interface and certain types of NBFCs, namely, stand-alone Primary Dealers (PDs), NBFC - Infrastructure Finance Companies (NBFC - IFCs), Core Investment Companies (CICs), Infrastructure Debt Fund - Non-Banking Financial Companies (IDF - NBFCs), Non-Banking Financial Company - Account Aggregators (NBFC - AAs), NBFCs under Corporate Insolvency Resolution Process, NBFCs

in liquidation and NBFCs having only captive customers have been excluded from the requirement to appoint IOs.

The implementation of the IO mechanism will be monitored by the NBFC's internal audit system apart from regulatory oversight by the Reserve Bank. To read more, please click [here](#).

VII. RBI Publications

State Finances: A Study of Budgets

The Reserve Bank on November 30, 2021 released the report titled "State Finances: A Study of Budgets of 2021-22". The annual publication provides information, analysis and an assessment of the finances of State governments for 2021-22 against the backdrop of actual and revised (or provisional accounts) outcomes for 2019-20 and 2020-21, respectively. The theme of this year's report is "Coping with the Pandemic: A Third-Tier Dimension".

Major highlights of the report are:

□ For 2021-22, States have budgeted their consolidated gross fiscal deficit (GFD) to gross domestic product (GDP) ratio at 3.7 per cent, a marked improvement from the level of 4.7 per cent in the revised estimates for 2020-21, the year of the first wave of the pandemic. The consolidation is sought to be achieved through higher revenue receipts in an environment of expanding vaccination coverage, waning of the second wave and removal of localised restrictions on mobility and activity.

□ With the third-tier governments in India playing a frontline role in combating the pandemic by implementing containment strategies, healthcare, quarantining and testing facilities, organising vaccination camps and maintaining the supply of essential goods and services, their finances have come under severe strain, forcing them to cut down expenditures and mobilise funding from various sources.

□ Going forward, increasing the functional autonomy of the civic bodies, strengthening their governance structure and empowering them financially via higher resource availability, including through own resource generation and transfers, are critical for their effective interventions at the grass-root level.

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

RBI Bulletin

The Reserve Bank released its monthly Bulletin on November 16, 2021. The Bulletin consists of five speeches, four articles and current statistics. The four articles are:

i) *State of the Economy*

The global economic outlook remains shrouded in uncertainty with headwinds from multiple fronts. In India, the recovery gained strength though the speed

and pace of improvement remains uneven across different sectors of the economy. Indicators aggregate demand posit a brighter near-term outlook than before. On the supply side, the rabi season has set in early on a positive note on the back of a record kharif harvest and manufacturing is showing improvement in overall operating conditions, while services are in strong expansion mode. Overall monetary and credit conditions stay conducive for a durable economic recovery to take root.

ii) *Is the Phillips Curve in India Dead, Inert and Stirring to Life or Alive and Well?*

The post - Global Financial Crisis period has seen a plethora of literature on the "health" of the most cited macroeconomic relationship – the Phillips Curve. Adding more essence to the heated global debate, this article examines the existence of the Phillips Curve in India by examining its time-variation and convexity. The findings from this paper confirm the existence of a convex Philips Curve relationship in India, though alive but stirring to life and convalescing from a period of flattening, which lasted for more than six years.

iii) *Uncertainty and Disagreement among Professional Macroeconomic Forecasters*

This article analyses the responses received in the Reserve Bank's bimonthly survey of professional forecasters (SPF) on major macroeconomic variables. The forecasts of output growth and inflation, particularly for 2020-21, were characterised by high uncertainty in the wake of the COVID-19 pandemic. The article dives into the fluctuations in short-term forecasts during the pandemic.

iv) *Changing Tides in the Indian Money Market*

Money market provides short - term capital to a wide class of financial entities and plays a key role in the transmission of monetary policy. This article reviews the important segments of the Indian money market in terms of volume, rate, micro structure, and dispersion of rates for the period from January 2016 to March 2021. To read the Bulletin, please click [here](#).

VIII. Data Releases

Important Data Releases by the Reserve Bank in the month of November 2021 are as follows:

Sr.	Title
1)	Handbook of Statistics on Indian States, 2020-21
2)	Quarterly Statistics on Deposits and Credit of SCBs: September 2021
3)	Data on India's Invisibles for First Quarter (April - June) 2021-22
4)	Sectoral Deployment of Bank Credit – October 2021
5)	India's International Trade in Services for the Month of September 2021
6)	All-India House Price Index (HPI) for Q2:2021-22