



Monetary and Credit Information Review

MCIR

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Highlights of MCIR 2018

January

Financial Market Regulation

- The Reserve Bank, on January 12, 2018, released draft directions on hedging of commodity price risk and freight risk in overseas markets.

Foreign Exchange Management

- The Reserve Bank on January 4, 2018, released the master direction on Foreign Investment in India, which lays down the modalities as to how the foreign exchange business has to be conducted by the authorised persons with their customers/constituents with a view to implementing the regulations framed.
- In order to provide a level playing field, the Reserve Bank in consultation with the Government of India, on January 4, 2018 permitted the overseas branches/subsidiaries of Indian banks to refinance External Commercial Borrowings (ECBs) of highly rated (AAA) corporates as well as Navratna and Maharatna Public Sector Undertakings (PSUs).

February

Banking Regulation

- In view of the enactment of the Insolvency and Bankruptcy Code, 2016 (IBC), the Reserve Bank on February 12, 2018 substituted the existing guidelines with a harmonised and simplified generic framework for resolution of stressed assets.

Currency Management

- The Reserve Bank on February 15, 2018 advised all banks to accept coins, particularly in the denominations of ₹ 1 and ₹ 2, by weightment.

Banking Supervision

- The Reserve Bank on February 20, 2018 constituted an Expert Committee under the chairmanship of Shri Y. H. Malegam, a former member of the Central Board of Directors of the Reserve Bank, to look into the reasons for high divergence observed in asset classification and provisioning by banks in the credit portfolio of banks as well as the rising incidence of frauds in the Indian banking system vis-à-vis the Reserve Bank's supervisory assessment, and the steps needed to prevent it.

Non – Banking Regulation

- The Reserve Bank on February 23, 2018 advised select Non-Banking Financial Companies (NBFCs), which (a) are authorised to accept deposits; or (b) have customer interface, with assets size of one billion rupees or above, as on the date of the audited balance sheet of the previous financial year, or of any such asset size as the RBI may prescribe, will come within the ambit of the Ombudsman Scheme for Non - Banking Financial Companies, 2018 and should comply with the provisions of the Scheme.

March

Financial Inclusion and Development

- The Reserve Bank on March 1, 2018, decided that the sub-target of eight per cent of Adjusted Net Bank Credit (ANBC) or Credit Equivalent Amount of Off-Balance Sheet Exposure (CEOBE), whichever is higher, shall become applicable for the foreign banks with 20 branches and above, for lending to the small and marginal farmers from financial year (FY) 2018-19.

Foreign Exchange Management

- The Reserve Bank on March 13, 2018 decided to discontinue the practice of issuance of Letters of Undertaking (LoUs) and Letters of Comfort (LoCs) for Trade Credits for imports into India by AD Category – I banks with immediate effect.

April

Banking Regulation

- The Reserve Bank on April 6, 2018 decided that standalone plain vanilla forex options (without attached structures) purchased by clients will be exempt from the 'user suitability and appropriateness' norms, and the regulatory requirements will be at par with forex forward contracts.

Payment and Settlement System

- The Reserve Bank on April 6, 2018 decided that all system providers shall ensure that the entire data relating to payment systems operated by them are stored in a system only in India. This data should include the full end-to-end transaction details/information collected/carried/processed as part of the message/payment instruction.

Foreign Exchange Management

- In view of the associated risks, the Reserve Bank on April 6, 2018 decided that, with immediate effect, entities regulated by the Reserve Bank shall not deal in Virtual Currencies (VCs) or provide services for facilitating any person or entity in dealing with or settling VCs.
- In order to improve monitoring and also to ensure compliance with the Liberalised Remittance Scheme (LRS) limits, the Reserve Bank on April 12, 2018 decided to put in place a daily reporting system by Authorised Dealers (AD) of transactions undertaken by individuals under LRS, which will be accessible to all the other ADs.

Currency Management

- The Reserve Bank on April 12, 2018 advised banks to consider using lockable cassettes in their ATMs which shall be swapped at the time of cash replenishment.

Financial Inclusion and Development

- Shri B. P. Kanungo, Deputy Governor, Reserve Bank released the customised financial literacy content, meant for five select target groups, in the form of five booklets on April 18, 2018.

May

Internal Debt Management

- With a view to meeting the diverse needs of investors and making Separate Trading of Registered Interest and Principal of Securities (STRIPS) more aligned with market requirements, the Reserve Bank on May 3, 2018 revised the existing guidelines.

Banking Regulation

- With a view to enabling IFSC Banking Units (IBUs) to start their operations, the Reserve Bank on May 17, 2018 advised that the parent bank would be required to provide a minimum capital of USD 20 million or equivalent in any foreign currency to its IBU which should be maintained at all times.

June

Banking Regulation

- The Reserve Bank on June 6, 2018 temporarily allowed banks and NBFCs to classify their aggregate exposure up to ₹ 250 million as on May 31, 2018, as per the 180 days past due criterion, to all Micro Small and Medium Enterprises (MSMEs), including those not registered under Goods and Services Tax (GST), as a 'standard' asset.
- The Reserve Bank on June 15, 2018 permitted banks, to reckon government securities held by them up to another 2 per cent of their NDTL, under Facility to Avail Liquidity for Liquidity Coverage Ratio (FALLCR) within the mandatory SLR requirement, as Level 1 High Quality Liquid Assets (HQLAs) for the purpose of computing their LCR.

Financial Inclusion and Development

- The Reserve Bank on June 19, 2018 revised the housing loan limits for eligibility under priority sector lending to ₹ 35 lakh in metropolitan centres (with population of ten lakh and above), and ₹ 25 lakh in other centres, provided the overall cost of the dwelling unit in the metropolitan centre and at other centres does not exceed ₹ 45 lakh and ₹ 30 lakh, respectively.

July

Banking Regulation

- 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.

Currency Management

- The Reserve Bank on July 19, 2018 issued ₹100 denomination banknotes in the Mahatma Gandhi (New) Series, bearing the signature of Dr Urjit R. Patel, then Governor, Reserve Bank of India.

Financial Market Operation

- 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.

August

Banking Regulation

- The Reserve Bank on August 2, 2018 advised all scheduled and non-scheduled banks to use the conversion rate announced by Financial Benchmarks India Private Limited (FBIL) for the purpose of converting foreign assets/liabilities for reporting in Form 'A' return and Form VIII return.

Co-operative Bank Regulation

- As a step towards harmonisation of regulations for urban and rural co-operative banks, the Reserve Bank on August 16, 2018 permitted UCBS to undertake eligible transactions for acquisition/sale of non-SLR investment in secondary market with mutual funds, pension/provident funds and insurance companies, in addition to undertaking transactions with commercial banks and primary dealers.
- The Reserve Bank decided that with effect from August 20, 2018, LAF will also be extended to scheduled state cooperative banks (StCBs) which are core banking solution (CBS) enabled and have the capital to risk (weighted) assets ratio (CRAR) of at least 9 per cent.

September**Financial Inclusion and Development**

- The Reserve Bank on September 21, 2018 advised all scheduled commercial banks (excluding regional rural banks and small finance banks) to engage with systemically important non-deposit taking non-banking financial company (NBFC-ND-SIs) (hereinafter referred to as NBFC) to co-originate loans for the creation of priority sector assets.

Banking Regulation

- The Reserve Bank on September 27, 2018 permitted banks with effect from October 1, 2018, to reckon government securities held by them up to another two per cent of their Net Demand and Time Liabilities (NDTL), under the Facility to Avail Liquidity for Liquidity Coverage Ratio (FALLCR) within the mandatory Statutory Liquidity Ratio (SLR) requirement, as the Level 1 High Quality Liquid Assets (HQLAs) for the purpose of computing their Liquidity Coverage Ratio (LCR).
- As per the Internal Ombudsman Scheme 2018, all scheduled commercial banks in India having more than 10 banking outlets (excluding regional rural banks), are required to appoint Internal Ombudsman (IO) in their banks.

October**Banking Supervision**

- The Reserve Bank on October 3, 2018 in consultation with the Government of India, liberalised the External Commercial Borrowings (ECB) policy and permitted public sector oil marketing companies (OMCs) to raise ECB for working capital purposes with a minimum average maturity period of 3/5 years from all recognised lenders under the automatic route.

Payment and Settlement System

- In order to better prepare for implementation of interoperability, consolidated guidelines for enabling all phases have been issued by the Reserve Bank on October 16, 2018.

Banking Regulation

- The Reserve Bank on October 19, 2018 permitted banks, with immediate effect, to reckon Government securities held by them up to an amount equal to their incremental outstanding credit to NBFCs and Housing Finance Companies (HFCs), over and above the amount of credit to NBFCs and HFCs outstanding on their books as on October 19, 2018, as Level 1 High Quality Liquid Assets (HQLA) under Facility to Avail Liquidity for Liquidity Coverage Ratio (FALLCR) within the mandatory Statutory Liquidity Ratio (SLR) requirement.

Co-operative Bank Supervision

- The Reserve Bank on October 19, 2018 issued basic cyber security guidelines applicable to all urban co-operative banks (UCBs).

Non-Banking Regulation

- The Reserve Bank on October 25, 2018 issued the Directions on Fit and Proper Criteria for Sponsors of Asset Reconstruction Companies (ARCs) registered under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002.

Financial Market Regulation

- The Reserve Bank on October 29, 2018 clarified that Payments Banks and Small Finance Banks are eligible to participate in the Call/Notice/Term money market both as borrowers and lenders.

November**Banking Regulation**

- The Reserve Bank on November 2, 2018 allowed banks to provide partial credit enhancement (PCE) to bonds issued by the systemically important non-deposit taking nonbanking financial companies (NBFC-ND-SIs) registered with the Reserve Bank of India and Housing Finance Companies (HFCs) registered with National Housing Bank.

Payment and Settlement System

- The Reserve Bank on November 15, 2018 advised banks to send a positive confirmation to the remitter of the funds under the Real Time Gross Settlement (RTGS) system, regarding completion of the funds transfer.

Non - Banking Regulation

- The Reserve Bank on November 29, 2018 relaxed the Minimum Holding Period (MHP) requirement for originating NBFCs, in respect of loans of original maturity above five years, to receipt of repayment of six monthly instalments or two quarterly instalments.

December**Banking Regulation**

- The Report of the Internal Study Group to Review the Working of the Marginal Cost of Funds based Lending Rate (MCLR) System (Chairman: Dr. Janak Raj), proposed that all new floating rate personal or retail loans (housing, auto, and others) and floating rate loans to Micro and Small Enterprises extended by banks from April 1, 2019 shall be benchmarked to one of the following:
 - i.) Reserve Bank of India policy repo rate, or
 - ii.) Government of India 91 days Treasury Bill yield produced by the Financial Benchmarks India Private Ltd (FBIL), or
 - iii.) Government of India 182 days Treasury Bill yield produced by the FBIL, or
 - iv.) Any other benchmark market interest rate produced by the FBIL.

- With a view to enhance credit discipline among the larger borrowers enjoying working capital facility from the banking system, the Reserve Bank on December 5, 2018 issued the "Guidelines on Loan System for Delivery of Bank Credit".

Co-operative Bank Supervision

- As per the recommendations of the Expert Committee on licensing of new Urban Co-operative Banks under the chairmanship of Shri Y. H. Malegam, a Board of Management (BoM) would be constituted in every Primary (Urban) Co-operative Bank (UCB), in addition to the Board of Directors (BoD) with a view to strengthening governance in the UCBs.

Financial Markets

- The draft directions regarding providing access for non-residents to the interest rate derivatives (IRD) market, proposed allowing non-residents to hedge their rupee interest rate risk flexibly using any available IRD instrument.

Foreign Exchange Management

- As part of the ongoing efforts at rationalising multiple regulations framed over a period of time under FEMA, 1999, the Reserve Bank on December 17, 2018, consolidated the regulations governing all types of borrowing and lending transactions between a person resident in India and a person resident outside India in both foreign currency and INR, in consultation with the Government.

Customer Education and Protection

- The Reserve Bank on December 5, 2018, decided to implement an 'Ombudsman Scheme for Digital Transactions' covering services provided by entities falling under Reserve Bank's regulatory jurisdiction. The Scheme will be notified by the end of January 2019.
- The Reserve Bank on December 5, 2018 extended the benefit of

limiting customer liability for unauthorised electronic transactions involving Prepaid Payment Instruments (PPIs) issued by other entities not covered by the existing guidelines on the subject. Earlier, instructions were issued on limiting customer liability in respect of unauthorised electronic transactions involving banks and credit card issuing non-banking financial companies (NBFCs).

Financial Inclusion

- The Reserve Bank on December 5, 2018, announced its intention to constitute an Expert Committee to identify causes and propose long-term solutions for the economic and financial sustainability of the MSME sector. (https://rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=45658)

Data Releases

- The Reserve Bank on May 5, 2018 released the third edition of its statistical publication titled "Handbook of Statistics on Indian States 2017-18".

- The Reserve Bank on December 28, 2018 released its web publication entitled 'Statistical Tables Relating to Banks in India: 2017-18' covering the activities of scheduled commercial banks and rural co-operative banks.
- The Reserve Bank on December 28, 2018 released the statutory Report on Trend and Progress of Banking in India 2017-18. This Report presents the performance and salient policy measures relating to the banking sector during 2017-18 and 2018-19. The Report also provides an analysis of the co-operative banks and non-banking financial institutions.
- The Reserve Bank on December 31, 2018 released the eighteenth issue of the Financial Stability Report (FSR). The FSR reflects the collective assessment of the Sub-Committee of the Financial Stability and Development Council (FSDC) on risks to financial stability, as also the resilience of the financial system. The Report also discusses issues relating to development and regulation of the financial sector.

**Wish You A
Happy New Year**

Bi-Monthly Policy Reviews - 2018

Monetary Policy Review	Policy Repo Rate under the Liquidity Adjustment Facility (LAF)	Reverse Repo Rate under the Liquidity Adjustment Facility (LAF)	Bank Rate
Statement on Monetary Policy on February 7, 2018	unchanged at 6.0 per cent	remained unchanged at 5.75 per cent	unchanged at 6.25 per cent
Statement on Monetary Policy on April 5, 2018	unchanged at 6.0 per cent	at 5.75 per cent	6.25 per cent
Statement on Monetary Policy on June 6, 2018	increased from 6.0 per cent to 6.25 per cent	adjusted to 6.0 per cent	adjusted to 6.50 per cent
Statement on Monetary Policy on August 1, 2018	increased from 6.25 per cent to 6.50 per cent	adjusted to 6.25 per cent	adjusted to 6.75 per cent
Statement on Monetary Policy on October 5, 2018	unchanged at 6.5 per cent	remains at 6.25 per cent	remains at 6.75 per cent
Statement on Monetary Policy on December 5, 2018	unchanged at 6.5 per cent	remains at 6.25 per cent	remains at 6.75 per cent