

# MONETARY & CREDIT INFORMATION REVIEW

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# MCIR



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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 February 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

## I. Financial Markets Operations

### Long Term Repo Operations

The Reserve Bank of India on February 07, 2020 conducted Long Term Repo Operations (LTROs) for one-year and three-year tenors for up to a total amount of ₹1,00,000 crore at the policy repo rate. The detailed operational guidelines for the LTROs are as follows:

- LTROs conducted under this scheme are in addition to the existing Liquidity Adjustment Facility (LAF) and Marginal Standing Facility (MSF) operations.
- The total amount of liquidity injected through these operations are up to ₹1,00,000 crore.
- The LTROs are conducted on CBS (E-KUBER) platform at a fixed rate.
- Banks are required to place their requests for the amount sought under LTRO during the window timing at the prevailing policy repo rate. Bids below or above policy rate will be rejected.
- In case of over-subscription of the notified amount, the allotment will be done on pro-rata basis.
- The Reserve Bank, however, reserves the right to inject marginally higher amount than the notified amount due to rounding effects.
- All other terms and conditions as applicable to LAF operations, including facility for security substitution, are applicable to the LTROs.

Earlier, as per the [Statement on Development and Regulatory Policies](#) issued along with the sixth Bi-monetary policy statement dated February 06, 2020, the Reserve Bank on February 06, 2020 revised the Liquidity Management Framework. The RBI liquidity facilities under the revised Liquidity Management Framework includes the following instruments:

#### A) 14-day variable-rate repo/reverse repo auction (Main operation)

- Variable Rate Term Repo/Reverse Repo auction (Tenor: overnight and up to 13 days) (Fine-tuning operations)
- Fixed Rate Reverse Repo
- Marginal Standing Facility
- FX Swap Auctions
- Standing Deposit Facility

#### B. Instruments to manage durable liquidity

- Long Term Variable Rate Repo (LTR) Tenor beyond 14 days
- Long Term Variable Rate Reverse Repo (LTRR) Tenor beyond 14 days
- FX Swap Auctions
- Open Market Operations (OMOs)

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

#### Clarifications/ FAQs

The Reserve Bank on February 13, 2020 issued Clarifications/Frequently Asked Questions on LTROs to address various queries received in this regard. The FAQs can be read by clicking [here](#).

## II. Monetary Policy

### Sixth Bi-monthly Monetary Policy Resolution, 2019-20

The Monetary Policy Committee (MPC) of the Reserve Bank of India at its meeting held on February 6, 2020 in Mumbai, decided to keep the policy repo rate under the Liquidity Adjustment Facility (LAF) unchanged at 5.15 per cent. Consequently, the reverse repo rate under the LAF remains unchanged at 4.90 per cent and the MSF rate and the bank rate at 5.40 per cent. The MPC also decided to continue with the accommodative stance as long as it is necessary to revive growth, while ensuring that inflation remains within the target. For more details, please click [here](#).

### Statement on Developmental and Regulatory Policies

- i) All new floating rate personal or retail loans and floating rate loans to Micro and Small Enterprises (MSEs) extended by banks to be linked to external benchmarks. A circular to this effect was issued on February 26, 2020;
- ii) Post transfer of regulation of Housing Finance Companies (HFCs) from National Housing Bank (NHB) to the Reserve Bank, the RBI to place the draft revised regulations on its website for public comments;
- iii) All rupee Interest Rate Derivatives (IRD) transactions of market makers and their related entities globally, to be accounted for in India to encourage higher non-resident participation, enhance the role of domestic market makers in the offshore market, improve transparency, and achieve better regulatory oversight;
- iv) RBI to issue directions regarding exchange of variation margin (VM) for Non-Centrally Cleared Derivatives (NCCDs) by end of March 2020.
- v) The Reserve Bank to modify its Government securities registry (the PDO-NDS system) so as to include constituent details in the Constituent Subsidiary General Ledger (CSGL) accounts in its efforts to facilitate interoperability of Government securities depositories, as announced in the Union Budget 2019-20;
- vi) The Reserve Bank to construct and periodically publish a composite "Digital Payments Index" (DPI) to capture the extent of digitisation of payments effectively;
- vii) The Reserve Bank to put in place a framework for establishing a self-regulatory organisation (SRO) for the digital payment system by April 2020 with a view to fostering best practices on security, customer protection and pricing, among others;
- viii) The Reserve Bank to operationalise a pan India Cheque Truncation System (CTS) by September 2020

in the backdrop of stabilisation and large efficiency gains made by CTS operations in major clearing houses in the country. To read more, please click [here](#).

## III. Regulation

### Merchant Acquiring Business Guidelines

The Reserve Bank, on February 06, 2020 allowed Regional Rural Banks (RRBs) to act as Merchant Acquiring Banks (MABs) using Aadhaar Pay – BHIM app and POS terminals. All RRBs intending to act as MABs (Aadhaar and BHIM app), shall be permitted to deploy their own devices subject to fulfilling the conditions as enlisted below:

- i) The RRB should have the permission for mobile banking from the Reserve Bank;
- ii) Additionally, the RRB shall be required to fulfil the following conditions:
  - a) The bank's IT systems and CBS should have been subjected to an IS Audit not earlier than six months from the date of application to confirm that the system is adequately secure.
  - b) The bank must ensure necessary infrastructure for application development, safety and security of the transactions and handling of customer grievance.
  - c) A customer grievance redressal mechanism duly approved by the bank's board should be in place;
  - d) The bank should have a board approved policy on merchant acquisition for card transactions;
  - e) There should not be any restrictions imposed on the bank for accepting deposits/ withdrawals by RBI. f)

No penalty should have been imposed in last two financial years. RRBs shall inform the respective regional offices of the Reserve Bank, within a period of 15 days from the date of operationalising the MAB. To read more, please click [here](#).

### IRAC and Provisioning Norms

The Reserve Bank on February 07, 2020 revised the guidelines for Deferment of Date of Commencement of Commercial Operations (DCCO) for projects in non-infrastructure and Commercial Real Estate (CRE) sectors. As per the revised guidelines:

- i) Revisions of the date of DCCO and consequential shift in repayment schedule for equal or shorter duration (including the start date and end date of revised repayment schedule) will not be treated as restructuring provided that:
  - a) The revised DCCO falls within the period of one year from the original DCCO stipulated at the time of financial closure for CRE projects; and
  - b) All other terms and conditions of the loan remain unchanged.
- ii) In case of CRE projects delayed for reasons beyond the control of promoter(s), banks may restructure

them by way of revision of DCCO up to another one year (beyond the one-year period quoted at paragraph i (a) above) and retain the 'standard' asset classification if the account continues to be serviced as per the revised terms and conditions under the restructuring.

iii) Banks while restructuring such CRE project loans will have to ensure that the revised repayment schedule is extended only by a period equal to or shorter than the extension in DCCO.

iv) A loan for a project may be classified as NPA during any time before commencement of commercial operations as per record of recovery (90 days overdue). It is further re-iterated that the dispensation at (ii) above is subject to the condition that the application for restructuring should be received before the expiry of period mentioned at paragraph (i) (a) above and when the account is still standard as per record of recovery.

v) Banks may fund cost overruns that arise on account of extension of DCCO (within the limits at (i) and (ii) above), subject to instructions issued by the Reserve Bank.

vi) At the time of extending DCCO, boards of banks should satisfy themselves about the viability of the project and the restructuring plan.

vii) All other aspects related to restructuring, income recognition, asset classification, provisioning as applicable for projects under implementation shall continue to apply.

viii) Banks shall ensure that all provisions of the Real Estate (Regulation and Development) Act, 2016 are complied with. To read more, please click [here](#).

## Restructuring of Advances to MSMEs

The Reserve Bank on February 11, 2020, allowed banks to carry out a one-time restructuring of existing loans classified as 'standard' to micro, small and medium enterprises (MSMEs) without a downgrade in the asset classification. The one-time restructuring would be subject to the following conditions:

i) The aggregate exposure, including non-fund based facilities, of banks and NBFCs to the borrower does not exceed ₹25 crore as on January 1, 2020;

ii) The borrower's account was in default but was a 'standard asset' as on January 1, 2020 and continues to be classified as a 'standard asset' till the date of implementation of the restructuring;

iii) The restructuring of the borrower account is implemented on or before December 31, 2020;

iv) The borrowing entity is GST-registered on the date of implementation of the restructuring. However this condition will not apply to MSMEs that are exempt from GST-registration. This shall be determined on the basis of exemption limit obtaining as

on January 1, 2020. Accounts which have already been restructured in terms of the Reserve Bank's circular dated January 01, 2019 shall not be eligible for restructuring under this scheme. To read more, please click [here](#).

## Exemption from CRR Maintenance

The Reserve Bank on February 10, 2020, with the objective to ensure easier transmission of monetary policy, advised banks to avail exemption to maintain the mandatory cash reserve ratio (CRR) on home, auto and MSME loans for a period of five years. The Reserve Bank advised banks that they can claim the first such deduction from their net demand and time liabilities (NDTL) of February 14, 2020 for the amount equivalent to the incremental credit extended to the sectors over the outstanding level of credit as at the end of the fortnight ended January 31, 2020. Banks are required to report the exemption availed at the end of a fortnight under "exemptions/others" in the Section-42 return of the Master Circular of Cash Reserve Ratio and Statutory Liquidity Ratio dated July 01, 2015. To read more, please click [here](#).

The Reserve Bank issued on February 25, 2020 clarifications in the form of Frequently Asked Questions (FAQs) on queries received from banks with regard to issues like computation of incremental credit and segments eligible for exemption, among others. To read more, please click [here](#).

## Financial Literacy Week 2020

The Reserve Bank observed Financial Literacy Week (FLW) 2020 from February 10 to 14, 2020. The theme selected for the current FLW is 'Micro, Small and Medium Enterprises' (MSMEs) as MSMEs play a significant role in economic development, in terms of their contribution to employment generation, innovation, exports and inclusive growth.

During the FL week celebrations, banks were advised to display the posters in the branch premises, ATMs, financial literacy centres and their websites as part of awareness campaign. English and Hindi versions of the posters on four topics, namely, i) Collateral Free Loans, ii) Trade Receivables Discounting System (TReDs), iii) Formalisation and iv) Timely Repayment of Loans, were provided to the banks for uploading on their website and ATMs. The posters were also displayed on RBI's website for dissemination of information. Four films on the theme of the posters are being telecast on Doordarshan and All India Radio as a part of the mass media campaign. Regional Offices and Training Establishments of the Reserve Bank organised awareness campaigns on the theme of the FLW. To view all the four posters please click [here](#).

## DICGC increases Insurance Coverage

The Deposit Insurance and Credit Guarantee Corporation (DICGC) raised the limit of insurance cover for depositors in insured banks from the present level of ₹1 lakh to ₹5 lakh per depositor with effect from February 04, 2020. The measure was aimed at providing greater protection to bank depositors and was taken with the approval of Government of India.

## IV. Payment and Settlement Systems

### Cash Withdrawal using PoS Terminals

The Reserve Bank on January 31, 2020 permitted banks to offer the facility of cash withdrawal at Point of Sale (PoS) terminals with the approval of the concerned banks' boards. The requirement of obtaining the Reserve Bank's permission for providing cash withdrawal facility has been dispensed with. All other provisions, including those pertaining to the submission of data / reports to RBI, remain unchanged. To read more, please click [here](#).

## V. Financial Inclusion

### Interest Subvention Scheme for MSMEs

The Reserve Bank on February 05, 2020 conveyed to heads of all Scheduled Commercial Banks (SCBs) about the modifications made by the Government of India in the operational guidelines of the Interest Subvention Scheme. For more details, please click [here](#).

## VI. Data Releases

Data releases in the month of February 2020 are as follows:

Data Release	Date of Release
<a href="#">Data of India's Invisibles for Second Quarter 2019-20</a>	February 03
<a href="#">Results of Forward Looking Surveys</a>	February 06
<a href="#">Data on ECB/FCCB/RDB for December 2019</a>	February 06
<a href="#">Overseas Direct Investment (ODI) for January 2020</a>	February 10
<a href="#">Money Supply for fortnight ended January 31, 2020</a>	February 12
<a href="#">Data on India's International Trade in Services</a>	February 14

## Eligibility of short-term Crop Loans for ISS and PRI through KCC

The Reserve Bank on February 26, 2020 advised Heads of all Scheduled Commercial Banks (SCBs) to ensure that benefit of Interest Subvention Scheme (ISS) and Prompt Repayment Incentive (PCI) are extended to eligible Short Term Crop Loans only through the Kisan Credit Card with effect from April 01, 2020. To read more, please click [here](#).

## Progress of Digitisation from Cash to Electronic

Department of Payment and Settlement Systems, Reserve Bank of India, conducted an assessment study on the Progress of Digitisation from Cash to Electronic. The study examined popularly used indicators over the world which denote the use of cash and proxy for cash payments. The study analyses the measures of cash, enablers for payment systems and the measures of electronic payments over the last five years to ascertain the shift from cash to digital payments in India. It also provides a comparative analysis with the countries that are part of the Committee on Payments and Market Infrastructures over the same five- year period. The findings of the study revealed that:

- i) Both cash and non-cash payment instruments fulfill unique needs, and as long as these needs do not change, both types of payment instruments are required to meet the full spectrum of user's needs.
- ii) Electronic payment methods are both at the service of and bound by India's heterogeneous economic composition. Virtual payments are increasing in popularity, but the country's ethnic and economic diversity render the shift toward digital payments geographically variable and certain regions and economic strata exhibit more openness to digitisation than others.
- iii) India's growing use of retail digital payments, along with the radical reconstruction of its cash economy, indicates a shift in its relationship with cash. This is evidenced by the steep growth observed in the retail digital payments. Increasing acceptance and convenience of digital payments vis-à-vis cash is also reflected in decrease in average value per digital payment transaction.
- iv) A large population of the country historically lacked access to personal bank accounts and credit lines. Digital payment methods have played a large role in helping them manage their personal finances leading to their being financially included.
- v) Cash still rules but is increasingly seen as a way to store value as an economic asset rather than to make payments.
- vi) Speed, convenience and competition are shaping future of payments. To read more, please click [here](#).