

MONETARY & CREDIT INFORMATION REVIEW

Volume XVIII Issue 1 April 2022



I. Monetary Policy

Resolution of the MPC

On the basis of an assessment of the current and evolving macroeconomic situation, the Monetary Policy Committee (MPC) at its meeting held on April 8, 2022, decided to keep the policy repo rate under the liquidity adjustment facility (LAF) unchanged at 4.0 per cent. Accordingly, the marginal standing facility (MSF) rate and the Bank Rate remain unchanged at 4.25 per cent. The standing deposit facility (SDF) rate, which will now be the floor of the LAF corridor, will be at 3.75 per cent.

The MPC also decided to remain accommodative while focusing on withdrawal of accommodation to ensure that inflation remains within the target going forward, while supporting growth. These decisions are in consonance with the objective of achieving the medium-term target for consumer price index (CPI) inflation of 4 per cent within a band of +/- 2 per cent, while supporting growth. To read more, please click [here](#).

Statement on Developmental and Regulatory Policies

I. Liquidity Measures

a) Introduction of the Standing Deposit Facility:

In 2018, the amended Section 17 of the RBI Act empowered the Reserve Bank to introduce the Standing Deposit Facility (SDF) – an additional tool for absorbing liquidity without any collateral. It has been decided to institute the SDF with an interest rate of 3.75 per cent with immediate effect. The SDF will replace the fixed-rate reverse repo (FRRR) as the floor of the LAF corridor. Both the standing facilities viz., the MSF, and the SDF will be available on all days of the week, throughout the year.

The FRRR rate is retained at 3.35 per cent. It will remain as part of the Reserve Bank's toolkit and its operation will be at the discretion of the Reserve Bank for purposes specified from time to time. The FRRR along with the SDF will impart flexibility to the Reserve Bank's liquidity management framework.

b) Restoration of the Symmetric LAF Corridor:

In 2020 during the pandemic, the width of the LAF corridor was widened to 90 basis points (bps) by asymmetric adjustments in the reverse repo rate vis-à-vis the policy repo rate. With a view to fully restoring the pre-pandemic liquidity management framework of February 2020 and in view of the gradual return to normalcy in financial markets, it has been decided to restore the width of the LAF corridor to its pre-pandemic level. With the introduction of the SDF at 3.75 per cent, the policy repo rate being at 4.00 per cent, and the MSF rate at 4.25 per cent, the width of the LAF corridor is restored to its pre-pandemic configuration of 50 bps. Thus, the LAF corridor will be symmetric around the policy repo rate with the MSF rate as the ceiling and the SDF rate as the floor with immediate effect.

II. Regulation and Supervision

a) Individual Housing Loans – Rationalisation of Risk Weights

The Reserve Bank vide circular dated October 12, 2020, had rationalised the risk weights for individual housing loans by linking them only with loan to value (LTV) ratios for all new housing loans sanctioned up to March 31, 2022. It has been decided that the risk weights as prescribed in the circular ibid shall continue for all new housing loans sanctioned up to March 31, 2023.

b) SLR Holdings in HTM category

It has been decided to enhance the limit for inclusion of statutory liquidity ratio (SLR) eligible securities in the held to maturity (HTM) category from 19.5 per cent to 23 per cent of net demand and time liabilities (NDTL) acquired during September 1, 2020 and March 31, 2022. Banks were also allowed to include securities acquired between April 1, 2022 and March 31, 2023, under the enhanced limit of 23 per cent. The HTM limits would be restored from 23 per cent to 19.5 per cent in a phased manner starting from the quarter ending June 30, 2023.

c) Discussion Paper on Climate Risk and Sustainable Finance

There is a need for Regulated Entities (REs) to develop and implement a sound process, appropriate governance structure, strategic framework to assess the potential

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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 April 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

impact of climate-related financial risks and also to address these risks in their business strategy and operations. Some regulatory initiatives of climate risk and sustainable finance would help REs to better handle climate risk. A Discussion Paper on Climate Risk and Sustainable Finance will be placed on the Reserve Bank's website for comments of stakeholders.

d) Committee for Review of Customer Service Standards in RBI Regulated Entities

The Reserve Bank has progressively taken a number of measures to ensure overarching protection for the customers of its REs. Accordingly, it is proposed to set up a committee to examine and review the state of customer service in the REs and the adequacy of customer service regulations and suggest measures to improve the same.

III. Payment and Settlement System

a) Interoperable Card-less Cash Withdrawal at ATMs

To encourage card-less cash withdrawal facility across all banks and all ATM networks/operators, it is proposed to enable customer authorisation through the use of unified payments interface (UPI) for transactions through the ATM networks. The absence of need for a card to initiate cash withdrawal transactions would help in containing frauds like skimming, card cloning, device tampering.

b) Bharat Bill Payment System – Rationalisation of Net-worth Requirement for Operating Units

Bharat bill payment system (BBPS) is an interoperable platform for bill payments that extends to all categories of billers who raise recurring bills. BBPS has seen an increase in the volume of transactions as well as number of onboarded billers but there has not been a corresponding growth in the number of non-bank Bharat bill payment operating units (BBPOUs). The current requirement of net worth for a non-bank BBPOU to obtain authorisation is ₹100 crore which is viewed as a constraint to greater participation. It is, therefore, proposed to align the net worth requirement of non-bank BBPOUs with that of other non-bank participants who handle customer funds and have a similar risk profile. Accordingly, the net worth requirement for non-bank BBPOUs is being reduced to ₹25 crore. The necessary amendment to regulations will be carried out shortly.

c) Cyber Resilience and Payment Security Controls of Payment System Operators (PSOs)

The Reserve Bank has prescribed the necessary security controls for digital payment products and services offered by banks and credit card issuing NBFCs. It is proposed to issue similar directions for payment system operators (PSOs) and specify baseline security measures for ensuring safe and secure digital payment transactions. The directions will be issued shortly. To read more, please click [here](#).

Minutes of the MPC Meeting

The 34th meeting of the Monetary Policy Committee (MPC), constituted under section 45ZB of the Reserve Bank of India Act, 1934, was held during

April 6-8, 2022. As per Section 45ZL of the Reserve Bank of India Act, 1934; the Reserve Bank published, on the 14th day after the meeting of the Monetary Policy Committee, the minutes of the proceedings of the meeting. To read more, please click [here](#).

II. Regulation

Circulars and Master Directions

The Reserve Bank of India released the following Master Circulars and Master Directions in the month of April 2022:-

Sr No.	Particulars	Release Date
1)	Limits for investment in debt and sale of Credit Default Swaps by Foreign Portfolio Investors (FPIs)	April 19, 2022
2)	Consolidated Circular on Opening of Current Accounts and CC/OD Accounts by Banks	April 19, 2022
3)	Master Direction – Credit Card and Debit Card – Issuance and Conduct Directions, 2022	April 21, 2022

Establishment of Digital Banking Units

As a part of efforts to accelerate and widen the reach of digital banking services, the concept of digital banking units (DBUs) is being introduced by the Reserve Bank. Accordingly, the Reserve Bank on April 7, 2022, issued guidelines for setting up of DBUs by commercial banks on the basis of recommendations of a working group formed by the Reserve Bank which included representatives of banks and Indian Banks' Association (IBA). To read more, please click [here](#).

Individual Housing Loans – Rationalisation of Risk Weights

The Reserve Bank had rationalised risk weights on individual housing loans irrespective of the amount, for all new housing loans sanctioned from October 16, 2020 and up to March 31, 2022.

The Reserve Bank on April 8, 2022, decided to continue with the risk weights on individual housing loans irrespective of the amount for all new individual housing loans sanctioned up to March 31, 2023. To read more, please click [here](#).

Standing Deposit Facility

The Reserve Bank on April 8, 2022, decided to institute the standing deposit facility (SDF) with immediate effect. Accordingly, the balances held by banks with the Reserve Bank under the SDF shall be an eligible statutory liquidity ratio (SLR) asset and such balances shall form part of "Cash" for SLR maintenance. To read more, please click [here](#).

Statutory Liquidity Ratio holdings

Presently, banks have been granted enhanced held to maturity (HTM) limit of 22 per cent of NDTL, for statutory liquidity ratio (SLR) eligible securities acquired between September 1, 2020 and March 31, 2022 until March 31, 2023.

The Reserve Bank on April 8, 2022 decided to further enhance the existing HTM limit of 22 percent of NDTL to 23 percent of NDTL and allow banks to include securities acquired between April 1, 2022 and March 31, 2023, under enhanced limit of 23 percent. To read more, please click [here](#).

Liquidity Coverage Ratio

The Reserve Bank on April 18, 2022 decided to permit banks to reckon government securities as level 1 high-quality liquid assets (HQLAs) under the facility to avail liquidity for liquidity coverage ratio (FALLCR) within the mandatory SLR requirement up to 16 per cent of their NDTL. Accordingly, the total HQLA carve-out from the mandatory SLR, which can be reckoned for meeting the liquidity coverage ratio requirement will be 18 per cent of NDTL (2 per cent MSF plus 16 per cent FALLCR). To read more, please click [here](#).

Disclosures in Financial Statements

The Reserve Bank on April 19, 2022 outlined the additional disclosure requirements for non-banking financial companies (NBFCs) in accordance with the scale based regulation framework. These disclosures are in addition to and not in substitution of the disclosure requirements specified under other laws, regulations or accounting and financial reporting standards. To read more, please click [here](#).

Loans and Advances-Regulatory Restrictions

The Reserve Bank on April 19, 2022 placed the detailed guidelines regarding regulatory restrictions on lending in respect of NBFCs placed in different layers. These guidelines shall be effective from October 01, 2022. To read more, please click [here](#).

Scale Based Regulation (SBR) for NBFCs

In terms of paragraph 3.2.1 (b) of the circular DoR. CRE.REC.No.60/03.10.001/2021-22 dated October 22, 2021, non-banking financial company - upper layer (NBFC-UL) shall maintain common equity tier 1 capital of at least 9 per cent of risk-weighted assets. The Reserve Bank on April 19, 2022, issued the detailed guidelines in this regard. To read more, please click [here](#).

Large Exposures Framework

The Reserve Bank on April 19, 2022 issued detailed guidelines regarding a large exposure framework (LEF) for NBFCs-UL with reference to paragraph 3.2.2 (d) of the Reserve Bank circular DOR.CRE.REC.No.60/03.10.001/2021-22 dated October 22, 2021, on 'Scale based regulation (SBR) : A revised regulatory framework for NBFCs'. To read more, please click [here](#).

Issue and regulation of share capital and securities

The Reserve Bank on April 19, 2022 reviewed extant instructions on issue and regulation of capital funds for rural co-operative banks (RCBs), keeping in view, inter alia, the provisions of Section 12 read with Section 56 of the amended Banking Regulation Act, 1949 (BR Act). To read more, please click [here](#).

Legal Entity Identifier for Borrowers

The Reserve Bank on April 21, 2022 decided that the guidelines on legal entity identifier (LEI) stand extended to Primary (Urban) Co-operative Banks (UCBs) and NBFCs. It is advised that non-individual borrowers enjoying aggregate exposure of ₹5 crore and above from banks and financial institutions (FIs) shall be required to obtain LEI codes as per the given timeline. It is further advised that borrowers who fail to obtain LEI codes from an authorised local operating unit (LOU) shall not be sanctioned any new exposure nor shall they be granted renewal/enhancement of any existing exposure. To read more, please click [here](#).

Creation of Honorary Designations

During the course of supervisory reviews, it was observed that some of the urban co-operative banks (UCBs) adopted the practice of creating honorary designations (remunerated or otherwise)/conferring titles at board level, such as chairman emeritus, group chairman, etc., which are not recognised in applicable statutes or regulations.

The Reserve Bank on April 21, 2022, directed UCBs not to create any honorary positions/titles at the board level or confer such titles that are non-statutory in nature and to eliminate any such existing position/titles within one year from date of this circular. To read more, please click [here](#).

Counter-Cyclical Capital Buffer

The Reserve Bank had advised that the counter-cyclical capital buffer (CCyB) would be activated as and when the circumstances warranted. However, the Reserve Bank on April 5, 2022, decided that it is not necessary to activate CCyB at this point in time. To read more, please click [here](#).

Key Managerial Personnel

The Reserve Bank on April 29, 2022 issued detailed guidelines on Compensation of Key Managerial Personnel (KMP) and Senior Management in Non-Banking Financial Companies (NBFCs). These guidelines are applicable for fixing the compensation policy of key managerial personnel and members of senior management of all NBFCs under scale based regulatory framework, except those categorised under 'Base Layer' and Government owned NBFCs. To read more, please click [here](#).

III. Banker to Government

Market Trading Hours

The trading hours for various markets regulated by the Reserve Bank were amended with effect from April 7, 2020, in view of the operational dislocations and elevated levels of health risks posed by COVID-19. Subsequently, the trading hours were partially restored with effect from November 9, 2020. With the substantial easing of restrictions on the movement of people and functioning of offices, the Reserve Bank on April 11, 2022 decided to restore the opening time for regulated financial markets to their pre-pandemic timing of 9:00 a.m. with effect from April 18, 2022. To read more, please click [here](#).

IV. Supervision

Compliance Function

The Reserve Bank on April 11, 2022 decided to introduce certain principles, standards and procedures for compliance function in non-banking financial companies in the upper layer (NBFC-UL) and middle layer (NBFC-ML), keeping in view the principles of proportionality. NBFC-UL and NBFC-ML shall put in place a board-approved policy and a compliance function, including the appointment of a chief compliance officer. To read more, please click [here](#).

V. RBI Bulletin

RBI Bulletin – April 2022

The Reserve Bank on April 18, 2022 released the April 2022 issue of its monthly bulletin. The bulletin includes Monetary Policy Statement 2022-23, Resolution of the Monetary Policy Committee April 6-8, 2022, Monetary Policy Report – April 2022, two Speeches, six Articles and Current Statistics. The six articles are: i) State of the Economy; ii) Measuring Supply Chain Pressures on India; iii) Monetary Transmission to Banks' Interest Rates: Implications of External Benchmark Regime; iv) What Drives the Forward Premia – an Analytical Perspective; v) Foreign Exchange Reserves Buffer in Emerging Market Economies: Drivers, Motives and Implications; and vi) Digitisation in Urban Cooperative Banks: Depth and Differentiation. To read more, please click [here](#).

VI. Report on Currency and Finance

The Reserve Bank on April 29, 2022 released the Report on Currency and Finance (RCF) for the year 2021-22. The theme of the Report is "Revive and Reconstruct" in the context of nurturing a durable recovery post-COVID and raising trend growth in the medium-term. [The Report](#) reflects the views of the contributors and not of the Reserve Bank.

Highlights:

- i) The blueprint of reforms proposed in the Report revolves around seven wheels of economic progress viz., aggregate demand; aggregate supply; institutions, intermediaries and markets; macroeconomic stability and policy coordination; productivity and technological progress; structural change; and sustainability.
- ii) A feasible range for medium-term steady state GDP growth in India works out to 6.5–8.5 per cent, consistent with the blueprint of reforms.
- iii) Timely rebalancing of monetary and fiscal policies will likely be the first step in this journey.
- iv) Price stability is a necessary precondition for strong and sustainable growth.
- v) Reducing general government debt to below 66 per cent of GDP over the next five years is important to secure India's medium-term growth prospects.
- vi) Suggested structural reforms include enhancing access to litigation free low-cost land; raising the quality of labour through public expenditure on education and health and the Skill India Mission; scaling up R&D activities with an emphasis on innovation and technology; creating an enabling environment for start-ups and unicorns; rationalisation of subsidies that promote inefficiencies; and encouraging urban agglomerations by improving the housing and physical infrastructure.
- vii) Industrial revolution 4.0 and committed transition to a net-zero emission target warrant a policy ecosystem that facilitates provision of adequate access to risk capital and a globally competitive environment for doing business.
- viii) India's ongoing and future free trade agreement (FTA) negotiations may focus on transfer of technology and better trade terms for high quality imports from partner countries to improve the outlook for exports and domestic manufacturing.

VII. Data Releases

Important data releases by the Reserve Bank in the month of April 2022 are as follows:

	Title
1.	India's International Trade in Services for the month of February 2022
2.	ECB / FCCB/RDB for February 2022
3.	Results of Forward Looking Surveys
4.	Overseas Direct Investment for March 2022
5.	Lending and Deposit Rates of Scheduled Commercial Banks: April 2022
6.	Sectoral Deployment of Bank Credit: March 2022