

# MONETARY & CREDIT INFORMATION REVIEW



# MCIR

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## I. Supervision

### Supervisory Action Framework for UCBs

The Reserve Bank of India on January 06, 2020 further rationalised its Supervisory Action Framework (SAF) for Primary Urban Cooperative Banks (UCBs) facing financial stress. The revised SAF envisages initiation of corrective action by UCBs and/or supervisory action by the Reserve Bank on breach of the specified thresholds (triggers) in respect of the following specified financial parameters/indicators:

As per the revised SAF, a UCB may be placed under SAF when:

- i) its net Non-Performing Assets (NPAs) exceed 6 per cent of its net advances;
- ii) it incurs losses for two consecutive financial years or has accumulated losses on its balance sheet; and
- iii) when its Capital to Risk-weighted Assets ratio falls below 9 per cent.

The supervisory action will normally be initiated on the basis of the financial position of UCBs as assessed during the statutory inspection. The revised SAF will be implemented with immediate effect. To read more, please click [here](#).

### Reporting of Large Exposures to CRILC

The Reserve Bank on January 16, 2020 issued operational guidelines for reporting large exposures by Primary UCBs having total assets of ₹500 crore and above as on 31st March of the previous financial year to the Central Repository of Information on Large Credits (CRILC).

The operational guidelines for reporting the CRILC-UCBs return pertain to the reporting frequency of the CRILC-UCBs return and the CRILC-UCBs return comprising of three sections: i) Exposure to Large Borrowers, ii) Reporting of Technically/Prudentially Written-off Accounts and iii) Reporting of balance in Current Account.

The Reserve Bank advised primary UCBs to submit the data in CRILC-UCBs return with effect from the quarter ended December 31, 2019. To read more, please click [here](#).

## II. Regulation

### Master Direction on KYC amended

The Reserve Bank on January 09, 2020, decided to permit Video based Customer Identification Process (V-CIP) as a consent based alternate method of establishing the customer's identity, for customer onboarding for KYC. This has been done with a view to leveraging the digital channels for Customer Identification Process (CIP) by Regulated Entities (REs). The consequent changes have been carried out in the Master Direction on KYC dated February 25, 2016 and amendments to the Prevention of Money Laundering Rules and V-CIPs have been introduced and placed on the RBI website. To read more, please click [here](#).



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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 January 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

## Permissible Activities for IBUs

The Reserve Bank on January 21, 2020, allowed International Financial Services Centres (IFSC) Banking Units (IBUs) to participate in exchange traded currency derivatives on Rupee (with settlement in foreign currency) listed on stock exchanges set up at IFSCs. The Reserve Bank advised banks to ensure that their IBUs have the necessary expertise to price, value and compute the capital charge and manage the risks associated with the products/transactions intended to be offered. The banks shall also obtain their Board's approval for undertaking such transactions. The Reserve Bank also advised the IBUs to follow all other risk mitigation and prudential measures as while participating in these products. To read more, please click [here](#).

## Lending against Gold Jewellery

The Reserve Bank on January 21, 2020 allowed non-banking financial companies (NBFCs) to pool gold jewellery from different branches in a district and auction it at any location within the district, subject to meeting the following conditions:

- i) The first auction has failed.
- ii) The NBFC shall ensure that all other requirements of the extant directions regarding auction (prior notice, reserve price, arms-length relationship, disclosures, and others) are met.

The Reserve Bank also stated that non-adherence to the conditions would attract strict enforcement action. To read more, please click [here](#).

## III. Financial Markets Regulation

### OTC Currency Derivative Transactions

The Reserve Bank on January 01, 2020 decided that all client transactions in currency derivatives, including those with notional amount of below USD one million, shall now be reported to the Trade Repository, with effect from January 06, 2020. As a one-time measure, in order to update the transactions in the Trade Repository (TR), Authorised Dealer (AD) Category – I banks shall report all outstanding client transactions with notional amount below USD one million to the TR by January 31, 2020. Earlier, a threshold of USD one million, and equivalent thereof in other currencies, was stipulated for reporting client transactions in currency derivatives (currency swaps and FCY FRA/IRS) to the Trade Repository (TR). To read more, please click [here](#).

## Benchmarks by FBIL

The Reserve Bank on January 01, 2020 notified the following benchmarks administered by Financial

Benchmarks India Pvt. Ltd. (FBIL) as 'significant benchmark':

- i) Overnight Mumbai Interbank Outright Rate (MIBOR)
- ii) Mumbai Interbank Forward Outright Rate (MIFOR)
- iii) USD/INR Reference Rate
- iv) Treasury Bill Rates
- v) Valuation of Government Securities
- vi) Valuation of State Development Loans (SDL).

The notification was issued by the Reserve Bank as required under the Financial Benchmark Administrators (Reserve Bank) Directions, 2019, dated June 26, 2019. To read more, please click [here](#).

## Customer and Inter-Bank Transactions beyond Onshore Market Hours

The Reserve Bank on January 06, 2020 permitted Authorised Dealers (AD) Category-I banks to voluntarily undertake customer (persons resident in India and persons resident outside India) and Inter-Bank transactions beyond onshore market hours. Transactions with persons resident outside India, through their foreign branches and subsidiaries may also be undertaken beyond onshore market hours.

The Task Force on Offshore Rupee Market had recommended permitting AD Category-I banks to offer foreign exchange prices to users at all times, out of their Indian books, either by a domestic sales team or through their overseas branches. The Reserve Bank accepted the recommendation of the Task Force and amended the Master Direction on Risk Management and Inter-Bank dealings. To read more, please click [here](#).

## Rupee Derivatives at IFSCs

The Reserve Bank on January 20, 2020 released guidelines to permit Rupee derivatives (with settlement in foreign currency) to be traded in International Financial Services Centres (IFSCs). As per the guidelines issued:

- i) Currency derivatives in any currency pair involving the Rupee or otherwise are permitted on recognised stock exchanges set up in IFSCs;
- ii) Contracts in the Rupee shall be settled in a currency other than the Indian Rupee; and
- iii) Any person resident outside India may undertake these derivative contracts.

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

## FPI Investment in Debt

The Reserve Bank on January 23, 2020 decided to:

- i) increase the short-term investment limit of Foreign Portfolio Investors (FPIs) in Central Government Securities (including Treasury Bills) and State Development Loans from 20 per cent to 30 per cent;
- ii) increase the limit of FPI investment in corporate bonds from 20 per cent to 30 per cent; and

iii) extend the exemptions given to FPI investments in Security Receipts to FPI investments in debt instruments issued by Asset Reconstruction Companies and entities under the Corporate Insolvency Resolution Process as per the resolution plan approved by the National Company Law Tribunal (NCLT) under the Insolvency and Bankruptcy Code (IBC), 2016. To read more, please click [here](#).

### FPI Investment through VRR relaxed

The Reserve Bank on January 23, 2020 decided to raise the cap on investment by Foreign Portfolio Investors (FPIs) in debt from ₹75,000 crore to ₹1,50,000 crore on January 23, 2020. Accordingly, FPIs that have been allotted investment limits under the Voluntary Retention Route (VRR) have been allowed to transfer their investments made under the General Investment Limit to VRR at their discretion. They also have been allowed to invest in Exchange Traded Funds that invest only in debt instruments. To read more, please click [here](#).

## IV. Foreign Exchange Management

### MTT Guidelines revised

The Reserve Bank, with a view to further facilitate merchanting trade transactions, revised the existing guidelines on Merchanting Trade Transactions (MTT) on January 23, 2020. As per the revised guidelines:

- i) For a trade to be classified as Merchanting Trade, goods acquired shall not enter the Domestic Tariff Area.
- ii) Considering that in some cases, the goods acquired may require certain specific processing/value addition, the state of goods so acquired may be allowed transformation subject to the Authorised Dealer (AD) bank being satisfied with the documentary evidence and bonafides of the transaction.
- iii) The MTT shall be undertaken for the goods that are permitted for exports/imports under the prevailing Foreign Trade Policy (FTP) of India as on the date of shipment.
- iv) AD bank shall satisfy itself with the bonafides of the transactions. KYC and AML guidelines shall be scrupulously adhered to by the AD bank while handling such transactions.
- v) The entire MTT shall be completed within an overall period of nine months and there shall not be any outlay of foreign exchange beyond four months.
- vi) Short-term credit either by way of suppliers' credit or buyers' credit may be extended for MTT to the extent not backed by advance remittance for the export leg, including the discounting of export leg Letter of Credit by the AD bank, as in the case of import transactions.

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

### Revised VRR for Investment by FIIs

The Reserve Bank on January 23, 2020, amended the Voluntary Retention Route (VRR) for investments by Foreign Portfolio Investors (FPIs) scheme. The revised VRR scheme shall be open for allotment from January 24, 2020 as per the following details:-

- i) The investment limit under VRR has been increased to ₹1,50,000 crore.
- ii) The investment limit available for fresh allotment shall accordingly be ₹90,630 crore (net of extant allotments and adjustments); and shall be allotted under the VRR-combined category.
- iii) The minimum retention period shall be three years.
- iv) Investment limits shall be available 'on tap' and allotted on 'first come, first served' basis.
- v) The 'tap' shall be kept open till the limit is fully allotted.
- vi) FPIs may apply for investment limits online to Clearing Corporation of India Ltd. (CCIL) through their respective custodians.
- vii) CCIL will separately notify the operational details of application process and allotment.

The amendments have been made in consultation with the Government of India based on the feedback received on the scheme. The Reserve Bank on March 01, 2019 had introduced VRR for FPIs. To read more, please click [here](#).

## V. Financial Inclusion

### NSFI: 2019-24 released

Shri M.K. Jain, Deputy Governor, released the National Strategy for Financial Inclusion (NSFI) at the High-Level Meeting on Financial Inclusion for the North East region convened at Agartala on January 10, 2020. The Reserve Bank under the aegis of Financial Inclusion Advisory Committee (FIAC) initiated the process of formulation of the NSFI for the period 2019-2024. Wide ranging discussions were held with all stakeholders. Based on the inputs/feedback received, NSFI has been finalised and approved by the Financial Stability Development Council (FSDC). NSFI document can be accessed by clicking [here](#).

## VI. Currency Management

### Mobile Aided Note Identifier 'MANI'

Shri Shaktikanta Das, Governor on January 01, 2020 launched the Mobile Aided Note Identifier (MANI), a mobile application for aiding persons with visual impairment to identify the denomination of

Indian Banknotes. The mobile application developed by the Reserve Bank is capable of identifying the denominations of the Mahatma Gandhi series of Banknotes with the ability to identify through audio notifications and non-sonic mode as suitable for people with vision and hearing impairment. The application does not authenticate a note as being either genuine or counterfeit. The MANI android app is available publicly on

<https://play.google.com/store/apps/details?id=com.rbi.mani>

and IOS app is available publicly on

<https://apps.apple.com/app/id1491441464> (IOS 9+)

<https://apps.apple.com/app/id1491443029> (IOS 8)

## VII. Payment and Settlement Systems

### Framework for Imposing Penalty on Payment System Operators/Banks

To ensure that the payment systems are safe and secure and the various stakeholders conform to regulatory requirements, the Reserve Bank on January 10, 2020 revised the process of levy of penalty on payment system operators. The revised framework continues to centre around objectivity and transparency decision-making process. As per the revised framework:-

- i) The Reserve Bank has powers to impose monetary penalty in respect of certain contraventions as well as compound certain contraventions.
- ii) Separate procedures have been proposed, considering that the powers of the RBI to impose monetary penalty and compound contraventions are different and the nature of identification of contraventions is also different.
- iii) Separation of powers to impose monetary penalty on account of RBI identified contraventions and compounding contraventions.
- iv) The decision to issue Show Cause Notice (SCN) will be based on certain parameters.

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

### Processing of e-mandate in UPI

The Reserve Bank on January 10, 2020 extended the facility of processing of e-mandate for recurring transactions to cover Unified Payment Interface (UPI) transactions. As per the previous guidelines outlined in the Reserve Bank's circular on Processing of e-mandate on cards for recurring transactions dated August 21, 2019, processing of e-mandate on cards /Prepaid Payment Instruments (PPIs) was permitted for recurring transactions (merchant payments), with Additional Factor of Authentication (AFA) during e-mandate registration, modification and revocation. To read more, please click [here](#).

## Security of Card Transactions

The Reserve Bank, on January 15, 2020, with a view to improving user convenience and enhancing security of card transactions decided that:

- i) all cards (physical and virtual) shall be enabled for use only at contact-based points of usage within India at the time of issue/reissue.
- ii) issuers shall provide cardholders a facility for enabling 'card not present' (domestic and international) transactions, 'card present' (international) transactions and 'contactless transactions'.
- iii) card issuers may decide whether to disable the 'card not present' (domestic and international) transactions, 'card present' (international) transactions and contactless transaction rights in case of existing cards based on their risk perception. Existing cards which have never been used for online (card not present)/international/contactless transactions shall be mandatorily disabled for this purpose.

The Reserve Bank has also advised card issuers to provide the following additional facilities to all card holders:

- i) facility to switch on / off and set / modify transaction limits (within the overall card limit, if any, set by the issuer) for all types of transactions—domestic and international, at PoS/ATMs/online transactions / contactless transactions, etc;
- ii) the above facility on a 24x7 basis through multiple channels - mobile application / internet banking / ATMs / Interactive Voice Response (IVR); this may also be offered at branches / offices; and
- iii) alerts / information / status, etc., through SMS / e-mail, as and when there is any change in status of the card.

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

## Appointments

### Dr. M.D. Patra appointed as Deputy Governor

In pursuance with the Government of India notification dated January 14, 2020, Dr. Michael Debabrata Patra took over as the Deputy Governor of the Reserve Bank of India for a period of three years with effect from January 15, 2020. He will continue to be an ex-officio member of the MPC as Deputy Governor.

### Dr. Janak Raj elevated as Executive Director

Dr. Janak Raj, Principal Adviser, Monetary Policy Department was elevated as Executive Director, Reserve Bank of India with effect from January 29, 2020. The RBI Central Board on January 29, 2020 nominated Dr. Janak Raj, Executive Director on the Monetary Policy Committee as an ex-officio member of the board.