



Monetary and Credit Information Review

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Annual Conference of State Finance Secretaries

Reserve Bank of India held the 31st annual conference of State Finance Secretaries on March 18, 2019 in Mumbai. The conference was inaugurated by Shri Shaktikanta Das, Governor, Reserve Bank of India. The conference was attended by officials from the Ministry of Finance, Controller General of Accounts, Comptroller and Auditor General of India and Finance Secretaries of 25 states and the Union Territory of Puducherry. Issues such as gross market borrowings at the general and Government level, need for greater information dissemination by State Governments, measures for widening the investor base and deepening the secondary market and the appropriate reflection of risk asymmetry of State Governments in their cost of borrowing were discussed. It was also decided to form a committee to recommend parameters of a 'Rule-Based Approach' in fixing new Ways and Means Advance (WMA) limits for State Governments. States agreed to work towards complete integration of their receipts and payment systems with RBI's integrated accounting system (e-Kuber) for greater system efficiency. (https://rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=46583)

Meeting of the FSDC Sub-Committee – Mumbai

Shri Shaktikanta Das, Governor, Reserve Bank of India chaired a meeting of the sub-committee of the Financial Stability and Development Council (FSDC) on March 14, 2019 in Mumbai. The meeting was attended by members of the sub-committee viz., Shri S. C. Garg, Finance Secretary, Ministry of Finance; Shri Injeti Srinivas, Secretary, Ministry of Corporate Affairs; Dr K. Subramanian, Chief Economic Advisor, Ministry of Finance; Dr S. C. Khuntia, Chairman, Insurance Regulatory and Development Authority of India (IRDAI); Shri Hemant G Contractor, Chairman, Pension Fund Regulatory and Development Authority (PFRDA); Deputy Governors of the Reserve Bank Shri N. S. Vishwanathan, Dr Viral V. Acharya, Shri B. P. Kanungo and Shri Mahesh Kumar Jain, Dr Shashank Saksena, Secretary, Financial Stability and Development Council and Dr Deepak Mohanty, Executive Director of the Reserve Bank. Securities and Exchange Board of India (SEBI) was represented by Shri G. Mahalingam, Whole-Time Member, while Insolvency and Bankruptcy Board of India (IBBI) was represented by Dr Navrang Saini, Whole-Time Member. The sub-committee reviewed the major developments on the global and domestic fronts that impinge on the financial stability of the country. The sub-committee also discussed ways to address the challenges pertaining to the quality of credit ratings and interlinkages between housing finance companies and housing developers. The sub-committee also deliberated on interlinking of various regulatory databases and National

Strategy for Financial Inclusion (NSFI). (https://rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=46554)

Banking Regulation

PCA Framework

The Board for Financial Supervision (BFS), in its February 26, 2019 meeting decided to take Allahabad Bank and Corporation Bank out of the Prompt Corrective Action (PCA) framework subject to certain conditions and continuous monitoring. The board also decided to take Dhanlaxmi Bank out of the PCA Framework, subject to certain conditions and continuous monitoring, since the bank is not found to be breaching any of the risk thresholds of the PCA Framework. The BFS also reviewed the performance of banks under PCA. It noted that Government of India had infused fresh capital into various public-sector banks on February 21, 2019, including some banks under the PCA framework. Of these banks, the BFS noted that Allahabad Bank and Corporation Bank had received ₹6,896 crore and ₹9,086 crores, respectively. The capital infusion has not only shored up their capital funds but also increased their loan-loss provision to ensure that the PCA parameters were complied with. The two banks have also made necessary disclosures

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to the Stock Exchange that post infusion of capital, the CRAR, CET1, Net NPA and Leverage Ratios are no longer in breach of the PCA thresholds. (https://rbi.org.in/scripts/BS_PressReleaseDisplay.aspx?prid=46391)

Deferral of Implementation of IndAS

Reserve Bank of India notified on March 22, 2019 that it had decided to defer the implementation of Indian Accounting Standards (IndAS) till further notice, pending necessary legislative amendments to the Banking Regulation Act, 1949 and keeping in view, the level of preparedness of many banks. Earlier, implementation of IndAS was deferred by one year as notified in the [Statement on Developmental and Regulatory Policies](#) issued with the [First Bi-monthly Monetary Policy 2018-19 on April 5, 2018](#). The legislative amendments recommended by the Reserve Bank are under consideration of the Government of India. (<https://rbi.org.in/Scripts/NotificationUser.aspx?Id=11506&Mode=0>)

Domestic Systemically Important Banks (D-SIBs)

Reserve Bank of India announced the list of Domestic Systemically Important Banks (D-SIBs) on March 14, 2019. State Bank of India, ICICI Bank and HDFC Bank continue to be identified as D-SIBs, under the same bucketing structure as the previous year. The additional Common Equity Tier 1 (CET1) requirement for D-SIBs has already been phased-in from April 1, 2016 and will become fully effective from April 1, 2019. The additional CET1 requirement will be in addition to the capital conservation buffer. The updated list of D-SIBs is as follows:

Bucket	Banks	Additional Common Equity Tier 1 requirement as a % of Risk-Weighted Assets for FY 2018-19	Additional, Common Equity Tier 1 requirement applicable from April 1, 2019 (as per phase-in arrangement)
5	-	0.75%	1%
4	-	0.60%	0.80%
3	State Bank of India	0.45%	0.60%
2	-	0.30%	0.40%
1	ICICI Bank, HDFC Bank	0.15%	0.20%

(https://rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=46553)

Financial Inclusion and Development Department

Interest Subvention Scheme

Reserve Bank of India on March 7, 2019 notified that Government of India had approved the implementation of the Interest Subvention Scheme with modifications for the year 2018-19 and 2019-20 for short term crop loans up to ₹ 3 lakhs. As per stipulations issued by the Government of India, Public-Sector Banks (PSBs) and Private Commercial Banks will be offered interest subvention of 2% per annum

in respect of loans given by their rural and semi-urban branches only. This has been done with the objective to provide short-term crop loans up to ₹3 lakh to farmers at an interest rate of 7% per annum during the years 2018-19 and 2019-20. The interest subvention of 2% will be calculated on the crop loan amount from the date of its disbursement/drawal up to the date of actual repayment of the crop loan by the farmer or up to the due date of the loan fixed by the banks whichever is earlier, subject to a maximum period of one year. Additional interest subvention of 3% per annum will be given to farmers repaying in time. In this way, farmers repaying promptly would get short term crop loans at the rate of 4% per annum during the years 2018-19 and 2019-20. This benefit would not accrue to farmers who repay their crop loans after one year of availing such loans. The benefit of interest subvention will be available to small and marginal farmers having Kisan Credit Card for a further period of up to six months post the harvest of the crop. It will be at the same rate as available to crop loan against negotiable warehouse receipts issued on the produce stored in warehouses accredited with Warehousing Development Regulatory Authority (WDRA). The benefit is given with the objective to discourage distress sale by farmers and to encourage them to store their produce in warehouses. To provide relief to farmers affected by natural calamities, an interest subvention of 2% per annum will be made available to banks for the first year on the restructured loan amount. Such restructured loans will attract a normal rate of interest from the second year onwards. (<https://rbi.org.in/Scripts/NotificationUser.aspx?Id=11494&Mode=0>)

Expert Committee on MSMEs

The expert committee on Micro, Small and Medium Enterprises (MSMEs), constituted by the Reserve Bank, invited suggestions from the public to identify causes of problems faced by the MSME sector and propose long term solutions for the development of the sector. Suggestions have also been sought from the public on issues such as definition of MSME, classification and identification of MSME in the context of present system of investment and turnover based criteria, whether District Industrial Centres (DICs) have met the intended objective, suggestions to improve the role of DICs, infrastructural gaps and problems affecting the development and growth of MSME clusters and suggestions for addressing structural gaps in entrepreneurial capacity building. (https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=46579)

Revised Trade Credit Policy Framework

Reserve Bank of India on March 13, 2019 notified the revised trade credit policy framework. The revised framework is based on the new External Commercial Borrowing (ECB) framework as notified in the [A. P. \(DIR Series\) Circular No. 17 on January 16, 2019](#). As per the revised framework, trade credits up to \$150 million or equivalent (per import transaction) for oil and gas refining & marketing, airline and shipping companies can be availed under the automatic route. For others, the limit is up to \$50 million or equivalent

per import transaction. The all-in-cost ceiling per annum for overseas loans has been reduced to a benchmark rate plus 250 basis points from the earlier 350 bps. Participation of Indian banks and non-banking financial companies as lenders will be subject to the prudential guidelines issued by concerned regulatory departments of the Reserve Bank of India. The period of trade credits, reckoned from the date of shipment, shall be up to three years for import of capital goods. For non-capital goods, this period shall be up to one year or the operating cycle whichever is less. For shipyards/shipbuilders, the period of trade credits for import of non-capital goods can be up to three years. The revised framework comes into force with immediate effect. (<https://rbi.org.in/Scripts/NotificationUser.aspx?Id=11499&Mode=0#AN>)

Financial Market Regulation

Prevention of Market Abuse Directions, 2019

Reserve Bank of India, in exercise of powers conferred upon it by section 45W (read with section 45U) of the RBI Act, issued the Prevention of Market Abuse Directions, 2019 on March 15, 2019. Draft directions were released for public comments on September 28, 2018. The directions were finalised based on feedback received from the public. The directions are applicable to all persons dealing in securities, money market instruments, foreign exchange instruments, derivatives or such other instruments as the Reserve Bank may specify from time to time. The directions are not applicable to transactions executed through recognized stock exchanges in accordance with the regulations of the Securities and Exchange Board of India. (<https://rbi.org.in/Scripts/NotificationUser.aspx?Id=11500&Mode=0>)

Banker to Government

Accounting of Central Government Transactions

In view of the ensuing closing of Government accounts for the financial year 2018-19, the Reserve Bank of India has advised receiving branches to adopt special arrangements such as courier service etc., for passing on challans/scrolls in a timely manner to the Nodal/Focal Point branches. This is to ensure that all payments and collections made on behalf of the Government towards the end of March are accounted for in the same financial year. Government of India had decided that the date of closure of residual transactions for the month of March 2019 be fixed as April 10, 2019 for 2018-19.

RBI advised branches to follow the procedure laid down in the [annexure to circular DGBA.GBD.No.2394/42.01.029/2018-19](#) for reporting transactions of March 2019 in April 2019 by Nodal/Focal Point branches.

Nodal/Focal Point branches will also be required to prepare separate sets of scrolls, pertaining to March 2019 residual transactions and April 2019 transactions during the first 10 days of April 2019. The Nodal/Focal Point branches have also been advised to ensure that accounts for all transactions (revenues/tax collections/payments) are effected at the branches up to March 31, 2019 in the accounts for the current financial year itself and are not mixed up with the transactions of April 2019. (<https://rbi.org.in/Scripts/NotificationUser.aspx?Id=11503&Mode=0>)

Foreign Exchange Management

Reporting under FETERS

The Reserve Bank on March 20, 2019 advised all Authorised Dealers (ADs) to incorporate an additional field for capturing the 'country code' of ultimate exporter/importer in the Balance of Payment (BoP) file-format under FETERS. The directions have been issued vide [A. P. \(DIR Series\) Circular No. 25](#) with the objective of facilitating compilation of estimates of bilateral trade in services. In case of export of services, banks can use the transaction information available with them to report country-code of the ultimate exporting country, whereas Form-A2 has been revised for the purpose of capturing the required country information for import of services.

The Form A2 (revised) and the file format (revised) of the BOP file for reporting under FETERS are provided in [Annex I](#) and [Annex II](#) of the A.P. (DIR Series) circular. (<https://rbi.org.in/Scripts/NotificationUser.aspx?Id=11505&Mode=0>)

Task Force on Offshore Rupee Markets

Reserve Bank of India, in accordance with the announcement made in the [Statement on Developmental and Regulatory Policies dated February 7, 2019](#), set up a Task Force on Offshore Rupee Markets under the chairmanship of Smt. Usha Thorat, former Deputy Governor, Reserve Bank of India. The Task Force will examine issues relating to Offshore Rupee Markets in depth and recommend appropriate policy measures that also factor-in the requirement of ensuring stability of the external value of the rupee. The terms of reference of the Task Force include assessing the causes behind the development of Offshore Rupee Markets, their effects on the rupee exchange rate and market liquidity in the domestic market; recommend measures to address their concerns arising out of Offshore Rupee Trading, propose measures to generate incentives for non-residents to access the domestic market, examine the role that International Financial Services Centres (IFSCs) play in addressing these concerns and any other relevant issue(s) as per the findings of the Task Force. The Task Force is expected to submit its report by the end of June 2019. (https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=46423)

Voluntary Retention Route for Investments

Reserve Bank of India introduced the Voluntary Retention Route (VRR) for investments by Foreign Portfolio Investors (FPIs) on March 1, 2019. The scheme has been introduced with the objective to encourage FPIs to undertake long-term investments in the Indian debt markets. Under the VRR scheme, FPIs have been given greater operational flexibility in terms of instrument choices as well as exemptions from certain regulatory requirements. Investments under this scheme were opened for allotment from March 11, 2019. [The Statement on Development and Regulatory Policies in the Monetary Policy Statement dated October 5, 2018](#) had announced the VRR scheme. Reserve Bank of India had on October 5, 2018 released on its website a discussion paper for

public consultation on VRR for investments by FPIs. The Reserve Bank finalised the scheme in consultation with the Government of India after considering suggestions received from the public. The scheme was notified by the Reserve Bank on March 1, 2019 vide [A.P \(DIR Series\) Circular No. 21 dated March 1, 2019](#).

EXIM of Indian Currency to Nepal and Bhutan

Reserve Bank of India on [March 20, 2019 notified vide A. P. \(Dir Series\) Circular No. 24](#) that individuals travelling from India to Nepal or Bhutan are permitted to carry Indian Rupee currency notes in Mahatma Gandhi (New) Series of denominations ₹200/- and/or ₹500/- subject to a total limit of ₹25,000/-. Instructions regarding currency notes for any amount in denominations up to ₹100/- shall continue to be applicable as per extant regulations i.e., individuals can take or send out of India to Nepal or Bhutan and bring into India from Nepal or Bhutan, Indian Rupee currency notes of any amount in denominations up to ₹100/. (<https://rbi.org.in/Scripts/NotificationUser.aspx?Id=11504&Mode=0>)

Monetary Policy

Meeting Schedule of MPC 2019-20

Reserve Bank of India on March 22, 2019 announced the dates of Monetary Policy Committee (MPC) meetings for the year 2019-20. The dates of the meetings of the MPC are as given below:

First Bi-monthly Monetary Policy Statement for 2019-20	April 2 to 4, 2019
Second Bi-monthly Monetary Policy Statement for 2019-20	June 3, 4 and 6, 2019
Third Bi-monthly Monetary Policy Statement for 2019-20	August 5 to 7, 2019
Fourth Bi-monthly Monetary Policy Statement for 2019-20	October 1, 3 and 4, 2019
Fifth Bi-monthly Monetary Policy Statement for 2019-20	December 3 to 5, 2019
Sixth Bi-monthly Monetary Policy Statement for 2019-20	February 4 to 6, 2020

(https://rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=46626)

Data Releases

Handbook of Statistics on Indian States

Reserve Bank of India released the fourth edition of

its statistical publication titled "Handbook of Statistics on Indian States 2018-19". The publication consists of wide-ranging data on regional economy in India. It covers sub-national statistics on socio-demographics, state domestic product, agriculture, industry, infrastructure, banking and fiscal indicators across Indian states over a time period ranging from 1951 to 2018-19. The electronic form of the handbook can also be accessed on the RBI website (<https://www.rbi.org.in/Scripts/AnnualPublications.aspx?head=Handbook%20of%20Statistics%20on%20Indian%20States>)

Working Paper Inflation Expectations of Households

Reserve Bank of India has placed on its website a Working Paper titled "Inflation Expectations of Households: Do They Influence Wage-Price Dynamics in India?". The paper has been placed under Reserve Bank of India Working Paper Series. The Paper is co-authored by Sitikantha Pattanaik, Silu Muduli, and Soumyajit Ray. The paper examines the usefulness of survey-based information on inflation expectations of households in the analysis of inflation dynamics in India. Hybrid versions of New Keynesian Phillips Curve (NKPC) are used to study whether inflation expectations of households work as a proxy of forward-looking expectations to predict inflation. (https://rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=46424)

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