



I. Regulation

Resolution Framework 2.0 - Individuals and Small Businesses

The resurgence of COVID-19 pandemic in India in the recent weeks and the consequent containment measures to check the spread of the pandemic may impact the recovery process and create new uncertainties. With the objective of alleviating the potential stress to individual borrowers and small businesses, the Reserve Bank of India on May 05, 2021 announced the following set of measures:

Resolution of advances to individuals and small businesses

- ❑ Lending institutions are permitted to offer a limited window to individual borrowers and small businesses to implement resolution plans in respect of their credit exposures while classifying the same as Standard upon implementation of the resolution plan subject to the conditions specified hereafter.
- ❑ The following borrowers shall be eligible for the window of resolution to be invoked by the lending institutions:
 - i) Individuals who have availed of personal loans (as defined in the [Circular dated January 4, 2018](#) on "XBRL Returns – Harmonisation of Banking Statistics"), excluding the credit facilities provided by lending institutions to their own personnel/staff.
 - ii) Individuals who have availed of loans and advances for business purposes and to whom the lending institutions have aggregate exposure of not more than ₹25 crore as on March 31, 2021.
 - iii) Small businesses, including those engaged in retail and wholesale trade, other than those classified as micro, small and medium enterprises as on March 31, 2021, and to whom the lending institutions have aggregate exposure of not more than ₹25 crore as on March 31, 2021.
- ❑ Any resolution plan implemented in breach of the stipulations of this circular shall be fully governed by the [Prudential Framework for Resolution of Stressed Assets issued on June 7, 2019](#) ("Prudential Framework"), or the relevant instructions as applicable to specific category of lending institutions where the Prudential Framework is not applicable.

Invocation of resolution process

- ❑ The lending institutions shall frame Board approved policies at the earliest (but not later than four weeks from the date of this circular), pertaining to implementation of viable resolution plans for eligible borrowers under this framework, ensuring that the resolution under this facility is provided only to the borrowers having stress on account of COVID-19.
- ❑ The last date for invocation of resolution permitted under this window is September 30, 2021.

Permitted features of resolution plans and implementation

- ❑ The resolution plans implemented under this window may inter alia include rescheduling of payments, conversion of any interest accrued or to be accrued into another credit facility, revisions in working capital sanctions and granting of moratorium based on an assessment of income streams of the borrower.
- ❑ The moratorium period, if granted, may be for a maximum of two years, and shall come into force immediately upon implementation of the resolution plan.

Asset classification and provisioning

- ❑ If a resolution plan is implemented in adherence to the provisions of this circular, the asset classification of borrowers' accounts classified as Standard may be retained as such upon implementation, whereas the borrowers' accounts which may have slipped into NPA between invocation and implementation may be upgraded as Standard, as on the date of implementation of the resolution plan.



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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 May 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

□ The subsequent asset classification for such exposures will be governed by the criteria laid out in the [Master Circular - Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances dated July 1, 2015](#) or other relevant instructions as applicable to specific category of lending institutions (“extant IRAC norms”).

Disclosures and Credit Reporting

□ Lending institutions publishing quarterly financial statements shall, at the minimum, make disclosures as per the prescribed format in their financial statements for the quarters ending September 30, 2021 and December 31, 2021.

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

Resolution Framework 2.0 - MSMEs

In view of the uncertainties created by the resurgence of the COVID-19 pandemic, the Reserve Bank on May 05, 2021 extended the facility in the [circular dated August 6, 2020](#) for restructuring existing loans without a downgrade in the asset classification subject to the following conditions:

□ The borrower should be classified as a micro, small or medium enterprise (MSME) as on March 31, 2021 in terms of the Gazette Notification S.O. 2119 (E) dated June 26, 2020.

□ 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.

□ The aggregate exposure, including non-fund based facilities, of all lending institutions to the borrower does not exceed ₹25 crore as on March 31, 2021.

□ The borrower’s account was a ‘standard asset’ as on March 31, 2021.

□ The borrower’s account was not restructured in terms of the circulars dated [August 6, 2020](#); [February 11, 2020](#); or [January 1, 2019](#) (collectively referred to as MSME restructuring circulars).

□ The restructuring of the borrower account is invoked by September 30, 2021.

□ The restructuring of the borrower account is implemented within 90 days from the date of invocation.

□ If the borrower is not registered in the Udyam Registration portal, such registration shall be required to be completed before the date of implementation of the restructuring plan for the plan to be treated as implemented.

□ Upon implementation of the restructuring plan, the lending institutions shall keep provision of 10 per cent of the residual debt of the borrower.

□ It is reiterated that lending institutions shall put in place a Board approved policy on restructuring of MSME advances under these instructions at the earliest, and in any case not later than a month from the date of this circular.

□ All other instructions specified in the circular [dated August 6, 2020](#) shall remain applicable.

□ In respect of restructuring plans implemented, asset classification of borrowers classified as standard may be

retained as such, whereas the accounts which may have slipped into NPA category between April 01, 2021 and date of implementation may be upgraded as ‘standard asset’, as on the date of implementation of the restructuring plan.

□ In respect of accounts of borrowers which were restructured in terms of the MSME restructuring circulars, lending institutions are permitted, as a one-time measure, to review the working capital sanctioned limits and / or drawing power based on a reassessment of the working capital cycle, reduction of margins, etc. without the same being treated as restructuring.

□ The above measures shall be contingent on the lending institutions satisfying themselves that the same is necessitated on account of the economic fallout from COVID-19.

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

On-Tap Term Liquidity Facility

The Reserve Bank on May 07, 2021 decided to open an on-tap liquidity window of ₹50,000 crore with tenors of up to three years at the repo rate till March 31, 2022 to boost provision of immediate liquidity for ramping up COVID-related healthcare infrastructure and services in the country. Under the scheme, banks can provide fresh lending support to a wide range of entities including vaccine manufacturers; importers/suppliers of vaccine and priority medical devices; hospitals/dispensaries; pathology labs and diagnostic centres; manufacturers and suppliers of oxygen and ventilators; importers of vaccines and COVID-related drugs; COVID-related logistics firms and also patients for treatment. Banks are being incentivised for quick delivery of credit under the scheme through extension of priority sector lending (PSL) classification to such lending up to March 31, 2022. To read more, please click [here](#).

Group of Advisors to RRA invites feedback and suggestions

The Reserve Bank of India has set up a Regulations Review Authority (RRA 2.0) vide [press release dated April 15, 2021](#). The RRA has constituted an Advisory Group, representing members from regulated entities, including compliance officers to support the RRA in achieving the objective set forth in the terms of reference of RRA 2.0. To undertake its preparatory work, the Group invites feedback and suggestions from all regulated entities, industry bodies and other stakeholders which may be e-mailed latest by June 15, 2021. To read more, please click [here](#).

Utilisation of Floating Provisions/ Counter Cyclical Provisioning Buffer

In order to mitigate the adverse impact of COVID-19 related stress on banks, as a measure to enable capital conservation, the Reserve Bank on May 05, 2021 decided to allow banks to utilise 100 per cent of floating provisions/counter cyclical provisioning buffer held by them as on December 31, 2020 for making specific provisions for non-performing assets with prior approval of their Boards. To read more, please click [here](#).

Periodic Updation of KYC

The Reserve Bank on May 05, 2021 advised Regulated Entities (REs) that keeping in view the current COVID-19 related restrictions in various parts of the country, the customer accounts where periodic updation of KYC (Know Your Customer) is due and pending, no restrictions on operations of such account shall be imposed till December 31, 2021, for this reason alone, unless warranted under instructions of any regulator/ enforcement agency/court of law, etc. To read more, please click [here](#).

Amalgamation of DCCBs with the StCB

The Reserve Bank on May 24, 2021 notified all State and Central Cooperative Banks that in order to help the States contemplating delayering their Short-term Co-operative Credit Structure (STCCS), following guidelines are being issued to bring the requirements and indicative benchmarks for the amalgamation of District Central Co-operative Banks (DCCBs) with the State Co-operative Bank (StCB) to the notice of all stakeholders.

The Reserve Bank will consider proposals for amalgamation if the following conditions are fulfilled:

- ❑ When the State Government of the State makes a proposal to amalgamate one or more DCCB/s in the State with the StCB;
- ❑ When the scheme of amalgamation is approved by the requisite majority of shareholders;
- ❑ When such proposal of the State Government has been examined and recommended by NABARD;

Regulatory Criteria

- ❑ The proposal should be in compliance with the legal requirements, past orders/ rulings of the Courts, if any.
- ❑ Financial parameters of the amalgamated entity based on notionally consolidated latest audited financial statements should be robust.
- ❑ The StCB should have a satisfactory track record of regulatory and supervisory compliance.
- ❑ The StCB should have strong governance/management practices.

General considerations governing in-principle approval

- ❑ The scheme of amalgamation shall be presented to the shareholders of the StCB/ DCCBs.
- ❑ An memorandum of understanding (MoU) shall be executed by the constituents.
- ❑ Due diligence on the amalgamating entities shall be carried out by chartered accountants.
- ❑ In addition to compliance with extant income recognition, asset classification and provisioning norms, full provision shall be made for impairment of assets, if any.
- ❑ The StCB, post-amalgamation, shall be required to adhere to the CRAR norms prescribed by the Reserve Bank from time to time.
- ❑ StCB shall ensure to appropriately configure its IT system to enable system integration with all DCCBs before applying for final approval.
- ❑ A new Board of the amalgamated bank shall be constituted within three months of amalgamation.
- ❑ The banking licence issued to the StCB shall continue after the process of amalgamation. DCCBs which are being amalgamated into the StCB shall surrender their licences to the Reserve Bank.

- ❑ Existing branches of the DCCBs shall be converted into branches of the StCB and will come under the purview of Section 23 of the Banking Regulation Act, 1949 (AACS).
- ❑ Deposit Insurance and Credit Guarantee Corporation (DICGC) clearance for the amalgamation shall be obtained by the StCB before applying for final approval.
- ❑ The Reserve Bank may prescribe any additional condition/s, as may be considered necessary.
- ❑ The proposals for amalgamation which meet the indicative benchmarks would be evaluated by NABARD and the Reserve Bank on merits and would be subject to additional requirements/ conditions as deemed fit.

Post- amalgamation requirements

- ❑ A compliance report with reference to the conditions of the final approval for amalgamation shall be submitted within the prescribed timeframe.

- ❑ Licences of the transferor banks shall be surrendered.

Disclosures

- ❑ Pension liabilities pre and post-amalgamation.
- ❑ Status of vigilance cases and complaints pending in the amalgamating banks as on the date of amalgamation and details of cases that are closed during the year.
- ❑ Status of pending fraud cases, outstanding inter-bank adjustments (amalgamating/amalgamated) and inter-branch accounts and other intermediary accounts post-merger and their impact on the financial statements of the amalgamated bank.
- ❑ Outstanding claims of the amalgamating banks and their members in respect of allotment of shares and time frame for settlement of such claims.
- ❑ Such additional disclosures that may be required by the regulator/ supervisor.

To read the full guidelines, please click [here](#).

Due Diligence for Transactions in VCs

The Reserve Bank on May 31, 2021 instructed banks/regulated entities not to cite the [circular on virtual currencies dated April 06, 2018](#) as the circular was no longer valid as per the order dated March 04, 2020 of the Honourable Supreme Court of India. However, the Reserve Bank advised banks/regulated entities to continue to carry out customer due diligence processes in line with regulations governing standards for Know Your Customer (KYC), Anti-Money Laundering (AML), Combating of Financing of Terrorism (CFT) and obligations of regulated entities under Prevention of Money Laundering Act, (PMLA), 2002 in addition to ensuring compliance with relevant provisions under Foreign Exchange Management Act (FEMA) for overseas remittances. To read more, please click [here](#).

II. Financial Inclusion

On-lending by SFBs

The Reserve Bank on May 05, 2021 allowed priority sector lending classification to the fresh credit extended by Small Finance Banks (SFBs) to registered Non Banking Financial Companies - Micro-Finance Institutions (NBFC-MFIs) and other MFIs (Societies and Trusts) which are members of the Reserve Bank recognised 'Self-Regulatory Organisation' of the sector and which have a 'gross loan portfolio' of upto ₹500 crore as on March 31, 2021, for the purpose of on-lending to individuals. Bank credit as

above will be permitted up to 10 per cent of the bank's total priority sector portfolio as on March 31, 2021. This has been done in view of the fresh challenges brought on by the COVID-19 pandemic and to address the emergent liquidity position of smaller MFIs. To read more, please click [here](#).

III. Foreign Exchange

Sponsor Contribution to an AIF

The Reserve Bank on May 12, 2021 decided that any sponsor contribution from a sponsor Indian Party (IP) to an Alternative Investment Fund (AIF) set up in an overseas jurisdiction, including International Financial Services Centres (IFSCs) in India, as per the laws of the host jurisdiction, will be treated as Overseas Direct Investment (ODI). Accordingly, IP, as defined in regulation 2(k) of the [Notification FEMA 120/2004-RB](#) can set up AIF in overseas jurisdictions, including IFSCs, under the automatic route provided it complies with Regulation 7 of the [Notification FEMA 120/2004-RB](#). To read more, please click [here](#).

IV. Banker to the Government

Government Agency Business

The Reserve Bank on May 10, 2021 informed all scheduled commercial banks that the embargo put in place from September 2012 by Department of Financial Services (DFS), Ministry of Finance (MoF) on further allocation of Government business to private sector banks has since been lifted by them vide their communication dated February 24, 2021. Based on the above developments, the existing guidelines on appointment of scheduled private sector banks as agency banks of the Reserve Bank have been reviewed and the revised guidelines/framework are as follows:

□ Such existing private sector agency bank with whom the Reserve Bank already has agency banking agreement may continue to do the government agency business for Central and/or State Governments without taking any fresh approval from the Reserve Bank.

□ For the purpose of undertaking fresh/additional government agency business by these existing private sector agency banks, after obtaining approval from Central Government or State Government they need to obtain approval from Department of Government and Bank Accounts, Central Office as per the [circular dated January 31, 2012](#).

□ Scheduled private sector banks, not having agency banking agreement with the Reserve Bank, but intend to handle Government agency business, may be appointed as agents of the Reserve Bank upon execution of an agreement with the Reserve Bank.

□ The choice of accrediting an agency bank for any particular government agency business rests solely with the concerned Central Government Departments /State Governments.

Once the Reserve Bank authorises a bank for any Government business, separate approval from the Reserve Bank with regard to mode (physical or e-mode) and area

of operations is not required and the same will be decided by the Office of Controller General of Accounts (for Central Government) or the Finance Department of the State Government, keeping the Reserve Bank informed in the matter.

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

V. Payment and Settlement Systems

Prepaid Payment Instruments (PPIs)

The Reserve Bank on May 19, 2021 advised the following to all Bank and Non-Bank Prepaid Payment Instrument Issuers, System Providers and System Participants:

□ It shall be mandatory for Prepaid Payment Instrument (PPI) issuers to give the holders of full-KYC PPIs (KYC-compliant PPIs) interoperability through authorised card networks (for PPIs in the form of cards) and UPI (for PPIs in the form of electronic wallets);

□ Interoperability shall be mandatory on the acceptance side as well;

□ The interoperability shall be enabled by March 31, 2022;

□ PPIs for Mass Transit Systems (PPI-MTS) shall remain exempted from interoperability while Gift PPI issuers have the option to offer interoperability.

□ The maximum amount outstanding in respect of full-KYC PPIs (KYC-compliant PPIs) has been increased from ₹1 lakh to ₹2 lakh.

□ The feature of cash withdrawal shall be permitted in respect of full-KYC PPIs issued by non-bank PPI issuers as well subject to a maximum limit of ₹2,000 per transaction with an overall limit of ₹10,000 per month per PPI.

□ The cash withdrawal limit from Points of Sale (PoS) terminals using debit cards and open system prepaid cards issued by banks in India advised vide [circular dated August 27, 2015](#) has also been rationalised to ₹2,000 per transaction within an overall monthly limit of ₹10,000 across all locations (Tier 1 to 6 centres). To read more, please click [here](#).

VI. Central Board Meeting

The Central Board of the Reserve Bank of India virtually held its 589th meeting on May 21, 2021 under the chairmanship of Shri Shaktikanta Das, Governor. The Board reviewed the current economic situation, global and domestic challenges and recent policy measures taken by the Reserve Bank to mitigate the adverse impact of the second wave of COVID-19 on the economy. With the change in the Reserve Bank's accounting year to April-March (earlier July-June), the Board discussed the working of the Reserve Bank of India during the transition period of nine months (July 2020-March 2021) and approved the [Annual Report](#) and accounts of the Reserve Bank for the transition period. The Board also approved the transfer of ₹99,122 crore as surplus to the Central Government for the accounting period of nine months ended March 31, 2021 (July 2020-March 2021), while deciding to maintain the Contingency Risk Buffer at 5.50 per cent. To read more, please click [here](#).