



Monetary and Credit Information Review

M CIR

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Highlights of 2017

Banking Regulation

April

- Bharatiya Mahila Bank Limited (BMBL) and all branches of Associate Banks of the State Bank of India, namely, State Bank of Bikaner and Jaipur (SBBJ), State Bank of Hyderabad (SBH), State Bank of Mysore (SBM), State Bank of Patiala (SBP) and State Bank of Travancore (SBT) started functioning as branches of State Bank of India from April 1, 2017.
- The Reserve Bank on April 10, 2017, modified its directions relating to operations of the International Financial Services Centre (IFSCs) Banking Units (IBUs) and financial institutions in IFSC.
- The Reserve Bank on April 18, 2017 allowed banks to participate in Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs).
- The Reserve Bank on April 27, 2017, advised all scheduled commercial banks that they are required, inter-alia, to have a system of separation of credit risk management function from the credit sanction process.

May

- The Reserve Bank on May 5, 2017, advised all scheduled commercial banks that a minimum of 60 per cent of creditors by value and 50 per cent of creditors by number in the Joint Lenders' Forum (JLF) would be considered as the basis for deciding the Corrective Action Plan (CAP) and will be binding on all lenders.
- The Reserve Bank on May 18, 2017 issued final guidelines on 'Banking Outlets'.
- The Reserve Bank on May 22, 2017 upon the promulgation of the Banking Regulation (Amendment) Ordinance, 2017 issued a directive on stressed assets as under:
 - i) It was clarified that a corrective action plan could include flexible restructuring, Strategic Debt Restructuring (SDR) and Scheme for Sustainable Structuring of Stressed Assets (S4A).
 - ii) Consent required for approval of a proposal was changed to 60 per cent of creditors by value instead of 75 per cent earlier, while keeping the value of creditors by number at 50 per cent. Banks who were in the minority on the proposal approved by the JLF are required to either exit by complying with the substitution rules within the stipulated time or adhere to the decision of the JLF.

iii) Participating banks have been mandated to implement the decision of JLF without any additional conditionality.

iv) The Boards of banks were advised to empower their executives to implement JLF decisions without further reference to them.

Outlining the steps taken, the Reserve Bank also brought out an action plan, including the decision to reconstitute and enlarge the Oversight Committee (OC), to implement the Banking Regulation (Amendment) Ordinance, 2017.

July

- The Reserve Bank on June 30, 2017, released the names of applicants under the Guidelines for 'on tap' Licensing of Universal Banks in the Private Sector.

August

- The Reserve Bank on August 2, 2017, amended certain provisions of Basel III Framework on Liquidity Standards – Liquidity Coverage Ratio (LCR), Liquidity Risk Monitoring Tools and LCR Disclosure Standards guidelines.

October

- The Reserve Bank on October 21, 2017 clarified that, in applicable cases, linkage of Aadhaar number to bank account is mandatory under the Prevention of Money-laundering (Maintenance of Records).
- The Reserve Bank on October 23, 2017, set up a High-level Task Force on Public Credit Registry (PCR) for India.

November

- The Reserve Bank on November 9, 2017 advised banks to put in place appropriate mechanism with specific provisions for meeting the needs of senior citizens and differently abled persons.

December

- The Reserve Bank on December 19, 2017 advised all financial creditors regulated by the Reserve Bank to adhere to the relevant provisions of Insolvency and Bankruptcy Code (IBC), 2016 and Insolvency and Bankruptcy Board of India (Information Utilities) (IBBI IUs) Regulations, 2017 and immediately put in place appropriate systems and procedures to ensure compliance to the provisions of the Code and Regulations.

Banking Supervision

April

- The Reserve Bank on April 13, 2017 revised the framework for Prompt Corrective Action (PCA) for banks.

Non - Banking Regulation

April

- The Reserve Bank on April 28, 2017, advised that no Asset Reconstruction Company (ARC) shall commence or carry on the business of securitisation or asset reconstruction without having Net Owned Fund (NOF) of not less than Rupees two crore or such other higher amount.

November

- The Reserve Bank on November 9, 2017, put in place necessary safeguards in its directions on 'Managing Risks and Code of Conduct in Outsourcing of Financial Services by NBFCs (Non-Banking Financial Companies)' in public interest.

Co-operative Bank Regulation

April

- The Reserve Bank on April 28, 2017, has decided that all co-operative banks, not intending to act as Point of Sale (POS) acquiring bank are permitted to deploy third party POS terminals without prior approval of the Reserve Bank.

May

- The Reserve Bank on May 25, 2017, permitted all licensed cooperative banks having their own ATM network to issue semi-closed PPIs, provided there are no restrictions on acceptance or repayment of deposits.

December

- The Reserve Bank on December 14, 2017, reviewed the directions to banks relating to unauthorised transactions resulting in debits to their accounts/cards and the criteria for determining the customer liability in these circumstances.

Financial Market Regulation

April

- The Reserve Bank on April 11, 2017, released the draft framework on the introduction of Tri-Party Repo.

August

- The Reserve Bank on August 10, 2017, issued the Reserve Bank Commercial Paper Directions, 2017 and Tri-Party Repo (Reserve Bank) Directions, 2017.

October

- The Reserve Bank on October 12, 2017, released draft directions for authorising Electronic Trading Platforms (ETPs) for financial market instruments which are regulated by it.

Currency Management

January

- The Reserve Bank on December 31, 2016 introduced a facility for exchange of Specified Bank Notes (SBNs) for the

resident and non-resident citizens who could not avail the facility from November 10 to December 30, 2016 on account of their absence from India during the aforementioned period. Resident Indian citizens who were abroad during November 9, 2016 to December 30, 2016 could avail this facility upto March 31, 2017 and non-resident Indian citizens who were abroad during November 9, 2016 to December 30, 2016 were eligible to avail this facility upto June 30, 2017.

- The Reserve Bank on January 3, 2017 advised the banks maintaining currency chests to take steps to ensure proper functioning of distribution channels and maintain adequate proportion of currency flow.
- The Reserve Bank on January 16, 2017, enhanced the withdrawal limits as under:
 - i) The limit on withdrawals from ATMs were enhanced from of ₹4,500 to ₹ 10,000 per day per card, operative within the then overall weekly limit;
 - ii) The limit on withdrawal from current accounts were enhanced from ₹ 50,000 per week to ₹ 1,00,000 per week and it was extended to overdraft and cash credit accounts also.
- The Reserve Bank on January 30, 2017 decided to partially restore status quo ante.
- The Reserve Bank on January 30, 2017, urged banks to encourage their constituents to sustain the movement towards digitisation of payments and switching over of payments from cash mode to non-cash mode.

February

- The Reserve Bank on February 13, 2017, advised that specified bank notes (SBNs) deposited in the currency chests, since November 10, 2016, would be considered as part of the chest balance in the soiled note category but such deposits would not be reckoned for calculating chest balance limit/cash holding limit, till further instructions.

August

- The Reserve Bank introduced ₹200 and ₹50 denomination bank notes in the Mahatma Gandhi (New) Series, on August 25, 2017 and August 18, 2017, respectively.

October

- The Reserve Bank on October 12, 2017 issued the master circular on scheme of penalties for bank branches based on performance in rendering customer service to the members of public.
- The Reserve Bank on October 12, 2017 advised that the currency chests should invariably report all transactions through ICCOMS on the same day by 9 PM by uploading data through the Secured Website (SWS) to their respective link offices.

Consumer Education and Protection

June

- The Reserve Bank of India, on June 23, 2017, widened the scope of its Banking Ombudsman Scheme 2006, to include,

inter alia, deficiencies arising out of sale of insurance/ mutual fund/ other third party investment products by banks.

Foreign Exchange Management

January

- The Reserve Bank on January 25, 2017, on a review, prohibited an Indian party from making direct investment in an overseas entity, set up or acquired abroad directly as Joint Venture/Wholly Owned Subsidiary(JV/WOS) or indirectly as step down subsidiary located in the countries identified by the FATF as 'non co-operative countries and territories'.

February

- In order to provide more choices of investors to Indian entities issuing Rupee denominated bonds abroad, the Reserve Bank on February 16, 2017, permitted multilateral and regional financial institutions (FIs) where India is a member country, to invest in Rupee denominated bonds.
- The Reserve Bank on February 24, 2017, issued master directions relating to Money Transfer Service Scheme (MTSS), which is a quick and easy way of transferring personal remittances from abroad to beneficiaries in India.

September

- The Reserve Bank on September 15, 2017, directed

Monetary Policy

Authorised Dealer (AD) Category-I banks to update the Export Data Processing and Monitoring System (EDPMS) with data of export proceeds on 'as and when realised basis' and with effect from October 16, 2017, generate Electronic Bank Realisation Certificate (eBRC) only from the data available in EDPMS, to ensure consistency of data in EDPMS and consolidated eBRC.

November

- The Reserve Bank on November 16, 2017, permitted Foreign Portfolio Investors (FPIs) to settle Over-the-Counter (OTC) secondary market transactions in Government Securities either on T+1 or on T+2 basis.

Payment and Settlement Systems

January

- In order to facilitate cash availability for White Label ATM Operators (WLAOs), the Reserve Bank on December 30, 2016, allowed them to source cash from retail outlets.

February

- The Reserve Bank on February 16, 2017, placed the draft circular on rationalisation of Merchant Discount Rate (MDR) for debit card transactions, on its website (www.rbi.org.in) for public feedback.

**Wish You A Happy
New Year**

Monetary Policy Decisions - 2017

Statement on Bi-Monthly Monetary Policy	Policy Repo Rate under the Liquidity Adjustment Facility (LAF)	Reverse Repo Rate under the Liquidity Adjustment Facility (LAF)	Gross Value Added (GVA) Growth Projection	Bank Rate
February 8, 2017	Unchanged at 6.25 per cent	Unchanged at 5.75 per cent	Revised downwards to 6.9 per cent	Unchanged at 6.75 per cent
April 6, 2017	Unchanged at 6.25 per cent	Reduced to 6.0 per cent	Revised upwards to 7.4 per cent	Reduced to 6.50 per cent
June 7, 2017	Unchanged at 6.25 per cent	Unchanged at 6.0 per cent	Revised downwards to 7.3 per cent	Unchanged at 6.50 per cent
August 2, 2017	Reduced to 6.0 per cent	Reduced to 5.75 per cent	Unchanged at 7.3 per cent	Reduced to 6.25 per cent
October 4, 2017	Unchanged at 6.0 per cent	Unchanged at 5.75 per cent	Revised downwards to 6.7 per cent	Unchanged at 6.25 per cent
December 6, 2017	Unchanged at 6.0 per cent	Unchanged at 5.75 per cent	Unchanged at 6.7 per cent	Unchanged at 6.25 per cent

May

- The Reserve Bank on May 8, 2017, introduced additional settlements in the National Electronic Funds Transfer (NEFT) system at half-hour intervals to enhance the efficiency of the system and add to customer convenience.

October

- The Reserve Bank on October 11, 2017, issued the Master Directions on Issuance and Operation of Pre-paid Payment Instruments (PPIs) in India. The draft circular was placed on the RBI website for public comments on March 20, 2017.

December

- The Reserve Bank on December 5, 2017, clarified that no licence/authorisation was given to any entity/company to operate such schemes or deal with Bitcoin or any Virtual Currencies (VCs).

Financial Inclusion and Development*March*

- The Reserve Bank on March 2, 2017 revised the policy on conduct of camps by Financial Literacy Centres (FLCs) and rural branches of the banks.

June

- The Reserve Bank, on June 8, 2017, advised State Level Banker's Committee (SLBCs) convenor banks to review and identify the unbanked rural centres in villages with population above 5000, and ensure that such unbanked rural centres in villages with population above 5000, if any, are banked forthwith by opening of core banking solution (CBS) enabled banking outlet.

July

- With the increased thrust on financial inclusion and customer protection and considering the recent surge in customer grievances relating to unauthorised transactions resulting in debits to their accounts/ cards, the Reserve Bank on July 6, 2017 issued revised directions and criteria for determining the customer liability in these circumstances.
- The Reserve Bank in consultation with the Financial Inclusion Fund (FIF) Advisory Board, on July 13, 2017, revised the funding support available to banks to the extent of 60 per cent of the expenditure of the financial literacy camp subject to a maximum of ₹ 5,000/- per camp.

August

- The Reserve Bank on August 3, 2017, directed all commercial banks to upload the actual data on relief measures extended during April - June 2017 immediately and thereafter from July 2017 onwards every month by the 10th of the following month, on the dedicated portal, developed for collection and compilation of data on natural calamities on a real time basis through a centralised system.

November

- The Reserve Bank on November 10, 2017 launched a public awareness campaign through SMSes to educate the members of the public about various banking regulations and facilities available to them.

Government and Bank Accounts*February*

- The Reserve Bank reimbursed banks the Merchant Discount Rate (MDR) on debit cards used for payment of tax and non-tax dues to Gol with effect from January 1, 2017.

March

- The Reserve Bank on March 6, 2017, advised agency banks to report the Gold Monetisation Scheme transactions, that is, receipt, payment, penalty, interest, commission for mobilisation, handing charges, directly through the Government account maintained for the purpose at Central Accounts Section, Reserve Bank of India, Nagpur, on a daily basis.

December

- The Reserve Bank on December 7, 2017, advised all agency banks to settle their agency transactions for both funds and agency commission directly with the concerned regional office of the Reserve Bank.
- The Reserve Bank on December 21, 2017 advised all agency banks to scrupulously follow all the guidelines /instructions contained in various notifications of Government (Central as well as States) regarding prompt implementation of governments' instructions by agency banks and take necessary actions immediately without waiting for any further instructions from the Reserve Bank.

Clarification on Banks under Prompt Corrective Action

The Reserve Bank on December 22, 2017 reiterated that the Prompt Corrective Action (PCA) framework is not intended to constrain normal operations of the banks for the general public. It is further clarified that the Reserve Bank, under its supervisory framework, uses various measures/tools to maintain sound financial health of banks. PCA framework is one of such supervisory tools, which involves monitoring of certain performance indicators of the banks as an early warning exercise and is initiated once such thresholds as relating to capital, asset quality etc. are breached. Its objective is to facilitate the banks to take corrective measures including those prescribed by the Reserve Bank, in a timely manner, in order to restore their financial health. The framework also provides an opportunity to the Reserve Bank to pay focussed attention on such banks by engaging with the management more closely in those areas. The PCA framework is, thus, intended to encourage banks to eschew certain riskier activities and focus on conserving capital so that their balance sheets can become stronger.

The Reserve Bank also emphasised that the PCA framework has been in operation since December 2002 and the guidelines issued on April 13, 2017 is only a revised version of the earlier framework.

The Reserve Bank reiterated the position after it came across some misinformed communication circulating in some section of media including social media, about closure of some public sector banks in the wake of their being placed under the Prompt Corrective Action (PCA) framework.