

# MONETARY & CREDIT INFORMATION REVIEW

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## I. Regulation

### Large Exposures Framework – Credit Risk Mitigation

The Reserve Bank of India on September 09, 2021 permitted Indian branches of foreign banks to reckon cash/unencumbered approved securities as Credit Risk Mitigation (CRM) for offsetting the gross exposure of foreign bank branches in India to the Head Office (including overseas branches) for the calculation of Large Exposures Framework (LEF) limit, subject to the following conditions:

- i) The amount so held shall be over and above the other regulatory and statutory requirements and shall be certified by the statutory auditors.
- ii) It shall not be included in regulatory capital. (i.e., no double counting of the fund placed under Section 11(2) as both capital and CRM). Accordingly, while assessing the capital adequacy of a bank, the amount will form part of regulatory adjustments made to Common Equity Tier 1 Capital.
- iii) The bank shall furnish an undertaking as on March 31 every year to the Department of Supervision that the balance reckoned as CRM for the purpose will be maintained continuously.
- iv) The CRM shall be compliant with the principles/conditions prescribed in paragraph 7 of the [Master Circular – Basel III Capital Regulations dated July 1, 2015](#) as amended from time to time.

The amount held under section 11(2)(b)(i) of the Banking Regulation Act and earmarked as CRM shall be disclosed by way of a note in Schedule 1: Capital to the Balance Sheet.

Excess amount, over and above the CRM requirements shall be permitted to be withdrawn, subject to certification by the statutory auditor and approval of the Department of Supervision, Reserve Bank of India. The onus of compliance with the LEF limit at all times shall be on the bank.

Further, the Reserve Bank permitted foreign banks to exclude derivative contracts executed prior to April 1, 2019 while computing the derivative exposures on their Head Office (including overseas branches). To read more, please click [here](#).

### Transfer of Loan Exposures

The Reserve Bank on September 24, 2021 issued Master Direction on transfer of loan exposures, replacing the extant instructions on the matter of sale/transfer of loan exposures, with immediate effect. The Reserve Bank advised all lending institutions to take necessary steps to ensure compliance with these directions. To read more, please click [here](#).

### Securitisation of Standard Assets

The Reserve Bank on September 24, 2021 issued Master Direction on Securitisation of Standard Assets, replacing the extant instructions on securitisation of standard assets with immediate effect. The Reserve Bank advised all lending institutions to take necessary steps to ensure compliance with these directions. To read more, please click [here](#).

### Aadhaar e-KYC Authentication License

The Reserve Bank on September 13, 2021 advised Non-Banking Finance Companies (NBFCs), Payment System Providers and Payment System Participants desirous of obtaining Aadhaar Authentication License - KYC User Agency (KUA) License or sub-KUA License (to perform authentication through a KUA) to submit

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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 September 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

their application to the Department of Regulation (DoR), RBI for onward submission to UIDAI. The applications can also be forwarded over email to [cgmaml@rbi.org.in](mailto:cgmaml@rbi.org.in). To read more, please click [here](#).

## Investment by Primary UCBs

The Reserve Bank on September 20, 2021 issued the consolidated and updated Master Circular on investments by Primary (Urban) Co-operative Banks. To read more, please click [here](#).

## PCA – UCO Bank and IOB

The Reserve Bank on September 08, 2021 decided to take UCO Bank out of the PCA restrictions subject to certain conditions and continuous monitoring. The performance of the UCO Bank, which was under the PCA Framework of the Reserve Bank, was reviewed by the BFS. It was noted that as per its published results for the year ended March 31, 2021, the bank was not in breach of the PCA parameters. The bank has provided a written commitment that it would comply with the norms of minimum regulatory capital, net NPA and leverage ratio on an ongoing basis and has apprised the Reserve Bank of the structural and systemic improvements that it has put in place which would help the bank in continuing to meet these commitments. To read more, please click [here](#).

The Reserve Bank on September 29, 2021 decided to take Indian Overseas Bank (IOB) out of the Prompt Corrective Action (PCA) restrictions, subject to certain conditions and continuous monitoring. The performance of IOB, which was under the PCA Framework of the Reserve Bank, was reviewed by the Board for Financial Supervision (BFS). It was noted that as per its published results for the year ended March 31, 2021, the bank was not in breach of the PCA parameters. The bank has provided a written commitment that it would comply with the norms of minimum regulatory capital, net NPA and leverage ratio on an ongoing basis and has apprised the Reserve Bank of the structural and systemic improvements that it has put in place, which would help it in continuing to meet these commitments. To read more, please click [here](#).

## II. Payment and Settlement Systems

### Tokenisation – Card Transactions

The Reserve Bank on September 07, 2021 announced the following enhancements to Tokenisation – Card Transactions, by permitting Card-on-File Tokenisation (CoFT) Services. Measures taken:

- i) Extend the device-based tokenisation framework referred to CoF Tokenisation (CoFT) as well.
- ii) Permit card issuers to offer card tokenisation services as Token Service Providers (TSPs).
- iii) The facility of tokenisation shall be offered by the

TSPs only for the cards issued by/affiliated to them.

- iv) The ability to tokenise and de-tokenise card data shall be with the same TSP.
- v) Tokenisation of card data shall be done with explicit customer consent requiring Additional Factor of Authentication (AFA) validation by card issuer.

All Payment System Providers and Payment System Participants were advised to note the following:

- i) With effect from January 1, 2022, no entity in the card transaction/payment chain, other than the card issuers and/or card networks, shall store the actual card data. Any such data stored previously shall be purged.
- ii) For transaction tracking and/or reconciliation purposes, entities can store limited data – last four digits of actual card number and card issuer's name – in compliance with the applicable standards.
- iii) Complete and ongoing compliance with the above by all entities involved, shall be the responsibility of the card networks.

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

### Regulatory Sandbox - Third Cohort

The Reserve Bank on September 13, 2021 announced the opening of application window for the Third Cohort under the Regulatory Sandbox based on the theme MSME Lending to eligible entities from October 01, 2021 to November 14, 2021. To read more, please click [here](#).

### Linkage of Fast Payment Systems

The Reserve Bank and the Monetary Authority of Singapore (MAS) on September 14, 2021 announced a project to link their respective fast payment systems, such as, Unified Payments Interface (UPI) and PayNow. The linkage is targeted for operationalisation by July 2022.

The UPI-PayNow linkage will enable users of each of the two fast payment systems to make instant, low-cost fund transfers on a reciprocal basis without a need to get onboarded onto the other payment system.

The UPI-PayNow linkage is a significant milestone in the development of infrastructure for cross-border payments between India and Singapore, and closely aligns with the G20's financial inclusion priorities of driving faster, cheaper and more transparent cross-border payments. The linkage builds upon the earlier efforts of NPCI International Private Limited (NIPL) and Network for Electronic Transfers (NETS) to foster cross-border interoperability of payments using cards and QR codes, between India and Singapore and will further anchor trade, travel and remittance flows between the two countries. This initiative is also in line with the Reserve Bank's vision of reviewing corridors and charges for inbound cross-border remittances outlined in the Payment Systems Vision Document 2019-21.

UPI is India's mobile based, 'fast payment' system that facilitates customers to make round the clock

payments instantly using a Virtual Payment Address (VPA) created by the customer. This eliminates the risk of sharing bank account details by the remitter. UPI supports both Person to The Person (P2P) and Person to Merchant (P2M) payments, and enables user to send or receive money.

PayNow is the fast payment system of Singapore which enables peer-to-peer funds transfer service, available to retail customers through participating banks and Non-Bank Financial Institutions (NFI) in Singapore. It enables users to send and receive instant funds from one bank or e-wallet account to another in Singapore by using just their mobile number, Singapore NRIC/FIN, or VPA. To read more, please click [here](#).

### III. Foreign Exchange Department

#### Alternative Reference Rate

The Reserve Bank on September 28, 2021 permitted Authorised Dealer Category- I banks (AD banks) to use any other widely accepted/Alternative Reference Rate in the currency concerned, in view of the impending cessation of London Interbank Offered Rate (LIBOR) as a benchmark rate for interest payable in respect of export / import transactions. The Reserve Bank advised AD banks to bring the contents of this circular to the notice of their constituents concerned. All other instructions in this regard remain unchanged. To read more, please click [here](#).

#### Export of Goods and Services

The Reserve Bank on September 08, 2021 amended the Foreign Exchange Management (Export of Goods and Services) Regulations, 2015 (hereinafter referred to as 'the Principal Regulations').

Accordingly, under Principal Regulations, in Regulation 15, in sub-regulation 1, for clause (ii), the following shall be substituted, namely: -

"(ii) the rate of interest, if any, payable on the advance payment shall not exceed 100 basis points above the London Inter-Bank Offered Rate (LIBOR) or other applicable benchmark as may be directed by the Reserve Bank, as the case may be;". To read more, please click [here](#).

### IV. Banker to Government

#### WMA Limit for Government of India

The Reserve Bank of India, in consultation with the Government of India, on September 27, 2021 decided that the limit for Ways and Means Advances (WMA) for the second half of the financial year 2021-22 (October 2021 to March 2022) be fixed at ₹50,000 crore.

The Reserve Bank may trigger fresh floatation of market loans when the Government of India utilises 75 per cent of the WMA limit.

The Reserve Bank retains the flexibility to revise the limit at any time, in consultation with the Government of India, taking into consideration the prevailing circumstances.

The interest rate on WMA/overdraft will be:

- i) WMA: Repo Rate
- ii) Overdraft: Two percent above the Repo Rate

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

### SGB - Redressal of Customer Complaints

The Reserve Bank on September 09, 2021 streamlined the process for redressal of customer complaints of investors of Sovereign Gold Bond. The process of redressal shall be as follows:

- i) The nodal officer/s of the receiving office (RO) shall be the first point of contact for attending to the queries/complaints of their customers.
- ii) In case the issue is unresolved, an escalation matrix at the ROs shall be used to resolve customer grievance.
- iii) The investor may approach the Reserve Bank at [sgb@rbi.org.in](mailto:sgb@rbi.org.in), if no reply is received from the RO within a period of one month of lodging the complaint, or the investor is not satisfied with the response of the RO.

Accordingly, the Reserve Bank included the details of the nodal officers of all ROs in paragraph 18 of the circular on [Consolidated Procedural Guidelines on SGB](#) dated April 13, 2020. To read more, please click [here](#).

### V. RBI Top Management Speaks

#### Responsible Digital Innovation

Shri T. Rabi Sankar, Deputy Governor delivered a speech on 'Responsible Digital Innovation' at the Global Fintech Festival on September 28, 2021. In his speech, the Deputy Governor spoke about the role played by Fintech in transforming the provision and delivery of financial services. He remarked that processing speed has reduced cost and time for

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#### Special Drawing Rights by the IMF

International Monetary Fund (IMF) on September 01, 2021 made an allocation of Special Drawing Rights (SDR) 12.57 billion (equivalent to around USD 17.86 billion at the latest exchange rate) to India on August 23, 2021. The total SDR holdings of India now stands at SDR 13.66 billion (equivalent to around USD 19.41 billion at the latest exchange rate) as on August 23, 2021. This increase in SDR holdings will be reflected in the Foreign Exchange Reserves (FER) data that shall be published for the week ended August 27, 2021.

SDR holdings is one of the components of the FER of a country. IMF makes the general SDR allocation to its members in proportion to their existing quotas in the Fund. The Board of Governors of the IMF had approved a general allocation of about SDR 456 billion on August 2, 2021 (effective from August 23, 2021) of which the share of India is SDR 12.57 billion.

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transactions, and communication speed has enhanced connectivity of fast payments systems like UPI and IMPS. Further, instantaneous communication and the ability to process large databases has also enabled the use of Aadhar for transaction authentication which in turn has made it possible to effect large scale Government transfers instantaneously. This has also helped in ensuring that Government benefits reach directly into the bank accounts of beneficiaries. Shri Shankar also explained why it was important to appreciate the limitations of technology with the help of an illustration pertaining to savers and borrowers in an economy. He also remarked that entities like insurance companies, pension funds and asset management companies assume varied degrees of importance in financial markets as alternatives to intermediation by banks.

Shri Sankar also elaborated on Fintech regulation. He noted that the sheer diversity in the functions performed by fintech firms necessitates a widening of the regulatory perimeter and the approach to regulation also needs to adapt to the type of entity being regulated. He also explained how activity based regulation might be less effective than entity-based regulation when one is dealing with financial activities by big tech firms. To read the full speech, please click [here](#).

## VI. RBI Bulletin

The Reserve Bank on September 16, 2021 released its monthly bulletin. The Bulletin consists of two speeches, five articles and current statistics. The five articles are:

### i) State of the Economy

Prospects are brightening for the economy achieving escape velocity from the pandemic as the second wave wanes and preparedness for future remains on war-alert status. Aggregate demand is gaining firmer ground, while on the supply side, Index of Industrial Production (IIP) and core industries mirror improvement in industrial activity and services sector indicators point towards sustained recovery. The trajectory of inflation is shifting down more favourably than anticipated. As pandemic scars heal and supply conditions are restored with productivity gains, a sustained easing of core inflation can be expected, which will reinforce the growth-supportive stance of monetary policy.

### ii) Changes in Sectoral Bank Credit Allocation: Developments since 2007-08

The evolving patterns in credit allocation across sectors assume significance, as this can have implications for economic growth and employment generation. This article examines the changes in credit allocation, between industrial and non-industrial sectors (agriculture and allied activities, services, and personal loans segment), along with the lending behaviour of banks since 2007-08. It empirically assesses the impact of COVID-19 pandemic on credit delivery and sectoral credit offtake.

### iii) Private Corporate Investment: Growth in 2020-21 and Outlook for 2021-22

In this article, the near-term private investment outlook is assessed based on the project proposals data on capex phasing plans indicated by the private corporate sector. The investment intentions of the Indian private corporates remained sluggish as reflected by lower numbers of new announcements and completions of projects. The article highlights that the pandemic uncertainties adversely impacted appetite for new projects during 2020-21 and posed impediments to timely completion of pipeline projects. In 2021-22, demand for new projects would shape the private investment outlook, along with the progress of the projects already in the pipeline.

### iv) Financial Inclusion Plan – Reflecting the Growth Trajectory

Financial Inclusion Plan (FIP) mandates banks to have a planned and structured approach towards improving financial inclusion across the country, particularly in the unserved/underserved regions.

### v) Financial Inclusion Index for India

Greater financial inclusion (FI) is crucial for a wider, inclusive and sustainable growth. Therefore, a measure of FI is necessary to effectively monitor the progress of the policy initiatives undertaken to promote FI. A multidimensional composite Financial Inclusion Index (FI-Index) has been constructed based on 97 indicators, which quantifies the extent of financial inclusion and is responsive to availability, ease of access, usage, inequality and deficiency in services, financial literacy, and consumer protection. The article dwells on the creation of the FI-Index in terms of indicators for 'Access', 'Usage' and 'Quality' dimensions, weighting distributions, desired goals for the selected indicators, and methodology to combine these indicators into a composite index. To read the Bulletin, please click [here](#).

## VII. Data Releases

Important Data Releases by the Reserve Bank in the month of September 2021 are as follows:

	Title
1	<a href="#">Measuring Productivity at the Industry Level-The India KLEMS Database</a>
2	<a href="#">India's International Investment Position (IIP), June 2021</a>
3	<a href="#">Sources of Variation in Foreign Exchange Reserves in India during April - June 2021</a>
4	<a href="#">Handbook of Statistics on the Indian Economy 2020-21</a>
5	<a href="#">Survey of Foreign Liabilities and Assets of Mutual Fund Companies – 2020-21</a>
6	<a href="#">Developments in India's Balance of Payments during the First Quarter (April-June) of 2021-22</a>
7	<a href="#">India's External Debt as at the end of June 2021</a>