

# MONETARY & CREDIT INFORMATION REVIEW

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## I. Monetary Policy

### Resolution of the MPC

On the basis of an assessment of the current and evolving macroeconomic situation, the Monetary Policy Committee (MPC) at its meeting held on February 10, 2022, decided to keep the policy repo rate under the liquidity adjustment facility (LAF) unchanged at 4.0 per cent. The reverse repo rate under the LAF remains unchanged at 3.35 per cent and the marginal standing facility (MSF) rate and the Bank Rate at 4.25 per cent.

The MPC also decided to continue with the accommodative stance as long as necessary to revive and sustain growth on a durable basis and continue to mitigate the impact of COVID-19 on the economy, while ensuring that inflation remains within the target going forward. These decisions are in consonance with the objective of achieving the medium-term target for consumer price index (CPI) inflation of 4 per cent within a band of  $\pm 2$  per cent, while supporting growth. To read more, please click [here](#).

### Statement on Developmental and Regulatory Policies

#### i. Liquidity Measures

a) *Extension of Term Liquidity Facility of ₹50,000 crore to Emergency Health Services:*

An on-tap liquidity window of ₹50,000 crore at the repo rate with tenors of up to three years was announced in May 2021 to boost provision of immediate liquidity for ramping up COVID-19 related healthcare infrastructure and services in the country. Banks were incentivised for quick delivery of credit under the scheme through the extension of priority sector classification to such lending up to March 31, 2022. Banks were eligible to park their surplus liquidity up to the size of the COVID-19 loan book with the Reserve Bank under the reverse repo window at a rate 25 bps lower than the repo rate. The Reserve Bank proposed to extend this window up to June 30, 2022 from March 31, 2022.

b) *Extension of On-tap Liquidity Window for Contact-intensive Sectors:*

A separate liquidity window of ₹15,000 crore was opened in June 2021 at the repo rate with tenors of up to three years available till March 31, 2022 for certain contact-intensive sectors. By way of an incentive, such banks were eligible to park their surplus liquidity up to the size of the COVID-19 loan book, created under this scheme with the Reserve Bank. In view of the response to the scheme, the Reserve Bank proposed to extend liquidity window up to June 30, 2022.

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

#### II. Financial markets

a) *Voluntary Retention Route (VRR) – Enhancement of Limits*

The VRR for investment in government and corporate debt securities by Foreign Portfolio Investors (FPIs) was introduced in March 2019, with a dedicated investment limit of ₹1,50,000 crore. Given the positive response to the VRR, the Reserve Bank proposed to increase the investment limit under VRR by ₹1,00,000 crore to ₹2,50,000 crore with effect from April 1, 2022.

b) *Foreign Currency Settled Rupee Derivatives Market*

With a view to provide a fillip to the interest rate derivative market in the country, removing the segmentation between onshore and offshore markets,

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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 February 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

and improving the efficiency of price discovery, it has been decided to allow banks in India to undertake transactions in the offshore Foreign Currency Settled Overnight Indexed Swap (FCS-OIS) market with non-residents and other market makers. Banks may participate through their branches in India, their foreign branches or through their IFSC Banking Units.

### III. Payment and Settlement System

#### a) Enhancement of the Cap under e-RUPI

The e-RUPI prepaid digital voucher which is a person-specific and purpose-specific cashless voucher with a cap of ₹10,000/- per voucher can be used/redeemed only once. To facilitate digital delivery of various government schemes to the beneficiaries, the Reserve Bank proposed to increase the cap on amount for e-RUPI vouchers issued by Governments to ₹1,00,000/- per voucher and allow use of the e-RUPI voucher multiple times. To read more, please click [here](#).

#### b) Better Infrastructure for MSME Receivables

The amount of the National Automated Clearing House (NACH) mandate for discounting/ financing of receivables of Micro, Small and Medium Enterprises (MSMEs) is capped at ₹1 crore. In view of the growing liquidity requirements of the MSMEs and the requests received from the TReDS platforms, it is proposed to increase the NACH mandate limit to ₹3 crore for TReDS settlements.

### IV. Regulation and Supervision

The Reserve Bank proposed to issue guidelines addressing risk management framework for IT outsourcing, managing concentration risk, periodic risk assessment, outsourcing to foreign service providers, information security governance and controls, business continuity management, and information systems audit.

Accordingly, two draft directions will be issued for comments of stakeholders and members of the public: (i) Reserve Bank of India (IT Outsourcing) Directions, 2022; and (ii) Reserve Bank of India (Information Technology Governance, Risk, Controls and Assurance Practices) Directions, 2022.

### Minutes of the MPC Meeting

The thirty-third meeting of the Monetary Policy Committee (MPC), constituted under section 45ZB of the Reserve Bank of India Act, 1934, was held from February 8 to 10, 2022.

As per the Section 45ZL of the Reserve Bank of India Act, 1934; the Reserve Bank published, on the fourteenth day after meeting of the Monetary Policy Committee, the minutes of the proceedings of the meeting. To read more, please click [here](#)

## II. Regulation

The Reserve Bank of India released the following master circulars and master directions in the month of February 2022:-

Sr No.	Particulars	Release Date
1)	<a href="#">Master Circular - Asset Reconstruction Companies</a>	February 10, 2022
2)	<a href="#">Rupee Interest Rate Derivatives (Reserve Bank) Directions - Review</a>	February 10, 2022
3)	<a href="#">Transactions in Credit Default Swap (CDS) by Foreign Portfolio Investors - Operational Instructions</a>	February 10, 2022
4)	<a href="#">Master Direction - Reserve Bank of India (Credit Derivatives) Directions, 2022</a>	February 10, 2022
5)	<a href="#">Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances - Clarifications</a>	February 15, 2022
6)	<a href="#">New Definition of Micro, Small and Medium Enterprises - Clarification</a>	February 18, 2022
7)	<a href="#">Master Circular - Housing Finance</a>	February 18, 2022

### Regulations Review Authority

With an objective to reduce the compliance burden on regulated entities (REs), Regulations Review Authority (RRA) had recommended withdrawal of 150 circulars in the first tranche of recommendations in November 2021. In continuation of the exercise, RRA has now recommended the withdrawal of additional 100 circulars in the second tranche of recommendations. To read more, please click [here](#).

### Inclusion in the Second Schedule

The Reserve Bank on February 18, 2022 advised that the name of 'Sikkim State Co-operative Bank Ltd.' has been included in the second schedule to the Reserve Bank of India Act, 1934. To read more, please click [here](#).

### Banking Regulation Act, 1949

The Reserve Bank on February 18, 2022 issued Directions under Section 35 A read with Section 56 of the Banking Regulation Act, 1949 to Deccan Urban

Co-operative Bank Limited, Vijayapura, for extension of the period of operation for a further period of three months from February 20, 2022 to May 19, 2022, subject to review. To read more, please click [here](#).

### III. Banker to Government

#### Central Government Transactions

In view of the ensuing closing of government accounts for the financial year 2021-22, the Government of India decided that the date of closure of residual transactions for the month of March 2022 be fixed as April 11, 2022. To read more, please click [here](#).

### IV. Payment and Settlement Systems

#### Prepaid Payment Instruments

The Reserve Bank on February 22, 2022 informed that a company, namely, sRide Tech Private Limited, is operating a semi-closed (non-closed) pre-paid instrument (wallet) through its car-pooling app (application) 'sRide' without obtaining the required authorisation from the Reserve Bank under the provisions of the Payment and Settlement Systems Act, 2007, and has urged members to exercise utmost caution while using such application/s, dealing with and before parting with their money to any such unauthorised entity. To read more, please click [here](#).

#### Payment and Settlement Systems Regulations

The Reserve Bank in February 2022 amended, Payment and Settlement Systems Regulations, 2008 in exercise of the powers conferred by sub-section (1) read with clauses (b) to (f) of subsection (2) of Section 38 of the Payment and Settlement Systems Act, 2007 (51 of 2007). To read more, please click [here](#).

### V. Supervision

#### Core Financial Services Solution

The Reserve Bank on February 23, 2022 revised the regulatory framework for non-banking financial companies (NBFCs) in terms of which NBFCs with 10 and more branches are mandated to adopt core banking solution. Accordingly, NBFCs – middle layer and NBFCs - upper layer with 10 and more 'Fixed point service delivery units' shall be mandatorily required to implement 'Core Financial Services Solution (CFSS)', akin to the core banking solution (CBS) from October 1, 2022. To read more, please click [here](#).

### VI. Financial Inclusion and Development

#### Financial Literacy Week 2022

The Reserve Bank has been conducting Financial Literacy Week (FLW) every year since 2016 to propagate financial education messages on various themes among members of public across the country.

The theme selected for current year FLW between February 14-18, 2022, is "Go Digital, Go Secure". This theme is one of the strategic objectives of the National Strategy for Financial Education 2020-2025. Focus will be on creating awareness about (a) Convenience of digital transactions; (b) Security of digital transactions; and (c) Protection of customers.

Banks have been advised to disseminate the information and create awareness among their customers and general public. The Reserve Bank will also undertake mass media campaign to disseminate essential financial awareness messages to the general public.

### VII. Foreign Exchange Management

#### Un-authorised Forex Trading

The Reserve Bank cautioned the public not to undertake forex transactions on unauthorised electronic trading platforms (ETPs) or remit/deposit money for such unauthorised transactions. The cautionary advice was issued after the Reserve Bank noticed misleading advertisements of unauthorised ETPs offering forex trading facilities to Indian residents, engaging agents who personally contact gullible people to undertake forex trading/investment schemes, and many residents losing money through such trading/schemes. To read more, please click [here](#).

#### Investment Limit under VRR

The Reserve Bank on February 10, 2022, increased the investment limit under the VRR from ₹1,50,000 crore to ₹2,50,000 crore with effect from April 1, 2022. To read more, please click [here](#).

#### Reserve Bank announces USD/INR Swap

The Reserve Bank on February 21, 2022, decided to undertake sell/buy swap auction of USD 5 billion on March 08, 2022. The auction will be multiple-price-based, i.e., successful bids will be accepted at their respective quoted premiums, if any. To read more, please click [here](#).

## VIII. RBI Bulletin

The Reserve Bank released its monthly Bulletin on February 16, 2022. The Bulletin includes Monetary Policy Statement, February 10, 2022; one speech; four articles; and current statistics. The four articles are:

### i) *State of the Economy*

Domestic macroeconomic conditions are striking a path that is diverging from global developments. In India, the recovery in economic activity is gaining strength and traction as it emerges from the third wave. Both manufacturing and services remain in expansion with optimism on demand parameters and uptick in consumer and business confidence. As businesses return to a new normal, the job landscape is expected to improve. Farm sector conditions remain *albeit* robust with some signs of rural demand slackening. Even as monetary policy remains accommodative, global spillovers have led to a tightening of financial conditions.

### ii. *Zombies and the Process of Creative Destruction*

The article examines how zombie firms respond to counter-cyclical monetary policy in India. It also explores whether monetary policy hinders the process of creative destruction by allocating credit flows to zombie firms during periods of economic slowdown.

### iii. *Bad Banks as Good Samaritans: Lessons from Cross-Country Experience for India*

The cross-country experience in management of non-performing assets (NPAs) suggests that the establishment of a bad bank proves most effective when it has adequate government and legal backing. In the Indian context, the setting up of the National Asset Reconstruction Company Ltd. (NARCL), with a clear mandate and an explicit government guarantee, will help in alleviating the financial stress on commercial banks. NARCL will be an additional mechanism for the resolution of large stressed assets, complementing the activities of existing asset management companies.

### iv. *Impact of COVID-19 on Sentiments of Indian Manufacturers.*

The article encapsulates the evolution of sentiments of Indian manufacturers during the pandemic as captured through the quarterly Industrial Outlook Survey (IOS) conducted during 2019-21 and gauge the expected recovery process in the manufacturing sector. To read the Bulletin, please click [here](#).

## Finance Ministers Address

The 593<sup>rd</sup> meeting of the Central Board of Directors of the Reserve Bank was held on February 14, 2022 at New Delhi under the Chairmanship of Shri Shaktikanta Das, Governor.

Smt. Nirmala Sitharaman, Hon'ble Union Minister of Finance & Corporate Affairs, in her address to the Directors of Central Board, outlined the thinking behind the Union Budget 2022-23 and the priorities of the Government. Complimenting the Finance Minister on the Budget, the Board members made various suggestions for consideration of the Government.

The Board in its meeting reviewed the current economic situation, global and domestic challenges. The Board also felicitated Shri N. Chandrasekaran, Director, on being awarded Padma Bhushan.

## Central Board Nomination

The Central Government has nominated Shri Sanjay Malhotra, Secretary, Department of Financial Services, Ministry of Finance, Government of India as a Director on the Central Board of Reserve Bank of India vice Shri Debasish Panda. The nomination of Shri Sanjay Malhotra is effective from February 16, 2022 and until further orders.

## IX. Data Releases

Important data releases by the Reserve Bank in the month of February 2022 are as follows:

	Title
1	<a href="#">India's International Trade in Services for the month of December 2021</a>
2	<a href="#">Survey on International Trade in Banking Services, 2020-21</a>
3	<a href="#">Overseas Direct Investment for January 2022</a>
4	<a href="#">Results of Forward Looking Surveys</a>
5	<a href="#">India's Invisibles for Second Quarter (July-September) of 2021-2022</a>
6	<a href="#">Payment System Indicators</a>
7	<a href="#">Data on Credit and Deposits of Scheduled Commercial Banks SCBs</a>
8	<a href="#">Sectoral Deployment of Bank Credit</a>