

MONETARY & CREDIT INFORMATION REVIEW

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MCIR



I. Monetary Policy

Governor's Monetary Policy Statement, February 8, 2023

The Governor in his 1st monetary policy statement for the year 2023 stated: I am reminded of the historical significance of 2023 for the Reserve Bank of India. From being a Joint Stock Company, the Reserve Bank was brought into public ownership on January 01, 1949. Thus, 2023 marks the 75th year of public ownership of the Reserve Bank and its emergence as a national institution. This is an opportune moment to briefly reflect upon the evolution of monetary policy over this period. In the two decades after independence, the Reserve Bank's role was to support the credit needs of the economy under the five-year plans. The following two decades were characterised by bank nationalisation in 1969, oil shocks, monetisation of large budget deficits and sharp rise in money supply and inflation. Monetary targeting was adopted in the mid 1980s to contain growth in money supply and curb inflation pressures. Since the early 1990s, the Reserve Bank focused on market reforms and institution building. A multiple indicator approach was adopted in April 1998 under which a host of indicators were monitored for policy making. In the aftermath of the global financial crisis and the taper tantrum, as inflationary conditions worsened in India, flexible inflation targeting (FIT) was formally adopted in June 2016 to provide a credible nominal anchor for monetary policy. As we know, the primary objective of monetary policy under the FIT framework is to maintain price stability while keeping in mind the objective of growth.

2. Coming to present times, the unprecedented events of the last three years have put to test monetary policy frameworks globally. In a very short period, monetary policies across the world have veered from one extreme to the other in response to a series of overlapping shocks. In contrast to the Great Moderation era of the 1990s and the early years of this century, monetary policy was confronted with an unprecedented contraction in economic activity followed by a surge in global inflation. This calls for a deeper understanding of the structural changes in the global economy and inflation dynamics, and their implications for the conduct of monetary policy. To read more, please click [here](#).

Resolution of the Monetary Policy Committee

On the basis of an assessment of the current and evolving macroeconomic situation, the Monetary Policy Committee (MPC) at its meeting on February 8, 2023 decided to:

i) Increase the policy repo rate under the liquidity adjustment facility (LAF) by 25 basis points to 6.50 per cent with immediate effect.

Consequently, the standing deposit facility (SDF) rate stands adjusted to 6.25 per cent and the marginal standing facility (MSF) rate and the Bank Rate to 6.75 per cent.

ii) The MPC also decided to remain focused on withdrawal of accommodation to ensure that inflation remains within the target going forward, while supporting growth.

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 +/- 2 per cent, while supporting growth. To read more, please click [here](#).

Statement on Developmental and Regulatory Policies

This statement sets out various developmental and regulatory policy measures relating to i) Financial Markets; ii) Regulation; iii) Payment and Settlement Systems and iv) Currency Management.

1) Financial Markets

i) Introduction of Securities Lending and Borrowing in Government Securities

A well-functioning market for securities lending and borrowing will add depth and liquidity to the Government securities market, aiding efficient price discovery. It is, therefore, proposed to permit lending and borrowing of Government securities which will augment the existing market for Special Repos'. The system is expected to facilitate wider participation in the securities lending market by providing investors an avenue to deploy idle securities and enhance portfolio returns. Draft Directions will be issued separately for stakeholder comments.

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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 2023 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

II. Regulation

2. Recovery of Penal Charges on Loans

In terms of extant guidelines, Regulated Entities (REs) have the operational autonomy to formulate Board approved policy for levy of penal interest on advances which shall be fair and transparent. The intent of penal interest was essentially to inculcate a sense of credit discipline among borrowers through negative incentives, but such charges are not meant to be used as a revenue enhancement tool over and above the contracted rate of interest. Supervisory reviews have indicated divergent practices amongst REs with regard to levy of penal interest which were excessive in certain cases, leading to customer grievances and disputes.

The extant regulatory guidelines on levy of penal interest have been reviewed in the above context. It has been decided that any penalty for delay/default in servicing of the loan or any other non-compliance of material terms and conditions of loan contract by the borrower shall be in the form of 'penal charges' in a reasonable and transparent manner and shall not be levied in the form of 'penal interest' that is added to the rate of interest being charged on the advances. Further, there shall be no capitalisation of penal charges, i.e., the same shall be recovered separately and shall not be added to the principal outstanding. However, in case of any deterioration in credit risk profile of the borrower, REs shall be free to alter the credit risk premium under extant guidelines on interest rate. Draft guidelines to the above effect shall be placed on RBI website shortly, for comments from stakeholders.

3. Regulatory Initiatives on Climate Risk and Sustainable Finance

Being a full-service Central Bank with financial stability as part of its mandate, the Reserve Bank recognises that climate change can translate into climate-related financial risks for Regulated Entities (REs) which can have broader financial stability implications. Therefore, to prepare a strategy based on global best practices on mitigating the adverse impacts of climate change, a Discussion Paper (DP) on Climate Risk and Sustainable Finance was placed on RBI website on July 27, 2022, for public comments and feedback. Based on analysis of the feedback received in this regard, it has been decided to issue the following guidelines for REs:

- a) Broad framework for acceptance of Green Deposits;
- b) Disclosure framework on Climate-related Financial Risks, and;
- c) Guidance on Climate Scenario Analysis and Stress Testing.

The guidelines will be issued in a phased manner. Further, the Reserve Bank shall have a dedicated webpage on its website which will consolidate all instructions, press releases, publications, speeches and related RBI communication on climate risk and sustainable finance.

III. Payment and Settlement Systems

4. Expanding the scope of Trade Receivables Discounting System (TReDS)

The guidelines on Trade Receivables Discounting System (TReDS) were issued in December 2014 with the objective of facilitating the financing of trade receivables of MSMEs. Subsequently, three entities started operating TReDS platforms and two more entities have been granted in principle authorisation. These entities process about ₹60,000 crore worth of transactions annually.

To provide further impetus to TReDS platforms, their scope of activity is proposed to be expanded as stated below. These measures will help in further improving the cash flows of MSMEs.

i) Insurance facility will now be permitted on TReDS. This will encourage financing/discounting of payables of buyers irrespective of their credit ratings. Accordingly, insurance companies will be permitted to participate as a 'fourth participant' on TReDS, apart from the MSME sellers, buyers and financiers.

ii) All entities/institutions eligible to undertake factoring business under the Factoring Regulation Act will be permitted to participate as financiers in TReDS.

iii) Secondary market operations will now be enabled on TReDS platforms. This would allow financiers to offload their existing portfolio to other financiers within the same TReDS platform, if required.

5. Extending UPI for Inbound Travellers to India

Unified Payments Interface (UPI) has become a ubiquitous payment instrument for retail electronic payments in India. An enhancement has recently been made to provide UPI access to non-resident Indians who have international mobile numbers linked to their NRE/NRO accounts. It is now proposed to permit all inbound travellers to India also to access UPI for their merchant payments (P2M) while they are in the country. To start with, this facility will be extended to travellers from the G-20 countries, arriving at select international airports. Going forward, this facility will be enabled across all other entry points in the country. Necessary operational instructions will be issued shortly.

IV. Currency Management

6. QR Code based Coin Vending Machine - Pilot project

To improve distribution of coins among members of the public, the Reserve Bank of India is preparing a pilot project on QR Code based Coin Vending Machine (QCVM) in collaboration with a few leading banks. The QCVM is a cashless coin dispensation machine which would dispense coins against a debit to the customer's bank account using Unified Payments Interface (UPI).

Unlike cash-based traditional Coin Vending Machine, the QCVM would eliminate the need for physical tendering of banknotes and their authentication. Customers will also have the option to withdraw coins in required quantity and denominations in QCVMs.

The pilot project is planned to be initially rolled out at 19 locations in 12 cities across the country. These vending machines are intended to be installed at public places such as railway stations, shopping malls, marketplaces to enhance ease and accessibility. Based on the learnings from the pilot tests, guidelines would be issued to banks to promote better distribution of coins using QCVMs. To read more, please click [here](#).

Minutes of the MPC Meeting

The 41st meeting of the Monetary Policy Committee (MPC), constituted under section 45ZB of the Reserve Bank of India Act, 1934, was held during February 6-8, 2023.

Accordingly, under Section 45ZL of the Reserve Bank of India Act, 1934; the Reserve Bank published the minutes of the proceedings of the meeting on February 22, 2023, i.e., the 14th day after meeting of the Monetary Policy Committee. To read more, please click [here](#).

Meeting of Central Board

The 600th meeting of the Central Board of Directors of Reserve Bank was held on February 11, 2023 at New Delhi under the Chairmanship of Shri Shaktikanta Das, Governor.

Smt. Nirmla Sitharaman, Hon'ble Union Minister of Finance and Corporate Affairs, addressed and interacted with the Central Board. The Hon'ble Finance Minister in her address highlighted the key thrust areas outlined in the Union Budget 2023-24 and the expectations from the financial sector. Complimenting the Finance Minister on the Budget, the Board members made a few suggestions for consideration of the Government. To read more, please click [here](#).

II. Payment and Settlement System

Real-time Payment Systems Linkage

The Prime Minister of India, Shri Narendra Modi and the Prime Minister of Singapore, Mr. Lee Hsien Loong on February 21, 2023 witnessed the launch of cross-border linkage between India and Singapore using their respective Fast Payment Systems, viz., Unified Payments Interface (UPI) and PayNow. The facility was launched through token transactions by Reserve Bank of India's Governor, Shri Shaktikanta Das and Managing Director of Monetary Authority of Singapore, Mr. Ravi Menon using the UPI-PayNow linkage.

The UPI-PayNow linkage will enable users of the two fast payment systems in either country to make convenient, safe, instant, and cost-effective cross-border funds transfers using their respective mobile apps. Funds held in bank accounts or e-wallets can be transferred to/from India using just the UPI-id, mobile number, or Virtual Payment Address (VPA).

To begin with, State Bank of India, Indian Overseas Bank, Indian Bank and ICICI Bank will facilitate both inward and outward remittances while Axis Bank and DBS India will facilitate inward remittances. For Singapore users, the service will be made available through DBS-Singapore and Liquid Group (a non-bank financial institution).

Customers of the participating banks can undertake cross-border remittances to Singapore using the bank's mobile banking app/internet banking. An Indian user can remit up to ₹60,000 in a day (equivalent to around SGD 1,000). At the time of making the transaction, the system shall dynamically calculate and display the amount in both the currencies for convenience of the user. To read more, please click [here](#).

Payments Infrastructure Development Fund

The Reserve Bank on February 3, 2023 updated the status of Payments Infrastructure Development Fund (PIDF). The PIDF Scheme, operationalised by RBI subsidises deployment of Points of Sale (PoS) infrastructure (physical and digital modes) in tier-3 to tier-6 centres and North-Eastern States of the country. From August 26, 2021, beneficiaries of PM Street Vendor's AtmaNirbhar Nidhi (PM SVANidhi Scheme) in tier-1 and tier-2 centres are also covered. Further, Jammu and Kashmir and Ladakh regions are included as special focus areas from June 9, 2022. To read more, please click [here](#).

HARBINGER 2023

The Reserve Bank on February 14, 2023 launched its Second Global Hackathon **HARBINGER 2023** with the theme 'Inclusive Digital Services'. The Hackathon invites participants to develop solutions that have the potential to make digital financial services accessible to the differently abled, facilitate efficient compliance, extend the reach of Central Bank Digital Currencies and enhance the scalability of blockchains. Registration for the hackathon started from February 22, 2023.

HARBINGER 2023 invites innovative ideas for the following problem statements:

- i) Innovative, easy-to-use, digital banking services for differently abled (Divyaang).
- ii) RegTech solutions to facilitate more efficient compliance by Regulated Entities (REs).
- iii) Exploring use cases/solutions for CBDC-Retail transactions, including transactions in offline mode.
- iv) Increasing Transactions Per Second (TPS)/ throughput and scalability of blockchains.

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

Transaction code in NEFT and RTGS

The Reserve Bank on February 16, 2023 introduced Foreign Contribution (Regulation) Act (FCRA) related transaction code in NEFT and RTGS Systems. Under the FCRA, 2010 (amended as on September 28, 2020), foreign contributions must be received only in the 'FCRA account' of State Bank of India (SBI), New Delhi Main Branch (NDMB). The contributions to the FCRA account are received directly from foreign banks through SWIFT and from Indian intermediary banks through NEFT and RTGS systems. To read more, please click [here](#).

UPI for Inbound Travellers

The Reserve Bank on February 21, 2023 extended Unified Payments Interface (UPI) facility to all in-bound travellers visiting India to make local payments while they are in India. The facility is available to travellers from G-20 countries, at select international airports (Bengaluru, Mumbai and New Delhi). Eligible travellers would be issued Prepaid Payment Instruments (PPI) wallets linked to UPI for making payments at merchant outlets. ICICI Bank, IDFC First Bank and two non-bank PPI issuers, Pine Labs Private Ltd. and Transcorp International Ltd. are the issuers of UPI linked wallets. To read more, please click [here](#).

III. Regulation

Change in Bank Rate

The Reserve Bank on February 8, 2023 as announced in the monetary policy statement 2022-23, revised the Bank Rate upwards by 25 basis points from 6.50 per cent to 6.75 per cent with immediate effect. To read more, please click [here](#).

Interest Rate Risk

The Reserve Bank on February 17, 2023 issued final guidelines on interest rate risk in banking book (IRRBB), whereby banks have to measure, monitor and disclose their exposure to IRRBB in terms of potential change in the economic value of equity and net interest income, computed based on a set of prescribed interest rate shock scenarios. To read more, please click [here](#).

Indian Accounting Standards

The Reserve Bank on February 20, 2023 to address the prudential concerns arising from continued recognition of unrealised income, decided that Asset Reconstruction Companies (ARCs) preparing their financial statements as per Ind AS, shall reduce the following amounts from their net owned funds while calculating the Capital Adequacy Ratio and the amount available for payment of dividend:

- i) Management fee recognised during the planning period that remains unrealised beyond 180 days from the date of expiry of the planning period.
- ii) Management fee recognised after the expiry of the planning period that remains unrealised beyond 180 days of such recognition.
- iii) Any unrealised management fees, notwithstanding the period for which it has remained unrealised, where the net asset value of the Security Receipts has fallen below 50 per cent of the face value. To read more, please click [here](#).

IV. Financial Market

Liquidity Adjustment Facility

The Reserve Bank as announced in the monetary policy statement dated February 8, 2023 with the concurrence of the Monetary Policy Committee (MPC), increase the policy repo rate under the Liquidity Adjustment Facility (LAF) by 25 basis points from 6.25 per cent to 6.50 per cent with immediate effect. Consequently, the standing deposit facility (SDF) rate and marginal standing facility (MSF) rate stand adjusted to 6.25 per cent and 6.75 per cent respectively, with immediate effect. To read more, please click [here](#).

Market Trading Hours

The Reserve Bank on February 8, 2023 decided to restore market hours in respect of Government Securities from 9:00 am to 3:30 pm to 9:00 am to 5:00 pm. Accordingly, effective from Monday, February 13, 2023, the revised trading hours for markets regulated by the Reserve Bank are as:

Market	Timings
Call/notice/term money	9:00 am to 5:00 pm
Market Repo in G-Sec	9:00 am to 2:30 pm
Tri-party Repo in G-Sec	9:00 am to 3:00 pm
Commercial paper and Certificates of Deposit	9:00 am to 5:00 pm
Repo in Corporate Bonds	9:00 am to 5:00 pm
Central Government Securities, State Development Loans and Treasury Bills	9:00 am to 5:00 pm
Foreign Currency (FCY)/Indian Rupee(INR) Trades including Forex Derivatives*	9:00 am to 3:30 pm
Rupee Interest Rate Derivatives*	9:00 am to 5:00 pm

*Other than those traded on recognised stock exchanges

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

V. Financial Inclusion and Development

Financial Literacy Week 2023

The Reserve Bank on February 13, 2023 announced the beginning of Financial Literacy Week 2023 (FLW) from February 13 to February 17, 2023. The theme of this

year's FLW is 'Good Financial Behaviour - Your Saviour'. The theme aligns with the overall strategic objectives of the National Strategy for Financial Education: 2020-2025, which aims at building financial resilience and well-being while creating awareness among members of public. Focus will be on creating awareness about savings, planning and budgeting, and prudent use of digital financial services. To read more, please click [here](#).

VI. Foreign Exchange Management

Alert List

The Reserve Bank on February 10, 2023 came out with an updated Alert List of entities/platforms/websites which are neither authorised to deal in forex under the Foreign Exchange Management Act, 1999 (FEMA) nor authorised to operate Electronic Trading Platforms (ETPs) for forex transactions. On February 3, 2022, RBI had cautioned the members of public against unauthorised forex trading platforms and on September 7, 2022, issued an Alert List of such entities. To read more, please click [here](#).

VII. Publications

Compendium on Business Continuity Measures

A compendium on Business Continuity Measures undertaken by the Reserve Bank during the COVID-19 Pandemic was released on February 17, 2023 in the annual conference of the Corporate Strategy and Budget Department of the Reserve Bank of India by Dr. Michael Debabrata Patra, Deputy Governor. The compendium encapsulates the details of RBI's fight against the COVID-19 pandemic. To read more, please click [here](#).

RBI Bulletin

The Reserve Bank on February 17, 2023 released the February 2023 issue of its monthly Bulletin. The Bulletin includes Monetary Policy Statement February 6-8, 2023, one speech, six articles and current statistics. To read more, please click [here](#).

VIII. Data Release

Important data released by the Reserve Bank during the month of February 2023 are as follows:

S/N	Title
1.	ECB/FCCB/RDB for December 2022
2.	India's Invisibles for Second Quarter (July-September) 2022-23
3.	National Summary Data Page (NSDP)
4.	Overseas Direct Investment for January 2023
5.	Bank Lending Survey for Q3:2022-23
6.	Bankwise Volumes In ECS/NEFT/RTGS/Mobile Transactions