

MONETARY & CREDIT INFORMATION REVIEW

Volume XVIII Issue 3 June 2022



Contents

Sections	Page
I. Monetary Policy	1
II. Regulation	2
III. Payment and Settlement System	3
IV. Financial Stability Analysis	3
V. Enforcement	4
VI. Financial Markets	4
VII. Banker to Government	4
VIII. Foreign Exchange Management	4
IX. RBI Bulletin	4
X. Currency Management	4
XI. Data Releases	4



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 June 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

I. Monetary Policy

Governor's Policy Statement

Governor in his Bi-monthly Monetary Policy statement on June 8, 2022 emphasised on various issues including the war in Europe. As a result, food, energy, and commodity prices remain elevated and war has led to the globalisation of inflation. Emerging market economies (EMEs) are facing bigger challenges from increased market turbulence, monetary policy shifts in advanced economies (AEs), and their spillovers.

Commenting on decisions and deliberations of the Monetary Policy Committee, Governor said that the MPC voted unanimously to increase the policy repo rate by 50 basis points to 4.90 per cent, with immediate effect. Consequently, the standing deposit facility (SDF) rate stands adjusted to 4.65 per cent; and the marginal standing facility (MSF) rate and the Bank Rate to 5.15 per cent.

Explaining about the MPC's rationale for its decisions on the policy rate Governor said that the ongoing war is also turning out to be a dampener for global trade and growth. The faster pace of monetary policy normalisation undertaken by systemic advanced economies (AEs) is leading to heightened volatility in global financial markets.

Governor further added that according to the provisional estimates released by the national statistical office (NSO) on May 31, 2022, India's real gross domestic product (GDP) growth in 2021-22 is estimated at 8.7 per cent. The real GDP growth for 2022-23 is retained at 7.2 per cent, with Q1 at 16.2 per cent; Q2 at 6.2 per cent; Q3 at 4.1 per cent; and Q4 at 4.0 per cent, with risks broadly balanced.

On inflation front with the assumption of a normal monsoon in 2022 and average crude oil price (Indian basket) of US\$ 105 per barrel, inflation is now projected at 6.7 per cent in 2022-23, with Q1 at 7.5 per cent; Q2 at 7.4 per cent; Q3 at 6.2 per cent; and Q4 at 5.8 per cent, with risks evenly balanced. It may be noted that around 75 per cent of the increase in inflation projections can be attributed to the food group. Further, the baseline inflation projection of 6.7 per cent for 2022-23 does not take into account the impact of monetary policy actions taken today.

Speaking on liquidity and financial market conditions, Governor said that with the emphasis on the gradual withdrawal of accommodation articulated in the April and May MPC resolutions, systemic liquidity has moderated in the recent period. Surplus liquidity, as reflected in average daily absorption under the liquidity adjustment facility (LAF) – that is, the absorption under SDF and variable rate reverse repo (VRRR) of 14 days and 28 days – at ₹5.5 lakh crore during May 4-May 31 was lower than ₹7.4 lakh crore during April 8-May 3, 2022.

India's exports have performed exceptionally well despite weakening recovery across major trading partners. India's foreign exchange reserves were of the order of US\$ 601.1 billion, which are further supplemented by a healthy level of net forward assets of the RBI.

Certain regulatory measures announced for the cooperative banking sector, the limit under the framework for processing of e-mandate based recurring payments, allowing the linking of credit cards on the UPI platform, and modifications to the Payments Infrastructure Development Fund (PIDF) Scheme.

In his concluding remarks, Governor said that India's recovery is proceeding apace, offering us space for an orderly policy shift. 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 June 8, 2022 decided to:

- Increase the policy repo rate under the liquidity adjustment facility (LAF) by 50 basis points to 4.90 per cent with immediate effect.

Consequently, the standing deposit facility (SDF) rate stands adjusted to 4.65 per cent and the marginal standing facility (MSF) rate and the Bank Rate to 5.15 per cent.

- 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) Regulation; ii) Financial Markets; and iii) Payment and Settlement systems.

I. Regulation and Supervision

1) Individual Housing Loans by Cooperative Banks – Enhancement in Limits

Taking into account the increase in housing prices the prudential limits on the amount of individual housing loans that can be extended by primary (Urban) cooperative banks (UCBs), and rural cooperative banks (RCBs - state cooperative banks and district central cooperative banks) to their customers has been increased as below:

- The limits for Tier I /Tier II UCBs shall stand revised from ₹30 lakh/ ₹70 lakh to ₹60 lakh/ ₹140 lakh, respectively.
- As regards RCBs, the limits shall increase from ₹20 lakh to ₹50 lakh for RCBs with assessed net worth less than ₹100 crore; and from ₹30 lakh to ₹75 lakh for other RCBs.

2) Permitting Rural Co-operative Banks (RCBs) to Lend to Commercial Real Estate – Residential Housing (CRE-RH) Sector

Considering the growing need for affordable housing and to realise their potential in providing credit facilities to the housing sector, it has been decided to allow state co-operative banks and district central co-operative banks to extend finance to commercial real estate – residential housing (CRE-RH) within the existing aggregate housing finance limit of 5 per cent of their total assets.

3) Permitting Urban Cooperative Banks (UCBs) to offer Door-step banking

In order to attain harmonization of the regulatory

framework across regulated entities and to provide the convenience of banking services to the customers at their doorstep, it has been decided to permit UCBs to extend doorstep banking services to their customers on par with scheduled commercial banks.

II. Financial Markets

4) Margin Requirements for Non-centrally Cleared Derivatives (NCCDs)

With the objective of strengthening the resilience of over the counter (OTC) derivatives market, the Reserve Bank had issued a discussion paper to implement global practices related to margin requirements for OTC derivatives. OTC derivative transaction, has put in place a significant enabler for efficient margining. Against this backdrop, directions on exchange of variation margin (VM) for NCCDs have been issued on June 1, 2022.

III. Payment and Settlement Systems

5) e-Mandates on Cards for Recurring Payments – Enhancement of Limit

To augment customer convenience and leverage the benefits available under the framework on processing of e-mandate based recurring payments, it is proposed to enhance the limit of additional factor of authentication (AFA) from ₹5,000 to ₹15,000 per recurring payment.

6) Enhancements to unified payments interface (UPI) – linking of RuPay credit cards

UPI currently facilitates transactions by linking savings/current accounts through debit cards of users. It is proposed to allow linking of credit cards to UPI. To start with, RuPay credit cards will be enabled with this facility.

7) Review of Payments Infrastructure Development Fund Scheme

The payments infrastructure development fund (PIDF) scheme was operationalised by the Reserve Bank in January 2021. The Scheme had targeted 90 lakh Points of Sale terminals and Quick Response codes to be deployed over three years (till end-2023). To read more, please click [here](#).

Minutes of the MPC Meeting

The 36th meeting of the Monetary Policy Committee (MPC), constituted under section 45ZB of the Reserve Bank of India Act, 1934, was held during June 6 to 8, 2022. As per Section 45ZL of the Reserve Bank of India Act, 1934; the Reserve Bank published, on the 14th day after meeting of the Monetary Policy Committee, the minutes of the proceedings of the meeting. To read more, please click [here](#).

II. Regulation

Outsourcing of IT Services

Regulated Entities (REs) have been extensively leveraging information technology (IT) and IT-enabled services (ITeS) in their business, products and services with increasing dependence on third parties. Such reliance on IT/ITeS provided by third parties exposes the REs to various risks. The Reserve Bank on June 23,

2022, released a draft master direction on outsourcing of IT services to foreign service providers, for comments of stakeholders and members of the public. To read more, please click [here](#).

Master Direction – Credit and Debit Card

Referring to the master direction on credit card and debit card-issuance and conduct directions, 2022, wherein the Reserve Bank had prescribed a timeline of July 01, 2022, for implementation of the provisions of the master direction, the Reserve Bank on June 21, 2022 decided to extend the timeline for implementation of the provisions to October 01, 2022. To read more, please click [here](#).

Provisioning for Standard Assets

The Reserve Bank, under guidelines on differential provisioning to be held by non banking financial companies (NBFCs) classified as NBFC-Upper Layer (NBFC-UL) towards different classes of standard assets, decided on June 6, 2022, that NBFCs classified as NBFC-UL shall maintain provisions in respect of 'standard' assets at the prescribed rates for the funded amount outstanding. To read more, please click [here](#).

Indian Banks operating in GIFT-IFSC

The Reserve Bank on June 7, 2022 decided to allow the branches of Indian banks operating in GIFT-IFSC to act as professional clearing member (PCM) of India International Bullion Exchange IFSC Limited (IIBX)PCM of IIBX. To read more, please click [here](#).

Member of the Advisory Committee

The Reserve Bank had constituted an Advisory Committee (AC) under Rule 5 (c) of the Insolvency and Bankruptcy Rules, 2019, to advise the administrator in the operations of the financial service providers during the corporate insolvency resolution process. Consequent to the resignation of Shri R. Subramaniakumar from the AC, it has been decided to appoint Shri Venkat Nageswar Chalasani as a member of the AC with immediate effect. To read more, please click [here](#).

III. Payment and Settlement Systems

Processing of e-Mandates

The e-mandate framework prescribed an additional factor of authentication (AFA) while processing the first transaction. For subsequent transactions with transaction values up to ₹5,000/- prescription of AFA was waived. On a review of the implementation of the e-mandate framework, the Reserve Bank on June 16, 2022 decided to increase the aforesaid AFA limit from ₹5,000/- to ₹15,000/- per transaction. To read more, please click [here](#).

Restriction on Storage of Actual Card Data

The Reserve Bank had issued guidelines on 'Regulation of Payment Aggregators and Payment Gateways', and on 'Tokenisation – Card Transactions: Permitting Card-on-File Tokenisation (CoFT) Services',

with effect from January 1, 2022. The timeline was extended to June 30, 2022.

The Reserve Bank on June 24, 2022 decided to extend the timeline for storing of CoF data by three months, till September 30, 2022. To read more, please click [here](#).

Results of First Global Hackathon

The Reserve Bank had launched its first global hackathon – 'HARBINGER 2021 – Innovation for Transformation' with the theme 'Smarter Digital Payments'. In the first phase of preliminary screening and initial evaluation, 25 proposals were shortlisted. In the second phase of solution development, shortlisted teams worked on developing their solution(s) under the guidance of external mentors. The third phase of final evaluation was held on May 26-27, 2022 in Bengaluru wherein 24 finalist teams presented their solutions for the problem statements to the jury who evaluated and selected the winners and runners-up. The Reserve Bank on June 2, 2022 declared the results of the Hackathon. To read more, please click [here](#).

Payments Vision 2025

The Reserve Bank has been providing strategic direction and implementation plan for structured development of the payment and settlement systems in India through periodic payments vision documents.

The Reserve Bank on June 17, 2022 placed on its website the 'Payments Vision 2025'. The Payments Vision 2025 has the core theme of 'E-Payments for Everyone, Everywhere, Everytime' (4Es) and aims to provide every user with safe, secure, fast, convenient, accessible and affordable e-payment options. To read more, please click [here](#).

Tokenisation of Cards

While the practice of storing card data does render convenience, availability of card details with multiple entities increases the risk of card data being stolen/misused. The Reserve Bank mandated that after December 31, 2021, entities other than card networks and card issuers cannot store card data.

A framework for Card-on-File Tokenisation (CoFT) services was issued. Under this framework, cardholders can create 'tokens' (a unique alternate code) in lieu of card details.

The Reserve Bank on June 24, 2022 announced that the timeline of June 30, 2022 for creation of token has been extended up to September 30, 2022. To read more, please click [here](#).

IV. Financial Stability Analysis

Financial Stability Report, June 2022

The Reserve Bank on June 30, 2022 released the 25th issue of the financial stability report (FSR), which reflects the collective assessment of the Sub-Committee of the Financial Stability and Development Council (FSDC) on risks to financial stability and the resilience of the financial system. To read more, please click [here](#).

V. Enforcement

Penalty to Various Banks: June 2022

The Reserve Bank imposed monetary penalty to various banks during the month of June 2022. The details are as follows:

Sr No	Name of Bank	Type of Bank	Amount of Penalty	Date of Penalty
1	Punjab & Sind Bank	Commercial Bank	₹27.50 lakh	June 1, 2022
2	Bassein Catholic Co-operative Bank Ltd., Vasai	Co-operative Bank	₹49.00 lakh	June 2, 2022
3	Jila Sahakari Kendriya Bank Maryadit, Morena	Co-operative Bank	₹50,000	June 2, 2022
4	Urban Co-operative Bank Ltd., Budaun	Co-operative Bank	₹2.00 lakh	June 7, 2022
5	Jila Sahakari Kendriya Bank Maryadit, Sidhi	Co-operative Bank	₹0.75 lakh	June 16, 2022
6	Pragati Mahila Nagrik Sahakari Bank Maryadit, Bhilai	Co-operative Bank	₹2.00 lakh	June 16, 2022
7	Indian Overseas Bank	Commercial Bank	₹57.50 lakh	June 24, 2022
8	The Tiruchengode Co-operative Urban Bank Ltd	Co-operative Bank	₹10.00 lakh	June 24, 2022

VI. Financial Markets

RBI (Variation Margin) Directions, 2022

Based on the feedback received from the market participants, the Reserve Bank on June 1, 2022 issued the Master Direction – Reserve Bank of India (Variation Margin) Directions, 2022. To read more, please click [here](#).

VII. Banker to Government

Sovereign Gold Bond Scheme 2022-23

The Reserve Bank on June 16, 2022 informed about Government of India notification dated June 15, 2022, announcing series I and II of Sovereign Gold Bond Scheme 2022-23 giving detailed terms and conditions of the issuance of the bonds as prescribed in the above notification. To read more, please click [here](#).

VIII. Foreign Exchange Management

Discontinuation of Return under FEMA, 1999

The Reserve Bank on June 9, 2022 decided to discontinue the return regarding 'Details of guarantee availed and invoked from non-resident entities' with effect from the quarter ending June 2022. To read more, please click [here](#).

IX. RBI Bulletin

RBI Bulletin – June 2022

The Reserve Bank on June 16, 2022, released the June 2022 issue of its monthly bulletin. The Bulletin includes Monetary Policy Statement, 2022-23, Resolution of the Monetary Policy Committee (MPC) June 8, 2022, two Speeches, nine Articles and Current Statistics. To read more, please click [here](#).

X. Currency Management

Currency and Bank Notes

The Reserve Bank on June 6, 2022 clarified that there is no proposal in the Reserve Bank to change the existing currency and banknotes by replacing the face of Mahatma Gandhi with that of others.

XI. Data Releases

Important data releases by the Reserve Bank during June 2022 are as follows:

Sr No	Title
1.	International Trade in Services: April 2022
2.	Results of Forward-Looking Surveys
3.	ECB/FCCB/RDB: April 2022
4.	Overseas Direct Investment: May 2022
5.	India's External Debt: March 2022
6.	Lending and Deposit Rates of SCBs: June 2022
7.	Outstanding Credit of SCB: – March 2022
8.	India's International Investment Position: March 2022
9.	Scheduled Banks' Statement of Position: June 3, 2022
10.	India's Balance of Payments - Fourth Quarter (January-March) of 2021-22
11.	Sources of Variation in Foreign Exchange Reserves in India: 2021-22
12.	Performance of Private Corporate Business Sector: 2021-22