

MONETARY & CREDIT INFORMATION REVIEW

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MCIR



I. Monetary Policy

Governor's Monetary Policy Statement on October 6, 2023

The Governor on October 6, 2023 delivered the Monetary Policy Statement. Quoting the sayings of Kautilya in Arthashastra, the Governor highlighted the enduring relevance of stability in fostering equitable wealth distribution and growth. He stated that macroeconomic stability and inclusive growth are pivotal for a nation's progress. The policy approach in recent years has successfully bolstered both macroeconomic and financial stability, transforming past challenges into a beneficial situation for banks and corporations.

Stressing upon the importance of vigilance and avoiding complacency, the Governor drew lessons from historical financial crises and emphasised the need for all stakeholders to fortify their positions in a rapidly changing economic landscape. He said, the Reserve Bank had identified high inflation as a significant risk and remains committed to align it with the 4 per cent target.

During the meeting, the MPC unanimously decided to maintain the policy repo rate at 6.50 per cent. Consequently, the standing deposit facility (SDF) rate remains at 6.25 per cent and the marginal standing facility (MSF) rate and the Bank Rate at 6.75 per cent. The MPC also decided by a majority of 5 out of 6 members to remain focused on withdrawal of accommodation to ensure that inflation progressively aligns to the target, while supporting growth.

Briefing about the MPC's rationale on policy rate and the stance, the Governor said that headline inflation surged in July driven by tomato and other vegetable prices, with some changes in subsequent months. A silver lining amidst all these is declining core inflation, i.e., CPI excluding food and fuel. However, uncertainties for overall inflation outlook arose from factors such as decreased sowing of key crops, low reservoir levels and volatile global food and energy prices. Considering the evolving inflation-growth dynamics and the cumulative policy repo rate hike of 250 basis points which is still working through the economy, the MPC decided to keep the policy repo rate unchanged at 6.50 per cent in this meeting. The transmission of the 250 basis points (bps) increase in the policy repo rate to bank lending and deposit rates is still incomplete and hence, the MPC decided to remain focused on withdrawal of accommodation. To read the full statement, please click [here](#).

Resolution of MPC

On the basis of an assessment of the current and evolving macroeconomic situation, the Monetary Policy Committee (MPC) at its meeting on October 6, 2023 decided to keep the policy repo rate under the liquidity adjustment facility (LAF) unchanged at 6.50 per cent.

The standing deposit facility (SDF) rate remains unchanged at 6.25 per cent and the marginal standing facility (MSF) rate and the Bank Rate at 6.75 per cent.

The MPC also decided to remain focused on withdrawal of accommodation to ensure that inflation progressively aligns to the target, 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

The Statement sets out various developmental and regulatory policy measures relating to i) Regulation, ii) Payments Systems and iii) Consumer Protection.

i) Regulation

1. Prudential Framework for Income Recognition, Asset Classification and Provisioning pertaining to Advances - Projects Under Implementation

Project finance is generally characterised by various complexities inter alia including long gestation periods. With a view to strengthen the extant regulatory framework governing project finance and to harmonise the instructions across all regulated entities, the extant prudential norms for projects under implementation have been reviewed and a comprehensive regulatory framework applicable for all regulated entities is proposed to be issued.

2. Credit Concentration Norms – Credit Risk Transfer

The extant guidelines on Large Exposure Framework for Non-Banking Financial Company – Upper Layer (NBFC-UL) permits exposures to the original counterparty to be offset with certain



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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 October 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

credit risk transfer instruments. However, the extant credit concentration norms for NBFC in the Middle Layer (ML) and Base Layer (BL) do not explicitly envisage any such mechanism. With a view to harmonise the aforesaid norms among NBFCs, it has been decided to permit NBFCs in the ML and BL as well, to offset their exposures with eligible credit risk transfer instruments.

3. Gold Loan – Bullet Repayment Scheme – UCBs

UCBs have been permitted an extended glide path for achievement of PSL targets, beyond March 2023. With a view to incentivising UCBs that have met the prescribed PSL targets as on March 31, 2023, it has been decided to increase the monetary ceiling of gold loans that can be granted under the bullet repayment scheme from ₹2.00 lakh to ₹4.00 lakh for such UCBs who have met the overall PSL target and sub targets as on March 31, 2023. These banks will be required to continue to meet the targets and sub-targets thereafter. Incidentally, in terms of circular, DOR.CRE.REC.18/07.10.002/2023-24 dated June 8, 2023, while granting extension of time for achieving the priority sector lending targets, it was clarified that incentives to UCBs meeting the PSL targets shall be announced separately.

4. Framework for recognition of SROs for Regulated Entities (REs) of Reserve Bank

In view of the potential role of Self-Regulatory Organisations (SROs) in strengthening compliance culture among their members and also providing a consultative platform for policy making, it has been decided to issue an omnibus framework for recognising SROs for various Regulated Entities (REs) of the Reserve Bank. The omnibus SRO framework shall prescribe the broad objectives, functions, eligibility criteria, governance standards, etc., which will be common for all SROs, irrespective of the sector. The Reserve Bank may prescribe sector-specific additional conditions at the time of calling for applications for recognising such SROs.

ii) Payments Systems

5. Payments Infrastructure Development Fund – Extension of Scheme and Inclusion of PM Vishwakarma Scheme beneficiaries

The Payments Infrastructure Development Fund (PIDF) Scheme was operationalised by the Reserve Bank in January 2021 for a period of three years. The objective was to incentivise the deployment of payment acceptance infrastructure such as physical Point of Sale (PoS), Quick Response (QR) codes in tier-3 to tier-6 centres, Northeastern States and Union Territories of Jammu & Kashmir and Ladakh. Beneficiaries of PM SVANidhi Scheme in Tier-1 and 2 centres were later included in August 2021. As at end-August 2023, over 2.66 crore new touch points have been deployed under the Scheme. It is now proposed to extend the PIDF Scheme by a further period of two years, i.e., up to December 31, 2025. Also, it is proposed to include beneficiaries of PM Vishwakarma Scheme in all centres under the PIDF Scheme. This decision to expand the targeted beneficiaries under the PIDF scheme will provide fillip to the Reserve Bank's efforts towards promoting digital transactions at the grassroots level.

Further, based on the feedback received from industry, deployment of emerging modes of payment acceptance, such as soundbox devices and Aadhaar-enabled biometric devices, are proposed to be encouraged under the PIDF

Scheme. This is expected to further accelerate and augment the deployment of payment acceptance infrastructure in the targeted geographies. To read more, please click [here](#).

Minutes of MPC

The 45th meeting of the Monetary Policy Committee (MPC), constituted under section 45ZB of the Reserve Bank of India Act, 1934, was held during October 4 to 6, 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 October 20, 2023, i.e., the 14th day after meeting of the Monetary Policy Committee.

The MPC reviewed the surveys conducted by the Reserve Bank to gauge consumer confidence, households' inflation expectations, corporate sector performance, credit conditions, the outlook for the industrial, services and infrastructure sectors, and the projections of professional forecasters. The MPC also reviewed in detail the staff's macroeconomic projections, and alternative scenarios around various risks to the outlook. To read more, please click [here](#).

II. Regulation

UDGAM Portal

The Reserve Bank on October 5, 2023 informed that the search facility in UDGAM portal has been made available for 30 banks on September 28, 2023, which covers around 90 per cent of unclaimed deposits (in value terms) in Depositor Education and Awareness (DEA) Fund. To read more, please click [here](#).

Gold Loan – Bullet Repayment

The Reserve Bank on October 6, 2023 increased the monetary ceiling of gold loans that can be granted under the bullet repayment scheme, from ₹2.00 lakh to ₹4.00 lakh for the UCBs who met the overall Priority Sector Lending target and sub targets as on March 31, 2023. To read more, please click [here](#).

Action against Bank of Baroda

The Reserve Bank on October 10, 2023 in exercise of its power, under section 35A of the Banking Regulation Act, 1949, directed Bank of Baroda to suspend, with immediate effect, any further onboarding of their customers onto the 'bob World' mobile application. This action was based on certain material supervisory concerns observed in the manner of onboarding of their customers onto this mobile application. The Reserve Bank further directed the bank to ensure that already onboarded 'bob World' customers do not face any disruption on account of this suspension. To read more, please click [here](#).

Prompt Corrective Action

The Reserve Bank on October 10, 2023 reviewed and extended Prompt Corrective Action (PCA) Framework for Non-Banking Financial Companies (NBFCs) to Government NBFCs (except those in base layer) with effect from October 1, 2024, based on the audited financials of the NBFC as on March 31, 2024, or thereafter. To read more, please click [here](#).

Bank's Offices

On October 20, 2023, Deputy Governor Dr. Michael Debabrata Patra inaugurated a Sub-office of Reserve Bank in Itanagar, Arunachal Pradesh.

The Sub-office begins functioning with i) Financial Inclusion and Development Department (FIDD), ii) Human Resource Management Department (HRMD), iii) Consumer Education and Protection Cell (CEPC) and Market Intelligence Cell (MIC). The currency management for the State of Arunachal Pradesh will continue to be conducted by the Bank's Guwahati Office.

Moreover, on October 25, 2023 the Deputy Governor inaugurated Reserve Bank's own office premises at Dehradun, Uttarakhand. The Dehradun office was established as a Sub-office on June 30, 2006 and was upgraded to a full-fledged branch from November 1, 2012.

Reverse Repo Transactions

The Reserve Bank on October 16, 2023 clarified that the banks should adhere to the below-mentioned practice for presentation of Reverse Repo transactions in the Form 'A' Return:

1) Reverse Repo transactions with the banks should be reported as under:

- i) For original tenors up to, and inclusive of, 14 days
 - a) Item III(b) of Form A (i.e., Money at call and short notice) and;
 - b) Memo item 2.1 of Annex A to Form A (i.e., under Inter Bank Assets).
- ii) For original tenors more than 14 days
 - a) Item III(c) of Form A (i.e., advances to banks) and;
 - b) Memo item 2.1 and 2.2 of Annex A to Form A (i.e., under Inter Bank Assets).

2) Reverse Repo transactions with non-banks (other institutions) for all tenors should be reported under Item VI(a) of Form A [i.e., loans, cash credits and overdrafts under bank credit in India (excluding inter-bank advances)]. To read more, please click [here](#).

Appointment of Whole-Time Director(s)

The Reserve Bank on October 25, 2023 advised the banks to ensure the presence of at least two Whole Time Directors (WTDs), including the MD and CEO, on their Boards. The number of WTDs shall be decided by the Board of the bank by considering factors such as the size of operations, business complexity, and other relevant aspects. Further, banks that currently do not meet the minimum requirement as above are advised to submit their proposals for the appointment of WTD(s) under Section 35B(1)(b) of the Banking Regulation Act, 1949, within a period of four months from the date of issuance of the relevant circular. To read more, please click [here](#).

Presentation of Unclaimed Liabilities

The Reserve Bank on October 25, 2023 advised that all co-operative banks shall present all unclaimed liabilities (where the amount due has been transferred to DEA Fund) under 'Contingent Liabilities–Others'. Further, all banks shall specify in the disclosures in the Notes to accounts to the financial statements that balances of the amount transferred to DEA Fund are included under 'Schedule 12-Contingent Liabilities-Other items for which the bank is contingently liable' or 'Contingent Liabilities - Others,' as the case may be. To read more, please click [here](#).

Strengthening of customer service

The Reserve Bank on October 26, 2023 directed credit information companies (CICs) to send alerts through SMS/email to customers when their credit information

report is accessed by financial institutions wherever mobile number/email details of the customers are available. To read more, please click [here](#).

Compensation to Customers

The Reserve Bank on October 26, 2023 directed credit institutions (CIs) and credit information companies (CICs) to compensate customers at the rate of ₹100 per calendar day in case their complaint is not resolved within a period of thirty calendar days from the date of the initial filing of the complaint by the complainant with a CI/CIC. To read more, please click [here](#).

Non-Callable Deposits

The Reserve Bank on October 26, 2023 reviewed the Master Direction on Interest Rate on Deposits and decided that i) the minimum amount for offering non-callable term deposits (TDs) may be increased from Rupees fifteen lakh to Rupees one crore; and ii) these instructions shall also be applicable for Non-Resident (External) Rupee (NRE) Deposit/Ordinary Non-Resident (NRO) Deposits. To read more, please click [here](#).

Bulk Deposits for Regional Rural Banks

The Reserve Bank on October 26, 2023 enhanced the bulk deposit limit for Regional Rural Banks. Accordingly, 'Bulk Deposit' for Regional Rural Banks would mean Single Rupee term deposits of Rupees one crore and above, now onwards. To read more, please click [here](#).

Account Aggregator Ecosystem

The Reserve Bank on October 26, 2023 with a view to ensure efficient and optimum utilisation of the Account Aggregator (AA) ecosystem, decided that regulated entities of the Bank joining the AA ecosystem as Financial Information User (FI-U) shall necessarily join as Financial Information Provider (FIP) also, if they hold the specified financial information and fall under the definition of FIP. To read more, please click [here](#).

Shifting and Closure of branches by DCCBs

The Reserve Bank on October 30, 2023 issued requisite clarifications regarding shifting and closure of branches/offices/extension counters within the same city, town or village by District Central Co-operative Banks (DCCBs). In terms of section 23(a), read with section 56 of Banking Regulation (BR) Act, 1949 (AACs), the DCCBs may shift or close their branches/offices/extension counters located in the rural or semi-urban or urban/metropolitan areas, without prior permission of Reserve Bank subject to the certain conditions. To read more, please click [here](#).

Change in Name of Co-operative Banks

The Reserve Bank on October 30, 2023 issued guidelines for co-operative banks desirous of change in its name. Co-operative banks shall approach the Department of Supervision (DoS) of the concerned Regional Office of the Reserve Bank of India for grant of no-objection certificate (NOC) under Sections 49B and 49C of the Banking Regulation Act, 1949, clearly stating the reason/s for such change. To read more, please click [here](#).

III. Payment and Settlement Systems

Working Group on ECL

The Reserve Bank on October 4, 2023 constituted an external working group on an expected credit loss (ECL) framework for provisioning by banks. This comes after the Bank released a discussion paper in January 2023 on shifting from the incurred-loss approach to the ECL model to make the banking system more resilient. The working group will be chaired by Prof. R. Narayanaswamy, former professor at IIM, Bangalore and shall consist of domain experts from academia and industry as well as representatives from select banks. To read more, please click [here](#).

IV. Debt Management

FRSB, 2020 (Taxable)

The Reserve Bank on October 23, 2023, in consultation with the Government of India, expanded the basket of products offered through the Retail Direct Portal, allowing retail investors to subscribe to Floating Rate Savings Bonds (FRSBs), 2020 (Taxable). FRSBs are interest bearing, non-tradeable bonds, issued by Government of India, which are repayable on the expiration of seven years from the date of issue. To read more, please click [here](#).

V. Fintech

HARBINGER 2023

The Reserve Bank on October 12, 2023 announced the results of 2nd edition of its Global Hackathon – HARBINGER 2023. The third phase of final evaluation was held during October 10-11, 2023 in Bengaluru wherein 28 finalist teams presented their solutions for the problem statements to an independent jury which evaluated and selected the winners and runners-up based on parameters like innovation, technology, demonstration, security, ease of implementation, etc.

‘Ezetap Mobile Solutions Pvt. Ltd. (Now acquired by Razorpay), India’ was declared as the winner of this edition of Global Hackathon – HARBINGER 2023. To read more, please click [here](#).

VI. Publications

Monetary Policy Report – October 2023

The Reserve Bank on October 6, 2023 published Monetary Policy Report (MPR) for the half year ended

October 2023. The Bank under Section 45ZM of Reserve Bank of India Act, 1934 publishes the MPR once in every six months. The report is divided into 5 chapters, namely:

- i) Macroeconomic Outlook,
- ii) Prices and Costs,
- iii) Demand and Output,
- iv) Financial Markets and Liquidity Conditions and
- v) External Environment. To read more, please click [here](#).

RBI Bulletin

The Reserve Bank on October 19, 2023 released the October 2023 issue of its monthly Bulletin. The Bulletin includes two speeches, six articles and current statistics. The six articles are:

- i) State of the Economy,
- ii) Measuring Uncertainty: An Indian Perspective,
- iii) Impact of G-Sec Yield Movements on Bank Profitability in India,
- iv) Production Weighted Rainfall Index and Agriculture Production: Relationship Re-visited,
- v) Housing Finance Companies and the COVID-19 Pandemic: Does Size Matter?
- vi) COVID-19 Pandemic and the Resilience of India's R&D Expenditure.

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

VII. Surveys

Forward looking Surveys

The Reserve Bank on October 6, 2023 released the results of the following Surveys:

- i) Consumer Confidence Survey (CCS) – September 2023
- ii) Inflation Expectations Survey of Households (IESH) – September 2023
- iii) OBICUS Survey on manufacturing sector – Q1:2023-24
- iv) Industrial Outlook Survey of the Manufacturing Sector for Q2:2023-24
- v) Survey of Professional Forecasters on Macroeconomic Indicators – Round 84th
- vi) Bank Lending Survey for Q2:2023-24
- vii) Services and Infrastructure Outlook Survey for Q2:2023-24

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

VIII. Data Release

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

S/N	Title
1	ECB/FCCB/RDB: August 2023
2	Scheduled Banks' Statement of Position
3	India's International Trade in Services: August 2023
4	Sectoral Deployment of Bank Credit – September 2023
5	Overseas Direct Investment for September 2023