

# MONETARY & CREDIT INFORMATION REVIEW



# MCIR

Volume XV Issue 12 | June 2020



## I. Regulation

### Governance in Commercial Banks in India

The Reserve Bank on June 11, 2020 placed on its website, a discussion paper on 'Governance in Commercial Banks in India' for public comments with the objective to align the current regulatory framework with global best practices while being mindful of the context of domestic financial system. Some of the major highlights of the paper are as follows:

- i) Empower the Board of Directors to:
  - a) set the culture and values of the organisation;
  - b) recognise and manage conflicts of interest;
  - c) set the appetite for risk and manage risks within the appetite;
  - d) improve the supervisory oversight of senior management;
- ii) Empower the assurance functions through various interventions;
- iii) Achieve clear division of responsibilities between the Board and the management; and
- iv) Encourage the separation of ownership from management.

The paper has been drafted to encourage stakeholder feedback. Accordingly, suggestions and comments on the discussion paper may be sent by email latest by July 15, 2020. To read more, please click [here](#).

### Proposed Changes in Regulations Applicable to HFCs

The Reserve Bank on June 17, 2020 placed on its website, the draft proposed changes in regulations applicable to Housing Finance Companies (HFCs) for public comments. On a review, the Reserve Bank has identified few changes proposed to be prescribed for the regulation of HFCs as follows:

- i) Defining principal business and qualifying assets for HFCs;
- ii) Defining the phrase 'providing finance for housing' or 'housing finance';
- iii) Classifying HFCs as systemically important (asset size of ₹500 crore & above) and non-systemically important (asset size less than ₹500 crore); and
- iv) Reserve Bank's directions on liquidity risk framework & liquidity coverage ratio (LCR), securitisation for non-banking financial companies (NBFCs), to be made applicable to HFCs.

The Reserve Bank has sought comments from the public on the draft framework for consideration before issuing the final guidelines. The last date for submitting responses from HFCs, market participants and other stakeholders is July 15, 2020. To read more, please click [here](#).

### Risk Weights on Credit Facilities under ECLGS

The Reserve Bank on June 21, 2020 advised member lending institutions to ensure that they assign zero per cent risk weight on credit facilities extended under the Emergency Credit Line Guarantee Scheme (ECLGS) to the extent of guarantee coverage. Credit facilities extended under the scheme guaranteed by National Credit Guarantee Trustee Company (NCGTC) are backed by an unconditional and irrevocable guarantee provided by Government of India. The

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## Note from the Editor

Welcome to yet another edition of the Monetary and Credit Information Review (MCIR). This monthly periodical of the RBI helps keep abreast with new developments and important policy initiatives taken by the RBI during the month of May 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

NCGTC had on May 23, 2020 issued a circular pertaining to the ECLGS announced by the Government of India to extend guaranteed emergency credit line to MSME borrowers. To read more, please click [here](#).

## Loans sourced over Digital Lending Platforms

The Reserve Bank on June 24, 2020 reiterated that banks and NBFCs, irrespective of whether they lend through their own digital lending platform or through an outsourced lending platform, must adhere to the Fair Practices Code guidelines in letter and spirit. They must also meticulously follow regulatory instructions on outsourcing of financial services and information technology services.

The Reserve Bank also asked banks and NBFCs to note that any activity by banks/NBFCs does not diminish their obligations, as the onus of compliance with regulatory instructions rests solely with them. Wherever banks and NBFCs engage digital lending platforms as their agents to source borrowers and/ or to recover dues, they must follow the following instructions:

- i) Names of digital lending platforms engaged as agents shall be disclosed on the website of banks/ NBFCs.
- ii) Digital lending platforms engaged as agents shall be directed to disclose upfront to the customer, the name of the bank/NBFC on whose behalf they are interacting with him.
- iii) Immediately after sanction but before execution of the loan agreement, the sanction letter shall be issued to the borrower on the letter head of the bank/ NBFC concerned.
- iv) A copy of the loan agreement along with a copy each of all enclosures quoted in the loan agreement shall be furnished to all borrowers at the time of sanction/ disbursement of loans.
- v) Effective oversight and monitoring shall be ensured over the digital lending platforms engaged by the banks/ NBFCs.
- vi) Adequate efforts to be made to create awareness about the grievance redressal mechanism. To read more, please click [here](#).

## Maintenance of CRR

The Reserve Bank on June 26, 2020, keeping in view the continuing hardships faced by banks in terms of social distancing of staff and consequent strains on reporting requirements, decided to extend the relaxation of the minimum daily maintenance of the Cash Reserve Ratio (CRR) of 80 per cent for a further period of three months, i.e., up to September 25, 2020. As announced in the Statement of Developmental and Regulatory Policies of March 27,

2020, the minimum daily maintenance of the CRR was reduced from 90 per cent of the prescribed CRR to 80 per cent effective the fortnight beginning March 28, 2020 till June 26, 2020. To read more, please click [here](#).

## Maintenance of SLR and MSF

The Reserve Bank on June 26, 2020, on a review decided to extend the borrowing limit of scheduled banks under the MSF scheme, by dipping into the prescribed statutory liquidity ratio (SLR) till September 30, 2020. As announced in the [Statement of Developmental and Regulatory Policies](#) dated March 27, 2020, the borrowing limit of scheduled banks under the scheme, by dipping into the prescribed SLR, was increased from two per cent to three per cent of their Net Demand and Time Liabilities (NDTL) outstanding at the end of the second preceding fortnight with immediate effect upto June 30, 2020. To read more, please click [here](#).

## IWG on Ownership and Corporate Structure for Private Sector Banks

The Reserve Bank on June 12, 2020 constituted an Internal Working Group (IWG) to review the extant guidelines on ownership and corporate structure for Indian private sector banks. The IWG will examine and review the extant licensing and regulatory guidelines relating to ownership and control, promoters' holding, requirement of dilution, control and voting rights. Dr. Prasanna Kumar Mohanty, Director, Central Board of RBI, Prof. Sachin Chaturvedi, Director Central Board of RBI, Smt. Lily Vadera, Executive Director, RBI, Shri S. C. Murmu, Executive Director, RBI are the members of the IWG. Shri Shrimohan Yadav, Chief General Manager, RBI is the Convenor. The Committee shall submit its report by September 30, 2020. To read more, please click [here](#).

## II. Financial Inclusion

### IS and PRI for Short Term Loans

The Reserve Bank on June 04, 2020 notified that the Government of India has decided to continue the availability of two per cent Interest Subvention (IS) and three per cent Prompt Repayment Incentive (PRI) to farmers for the extended period of repayment upto August 31, 2020 or date of repayment, whichever is earlier. This benefit will be applicable to all short term loans for agriculture and animal husbandry, dairy and fisheries (AHDF) upto ₹3 lakh per farmer (upto ₹2 lakh for AHDF farmers). Earlier, in view of the

extension of lockdown and continuing disruption due to the spread of COVID-19 pandemic, the Reserve Bank had on May 23, 2020 permitted all lending institutions to extend moratorium on loans by another three months upto August 31, 2020. To read more, please click [here](#).

### III. Payment and Settlement Systems

#### Daily Data of Select Payment Systems

The Reserve Bank on June 04, 2020 started publishing daily data of select payment systems on its website. The data captures volume and value of transactions undertaken in payments systems operated by the Reserve Bank (NEFT and RTGS) and National Payments Corporation of India (AePS, CTS, IMPS, NACH and UPI) as well as the position of cash withdrawal transactions using ATMs and BCs. The data relating to transactions undertaken during the day is published on the subsequent working day. Data relating to cards will be published once the daily reporting systems are in place. To read more, please click [here](#).

#### Timelines for Compliance with Payment System Requirements extended

The Reserve Bank on June 04, 2020 extended the timeline for compliance in respect of instructions detailed in Reserve Bank of India – Master Direction on issuance and operation of Prepaid Payment Instruments (PPI-MD), Master Direction on Enhancing Security of Card Transactions, Harmonisation of Turn Around Time, Customer Compensation for Failed Transactions using Authorised Payment Systems and Guidelines on Regulation of Payment Aggregators and Payment Gateways. To read more, please click [here](#).

#### Oversight Framework for FMIs and RPS

The Reserve Bank on June 13, 2020 uploaded on its website, the oversight framework for Financial Markets Infrastructures (FMIs) and Retail Payment Systems (RPS). In line with the commitment made in the Reserve Bank's [Payment and Settlement Systems Vision 2019-2021](#), this oversight framework document for FMIs and RPSs is updated to incorporate the supervisory framework for the payment system entities as well as the supervisory considerations that have arisen since the time of the previous document. It details the oversight objectives and supervisory processes of Reserve Bank as well as the assessment methodology of FMIs and System Wide Important Payment System (SWIPS) under PFMs. To read the full document, please click [here](#).

#### Safe Use of Digital Transactions

The Reserve Bank on June 22, 2020, with the objective to promote safe digital transactions, advised the general public to take the following precautions while carrying out digital transactions:

- i) Not sharing with anyone their ATM/Card (Debit/Credit/Prepaid) details;
- ii) Not sharing their Password, PIN, OTP, CVV, UPI-PIN;
- iii) Avoid undertaking banking or other financial transactions through public, open or free wifi-networks; and
- iv) Not storing important banking data on the mobile, e-mail, electronic wallet or purse.

The Reserve Bank also urged consumers to always remember that banks and other payment systems operators never ask for details such as password, PIN, OTP, CVV number. To read more, please click [here](#).



#### Increasing Instances of Payment Frauds

The Reserve Bank on June 22, 2020 advised all authorised payment systems operators and participants to undertake targeted multi-lingual campaigns by way of SMSs, advertisements in print and visual media, among others, to educate their users on safe and secure use of digital payments. The Reserve Bank stated that it has been taking measures to improve awareness through its e-BAAT programmes and organising campaigns on safe use of digital payment modes, to avoid sharing critical personal information like PIN and OTP passwords. In spite of these initiatives, incidence of frauds continue to bedevil digital users, often using the same modus operandi users were cautioned about, such as,

as, luring them to disclose vital payment information, swapping SIM cards, opening links received in messages and mails. There are also cases of users being tricked into downloading spurious apps that access critical information stored on devices. It is therefore essential that all payment systems operators and participants—banks and non-banks—continue to reinforce efforts to spread awareness about digital safety. To read more, please click [here](#).

## IV. Banker to Government

### Operational Guidelines on FRSB – 2020

The Reserve Bank on June 30, 2020 issued detailed operational guidelines on Floating Rate Savings Bonds, 2020 (Taxable) in accordance with the powers conferred on it by sub-section (2) of the Section 29 of the Government Securities Act, 2006 and of all the powers enabling it in this behalf. The bonds issued under this scheme are held to the credit of the holder in an account called Bonds Ledger Account (BLA), opened with the Receiving Office (RO) and they are entrusted with the responsibility of issue and servicing of these bonds. All the authorised ROs shall be guided by these instructions while issuing and servicing these bonds. The detailed operational guidelines can be read by clicking [here](#).

## V. RBI Central Board Meeting

The Central Board of the Reserve Bank of India held its 583<sup>rd</sup> meeting on June 26, 2020 under the Chairmanship of Shri Shaktikanta Das, Governor through video conference. The Governor and Deputy Governors briefed the Board about the overall macroeconomic conditions – both domestic and global; financial sector situation; and the impact of various monetary, regulatory and other measures taken by the RBI in the context of the COVID-19 pandemic. The Board deliberated on the current economic situation and the evolving challenges posed by the pandemic. The Board also discussed the Reserve Bank's activities during the period (July 2019-June 2020), the budget for the next accounting year July 2020 to March 2021 (aligned with the Government's financial year), other policy and operational matters. To read more, please click [here](#).

## VI. FSDC Sub-Committee Meeting

Shri Shaktikanta Das, Governor, chaired the 24<sup>th</sup> meeting of the Sub-Committee of the Financial Stability and Development Council (FSDC) held on June 18, 2020 through video conference. The Sub-Committee reviewed the major developments in

in global and domestic economy and financial markets that impinge upon financial stability. The Sub-Committee also discussed about the proposal of setting up of an Inter Regulatory Technical Group on Fintech (IRTG-Fintech) and the National Strategy on Financial Education (NSFE) 2020-2025. It also deliberated upon the status and developments under the Insolvency and Bankruptcy Code (IBC), 2016 and the working of credit rating agencies. Overall, given the prevailing extraordinary circumstances, the Sub-Committee unanimously resolved that:

- i) Every participating regulator and ministry will continue to remain alert and watchful of the emerging challenges;
- ii) Interact more frequently, both formally and informally, as also collectively; and
- iii) Do whatever is necessary to revive the economy and preserve financial stability. To read more, please click [here](#).

## VII. Consumer Education and Protection

### Imitated E-mails in the name of RBI

The Reserve Bank on June 01, 2020 said that it has come to its notice that some unscrupulous entities/scammers are imitating RBI mails for fraudulent purposes. Most of such mails are sent using fake domains, which do not belong to the RBI, but these could be deceptively similar involving use of words such as RBI, RESERVEBANK, PAYMENT among others. In this regard, the Reserve Bank informed that the correct mail domain of RBI is "rbi.org.in" and mail addresses of RBI officials are of the type "abc@rbi.org.in". Members of public as well as financial institutions are therefore requested to be careful about such fraudulent activities before taking cognisance or any action on such mails.

## VIII. Data Releases

Important Data Releases by the Reserve Bank in the month of June 2020:

	Data Release
1	<a href="#">Sources of Variation in Foreign Exchange Reserves in India during 2019-20</a>
2	<a href="#">Developments in India's Balance of Payments during the Fourth Quarter (January-March) of 2019-20</a>
3	<a href="#">India's International Investment Position (IIP), March 2020</a>
4	<a href="#">All-India House Price Index (HPI) for Q4:2019-20</a>
5	<a href="#">Finances of Foreign Direct Investment Companies 2018-19</a>