

MONETARY & CREDIT INFORMATION REVIEW



MCIR

Volume | XV Issue | 1 JULY | 2019



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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 July in the world of money and credit. MCIR can be accessed at <https://mcir.rbi.org.in>

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 Utkarsh 2022- Reserve Bank of India's Medium-term Strategy

Shri Shaktikanta Das, Governor on July 23, 2019 launched 'Utkarsh 2022', the Reserve Bank of India's Medium-term Strategy Framework. The framework is in line with the evolving macroeconomic environment to achieve excellence in the performance of RBI's mandates and strengthening the trust of citizens and other institutions.

A formal strategic management framework was launched in April 2015 to rearticulate the core purpose, values and vision statement of the Reserve Bank so as to delineate its strategic objectives in contemporary terms, to provide a framework and backdrop within and against which its policies would be formulated. These core purposes (reflecting the RBI's commitments to the nation) and values (Public Interest, Integrity and Independence, Responsiveness and Innovation, Diversity and Inclusiveness, and Introspection and Pursuit of Excellence) still remain relevant and valid; however, a need has been felt to have a medium-term dynamic Vision statement reflecting our responses to emerging challenges and dynamics of the economic, social and technological environment in which we operate.

The strategic framework contains, inter alia, the Bank's Mission, Core Purpose, Values and Vision Statements, reiterating the Bank's commitment to the Nation.

The Medium-term Vision Statements set out the following:

- Excellence in performance of statutory and other functions;
- Strengthened trust of citizens and other Institutions in the RBI;
- Enhanced relevance and significance in national and global roles;
- Transparent, accountable and ethics-driven internal governance;
- Best-in-class and environment friendly digital as well as physical infrastructure and
- Innovative, dynamic and skilled human resources.

These vision statements are mutually reinforcing and will guide the RBI during the medium-term period (2019-22) through various strategies. The strategies are essentially well thought-out actions to capitalise on the emerging opportunities and meet challenges of the future. The desired outputs are proposed to be realised in terms of achievement of strategic goals through one or more tangible and time-bound milestones.

The Management of the Reserve Bank attaches high importance to 'Utkarsh 2022' and will periodically monitor its implementation and progress through a Sub-committee of the Central Board.

To read more about Utkarsh 2022 please click [here](#).

II DG PORTFOLIOS

Effective July 24, 2019, the distribution of portfolios amongst the Deputy Governors will be the following:

Name	Departments
Shri N.S. Vishwanathan	<ol style="list-style-type: none"> 1. Co-ordination 2. Department of Banking Regulation (DBR) 3. Department of Communication (DoC) 4. Department of Co-operative Banking Regulation (DCBR) 5. Department of Non- Banking Regulation (DNBR) 6. Enforcement Department (ED) 7. Financial Markets Operations Department (FMOD) 8. Financial Markets Regulation Department (FMRD) including Market Intelligence (FMRD/MI) 9. International Department (Intl. D) 10. Inspection Department (ID) 11. Risk Monitoring Department (RMD) 12. Secretary's Department
Shri B.P. Kanungo	<ol style="list-style-type: none"> 1. Department of Currency Management (DCM) 2. Department of External Investments & Operations (DEIO) 3. Department of Economic and Policy Research (DEPR) 4. Department of Government & Bank Accounts (DGBA) 5. Department of Information Technology (DIT) 6. Department of Payment & Settlement Systems (DPSS) 7. Department of Statistics & Information Management (including Data and Information Management Unit) (DSIM/DIMU) 8. Deposit Insurance and Credit Guarantee Corporation (DICGC) 9. Foreign Exchange Department (FED) 10. Internal Debt Management Department (IDMD) 11. Legal Department (LD) 12. Monetary Policy Department including Forecasting & Modelling Unit (MPD/MU)
Shri M.K. Jain	<ol style="list-style-type: none"> 1. Central Security Cell (CSC) 2. Corporate Strategy and Budget Department (CSBD) 3. Consumer Education and Protection Department (CEPD) 4. Department of Banking Supervision (DBS) 5. Department of Co-operative Banking Supervision (DCBS) 6. Department of Non-Banking Supervision (DNBS) 7. Financial Inclusion and Development Department (FIDD) 8. Financial Stability Unit (FSU) 9. Human Resource Management Department (HRMD) including HR Operations Unit 10. Premises Department (PD) 11. Rajbhasha Department (RD) 12. Right to Information (RIA) Division

Re-appointment of Shri N.S. Vishwanathan as Deputy Governor

The Government of India on July 2, 2019 re-appointed Shri. N.S. Vishwanathan as Deputy Governor, Reserve Bank of India for a further period of one year beyond his currently notified period of appointment of three years that expires on July 3, 2019. His appointment is till July 3, 2020, or until further orders, whichever is earlier.

Nomination of Shri Atanu Chakraborty on RBI Central board

The Central Government has nominated Shri Atanu Chakraborty, Secretary, Department of Economic Affairs, Ministry of Finance, Government of India, New Delhi as a Director on the Central Board of Directors of Reserve Bank of India vice Shri Subhash Chandra Garg. The nomination of Shri Atanu Chakraborty is effective from July 29, 2019 and until further orders.

III Finance Minister addresses the RBI Central Board of Directors

The 577th meeting of the Central Board of Directors of Reserve Bank of India was held at New Delhi on July 8, 2019. Smt. Nirmala Sitharaman, Hon'ble Union Minister of Finance, addressed the Directors of the Central Board. The Hon'ble Finance Minister in her address outlined the thinking behind the Union Budget 2019 and the focus areas of the Government. The Finance Minister also highlighted the importance of coordination between the RBI and Government. Complimenting the Finance Minister on the Budget, the Board Members made various suggestions for the consideration of the Government. The Union Finance Minister was accompanied by Shri Ajay Bhushan Pandey, Revenue Secretary, Shri Atanu Chakraborty, Secretary (Investment and Public Asset Management) and Dr. Krishnamurthy Subramanian, Chief Economic Advisor, during her interaction with the Central Board of Directors. Prior to the Finance Minister's address, the Board reviewed the current economic situation, global and domestic challenges and various areas of operations of the Reserve Bank, as part of its regular proceedings. Among other matters, the Board finalised the 3-year Medium-Term Strategy document of the Reserve Bank, which covered, inter-alia, its Mission and Vision Statement. The Board also approved the Bank's Budget for the period July 2019 - June 2020. Other matters discussed by the Board included issues related to currency management and payment systems. Shri Shaktikanta Das, Governor chaired the 577th meeting of the Central Board. Deputy Governors Shri N. S. Vishwanathan, Shri B. P. Kanungo, Shri Mahesh Kumar Jain, then Deputy Governor Dr. Viral V. Acharya and other Directors of the Central Board: Shri Natarajan Chandrasekharan, Shri Bharat Doshi, Shri Sudhir Mankad, Shri Manish Sabharwal, Shri Dilip S. Shanghvi, Dr. Ashok Gulati, Shri Satish Marathe, Shri Swaminathan Gurusamy, Ms. Revathy Iyer and Prof. Sachin Chaturvedi attended the meeting. The Directors of Government of India on the Central Board Shri Subhash Chandra Garg, then

Finance Secretary and Secretary (Economic Affairs) and Shri Rajiv Kumar, Secretary (Financial Services) also attended the meeting. For more details please click [here](#).

IV RBI Governor meets CEOs of Public Sector Banks

The Governor held a meeting with the CEOs of the Public Sector Banks and the Chief Executive of Indian Banks Association (IBA) on July 19, 2019. In his opening remarks, the Governor acknowledged discernible improvements in the banking sector while underscoring that several challenges remain to be addressed, particularly with regard to the stressed asset resolution and credit flows to needy sectors. Issues such as less than desired level of transmission of monetary policy rates, credit and deposit growth on the back of a slowing economy, flow of credit to the needy sectors while following prudent lending, robust risk assessment and monitoring standards, improving recovery efforts, giving impetus to resolution of stressed assets, strengthening internal control mechanism for improved fraud risk management, recent initiatives to address issues relating to NBFCs and the role banks can play in mitigating lingering concerns, deepening digital payments, etc. were discussed during the meeting. The Governor also underlined the importance of expanding and deepening digital payments ecosystem in line with the recommendations of the Report of the Committee on Deepening of Digital Payments (Chairman: Shri Nandan Nilekani) and Reserve Bank's Payment System Vision Document 2021. In this context, on the suggestion of the Governor, it was agreed that banks will identify one district in each state to make it 100% digitally enabled within a time frame of one year in close co-ordination and collaboration with all stakeholders, including SLBCs, State Governments, Regional offices of RBI, etc. To the extent feasible, such districts may be converged with the 'Transformation of Aspirational Districts' programme of the Government of India. IBA is also expected to play a catalytic role in this regard. For more details please click [here](#).

V BANKING REGULATION

V) a) Additional Liquidity Facility to Banks for Purchase of Assets from and/or onlending to NBFCs/HFCs

The Government of India had announced on July 5, 2019 in the Union Budget 2019-2020 that it will provide a one time six months' partial credit guarantee to Public Sector Banks for first loss up to

10% for the purchase of high-rated pooled assets of financially sound NBFCs. The Reserve Bank, with the objective to enable banks to implement this announcement and tackle the NBFC issue, announced on July 5, 2019 that it will provide the required liquidity backstop to the banks against their excess G-sec holdings. In addition, the Bank also decided to frontload the FALLCR scheduled to increase by 0.5 per cent each in August and December 2019 and also permit banks to reckon with immediate effect the increase in FALLCR of 1.0 per cent of the bank's Net Demand and Time Liabilities (NDTL), to the extent of incremental outstanding credit to NBFCs and HFCs over and above the amount of credit to NBFCs/HFCs outstanding in their books as on date. This will enable the banks to avail additional liquidity of ₹1,34,000 crore. To read more please click [here](#).

V b) Inclusion of "India Post Payments Bank Limited" in the Second Schedule of the RBI Act, 1934

The Reserve Bank of India advised on July 3, 2019 that the "India Post Payments Bank Limited" has been included in the second schedule of the Reserve Bank of India Act, 1934. The India Post Payments Bank Limited has been included vide [Notification DBR.NBD. \(PB-IPPB\).No.9980/16.13.215/2018-19](#) dated May 27, 2019 and published in the Gazette of India (Part III-Section 4) dated June 22-28, 2019. For more details please click [here](#).

VI FOREIGN EXCHANGE MANAGEMENT

Relaxation of end-use stipulations under External Commercial Borrowings Framework for Corporates and NBFCs

Based on the feedback received from stakeholders and with a view to further liberalise the External Commercial Borrowings (ECB) framework, the Reserve Bank of India, in consultation with the Government of India decided to relax the end-use restrictions relating to external commercial borrowings for Working Capital requirements, General Corporate purposes and Repayment of rupee loans. Eligible borrowers will now be allowed to raise following ECBs from recognised lenders, except foreign branches/ overseas subsidiaries of Indian banks:

i) ECBs with a minimum average maturity period of 10 years for working capital purposes and general corporate purposes. . Borrowing for on-lending by

NBFCs for the above maturity and end-uses is also permitted.

ii) ECBs with a minimum average maturity period of 7 years for repayment of 'Rupee Loans' availed domestically for capital expenditure. Borrowings for on-lending by NBFCs for the repayment of rupee loans would also be permitted. For repayment of Rupee loans availed domestically for purposes other than capital expenditure and for on-lending by NBFCs for the same, the minimum average maturity period of the ECB would have to be 10 years.

iii) It has further been decided to permit eligible corporate borrowers to avail ECB for repayment of 'Rupee Loans' availed domestically for capital expenditure in manufacturing and infrastructure sector and classified as SMA-2 or NPA, under any one-time settlement arrangement with lenders. Lender banks are also permitted to sell, through assignment, such loans to eligible ECB lenders, except foreign branches/ overseas subsidiaries of Indian banks, provided, the resultant ECB complies with all-in-cost, minimum average maturity period and other relevant norms of the ECB framework. The full circular can be accessed by clicking [here](#).

VII FINANCIAL MARKET REGULATION

Report of Internal Working Group on Comprehensive Review of Market Timings

The Reserve Bank of India on July 10, 2019 released the draft report of the Internal Working Group on 'Comprehensive Review of Market Timings'. The Reserve Bank also invited comments on the draft report from market participants and other interested parties on or before July 31, 2019. The internal working group was constituted by the Bank as stated in the [Statement on Developmental and Regulatory Policies released along with Third Bi-monthly Monetary Policy Statement for the year 2018-19](#). The internal working group was set up to study the current timings of various financial markets regulated by the Bank including instruments traded in exchanges, examining the implications, including benefits and costs of revision in current timings for trading as well as for supporting payment and settlement arrangements and make recommendations in respect of timings for trading, clearing and settlement arrangements as well as for any related aspect of market functioning. For more details please click [here](#).

VIII NON-BANKING REGULATION

Working Group to review Regulatory and Supervisory Framework for CICs

The Reserve Bank of India on July 3, 2019 constituted a Working Group to review the regulatory guidelines and supervisory framework applicable to Core Investment Companies (CICs). The committee has been constituted under the chairmanship of Shri Tapan Ray, Non-Executive Chairman, Central Bank of India and former secretary Ministry of Corporate Affairs, Government of India. Other members include Smt. Lily Vadera, Executive Director, RBI, Shri Amarjeet Singh, Executive Director, SEBI, Shri T. Rabishankar, Chief General Manager, Financial Markets Regulation Department, RBI, Shri H.K. Jena, Deputy Managing Director, State Bank of India, Shri N.S. Venkatesh, Chief Executive, Association of Mutual Funds in India. An announcement to this effect was made in the [Statement on Development and Regulatory Policies issued along with the Second Bimonthly Monetary Policy for the year 2019-20](#) on June 6, 2019. The terms of reference and other details about the Working Group can be found on the RBI website by clicking [here](#).

IX SURVEY

IX) a) Residential Asset Price Monitoring Survey

The Reserve Bank of India released the highlights of the March 2019 round of the Residential Asset Price Monitoring Survey (RAPMS) along with the summary time series data on July 11, 2019. The quarterly RAPMS is being conducted by RBI since July 2010 on housing loans disbursed by select banks/ housing finance companies (HFCs) across 13 cities, viz., Mumbai, Chennai, Delhi, Bengaluru, Hyderabad, Kolkata, Pune, Jaipur, Chandigarh, Ahmedabad, Lucknow, Bhopal and Bhubaneswar. Time series on selected ratios viz., (i) loan to value (LTV) ratio (a measure of credit risk on housing loans); (ii) EMI-to-income (ETI) ratio – (representing loan eligibility); (iii) house price to income (HPTI) ratio – (reflecting affordability); and (iv) loan to income (LTI) ratio – (another affordability measure), are also prepared. The survey highlights and time series data can be found on the RBI website by clicking [here](#).

X RESEARCH

X) a) Annual Growth in All-India House Price Index (HPI)

The Reserve Bank on July 1, 2019 released the quarterly House Price Index (HPI) (base: 2010-11=100) for Q4:2018-19, based on transaction data received from housing registration authorities in 10 major cities viz. Ahmedabad, Bengaluru, Chennai, Delhi, Jaipur, Kanpur, Kochi, Kolkata, Lucknow and Mumbai.

Survey Highlights:

Quarterly Growth

The all-India HPI declined by 1.2 per cent on a sequential basis (Q4:2018-19 over Q3:2018-19).

Annual Growth

On a year-on-year basis, the growth in all-India HPI continued to moderate and stood at 3.6 per cent in Q4:2018-19 as against 5.1 per cent in the previous quarter and 6.7 per cent a year ago.

Time series data on all-India and city-wise HPI are available in the Database of Indian Economy (DBIE) portal. (<https://dbie.rbi.org.in/DBIE/dbie.rbi?site=statistics> > RealSector > Price&Wages > Quarterly).

X) b) Mint Street Memos

Impact of Prudential Regulations for Unrated Exposures

The Reserve Bank of India placed on its website the twentieth release under the series 'Mint Street Memos (MSM)' titled Impact of Prudential Regulations for Unrated Exposures on the Rating Behaviour of Large Borrowers. The paper authored by Pallavi Chavan, Director and S.K. Ritadhi, Manager (Research) from Department of Banking Supervision, analysis the impact of prudential regulations on the rating of large borrowers. Unrated exposures can pose challenges in an accurate assessment of both the creditworthiness of borrowers and the capital levels in banks. The Reserve Bank modified the prudential regulatory guidelines in 2016 to plug the regulatory arbitrage in terms of risk weights between rated and unrated exposures above a specific threshold for the size of bank exposure to the borrower. Exploiting this exposure threshold in a regression discontinuity design, this study shows that the policy had a desired impact in discouraging a switch among the treated group of borrowers from the rated to the unrated category. To read the full report, please click [here](#).