

Statement on Developmental and Regulatory Policies

This Statement sets out various developmental and regulatory policy measures on (i) liquidity management and support to targeted sectors; (ii) regulation and supervision; (iii) financial markets; and (iv) payment systems.

I. Liquidity Measures

1. On-tap Liquidity Window for Contact-intensive sectors

On May 5, 2021, it was decided to open an on-tap liquidity window of ₹50,000 crore with tenors of up to three years at the repo rate till March 31, 2022 to boost provision of immediate liquidity for ramping up COVID-related healthcare infrastructure and services in the country. It has now been decided to open a separate liquidity window of ₹15,000 crore with tenors of up to three years at the repo rate till March 31, 2022 for certain contact-intensive sectors *i.e.*, hotels and restaurants; tourism – travel agents, tour operators and adventure/heritage facilities; aviation ancillary services – ground handling and supply chain; and other services that include private bus operators, car repair services, rent-a-car service providers, event/conference organisers, spa clinics, and beauty parlours/saloons. Banks are expected to create a separate COVID loan book under the scheme. By way of an incentive, such banks will be eligible to park their surplus liquidity up to the size of the COVID loan book, created under this scheme, with the Reserve Bank under the reverse repo window at a rate which is 25 bps lower than the repo rate or, termed in a different way, 40 bps higher than the reverse repo rate. Banks desirous of deploying their own resources without availing funds from the RBI under the scheme for lending to the specified segments mentioned above will also be eligible for this incentive.

2. Special Liquidity Facility to SIDBI

To nurture the embryonic growth impulses of the economy, the Reserve Bank extended fresh support of ₹50,000 crore on April 7, 2021 to All India Financial Institutions (AIFIs) for new lending in 2021-22. This included a special liquidity facility (SLF) of ₹25,000 crore to National Bank for Agriculture and Rural Development (NABARD) to support agriculture and allied activities, the rural non-farm sector and non-banking financial companies-micro finance institutions (NBFC-MFIs), an SLF of ₹10,000 crore to the National Housing Bank (NHB) to support the housing sector and ₹15,000 crore to the Small Industries Development Bank of India (SIDBI) to meet the funding requirements of micro, small and medium enterprises (MSMEs). In order to meet MSMEs' short- and medium-term credit needs to kick start the investment cycle with additional focus on smaller MSMEs and businesses including those in credit deficient and aspirational districts, it has been decided to provide a further special liquidity facility of ₹16,000 crore to SIDBI. The facility would be extended for on-lending / refinancing through novel models and structures including double intermediation, pooled bond / loan issuances, *etc.* The facility will be available at the prevailing policy repo rate for a period of up to one year. The Reserve Bank may consider further extension of the facility depending on its usage.

II. Regulation and Supervision

3. Enhancement of the Exposure Thresholds under Resolution Framework 2.0

The Resolution Framework 2.0 announced by the Reserve Bank on May 5, 2021 stipulates a maximum aggregate exposure of ₹25 crore for considering resolution of COVID-19 related stress of MSMEs as well as non-MSME small businesses, and loans to individuals for business purposes. Based on a review, it has been decided to enhance the above exposure threshold to ₹50 crore. Accordingly, the

above categories of borrowers to whom the lending institutions have aggregate exposure of not more than ₹50 crore as on March 31, 2021, and which have not been restructured earlier under any of the specified restructuring frameworks, shall be eligible to be considered for resolution under Resolution Framework 2.0. All other conditions shall remain the same.

III. Financial Markets

4. Placement of Margins for Government Securities Transactions on behalf of FPIs

The Reserve Bank has been taking several measures to encourage investments by Foreign Portfolio Investors (FPIs) in the Indian debt market such as introduction of new channels for investment, periodic review of the operational framework in place for investments by non-residents. With a view to easing operational constraints faced by FPIs and promoting ease of doing business, it has been decided to permit Authorised Dealer banks to place margins on behalf of their FPI clients for their transactions in Government securities (including State Development Loans and Treasury Bills), within the credit risk management framework of banks.

5. Facilitating Flexibility in Liquidity Management by issuers of Certificates of Deposit

In December 2020, the Regional Rural Banks (RRBs) were permitted to access the liquidity windows of the Reserve Bank as well as the call/notice

money market in order to facilitate more efficient liquidity management by the RRBs at competitive rates. To provide greater flexibility in raising short term funds by RRBs, it has now been decided to permit RRBs to issue Certificates of Deposit (CDs) to eligible investors. With a view to providing issuers with greater flexibility in liquidity management, it has also been decided that all issuers of CDs will be permitted to buy back their CDs before maturity, subject to certain conditions.

IV. Payment Systems

6. Availability of National Automated Clearing House (NACH) on all days of the week

NACH, a bulk payment system operated by NPCI, facilitates one-to-many credit transfers, such as payment of dividend, interest, salary, pension, as also collection of payments pertaining to electricity, gas, telephone, water, periodic instalments towards loans, investments in mutual funds, insurance premium, etc. NACH has emerged as a popular and prominent digital mode of direct benefit transfer (DBT) to large number of beneficiaries. This has helped transfer of government subsidies during the present COVID-19 in a timely and transparent manner. NACH is currently available only on the days when banks are functional. In the interest of customer convenience, and to take advantage of the availability of RTGS on all days of the year, it is proposed to make available NACH on all days of the week throughout the year, effective August 1, 2021.