

Statement on Developmental and Regulatory Policies

This Statement sets out various developmental and regulatory policy measures relating to (i) Regulation and Supervision; and (ii) Payment and Settlement systems.

I. Regulation and Supervision

1. Discussion Paper on Expected Loss Based Approach for Loan Loss Provisioning by Banks

The inadequacy of the incurred loss approach for provisioning by banks and its procyclicality, which amplified the downturn following the financial crisis of 2007-09, has been extensively documented. One of the major elements of the global response to these findings have been a shift to expected credit loss (ECL) regime for provisioning. As a further step towards converging with globally accepted prudential norms, it is proposed to adopt expected loss approach for loss allowances required to be maintained by banks in respect of their exposures. As a first step, a discussion paper on the various aspects of the transition will be issued shortly.

2. Discussion Paper on Securitisation of Stressed Assets Framework (SSAF)

In September 2021, the Reserve Bank had issued the revised framework for securitisation of standard assets. As regards securitisation of non-performing assets, the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act, 2002 currently provides a framework for such securitisations to be undertaken by Asset Reconstruction Companies (ARCs) licensed under the Act. However, based on market feedback, stakeholder consultations and the recommendations of the Task

Force on Development of Secondary Market for Corporate Loans (RBI, 2019), it has been decided to introduce a framework for securitisation of stressed assets in addition to the ARC route, similar to the framework for securitisation of standard assets. Accordingly, a Discussion Paper (DP) detailing relevant contours of the proposed framework will be issued shortly inviting comments on certain specific aspects.

3. Internet Banking Facility for Customers of Regional Rural Banks (RRBs)

The RRBs are currently allowed to provide Internet Banking facility to their customers with prior approval of the Reserve Bank, subject to fulfilment of certain financial and non-financial criteria. Keeping in view the need to promote the spread of digital banking in rural areas, the criteria for RRBs to be eligible to provide internet banking are being rationalised and guidelines are being issued separately.

II. Payment and Settlement Systems

4. Regulating Offline Payment Aggregators

Payment Aggregators (PAs) play an important role in the payments ecosystem and hence were brought under regulations in March 2020 and designated as Payment System Operators (PSOs). The current regulations are, however, applicable to PAs processing online or e-commerce transactions. These regulations do not cover offline PAs who handle proximity/face-to-face transactions and play a significant role in the spread of digital payments. Keeping in view the similar nature of activities undertaken by online and offline PAs, it is proposed to apply the current regulations to offline PAs as well. This measure is expected to bring in synergy in regulation covering activities and operations of PAs apart from convergence on standards of data collection and storage. Detailed instructions will be issued separately.