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संचार विभाग, केंद्रीय कार्यालय, एस.बी.एस.मार्ग, मुंबई-400001

DEPARTMENT OF COMMUNICATION, Central Office, S.B.S.Marg, Mumbai-400001

फोन/Phone: 022-22660502

October 04, 2019

Statement on Developmental and Regulatory Policies

This Statement sets out various developmental and regulatory policy measures for strengthening regulation and supervision; broadening and deepening financial markets; and improving the payment and settlement systems.

I. Regulation and Supervision

1. Non-Banking Financial Company – Micro Finance Institution (NBFC-MFI)

In the wake of the Andhra Pradesh micro finance crisis in 2010, a Sub-Committee of the Central Board of the Reserve Bank (Chairman: Shri Y. H. Malegam) was constituted to study issues and concerns in the MFI sector. Based on the recommendations of the Committee, it was decided to create a separate category of NBFC, viz., Non-Banking Financial Company-Micro Finance Institution (NBFC-MFI) and a detailed regulatory framework for NBFC-MFIs was put in place in December 2011. The income and loan limits to classify an exposure as eligible asset were last revised in 2015. Taking into consideration the important role played by MFIs in delivering credit to those in the bottom of the economic pyramid and enable them to play their assigned role in a growing economy, it is proposed to revise these criteria as under:

- (i) Increase the household income limit for borrowers of NBFC-MFIs from the current level of ₹ 1.00 lakh for rural areas and ₹ 1.60 lakh for urban/semi urban areas to ₹ 1.25 lakh and ₹ 2.00 lakh, respectively.
- (ii) Raise the lending limit from ₹ 1.00 lakh to ₹ 1.25 lakh per eligible borrower.

Detailed guidelines in this regard will be issued shortly.

II. Financial Markets

2. Offshore Rupee Markets

The Task Force on Offshore Rupee Markets (Chairperson: Smt. Usha Thorat) in its [report](#) submitted on July 30, 2019 recommended several important measures to incentivize non-residents to access the onshore foreign exchange market. The Reserve Bank has examined the recommendations and it is proposed to accept the following recommendations:

- (i) Allowing domestic banks to freely offer foreign exchange prices to non-residents at all times, out of their Indian books, either by a domestic sales team or through their overseas branches; and
- (ii) Allowing rupee derivatives (with settlement in foreign currency) to be traded in International Financial Services Centres (IFSCs).

The directions for implementing the above two recommendations will be issued in consultation with the Central Government and other regulators. Other recommendations of the Committee are under consideration and the decision thereon will be announced in due course.

3. Non-resident Rupee Account – A Review of Policy

The Reserve Bank has been taking steps for popularising the cross-border transactions in Indian rupee (INR), especially in respect of external commercial borrowing (ECB), trade credit and exports and imports, thereby reducing the exchange risk for persons resident in India. Continuing these efforts, it has been decided, in consultation with the Government of India, to enhance the scope of non-interest bearing Special Non-resident Rupee (SNRR) Account by permitting persons resident outside India to open such accounts to facilitate rupee denominated ECB, trade credit and trade invoicing. Further, restriction on the tenure of SNRR account, which is currently 7 years, is also proposed to be removed for the aforesaid purposes. Guidelines in this regard would be issued within a month.

III. Payment and Settlement System

4. Liquidity Support for the Proposed 24x7 National Electronic Funds Transfer (NEFT) System

It was announced in the [third bi-monthly Monetary Policy of August 7, 2019](#) that the Reserve Bank of India will make available the facility of National Electronic Funds Transfer on 24x7

basis for members of public from December, 2019. In order to facilitate smooth settlement of these transactions in the accounts of the banks maintained with the Reserve Bank, it has been decided that the Reserve Bank will extend the collateralised liquidity support, which is currently available till 7.45 pm on NEFT working days, round the clock. This will help in better funds management by banks.

5. Internal Ombudsman by large non-bank Prepaid Payment Instrument (PPI) Issuers

In order to provide a robust mechanism for redressal of customer complaints, the Reserve Bank had set up an Ombudsman Scheme for Digital Transactions in January 2019 as announced in the [Monetary Policy Statement of December 5, 2018](#). To further strengthen the grievance redressal mechanism at the entity level itself, it has been decided to institutionalise an internal ombudsman scheme at the large non-bank PPI issuers (entities who have more than 10 million pre-paid payment instruments outstanding). The internal ombudsman is intended to facilitate a swift and cost-effective complaint redressal mechanism within the entity and provide an additional tier for grievance redressal. Instructions in this regard will be issued by October 15, 2019.

6. Payment System Data Dissemination

The Reserve Bank publishes data (in the RBI Bulletin and on the RBI Website) on various payment and settlement system indicators. In line with the recommendation of the Committee on Deepening of Digital Payments (Chairperson: Shri Nandan Nilekani) and given the rapid developments in the digital payments space, it has been decided to disseminate more granular information on payment data covering the payment systems authorised by the Reserve Bank. With this, the entire gamut of payment systems data will be available in the RBI Bulletin/Website.

7. Acceptance Development Fund (ADF)

With the rapid growth in the issuance of cards in the country, there is a need to ensure growth of acceptance infrastructure across the country, especially in Tier III to Tier VI centres. In order to increase digitisation in these areas, as indicated in the Payment System Vision Document 2021 of RBI and also recommended by the Committee on Deepening of Digital Payments (Chairperson: Shri Nandan Nilekani), it has been decided to create an 'Acceptance

Development Fund' (ADF) in consultation with the stakeholders. The framework will be operationalised by December 2019.

8. Expanding and Deepening of Digital Payments Ecosystem

With a view to expanding and deepening the digital payments ecosystem, it has been decided that State/UT Level Bankers Committees (SLBCs/ UTLBCs) shall identify one district in their respective States/UTs on a pilot basis in consultation with banks and stakeholders. The identified district may be allocated to a bank with significant footprint which will endeavour to make the district 100% digitally enabled. This would enable every individual in the district to make/receive payments digitally in a safe, secure, quick, affordable and convenient manner. Guidelines in this regard will be issued shortly.

Press Release : 2019-2020/866

(Yogesh Dayal)
Chief General Manager