Q1: Will banks be required to maintain specified securities for the amount received in TLTRO in HTM book at all times?

Ans: Yes. The banks will have to maintain amount of specified securities for the amount received in TLTRO in its HTM book at all times till maturity of TLTRO.

Q2: Will the bank have to necessarily continue to hold an amount equivalent to what it was holding as on March 26, 2020 in its HFT/AFS portfolio for the tenor of TLTRO borrowing?

Ans: Under TLTRO scheme, banks will have to invest the amount borrowed under TLTROs in fresh acquisition of securities (*i.e.,* over and above their outstanding statement in specified securities it was holding as on March 26, 2020) from primary/secondary market. However, participation in TLTRO scheme will not impinge on the existing investment of the bank and the bank may continue to operate their AFS/HFT portfolio, as hitherto, in terms of extant regulatory/internal guidelines.

Q3: Is there any maturity restriction on the securities to be acquired under TLTRO scheme?

Ans: There is no maturity restriction on the specified securities to be acquired under TLTRO scheme. However, the outstanding amount of specified securities in bank's HTM portfolio should not fall below the level of amount availed under TLTRO scheme.

Q4: Will investment in a longer tenor specified security continue to be classified as HTM even after maturity of TLTRO?

Ans: The specified securities acquired under TLTRO scheme will be allowed to remain in HTM portfolio till their maturity.

Q5: Can a bank categorise specified securities acquired under TLTRO scheme as AFS or HFT?

Ans: The specified securities acquired under TLTRO scheme will be classified in HTM category. However, if a bank decides to classify such securities under AFS/HFT category at the time of acquisition, it will not be allowed to later shift such securities to HTM category and it should maintain sufficient records to demonstrate and separately identify securities purchased under TLTRO scheme within the AFS/HFT portfolio. Further, all regulations applicable to securities classified under AFS/HFT including those on valuation, will be applicable on such specified securities.

Q6: What happens if a bank fails to deploy the funds availed under TLTRO scheme in specified securities within the stipulated timeframe?

Ans: The banks have already been given sufficient time to deploy funds availed under TLTRO scheme. It has now been decided to allow up to 30 working days for deployment in specified securities for those banks who have availed funds under the first tranche of TLTRO conducted on March 27, 2020. However, if a bank fails to deploy funds within the specified time frame, the interest rate on un-deployed funds will increase to prevailing policy repo rate plus 200 bps for the number of days such funds remain un-deployed. This incremental interest will have to be paid along with regular interest at the time of maturity.

Q7: Under TLTRO scheme, the specified eligible instruments will have to be acquired up to fifty per cent from primary market issuances and the remaining fifty per cent from the secondary market. Is this limit fungible between primary and secondary market?

Ans: The deployment of funds availed under TLTRO in primary market cannot exceed fifty percent of the amount availed. Apart from the above stipulation, the limits are fungible between primary and secondary market deployment.

Q8: Can a bank sell a specified security acquired earlier under TLTRO through buy-back route and replenish the same with fresh acquisition of another specified security?

Ans: Banks can replace the security sold through buy-back route with any other specified security for the amount availed under TLTRO scheme. Banks should ensure that their TLTRO funding should always be backed by specified security till maturity of TLTRO.

Q9: Whether sale from HTM on account of buy-back by the issuers in respect of specified securities acquired under TLTRO scheme will be reckoned for computation of the regulatory limit applicable for disclosure?

Ans: Sale from HTM on account of buy-back by the issuers pertaining to specified securities acquired under TLTRO scheme is exempt from the disclosure threshold stipulated in para 2 of RBI Master Circular DBR.No.BP.BC.6/21.04.141/2015-16 dated July 1, 2015.

FAQs pertaining to TLTRO 2.0

Q10: What happens if a bank fails to deploy the funds availed under the TLTRO 2.0 scheme in specified securities within the stipulated timeframe?

Ans: Based on the feedback received from banks and taking into account the disruptions caused by COVID-19, it has been decided to extend the time available for deployment of funds under the TLTRO 2.0 scheme from 30 working days to 45 working days from the date of the operation. Funds that are not deployed within this extended time frame will be charged interest at the prevailing policy repo rate plus 200 bps for the number of days such funds remain un-deployed. The incremental interest liability will have to be paid along with regular interest at the time of maturity.

Q11: Under the TLTRO 2.0 scheme, will the specified eligible instruments have to be acquired up to fifty per cent from primary market issuances and the remaining fifty per cent from the secondary market. Is this limit fungible between primary and secondary market?

Ans: In order to provide banks flexibility in investment, this condition will not be applicable for funds availed under TLTRO 2.0.

Q12: The Reserve Bank while announcing the fourth TLTRO on April 15, 2020 advised that the maximum amount that a particular bank can invest in the securities issued by a particular entity or group of entities out of the allotment received by it under the TLTRO shall be capped at 10 per cent. Is this condition also applicable to TLTRO conducted before April 15, 2020? Will this condition apply for deployment of funds under TLTRO 2.0?

Ans: This condition applies only to the fourth TLTRO conducted on April 17, 2020. It does not apply to the TLTROs conducted before April 17, 2020. It also does not apply to TLTRO 2.0.

Q13: Will the specified securities acquired from TLTRO funds and kept in HTM category be included in computation of Adjusted Net Bank Credit (ANBC) for the purpose of determining priority sector targets/sub-targets?

Ans: In terms of the press release 2237/2019-2020 dated April 17, 2020 notifying the TLTRO 2.0 scheme, at least 50 per cent of the total funds availed under the scheme has to be deployed in specified securities issued by small NBFCs of asset size of ₹ 500 crores and below, mid-sized NBFCs of asset size between ₹ 500 crores and ₹ 5000 crores and MFIs. The objective is to ease any liquidity stress and/or impediments to market access that these small and mid-sized entities might be facing. In order to incentivise banks' investment in the specified securities of these entities, it has been decided that a bank can exclude the face value of such securities kept in the HTM category from computation of adjusted non-food bank credit (ANBC) for the purpose of determining priority sector targets/sub-targets. This exemption is only applicable to the funds availed under TLTRO 2.0.

Q14: Para 1 of the press release dated April 17, 2020 on TLTRO 2.0 states that the objective of TLTRO 2.0 is to channel liquidity to small and mid-sized corporates, including NBFCs and MFIs. However, in para 2 it has been stated that the funds availed under TLTRO 2.0 will have to be deployed in investment grade bonds, commercial paper (CPs) and non-convertible debentures (NCDs) of Non-Banking Financial Companies (NBFCs) and MFIs. Is the current tranche of TLTRO 2.0 is targeted only for NBFCs and MFIs?

Ans: The funds availed under TLTRO 2.0 are to be deployed in investment grade bonds, commercial paper (CPs) and non-convertible debentures (NCDs) of Non-Banking

Financial Companies (NBFCs) and MFIs in the manner outlined in the press release dated April 17, 2020.

FAQs pertaining to On Tap TLTRO/ reversal of TLTRO/ TLTRO 2.0 transactions

Q15: If a bank opts for repayment of funds availed under TLTRO/ TLTRO 2.0, whether the investments made by the bank by utilizing these funds will continue to be allowed for classification under held to maturity (HTM) even in excess of 25 percent of total investment permitted to be included in the HTM portfolio?

Ans: Banks can submit their request for exercising the repayment option till October 28, 2020. On repayment of funds availed under TLTRO/ TLTRO 2.0, the associated securities shall be shifted out of the HTM category. The shifting of the TLTRO/ TLTRO 2.0 investments out of HTM shall be in addition to the shifting of investments permitted at the beginning of the accounting year and subject to adherence to the guidelines contained in the Master Circular – Prudential Norms for Classification, Valuation and Operation of Investment Portfolio by Banks dated July 1, 2015. These investments under TLTRO/ TLTRO 2.0 against which funds are being repaid will not be exempted from reckoning under the large exposure framework (LEF) and computation of adjusted non-food bank credit (ANBC) for the purpose of determining priority sector targets/sub-targets.

Q16: Whether banks need to first borrow from RBI under the on tap TLTRO scheme and then disburse under eligible assets or alternatively, can the banks first create eligible assets and then avail funds before 31 March 2021?

Ans: Banks can use either of the alternatives. However, the request of the bank will be subject to availability of funds as on date of application i.e., funds cannot be guaranteed in case the total amount of ₹1,00,000 crore is already availed.

Q17: Whether there is any restriction, with respect to Primary/Secondary market investments for funds availed under on Tap TLTRO scheme, should a bank desire to opt for acquiring specified securities issued by entities in specified sectors?

Ans: There is no restriction with respect to primary/ secondary market investments in specified securities under the on Tap TLTRO scheme.