Edited Transcript of Reserve Bank of India's First Bi-Monthly Monetary Policy Press Conference

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Shaktikanta Das: Good morning. At the outset, I will make the usual statement which I have. Thereafter we will take any questions or observations and will try and accommodate as many questions and observations as possible, so will proceed accordingly.

The Monetary Policy Committee (MPC) reviewed the macroeconomic developments and the outlook over the course of the past two days, i.e., April 2 and 3, 2019 and in its meeting today, it voted by a 4:2 majority to reduce the policy repo rate by 25 basis points, and to maintain a neutral stance of monetary policy by a 5:1 majority. I thank the MPC members for bringing to the discussions their experience and erudition. I also wish to express my appreciation for our teams in the Reserve Bank for their hard work in providing high quality inputs for the MPC's deliberations.

I would now like to set out the main global and domestic developments that the MPC evaluated while formulating its decision.

It noted that there is a further loss of pace in global economic activity since its last meeting in February 2019. Moreover, the slowdown appears to be synchronised across advanced economies and some major emerging market economies as well. This assessment is also reflected in the monetary policy stances of their Central Banks, which have either eased or paused. Inflation remains low in major advanced and emerging economies, although crude oil prices have risen on production cuts by major producers and supply disruptions among some exporters. As regards financial markets, equity markets have generally rallied, bond yields have eased in some advanced economies and they have slipped into negative territory.

In currency markets, the US dollar has traded with an appreciating bias, while emerging market currencies have softened.

Turning to domestic developments:

The MPC observed that the Central Statistics Office (CSO) has pegged India's real gross domestic product (GDP) growth at 7% for 2018-19, revised down from 7.2% in its first advance estimates. More recent high frequency indicators point to manufacturing growth slowing down, while investment demand is subdued. Credit flows to micro and small as well as medium industries remains muted, though they somewhat improved for large industries.

Capacity utilisation in the manufacturing sector is running above its long-term average. There is also some improvement in business sentiment. High frequency indicators of the services sector, such as sales of commercial vehicles and freight traffic indicate moderation in activity.

The MPC also noted that CPI inflation rose to 2.6% in February 2019 after four months of continuous decline. The upturn reflected an increase in prices of items excluding food and fuel and weaker momentum of deflation in the food group. Households' inflation expectations declined by 40 basis points each for the three months ahead and for the one year ahead horizons. Manufacturing firms reported reduction in input price pressures.

On India's external front, export growth remained weak in January and February 2019 while imports, especially non-oil non-gold imports, declined. The trade deficit narrowed in February 2019 to its lowest level in 17 months. Net FDI inflows were, however, strong while foreign portfolio investors turned net buyers in the domestic capital market in Q4 of 2018-19. India's foreign exchange reserves were at US$ 412.9 billion on March 31, 2019.

Taking into account these developments and looking ahead, the MPC revised the path of CPI inflation downwards to 2.4% in Q4 of 2018-19, 2.9-3.0% in H1:2019-20 and 3.5-3.8% in H2:2019-20, with risks broadly balanced. GDP growth for 2019-20 is projected at 7.2% of 6.8-7.1% in H1 of 2019-20 and 7.3-7.4% in H2, with risks evenly balanced.

Beyond the near-term, the MPC assessed that the short-term outlook for food and fuel inflation remains benign, although there is some uncertainty around the prospects for the monsoon, and seasonal reversals in the prices of some items. The outlook for oil prices continues to be hazy, both on the upside and the downside. Inflation excluding food and fuel has remained elevated, but has shown some moderation compared to the first half of 2018-19. Financial markets remain volatile. The fiscal situation at the general government level requires careful monitoring. Overall, the output gap remains negative and, therefore, strengthening domestic growth impulses by spurring private investment assumes priority.

To summarise:

Global growth is slowing down, and this is also reflected in three successive downward revisions made by the IMF in its projection of global growth for 2019. Domestic GDP growth is also estimated to slow in 2018-19, with high frequency indicators suggesting slackening of urban and rural demand as well as investment activity. While bank credit is growing at 14.3%, it is not broad-based. Bank credit to micro and small industries, which are critical to employment and exports, was flat at 0.6% as also credit to medium industries at 0.7%. Growth projections for 2019-20 have accordingly been revised downwards from 7.4%, which we have projected earlier to 7.2%.

Retail inflation rose to 2.6% in February 2019 from a low of 2.0% in January; however, the upturn has turned out to be 30-40 basis points lower than our projections made in the February policy. Accordingly, inflation projections have been recalibrated. As per our current projections, headline CPI inflation is projected at 3.8% in Q4:2019-20.

Against this backdrop, the MPC voted to reduce the policy rate by 25 basis points while maintaining a neutral stance.

Going forward, the Reserve Bank will continue to watch the evolving macroeconomic situation and shall act in time and act decisively. With the inflation outlook remaining benign, the RBI will address the challenges to sustained growth of the Indian economy, while ensuring price stability on an enduring basis in pursuance of its mandate in the Reserve of India Bank Act.

I would now like to address some developmental and regulatory policies, which we have announced today. We have about 11 announcements:

1. Liquidity Coverage Ratio (LCR), Liquidity Risk Monitoring Tools and LCR Disclosure Standards:

   We have allowed an additional 2.0 percent of SLR to be reckoned as Level-1 High Quality Liquid Assets for the purpose of computing the LCR of banks. While this move will harmonise the liquidity requirements of banks with LCR, it will also immediately release additional liquidity for lending by the banks.

2. Committee on the Development of Housing Finance Securitisation Market:

   We are aware that well-functioning securitisation markets can enable better management of credit and liquidity risks in the balance-sheets of banks as well as non-bank mortgage originators and, in turn, would help lower the costs of mortgage finance in the economy. We have, therefore, decided to constitute a Committee that will assess the state of housing finance securitisation markets in India; study the best international practices as well as lessons learnt from the global financial crisis; and propose measures to further develop these markets in India.

3. Task Force on the Development of Secondary Market for Corporate Loans:

   At present, the secondary market for corporate loans in India is dominated by transactions of banks in non-performing assets and is constrained by sparse information on pricing and recovery rates. Recognising the benefits of an active secondary market in loans, the Reserve Bank will set up a Task Force to study the relevant aspects, including best international practices and to propose measures for developing a thriving secondary market for corporate loans in India.

4. Issue of Instructions on External Benchmark:

   As announced in the 'Statement on Developmental and Regulatory Policies' of December 05, 2018, it was proposed that all new floating rate personal or retail loans – housing, auto, etc., and floating rate loans to Micro and Small Enterprises extended by banks from April 1, 2019 shall be benchmarked to the external benchmarks like the RBI Repo Rate or any other benchmark market interest rate published by the Financial Benchmark India Private Ltd.

   Taking into account the feedback received during discussions held with stakeholders on issues such as:

1. Management of interest rate risk by banks from fixed interest rate linked liabilities against floating interest rate linked assets and the related difficulties.
2. The lead time required for IT system upgradation, it has been decided to hold further consultations with stakeholders and work out an effective mechanism for transmission of rates. In the meantime, we have taken several measures to enable better management of interest rate risk by banks, for instance, by allowing non-residents to participate in the Rupee interest rate swap market.

5. Countercyclical Capital Buffer:

The framework on countercyclical capital buffer (CCCB) was put in place by the Reserve Bank in terms of guidelines issued on February 5, 2015 wherein it was advised that the CCCB would be activated as and when the circumstances warranted, and that the decision would normally be pre-announced. Based on the review and empirical testing of CCCB indicators, it has been decided that it is not necessary to activate CCCB at this point in time.

6. Relating to permitting G-sec trading through International Central Securities Depositories (ICSDs):

As a step in the continuing process of broadening the investor base for Government securities, the Reserve Bank, in consultation with the Government and SEBI, shall open a separate channel for international investors by allowing them to invest through International Central Securities Depositories (ICSDs).

7. Licensing of Non-Banking Financial Companies (NBFCs) as Authorised Dealer Category II:

Increasingly, a large segment of resident Indians are availing foreign exchange facilities for the purpose of overseas education, medical treatment abroad, business travel, private visits (non-trade current account transactions) which are presently undertaken only through Authorised Dealers Category-I, II, III and the full-fledged money changers.

With a view to improve the ease of undertaking forex transactions by increasing the last-mile touch points of regulated entities to sell foreign exchange for non-trade current account transactions, it has been decided that non-deposit taking systemically important Non-Banking Financial Companies (NBFCs-NDSI) in the category of Investment & Credit Companies (ICCs) will be made eligible to apply for grant of Authorised Dealer Category-II licence. Detailed instructions in this regard shall be issued by the end of April 2019.

8. Benchmarking India's Payment Systems:

Benchmarking India's Payments Systems is necessary to gauge India's progress *vis-à-vis* payment systems and instruments in major countries and give further impetus to the planned efforts for deepening the digitisation of payments. A report containing the findings of such an exercise will be placed on the RBI website by the end of May 2019.

9. Framework for Harmonizing Turn Around Time for Resolution of Customer Complaints and Compensation:

Currently, different payment systems have varied mechanisms for addressing customer grievances and the time for resolving customer complaints are not uniform. In order to have a prompt and efficient complaint redressal framework for all electronic payment systems, it is necessary to have harmonisation of the response time for complaint management and for other payment transactions, such as the reversal of a failed transaction across various payment systems. To this end, the, RBI proposes to come out with a framework on Turn Around Time for resolution of customer complaints and compensation framework across all authorised payment systems.

10. Convergence of Priority Sector Lending (PSL) guidelines for housing loans between Scheduled Commercial Banks (SCBs) and Regional Rural Banks (RRBs) and Small Finance Banks (SFBs):

The housing loan limits for eligibility under Priority Sector Lending were revised during June 2018, for Scheduled Commercial Banks – excluding Regional Rural Banks and Small Finance Banks. It has been decided to extend the revised limits to Regional Rural Banks and Small Finance Banks also to provide level-playing field to these banks.

11. Extension of NBFC Ombudsman Scheme to cover Non-Deposit taking Non-Banking Financial Companies:

In pursuit of strengthening the grievance redressal mechanism for bank customers, the Reserve Bank is will widen the existing NBFC-Ombudsman scheme, introduced on February 2018, to cover the customers of non-deposit taking NBFCs registered with RBI and having asset size of ₹ 100 crore and above.

There is one more point, which I would like to add with reference to the Honourable Supreme Court order on the February 12th circular. As you are aware, Honourable Supreme Court has held the RBI circular dated February 12, 2018 on resolution of stressed assets as ultra vires. The court has held that RBI's Directions under section 35 AA of the banking resolution act 1949 which are in respect of debtors generally would be ultra vires of that section. Thus, the order of the Supreme Court mandates RBI to exercise its powers under section 35 AA in respect of specific defaults by specific debtors. It must be added, that the powers of RBI under section 35 AA and other sections of the Banking Regulation Act 1949 are therefore not in doubt at all. So they are not under doubt. The Honourable Supreme Court has basically said that the powers of RBI under section 35 AA have to be exercised in a particular manner and the validity of the section 35 AA stands and henceforth we have to comply with the directions of the Supreme Court in this regard and act accordingly. In the light of Honourable Supreme Court order, the Reserve Bank of India will take necessary steps, including issuance of revised circular as maybe necessary for expeditious and effective resolution of stressed assets. The RBI stands committed to maintain and enhance the momentum of resolution of stressed assets and adherence to credit discipline. Thank you.

Nivrita Ganguly: **BTVI** Sir, do the previous restructuring tools, like, CDR, SDR, S4A- they stand until you come up with revised stressed asset resolution?

Shaktikanta Das: I would not like to spell out further details. As I have said that we are considering the issuance of revised circular as maybe necessary. So at this point of time I would not like to elaborate anything further on this other than what I have said and my statement in this regard also will be uploaded in our website so that it is easy for you to report about it.

Pradeep Pandya: CNBC Awaaz Do you want to give a timeline by when the circular will come and in the meantime, banks would be talking to you as to how to handle the different cases that are presently at different stages?

Shaktikanta Das: As I have told you earlier that the in this regard, based on the order that the Supreme Court has given, I would not want to do any further elaboration but we will bring out the circular soon. There will not be any undue delay in that. And on this question, I reiterate that at this point of time, I would not like to do any further elaboration.

Pradeep: On the Policy, my question to you was that in your monetary policy report you mention that you are assuming a normal monsoon but the forecast of Sky Met says that 93% rainfall will be there and there could be El Nino effect, and this was mentioned in your statement also, so if that happens then what impact could it have on your today’s projections of growth and inflation, keeping in mind that in your statement and in your report you mention that food grain is in surplus and despite all the worries you still see the food inflation as downwards, so how much your forecast of today will change if the rainfall will be less according the Sky Met forecast.

Shaktikanta Das: There have been different kinds of weather forecasts and we have seen that according to the forecast of Australian meteorological authority, the monsoon will be normal or good and on the other hand the Sky Met report you are saying, the one that has come yesterday- so in our MPC deliberations, all the risk factors are taken into account; all risks factors, all upsides and downsides all these factors have been taken in to account and after that the PC took the decision to cut repo rates by 25 basis points and maintain the monetary policy stance at neutral.

Mythili Bhusnurmath: ET Now

Thank you, Governor. Governor, as the only senior citizen on this side of the table, I am very sure that you must permit me two questions, one of which will be very brief and one of which is slightly long.

Mythili Bhusnurmath:

Did the MPC really consider the possibility of hung parliament, so any kind of political uncertainty while taking this decision? And please don't tell me the MPC considered all possibilities, but please I want specifically about the political uncertainties which are there at the onset of any election. My second question is just this, during the past few months we have seen a series of instances where the RBI has taken to the court, whether it is the Kotak Mahindra case, or now the shipping companies and power companies, and the NCLT saying to the banks that they must take prior permission before they clear an NPA, so do you see this as a welcome sign of democratization of the RBI's power or are you concerned that the RBI that was once considered like the Bundesbank- as the famous saying goes that Germans may not believe in God, but they all believe in the Bundesbank- do you consider this somehow in some way takes away the aura of invincibility of the RBI and that might perhaps impact the RBI's actions and does that worry you?

Shaktikanta Das:

Your first question is a trap, I will not answer that. I would like to say that the MPC has considered all upsides and downsides to the current macroeconomic situation. With regard to the litigation, it is always a democratic right of any person, individual or legal person, and corporate entity to challenge the decision of any authority in the court of law. The Reserve Bank cannot be an exception to this. As I have reiterated in my first press conference that we are now undertaking wider stakeholder consultations and decisions are taken on that basis. And you would have seen over the years that before a decision is taken the draft discussion paper or the draft circular is always placed in the RBI website and decisions are taken. But then it has to be appreciated that there are certain regulatory aspects where considering the criticality of these regulatory aspects, it is not possible for the central bank to place it in the public domain and get comments. These are cases where the Reserve Bank has to act based on its own wisdom and based on internal consultations with stakeholders and experts.

Govardhan Rangan: The Economics Times

You have cut both the inflation and growth forecast; at the same time when you have a inflation forecast of 3.8% for the second half of next year, that leaves at least 200 to 220 basis points positive real rates, whichever way you go whether by, it is the repo or the treasury bill or the 10-year benchmark. Does the MPC risk behind the curve in terms of the need to strengthen the domestic growth impulse just by giving 25 basis points rate cut when you have such a room to do more?

Shaktikanta Das:

You see, on the real interest rate and whether there is additional space, I am not going into that. But, we are also conscious of the fact that there has to be appropriate and effective transmission of rates. After the last meeting I had held a meeting with banks, both public and private sector, the banks have marginally, up to about 10 basis point they have cut their MCLR, but more needs to be done. And, it is a question of deciding on the quantum of rate cut based on your assumption of what is the right call at that particular point of time. Whether there is space, I am not going into that, but assuming that there is space, there are upsides and downsides, all these things have to be taken into account. And based on that a considered call has to be taken. And, therefore it is MPC's considered call that at this point of time a 25 basis points cut, so you have to see this 25 basis points over and above the 25 basis points cut that we had done; so in two successive MPCs we have cut by totally 50 basis points and during this entire period you also have to factor in the aspect that RBI has taken lot of action for infusing additional liquidity in to the system, not only by way of OMOs but also by this currency swap which has been announced. So therefore, in totality of the situation it was considered that a 25 basis points cut is appropriate at the current stage.

Govardhan: Economics Times With the incoming government's borrowing plan weigh over on that?

Shaktikanta Das: No, always the overall liquidity situation; the borrowing requirement of not only the government but the borrowing requirement of the private sector are also taken into consideration and decision is taken.

Latha Venkatesh CNBC TV18: Governor, I wanted to actually ask about the liquidity situation. So far the situation has been that for most of the days the Reserve Bank is giving liquidity; it is a deficit situation of around ₹ 75,000 crore to ₹ 1 lakh crore; will you consider going to a slightly surplus mode - will it remain exactly as it is now as you define neutral or will you look for more surplus liquidity? And will preferred instruments will be OMOs or dollar swaps- any guidance you can give on which instrument is preferred and any time table on how much? As well, the Bimal Jalan committee report on RBI capital reserves, we thought it would come out on 31 March.

Shaktikanta Das: No, I had a discussion with the chairman of the committee Dr. Bimal Jalan, they require a few days more to finalize the report. The deliberations are in advance stage and I have not into the details of their meetings and what they are deliberating, because it is committee's prerogative. And I think they will take a few days more but the sense I have from the chairman of the committee is that the discussions are in a very advanced stage. With regard to liquidity, as I have said in the earlier press briefing during the earlier MPC, it shall be RBI's effort to ensure that there is adequate liquidity available in the system. With regard to OMO and currency swap, etc, let me say that the currency swap is an additional instrument, which we have added to our tool kit to deal with the liquidity infusion. We will use all tools of infusing liquidity, including OMO, the currency swap. We will use all these instruments, depending on requirement and depending on other relevant factors.

Latha: Sir, I am asking you about liquidity because if liquidity is a bit surplus then in the past rates were transmitted. Cuts are transmitted faster when there is a minus surplus in the interbank market, when there is a deficit in the interbank market, hikes gets transmitted quickly. That's why I am asking if you will look at transmission more closely and in the process is there any change in stance on liquidity?

Shaktikanta Das: You have given a suggestion, we are aware of what you suggested, we are aware of that. And that is why I mentioned that we have already infused enough liquidity into the system. For example, we have taken additional steps today by increasing the LCR by two percentage points. We have also taken some measures in the interest rate derivative market. All these things are basically putting additional liquidity and we are very particular that there has to be effective transmission of rates, and it is a work in progress and we hope to come out with some guidelines, which will ensure effective transmission. Thank you.

Anand Adhikari: Business Today In December last year you came out with a restructuring mechanism for MSME. Is it possible to know how many units were benefited and quantum of total loans restructured?

Shaktikanta Das: No, we don't maintain that data. And maybe it is maintained at some stage, but at the moment we don't have data on how many loans have got restructured because RBI Board showed an urgency at that time. The circular was issued on 1st January. So we have given enough time up to 1st April 2020 and enough time has been given. So, banks have to do it. We have provided a regulatory framework, now it is for the banks to use that framework and do the restructuring.

Ira Dugal Bloomberg Quint: Basic question on growth actually, can you help us understand where the sources of slowdown are coming in from, is it largely rural demand driven slowdown where subdued rural wages are impacting demand conditions? In the urban sector actually low petroleum prices should have helped a little bit in terms of disposal income and hence spend, but now as we are looking from the urban areas there is a slowdown coming, it is a little confusion because for instance in the MPR we talk about the flow of commercial resources which is actually better in FY19 compared to FY18. What then are the specific slowdown sources and how durable you think they are going to be?

Shaktikanta Das: No, we have spelt out in my statement and if you see the MPC resolution and in the MPC statement which I made now, we have spelt out from where exactly the risks are emanating, and we have identified. The survey results also will be out in the public, we will be putting them in the website- the various surveys- the consumer confidence survey and other surveys which have been done, they will be put in the public domain. So the MPC resolution and the statement I made it captures it, I don't think it requires any further elaboration.

Ira: Just a follow-up question on liquidity-the market obviously is concerned that weighted average call rate is not the right measure to judge liquidity conditions, is the RBI at all considering relooking at that framework and that metric that they use quite closely?

Shaktikanta Das: As and when we decide to take some action in this front you will know about it.

Anurag Shah
Zee Business: Sir, the way the order from Supreme Court has come on the circular of 12 February, so do you think that going forward, the banks under PCA will be able to come out of PCA, because they will have the time to restructure and reduce NPAs? Another thing, the external benchmark rules that were to be made applicable from 1 April; what will be the timeline in future?

Shaktikanta Das: See, the first question that you asked, as I have said earlier, my statement would be as per the Supreme Court's order. And your question is very hypothetical, it is really difficult to answer in specific terms, it is very hypothetical so I won't go into answering that. And the time line that you are asking about transmission of rates, we are working on it. At this point of time I don't want to mention any date.

Anirban Nag
Bloomberg: Now that more than 100 economists have expressed concerns about the GDP as well as the jobs data, do you share their concerns? That is question number one. And number two, you met the Finance Minister last week; your predecessor declined such invites. Do you think that you should actually have briefed the MPC members before you briefed the finance minister about the monetary policy?

Shaktikanta Das: Well, I think through both these questions you want some headlines, but we will not oblige you with the headlines which you are expecting. But the meeting between the Governor and the Finance Minister, this is a part of the tradition which was there for the last so many years and perhaps more than two decades, as far as I can remember. Even after the MPC was constituted these meetings were going on, maybe the media was not aware, the meetings were either physical meetings or there were conversations, let me put it that way. So, therefore, my meeting the Finance Minister is not anything very unusual, it was happening before, it is happening now and to say that it was not happening for some time also I don't know, it might have happened. So, therefore, I don't want to go into that. And the other thing you said about GDP, I don't want to go into that discussion. We go by the official statistics which is released by the government, I read out the CSO estimates.

Anirban: Which is being questioned, the credibility of that data is being questioned.

Shaktikanta Das: We work on the official statistics which is provided to us, it is a debate which is going on, it is a political debate which is now going on. So, again as I said, I will not give you headline on this and I won't answer that question.

Manojit Saha:
The Hindu Now you have reduced interest rate by 50 basis points in two months but banks are not responding, I mean, banks have reduced by only five to ten basis points. So your entire effort to boost growth by interest rate cut will not happen if banks don't cut rates.

Shaktikanta Das: I think I answered that question. The rate cut, the liquidity infusion and all these things have to be done in totality. I have answered that question.

Suvashree Choudhury

Reuters: Governor, you have actually brought down your forecast for both GDP and inflation. To that extent we would have expected the kind of forecast that you have, you would have gone for 50 basis points cut. I understand the first question that you answered as to why you have not done 50, but was the the concern of fiscal slippage also a concern for you that stopped you because you mentioned only transmission as one reason that made you stay back from 50 to 25, you indicated that. Was fiscal slippage one reason? And the second question is, how do you think going ahead because we are talking about el-Nino here, and there is a view that the RBI is underpricing the upside risks to inflation, what is your view on that specific issue?

Shaktikanta Das: The resolution, as I mentioned in reply to an earlier question on the fiscal situation, there was a question here about government borrowing-whether it is taken into account- borrowing by the general government- that includes both the central government and the state government. And the fiscal you mentioned, if you see the resolution, we have mentioned that the fiscal situation also is being monitored and will continue to be monitored. So, it is a relevant factor along with other relevant factors we have taken that into consideration.

Suvashree: And how big is that factor, because it is just two months down the line we see a big slippage, so, is that a big risk? We couldn't understand how big a concern it is for you.

Shaktikanta Das: I don't know whether there will be a slippage, so why should we presume that there will be a slippage, let's see. Let the numbers come out, let the numbers for 2018 – 2019 come out and let the budget for next year, the interim budget also projects a fiscal deficit of 3.4%; there will be a main budget coming up in July. So I would not like to presume that in the main budget would there would be fiscal tightening or fiscal slippage. That is the prerogative of the government in parliament.

Suvashree: Is that the reason you kept at 25 and not 50, despite the sharp cuts in your projects?

Shaktikanta Das: It will not be right to correlate the decision to one particular aspect of the totality of factors which have been taken into consideration.

Suvashree: But does this keep a room open for more cuts, because you have projections that show inflation according to MPC target is still below your 4% level.

Shaktikanta Das: Well, more room or not, you will see in the next MPC. That won't be possible. If there was more room we would have done it even now in the current context. And it is not an information which I should be answering really, whether there is more room.

Anup Roy:

Business Standard Sir, you have done $3 trillion of OMO and $10 billion of swaps. So is there a ratio in your mind on broad money creation- what should be the ideal ratio or it just automatically happens?

Shaktikanta Das: There is no fixed formula, depending on the evolving situation, as I said in reply to the earlier question, depending on the evolving situation, evolving macroeconomic and money market situation, we will use all the instruments that are available to us, OMO, currency swap; there cannot be a fixed ratio that I would like to spell out. And even if there was any such principle it would not be possible for me to share that. But let me say that it will depend on the evolving situation.

Anup Roy:

Business Standard Sir, one question on that. These dollar swaps, it is possible only when there is healthy dollar flow in the country. Or is it going to be a permanent tool. It will keep on coming?

Shaktikanta Das: It is a tool available in our basket, we will use it as and when we feel it is appropriate to use it. Please appreciate, don't think that it is a diplomatic answer I am giving. As and when it is required, we have both the tools and the situation may fluctuate. So as and when it is required we will use it.

Mayur Shetty

The Times of India: Governor, around half percent of bank loans are stuck in IL&FS and there are indications from the Boards that a large part of it might not be payable and turn into NPAs but there also a court order restricting them from classifying into NPAs. Would you expect the banks to make provisions on these loans?

Shaktikanta Das: The NCLAT order that you are referring to, we have filed a petition before the NCLAT seeking a modification of their order.

Mayur: Banks still have to classify it as NPA?

Shaktikanta Das: Let's see, NCLAT has to hear our petition and then decide, after that we will decide.

Bijoy Idicheriah

Cogencis: Governor, you talked about the fiscal. In terms of the state government borrowings they have an indicative calendar, if they miss the indicative calendar, the actual borrowing is very different from the indicative calendar that is given. Is that a concern to you when it comes to handling your liquidity planning for the year. Also, at the same time you wanted state governments to go for ratings- that is something that RBI has been keen on. Is there any progress on that front because the circular actually mentioned that SDLs would be rated.

Shaktikanta Das: We have had a conference with the state finance secretaries last month. Now let my colleagues also come in. Let DG Mr. Kanungo reply to that question.

B. P. Kanungo: What you said is correct. What we are primarily concerned with is that the fiscal condition of the State governments or their health is not adequately reflected in the primary auctions. There have been occasions where the so called strong, what we believe to be fiscally better managed States , they get debt at a higher rate and in the same auction, the fiscally imprudent States get at a lower rate. So this is a concern which has been there with Reserve Bank for quite some time, and there are various options to address this problem. One of the options is a rating, but you will also agree that this rating has to be done by the State governments voluntarily. So we are in discussions on that, as Governor has rightly mentioned, this was again articulated in the State Finance Secretaries conference last month and we have brought home this point that if you are fiscally well managed it is in your own interest to get yourself rated so that the market has better information regarding your financial health. So it is still at discussion stage, some of the States they have assured that they are proceeding in that direction.

Bijoy: In terms of Basel norms, with the same State government SDLs, there is still a pending issue on treating them as HQLA. Is there any progress on that, because RBI has stood by the fact that that is something that they are very insistent upon that this is a sovereign risk.

Shaktikanta Das: We have stood by our position, they continue to be treated as SQLA. I can tell you that the matter has not been finally concluded even in Basel Committee, our views are being considered in the Basel Committee.

Nivrita Ganguly
BTVI: Governor, this isn't about the Supreme Court order, I just wanted a larger outlook from you on the kind of resolution that we should expect, because that is what is baked into the GDP forecast as well, the faster resolution of stressed assets. Coming on the back of the year we have had, where there have been many delays, should we expect similar situation in the year ahead or a faster situation, especially since the SC has now struck down the February 12 circular which essentially was a fast track?

Shaktikanta Das: See, as I said in my statement, if you see it again, we will upload in the website as I said it; we remain committed to not only maintain but also to speed up, to enhance the momentum of resolution of stressed assets in the banking sector. We are not only committed, it is our endeavor and we will ensure that there is faster resolution of stressed assets because it is very critical for the stability of the banking sector and has an impact on the overall financial sector. So we will do all that is possible to ensure that the pace is maintained.

Nivrita: You are not concerned this could be a downside risk to your growth forecast which has already been revised downwards.

Shaktikanta Das: No, see the Supreme Court order as I have mentioned, has not taken away any power from Reserve Bank of India, the powers are still vested with Reserve Bank of India. It has to be exercised in a particular manner. So we will exercise the power which the parliament has given us and see that the resolution is done fast.

Amol Dethe
ET, BFSI: Are you going to have different system for customer complaints against payment companies? You mentioned that there are lot of customer complaints that you are receiving. Could you elaborate more on that?

Shaktikanta Das: When it comes out in the circular you will get to know of it, because these are very detailed things, so it will come out in the circular.

Parnika Sokhi
Moneycontrol: Sir, till the time RBI comes up with a revised circular, what options banks have to go ahead, because some cases are actually stuck at a very critical stage right now. So, what are the directions that the RBI will give banks for cases which are already under proceedings based on the February 12 circular?

Shaktikanta Das: See, the IBC, the Insolvency and Bankruptcy Code gives liberty to the creditors to approach the NCLT in cases where there is a default. So, the liberty given to the creditors, including the banks, to approach the NCLT for resolution, that stands, so that will continue.

Parnika: But for cases where banks had gone ahead with this on the basis of the February 12 circular, what happens to that?

Shaktikanta Das: On a case to case basis I don't want to comment. But all the major cases which were referred to, they are not affected by this Supreme Court order because they were all referred earlier, specifically they were referred to. DG, Vishwanathan, would you like to clarify that point?

N S Vishwanathan: The Supreme Court has said in the order that the cases which were referred as per the February 12 circular will be in earnest. So, as Governor said, the banks have the right to do it on their own if they believe as a creditor they will access their right.

Shaktikanta Das: Thank you.