प्रेस प्रकाशनी PRESS RELEASE

भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA
वेबसाइट : www.rbi.org.in/hindi
Website : www.rbi.org.in
इ-मेल email: helpdoc@rbi.org.in

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

August 07, 2019

Statement on Developmental and Regulatory Policies

This Statement sets out various developmental and regulatory policy measures in the areas of Financial Markets; Payment and Settlement Systems; Banking Regulation, Financial Inclusion and Credit flow to NBFCs.

I. Financial Markets

1. Introduction of stripping/reconstitution facility for State Development Loans (SDLs)

As a debt manager to the States in terms of Section 21A of RBI Act 1934, the Reserve Bank has been making efforts to develop the SDL market in both primary and secondary segments. The extension of the Scheme of Non-Competitive Bidding and aggregators/facilitators to SDLs are some of the efforts taken by RBI in this direction. In continuation of these efforts, it has been decided to introduce the stripping/reconstitution facility for SDLs. This measure will be implemented in consultation with the respective State governments.

II. Payment and Settlement Systems

2. Round-the-Clock Availability of National Electronic Funds Transfer System

Currently, the National Electronic Funds Transfer (NEFT) payment system operated by the Reserve Bank as a retail payment system is available for customers from 8.00 am to 7.00 pm on all working days of the week (except 2nd and 4th Saturdays of the month). As mentioned in the Payment System Vision 2021 document, the Reserve Bank will make available the NEFT system on a 24x7 basis from December 2019. This is expected to revolutionise the retail payments system of the country.

3. Expansion of Biller Categories for Bharat Bill Payment System

The Bharat Bill Payment System (BBPS), an interoperable platform for repetitive bill payments, currently covers five segments *viz.,* (i) direct-to-home (DTH); (ii) electricity; (iii) gas; (iv) telecom; and (v) water bills. In order to leverage the advantages of the BBPS and harness its full potential, it has been decided to permit all categories of billers (except prepaid recharges) who provide for recurring bill payments to participate in BBPS on a voluntary basis. Apart from digitisation of cash-based bill payments, these segments would also benefit from the standardised bill payment experience for customers, centralised customer grievance redressal mechanism, prescribed customer convenience fee and the like. Detailed instructions in this regard will be issued by the end of September 2019.

4. 'On-tap' Authorisation for Retail Payment Systems

As announced in the Statement on Developmental and Regulatory Policies of June 6, 2018, the Reserve Bank published a policy paper on January 21, 2019 for public consultation on minimising concentration risk in retail payment systems from a financial stability perspective. Comments/feedback received from a wide array of individuals, public and private entities, institutions and industry associations suggested the need to encourage more players to participate in and promote pan-India payment platforms. Accordingly, in order to benefit from diversification of risk as also to encourage innovation and competition, it has been decided to offer 'on tap' authorisation to entities desirous to function/operate/provide platforms for

i) Bharat Bill Payment Operating Unit (BBPOU);
ii) Trade Receivables Discounting System (TReDS); and
iii) White Label ATMs (WLAs).

Instructions to this effect will be issued by the end of September 2019.

5. Creation of a Central Payments Fraud Information Registry

At present, there is a mechanism in place for banks to report all banking frauds to the Central Fraud Monitoring Cell of the Reserve Bank. With the digital payment ecosystem making substantial progress in terms of growth of payment infrastructure as well as volume and value of digital payment transactions, fraud risk monitoring and management by the stakeholders have assumed importance. It has always been the endeavour of the Reserve Bank to improve the confidence of customers in the payment systems. The Payment System Vision 2021 also envisages a framework for collecting data on frauds in the payment systems. In order to carry forward these efforts and ensure quick and systemic responses, it is proposed to facilitate the creation of a Central Payment Fraud Registry that will track these frauds. Payment system participants will be provided access to this registry for near-real time fraud monitoring. The aggregated fraud data will be published to educate customers on emerging risks. A detailed framework in this regard will be put in place by the end of October 2019.

III. Banking Regulation, Financial Inclusion and Credit flow to NBFCs

6. Reduction in risk weight for consumer credit except credit card receivables

Under the standardised approach for Credit Risk Management, consumer credit, including personal loans and credit card receivables attract a higher risk weight of 125 per cent or higher, if warranted by the external rating of the counterparty. On a review, it has been decided to reduce the risk weight for consumer credit, including personal loans, but excluding credit card receivables, to 100%.

Guidelines in this regard would be issued by the end of August 2019.

7. Measures to enhance credit flow to NBFC Sector:

During the last one year, the Reserve Bank has taken several measures to facilitate credit flow to the well managed NBFCs/HFCs. The steps taken by the Reserve Bank are as follows:

(i) On September 23, 2018, the Reserve Bank issued a press release stating that along with SEBI, it was closely monitoring the situation and will take measures, as necessary.

(ii) The FALLCR (i.e. securities that can be reckoned, both for SLR and LCR), was increased on two occasions (September 27, 2018 and April 4, 2019) by two per cent each, thereby enabling banks to raise additional liquidity by selling their excess SLR securities.

(iii) A special FALLCR of 0.5 per cent exclusively for lending to NBFCs was introduced in October 2018.

(iv) The risk weights for banks' exposure to NBFCs were harmonised with those of other corporates.

(v) The prudential limit on exposure of banks to NBFCs was also aligned with that of other sectors, thereby increasing it from 10 per cent of the banks' capital to 15 per cent.

(vi) The minimum holding period for assets to be securitised or assigned was reduced from one year to six months, thereby enabling the NBFCs and HFCs to raise funds by securitising their originations without having to wait for a longer period.

(vii) The durable liquidity in the system was increased through a series of OMOs and Forex SWAPs.

(viii) On July 5 2019, the FALLCR scheduled to increase by 0.50 per cent of NDTL each on August 1 and December 1, 2019 was allowed to be frontloaded by banks for computing LCR to the extent of incremental outstanding credit to NBFCs and Housing Finance Companies (HFCs) over and above the amount of credit to NBFCs/HFCs outstanding in their books as on July 5, 2019. Further, on the same day, pursuant to the announcement in the Union Budget of a partial credit enhancement to Public Sector Banks for acquiring highly rated pooled assets of financially sound NBFCs/HFCs, the Reserve Bank, through a press release, conveyed its readiness to provide required liquidity backstop to the banks against their excess G-sec holdings in order to enable them to implement the budget announcement.

It has now been decided to take following further measures to enhance credit flow to the NBFC sector:

(a) Harmonisation of single counterparty exposure limit for banks' exposure to single NBFCs with general single counterparty exposure limit

Under the revised guidelines on large exposure framework (LEF) that came into effect from April 1, 2019, a bank's exposure to a single NBFC is restricted to 15 per cent of its Tier I capital, while for entities in the other sectors the exposure limit is, 20 percent of Tier I capital of the bank, which can be extended to 25 per cent by banks' Boards under exceptional circumstances. As a step towards harmonisation of the counterparty exposure limit to single NBFC with that of the general limit, it has been decided to raise a bank's exposure limit to a single NBFC to 20% of Tier-I capital of the bank.

(b) Credit to the Priority Sector – Permitting banks to on-lend through NBFCs

With a view to further increasing the credit flow to certain priority sectors which contribute significantly to the economic growth in terms of export and employment, and recognizing the role played by NBFCs in providing credit to these sectors, it has been decided to allow, subject to certain conditions, bank lending to registered NBFCs (other than MFIs) for on-lending to Agriculture (investment credit) up to ₹10.0 lakhs; Micro and Small Enterprises up to ₹ 20.0 lakh and housing up to ₹ 20.0 lakh per borrower (up from ₹10.0 lakh at present) to be classified as priority sector lending.

Detailed guidelines on the above measures will be issued by the end of August 2019.

Yogesh Dayal
Chief General Manager

Press Release: 2019-2020/365