

## Current Affairs | With Reference to the Official Website of Reserve Bank of India (RBI) | MAY 2021

### Highlights of Governor's Statement - May 5, 2021 | Important Data & Key Takeaways

- ⇒ RBI is proposing to undertake as the first part of a calibrated and comprehensive strategy against the pandemic.
- ⇒ In April 2021, the International Monetary Fund (IMF) revised up its global growth projection for 2021 to 6.0%.
- ⇒ World merchandise trade maintained its recent uptrend, growing by 5.4% in February 2021 on a year-on-year (y-o-y) basis.
- ⇒ Aggregate demand conditions, particularly in contact-intensive services, are likely to see a temporary dip, depending on how the COVID situation unfolds.
- ⇒ The Purchasing managers' index (PMI) for manufacturing continued in expansion mode at 55.5 in April 2021 compared to 55.4 in the preceding month.
- ⇒ CPI inflation edged up to 5.5% in March 2021 from 5.0% a month ago on the back of a pick-up in food as well as fuel inflation while core inflation remained elevated.
- ⇒ In the external sector, India's merchandise exports and imports rose sharply in March 2021. For the year 2020-21 as a whole, the merchandise trade deficit shrank to US \$98.6 billion from US \$ 161 billion a year ago.
- ⇒ The current account balance turned into a slender deficit of 0.2% of GDP in Q3:2020-21.
- ⇒ Foreign exchange reserves were at US\$ 588 billion on April 30, 2021.
- ⇒ The average daily net liquidity absorption under the liquidity adjustment facility (LAF) was at ₹5.8 lakh crore in April 2021.

#### Additional Measures announced by the RBI Governor

- ⇒ **Special Long-Term Repo Operations (SLTRO) for Small Finance Banks (SFBs)**
- ⇒ **Lending by Small Finance Banks (SFBs) to MFIs for on-lending to be classified as Priority Sector Lending**
- ⇒ **Credit to MSME Entrepreneurs**
- ⇒ **Term Liquidity Facility of ₹50,000 crore to Ease Access to Emergency Health Services.**

#### Resolution Framework 2.0 for COVID Related Stressed Assets of Individuals, Small Businesses and MSMEs.

- ⇒ **Borrowers i.e. individuals and small businesses and MSMEs having aggregate exposure of upto ₹25 crore and who have not availed restructuring under any of the earlier restructuring frameworks (including under the Resolution**

- Framework 1.0 dated August 6, 2020), and who were classified as 'Standard' as on March 31, 2021 shall be eligible to be considered under Resolution Framework 2.0.
- ⇒ In respect of individual **borrowers and small businesses who have availed restructuring of their loans under Resolution Framework 1.0**, where the resolution plan permitted moratorium of less than two years, lending institutions are being permitted to use this window to modify such plans to the extent of increasing the period of moratorium and/or extending the residual tenor up to a total of 2 years.

#### Rationalisation of Compliance to KYC Requirements

- ⇒ Extending the scope of video KYC known as V-CIP (video-based customer identification process) for new categories of customers.
- ⇒ Conversion of limited KYC accounts opened on the basis of Aadhaar e-KYC authentication in non-face-to-face mode to fully KYC-compliant accounts.
- ⇒ Enabling the use of KYC Identifier of Centralised KYC Registry (CKYCR) for V-CIP and submission of electronic documents as identify proof.
- ⇒ Introduction of more customer-friendly options, including the use of digital channels for the purpose of periodic updation of KYC details of customers.

#### Utilisation of Floating Provisions and Countercyclical Provisioning Buffer

- ⇒ In order to mitigate the pandemic related stress on banks and as a measure to enable capital conservation, banks are being allowed to utilise 100% of floating provisions/countercyclical provisioning buffer held by them as on December 31, 2020 for making specific provisions for non-performing assets with prior approval of their Boards. **Such utilisation is permitted with immediate effect and up to March 31, 2022.**

#### Relaxation in Overdraft (OD) facility for States Governments

- ⇒ Maximum number of days of OD for State Govt. in a quarter is being increased from 36 to 50 days and the number of consecutive days of OD from 14 to 21 days. This facility will be available up to September 30, 2021.

### All Current Affairs from RBI Website | May 2021

#### Directions under Section 35A, Section 56, Banking Regulation Act, 1949 | Rupee Co-operative Bank Ltd

- ⇒ RBI placed the Rupee Co-operative Bank Ltd., Pune, Maharashtra under Directions from the close of business on

February 22, 2013. The validity of the directions was extended from time-to-time, the last being up to May 31, 2021.

**RBI Governor meets MD & CEOs of Public Sector Banks over Video Conference**

- ⇒ The Governor, RBI held meetings with the MD & CEOs of Public Sector Banks.
- ⇒ The meeting was attended by Deputy Governors Shri M. K. Jain, Shri M. Rajeshwar Rao, Dr. Michael D. Patra and Shri T. Rabi Sankar.
- ⇒ He acknowledged the important role being played by PSBs in extending various banking facilities including credit facilities to individuals and businesses while tackling the challenges brought on by the pandemic.
- ⇒ The following issues were discussed in the meeting.
  - ✓ Current state of the financial sector;
  - ✓ Credit flows to different sectors including to small borrowers, MSMEs, etc.
  - ✓ Progress in the implementation of Covid Resolution Framework 1.0;
  - ✓ Monetary policy transmission; and
  - ✓ Implementation of Covid-related policy measures taken by RBI.



**Update on PSL Norms**

- ⇒ Priority Sector Lending (PSL) guidelines issued by Reserve Bank of India. Recently it was decided to review the PSL guidelines. The revised guidelines also aim to encourage and support environment friendly lending policies to help achieve Sustainable Development Goals (SDGs).
- ⇒ This review also took into account the recommendations made by the 'Expert Committee on Micro, Small and Medium Enterprises (Chairman: Shri U.K. Sinha) and the 'Internal Working Group to Review Agriculture Credit' (Chairman: Shri M. K. Jain) apart from discussions with all stakeholders.

**Threshold Level of Inflation – Concept and Measurement**

- ⇒ RBI released on its website the DRG Study\* titled, "Threshold Level of Inflation – Concept and Measurement".
- ⇒ The study is co-authored by Professor Ravindra H. Dholakia, Dr. Jai Chander, Smt. Ipsita Padhi and Shri Bhanu Pratap.
- ⇒ The study examines the concept of threshold inflation and defines it as the long run equilibrium rate of inflation that maximises the steady state growth within the relevant range of values.

**Risk Premium Shocks and Business Cycle Outcomes in India**

- ⇒ RBI released on its website the DRG Study\* titled, "Risk Premium Shocks and Business Cycle Outcomes in India".
- ⇒ The study is co-authored by Dr. Shesadri Banerjee, Shri Jibin Jose, and Shri Radheshyam Verma.
- ⇒ This study investigates the dynamic effects of financial shocks on the business cycle.

**589th Meeting of Central Board of the Reserve Bank of India**

- ⇒ The 589th meeting of the Central Board of Directors of Reserve Bank of India held under the Chairmanship of Shri Shaktikanta Das, Governor, through video conferencing.
- ⇒ The Board in its meeting reviewed the current economic situation, global and domestic challenges and recent policy measures taken by the Reserve Bank to mitigate the adverse impact of the second wave of COVID-19 on the economy.
- ⇒ Change in the Reserve Bank's accounting year to April-March (earlier July-June).
- ⇒ RBI approved the transfer of ₹99,122 crore as surplus to the Central Government for the accounting period of nine months ended March 31, 2021 (July 2020-March 2021).

**Important Points on Prepaid Payment Instruments (PPIs)**

- ⇒ PPI interoperability shall be made mandatory.
- ⇒ The limit for full-KYC PPIs shall be increased from ₹1 lakh to ₹2 lakh.
- ⇒ Cash withdrawal shall be permitted using full-KYC PPIs of non-bank PPI issuers. The following conditions applicable:
- ⇒ Maximum limit of ₹2,000 per transaction with an overall limit of ₹10,000 per month per PPI

**RBI appoints Shri Jose J. Kattoor as new Executive Director**

- ⇒ Shri Jose J. Kattoor has been appointed as the Executive Director (ED).
- ⇒ As Executive Director, he will look after Human Resource Management Department, Corporate Strategy and Budget Department and Rajbhasha Department.

**RBI cancels the licence of United Co-operative Bank Ltd., Bagnan, West Bengal**

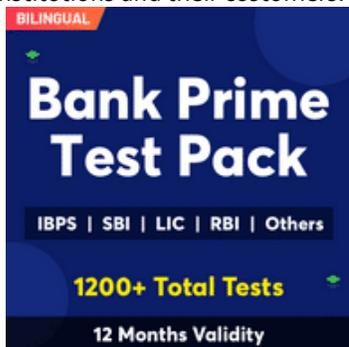
- ⇒ RBI has cancelled the licence of United Co-operative Bank Ltd., Bagnan, West Bengal. Consequently, the bank ceases to carry on banking business, with effect from the close of business on May 13, 2021.
- ⇒ It is prohibited from conducting the business of 'banking'.

**RBI cancels the licence**

- ⇒ RBI cancelled the licence of Shivajirao Bhosale Sahakari Bank Ltd., Pune, Maharashtra. The bank does not have adequate capital and earning prospects.

**RBI Governor meets MD & CEOs of Non-Banking Financial Company- Micro Finance Institutions (NBFC-MFIs)**

- ⇒ Shri Shaktikanta Das, Governor, RBI held a meeting with the MD/CEOs.
- ⇒ The Governor recognised the important role of NBFC-MFIs in making credit accessible at grassroots level.
- ⇒ He emphasised the supervisory expectations in terms of maintaining their business resilience and managing risks prudently.
- ⇒ He advised the NBFC-MFIs to pay focussed attention on strict adherence to fair practices code, improve customer grievance redress mechanism and strengthen their IT systems in the interest of the institutions and their customers.



**Shri T. Rabi Sankar appointed as RBI Deputy Governor**

- ⇒ Shri T. Rabi Sankar took over as the Deputy Governor of Reserve Bank of India for a period of three years or until further orders, whichever is earlier.
- ⇒ He was Executive Director of RBI before being elevated to the post of Deputy Governor.

**Group of Advisors to Regulations Review Authority invites feedback and suggestions**

- ⇒ RBI set up a Regulations Review Authority (RRA 2.0), initially for a period of one year from May 01, 2021.
- ⇒ It will review the regulatory prescriptions internally as well as by seeking suggestions from the RBI regulated entities and other stakeholders on their simplification and ease of implementation.
- ⇒ Shri S. Janakiraman, Managing Director, State Bank of India is the Chairman.

**Special Long-Term Repo Operations (SLTRO) for Small Finance Banks (SFBs)**

- ⇒ Small finance banks (SFBs) have been playing a prominent role by acting as a conduit for last mile supply of credit to individuals and small businesses.
- ⇒ To provide further support to small business units, micro and small industries, and other unorganised sector entities adversely affected during the current wave of the pandemic, it has been decided to conduct special three-year long-term repo operations (SLTRO) of ₹10,000 crore at repo rate for the SFBs, to be deployed for fresh lending of up to ₹10 lakh per borrower. This facility will be available till October 31, 2021.

- ⇒ Accordingly, the Reserve Bank will conduct one auction for SLTRO each month. The first auction will be conducted on May 17, 2021 for ₹10,000 crore.
- ⇒ All Small Finance Banks (SFBs) eligible under the Liquidity Adjustment Facility (LAF) can participate in the Scheme.
- ⇒ SLTROs will be conducted on CBS (E-KUBER) platform.
- ⇒ The minimum bid amount would be Rupees one crore and multiples thereof. The allotment would be in multiples of Rupees one crore.

**On-Tap Term Liquidity Facility to Ease Access to Emergency Health Services**

- ⇒ It has been decided to open an on-tap liquidity window of ₹50,000 crore with tenors of up to three years at the repo rate till March 31, 2022 to boost provision of immediate liquidity for ramping up COVID-related healthcare infrastructure and services in the country.
- ⇒ Under the scheme, banks can provide fresh lending support to a wide range of entities including vaccine manufacturers; importers/suppliers of vaccine and priority medical devices; hospitals/dispensaries; pathology labs and diagnostic centres; manufacturers and suppliers of oxygen and ventilators; importers of vaccines and COVID-related drugs; COVID-related logistics firms and also patients for treatment.
- ⇒ Banks are being incentivised for quick delivery of credit under the scheme through extension of priority sector lending (PSL) classification to such lending up to March 31, 2022. These loans will continue to be classified under PSL till repayment/maturity, whichever is earlier. Banks may deliver these loans to borrowers directly or through intermediary financial entities regulated by the RBI.
- ⇒ Under the scheme, banks are expected to create a COVID loan book. By way of an additional incentive, such banks will be eligible to park their surplus liquidity up to the size of the COVID loan book with the RBI under the reverse repo window at a rate which is 25 bps lower than the repo rate.
- ⇒ All banks eligible under the Liquidity Adjustment Facility (LAF) can participate in the Scheme.

**Credit to MSME Entrepreneurs**

- ⇒ Scheduled Commercial Banks were allowed to deduct the amount equivalent to credit disbursed to new MSME borrowers from their Net Demand and Time Liabilities (NDTL) for calculation of the Cash Reserve Ratio (CRR).
- ⇒ This exemption was available up to ₹25 lakh per borrower for the credit disbursed up to the fortnight ending October 1, 2021.
- ⇒ It has been decided to extend this exemption for such credits disbursed up to the fortnight ending December 31, 2021.

**Periodic Updation of KYC – Restrictions on Account Operations for Non-compliance**

- ⇒ Keeping in view the current COVID-19 related restrictions in various parts of the country, Regulated Entities are advised that in respect of the customer accounts where periodic updation of KYC is due and pending as on date, no restrictions on operations of such account shall be imposed till December 31, 2021, for this reason alone, unless warranted under instructions of any regulator/ enforcement agency/court of law, etc.

**Utilisation of Floating Provisions/Counter Cyclical Provisioning Buffer**

- ⇒ In order to mitigate the adverse impact of COVID 19 related stress on banks, as a measure to enable capital conservation, it has been decided to allow banks to utilise 100% of floating provisions/ countercyclical provisioning buffer held by them as on December 31, 2020 for making specific provisions for non-performing assets with prior approval of their Boards.
- ⇒ Such utilisation is permitted with immediate effect and upto March 31, 2022.

**Relaxation in OD facility for States Governments/UTs**

- ⇒ RBI has eased the terms governing availment of the overdraft facility extended to State Governments/UTs, to enable them to better manage their fiscal situation in terms of their cash-flows and market borrowings.
- ⇒ Accordingly, the maximum number of days in a quarter on which State Governments/UTs can avail overdraft is being increased from 36 days to 50 days.
- ⇒ Further, the number of consecutive days on which a State Government/UT can avail overdraft is being increased from 14 days to 21 days. This facility will be available up to September 30, 2021.

**Priority Sector Lending (PSL) - On-lending by Small Finance Banks (SFBs) to NBFC-MFIs**

- ⇒ In view of the fresh challenges brought on by the COVID-19 pandemic and to address the emergent liquidity position of smaller MFIs, it has been decided to allow PSL classification to the fresh credit extended by SFBs to registered NBFC-MFIs and other MFIs (Societies, Trusts etc.) which are members of RBI recognised 'Self-Regulatory Organisation' of the sector and which have a 'gross loan portfolio' of upto ₹500 crore as on 31 March 2021, for the purpose of on-lending to individuals.
- ⇒ Bank credit as above will be permitted up to 10% of the bank's total priority sector portfolio as on 31 March, 2021.
- ⇒ The above dispensation shall be valid upto March 31, 2022. However, loans thus disbursed will continue to be classified under Priority Sector till the date of repayment/maturity whichever is earlier.



**Sectoral Deployment of Bank Credit – March 2021**

- ⇒ The Data on sectoral deployment of bank credit collected from select 33 scheduled commercial banks, accounting for about 90% of the total non-food credit deployed by all scheduled commercial banks for the month of March 2021.

Portfolio of Deputy Governor   May 2021	
Name	Departments
Shri M.K. Jain	1. Co-ordination, 2. Central Security Cell, 3. Consumer Education and Protection Department, 4. Department of Supervision, 5. Financial Inclusion and Development Department, 6. Human Resource Management Department, 7. Premises Department, 8. Rajbhasha Department, 9. Secretary's Department
Dr. M.D. Patra	1. Corporate Strategy and Budget Department 2. Department of Economic and Policy Research 3. Department of Statistics and Information Management 4. Deposit Insurance and Credit Guarantee Corporation 5. Financial Markets Operations Department 6. Financial Markets Regulation Department 7. Financial Stability Unit, 8. International Department, 9. Monetary Policy Department
Shri M. Rajeshwar Rao	1. Department of Regulation, 2. Department of Communication 3. Enforcement Department, 4. Inspection Department 5. Legal Department, 6. Risk Monitoring Department
Shri T Rabi Sankar	1. Department of Currency Management, 2. Department of External Investments & Operations, 3. Department of Government and Bank Accounts, 4. Department of Information Technology, 5. Department of Payment and Settlement Systems

6. Foreign Exchange Department, 7. Internal Debt Management Department 8. Right to Information (RIA) Division
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Monetary Penalty imposed by RBI- MAY 2021			
S.no	Name of the Bank	Penalty Imposed	Reason
1.	Siddheshwar Sahakari Bank Ltd., Latur, Maharashtra	₹3.50 lakh	For contravention of/non-compliance with the directions issued by RBI to Urban Cooperative Banks on Exposure Norms and Statutory/ Other Restrictions and Income Recognition and Asset Classification (IRAC) norms
2.	Shankar Nagari Sahakari Bank Limited, Nanded, Maharashtra	₹1.00 lakh	For contravention of/non-compliance with directions issued by the RBI to Urban Co-operative Banks on Exposure Norms and Statutory/ Other Restrictions - UCBS
3.	HDFC Bank Limited	₹10.00 crore	For contravention of provisions of section 6(2) and section 8 of the Banking Regulation Act, 1949 (the Act).

Foreign Exchange Reserves as on 21 <sup>st</sup> May 2021		
Name of the Item	In Crores	In Millions
Total Reserves	4318817	592894
1.1 Foreign Currency Assets	3995492	548519
1.2 Gold	275640	37841
1.3 SDRs	11020	1513
1.4 Reserve Position in the IMF	36665	5021

Policy Rates in May 2021	
Policy Repo Rate	4.00%
Reverse Repo Rate	3.35%
Marginal Standing Facility Rate	4.25%
Bank Rate	4.25%
CRR	4.00%
SLR	18.00%

Central Board of Directors of the Reserve Bank of India as on 1 <sup>st</sup> June 2021	
Shri Shaktikanta Das, Governor	Ms. Revathy Iyer (Director)
Shri Mahesh Kumar Jain, Deputy Governor	Prof. Sachin Chaturvedi (Director)
Dr. M. D. Patra, Deputy Governor	Shri Natarajan Chandrasekaran (Director)
Shri M. Rajeshwar Rao, Deputy Governor	Shri Satish Kashinath Marathe (Director)
Shri T. Rabi Sankar, Deputy Governor	Shri Swaminathan Gurumurthy (Director)
	Shri Debasish Panda (Director)
	Shri Ajay Seth (Director)