

## Gist of RBI circulars march 2023

1. Reserve Bank of India has decided that an additional amount of **₹5,000 crore** will be made available under the **Standing Liquidity Facility** for standalone primary dealers on March 31, 2023 at the prevailing repo rate.
  - Standing facilities are instruments available to banks at their own initiative without restriction under normal circumstances. They consist of instruments providing and absorbing overnight liquidity. The interest rates on these instruments provide the corridor in which the money market interest rates can fluctuate.

2. Reserve Bank released data relating to India's International Investment Position for end-December 2022

### Key Features of India's IIP in end-December 2022

- Net claims of non-residents on India **declined** by US\$ 12.0 billion during October-December 2022 and stood at US\$ 374.5 billion as at end-December 2022.
- The reduction in net claims was due to higher rise in Indian residents' overseas financial assets (US\$ 28.7 billion) as compared with the increase in foreign liabilities of Indians (US\$ 16.7 billion)
- The rise in Indian residents' foreign assets during Q3:2022-23 was mainly on account of an increase of US\$ 30.0 billion in reserve assets, which had earlier declined by US\$ 56.5 billion in the previous quarter.
- Reserve assets accounted for 64.3 per cent of India's international financial assets as at end-December 2022.
- Trade credits and loans were primary contributors to the rise in India's foreign liabilities.
- Variation in the exchange rate of rupee vis-a-vis other currencies impacted the change in liabilities, when valued in the US dollar terms, as the rupee depreciated by 1.49 per cent during the quarter.
- The share of debt liabilities in total external liabilities increased to 50.2 per cent as at end-December 2022 from 49.8 per cent a quarter ago and 48.4 per cent a year ago.
- India's international assets **covered 70.0 per cent of India's international liabilities** in December 2022 as compared with 72.5 per cent a year earlier

3. **RBI shared sectoral deployment of bank credit as given below:**

- Credit to **agriculture and allied activities** rose by **14.9 per cent** in February 2023 as compared with 10.3 per cent a year ago.
- Credit to **industry** registered a growth of **7.0 per cent (y-o-y)** in February 2023 as compared with 6.7 per cent in February 2022. Size-wise, credit to large industry rose by 5.0 per cent as compared with 0.9 per cent a year ago. Credit growth of medium industries was 13.5 per cent as against 53.8 per cent. Credit to micro and small industries registered a growth of 13.2 per cent in February 2023 (24.0 per cent a year ago).
- Credit growth to **services sector** was robust at **20.7 per cent (y-o-y)** in February 2023 as compared with 6.2 per cent a year ago, primarily due to the improved credit offtake to 'Non-Banking Financial Companies (NBFCs)'.
- Personal loan growth accelerated to **20.4 per cent (y-o-y)** in February 2023 from 12.5 per cent a year ago, driven by housing loans

4. The limit for **Ways and Means Advances (WMA)** has been decided, in consultation with the Government of India, for the first half of the financial year 2023-24 (April 2023 to September 2023) will be ₹1,50,000 crore.

**Ways and Means Advances (WMA)**, when the government borrows money it makes an interest payment to the central bank. In this, the rate of interest is similar to the repo rate and the tenure is three months

The Reserve Bank of India may trigger fresh floatation of market loans when the Government of India utilises 75 per cent of the WMA limit.

The Reserve Bank of India retains the flexibility to revise the limit at any time, in consultation with the Government of India, taking into consideration the prevailing circumstances.

**The interest rate on WMA/Overdraft will be:**

- WMA: Repo Rate
- Overdraft: Two percent above the Repo Rate

5. The Reserve Bank of India (RBI) has imposed a monetary penalty of ₹30.00 lakh (Rupees Thirty lakh only) **on Karur Vysya Bank Ltd.** (the bank) for non-compliance with certain provisions of the Reserve Bank of India (Frauds- Classification and reporting by commercial banks and select FIs) directions 2016. A Select Scope Inspection (SSI) of the bank was conducted by RBI. An examination of the SSI report and all related correspondence pertaining to the same revealed that the bank failed to report a few accounts as frauds to RBI within a week of the respective **Joint Lenders' Forum (JLF)** decisions to do so

- The **Joint Lender's Forum** is a dedicated grouping of lender banks that is formed to speed up decisions when an asset (loan) of more Rs 100 crore or more turns out to be a stressed asset. RBI has issued guidelines for the formation of JLF in 2014 for the effective management of stressed assets. Instructions for the formation of JLF is mentioned in the RBI guideline titled 'Framework for Revitalizing Distressed Economy'

6. Reserve Bank of India has decided to conduct a fine-tuning 5-day **Variable Rate Repo (VRR) auction** for the fortnight beginning March 24, 2023 instead of the main operation of a 14-day variable rate Repo/ Reverse Repo auction.

- The variable rate repo auction is done to inject liquidity into the banking system when it turns negative or is in deficit

7. Shri Shaktikanta Das, Governor, Reserve Bank of India (RBI), laid the foundation stone for establishment of a "**Greenfield Data Centre**" and '**Enterprise Computing & Cybersecurity Training Institute**' in Bhubaneswar, Odisha.

8. The Reserve Bank of India (RBI) has, imposed a monetary penalty of ₹1.00 lakh (Rupees One lakh only) **on Raigad Sahakari bank Ltd., Mumbai** (the bank) for contravention of operational instructions issued under **Supervisory Action Framework (SAF)**.

9. The Reserve Bank of India (RBI) has imposed, a monetary penalty of ₹50,000 (Rupees Fifty Thousand only) on **Jila Sahakari Kendriya Bank Maryadit, Raisen** (Madhya Pradesh) (the bank) for contravention of/non-compliance with the provisions of the Banking Regulation Act, 1949 (the Act) and directions issued by NABARD on submission of returns by banks.

10. The Reserve Bank of India (RBI) has imposed a monetary penalty of ₹5.00 lakh (Rupees Five lakh only) on **Housing Development Finance Corporation Limited, Mumbai** (the company) for non-compliance with certain provisions of 'The Housing Finance Companies (NHB) Directions, 2010' issued by the National Housing Bank (NHB)
11. The Reserve Bank of India (RBI) and the **Central Bank of the United Arab Emirates (CBUAE)** signed a Memorandum of Understanding (MoU) today in Abu Dhabi, to enhance cooperation and jointly enable innovation in financial products and services.
- Under the MoU, the two central banks will collaborate on various emerging areas of FinTech, especially **Central Bank Digital Currencies (CBDCs)** and explore interoperability between the CBDCs of CBUAE and RBI. This bilateral engagement of testing cross-border use case of CBDCs is expected to reduce costs, increase efficiency of cross border transactions and further the economic ties between India and UAE. The MoU also provides for technical collaboration and knowledge sharing on matters related to Fintech and financial products and services.
12. The Governor, Reserve Bank of India (RBI) launched the Mission '**Har Payment Digital**' on the occasion of the **Digital Payments Awareness Week (DPAW) 2023**. This is part of RBI's endeavour to make every person in India a user of digital payments. DPAW 2023 will be observed from March 6 to 12, 2023. The campaign theme is "**Digital Payment Apnao, Auron ko bhi Sikhao**" (Adopt digital payments and Also teach others).
- During the DPAW 2023, Regional Offices of the RBI will be conducting awareness and outreach programmes which will also form part of 'Jan Bhagidari' events under the Indian G20 presidency. Similar initiatives will be undertaken by the bank and non-bank payment system operators.
  - The Reserve Bank will also initiate a '**75 Digital Villages**' programme in observance of 75 years of Independence. Under this programme, Payment System Operators (PSOs) will adopt 75 villages across the country and convert them into digital payment enabled villages.
13. The **Financial Action Task Force (FATF)**, issued a public document 'High-Risk Jurisdictions subject to a Call for Action'.
- Highlights:**
- Democratic People's Republic of Korea (DPRK) and Iran adopted in February 2020 are still High-Risk Jurisdiction
  - Further, Myanmar was added to the list of High-Risk Jurisdictions subject to a Call for Action in the October 2022 FATF plenary which remains in effect.
  - FATF had earlier identified the following jurisdictions as having strategic deficiencies and under Increased Monitoring, which had developed action plan with the FATF to deal with them. These jurisdictions are: Albania, Barbados, Burkina Faso, Cambodia, The Cayman Islands, Democratic Republic of the Congo, Gibraltar, Haiti, Jamaica, Jordan, Mali, Morocco, Mozambique, Panama, Philippines, Senegal, South Sudan, Syria, Tanzania, Türkiye, Uganda, United Arab Emirates and Yemen.
  - **South Africa and Nigeria** have now been added to this list of Jurisdictions under Increased Monitoring while **Cambodia and Morocco** have been removed from this list based on review by the FATF.
  - FATF plenary releases documents titled "High-Risk jurisdictions subject to a Call for Action" and "Jurisdictions under Increased Monitoring" with respect to jurisdictions that have strategic AML/CFT deficiencies as part of the ongoing efforts to identify and work with jurisdictions with strategic Anti-Money Laundering (AML)/Combating of Financing of Terrorism (CFT) deficiencies. This advice does not preclude regulated entities from **legitimate** trade and business transactions with these countries and jurisdictions.