National Bank Staff College
Policy Tracker Dec 2020-Jan 2021

NABARD

I. Key highlights of Fourth Monetary Policy Committee meeting held from 02–04 December 2020:

The policy Repo rate under the Liquidity Adjustment Facility (LAF) unchanged at 4.0 per cent. Consequently, the Reverse repo rate under the LAF remains unchanged at 3.35 per cent and the Marginal Standing Facility (MSF) rate and the Bank Rate at 4.25 per cent.
CRR remains at 3 per cent of NDTL and SLR at 18 per cent of NDTL.
The MPC decided to continue with the accommodative stance at least during the current financial year and into the next financial year to revive growth on a durable basis and mitigate the impact of COVID-19 on the economy.
These decisions are in consonance with the objective of achieving the medium-term target for Consumer Price Index (CPI) inflation of 4 per cent within a band of +/- 2 per cent, while supporting growth.
RBI proposes to enhance limits for contactless card payments from Rs.2000 to Rs.5000 from January 2021.
Commercial and Cooperative banks will retain profits earned and will not give out dividends for Financial Year 2020-21.
On-tap TLTRO will be expanded to cover other stressed sectors in tandem with Emergency Credit Line Guarantee Scheme (ECLGS).
Real GDP growth for 2021 is projected at -7.5%.

https://rbidocs.rbi.org.in/rdocs/PressRelease/PDFs/PR720A9A40E7FC8884A6A9F158967DE9BFF20.PDF

II. Regional Rural Banks (RRBs)-Access to Call/Notice/Term Money Market:

RRBs shall be permitted to participate in the call/notice and term money markets both as borrowers and lenders.

The prudential limits and other guidelines on call/notice/term money markets for the RRBs shall be the same as those applicable to Scheduled Commercial Banks in terms of the RBI Master Direction No.2/2016-17, dated July 7, 2016 on Money Market

NABARD

Instruments: Call/Notice Money Market, Commercial Paper, Certificates of Deposit and Non-Convertible Debentures (original maturity up to one year), as amended from time to time.

Table: Prudential Limits for Transactions in Call/Notice Money Market (as indicated in RBI Master Direction No.2/2016-17, dated July 7, 2016)

Sr. No	Participant	Borrowing	Lending
1	Scheduled Commercial Banks	On a daily average basis in a reporting fortnight, borrowing outstanding should not exceed 100 per cent of capital funds (i.e., sum of Tier I and Tier II capital) of latest audited balance sheet. However, banks are allowed to borrow a maximum of 125 per cent of their capital funds on any day, during a fortnight	On a daily average basis in a reporting fortnight, lending outstanding should not exceed 25 per cent of their capital funds. However, banks are allowed to lend a maximum of 50 per cent of their capital funds on any day, during a fortnight
2	Cooperative Banks	Outstanding borrowings of State Co-operative Banks/District Central Cooperative Banks/ Urban Cooperative Banks in call/notice money market, on a daily basis should not exceed 2.0 per cent of their aggregate deposits as at end March of the previous financial year	No limit
3	PDs	PDs are allowed to borrow, on daily average basis in a reporting fortnight, up to 225 per cent of their net owned funds (NOF) as at end-March of the previous financial year	PDs are allowed to lend in call/notice money market, on daily average basis in a reporting fortnight, up to 25 per cent of their NOF

These Directions have been issued by RBI in exercise of the powers conferred under section 45W of the Reserve Bank of India Act, 1934 and of all the powers enabling it in this behalf.

These Directions shall be applicable with immediate effect.

https://rbidocs.rbi.org.in/rdocs/notification/PDFs/NT7860075FB425D74B1EB180BC896B28503B.PDF

III. Introduction of Liquidity Adjustment Facility (LAF) and Marginal Standing Facility (MSF) for Regional Rural Banks (RRBs):

In order to provide an additional avenue for liquidity management to Regional Rural Banks (RRBs), RBI has extended the Liquidity Adjustment Facility (LAF) and Marginal Standing Facility (MSF) to Scheduled RRBs meeting the following criteria:

(i) Implemented Core Banking Solution (CBS)
(ii) There is a minimum CRAR of nine per cent and
(iii) Fully compliant with the terms and conditions for availing LAF and MSF issued by Financial Markets Operations Department (FMOD), Reserve Bank of India

The effective date from which the RRBs will be eligible to avail of LAF and MSF will be intimated separately.

https://rbidocs.rbi.org.in/rdocs/notification/PDFs/LAFMSFRRBSFCB697090CF848E599D3BDE570170E62.PDF

IV Availability of Real Time Gross Settlement (RTGS) System on 24X7:

RTGS will be available round the clock on all days of the year with effect from 00:30 hours on December 14, 2020. It may be noted that, RTGS shall be available for customer and inter-bank transactions round the clock, except for the interval between 'end-of-day' and 'start-of-day' processes, whose timings would be duly broadcasted through the RTGS system.

RBI has issued this directive under Section 10 (2) read with Section 18 of Payment and Settlement Systems Act, 2007 (Act 51 of 2007).

https://rbidocs.rbi.org.in/rdocs/notification/PDFs/RTGS24X71798171F014C4AF18C755BAA2AECE838.PDF

V. Amendment to Master Direction (MD) on KYC–Centralized KYC Registry – Roll out of Legal Entity Template & other changes:

In terms of the provisions of the Prevention of Money Laundering (Maintenance of Records) Rules, 2005, the Regulated Entities (REs) have been uploading the KYC data pertaining to all individual accounts opened on or after January 1, 2017 on to CKYCR (Centralized KYC Registry).

RBI has extended the CKYCR to Legal Entities (LEs). Accordingly, REs shall upload the KYC data pertaining to accounts of LEs opened on or after April 1, 2021, on to CKYCR in terms of Rule 9 (1A) of the PML Rules.

REs shall ensure that during periodic updation, the customers' KYC details are migrated to current Customer Due Diligence (CDD) standards.

https://rbidocs.rbi.org.in/rdocs/notification/PDFs/CKYCRLEB3990A3432AC4BAB95D7A77854CE011F.PDF

VI. Risk Based Internal Audit (RBIA) Framework–Strengthening Governance arrangements:

To bring uniformity in approach followed by the banks, as also to align the expectations on Internal Audit Function with the best practices, banks are advised as under:

Authority, Stature and Independence - The Head of Internal Audit (HIA) shall be a senior executive of the bank who shall have the ability to exercise independent judgement.

Competence - Requisite professional competence, knowledge and experience of each internal auditor is essential for the effectiveness of the bank's internal audit function. The desired areas of knowledge and experience may include banking operations, accounting, information technology, data analytics and forensic investigation, among others.

Staff Rotation - Except for the entities where the internal audit function is a specialised function and managed by career internal auditors, the Board should prescribe a minimum period of service for staff in the Internal Audit function.

Tenor for appointment of Head of Internal Audit - The HIA shall be appointed for a reasonably long period, preferably for a minimum of three years.

Reporting Line - The HIA shall directly report to either the Audit Committee of the Board (ACB) / MD & CEO or Whole Time Director (WTD). The HIA shall not have any reporting relationship with the business verticals of the bank and shall not be given any business targets.

Remuneration -The remuneration policies should be structured in a way that it avoids creating conflict of interest and compromising audit's independence and objectivity.

https://rbidocs.rbi.org.in/rdocs/notification/PDFs/SCBSRBIA879C4EA3C1B741E884EA035CB6883AFF.PDF

NABARD

VII. Strengthening of Grievance Redress Mechanism in Banks:

Reserve Bank of India has taken various initiatives over the years for improving customer service and grievance redress mechanism in banks.

The Banking Ombudsman Scheme was introduced in 1995 to serve as an alternate grievance redress mechanism for customer complaints against banks. In 2019, Reserve Bank also introduced the Complaint Management System (CMS), a fully automated process-flow based platform, available 24x7 for customers to lodge their complaints with the Banking Ombudsman (BO).

As part of the disclosure initiative, banks were advised to disclose in their annual reports, summary information regarding the complaints handled by them; and certain disclosures were also being made in the Annual Report of the Ombudsman Schemes published by the Reserve Bank.

To further strengthen grievance redress mechanisms, banks were mandated to appoint an Internal Ombudsman (IO) to function as an independent and objective authority at the apex of their grievance redress mechanism.

In view of the above, and to further strengthen the customer grievance redress mechanism in banks, RBI has put in place a comprehensive framework comprising of, inter-alia, enhanced disclosures by banks on customer complaints, recovery of cost of redress from banks for the maintainable complaints received against them in OBOs in excess of the peer group average, and undertaking intensive review of the grievance redress mechanism and supervisory action against banks that fail to improve their redress mechanism in a time bound manner.

The framework will come into effect from 27 January 2021.

https://rbidocs.rbi.org.in/rdocs/notification/PDFs/CEPD3E807AD7C9B34A26B485596498C5FDF2.PDF

***