

Update

RBI's Monetary Policy 2013-14 promises redressal



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Update

The monetary policy statement for 2013-14¹ was released by RBI on 3rd May, 2013 and made announcement which were much awaited. Some of the highlights of the monetary policy report are:

- a. **NBFCs sector** – Guidelines to be issued with regard to NBFCs engaged in lending against gold by end of May, 2013 based on the recommendations of the Report of the Working Group on Gold, chaired by Shri K.U.B. Rao. The Working Group has made a number of recommendations pertaining to loan to value ratio, branch expansion, and review of Fair Practices Code provisions with regard to auction and transparency in loan terms for NBFCs lending against gold as collateral.
- b. **Banking sector**
 - i. RBI to issued prudential guidelines on restructuring of advances by banks and financial institutions by end of May, 2013 based on the recommendations of **Mahapatra Committee**.
 - ii. Reserve Bank's guidelines on Basel III capital regulation have been implemented from April 1, 2013 with the exception of Credit Valuation Adjustment (CVA) risk capital charge for OTC derivatives. Pending resolution of certain issues related to introduction of mandatory forex forward guaranteed settlement through a central counterparty, the implementation of CVA risk capital charge has been deferred to January 1, 2014. RBI to issue final guidelines on composition of capital disclosure requirements to be issued by end-May 2013 and on capital requirements for banks' exposures to central counterparties by end-June 2013. The Reserve Bank will issue the final guidelines on Basel III liquidity standards and liquidity risk monitoring tools, taking into account the revisions by the Basel Committee
- c. **Securitisation** -- RBI to issue the final guidelines on reset of credit enhancement in securitisation by end-June 2013.
- d. **Priority sector** -- The loan limit for micro and small enterprises (MSEs) in the services sector, as defined in the Micro, Small and Medium Enterprises Development (MSMED) Act 2006 to be increased from Rs. 20 million to Rs. 50 million per borrower.
- e. Guidelines to be issued by RBI by July 2013 with regard to allowing FIIs to hedge their currency risk by using exchange traded currency futures in the domestic exchanges.
- f. Guidelines to be issued with regard to increasing the risk weights and provisioning requirements on banks' exposure to corporates on account of corporates' unhedged forex exposure positions.

¹ <http://www.rbi.org.in/scripts/NotificationUser.aspx?Id=7956&Mode=0>



Update

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