



**COVID 19 OUTBREAK:  
DEVELOPMENTAL AND REGULATORY  
POLICIES BY RBI (MARCH 27, 2020)**



**AAUM & CO.**

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**CHARTERED ACCOUNTANTS**

# MAJOR RATE CUTS

Rates	Current	New Rates	Reduction
Repo Rate under Liquidity Adjustment Facility (LAF)	5.15 %	4.40 %	0.75 %
Marginal Standing Facility (MSF) Rate & Bank Rate	5.40 %	4.65 %	0.75 %
Reverse Repo Rate under LAF	4.90 %	4.00 %	0.90 %

- These decisions are in consonance with the objective of **achieving medium-term target for consumer price index (CPI) inflation of 4 % within a band of +/- 2 %**, while supporting growth.

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 Rather become a man of value.” – Albert Einstein

# LIQUIDITY MANAGEMENT POLICY MEASURES

## 1. Targeted Long Term Repos Operations (TLTROs)

- Auctions of TLTROs of  $\leq 3$  years tenor for a total amount of  $\leq ₹ 1,00,000$  crore at a floating rate linked to the policy repo rate.
- Banks has to deploy liquidity availed under this scheme in investment grade corporate bonds, CPs & NCDs.
- First TLTRO auction will be held today i.e. March 27, 2020.

## 2. Cash Reserve Ratio (CRR)

- Reduce CRR by 1 % to 3 % of net demand and time liabilities (NDTL) w.e.f. fortnight beginning March 28, 2020. (dispensation upto March 26, 2021)
- This reduction would release primary liquidity of about ₹ 1,37,000 crore.
- Reduce the requirement of min. daily CRR balance maintenance from 90 % to 80 % w.e.f. fortnight beginning March 28, 2020. (one-time dispensation up to June 26, 2020)

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# LIQUIDITY MANAGEMENT POLICY MEASURES

## 3. Marginal Standing Facility (MSF)

- Under MSF, Banks can borrow overnight by dipping  $\leq 2\%$  into Statutory Liquidity Ratio (SLR).
- **Increase the limit of 2 % to 3 % with immediate effect. (Applicable up to June 30, 2020)**
- Allowing to avail an additional ₹ 1,37,000 crore of liquidity under the LAF window

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# REGULATION AND SUPERVISION MEASURES

- 1. Moratorium on Term Loans** (*Loan which is repayable after a specified term period, for e.g. Home Loans, Personal Loans, E Educational Loans, Auto Loans, Consumer Durable Loans, etc.*)
  - Banks and FIs permitted to allow a moratorium of 3 months on payment of instalments for such loans o/s as on March 1, 2020.
  - The repayment schedule and all subsequent due dates, as also the tenor, may be shifted by 3 months.
  - Credit Card Dues are not covered under such loans
- 2. Deferment of Interest on Working Capital Facilities**
  - Banks and FIs permitted to allow a moratorium of 3 months on payment of interest for such facilities o/s as on March 1, 2020.
  - The accumulated interest for the period WILL BE PAID AFTER EXPIRY OF DEFERMENT PERIOD.
  - *THIS DEFERMENT IS DIFFERENT THAN MORATORIUM PERIOD AS INCASE OF TERM LOAN*

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# REGULATION AND SUPERVISION MEASURES

The above deferment / moratorium will not be treated as change in terms & conditions of loan agreements & will not result in asset classification downgrade.

- RBI has allowed Banks to have said moratorium and deferment
- Individual Banks will have to frame their own policy (including procedures) on above measures and obtain their Board approval. Post which they may reach out to the customers to avail this scheme
- **Customers, if desired to avail above scheme, needs to approach banks for the same and should await procedures from respective banks.**

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# REGULATION AND SUPERVISION MEASURES

3. **Easing of Working Capital Financing**
  - Lending institutions may recalculate drawing power by reducing margins and / or by reassessing the working capital cycle for the borrowers
4. **Deferment of Implementation of Net Stable Funding Ratio (NSFR) of 100% by 6 months from April 1 to October 1, 2020**
5. **Deferment of Last Tranche of 0.625% of Capital Conservation Buffer (CCB) from March 31 to September 30, 2020**

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# MEASURES FOR FINANCIAL MARKETS

Permitting banks in India which operate International Financial Services Centre (IFSC) Banking Units (IBUs) to **participate in the Offshore Non-Deliverable Rupee Derivative Markets (Offshore NDF Rupee Market) w.e.f. June 1, 2020.**

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# Thank You



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