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MINISTRY OF COMMERCE & INDUSTRY

JOINT STATEMENT OF 7TH RCEP MINISTERIAL MEETING HELD IN BANGKOK

Union Minister of Commerce & Industry and Railways Piyush Goyal participated in 7th RCEP Ministerial Meeting held in Bangkok, Thailand on 8th September 2019. The meeting was attended by Senator Simon Birmingham, Minister for Trade, Tourism and Investment, Australia, Dato Dr. Amin Liew Abdullah, Minister at the Prime Minister’s Office and Minister of Finance and Economy II, Brunei Darussalam, Pan Sorasak, Minister of Commerce, Cambodia, Wang Shouwen, Vice Minister, Ministry of Commerce, People’s Republic of China, Enggartiasto Lukita, Minister of Trade, Republic of Indonesia, Hiroshige Seko, Minister of Economy, Trade and Industry, Japan, Ms. Myung Hee Yoo, Minister for Trade, Ministry of Trade, Industry and Energy, Republic of Korea, Mrs. Khemmani Pholsena, Minister of Industry and Commerce, Lao PDR, Darell Leiking, Minister of International Trade and Industry, Malaysia, Thaung Tun, Union Minister for Investment and Foreign Economic Relations, Myanmar, Damien O’Connor, Minister of State for Trade and Export Growth, New Zealand, Ramon M. Lopez, Secretary of Trade and Industry, Republic of the Philippines, Chan Chun Sing, Minister for Trade and Industry, Singapore, Jurin Laksanawisit, Deputy Prime Minister and Minister of Commerce, Thailand, Tran Quoc Khanh, Deputy Minister of Industry and Trade, Ministry of Industry and Trade, Viet Nam (representing Tran Tuan Anh, Minister of Industry and Trade, Viet Nam) and Dato Lim Jock Hoi, Secretary-General of ASEAN.

Following is the Joint Statement issued after the meeting:

The Ministers from the 16 RCEP Participating Countries (RPCs) gathered in Bangkok on 8 September 2019 for the 7th RCEP Ministerial Meeting to review developments in the RCEP negotiations since the Ministers last met in Beijing on 2-3 August 2019. The Meeting was chaired by Jurin Laksanawisit, Deputy Prime Minister and Minister of Commerce of Thailand.

The Ministers recognised that negotiations have reached a critical milestone as the deadline for the conclusion of negotiations draws near. Notwithstanding the remaining challenges in the negotiations, RPCs are working on addressing outstanding issues that are fundamental to conclude the agreement this year as mandated by the Leaders.

Continuing uncertainties in trade and investment environment have dampened growth outlook across the world, with likely impact on businesses and jobs, adding to the urgency and imperative of concluding the RCEP. While noting that certain developments in the global trade environment may affect RPC’s individual positions in the course of the negotiations, Ministers agreed that RPCs should not lose the long-term vision of deepening and expanding the values chains in the RCEP. The Ministers underscored that, successfully concluded, the RCEP will provide the much-needed stability and certainty to the market, which will in turn boost trade and investment in the region. To this end, Ministers reaffirmed their collective resolve to bring negotiations to a conclusion.

The Ministers committed to avail negotiators with the necessary resources and mandate to bring negotiations to a close. The Ministers made the collective call to negotiators at all levels to translate this commitment into constructive actions and positive outcomes.
MINISTRY OF COMMERCE & INDUSTRY

Joint Statement of 16th AEM-India Consultations

Economic Ministers from ten ASEAN Member States and the Minister of Commerce and Industry of the Republic of India (“the Ministers”) met on 10 September 2019 at Bangkok in Thailand for the sixteenth AEM-India Consultations. The Consultations were co-chaired by Deputy Prime Minister and Minister of Commerce, Thailand, Jurin Laksanawisit and Minister of Railways and Commerce and Industry, Piyush Goyal.

The Ministers noted that, based on preliminary ASEAN data, two-way merchandise trade between ASEAN and India grew by 9.8 per cent from USD 73.6 billion in 2017 to USD 80.8 billion in 2018. The Ministers were also pleased to note the recovery of Foreign Direct Investment (FDI) inflows from India in 2018, amounting to USD 1.7 billion. This placed India as ASEAN’s sixth largest trading partner and sixth largest source of FDI among ASEAN Dialogue Partners. According to India’s preliminary data, FDI inflows into India from ASEAN in 2018 was USD 16.41 billion, approximately 36.98 per cent of total FDI flow into India.

The Ministers were pleased to note the ratification of the ASEAN-India Trade in Services Agreement by all Parties in 2018. The Ministers also noted the on-going efforts for the ratification of the ASEAN-India Investment Agreement and looked forward to the full ratification by all Parties as soon as possible. The Ministers agreed to initiate the review of the ASEAN-India Trade in Goods Agreement (AITIGA) to make the AIFTA more user-friendly, simple, and trade facilitative for businesses and to constitute a Joint Committee, as provided in Article 17 of the AITIGA, for this purpose. The Ministers tasked officials to work on the details of the review and submit an update at the 17th AEM-India Consultations.

The Ministers commended the outcomes of the 4th India-ASEAN Expo and Summit held on 21-23 February 2019 in New Delhi, India. The Ministers noted that the event provided an ideal platform for investors, business leaders, industry captains and policy makers to enhance their engagements in further facilitating mutual trade and investment. In this regard, the ASEAN Economic Ministers encouraged for the promotion of this event to business communities in ASEAN as an effective platform for discussions, exchange of ideas, and buyer-seller matching.

The Ministers welcomed the recommendations of the ASEAN-India Business Council to further promote the potential of bilateral trade through the utilisation of ASEAN-India FTA as well as cooperation in some areas of mutual interest such as financial technology (FinTech), connectivity, start-ups, and innovation, empowerment of youth and women, and MSMEs development. The Ministers also expressed their support for the Fourth ASEAN-India Business Summit and Business Excellence Award, which will be held in Manila in October 2019.

Link for List of Participants*
MINISTRY OF FINANCE

GST Revenue collection for August, 2019

The total gross GST revenue collected in the month of August, 2019 is ₹ 98,202 crore of which CGST is ₹ 17,733 crore, SGST is ₹ 24,239 crore, IGST is ₹ 48,958 crore (including ₹ 24,818 crore collected on imports) and Cess is ₹ 7,273 crore (including ₹ 841 crore collected on imports). The total number of GSTR 3B Returns filed for the month of July up to 31st August, 2019 is 75.80 lakh.

The government has settled ₹ 23,165 crore to CGST and ₹ 16,623 crore to SGST from IGST as regular settlement. The total revenue earned by Central Government and the State Governments after regular settlement in the month of August, 2019 is ₹ 40,898 crore for CGST and ₹ 40,862 crore for the SGST.

The revenue in August, 2018 was ₹ 93,960 crore and the revenue during August, 2019 is a growth of 4.51% over the revenue in the same month last year. During April-August, 2019 vis-à-vis 2018, the domestic component has grown by 9.11% while the GST on imports has come down by 1.43% and the total collection has grown by 6.38%. During the month of August, 2019, the due date of filing returns was extended by a month in 58 districts in 7 States due to floods.

Rs. 27,955 crore has been released to the states as GST compensation for the months of June-July, 2019.

The chart shows trends in revenue during the current year.
CBDT consolidates Circulars for ease of compliance of Start-ups

In order to provide hassle-free tax environment to the Start-ups, a series of announcements have been made by Union Finance & Corporate Affairs Minister Smt. Nirmala Sitharaman in her General Budget Speech, 2019, and also on 23rd August 2019. To give effect to these announcements, the Central Board of Direct Taxes (CBDT) issued various circulars/clarifications in the matter from time to time. Vide Circular No.22/2019 dated 30.08.2019, CBDT has consolidated all the circulars/clarifications issued on this subject for the ease of compliance of Start-up entities.

The present circular inter alia highlights the following:-

- **Simplification of process of assessment of Start-ups**: Circular No. 16/2019 dated 7th of August, 2019 provided for the simplified procedure of assessment of Start-ups recognized by DPIIT. The circular covered cases under “limited scrutiny”, cases where multiple issues including issue of section 56(2)(viib) were involved or cases where Form No.2 was not filed by the Start-up entity. Detailed process of obtaining mandatory approval of the supervisory authorities for conducting enquiry was also laid down by this circular.

- **Time limit for Completion of pending assessments of Start-ups**: The time limit for completion of pending assessments was also specified by CBDT. All cases involving “limited scrutiny” were to be completed preferably by 30th September, 2019 and the other cases of Start-ups were to be disposed off on priority, preferably by 31st October, 2019.

- **Procedure for addition made u/s 56(2)(viib) in the past assessment**: Vide clarification issued on 9th August,2019 it was provided that the provisions of section 56(2)(viib) of the Act would also not be applicable in respect of assessment made before 19th February, 2019 if a recognised Start-up had filed declaration in Form No. 2. The timelines for disposal of appeals before CsIT(Appeals) was also specified. Further, the addition made under section 56(2)(viib) would also not be pressed in further appeal.

- **Income-tax demand**: It has been reiterated time and again by CBDT that outstanding income-tax demand relating to additions made under section 56(2)(viib) would not be pursued and no communication in respect of outstanding demand would be made with the Start-up entity. Other income-tax demand of the Start-ups would not be pursued unless the demand was confirmed by ITAT.

- **Constitution of Start-up Cell**: Vide order dated 30.08.2019, CBDT has constituted a Start-up Cell under the aegis of Member(IT&C), CBDT to redress grievances and to address various tax related issues in the cases of Start-ups. Grievances can also be filed online at startupcell.cbdt@gov.in.

The Circular No.22/2019 dated 30.08.2019 is available on www.incometaxindia.gov.in.
MINISTRY OF FINANCE

Steering Committee on Fintech related issues submits its Final Report to Finance Minister

The Steering Committee on Fintech related issues constituted by the Ministry of Finance, Department of Economic Affairs, submitted its Final Report to Union Finance & Corporate Affairs Minister Smt. Nirmala Sitharaman in her office in New Delhi.

The Committee was constituted in pursuance to the announcement made by the Union Minister of Finance and Corporate Affairs, Shri Arun Jaitley in his Budget Speech 2018-19 (Para 75). The report outlines the current landscape in the Fintech space globally and in India, studies the various issues relating to its development and makes recommendations focusing on how fintech can be leveraged to enhance financial inclusion of MSMEs with a view to making fintech related regulations more flexible and generate enhanced entrepreneurship. The Committee report also identifies application areas and use cases in Governance and financial services and suggests regulatory upgrades enabling fintech innovations.

The Committee has recommended that the RBI may consider development of a cash-flow based financing for MSMEs, development of an open-API MSME stack based on TReDS data validated by GSTN and a standardised and trusted e-invoice infrastructure designed around TREDS-GSTN integration.

It has also recommended that Insurance companies and lending agencies to be encouraged to use drone and remote sensing technology for crop area, damage and location assessments to support risk reduction in insurance/lending business.

Given the rapid pace at which technology is being adopted primarily by private sector financial services, the Committee recommends Department of Financial Services (DFS) to work with PSU banks to bring in more efficiency to their work and reduce fraud and security risks. Significant opportunities can be explored to increase the levels of automation using Artificial Intelligence (AI), cognitive analytics & machine learning in their back-end processes.

The Committee has highlighted the positive impact of Fintech innovations on sectors such as Agriculture and MSMEs. And it has recommended NABARD to take immediate steps to create a credit registry for farmers with special thrust for use of fintech along with core banking solutions (CBS) by agri-financial institutions, included Cooperative societies.

The Committee recommends a special drive for modernisation and standardisation of land records by setting up a dedicated National Digital Land Records Mission based on a common National Land Records Standards with involvement of State Land and Registration departments, with a view to making available land ownership data on an online basis to Financial Institutions.

The Committee also recommends a comprehensive legal framework for consumer protection be put in place early keeping in mind the rise of fintech and digital services.
It has also recommended adoption of Regulation technology (or RegTech) by all financial sector regulators to develop standards and facilitate adoption by financial sector service providers to adopt use-cases making compliance with regulations easier, quicker and effective. Similarly, it has also recommended that financial sector regulators develop an institutional framework for specific use-cases of Supervisory technology (or SupTech), testing, deployment, monitoring and evaluation.

Further, an Inter-Ministerial Steering Committee will be set up on fintech Applications in Department of Economic Affairs (DEA), Ministry of Finance, to continue to carry on the tasks of implementing this report, including exploring and suggesting the potential applications in government financial processes and applications, particularly accounting and asset management, welfare services, taxation, and handling citizen grievances. While the Inter-Regulatory Technical Group (IRTG) set up under the FSDC will be the forum of inter-regulatory coordination on Fintech.

Following the deliberations of the Committee it was considered necessary to have a nodal agency to coordinate developments across Ministries and Regulators in the area of Fintech. A dedicated team on Digital Economy & Fintech is being set up in the Investment Division, Department of Economic Affairs, Ministry of Finance for coordination on FinTech with relevant Ministries.

The Steering Committee, which submitted the report, is headed by Secretary, Department of Economic Affairs. The other members of the committee are Secretary (MeitY); Secretary (DFS); Secretary (MSME); Chairperson (CBIC); CEO (UIDAI); Deputy Governor (RBI); Executive Director (SEBI); CEO, Invest India with Additional Secretary (Investment), DEA as the convener of the panel

Download Link: Report of the Steering Committee on Fintech.pdf
The Reserve Bank released its web publication entitled Quarterly Statistics on Deposits and Credit of Scheduled Commercial Banks (SCBs), June 2019 on its Database on Indian Economy (DBIE) portal (web-link: https://dbie.rbi.org.in/DBIE/dbie.rbi?site=publications#!3). Data on deposits disaggregated by type, and total credit are classified by states, districts, centres, population groups and bank groups. These data are collected from all SCBs, including regional rural banks (RRBs) and small finance banks (SFBs), under the Basic Statistical Return (BSR) – 7 system1.

Highlights:

- Aggregate deposits growth (y-o-y) moved back to double digits after two years; metropolitan branches achieved deposit growth of 10.0 per cent (5.5 per cent a year ago).
- Notwithstanding a modest pick-up, public sector banks continued to lag in deposit mobilisation.
- Bank credit growth (y-o-y) decelerated marginally on account of lower growth in lending by urban and metropolitan branches.
- All bank groups recorded deceleration in credit growth during April-June 2019, with private sector banks leading other bank groups in growing loan portfolios.
- One per cent of branches, which had each over ₹ 500 crore loan portfolios accounted for about 54.7 per cent of the total credit.
- The all-India credit-deposit (C-D) ratio declined to 76.7 per cent in June 2019 (78.2 per cent a quarter ago); the C-D ratio was more than 100 per cent for Andhra Pradesh, Chandigarh, Tamil Nadu, Telangana, Maharashtra and the National Capital Territory (NCT) of Delhi.

Ajit Prasad
Director
RESERVE BANK OF INDIA

External Benchmark Based Lending

As you are aware, Reserve Bank had constituted an Internal Study Group (ISG) to examine various aspects of the marginal cost of funds-based lending rate (MCLR) system. The final report of the ISG was published in October 2017 for public feedback. The ISG observed that internal benchmarks such as the Base rate/MCLR have not delivered effective transmission of monetary policy. The Study Group had, therefore, recommended a switchover to an external benchmark in a time-bound manner.

2. As a step in that direction, it was announced in the fifth bi-monthly Monetary Policy Statement for 2018-19 under ‘Statement on Developmental and Regulatory Policies’ dated December 05, 2018, that all new floating rate personal or retail loans and floating rate loans to Micro and Small Enterprises extended by banks from April 1, 2019 shall be linked to external benchmarks. Subsequently, it was announced in the first bi-monthly Monetary Policy Statement for 2019-20 under ‘Statement on Developmental and Regulatory Policies’ dated April 04, 2019 to hold further consultations with stakeholders and work out an effective mechanism for transmission of rates. Based on the consultations with stakeholders, it has now been decided to link all new floating rate personal or retail loans (housing, auto, etc.) and floating rate loans to Micro and Small Enterprises extended by banks with effect from October 01, 2019 to external benchmarks.

3. Accordingly, RBI instructions contained in Master Direction on Interest Rate on Advances issued vide DBR.Dir.No.85/13.03.00/2015-16 dated March 03, 2016 are amended as under:

3.1 The existing paragraph No. 7 of the aforesaid Master Direction stands replaced as under:

(a) All new floating rate personal or retail loans (housing, auto, etc.) and floating rate loans to Micro and Small Enterprises extended by banks from October 01, 2019 shall be benchmarked to one of the following:

- Reserve Bank of India policy repo rate

- Government of India 3-Months Treasury Bill yield published by the Financial Benchmarks India Private Ltd (FBIL)

- Government of India 6-Months Treasury Bill yield published by the FBIL

- Any other benchmark market interest rate published by the FBIL.

(b) Banks are free to offer such external benchmark linked loans to other types of borrowers as well.
(c) In order to ensure transparency, standardisation, and ease of understanding of loan products by borrowers, a bank must adopt a uniform external benchmark within a loan category; in other words, the adoption of multiple benchmarks by the same bank is not allowed within a loan category.

3.2 A new paragraph No.8(e) is added to the aforesaid Master Direction as given below:

Spread under External Benchmark

Banks are free to decide the spread over the external benchmark. However, credit risk premium may undergo change only when borrower’s credit assessment undergoes a substantial change, as agreed upon in the loan contract. Further, other components of spread including operating cost could be altered once in three years.

3.3 A new paragraph No. 9(ii) is added to the aforesaid Master Direction as given below:

Reset of Interest Rates under External Benchmark

The interest rate under external benchmark shall be reset at least once in three months.

3.4 A new paragraph No. 11(ii) is added to the aforesaid Master Direction as given below:

Transition to External Benchmark from MCLR/Base Rate/BPLR

Existing loans and credit limits linked to the MCLR/Base Rate/BPLR shall continue till repayment or renewal, as the case may be.

Provided that floating rate term loans sanctioned to borrowers who, in terms of extant guidelines, are eligible to prepay a floating rate loan without pre-payment charges, shall be eligible for switchover to External Benchmark without any charges/fees, except reasonable administrative/legal costs. The final rate charged to this category of borrowers, post switchover to external benchmark, shall be same as the rate charged for a new loan of the same category, type, tenor and amount, at the time of origination of the loan.

Provided that other existing borrowers shall have the option to move to External Benchmark at mutually acceptable terms.

Provided that the switch-over shall not be treated as a foreclosure of existing facility.

4. The existing paragraph No. 2 of the aforesaid Master Direction is applicable for Small Finance Banks and Local Area Banks and the para is amended accordingly.
5. The existing paragraph No. 3(a)(iv) of the aforesaid Master Direction stands amended as under:

External benchmark rate means the reference rate which includes:

a. Reserve Bank of India policy Repo Rate
b. Government of India 3-Months and 6-Months Treasury Bill yields published by Financial Benchmarks India Private Ltd (FBIL)
c. Any other benchmark market interest rate published by FBIL.

6. Some of the sub-paragraphs of para 4(a) of the aforesaid Master Direction stands amended as given hereunder:

(ii) All floating rate loans, except those mentioned in Section 13, shall be priced with reference to the benchmark indicated in chapter III.

(iv) When the floating rate advances are linked to an internal benchmark rate, banks shall determine their actual lending rates by adding the components of spread to the internal benchmark rate.

(vi) Interest rates on fixed rate loans of tenor below 3 years shall not be less than the benchmark rate for similar tenor and shall be as per directions contained in Section 13(d)(v).

7. A new paragraph No. 4(a)(xi) is added to the aforesaid Master Direction as indicated below:

There shall be no lending below the benchmark rate for a particular maturity for all loans linked to that benchmark.

8. The existing paragraph No. 6(a)(i) of the aforesaid Master Direction stands amended as under:

All floating rate rupee loans sanctioned and renewed between July 1, 2010 and March 31, 2016 shall be priced with reference to the Base Rate which will be the internal benchmark for such purposes.

9. The existing paragraph No. 6(b)(i) of the aforesaid Master Direction stands amended as under:

All floating rate rupee loans sanctioned and renewed w.e.f. April 1, 2016 shall be priced with reference to the Marginal Cost of Funds based Lending Rate (MCLR) which will be the internal benchmark for such purposes subject to the provisions contained in paragraph 7 of this Master Direction.

10. A new paragraph No. 9 (i)(d) is added to the aforesaid Master Direction as indicated below:
The periodicity of the reset under MCLR shall correspond to the tenor/maturity of the MCLR to which the loan is linked.

11. The following part of the sub-paragraphs (a), (b), (c) of para 13 of the aforesaid Master Direction as indicated hereunder stands deleted:

“shall be exempted from being linked to Base rate/MCLR as the benchmark for determining interest rate”

12. The following part of the paragraph 13(d) of the aforesaid Master Direction as indicated hereunder stands deleted:

“shall be priced without being linked to Base rate/MCLR as the benchmark for determining interest rate”

Yours faithfully,

(Dr. S. K. Kar)
Chief General Manager