Rationalisation of Merchant Discount Rate

1. In recent times, debit card transactions at 'Point of Sales' have shown significant growth. With a view to giving further fillip to acceptance of debit card payments for purchase of goods and services across a wider network of merchants, it has been decided to rationalise the framework for Merchant Discount Rate (MDR) applicable on debit card transactions based on the category of merchants. A differentiated MDR for asset-light acceptance infrastructure and a cap on absolute amount of MDR per transaction will also be prescribed. The revised MDR aims at achieving the twin objectives of increased usage of debit cards and ensuring sustainability of the business for the entities involved. The revised instructions for MDR on debit card transactions will be issued today.

Allowing Overseas Branches/Subsidiaries of Indian Banks to Refinance ECBs

2. Currently Indian corporates are permitted to refinance their existing External Commercial Borrowings (ECBs) at a lower all-in-cost. The overseas branches/subsidiaries of Indian banks are, however, not permitted to extend such refinance. In order to provide a level playing field, it has been decided, in consultation with the Government, to permit the overseas branches/subsidiaries of Indian banks to refinance ECBs of AAA rated corporates as well as Navratna and Maharatna PSUs, by raising fresh ECBs. In this regard, the revised guidelines will be issued within a week.
3. The report of the Working Group on Hedging of Commodity Price Risk by Residents (Chairman: Shri Chandan Sinha) was placed on the Reserve Bank’s website for public comments on November 16, 2017. The major recommendations of the Group include the creation of a ‘Positive List’ of commodities that can be hedged, and enabling inventory hedging, price fix hedging as well as hedging of the currency risk resulting from overseas commodity derivatives. The Reserve Bank shall examine the Group’s recommendations and the public feedback. A circular with revised directions will be issued by January 15, 2018.

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