

CREDIT REGISTRY: RBI ACT MAY NEED TWEAK

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Bird's-eye view:The PCR would provide lenders with a 360 degree view of borrower's outstanding credits.Paul Noronha

The Reserve Bank of India Act, 1934, may need to be amended to facilitate the setting of a public credit registry (PCR), RBI Deputy Governor Viral Acharya said on Monday.

Underscoring the vital need for the registry — the PCR is planned as an extensive database of credit information for all credit products in the country from point of origination of credit to its termination — Dr. Acharya said its main benefit would be to provide lenders with a 360 degree view of the borrower's outstanding credits and past performance. This would allow better screening at the time of providing credit and superior monitoring during the life of the borrowing.

Highlighting some legal issues around setting up the PCR, Dr. Acharya said while the PCR is initially being set up within the existing RBI infrastructure, the fact that the RBI as a statutory corporation can only engage in those activities that are permitted by the RBI Act, or other relevant legislation, creates complications.

He said in addition to its core central banking functions, RBI also performs certain promotional functions which is only limited to 'financial institutions'.

"Since no financing activity is contemplated for the proposed PCR, it might be difficult to label PCR as a 'financial institution'. This takes it out of the purview of a promotion under the Reserve Bank of India Act, 1934," he said.

Other options

Another option, would be to promote an organisation for a matter incidental to the functions of RBI — as part of the RBI Act or Banking Regulation Act, 1949.

He said collection of information, including credit information, from regulated entities is an important aspect of the RBI's regulatory and supervisory functions and hence such an activity could be done by setting up a subsidiary or a department.

"Otherwise, the Reserve Bank of India Act, 1934, can be suitably amended conferring the Reserve Bank powers to conduct the business of PCR, he said.

In October 2017, RBI had set up a high-level task force (HTF) chaired by Y.M. Deosthalee to review the availability of information on credit and assess the gaps.

"The HTF submitted its report on April 4, 2018, recommending that a PCR should be set up by the RBI in a phased and modular manner," Dr. Acharya said.

Highlighting the importance of the interplay of the GST Network and PCR, he said with such an infrastructure in place "we expect the costs for onboarding those users who are currently excluded by formal credit to nosedive."

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