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# Macro & Matrices

Editor: Dr. B. K. Bhoi

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# Lessons from WTO's 14th Ministerial Conference

The fourteenth Ministerial Conference (MC14) of the World Trade Organization (WTO), held in Cameroon during March 26-30, 2026, concluded with very little meaningful outcomes. The expectation was limited against the backdrop of deep and prolonged institutional stress within the multilateral trading system, characterised by dysfunctional dispute settlement system, persistent stalemate in multilateral negotiations, and intensifying reliance on plurilateral initiatives. An attempt has been made here to evaluate the broad areas of disagreements among the negotiating groups, including India's position with respect to contentious issues to draw lessons for future course of action.

MC14's agenda encompassed six core areas: a) fisheries subsidies, b) investment facilitation, c) electronic commerce, d) agriculture, e) development and special and differential treatment (S&DT), and f) WTO reform. Progress across these themes has been uneven, mainly due to lack of consensus on most issues. Status with respect to each of these agenda items is reviewed below.

## Consensus Way Behind

The landmark WTO Agreement on Fisheries Subsidies came into force since September 15, 2025, on ratification by two-thirds of WTO member nations. The Agreement permanently prohibits government subsidies that support illegal, unreported, and unregulated fishing. Members continue to negotiate supplementary provisions as part of Phase 2 disciplines to broaden the Agreement's scope to overcapacity and overfishing. However, extending subsidy disciplines to broader categories remained unresolved.

A central point of contention was the Investment Facilitation for Development Agreement (IFDA), a plurilateral initiative supported by a large majority of WTO members (129 out of 166 Members). An attempt was made to incorporate IFDA into the WTO framework (under Annex 4 of the Marrakesh Agreement) to unlock investment opportunities in developing economies and demonstrate renewed confidence in the multilateral trading system. As IFDA does not address market access, investment protection, or investor-state dispute settlement, India virtually blocked its incorporation into the WTO legal framework under Annex 4 till such time adequate safeguards are put in place. This has intensified debates over the legitimacy of plurilateral approaches, the limits of consensus-based governance, and the future balance between inclusivity and effectiveness within the WTO.

Discussion on electronic commerce represented another turning point. The US has been advocating for a permanent ban on custom duties on e-commerce. For the first time since 1998, WTO members failed to extend the moratorium on customs duties on electronic transmissions. This development signalled growing resistance among some developing countries as this rule is perceived as constraining fiscal autonomy and digital policy. Simultaneously, sixty-six participants in the plurilateral Joint Statement Initiative on e-commerce moved towards independent implementation of a baseline digital trade agreement. This illustrates the shift away from multilateral consensus - the hallmark of WTO - towards plurilateral rulemaking.

Agriculture remained a deeply contested domain. Longstanding demands for a permanent solution on public stockholding for food security, critical for developing countries, including India's minimum support price regime, again failed to reach resolution. Until a permanent solution is reached, WTO Members have committed not to challenge, under Dispute Settlement Mechanism, compliance from a developing country for its stockholding of staple food crops under food security programme. Meanwhile, new coalitions involving both agricultural exporters and traditionally protectionist economies suggested evolving alignments that may reshape future negotiations.

WTO's development agenda, *inter alia*, includes Special and Differential Treatment (S&DT) of the developing countries. However, its application has become increasingly contested, particularly with respect to large emerging economies. Development issues like overcapacity and S&DT remained unresolved, with continued disagreement over differentiation among developing countries and the relevance of existing flexibilities for large emerging economies.

Discussions on WTO reform highlighted the systemic nature of the organization's challenges. While a revised Declaration and Work Plan on reforms could not be formally adopted, members acknowledged the need to address issues such as decision-making processes, development concerns, and level-playing-field. The increasing formalisation of plurilateral agreements, often implemented outside the WTO framework, emerged as a defining feature of the post-MC14 landscape, raising questions about institutional coherence, legitimacy, and the future role of consensus.

## Lessons from MC14

Major rifts between developed and developing countries continued to block the integration of new plurilateral agreements into the official WTO framework. Nevertheless, based on the outcome of MC14, the WTO's May 2026 General Council meeting held at Geneva, its headquarters, formalised lapse of the e-commerce moratorium, advanced interim implementation of plurilateral agreements among consenting Members, and evaluated proposals for overarching WTO reforms. While the consensus model is under strain, newly negotiated rules lack the teeth needed for enforcement in the absence of a fully functioning Dispute Settlement Body.

From an analytical perspective, MC14 symbolises a transition rather than a failure. While MC14 delivered limited substantive breakthroughs, it marked an important inflection point in the evolving governance structure of the WTO, highlighting shifting power dynamics, growing fragmentation, and unresolved tensions between development priorities and rule-making ambitions. The WTO is gradually shifting from a universal rule-making body to a more fragmented system characterized by overlapping coalitions and *de facto* standards set by economically influential members.

For India, the conference underscores the growing costs of a predominantly defensive strategy. As global trade governance increasingly evolves through plurilateral norms, particularly in areas such as digital trade and investment facilitation, remaining stubbornly outside these processes, risks marginalisation. India may benefit from a calibrated engagement selectively in plurilateral initiatives while simultaneously shaping guardrails to preserve multilateral principles and development priorities. As a humble beginning, India, South Africa and Oman, in their joint statement on WTO reforms, affirmed their willingness to constructively engage with identified areas such as decision making, development, S&DT, and level-playing field.

***Editor***

# Foreign Exchange Management (Authorised Persons) Regulations, 2026

On May 6, 2026, the Reserve Bank of India issued the Foreign Exchange Management (Authorised Persons) Regulations, 2026, replacing the earlier framework governing authorisation of entities dealing in foreign exchange. The Regulations aim to rationalise the authorisation and renewal process, streamline eligibility criteria, and expand the principal-agent (Forex Correspondent) model for wider delivery of forex services while maintaining regulatory safeguards.

## Key Highlights

- **Authorisation framework streamlined across clearly defined AD categories:** AD Category I includes banks allowed to undertake all current and capital account transactions, Category II includes banks/NBFCs/FFMCs permitted limited non-trade and smaller trade transactions, and Category III covers activity-specific entities dealing in forex incidental to their business.

- **Minimum net worth requirements prescribed by category:** Non-bank entities must meet specified thresholds such as Rs. 10 crore for AD Category II and Rs. 2 crore for AD Category III at entry, with ongoing maintenance requirements.

- **Eligibility widened to include NBFCs, FFMCs and innovation-focused entities:** Apart from banks, NBFCs, existing money changers, and entities offering innovative forex-linked products can seek authorisation under appropriate categories.

- **Fit and proper norms strengthened for promoters and key personnel:** Applicants must meet criteria on integrity, financial soundness, and experience in financial services, with at least 50% of directors and KMPs having relevant expertise.

- **Time-bound renewal process with continuity of operations:** Existing authorised persons must apply for renewal at least two months before expiry, with business continuity permitted until final decision by RBI.

- **Permitted activities clearly defined by authorisation category:** AD Category I entities can undertake all permissible current and capital account transactions, while Category II and III entities have calibrated permissions such as limited trade transactions and specific forex services.

- **Minimum annual forex turnover set at Rs. 50 crore for AD Category II and Rs. 10 crore for FFMCs:** Non-bank authorised entities must achieve these thresholds within two years of commencing forex business and maintain them, thereafter, ensuring only active and operationally viable participants remain in the market.

- **Principal-agent model expanded through Forex Correspondent scheme:** Authorised dealers can appoint Forex Correspondents to deliver money changing services, enabling wider reach while ensuring that all transactions are recorded in the principal's books.

- **Existing franchisee model to be phased out and replaced:** Fresh franchisee arrangements are discontinued, and existing ones must transition to the Forex Correspondent framework within two years.

- **Tightened reporting, governance, and change-in-control requirements:** Authorised persons must report changes in management, ownership, and investigations, seek prior approval for control shifts, and comply with ongoing supervisory requirements.

The 2026 Authorised Persons Regulations introduces a more structured and risk-calibrated framework for entities dealing in foreign exchange. By rationalising authorisation, strengthening governance norms, expanding the Forex Correspondent model, and phasing out legacy franchisee arrangements, the Regulations aim to enhance efficiency, improve oversight, and expand access to forex services while maintaining financial integrity.

For details, please refer to RBI Directions dated May 6, 2026, https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=62691.

# Prepaid Payment Instruments (PPIs) Draft Directions, 2026

The Reserve Bank of India issued the Draft Master Direction on Prepaid Payment Instruments (PPIs), 2026 on April 22, 2026. It invited public comments, proposing a comprehensive consolidation of the existing PPI framework along with subsequent amendments. The draft aims to support long-term growth of digital payments while enhancing transaction security, strengthening governance, and improving customer protection.

## Key Highlights

- **Standardises authorisation with perpetual approval:** Non-bank entities must apply through RBI's online portal, while approvals are granted on a perpetual basis subject to compliance with regulatory conditions. Banks can issue PPIs with prior intimation to RBI.

- **Sets entry net worth at Rs. 5 crore, rising to Rs. 15 crore:** Non-bank issuers are required to meet an initial net worth threshold of Rs. 5 crore and scale it up to Rs. 15 crore within three years of authorisation, with continuous maintenance thereafter.

- **Tightens governance for management:** Promoters and directors must meet stricter standards on integrity, financial soundness, and regulatory track record, with RBI retaining the power to verify credentials through other authorities.

- **Defines PPI categories with clear usage limits:** PPIs are classified into General Purpose and Special Purpose categories, with clearly defined limits on balances, transactions, validity, and permitted use cases for each category.

(Continued)

- **Aligns KYC norms with RBI's customer due diligence framework:** Full-KYC PPIs require complete KYC compliance, while small PPIs are allowed with simplified KYC but are subject to stricter limits on balances and transactions.
- **Mandates interoperability with UPI and card networks:** Full-KYC PPIs must enable interoperability with card networks or UPI, allowing users to transact seamlessly across payment systems and enhancing usability.
- **Retains no-interest and domestic-use restrictions:** PPIs cannot earn interest on balances and are restricted to domestic transactions, reinforcing their role as payment instruments rather than deposit substitutes.
- **Strengthens customer protection and grievance redress:** Issuers must ensure clear disclosure of terms, establish structured grievance redress mechanisms, comply with turnaround time norms, and provide access to RBI's Ombudsman Scheme.
- **Tightens escrow norms to safeguard customer funds:** Non-bank issuers must maintain customer funds in escrow accounts with scheduled commercial banks, ensure no commingling with other business funds, maintain balances equivalent to outstanding PPIs, and obtain/submit periodic auditor certification.
- **Introduces detailed reporting requirements:** The framework prescribes structured reporting across annual, quarterly, monthly, and event-based submissions, covering net worth, escrow balances, cyber security audits, and transaction data.

The draft PPI Directions introduce a more structured and streamlined regulatory framework for prepaid instruments. By consolidating existing guidelines, strengthening governance, enabling interoperability, and enhancing safeguards around customer protection and fund management, the Directions aim to support the continued expansion of digital payments in a secure and well-regulated ecosystem.

For details, please refer to RBI's Draft Directions dated April 22, 2026, available at *https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=62602*.

## Prudential Norms on Specified Non-financial Assets (SNFA) Draft Directions, 2026

On May 5, 2026, the Reserve Bank of India issued the Draft Reserve Bank of India (Prudential Norms on Specified Non-financial Assets (SNFA)) Directions, 2026 for public comments, with the objective of establishing a clear prudential framework for regulated entities (REs) acquiring non-financial assets, primarily immovable property, in settlement of stressed exposures. The draft seeks to standardise treatment, valuation, and disposal of such assets, enhance transparency, and ensure that such holdings remain incidental to recovery of loans which have turned NPAs rather than part of core business activity.

### Salient Features

- **Clear definition of SNFAs with compulsory legal transfer and exposure extinguishment:** SNFAs are defined as immovable assets acquired in full or partial settlement of borrower dues, with recognition only after legal ownership is transferred to the REs and corresponding exposure is extinguished proportionately.
- **Acquisition allowed only for NPAs after all recovery options are exhausted:** REs can acquire SNFAs only when loans have turned non-performing and all other recovery avenues have been explored and found unviable.
- **Partial settlement through SNFA classified as restructuring of remaining loan:** Where only part of the exposure is extinguished, the residual loan is treated as restructured and subject to existing prudential norms on stressed asset resolution.
- **Mandatory conservative valuation at lower of NBV or distress sale value at entry:** On acquisition, SNFAs must be recorded at the lower of the net book value of the extinguished exposure or the distress sale value determined by independent valuers.
- **Subsequent valuation linked to distress value and notional provisioning:** SNFAs are revalued periodically and carried at the lower of the latest distress value or revised net book value, adjusted for notional provisions as if the loan had remained on the books.
- **Recognition of unrealised income disallowed and income treatment standardised:** Unrealised income from the extinguished exposure cannot be recognised after acquisition, while maintenance expenses are expensed and realised income is recorded as non-interest income.
- **Time-bound disposal mandated with maximum holding period capped at seven years:** REs are required to dispose of SNFAs within a maximum period of seven years, with emphasis on early sale through transparent mechanisms such as public auctions.
- **Sale to borrower and related parties prohibited to prevent misuse:** The framework explicitly disallows sale of SNFAs back to the borrower or related parties, even after reclassification, to avoid evergreening and connected transactions.
- **Board-approved policy required for acquisition and disposal framework:** REs must establish internal policies covering eligibility, limits, approval processes, recovery efforts, and disposal timelines for SNFAs.
- **Separate disclosure mandated with exclusion from NPA and provisioning metrics:** SNFAs are to be disclosed separately in financial statements, excluded from NPA-related ratios, and reported with detailed stock and movement information.

The draft SNFA Directions introduce a structured and conservative framework for handling non-financial assets acquired during recovery. By enforcing strict eligibility, prudent valuation norms, time-bound disposal, and safeguards against related-party transactions, the Directions aim to improve transparency and ensure that such assets remain transitional while strengthening overall recovery practices in the financial system.

For details, please refer to RBI's Draft Directions dated May 5, 2026, available at *https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=62686.*

## 1. Major Weekly Indicators

| As on week ended (2026) | 06-Mar | 13-Mar | 20-Mar | 27-Mar | 3-Apr | 10-Apr | 17-Apr | 24-Apr | 01-May | 08-May | 15-May | 22-May |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Liquidity (Injection (+)/ Absorption (-)) (₹ trillion) | -3.96 | -3.31 | -1.67 | -2.42 | -4.02 | -6.41 | -4.92 | -3.46 | -2.10 | -2.34 | -2.57 | -0.96 |
| Weighted Average Call Money Rate (%) | 5.07 | 5.08 | 5.30 | 5.37 | 5.65 | 5.06 | 5.08 | 5.19 | 5.16 | 5.17 | 5.24 | 5.25 |
| 91-Day Treasury Bill (Primary) Yield (%) | 5.31 | 5.32 | 5.33 | .. | .. | 5.31 | 5.21 | 5.22 | 5.26 | 5.29 | 5.34 | 5.52 |
| 182-Day Treasury Bill (Primary) Yield | 5.54 | 5.54 | 5.54 | .. | .. | 5.53 | 5.48 | 5.47 | 5.50 | 5.50 | 5.53 | 5.75 |
| 364-Day Treasury Bill (Primary) Yield | 5.60 | 5.64 | 5.65 | .. | .. | 5.63 | 5.59 | 5.60 | 5.65 | 5.69 | 5.77 | 5.98 |
| 10-Year G-Sec Par Yield (FBIL) (%) | 6.76 | 6.74 | 6.85 | 7.02 | 7.19 | 6.99 | 6.99 | 7.02 | 7.08 | 6.95 | 7.02 | 7.06 |
| INR-US$ Spot Rate | 91.68 | 92.44 | 93.35 | 94.60 | 93.21 | 92.65 | 92.72 | 94.30 | 95.24 | 94.44 | 95.93 | 95.96 |
| Forex Reserve (USD Billion) | 716.81 | 709.76 | 698.35 | 688.06 | 697.12 | 700.95 | 703.31 | 698.49 | 690.69 | 696.99 | 688.89 | 681.38 |
| Brent Crude Spot Price (USD/Barrel) | 96.74 | 103.23 | 118.42 | 121.47 | 111.69 | 119.07 | 98.63 | 111.86 | 118.26 | 103.48 | 113.96 | 106.90 |
| 10-Year US Treasury Yield to Maturity (%) | 4.15 | 4.28 | 4.39 | 4.44 | 4.35 | 4.31 | 4.26 | 4.31 | 4.39 | 4.39 | 4.59 | 4.56 |
| Gold Spot Price (₹/10 gram) (in Lakhs) | 1.62 | 1.59 | 1.45 | 1.45 | 1.50 | 1.53 | 1.55 | 1.53 | 1.52 | 1.53 | 1.59 | 1.59 |

**Source: Reserve Bank of India, U. S. Energy Information Administration, Federal Reserve Board, Bullions.co.in.**

## 2. Select Monthly Indicators

| Monthly | Apr '25 | May '25 | Jun '25 | Jul '25 | Aug '25 | Sep '25 | Oct '25 | Nov '25 | Dec '25 | Jan '26 | Feb '26 | Mar '26 | Apr '26 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Reserve Money (₹ Trillion) | 48.61 | 49.63 | 49.24 | 48.88 | 49.15 | 48.59 | 48.34 | 48.14 | 47.99 | 49.23 | 49.89 | 51.20 | 52.25 |
| Broad Money (₹ Trillion) | 276.31 | 279.90 | 282.30 | 281.40 | 283.09 | 283.50 | 289.98 | 291.36 | 298.01 | 299.04 | 302.98 | 314.66 | 311.59 |
| Consumer Price Index Inflation (Y-o-Y % Change) | 3.34 | 3.03 | 2.31 | 1.62 | 2.01 | 1.41 | 0.04 | 0.49 | 1.17 | 2.74 | 3.21 | 3.40 | 3.48 |
| Index of Industrial Production (Y-o-Y % Change) | 5.70 | 4.80 | 3.00 | 5.00 | 3.60 | 5.50 | 0.00 | 6.50 | 5.80 | 4.50 | 5.30 | 3.20 | 4.90 |
| Gross GST Collection (₹ Trillion) | 2.23 | 2.01 | 1.85 | 1.96 | 1.86 | 1.89 | 1.96 | 1.70 | 1.75 | 1.93 | 1.84 | 2.00 | 2.43 |
| Overall Trade Balance (Goods +Services) (USD Billion) | -11.16 | -6.12 | -2.57 | -10.90 | -10.89 | -13.32 | -24.24 | -7.14 | -2.36 | -13.14 | -9.26 | 0.33 | -9.78 |
| Weighted Average Term Deposit Rate of SCBs (%) - Monthly average | | | | | | | | | | | | | |
| Fresh Term Deposits | 6.34 | 6.11 | 5.75 | 5.61 | 5.56 | 5.60 | 5.57 | 5.59 | 5.67 | 5.66 | 5.65 | 6.07 | 5.77 |
| Outstanding Term Deposits | 7.10 | 7.07 | 7.00 | 6.92 | 6.87 | 6.82 | 6.78 | 6.73 | 6.68 | 6.64 | 6.62 | 6.62 | 6.59 |
| Weighted Average Lending Rate of SCBs (%) - Monthly average | | | | | | | | | | | | | |
| Fresh Loans | 9.26 | 9.20 | 8.62 | 8.81 | 8.74 | 8.50 | 8.64 | 8.71 | 8.28 | 8.49 | 8.44 | 8.40 | 8.50 |
| Outstanding Loans | 9.70 | 9.69 | 9.44 | 9.38 | 9.32 | 9.26 | 9.24 | 9.2 | 9.06 | 9.04 | 9.00 | 8.99 | 8.98 |

**Source: Ministry of Statistics and Programme Implementation, Ministry of Commerce & Industry, Reserve Bank of India, Central Board of Direct Taxes.**
**Note : Reserve Money and Broad Money data are outstanding as of the last Friday of each month,**
**CPI numbers are based on Base year ~2023-24, IIP numbers are based on Base year ~2022-23**

## 3. Major Parameters of AU Small Finance Bank (as on 31st March 2026)

| | | | |
|---|---|---|---|
| 1.22 Cr.+ | 59,200 + | 2,790 | 25 |
| Total Customers | Employees | Total Touchpoints | 21 States + 4 UTs |
| Rs. 1,91,797 Cr | Rs. 1,52,661 Cr | Rs. 1,40,327 Cr | Rs. 19,627 Cr |
| Balance Sheet | Total Deposits | Total Loans | Net Worth |

*For detailed data, go to our website www.au.bank.in*


*Published by Economic Research Department, AU Small Finance Bank*
*Phone: 022 6249 0816 | erd@aubank.in*