

Info Capsule

REGULATORY REQUIREMENTS FOR ISSUE OF PRE-PAID PAYMENT INSTRUMENTS BY CO-OPERATIVE BANKS¹

Reserve Bank of India vide its circular UBD.CO.BPD.PCB.Cir.No.65/09.69.000/2013-14 dated May 27, 2014 permitting the UCBs which have installed ATMs and issued ATM cum Debit cards to introduce semi-closed Prepaid Payment Instruments (PPIs) for payment of utility bills / essential services upto a limit of Rs.10,000/.

The matter has been revisited and it has now been decided to permit all licenced co-operative banks having their own ATM network to issue semi-closed PPIs, provided there are no restrictions on acceptance or repayment of deposits. This is subject to the compliance with eligibility criteria and other guidelines as prescribed by Department of Payment and Settlement Systems (DPSS), Reserve Bank of India (RBI) from time to time.

Further, it has also been decided to permit co-operative banks satisfying the above criteria to issue Open System PPIs. The banks should comply with the following additional regulatory requirements for this purpose:

- a) The bank should be CBS compliant;
- b) CRAR should not be less than 10% in the current and preceding financial year;
- c) Gross NPAs should be less than 7% and net NPAs should not be more than 3% in the current and preceding financial year;
- d) Assessed net-worth should be more than Rs.25 crore as per the last RBI inspection;
- e) There should not be any default in the maintenance of CRR/SLR during the current and preceding financial year;
- f) The bank should have made a net profit in the preceding financial year;
- g) Presence of two professional directors on the Board of the bank and prevalence of systems and control as under:
 - i. internal inspection / audit system for all the branches and the Head Office
 - ii. concurrent audit system in all major branches
- h) Satisfactory adherence to KYC / AML / Combating Financing of Terrorism guidelines issued by the Reserve Bank from time to time;

¹ Available at: <https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=10981&Mode=0>

- i) No monetary penalty should have been imposed on the bank in last two financial years and during the year of submitting the application;
- j) The bank shall have satisfactorily implemented a comprehensive Board approved policy on Customer grievance redressal mechanism which includes escalation matrix for resolution of customer complaints.

The issuance and operation of prepaid instruments shall also be guided by the instructions issued in this regard by DPSS, RBI from time to time. Eligible co-operative banks desirous to issue PPIs are required to obtain a No Objection Certificate from the respective Regional Office of Department of Co-operative Bank Supervision concerned before applying to DPSS, Central Office, Mumbai for authorization.

INSOLVENCY AND BANKRUPTCY CODE (REMOVAL OF DIFFICULTIES) ORDER, 2017²

The MCA has issued the Order to remove the difficulties and it may be called the Insolvency and Bankruptcy Code (Removal of Difficulties) Order, 2017.

In the Insolvency and Bankruptcy Code, 2016, in the Eighth Schedule, relating to amendment to the Sick Industrial Companies (Special Provisions) Repeal Act, 2003, in section 4, in clause (b), after the second proviso, the following provisos shall be inserted, namely:—

“Provided also that any scheme sanctioned under sub-section (4) or any scheme under implementation under sub-section (12) of section 18 of the Sick Industrial Companies (Special Provisions) Act, 1985 shall be deemed to be an approved resolution plan under sub-section (1) of section 31 of the Insolvency and Bankruptcy Code, 2016 and the same shall be dealt with, in accordance with the provisions of Part II of the said Code:”

“Provided also that in case, the statutory period within which an appeal was allowed under the Sick Industrial Companies (Special Provisions) Act, 1985 against an order of the Board had not expired as on the date of notification of this Act, an appeal against any such deemed approved resolution plan may be preferred by any person before National Company Law Appellate Tribunal within ninety days from the date of publication of this order.”

START UP -DEFINITION CHANGES³

Startup India was launched by the Government of India on 16th January, 2016 to build a strong eco-system for nurturing innovation and Startups in the country to drive economic growth and generate large scale employment opportunities.

² Available at: <http://www.egazette.nic.in/WriteReadData/2017/176208.pdf>

³ Available at: <http://pib.nic.in/newsite/erelease.aspx?relid=0>

In order to promote entrepreneurship in the country, the Government of India has amended the definition of a Startup. The following significant changes have been made to the definition of Startups –

- a) **Age of Startup increased:** Taking into account the long gestation period by Startups to establish, an entity shall be considered as a Startup up to seven years from the date of its incorporation/ registration (from earlier 5 years). However, in the case of Startups in the Biotechnology sector, the period shall be up to ten years from the date of incorporation/ registration.
- b) **No Letter of Recommendation required:** No letter of recommendation from an incubator/industry association shall be required for either recognition or tax benefits
- c) **Potential of Job and Wealth Creation:** The scope of definition has been broadened to include scalability of business model with potential of employment generation or wealth creation.

As a constant endeavour to facilitate the Startup ecosystem, the Department of Industrial Policy and Promotion (DIPP) has been holding extensive consultations with stakeholders. The above changes are an effort to ensure ease of starting up new businesses to promote the Startup ecosystem and build a nation of job creators instead of job seekers.

Team ICSI

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