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Lesson 2 - Regulatory Framework of Banks

1. Reserve Bank of India Act, 1934 - Section 42(1A) - Requirement for maintaining additional CRR (Notification no. RBI/2023-24/52 DOR.RET.REC.29/12.01.001/2023-24 dated August 10, 2023)

On a review of the current liquidity conditions, it has been decided to issue a directive under Section 42(1A) of the Reserve Bank of India Act, 1934 requiring all Scheduled Commercial Banks / Regional Rural Banks / all Scheduled Primary (Urban) Co-operative Banks / all Scheduled State Co-operative Banks to maintain with the Reserve Bank of India, effective from the fortnight beginning August 12, 2023, an incremental CRR (I-CRR) of 10 per cent on the increase in NDTL between May 19, 2023 and July 28, 2023. The I-CRR will be reviewed on September 8, 2023 or earlier.

For further details please visit:

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12526&Mode=0>

2. Review of Regulatory Framework for IDF-NBFCs (Notification no. RBI/2023-24/54 DoR.SIG.FIN.REC.31/03.10.001/2023-24 dated August 18, 2023)

In order to enable IDF-NBFCs to play a greater role in the financing of the infrastructure sector and to harmonise the regulations governing financing of infrastructure sector by the NBFCs, a review of the guidelines applicable to IDF-NBFCs has been undertaken, in consultation with the Government of India.

For further details please visit:

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12528&Mode=0>

3. Reserve Bank of India (Classification, Valuation and Operation of Investment Portfolio of Commercial Banks) Directions, 2023 (Notification no. RBI / DOR/ 2023-24/104 DOR.MRG.36/21.04.141/2023-24 dated September 12, 2023)

The Reserve Bank of India had issued a Discussion Paper (DP) on January 14, 2022 proposing revisions to the current norms for the classification, valuation, and operation of investment portfolios of commercial banks. After considering the feedback received on the DP, the Reserve Bank of India (Classification, Valuation and Operation of Investment Portfolio of Commercial Banks) Directions, 2023 has been issued on September 12, 2023. The revised Directions include principle-based classification of investment portfolio, tightening of regulations around transfers to/from held to maturity (HTM) category and sales out of HTM, inclusion of non-SLR securities in HTM subject to fulfilment of certain conditions and symmetric recognition of gains and losses. The revised Directions shall apply to all commercial banks (excluding Regional Rural Banks) from the financial year commencing on April 1, 2024.

For further details please visit:

https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=56360

Lesson 3 - Control Over Organization of Banks

1. Onboarding of more banks on **उद्गम** UDGAM portal (Press Release: 2023-2024/1048 dated October 05, 2023)

Reserve Bank of India launched a Centralised Web Portal **उद्गम** UDGAM (Unclaimed Deposits – Gateway to Access inforMation) on August 17, 2023 for the public to facilitate and make it easier for them to search their unclaimed deposits across multiple banks at one place. The search facility was initially made available on the portal for seven banks and it was intimated to public that the search facility for remaining banks on the portal would be made available in a phased manner by October 15, 2023. The members of public are hereby informed that, the search facility for 30 banks has been made available on the portal on September 28, 2023, which covers around 90% of such unclaimed deposits (in value terms) in Depositor Education and Awareness (DEA) Fund.

For further details please visit:
https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=56498

2. Appointment of Whole-Time Director(s) (Notification no. RBI/2023-24/70DOR.HGG.GOV.REC.46/29.67.001/2023-24 dated October 25, 2023)

Given the growing complexity of the banking sector, it becomes imperative to establish an effective senior management team in the banks to navigate ongoing and emerging challenges. Establishment of such a team may also facilitate succession planning, especially in the background of the regulatory stipulations in respect of tenure and upper age limit for Managing Director and Chief Executive Officer (MD&CEO) positions. To address these issues and challenges, banks are advised to ensure the presence of at least two Whole Time Directors (WTDs), including the MD&CEO, on their Boards. The number of WTDs shall be decided by the Board of the bank by taking into account factors such as the size of operations, business complexity, and other relevant aspects.

For further details please visit: <https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12551&Mode=0>

Lesson 5 – Digital Banking

1. Enhancing transaction limits for Small Value Digital Payments in Offline Mode (Notification no. RBI/2023-24/57CO.DPSS.POLC.No.S526/02-14-003/2023-24 dated August 24, 2023)

This has reference to the Reserve Bank of India circular CO.DPSS.POLC.No.S1264 / 02-14-003/2021-2022 dated January 03, 2022 on “Framework for Facilitating Small Value Digital Payments in Offline Mode”, the upper limit of an offline payment transaction is increased to ₹500. Other instructions mentioned in the framework shall continue to remain applicable as before.

For further details please visit:

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12531&Mode=0>

2. Master Direction on Information Technology Governance, Risk, Controls and Assurance Practices (Notification No. RBI/2023-24/107DoS. CO.CSITEG/SEC.7/31.01.015/2023-24 dated November 07, 2023)

A draft Master Direction on the subject was published in October 2022 seeking public comments. Based on feedback received, the final Reserve Bank of India (Information Technology Governance, Risk, Controls and Assurance Practices) Directions, 2023 are issued by the Reserve Bank of India.

For further details please visit:

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12562&Mode=0>

Lesson 7 - Various Government Schemes

1. PM Vishwakarma Scheme (Notification no. RBI/2023-24/61 FIDD. CO.MSME. BC. No. 10/06.02.031 / 2023-24 dated September 13, 2023)

Government of India (GoI) has introduced the 'PM Vishwakarma Scheme' which aims to provide support to artisans and craftspeople to enable them to move up the value chain in their respective trades. The Scheme envisages, among other measures, credit support to the beneficiaries at concessional interest rate, with interest subvention support by GoI.

For further details please visit:

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12536&Mode=0>

Lesson 9 - Loans and Advances

1. Guidelines on Default Loss Guarantee (DLG) in Digital Lending (Notification no. RBI/2023-24/41 DOR.CRE. REC. 21/21.07.001/2023-24 dated June 08, 2023)

Arrangements between Regulated Entities (REs) and Lending Service Providers (LSPs) or between two REs involving Default Loss Guarantee (DLG), commonly known as FLDG, has since been examined by the Bank and it has been decided to permit such arrangements subject to the certain guidelines. DLG arrangements conforming to these guidelines shall not be treated as 'synthetic securitisation' and/or shall also not attract the provisions of 'loan participation'.

For further details please visit:
<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12514&Mode=0>

2. Fair Lending Practice - Penal Charges in Loan Accounts (Notification no. RBI/2023-24/53DoR.MCS.REC.28/01.01.001/2023-24 dated August 18, 2023)

Reserve Bank has issued various guidelines to the Regulated Entities (REs) to ensure reasonableness and transparency in disclosure of penal interest. Under the extant guidelines, lending institutions have the operational autonomy to formulate Board approved policy for levy of penal rates of interest. It has been observed that many REs use penal rates of interest, over and above the applicable interest rates, in case of defaults / non-compliance by the borrower with the terms on which credit facilities were sanctioned. The intent of levying penal interest/charges is essentially to inculcate a sense of credit discipline and such charges are not meant to be used as a revenue enhancement tool over and above the contracted rate of interest. However, supervisory reviews have indicated divergent practices amongst the REs with regard to levy of penal interest/charges leading to customer grievances and disputes. RBI has issued instructions for adoption by the Regulated Entities.

For further details please visit:
<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12527&Mode=0>

3. Reset of Floating Interest Rate on Equated Monthly Instalments (EMI) based Personal Loans (Notification no. RBI/2023-24/55DOR.MCS.REC.32/01.01.003/2023-24 dated August 18, 2023)

At the time of sanction of EMI based floating rate personal loans, REs are required to take into account the repayment capacity of borrowers to ensure that adequate headroom/ margin is available for elongation of tenor and/ or increase in EMI, in the scenario of possible increase in the external benchmark rate during the tenor of the loan. However, in respect of EMI based floating rate personal loans, in the wake of rising interest rates, several consumer grievances related to elongation of loan tenor and/or increase in EMI amount, without proper communication with and/or consent of the borrowers have been received. In order to address these concerns, the REs are advised to put in place an appropriate policy framework meeting the some requirements for implementation and compliance.

For further details please visit:
<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12529&Mode=0>

4. Operation of Pre-Sanctioned Credit Lines at Banks through Unified Payments Interface (UPI) (Notification no. RBI/2023-24/ 58CO. DPSS. POLC. No. S-567/02-23-001 / 2023-2024 dated September 04, 2023)

Currently, savings account, overdraft account, prepaid wallets and credit cards can be linked to UPI. Now, the scope of UPI is now being expanded by inclusion of credit lines as a funding account. Under this facility, payments through a pre-sanctioned credit line issued by a Scheduled Commercial Bank to individuals, with prior consent of the individual customer, are enabled for transactions using the UPI System. Banks may, as per their Board approved policy, stipulate terms and conditions of use of such credit lines. The terms may include, among other items, credit limit, period of credit, rate of interest, etc.

For further details please visit:

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12532&Mode=0>

5. Display of information - Secured assets possessed under the SARFAESI Act, 2002 (Notification no. RBI/2023-24/63DoR.FIN. REC.41/20.16.003/ 2023-24 dated September 25, 2023)

As a part of the move towards greater transparency, it has been decided that the Regulated Entities (REs) of the Reserve Bank which are secured creditors as per the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act, 2002, shall display information in respect of the borrowers whose secured assets have been taken into possession by the REs under the Act.

For further details please visit:

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12539&Mode=0>

Lesson 11-Non- Performing Assets

1. Framework for Compromise Settlements and Technical Write-offs (Notification no. RBI/2023-24/40 DOR. STR.REC.20/21.04.048/2023-24 dated June 08, 2023)

The Reserve Bank of India has issued various instructions to Regulated Entities (REs) regarding compromise settlements in respect of stressed accounts from time to time, including the Prudential Framework for Resolution of Stressed Assets dated June 7, 2019 (“Prudential Framework”), which recognises compromise settlements as a valid resolution plan. With a view to provide further impetus to resolution of stressed assets in the system as well as to rationalise and harmonise the instructions across all REs, as announced in the Statement on Developmental and Regulatory Policies released on June 8, 2023, it has been decided to issue a comprehensive regulatory framework governing compromise settlements and technical write-offs covering all the REs. The provisions of this framework shall be applicable to all REs to which this circular is addressed and shall be without prejudice to the provisions of the Prudential Framework, or any other guidelines applicable to the REs on resolution of stressed assets.

For further details please visit:

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12513&Mode=0>

Lesson 12 – Analysis of Financial Statements of Banks

1. Reserve Bank of India (Financial Statements - Presentation and Disclosures) Directions, 2021: Presentation of unclaimed liabilities transferred to Depositor Education and Awareness (DEA) Fund (Notification no. RBI/2023-24/71DOR.ACC.47/21.04.018/2023-24 dated October 25, 2023)

To ensure consistency in presentation of financial statements, it is advised that all co-operative banks shall present all unclaimed liabilities (where the amount due has been transferred to DEA Fund) under “Contingent Liabilities – Others”. These instructions are applicable to all commercial and cooperative banks for preparation of financial statements for the financial year ending March 31, 2024 and onwards.

For further details please visit:

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12552&Mode=0>

Lesson 13 - Risk Management in Banks and Basel Accords

1. Master Direction on Minimum Capital Requirements for Operational Risk (Notification no. RBI/DOR/2023-24/103DOR.ORG.REC.22/21.06.050/2023-24 dated June 26, 2023)

The Reserve Bank of India being satisfied that it is necessary and expedient in the public interest to do so, hereby issues the Master Direction on Minimum Capital Requirements for Operational Risk. All existing approaches viz. Basic Indicator Approach (BIA), The Standardised Approach (TSA)/ Alternative Standardised Approach (ASA) and Advanced Measurement Approach (AMA) for measuring minimum Operational Risk Capital (ORC) requirements shall be replaced by the new Standardised Approach with coming into effect of these Directions. The provisions of these Directions shall apply to all Commercial Banks (excluding Local Area Banks, Payments Banks, Regional Rural Banks, and Small Finance Banks).

For further details please visit:

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12520&Mode=0>

2. Master Direction - Reserve Bank of India (Prudential Regulations on Basel III Capital Framework, Exposure Norms, Significant Investments, Classification, Valuation and Operation of Investment Portfolio Norms and Resource Raising Norms for All India Financial Institutions) Directions, 2023 (Notification no. RBI/DoR/2023-24/105DoR.FIN.REC.40/01.02.000/2023-24 dated September 21, 2023)

The Reserve Bank of India being satisfied that it is necessary and expedient in the public interest and in the interest of financial sector policy so to do, issued the Master Direction - Reserve Bank of India (Prudential Regulations on Basel III Capital Framework, Exposure Norms, Significant Investments, Classification, Valuation and Operation of Investment Portfolio Norms and Resource Raising Norms for All India Financial Institutions).

For further details please visit:

<https://rbidocs.rbi.org.in/rdocs/notification/PDFs/105MDPRUDENTIALREGULATIONSAIFISCF490815D13A4EE9BD3D48B79DD89285.PDF>

Lesson 15- Regulatory Framework in Insurance

1. IRDAI Reinsurance (Amendment) Regulation, 2023 (Reference no. CG-DL-E-23082023-248261 dated August 22, 2023)

In exercise of the powers conferred by Section 114A of the Insurance Act, 1938, read with Sections 14 and 26 of the Insurance Regulatory and Development Authority Act, 1999, the Authority, in consultation with the Insurance Advisory Committee, made amendments in the following Regulations. a. Insurance Regulatory and Development Authority of India (Re-insurance) Regulations, 2018; b. Insurance Regulatory and Development Authority of India (Registration and Operations of Branch Offices of Foreign Re-insurers other than Lloyd's) Regulations, 2015; c. Insurance Regulatory and Development Authority of India (Lloyd's India) Regulations, 2016.

The objective of these amendments is to harmonize the provisions of various regulations applicable to Indian Insurers and Indian Re-insurers including Foreign Re- insurance Branches (FRBs) and IFSC Insurance Offices (IIOs), encourage more reinsurers to set up business in India and to enhance ease of doing business.

For further details please visit: <https://irdai.gov.in/document-detail?documentId=3791151>

Lesson 20- Functions in Insurance & Compliance Related Thereto: (Part – III)

1. Reporting of Cyber Security Incidents by Regulated Entities (Circular no. IRDAI/GA&HR/CIR/MISC/128/06/2023 dated June 13, 2023)

All Regulated Entities (REs) are directed to scrupulously follow the provisions regarding reporting of incident of IRDAI and Cert-In. Res are required to submit available details of Cyber Security Incident to the Authority in an enclosed format with 24 hrs of intimation of the incident.

For further details please visit: <https://irdai.gov.in/document-detail?documentId=3510831>

2. Constitution of Inter-Disciplinary Standing Committee on Cyber Security (Circular no. IRDAI/ GA & HR/GDL/MISC/170/09/2023 dated September 14, 2023)

Subsequent to publication of IRDAI Information and Cyber Security Guidelines dated 24" Apr, 2023 and with the approval of the Competent Authority, it has been decided to constitute a Standing Committee on Cyber Security which will regularly review the threats inherent in the existing or emerging technologies and suggest appropriate changes to IRDAI Information and Cyber Security Framework to further strengthen cyber-security posture and resilience of Insurance Industry.

For further details please visit: <https://irdai.gov.in/document-detail?Document Id=3857996>