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(Under the jurisdiction of Ministry of Corporate Affairs)

SUPPLEMENT
PROFESSIONAL PROGRAMME

for

December, 2023 Examination

Banking - Law & Practice

MODULE 3
ELECTIVE PAPER 9.1

INDEX

Lesson 1-Overview of Indian Banking System

Registration of Factors (Reserve Bank) Regulations, 2022 (Notification No. DOR.FIN.080/CGM(JPS) – 2022 dated January 14, 2022)

The Reserve Bank of India has issued regulations pertaining to the manner of granting Certificate of Registration to companies which propose to do factoring business. Every company seeking registration asNBFC-Factor shall have a minimum Net Owned Fund (NOF) of ₹5 crore, or as specified by the Reserve Bank from time to time. An NBFC-Factor shall ensure that its financial assets in the factoring business constitute at least fifty per cent of its total assets and its income derived from factoring business is not lessthan fifty per cent of its gross income.

For further details please visit:
https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12223&Mode=0

Implementation of 'Core Financial Services Solution' by Non-Banking Financial Companies (NBFCs) (Notification no. RBI/2021-22/175DoS.CO.PPG.SEC/10/11.01.005 /2021-22 dated February23, 2022)

Reserve Bank of India (RBI) has asked certain class of Non-Banking Financial Companies (NBFC) to mandatorily implement 'Core Financial Services Solution (CFSS)' by September 30, 2025 in order to provide seamless customer interface as well as have a centralised data base. In a circular, RBI said it hasbeen decided that NBFCs – Middle Layer and NBFCs – Upper Layer with 10 and more 'fixed point service delivery units' as on October 01, 2022 shall be mandatorily required to implement CFSS.

For further details please visit:
https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12247&Mode=0

Regulations Review Authority (RRA 2.0) - Interim Recommendations- Second tranche move (Notification no. RBI/2021-2022/170CO.DSIM.SMD.No.S482/05-06-004/2021-22 dated February 18,2022)

The Reserve Bank of India has set up a Regulations Review Authority (RRA 2.0) with an objective to reduce the compliance burden on Regulated Entities (REs). RRA had recommended withdrawal of 150 circulars in the first tranche of recommendations. In continuation of the exercise, RRA has now recommended withdrawal of additional 100 circulars in the second tranche of recommendations. The RRA has recommended elimination of paper-based returns and has identified 65 regulatory returns which wouldeither be discontinued/ merged with other returns or would be converted into online returns. The RRA hasalso recommended creation of a separate web page "Regulatory Reporting" in the RBI website to consolidate information relating to regulatory reporting and return submission by the regulated entities ata single source. These recommendations are expected to ease regulatory compliance for the regulated entities while improving the accuracy, speed and quality of data submission.

For further details please visit:
https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=53293

Liquidity Adjustment Facility- Change in rates (Notification no. RBI/2022-23/42 FMOD.MAOG.No.144/01.01.001/2022-23 dated May 04, 2022)

It has been decided by the Monetary Policy Committee (MPC) to increase the policy Repo rate under theLiquidity Adjustment Facility (LAF) by 40 basis points from 4.00 per cent to 4.40 per cent with immediate effect. Consequently, the Standing Deposit Facility (SDF) rate and Marginal Standing Facility (MSF) ratestand adjusted from 3.75 per cent to 4.15 per cent and from 4.25 per cent to 4.65 per cent respectively, with immediate effect.

For further details please visit:
https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12309&Mode=0

Maintenance of Cash Reserve Ratio (CRR) (Notification no. RBI/2022-23/46DOR.RET.REC.33/12.01.001/2022-23 dated May 04, 2022)

It has been decided to increase the Cash Reserve Ratio (CRR) of all banks by 50 basis points from 4.00 percent to 4.50 percent of their Net Demand and Time Liabilities (NDTL), effective from the reporting fortnight beginning May 21, 2022.

For further details please visit:
https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12313&Mode=0

Review of SLR holdings in HTM category (Notification no. RBI/2022-23/150DOR.MRG.REC.89/21.04.141/2022-23 dated December 08, 2022)

At present, banks have been granted a special dispensation of enhanced Held to Maturity (HTM) limit of 23 per cent of Net Demand and Time Liabilities (NDTL), for Statutory Liquidity Ratio (SLR) eligible securities acquired between September 01, 2020 and March 31, 2023, until March 31, 2023. On a review, it has been decided to further extend the dispensation of enhanced HTM limit of 23 per cent of NDTL upto March 31, 2024 and allow banks to include securities acquired between September 01, 2020 and March 31, 2024 under the enhanced limit of 23 per cent.

For further details please visit:
https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12422&Mode=0

Monetary Policy Statement, 2022-23 Resolution of the Monetary Policy Committee (MPC) February 6-8, 2023 (Press release dated February 08, 2023)

On the basis of an assessment of the current and evolving macroeconomic situation, the Monetary Policy Committee (MPC) at its meeting held on February 08, 2023 decided to Increase the policy repo rate under the Liquidity Adjustment Facility (LAF) by 25 basis points to 6.50 per cent with immediate effect. Consequently, the Standing Deposit Facility (SDF) rate stands adjusted to 6.25 per cent and the Marginal Standing Facility (MSF) rate and the Bank Rate to 6.75 per cent. The MPC also decided to remain focused on withdrawal of accommodation to ensure that inflation remains within the target going forward, while supporting growth.

For further details please visit: https://rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=55178

₹2000 Denomination Banknotes – Withdrawal from Circulation; Will continue as Legal Tender (Notification no. RBI/2023-24/32 DCM(Plg) No.S-236/10.27.00/2023-24 dated May 19, 2023)

₹2000 denomination banknote was introduced in November 2016 under Section 24(1) of RBI Act, 1934 primarily to meet the immediate currency requirement of the economy after withdrawal of the legal tender status of all ₹500 and ₹1000 banknotes in circulation at that time. With fulfilment of the objective of introduction of ₹2000 denomination and availability of banknotes in other denominations in adequate quantity, printing of ₹2000 banknotes was stopped in 2018-19. Further, majority of the ₹2000 denomination notes were issued prior to March 2017, have completed their estimated lifespan and are not observed to be commonly used for transactions anymore. Therefore, it has been decided that, in pursuance of the "Clean Note Policy" of the Reserve Bank of India, the ₹2000 denomination banknotes shall be withdrawn from circulation. The ₹2000 banknotes will continue to be legal tender.

For further details please visit: https://rbi.org.in/Scripts/NotificationUser.aspx?Id=12505&Mode=0

Lesson 3 - Control Over Organization of Banks

Review of norms for classification of Urban Co-operative Banks (UCBs) as Financially Sound and Well Managed (FSWM) (Notification no. RBI/2022-23/143DOR.REG.No.85 /07.01.000/2022-23 dated December 01, 2022)

In order to ensure a financially sound and stable Co-operative sector, select UCBs are termed as Financially Sound and Well Managed (FSWM) subject to fulfillment of certain parameters. It has been decided to revise the criteria for UCBs to be classified as FSWM. The revised criteria, for determining the FSWM status have been given as under:

a. The Capital-to-Risk weighted Assets Ratio (CRAR) shall be at least 1 percentage point above the minimum CRAR applicable to an UCB as on the reference date;
b. Net Non-Performing Assets (NPA) of not more than 3%;
c. Net profit for at least three out of the preceding four years subject to it not having incurred a net loss in the immediate preceding year;
d. No default in the maintenance of Cash Reserve Ratio (CRR) / Statutory Liquidity Ratio (SLR) during the preceding financial year;
e. Sound internal control system with at least two professional directors on the Board;
f. Core Banking Solution (CBS) fully implemented; and

No monetary penalty should have been imposed on the bank on account of violation of RBI directives / guidelines during the last two financial years.

For further details please visit:
https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12415&Mode=0

Revised Regulatory Framework - Categorization of Urban Co-operative Banks (UCBs) for Regulatory Purposes (Notification no. RBI/2022-23/144DOR.REG.No.84/07.01. 000/2022-23 dated December 01, 2022)

Given the heterogeneity in the cooperative sector, a tiered regulatory framework is required to balance the spirit of mutuality and co-operation more prevalent in banks of smaller sizes and those with limited area of operation vis-à-vis the growth ambitions of the large-sized UCBs to spread their area of operation and undertake more complex business activities. The Reserve Bank of India had constituted the Expert Committee on Urban Co-operative Banks to examine the issues in urban cooperative banking sector and to review regulatory/ supervisory approach for strengthening the sector. Based on the recommendations of the Expert Committee, RBI had released the Revised Regulatory Framework for Urban Co-operative Banks (UCBs) on July 19, 2022. Accordingly, it has been decided to adopt a four-tiered regulatory framework, as against the existing two-tiered framework, for categorization of UCBs. Going forward, this categorization may be used for differentiated regulatory prescriptions aimed at strengthening the financial soundness of the UCBs.

For further details please visit:
https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12416&Mode=0

Revised Regulatory Framework for Urban Co-operative Banks (UCBs) – Net Worth and Capital Adequacy (Notification no. RBI/2022-23/146 DOR.CAP.REC.No.86/09.18.201/2022-23 dated December 01, 2022)

The Reserve Bank of India has issued a notification on the Revised Regulatory Framework for Urban Co-operative Banks (UCBs) – Net Worth and Capital Adequacy. The RBI, in its notification, said given the heterogeneity in the cooperative sector, a tiered regulatory framework is required, adding such framework is needed to balance the spirit of mutuality and co-operation more prevalent in banks of smaller sizes and those with limited area of operation vis-a-vis the growth ambitions of the large-sized UCBs and undertake more complex business activities. The instructions come into effect from April 1, 2023.

For further details please visit: https://rbi.org.in/Scripts/NotificationUser.aspx?Id=12418&Mode=0

Guidelines on Acquisition and Holding of Shares or Voting Rights in Banking Companies (Notification dated January 16, 2023)

In terms of sub-section (1) of Section 12B of Banking Regulation Act, 1949, every person, who intends to acquire shares or voting rights and intends to be a major shareholder of a banking company, is required to obtain previous approval of the Reserve Bank. The person, who intends to be a major shareholder of a banking company, is required to make an application to the Reserve Bank along with the declaration in specified form. The Reserve Bank would undertake a due diligence to assess the 'fit and proper' status of the applicant.

For further details please visit: https://rbi.org.in/Scripts/NotificationUser.aspx?Id=12440&Mode=0

Tokenisation – Card Transactions: Permitting Card-on-File Tokenisation (CoFT) Services (Notification no. RBI/2021-22/96CO.DPSS.POLC .No.S-516/02-14-003/2021-22 dated September 07, 2021)

On a review of the tokenisation framework and to enable cardholders to benefit from the security of tokenised card transactions as also the convenience of CoF, it has been decided to effect the following enhancements:

- Extend the device-based tokenization framework, CoF Tokenisation (CoFT) as well.
- Permit card issuers to offer card tokenisation services as Token Service Providers2 (TSPs).
- The facility of tokenisation shall be offered by the TSPs only for the cards issued by / affiliated tothem.
- The ability to tokenise3 and de-tokenise card data shall be with the same TSP.
- Tokenisation of card data shall be done with explicit customer consent requiring Additional Factor of Authentication (AFA) validation by card issuer.

For further details please visit:
https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12159&Mode=0

RBI releases Framework for Facilitating Small Value Digital Payments in Offline Mode (Notification no. RBI/2021-22/146CO.DPSS.POLC.No.S1264/02-14-003/2021-2022 dated January 03, 2022)

The Reserve Bank has placed on its website the 'Framework for facilitating small value digital payments in offline mode'. The framework incorporates the feedback received from the pilot experiments on offlinetransactions conducted in different parts of the country during the period from September 2020 to June 2021. Offline mode of payment can be enabled only after obtaining specific consent of the customer. Customers shall enjoy protection under the provisions of circulars limiting customer liability issued by Reserve Bank (as amended from time to time). Customers also have recourse to the Reserve Bank – Integrated Ombudsman Scheme for grievance redress. Offline transactions are expected to give a push todigital transactions in areas with poor or weak internet or telecom connectivity, particularly in semi-urbanand rural areas. The new framework is applicable with immediate effect.

For further details please visit:
https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=53038

Interoperable Card-less Cash Withdrawal (ICCW) at ATMs (Notification no. RBI/2022-23/54 CO.DPSS.POLC.No.S-227/02-10-002/2022-23 dated May 19, 2022)

All banks, ATM networks and White Label ATM Operators (WLAOs) may provide the option of ICCW at their ATMs. NPCI has been advised to facilitate Unified Payments Interface (UPI) integration with all banks and ATM networks. While UPI would be used for customer authorisation in such transactions, settlement would be through the National Financial Switch (NFS) / ATM networks. The on-us / off-us ICCW transactions shall be processed without levy of any charges other than those prescribed under the circular on Interchange Fee and Customer Charges. Withdrawal limits for ICCW transactions shall be in-line with the limits for regular on-us / off-us ATM withdrawals. All other instructions related to Harmonisation of Turn Around Time (TAT) and customer compensation for failed transactions shall continue to be applicable.

For further details please visit:
https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12321&Mode=0

Processing of e-mandates for recurring transactions (Notification no. RBI/2022- 23/73CO. DPSS.POLC.No.S-518/02.14.003/2022-23 dated June 16, 2022)

The e-mandate framework prescribed an Additional Factor of Authentication (AFA), inter alia, while processing the first transaction in case of e-mandates / standing instructions on cards, prepaid payment instruments and Unified Payments Interface. For subsequent transactions with transaction values up to ₹5,000/- (AFA limit), prescription of AFA was waived. On a review of implementation of the e-mandateframework and the protection available to customers, it has been decided to increase the aforesaid AFA limit from ₹5,000/- to ₹15,000/- per transaction.

For further details please visit:
https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12341&Mode=0

Applications of Online Payment Aggregators received under the Payment and Settlement Systems Act, 2007 – Status (Press release dated February 15, 2023)

With a view to bringing entities undertaking online Payment Aggregation business within the regulatory fold, Reserve Bank of India (RBI) has issued circulars on “Guidelines on Regulation of Payment Aggregators and Payment Gateways” (Guidelines). In terms of the Guidelines, online non-bank Payment Aggregators (PAs) – existing as on March 17, 2020 – were required to apply to RBI by September 30, 20211 for seeking authorisation under the Payment and Settlement Systems Act, 2007. All stakeholders are advised to transact with only those existing PAs (a) who have been granted in-principle authorisation or (b) whose application is currently under process.

For further details please visit:
https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=55224

Introduction of Foreign Contribution (Regulation) Act (FCRA) related transaction code in NEFT and RTGS Systems (Notification no. RBI/2022-23/178CO.DPSS.RPPD.No.S1931/04-03-001/2022-23 dated February 16, 2023)

Under the FCRA, 2010 (amended as on September 28, 2020), Foreign Contributions must be received only in the “FCRA account” of State Bank of India (SBI), New Delhi Main Branch (NDMB). The contributions to the FCRA account are received directly from foreign banks through SWIFT and from Indian intermediary banks through NEFT and RTGS systems.

For further details please visit:
https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12454&Mode=0

Honorable Prime Ministers of India and Singapore Launch Real-time Payment Systems Linkage between the Two Countries (February 21, 2023)

Hon'ble Prime Minister of India, Shri Narendra Modi and Hon'ble Prime Minister of Singapore, Mr. Lee Hsien Loong on February 21, 2023 witnessed the launch of cross-border linkage between India and Singapore using their respective Fast Payment Systems, viz. Unified Payments Interface (UPI) and PayNow. The UPI-PayNow linkage will enable users of the two fast payment systems in either country to make convenient, safe, instant, and cost-effective cross-border funds transfers using their respective mobile apps. Funds held in bank accounts or e-wallets can be transferred to / from India using just the UPI-id, mobile number, or Virtual Payment Address (VPA).

For further details please visit:
https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=55260

Extending UPI for Inbound Travellers to India (Press release dated February 21, 2023)

The Reserve Bank of India (RBI) had announced in the Statement on Developmental and Regulatory Policies dated February 08, 2023, a facility to enable all in-bound travellers visiting India to make local payments using Unified Payments Interface (UPI) while they are in India. This facility is made available from February 21, 2023. To start with, it is available to travelers from G-20 countries, at select international airports (Bengaluru, Mumbai and New Delhi). Eligible travellers would be issued Prepaid Payment Instruments (PPI) wallets linked to UPI for making payments at merchant outlets.

For further details please visit: https://rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=55263

Framework for acceptance of Green Deposits (Notifications no. RBI/2023-24/14DOR.SFG.REC.10/30.01.021/2023-24 dated April 11, 2023)

Climate change has been recognised as one of the most critical challenges faced by the global society and economy in the 21st century. The financial sector can play a pivotal role in mobilizing resources and their allocation thereof in green activities/projects. Green finance is also progressively gaining traction in India. Deposits constitute a major source for mobilizing of funds by the Regulated Entities (REs). It is seen that some REs are already offering green deposits for financing green activities and projects. Taking this forward and with a view to fostering and developing green finance ecosystem in the country, it has been decided to put in place the Framework for acceptance of Green Deposits for the REs.

For further details please visit:
https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12487&Mode=0

Remittances to International Financial Services Centres (IFSCs) under the Liberalised Remittance Scheme (LRS) (Circular no. RBI/2023-24/21A.P. (DIR Series) Circular No.03 dated April 26, 2023)

On a review and with an objective to align the LRS for IFSCs set up under the International Financial Services Centres Authority Act, 2019 vis-à-vis other foreign jurisdictions, it has been decided to amend the directions under para 2 (ii) of the aforementioned A.P. (DIR Series) Circular dated February 16, 2021, as – "Resident Individuals may also open a Foreign Currency Account (FCA) in IFSCs, for making the above permissible investments under LRS." Thus, the condition of repatriating any funds lying idle in the account for a period up to 15 days from the date of its receipt is withdrawn with immediate effect, which shall now be governed by the provisions of the scheme as contained in the aforesaid Master Direction on LRS.

For further details please visit:
https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12494&Mode=0

Levy of charges on forex prepaid cards/store value cards/travel cards, etc. (Notification no. RBI/2023-24/29A.P. (DIR Series) Circular No. 04 dated May 09, 2023)

A few Authorised Persons are levying certain fees/charges, which are payable in India on such instruments, in foreign currency. It is advised that fees/charges payable in India have to be denominated and settled in Rupees only.

For further details please visit: https://rbi.org.in/Scripts/NotificationUser.aspx?Id=12502&Mode=0

Lesson 5 - Banking Operations

Revised Subsidiary General Ledger (SGL) Account Guidelines and Constituents' Subsidiary General Ledger (CSGL) Account Guidelines (Notification no. RBI/2021-22/107 IDMD.CDD.No.S931/11.22.001/2021-2022 dated October 05, 2021)

The Reserve Bank of India has issued revised Eligibility Criteria and Operational Guidelines for opening and maintaining of Subsidiary General Ledger (SGL) Accounts and Constituents' Subsidiary General Ledger (CSGL) Accounts dated September 22, 2021. These Guidelines have been issued in supersessionto earlier Guidelines dated October 29, 2018.

The entities mentioned below are eligible to open and maintain an SGL account with the Bank:

i. Licensed Banks
ii. Primary Dealers authorised by Reserve Bank of India
iii. Financial institutions as defined in terms of Section 45-I (c) (ii) of the Reserve Bank of India Act,1934 (2 of 1934)
iv. Central Government
v. State Governments
vi. Insurance Companies regulated by Insurance Regulatory and Development Authority
vii. Mutual Funds regulated by Securities and Exchange Board of India
viii. Provident and Pension Funds and Pension Fund Managers
ix. Foreign Central Banks with prior approval of the Bank
x. Depositories as defined under the Depositories Act 1996
xi. Stock Holding Corporation of India (SHCIL)
xii. Such other entities as may be allowed by the Bank from time to time.

For further details please visit:
https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12174&Mode=0

Opening of Current Accounts by Banks - Need for Discipline (Notification no. RBI/2021-22/116DOR.CRE.REC.63/ 21.04.048 /2021-22 dated October 29, 2021)

On a review and taking into account feedback received from Indian Banks' Association (IBA) and otherstakeholders, it has been decided that banks may open current accounts for borrowers who have availedcredit facilities in the form of cash credit (CC)/ overdraft (OD) from the banking system subject to certain conditions related to exposure of the banking system.

For borrowers, where the exposure of the banking system is less than ₹5 crore, there is no restriction onopening of current accounts or on provision of CC/OD facility by banks, subject to obtaining an undertaking from such borrowers that they shall inform the bank(s), as and when the credit facilities availed by them from the banking system reaches ₹5 crore or more.

In respect of borrowers where exposure of the banking system is ₹5 crore or more, such borrower can maintain current accounts with any one of the banks with which it has CC/OD facility, provided that thebank has at least 10 per cent of the exposure of the banking system to that borrower.

Further, other lending banks may open only collection accounts subject to the condition that funds deposited in such collection accounts will be remitted within two working days of receiving such funds, to the CC/OD account maintained with the above-mentioned bank maintaining current accounts for theborrower. In case none of the lenders has at least 10% exposure of the banking system to the borrower,the bank having the highest exposure may open current accounts. Non-lending banks are not permittedto open current accounts.

For further details please visit:
https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12184&Mode=0

Central Payments Fraud Information Registry – Migration of Reporting to DAKSH (Notification no. RBI/2022-23/158CO.DPSS.OVRST.No.S1619/06-08-005/2022-2023 dated December 26, 2022)

The Reserve Bank of India (RBI) had operationalised the Central Payments Fraud Information Registry (CPFIR) in March 2020 with reporting of payment frauds by scheduled commercial banks and non-bank Prepaid Payment Instrument (PPI) issuers. To streamline reporting, enhance efficiency and automate the payments fraud management process, the fraud reporting module is being migrated to DAKSH – Reserve Bank's Advanced Supervisory Monitoring System. The migration will be effective from January 01, 2023, i.e., entities shall commence reporting of payment frauds in DAKSH from this date.

For further details please visit:
https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12431&Mode=0

RBI Extends Market Trading Hours (Press release dated February 08, 2023)

The trading hours for various markets regulated by the Reserve Bank were amended with effect from April 07, 2020 in view of the operational dislocations and elevated levels of health risks posed by COVID-19. It has now been decided to also restore market hours in respect of Government Securities from 9:00 AM to 3:30 PM to 9:00 AM to 5:00 PM.

For further details please visit: https://rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=55180

Reserve Bank of India and Central Bank of the UAE sign MoU to promote innovation in financial products and services (Press Release dated March 15, 2023)

The Reserve Bank of India (RBI) and the Central Bank of the United Arab Emirates (CBUAE) signed a Memorandum of Understanding (MoU) on March 15, 2023 in Abu Dhabi, to enhance cooperation and jointly enable innovation in financial products and services. Under the MoU, the two central banks will collaborate on various emerging areas of FinTech, especially Central Bank Digital Currencies (CBDCs) and explore interoperability between the CBDCs of CBUAE and RBI. CBUAE and RBI will jointly conduct Proof-of-Concept (PoC) and pilot(s) of bilateral CBDC bridge to facilitate cross-border CBDC transactions of remittances and trade.

For further details please visit:
https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=55372

Governor, RBI lays the Foundation Stone of a 'New Greenfield Data Centre' and 'Enterprise Computing & Cybersecurity Training Institute' of RBI (Press Release dated March 22, 2023)

Shri Shaktikanta Das, Governor, Reserve Bank of India (RBI), on March 22, 2023 laid the foundation stone for establishment of a "Greenfield Data Centre' and 'Enterprise Computing & Cybersecurity Training Institute' in Bhubaneswar, Odisha. The Governor in his remarks acknowledged the critical role played by technology in supporting the activities of the financial sector and the RBI over the years and recently, in facilitating a robust recovery from the pandemic. He highlighted the need for augmenting the existing computing infrastructure of the RBI supported by cutting edge facilities for research and capacity building in emerging areas straddling central banking, technology and cybersecurity for a future ready RBI.

For further details please visit:
https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=55396

Lesson 10 - Various Government Schemes

General Credit Card (GCC) Facility – Review (Notifications no. RBI/2023-24/19FIDD.MSME & NFS.BC.No.06/06.02.31/2023-24dated April 25, 2023)

The Reserve Bank of India has reviewed the Revised General Credit Card (GCC) Scheme and issued revised instructions on GCC. The GCC Scheme shall henceforth be called “General Credit Card (GCC) Facility”. The instructions shall apply to all banks which are eligible to issue credit cards under the above Master Direction. Individuals/entities sanctioned working capital facilities for non-farm entrepreneurial activities which are eligible for classification under the priority sector guidelines, may be issued General Credit Cards.

For further details please visit: https://rbi.org.in/Scripts/NotificationUser.aspx?Id=12492&Mode=0

Lesson 11 - Consumer Protection

Reserve Bank - Integrated Ombudsman Scheme, 2021 (Ref. CEPD. PRD. No.S873/13.01.001/2021-22 dated November 12, 2021)

The Reserve Bank - Integrated Ombudsman Scheme, 2021 (the Scheme) was launched on November 12, 2021 in virtual mode by Hon'ble Prime Minister Shri Narendra Modi. The Scheme integrates the existing three Ombudsman schemes of RBI namely, (i) the Banking Ombudsman Scheme, 2006; (ii) theOmbudsman Scheme for Non-Banking Financial Companies, 2018; and (iii) the Ombudsman Scheme for Digital Transactions, 2019. This scheme will provide cost-free redress of customer complaints involving deficiency in services rendered by entities regulated by RBI, if not resolved to the satisfactionof the customers or not replied within a period of 30 days by the regulated entity.

Some of the salient features of the Scheme are:

i. It will no longer be necessary for a complainant to identify under which scheme he/she should file complaint with the Ombudsman.
ii. The Scheme defines 'deficiency in service' as the ground for filing a complaint, with a specifiedlist of exclusions. Therefore, the complaints would no longer be rejected simply on account of "not covered under the grounds listed in the scheme".
iii. The Scheme has done away with the jurisdiction of each ombudsman office.
iv. A Centralised Receipt and Processing Centre has been set up at RBI, Chandigarh for receipt andinitial processing of physical and email complaints in any language.
v. The responsibility of representing the Regulated Entity and furnishing information in respect ofcomplaints filed by customers against the Regulated Entity would be that of the Principal NodalOfficer in the rank of a General Manager in a Public Sector Bank or equivalent.
vi. The Regulated Entity will not have the right to appeal in cases where an Award is issued by the ombudsman against it for not furnishing satisfactory and timely information/documents.

For further details please visit:
https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=52549

Appointment of Internal Ombudsman by Non-Banking Financial Companies (Notification no. RBI/2021-2022/126 CO.CEPD.PRS.No.S874/13-01-008/2021-2022 dated November 15, 2021)

The Reserve Bank of India (RBI) has directed Deposit-taking NBFCs (NBFCs-D) with 10 or more branches and Non-Deposit taking NBFCs (NBFCs-ND) with asset size of Rs.5,000 crore and above having public customer interface to appoint Internal Ombudsman (IO) at the apex of their internal grievance redress mechanism within a period of six months from the date of issue of the direction, exceptfor certain type of NBFCs.

The following types of NBFCs will be excluded from the applicability of this direction:

i. Stand-alone Primary Dealer;

ii. Non-Banking Financial Company - Infrastructure Finance Company (NBFC-IFC);

iii. Core Investment Company (CIC);

iv. Infrastructure Debt Fund - Non-Banking Financial Company (IDF-NBFC);

v. Non-Banking Financial Company – Account Aggregator (NBFC-AA);

vi. NBFC under Corporate Insolvency Resolution Process;

vii. NBFC in liquidation;

viii. NBFC having only captive customers.

An NBFC shall be required to comply with the provisions of this direction as follows:

a) NBFC fulfilling the specified criteria as on date - within six months;

b) NBFC fulfilling the criteria post issue of this direction and NBFC commencing operations after theissue of this direction – within six months of attaining the specified criteria, as may be applicable.

Any NBFC which is covered by this direction shall continue to have an IO for a period of three years after the company falls below the specified thresholds. If the term of the incumbent IO ends before this three-year period, the NBFC, with the prior approval of RBI, may not appoint another IO.

For further details please visit:
https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12195&Mode=0

Lesson 12 - Loans and Advances

Housing Finance – Loans for repairs/additions/alterations - Enhancement of limits (Notificationno. RBI/2022-23/56 DOR.CRE.REC.18/09.22.010/2022-23 dated May 24, 2022)

The ceiling on loans to individuals for carrying out repairs/additions/alterations to their dwelling units was Rs.2 lakh in rural and semi-urban areas and Rs.5 lakh in urban areas. The ceiling on such loans is now revised to Rs.10 lakh in metropolitan centres (those centres with population of 10 lakh and above)and Rs.6 lakh in other centres.

For further details please visit:
https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12323&Mode=0

Individual Housing loans – Enhancement in limits (Notification no.RBI/2022- 23/68DOR .CRE.REC.42/09.22.010/2022-23 dated June 08, 2022)

It has been decided to revise the limits on individual housing loans sanctioned by urban co-operative banksto an individual borrower as under:

Category of the bank	Existing Limit* (per individual borrower)	Revised Limit* (per individual borrower)
(a) Tier-I UCBs	₹30 lakh	₹60 lakh
(b) Tier-II UCBs	₹70 lakh	₹140 lakh
*subject to prescribed prudential exposure limits		

For further details please visit: https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12336&Mode=0

Formalisation of Informal Micro Enterprises on Udyam Assist Platform (Notification no. RBI/2023-24/27FIDD.MSME&NFS.BC.No. 09/06.02.31/ 2023-24 dated May 09, 2023)

The Ministry of Micro, Small and Medium Enterprises (‘MSME’), Government of India has launched the Udyam Assist Platform (UAP) to facilitate formalisation of Informal Micro Enterprises (IMEs) through online generation of Udyam Assist Certificate. Registration on the platform is done with the assistance of Designated Agencies which are RBI regulated entities (including scheduled commercial banks, non-banking financial companies, etc.). The Government of India, has specified that the certificate issued on the UAP to IMEs shall be treated at par with Udyam Registration Certificate for the purpose of availing Priority Sector Lending (PSL) benefits.

For further details please visit: https://rbi.org.in/Scripts/NotificationUser.aspx?Id=12500&Mode=0

Lesson 18-Non- Performing Assets

Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances – Clarifications (Notification no. RBI/2021-2022/158 DOR.STR.REC.85/21.04.048/2021- 22 dated February 15, 2022)

The Reserve Bank of India has received several queries received seeking certain clarifications related to Prudential norms on Income Recognition, Asset Classification and Provisioning, it is advised as under:

i. The definition of 'out of order', as clarified in the Circular, shall be applicable to all loan productsbeing offered as an overdraft facility, including those not meant for business purposes and/or whichentail interest repayments as the only credits.
ii. The 'previous 90 days period' for determination of 'out of order' status of a CC/OD account shallbe inclusive of the day for which the day-end process is being run.
iii. In case of borrowers having more than one credit facility from a lending institution, loan accountsshall be upgraded from NPA to standard asset category only upon repayment of entire arrears of interest and principal pertaining to all the credit facilities.
iv. The circular does not make any changes to the requirements related to reporting of information toCRILC, which will continue to be governed in terms of extant instructions for respective entities[1].

The circular does not, in any way, interfere with the extant guidelines on implementation of Ind-ASby NBFCs.

For further details please visit:
https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12230&Mode=0

Lesson 19 - Final Accounts of Banking Companies

Reserve Bank of India (Financial Statements - Presentation and Disclosures) Directions, 2021 - Reporting of reverse repos with Reserve Bank on the bank's balance sheet (Notification no. RBI/2022-23/55 DOR.ACC.REC.No.37/21.04.018/2022-23 dated May 19, 2022)

In order to bring more clarity on the presentation of reverse repo on the balance sheet, it has now been decided as under:

(a) All type of reverse repos with the Reserve Bank including those under Liquidity Adjustment Facility shall be presented under sub-item (ii) 'In Other Accounts' of item (II) 'Balances with Reserve Bank of India' under Schedule 6 'Cash and balances with Reserve Bank of India'.

(b) Reverse repos with banks and other institutions having original tenors up to and inclusive of 14 days shall be classified under item (ii) 'Money at call and short notice' under Schedule 7 'Balances with banksand money at call and short notice'.

(c) Reverse repos with banks and other institutions having original tenors more than 14 days shall be classified under Schedule 9 – 'Advances' under the following heads:

i. A.(ii) 'Cash credits, overdrafts and loans repayable on demand'

ii. B.(i) 'Secured by tangible assets'

iii. C.(I).(iii) Banks (iv) 'Others' (as the case may be)

For further details please visit: https://rbi.org.in/Scripts/NotificationUser.aspx?Id=12322&Mode=0

Reserve Bank of India (Financial Statements - Presentation and Disclosures) Directions, 2021 - Disclosure of material items (Notification no. RBI/2022-23/155 DOR.ACC.REC.No.91/21.04.018/2022-23 dated December 13, 2022)

In order to ensure greater transparency, it has been decided that banks shall also disclose the particulars of all such items in the notes to accounts wherever any item under the Schedule 5(IV)-Other Liabilities and Provisions-"Others (including provisions)" or Schedule 11(VI)-Other Assets-"Others" exceeds one per cent of the total assets. Payments Banks shall also disclose particulars of all such items in the notes to accounts, wherever any item under the Schedule 14(I)-Other Income-"Commission, Exchange and Brokerage" exceeds one per cent of the total income. These instructions are applicable to all commercial banks. These instructions shall come into effect for disclosures in the notes to the annual financial statements for the year ending March 31, 2023 and onwards.

For further details please visit:
https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12426&Mode=0

Reserve Bank of India (Financial Statements - Presentation and Disclosures) Directions, 2021 – Disclosures for State Co-operative Banks and Central Co-operative Banks (Notification no. RBI/2022-23/181DOR.ACC.REC.No. 103/21.04.018/2022-23 dated February 20, 2023)

The Reserve Bank of India (Financial Statements-Presentation and Disclosures) Directions, 2021 are applicable to Commercial Banks and Primary Urban Co-operative Banks (UCBs). They harmonize the regulatory instructions on presentation and disclosure in financial statements across the banking sector. In consultation with the National Bank for Agriculture and Rural Development (NABARD), it has now been decided to make this Master Direction also applicable to State Cooperative Banks and Central Cooperative Banks.

For further details please visit:
https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12457&Mode=0

Implementation of Indian Accounting Standards (Ind AS) (Notification no. RBI/2022-23/182DOR.ACC.REC.No.104/21.07.001/2022-23 dated February 20, 2023)

It has been observed that consequent to the implementation of Ind AS, some Asset Reconstruction Companies (ARCs) have been recognising management fees even though the said fee had not been realised for more than 180 days. To address the prudential concerns arising from continued recognition of unrealised income, it has been decided that ARCs preparing their financial statements as per Ind AS, shall reduce the unrealized Management fee from their net owned funds while calculating the Capital Adequacy Ratio and the amount available for payment of dividend.

For further details please visit:
https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12458&Mode=0

Large Exposures Framework (LEF) – Credit Risk Mitigation (CRM) for offsetting – non-centrallycleared derivative transactions of foreign bank branches in India with their Head Office (Notification no. RBI/2021-22/97DOR.CRE. REC.47/ 21.01.003/2021-22 dated September 09,2021)

It is advised that the Indian branches of foreign banks shall be permitted to reckon cash/unencumberedapproved securities, the source of which is interest-free funds from Head Office or remittable surplus retained in Indian books (reserves), held with RBI under 11(2)(b)(i) of the Banking Regulation Act,1949as CRM, for offsetting the gross exposure of the foreign bank branches in India to the Head Office (including overseas branches) for the calculation of LEF limit, subject to the subject to the following conditions:

i. The amount so held shall be over and above the other regulatory and statutory requirements andshall be certified by the statutory auditors.

ii. The amount so held shall not be included in regulatory capital. (i.e., no double counting of the fund placed under Section 11(2) as both capital and CRM). Accordingly, while assessing the capital adequacy of a bank, the amount will form part of regulatory adjustments made to Common Equity Tier 1 Capital.

iii. The bank shall furnish an undertaking as on March 31 every year to the Department of Supervision (DoS), RBI that the balance reckoned as CRM for the purpose will be maintained on a continuous basis.

iv. The CRM shall be compliant with the principles/conditions prescribed in paragraph 7 in the Master Circular – Basel III Capital Regulations dated July 1, 2015 as amended from time to time.

For further details please visit: https://rbi.org.in/Scripts/NotificationUser.aspx?Id=12160&Mode=0

Master Direction – Prudential Norms on Capital Adequacy for Local Area Banks (Directions), 2021 (Notification no. RBI/DOR/2021-22/87DOR.CAP.REC.No.61/ 21.01.002/2021-22 dated October 26, 2021)

The Reserve Bank of India has, from time to time, issued several guidelines / instructions / directives toLocal Area Banks on Prudential Norms on Capital Adequacy. To enable Local Area Banks to have current instructions at one place, a Master Direction, incorporating all the existing guidelines / instructions / directives on the subject, has been prepared for reference of the banks.

This Master Direction covers instructions regarding the components of capital and the capital required to be provided for by banks for credit and market risks. These Directions serve to specify the prudentialnorms from the point of view of capital adequacy. Permission for LABs to undertake transactions in specific instruments/products shall be guided by the regulations, instructions and guidelines on the same issued by Reserve Bank from time to time.

Banks are required to maintain a minimum Capital to Risk Weighted Assets Ratio (CRAR) of 9 per centon an ongoing basis. The capital funds shall consist of the sum of Tier I Capital and Tier II Capital.

Tier I capital shall consist:

i. Paid-up capital (ordinary shares), statutory reserves, and other disclosed free reserves, if any;
ii. Perpetual Non-cumulative Preference Shares (PNCPS) eligible for inclusion as Tier I capital;
iii. Perpetual Debt Instruments (PDI) eligible for inclusion as Tier I capital; and
iv. Capital reserves representing surplus arising out of sale proceeds of assets.

Tier II capital shall consist of undisclosed reserves, revaluation reserves, general provisions and loss reserves, hybrid debt capital instruments, subordinated debt and investment reserve account as explainedhereunder:

(a) Undisclosed Reserves: Undisclosed Reserves shall be included in Tier II capital, if they representaccumulations of post-tax profits and are not encumbered by any known liability and shall not be routinely used for absorbing normal loss or operating losses.

(b) Revaluation Reserves: Revaluation Reserves shall be subject to a discount of 55 per cent while determining their value for inclusion in Tier II capital. Such reserves shall be reflected on the face of the Balance Sheet as Revaluation Reserves.

(c) General Provisions and Loss Reserves: General Provisions and Loss Reserves shall be included in Tier II capital provided they are not attributable to the actual diminution in value or identifiable potential loss in any specific asset and areavailable to meet unexpected losses. Adequate care shall be taken to ensure that sufficient provisions have been made to meet all known losses and foreseeable potential losses before considering generalprovisions and loss reserves to be part of Tier II capital.

General provisions and loss reserves shall be admitted up to a maximum of 1.25 percent of total risk weighted assets.

General provisions/loss reserves shall include:-

(a) 'Floating Provisions' held by the banks, which is general in nature and not made against anyidentified assets.
(b) Excess provisions which arise on sale of NPAs
(c) General provisions on standard assets
(d) Investment Reserve Account as disclosed in Schedule 2- Reserves & Surplus under the head"Revenue and Other Reserves" in the Balance Sheet

(d) Hybrid Debt Capital Instruments: The following instruments shall be eligible for inclusion in Upper Tier II capital:

(i) Debt capital instruments subject to compliance with minimum specified regulatory requirements.

(ii) Perpetual Cumulative Preference Shares (PCPS) / Redeemable Non-Cumulative Preference Shares (RNCPS) / Redeemable Cumulative Preference Shares (RCPS) subject to compliance with minimumregulatory requirements.

(e) Subordinated Debt : Rupee-subordinated debt shall be eligible for inclusion in Tier II capital, subject to certain terms andconditions.

For further details please visit:
https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12182&Mode=0

Prompt Corrective Action (PCA) Framework for Scheduled Commercial Banks (SCB) (Notification no. RBI/2021-22/118DOS.CO.PPG.SEC.No.4/11. 01.005/2021-22 dated November 02, 2021)

The existing PCA Framework for SCBs has since been reviewed and revised. The objective of the PCAFramework is to enable Supervisory intervention at appropriate time and require the Supervised Entityto initiate and implement remedial measures in a timely manner, so as to restore its financial health. ThePCA Framework is also intended to act as a tool for effective market discipline. The PCA Framework does not preclude the Reserve Bank of India from taking any other action as it deems fit at any time, inaddition to the corrective actions prescribed in the Framework. The provisions of the revised PCA Framework will be effective from January 1, 2022.

Capital, Asset Quality and Leverage will be the key areas for monitoring in the revised framework. Indicators to be tracked for Capital, Asset Quality and Leverage would be CRAR/ Common Equity TierI Ratio, Net NPA Ratio and Tier I Leverage Ratio respectively.

For further details please visit:
https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12186&Mode=0

Operational Risk Management: Price / Yield range setting in e-Kuber (RBI/2022-23/163IDMD.No.S2800/08.02.032/2022-23 dated January 11, 2023)

The “Price / Yield range setting” facility provided on the e-Kuber platform is a risk management measure. This facility allows a market participant to define a range i.e., a maximum and a minimum value for bids they intend to submit in an auction. The range can be set in either price or yield terms, for each security in every auction, which can be set before the auction and can also be modified during the auction.

For further details please visit: https://rbi.org.in/Scripts/NotificationUser.aspx?Id=12436&Mode=0

Governance, Measurement and Management of Interest Rate Risk in Banking Book (Notification no. RBI/2022-23/180DOR.MRG.REC.102/00-00-009/2022-23 Dated February 17, 2023)

Interest Rate Risk in Banking Book (IRRBB) refers to the current or prospective risk to banks' capital and earnings arising from adverse movements in interest rates that affect its banking book positions. Excessive IRRBB can pose a significant risk to banks' current capital base and/or future earnings. These guidelines, accordingly, require banks to measure, monitor, and disclose their exposure to IRRBB. The final guidelines on Interest Rate Risk in Banking Book (IRRBB), in alignment with the revised framework issued by the Basel Committee on Banking Supervision (BCBS) on February 17, 2023.

For further details please visit:
https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12456&Mode=0

Lesson 21-Audits in Banks
(This lesson has been inserted in study material for information purposes only)

Risk Based Internal Audit (RBIA) Framework – Strengthening Governance arrangements (Notification No. RBI/2020-21/83 Ref. No.DoS.CO.PPG./SEC.04/11.01.005/2020-21 dated January07, 2021)

In terms of the Guidance Note on Risk-Based Internal Audit issued by RBI, banks, inter alia, are requiredto put in place a Risk Based Internal Audit (RBIA) system as part of their internal control framework that relies on a well-defined policy for internal audit, functional independence with sufficient standing and authority within the bank, effective channels of communication, adequate audit resources with sufficient professional competence, among others.

For further details please visit: *https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12011&Mode=0*

Risk-Based Internal Audit (RBIA) (Notification no. RBI/2020- 21/88Ref.No.DoS.CO.PPG./SEC.05/11.01. 005/2020-21 dated February 03, 2021)

Earlier Risk-Based Internal Audit (RBIA) system was mandated for all Scheduled Commercial Banks (except Regional Rural Banks) now it has been decided to mandate RBIA framework for:

(a) All deposit taking Non-Banking Financial Companies (NBFCs), irrespective of their size and all Non-deposit taking NBFCs (including Core Investment Companies) with asset size of Rs.5,000 crore and above; and

(b) Primary (Urban) Co-operative Banks (All UCBs having asset size of Rs.500 crore and above).

For more details: https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12018&Mode=0

Guidelines for Appointment of Statutory Central Auditors (SCAs)/Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs) (Notification no. RBI/2021-22/25Ref.No.DoS.CO.ARG/SEC.01/08.91.001/2021-22 dated April 27, 2021)

These guidelines will be applicable to the Commercial Banks (excluding RRBs), UCBs and NBFCs including HFCs for Financial Year 2021-22 and onwards in respect of appointment / reappointment of SCAs / SAs1 of the Entities. However, non-deposit taking NBFCs with asset size2 below ₹1,000 crore have the option to continue with their extant procedure. As RBI guidelines regarding appointment of SCAs / SAs shall be implemented for the first time for UCBs and NBFCs from FY 2021-22, they shall have the flexibility to adopt these guidelines from H2 (second half) of FY 2021-22 in order to ensure that there is no disruption.

For further details please visit:
https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12079&Mode=0

Risk Based Internal Audit (RBIA) (Notification no. RBI/2021-22/53DoS.CO.PPG.SEC/03 /11.01.005/ 2021-22 dated June 11, 2021)

It has been decided by the Reserve Bank of India that the provisions of the Risk Based Internal Audit (RBIA) circular dated February 03, 2021 shall be applicable to Housing Finance Companies (HFCs) also, as stipulated below:

a. All deposit taking HFCs, irrespective of their size
b. Non-deposit taking HFCs with asset size of ₹5,000 crore and above
The above-mentioned entities shall put in place a RBIA framework by June 30, 2022.

For further details please visit:
https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12112&Mode=0