**CERTIFICATE COURSE FOR SMALL FINANCE BANKS (SFBs)**

**RBI Notifications during the period 1st July 2019 to 31st December 2019**

**RBI/FIDD/2019-20/70 Master Direction FIDD.CO.Plan.BC No.08/04.09.01/2019-20 July 29, 2019
(Updated as on March 12, 2020)**

**The Chairman/Managing Director/ Chief Executive Officer [All Small Finance Banks)]**

**Master Direction – Priority Sector Lending – Small Finance Banks – Targets and Classification**

The Master Direction [enclosed](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11644&Mode=0#MD) incorporates the updated guidelines/ instructions/ circulars on the subject. The Direction will be updated from time to time as and when fresh instructions are issued. This Master Direction has been placed on the RBI website at [www.rbi.org.in.](https://www.rbi.org.in/)

2. A comprehensive set of guidelines for Small Finance banks in the form of compendium were published on our website on July 6, 2017. The guidelines issued under [Chapter II](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11644&Mode=0#CH2) of the compendium have been incorporated in this Master Direction. The list of circulars consolidated in this Master Direction is indicated in the [Appendix](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11644&Mode=0#APD).

**Master Direction - Reserve Bank of India - Priority Sector Lending –
Targets and Classification - Small Finance Banks - 2019**

In exercise of the powers conferred by Sections 21 and 35 A of the Banking Regulation Act, 1949, the Reserve Bank of India being satisfied that it is necessary and expedient in the public interest to do, hereby, issues the Directions hereinafter specified.

**CHAPTER – I
PRELIMINARY**

**1. Short Title and Commencement**

(a) These Directions shall be called the Reserve Bank of India (Priority Sector Lending – Targets and Classification) Directions, 2019.

(b) These Directions shall come into effect on the day they are placed on the official website of the Reserve Bank of India.

**2. Applicability**

The provisions of these Directions shall apply to every Small Finance Banks (SFB) licensed to operate in India by the Reserve Bank of India.

**3. Definitions/ Clarifications**

(a) In these Directions, unless the context otherwise requires, the terms herein shall bear the meanings assigned to them below:

1. Contingent liabilities/off-balance sheet items do not form part of priority sector target achievement.
2. The term “all-inclusive interest” includes interest (effective annual interest), processing fees and service charges.

(b) Banks should ensure that loans extended under priority sector are for approved purposes and the end use is continuously monitored. The banks should put in place proper internal controls and systems in this regard.

(c) All other expressions unless defined herein shall have the same meaning as have been assigned to them under the Banking Regulation Act or the Reserve Bank of India Act, or any statutory modification or re-enactment thereto or as used in commercial parlance, as the case may be.

**CHAPTER - II
CATEGORIES AND TARGETS UNDER PRIORITY SECTOR**

**4. The categories under priority sector are as follows:**

1. [Agriculture](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11644&Mode=0#CT1)
2. [Micro, Small and Medium Enterprises](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11644&Mode=0#CT2)
3. [Export Credit](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11644&Mode=0#CT3)
4. [Education](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11644&Mode=0#CT4)
5. [Housing](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11644&Mode=0#CT5)
6. [Social Infrastructure](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11644&Mode=0#CT6)
7. [Renewable Energy](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11644&Mode=0#CT7)
8. [Others](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11644&Mode=0#CT8)

The details of eligible activities under the above categories are specified in [Chapter III](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11644&Mode=0#Ch3).

**5. Targets /Sub-targets for Priority sector**

(i) The targets and sub-targets set under priority sector lending for all small finance banks operating in India are as under:

|  |  |
| --- | --- |
| **Categories** | **Target** |
| **Total Priority Sector** | 75 per cent of Adjusted Net Bank Credit |
| **Agriculture** | 18 per cent of ANBC. Within the 18 per cent target for agriculture, a target of 8 percent of ANBC is prescribed for Small and Marginal Farmers.## |
| **Micro Enterprises** | 7.5 per cent of ANBC |
| **Advances to Weaker Sections** | 10 percent of ANBC |

The computation of priority sector targets/sub-targets achievement will be based on the total ANBC as on the corresponding date of the preceding year.

## Further, all Small Finance Banks are directed to ensure that the overall lending to non-corporate farmers does not fall below the system-wide average of the last three years achievement. The applicable system wide average for computing achievement under priority sector lending will be notified every year. For FY 2019-20, the applicable system wide average figure is 12.11 percent.

(ii) For the purpose of priority sector lending, ANBC denotes the outstanding Bank Credit in India [As prescribed in item No.VI of Form ‘A’ under Section 42 (2) of the RBI Act, 1934] minus bills rediscounted with RBI and other approved Financial Institutions plus permitted non-SLR bonds/debentures under Held to Maturity (HTM) category plus other investments eligible to be treated as part of priority sector lending (e.g. investments in securitised assets). The outstanding deposits under RIDF and other funds with NABARD, NHB, SIDBI and MUDRA Ltd. in lieu of non-achievement of priority sector lending targets/sub-targets will form part of ANBC. Advances extended in India against the incremental FCNR (B)/NRE deposits, qualifying for exemption from CRR/SLR requirements, as per the Reserve Bank’s [circulars DBOD.No.Ret.BC.36/12.01.001/2013-14 dated August 14, 2013](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=8309&Mode=0) read with [DBOD.No.Ret.BC.93/12.01.001/2013-14 dated January 31, 2014](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=8726&Mode=0)and DBOD mailbox clarification issued on February 6, 2014 will be excluded from the ANBC for computation of priority sector lending targets, till their repayment. The eligible amount for exemption on account of issuance of long-term bonds for infrastructure and affordable housing as per Reserve Bank’s [circular DBOD.BP.BC.No.25/08.12.014/2014-15 dated July 15, 2014](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=9103&Mode=0)will also be excluded from the ANBC for computation of priority sector lending targets.

(iii) **Computation of Adjusted Net Bank Credit (ANBC)**

|  |  |
| --- | --- |
| Bank Credit in India [As prescribed in item No.VI of Form `A’ under Section 42(2) of the RBI Act, 1934] | I |
| Bills Rediscounted with RBI and other approved Financial Institutions | II |
| Net Bank Credit (NBC)\* | III(I-II) |
| Bonds/debentures in Non-SLR categories under HTM category+ other investments eligible to be treated as priority sector + Outstanding Deposits under RIDF and other eligible funds with NABARD, NHB, SIDBI and MUDRA Ltd on account of priority sector shortfall + outstanding PSLCs | IV |
| Eligible amount for exemptions on issuance of long-term bonds for infrastructure and affordable housing as per [circular DBOD.BP.BC.No.25/08.12.014/2014-15 dated July 15, 2014](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=9103&Mode=0) | V |
| Eligible advances extended in India against the incremental FCNR(B)/NRE deposits, qualifying for exemption from CRR/SLR requirements | VI |
| ANBC | III+IV-(V+VI) |

\* For the purpose of priority sector computation only. Banks should not deduct / net any amount like provisions, accrued interest, etc. from NBC.

Banks may be further guided by Para 6.5 (ii to vii) of the Operating Guidelines for Small Finance Banks issued by Department of Banking Regulation ([RBI/2016-17/81 DBR.NBD. No.26/16.13.218/2016-17 dated October 06, 2016](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=10636&Mode=0)) for computation of ANBC.

In case banks are subtracting prudential write off at Corporate/Head Office level while reporting Bank Credit as above, it must be ensured that bank credit to priority sector and all other sub-sectors so written off is also subtracted, category-wise, from priority sector and sub-target achievement.

All types of loans, investments or any other items which are treated as eligible for classification under priority sector target/sub-target achievement should also form part of Adjusted Net Bank Credit.

**CHAPTER - III
DESCRIPTION OF ELIGIBLE CATEGORIES UNDER PRIORITY SECTOR**

**6. Agriculture**

The lending to agriculture sector has been defined to include (i) Farm Credit (which will include short-term crop loans and medium/long-term credit to farmers) (ii) Agriculture Infrastructure and (iii) Ancillary Activities. A list of eligible activities under the three sub-categories is indicated below:

**6.1 Farm credit**

A. Loans to individual farmers [including Self Help Groups (SHGs) or Joint Liability Groups (JLGs), i.e. groups of individual farmers, provided banks maintain disaggregated data of such loans] and Proprietorship firms of farmers, directly engaged in Agriculture and Allied Activities, viz., dairy, fishery, animal husbandry, poultry, bee-keeping and sericulture. This will include:

1. Crop loans to farmers, which will include traditional/non-traditional plantations and horticulture, and, loans for allied activities.
2. Medium and long-term loans to farmers for agriculture and allied activities (e.g. purchase of agricultural implements and machinery, loans for irrigation and other developmental activities undertaken in the farm, and developmental loans for allied activities.)
3. Loans to farmers for pre and post-harvest activities, viz., spraying, weeding, harvesting, sorting, grading and transporting of their own farm produce.
4. Loans to farmers up to ₹50 lakh against pledge/hypothecation of agricultural produce (including warehouse receipts) for a period not exceeding 12 months.
5. Loans to distressed farmers indebted to non-institutional lenders.
6. Loans to farmers under the Kisan Credit Card Scheme.
7. Loans to small and marginal farmers for purchase of land for agricultural purposes.

B. Loans to corporate farmers, farmers’ producer organizations/companies of individual farmers, partnership firms and co-operatives of farmers directly engaged in Agriculture and Allied Activities, viz. diary, fishery, animal husbandry, poultry, bee-keeping and sericulture up to an aggregate limit of ₹2 crore per borrower. This will include:

1. Crop loans to farmers which will include traditional/non-traditional plantations and horticulture, and, loans for allied activities.
2. Medium and long-term loans to farmers for agriculture and allied activities (e.g. purchase of agricultural implements and machinery, loans for irrigation and other developmental activities undertaken in the farm, and developmental loans for allied activities.)
3. Loans to farmers for pre and post-harvest activities, viz., spraying, weeding, harvesting, sorting, grading and transporting of their own farm produce.
4. Loans up to ₹50 lakh against pledge/hypothecation of agricultural produce (including warehouse receipts) for a period not exceeding 12 months.

**6.2 Agriculture infrastructure**

1. Loans for construction of storage facilities (warehouse, market yards, godowns and silos) including cold storage units/cold storage chains designed to store agriculture produce/products, irrespective of their location.
2. Soil conservation and watershed development
3. Plant tissue culture and agri-biotechnology, seed production, production of bio-pesticides, bio-fertilizer, and vermi composting.

For the above loans, an aggregate sanctioned limit of ₹100 crore per borrower from the banking system, will apply.

**6.3 Ancillary activities**

1. Loans up to ₹5 crore to co-operative societies of farmers for disposing of the produce of members.
2. Loans for setting up of Agriclinics and Agribusiness Centres.
3. Loans for Food and Agro-processing up to an aggregate sanctioned limit of ₹100 crore per borrower from the banking system.
4. Loans to Custom Service Units managed by individuals, institutions or organizations who maintain a fleet of tractors, bulldozers, well-boring equipment, threshers, combines, etc., and undertake farm work for farmers on contract basis.
5. Outstanding deposits under RIDF and other eligible funds with NABARD on account of priority sector shortfall.

For the purpose of computation of achievement of the sub-target, Small and Marginal Farmers will include the following: -

* Farmers with landholding of up to 1 hectare (Marginal Farmers). Farmers with a landholding of more than 1 hectare and up to 2 hectares (Small Farmers).
* Landless agricultural labourers, tenant farmers, oral lessees and share-croppers, whose share of landholding is within the limits prescribed for small and marginal farmers.
* Loans to Self Help Groups (SHGs) or Joint Liability Groups (JLGs), i.e. groups of individual Small and Marginal farmers directly engaged in Agriculture and Allied Activities, provided banks maintain disaggregated data of such loans.
* Loans to farmers' producer companies of individual farmers, and co-operatives of farmers directly engaged in Agriculture and Allied Activities, where the membership of Small and Marginal Farmers is not less than 75 per cent by number and whose land-holding share is also not less than 75 per cent of the total land-holding.

**7. Micro, Small and Medium Enterprises (MSMEs)**

**7.1. Limits for investment in plant and machinery/ equipment:** The limits for investment in plant and machinery/equipment for manufacturing / service enterprise, as notified by Ministry of Micro, Small and Medium Enterprises, vide S.O.1642(E) dated September 9, 2006 are as under: -

|  |
| --- |
| **Manufacturing Sector** |
| **Enterprises** | **Investment in plant and machinery** |
| Micro Enterprises | Does not exceed twenty-five lakh rupees |
| Small Enterprises | More than twenty-five lakh rupees but does not exceed five crore rupees |
| Medium Enterprises | More than five crore rupees but does not exceed ten crore rupees |
| **Service Sector** |   |
| **Enterprises** | **Investment in equipment** |
| Micro Enterprises | Does not exceed ten lakh rupees |
| Small Enterprises | More than ten lakh rupees but does not exceed two crore rupees |
| Medium Enterprises | More than two crore rupees but does not exceed five crore rupees |

Bank loans to Micro, Small and Medium Enterprises, for both manufacturing and service sectors are eligible to be classified under the priority sector as per the following norms:

**7.2. Manufacturing Enterprises**

The Micro, Small and Medium Enterprises engaged in the manufacture or production of goods to any industry specified in the first schedule to the Industries (Development and Regulation) Act, 1951 and as notified by the Government from time to time. The Manufacturing Enterprises are defined in terms of investment in plant and machinery.

**7.3. Service Enterprises**

All bank loans to MSMEs, engaged in providing or rendering of services as defined in terms of investment in equipment under MSMED Act, 2006, shall qualify under priority sector without any credit cap.

**7.4. Factoring Transactions**

(i) Factoring transactions on ‘with recourse’ basis by banks which carry out the business of factoring departmentally, wherever the ‘assignor’ is a Micro, Small or Medium Enterprise, subject to the corresponding limits for investment in plant and machinery/ equipment and other extant guidelines for priority sector classification. Such outstanding factoring portfolios may be classified by banks under MSME category on the reporting dates.

(ii) In terms of paragraph 9 of the Department of Banking Regulation [Circular DBR.No. FSD.BC.32/24.01.007/2015-16 dated July 30, 2015](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=9965&Mode=0) on ‘Provision of Factoring Services by Banks- Review’, inter-alia, the borrower’s bank shall obtain from the borrower, periodical certificates regarding factored receivables to avoid double financing/ counting. Further, the ‘factors’ must intimate the limits sanctioned to the borrower and details of debts factored to the banks concerned, taking responsibility to avoid double financing.

(iii) Factoring transactions taking place through the Trade Receivables Discounting System (TReDS) shall also be eligible for classification under priority sector upon operationalization of the platform.

**7.5. Khadi and Village Industries Sector (KVI)**

All loans to units in the KVI sector will be eligible for classification under the sub-target of 7.5 percent prescribed for Micro Enterprises under priority sector.

**7.6. Other Finance to MSMEs**

(i) Loans to entities involved in assisting the decentralized sector in the supply of inputs to and marketing of outputs of artisans, village and cottage industries.

(ii) Loans to co-operatives of producers in the decentralized sector viz. artisans, village and cottage Industries.

(iii) Credit outstanding under General Credit Cards (including Artisan Credit Card, Laghu Udyami Card, Swarojgar Credit Card, and Weaver’s Card etc. in existence and catering to the non-farm entrepreneurial credit needs of individuals).

(iv) In terms of revised guidelines issued by Department of Financial Services, Ministry of Finance, dated September 24, 2018, Overdraft limit to Pradhan Mantri Jan-Dhan Yojana (PMJDY) account holder has been raised to ₹10,000/-, age limit of 18-60 years has been revised to 18-65 years provided the borrower’s household annual income does not exceed ₹100,000/- for rural areas and ₹1,60,000/- for non-rural areas and there will not be any conditions attached for overdraft up to ₹2,000/-. These overdrafts will qualify as achievement of the target for lending to Micro Enterprises.

(v) Outstanding deposits with SIDBI and MUDRA Ltd. on account of priority sector shortfall.

**7.7.** To ensure that MSMEs do not remain small and medium units merely to remain eligible for priority sector status, the MSME units will continue to enjoy the priority sector lending status up to three years after they grow out of the MSME category concerned.

**8. Export Credit**

During the first financial year of operation, Export Credit subject to a limit of up to ₹ 40 crore per borrower will be classified as priority sector. However, for subsequent financial years only incremental export credit over corresponding date of the preceding year, up to 2 per cent of ANBC shall be treated as priority sector.

Export credit includes pre-shipment and post-shipment export credit (excluding off-balance sheet items) as defined in Master Circular on Rupee / Foreign Currency Export Credit and Customer Service to Exporters issued by our Department of Banking Regulation.

**9. Education**

Loans to individuals for educational purposes including vocational courses upto ₹10 lakh irrespective of the sanctioned amount will be considered as eligible for priority sector.

**10. Housing**

**10.1** Loans to individuals up to ₹35 lakh in metropolitan centres (with population of ten lakh and above) and loans up to ₹25 lakh in other centres for purchase/construction of a dwelling unit per family provided the overall cost of the dwelling unit in the metropolitan centre and at other centres does not exceed ₹45 lakh and ₹30 lakh, respectively. The housing loans to banks’ own employees will be excluded. As housing loans which are backed by long term bonds are exempted from ANBC, banks should either include such housing loans to individuals up to ₹35 lakh in metropolitan centres and ₹25 lakh in other centres under priority sector or take benefit of exemption from ANBC, but not both.

**10.2** Loans for repairs to damaged dwelling units of families up to ₹5 lakh in metropolitan centres and upto ₹2 lakh in other centres.

**10.3** Bank loans to any governmental agency for construction of dwelling units or for slum clearance and rehabilitation of slum dwellers subject to a ceiling of ₹10 lakh per dwelling unit.

**10.4** The loans sanctioned by banks for housing projects exclusively for the purpose of construction of houses for Economically Weaker Sections (EWS) and Low Income Groups (LIG), the total cost of which does not exceed ₹10 lakh per dwelling unit. For the purpose of identifying the economically weaker sections and low-income groups, the family income limit is revised to ₹3 lakh per annum for EWS and ₹6 lakh per annum for LIG, in alignment with the income criteria specified under the Pradhan Mantri Awas Yojana.

**10.5** Outstanding deposits with NHB on account of priority sector shortfall.

**11. Social infrastructure**

Bank loans up to a limit of ₹5 crore per borrower for building social infrastructure for activities namely schools, health care facilities, drinking water facilities and sanitation facilities including construction/ refurbishment of household toilets and household level water improvements in Tier II to Tier VI centres.

**12. Renewable Energy**

Bank loans up to a limit of ₹15 crore to borrowers for purposes like solar based power generators, biomass-based power generators, wind mills, micro-hydel plants and for non-conventional energy based public utilities viz. street lighting systems, and remote village electrification. For individual households, the loan limit will be ₹10 lakh per borrower.

**13. Others**

**13.1.** Loans not exceeding ₹50,000/- per borrower provided directly by banks to individuals and their SHG/JLG, provided the individual borrower’s household annual income in rural areas does not exceed ₹1 lakh and for non-rural areas it does not exceed ₹1.6 lakh.

**13.2.** Loans to distressed persons [other than farmers included under paragraph 6(6.1)(A)(v)] not exceeding ₹1 lakh per borrower to prepay their debt to non-institutional lenders.

**13.3.** Loans sanctioned to State Sponsored Organisations for Scheduled Castes/ Scheduled Tribes for the specific purpose of purchase and supply of inputs and/or the marketing of the outputs of the beneficiaries of these organisations.

**14. Weaker Sections**

Priority sector loans to the following borrowers will be considered under Weaker Sections category: -

1. Small and marginal farmers
2. Artisans, village and cottage industries where individual credit limits do not exceed ₹1 lakh
3. Beneficiaries under Government Sponsored Schemes such as National Rural Livelihood Mission (NRLM), National Urban Livelihood Mission (NULM) and Self Employment Scheme for Rehabilitation of Manual Scavengers (SRMS)
4. Scheduled Castes and Scheduled Tribes
5. Beneficiaries of Differential Rate of Interest (DRI) scheme
6. Self Help Groups
7. Distressed farmers indebted to non-institutional lenders
8. Distressed persons other than farmers, with loan amount not exceeding ₹1 lakh per borrower to prepay their debt to non-institutional lenders
9. Individual women beneficiaries up to ₹1 lakh per borrower
10. Persons with disabilities
11. Overdraft limit to PMJDY account holder up to ₹10,000/- with age limit of 18-65 years.
12. Minority communities as may be notified by Government of India from time to time.

In States, where one of the minority communities notified is, in fact, in majority, item (xii) will cover only the other notified minorities. These States/ Union Territories are Jammu & Kashmir, Punjab, Meghalaya, Mizoram, Nagaland and Lakshadweep.

**CHAPTER IV
MISCELLANEOUS**

**15. Investments by banks in securitised assets**

**15.1** Investments by banks in securitised assets, representing loans to various categories of priority sector, except 'others' category, subject to terms and conditions specified in Para 1.9 of the Operating Guidelines for SFBs issued by DBR vide their [circular No. DBR.NDB.No.26/16.13.218/2016-17 dated October 6, 2016](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=10636&Mode=0), are eligible for classification under respective categories of priority sector depending on the underlying assets provided:

(a) the assets originated by banks and financial institutions are eligible to be classified as priority sector advances prior to securitisation and fulfil the Reserve Bank of India guidelines on securitisation.

(b) the all-inclusive interest charged to the ultimate borrower by the originating entity should not exceed the MCLR of the investing bank plus 8 percent per annum.

**15.2** The investments in securitised assets originated by MFIs, which comply with the following guidelines are exempted from this interest cap as there are separate caps on margin and interest rate as under:

i. Margin cap: The margin cap should not exceed 10 percent for MFIs having loan portfolio exceeding ₹100 crore and 12 percent for others. The interest cost is to be calculated on average fortnightly balances of outstanding borrowings and interest income is to be calculated on average fortnightly balances of outstanding loan portfolio of qualifying assets.

A “qualifying asset” shall mean a loan disbursed by MFI, which satisfies the following criteria:

1. The loan is to be extended to a borrower whose household annual income in rural areas does not exceed ₹1.25 lakh while for non-rural areas it should not exceed ₹2 lakhs.
2. Loan does not exceed ₹75,000/- in the first cycle and ₹1.25 lakh in the subsequent cycles.
3. Total indebtedness of the borrower does not exceed ₹1.25 lakh. Education and Medical expenses will be excluded while arriving at the total indebtedness of a borrower.
4. Tenure of loan is not less than 24 months when loan amount exceeds ₹30,000/- with right to borrower of prepayment without penalty.
5. The loan is without collateral.
6. Loan is repayable by weekly, fortnightly or monthly installments at the choice of the borrower.

ii. Interest cap on individual loans: With effect from April 1, 2014, interest rate on individual loans will be the average Base Rate of five largest commercial banks by assets multiplied by 2.75 per annum or cost of funds plus margin cap, whichever is less. The average of the Base Rate shall be advised by Reserve Bank of India.

iii. Only three components are to be included in pricing of loans viz., (a) a processing fee not exceeding 1 percent of the gross loan amount, (b) the interest charge and (c) the insurance premium.

iv. The processing fee is not to be included in the margin cap or the interest cap

v. Only the actual cost of insurance i.e. actual cost of group insurance for life, health and livestock for borrower and spouse can be recovered; administrative charges may be recovered as per IRDA guidelines.

vi. There should not be any penalty for delayed payment.

vii. No Security Deposit/ Margin is to be taken.

**15.3** Investments made by banks in securitised assets originated by NBFCs, where the underlying assets are loans against gold jewellery, are not eligible for priority sector status.

**16. Transfer of Assets through Direct Assignment /Outright purchases**

(i) Assignments/Outright purchases of pool of assets by banks representing loans under various categories of priority sector, except the 'others' category, subject to terms and conditions specified in para 1.9 of the Operating Guidelines for SFBs issued by DBR vide circular No. DBR.NBD.No.26/16.13.218/2016-17 dated October 6, 2016 will be eligible for classification under respective categories of priority sector provided:

(a) the assets originated by banks and financial institutions are eligible to be classified as priority sector advances prior to the purchase and fulfil the Reserve Bank of India guidelines on outright purchase/assignment.

(b) the eligible loan assets so purchased should not be disposed of other than by way of repayment.

(c) the all-inclusive interest charged to the ultimate borrower by the originating entity should not exceed the MCLR of the purchasing bank plus 8 percent per annum.

The Assignments/Outright purchases of eligible priority sector loans from MFIs, are exempted from this interest rate cap as there are separate caps on margin and interest rate. as mentioned in Paragraph 15 (b) (i to vii)

(ii) When the banks undertake outright purchase of loan assets from banks/ financial institutions to be classified under priority sector, they must report the nominal amount actually disbursed to end priority sector borrowers and not the premium embedded amount paid to the sellers.

(iii) Purchase/ assignment/investment transactions undertaken by banks with NBFCs, where the underlying assets are loans against gold jewellery, are not eligible for priority sector status.

**17. Inter Bank Participation Certificates**

Inter Bank Participation Certificates (IBPCs) bought by banks, on a risk sharing basis, are eligible for classification under respective categories of priority sector, provided the underlying assets are eligible to be categorized under the respective categories of priority sector and the banks fulfil the Reserve Bank of India guidelines on IBPCs and terms and conditions specified in Para 1.9 of the `Operating Guidelines for SFBs’ issued by DBR, vide [circular No. DBR.NBD.NO.26/16.13.218/2016-17 dated October 6, 2016](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=10636&Mode=0) on `Credit risk transfer and portfolio sales/purchases’

With regard to the underlying assets of the IBPC transactions being eligible for categorization under ‘Export Credit’ as per Para 8, the IBPC bought by banks, on a risk sharing basis, may be classified from purchasing bank’s perspective for priority sector categorization. However, in such a scenario, the issuing bank shall certify that the underlying asset is ‘Export Credit’, in addition to the due diligence required to be undertaken by the issuing and the purchasing bank as per the guidelines in this regard.

**18. Priority Sector Lending Certificates**

The outstanding priority sector lending certificates bought by banks will be eligible for classification under respective categories of priority sector provided the assets are originated by banks, are eligible to be classified as priority sector advances and fulfil the Reserve Bank of India guidelines on Priority Sector Lending Certificates issued vide [Circular FIDD.CO.Plan.BC.23/04.09.001/2015-16 dated April 7, 2016](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=10339&Mode=0) and terms and conditions specified in Para 1.9 of [DBR circular No. DBR.NBD.26/16.13.218/2016-17 dated October 6, 2016](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=10636&Mode=0)on credit risk transfer and portfolio sales/purchases.

**19. Monitoring of Priority Sector Lending targets**

To ensure continuous flow of credit to priority sector, the compliance of banks will be monitored on ‘quarterly’ basis. The data on priority sector advances must be furnished by banks at [quarterly](http://rbidocs.rbi.org.in/rdocs/content/docs/QF01082019_AN.xls) and [annual](http://rbidocs.rbi.org.in/rdocs/content/docs/ANNF01082019_AN.xls) intervals as per the enclosed reporting formats.

**20. Non-achievement of Priority Sector targets**

20.1 Small Finance Banks having any shortfall in lending to priority sector shall be allocated amounts for contribution to the Rural Infrastructure Development Fund (RIDF) established with NABARD and other Funds with NABARD/NHB/SIDBI/ MUDRA Ltd., as decided by the Reserve Bank from time to time. The achievement will be arrived at the end of financial year based on the average of priority sector target /sub-target achievement as at the end of each quarter.

20.2 While computing priority sector target achievement, shortfall / excess lending for each quarter will be monitored separately. A simple average of all quarters will be arrived at and considered for computation of overall shortfall / excess at the end of the year. The same method will be followed for calculating the achievement of priority sector sub-targets. (Illustrative example given in [Annex](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11644&Mode=0#ANX))

20.3 The interest rates on banks’ contribution to RIDF or any other Funds, tenure of deposits, etc. shall be fixed by Reserve Bank of India from time to time.

20.4 The misclassifications reported by the Reserve Bank’s Department of Banking Supervision would be adjusted/ reduced from the achievement of that year, to which the amount of declassification/ misclassification pertains, for allocation to various funds in subsequent years.

20.5 Non-achievement of priority sector targets and sub-targets will be taken into account while granting regulatory clearances/approvals for various purposes.

**21. Common guidelines for priority sector loans**

Small Finance Banks should comply with the following common guidelines for all categories of advances under the priority sector.

**(i) Rate of interest**

The rates of interest on bank loans will be as per directives issued by our Department of Banking Regulation from time to time.

**(ii) Service charges**

No loan related and adhoc service charges/inspection charges should be levied on priority sector loans up to ₹25,000. In the case of eligible priority sector loans to SHGs/ JLGs, this limit will be applicable per member and not to the group as a whole.

**(iii) Receipt, Sanction/Rejection/Disbursement Register**

A register/ electronic record should be maintained by the bank, wherein the date of receipt, sanction/rejection/disbursement with reasons thereof, etc., should be recorded. The register/electronic record should be made available to all inspecting agencies.

**(iv) Issue of Acknowledgement of Loan Applications**

Banks should provide acknowledgement for loan applications received under priority sector loans. Bank Boards should prescribe a time limit within which the bank communicates its decision in writing to the applicants.

**RBI/2019-20/43 DBR.IBD.BC.No.13/23.67.001/2019-20 August 16, 2019**

All Scheduled Commercial Banks (excluding Regional Rural Banks)

**Gold Monetisation Scheme, 2015**

In exercise of the powers conferred on the Reserve Bank of India under Section 35A of the Banking Regulation Act, 1949, the RBI makes the following amendments in the Reserve Bank of India (Gold Monetization Scheme, 2015) [Master Direction No.DBR.IBD.No.45/23.67.003/2015-16 dated October 22, 2015](https://www.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=10084), with immediate effect.

1. The existing sub-paragraph 2.1.1 (v) shall be amended to read as follows:

“All deposits under the scheme shall be made at the CPTC.

Provided that, at their discretion, banks may accept the deposit of gold at the designated branches, especially from the larger depositors. Banks may identify at least one branch in a State/Union Territory where they have presence to accept the deposits under the Scheme.

Provided further that banks may, at their discretion, also allow the depositors to deposit their gold directly with the refiners that have facilities to carry out final assaying and to issue the deposit receipts of the standard gold of 995 fineness to the depositor.”

2. The new sub-paragraph 2.1.1 (xii) shall be inserted to read as follows:

“All designated banks shall give adequate publicity to the Scheme through their branches, websites and other channels.”

3. The Reserve Bank of India [Master Direction No.DBR.IBD.No.45/23.67.003/2015-16 dated October 22, 2015](https://www.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=10084) on Gold Monetization Scheme, 2015 has been updated incorporating the above changes.

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**RBI/2019-20/29 DBR.Dir.BC.No.08/13.03.00/2019-20 August 02, 2019**

All Scheduled Commercial Banks (Excluding RRBs) /All Small Finance Banks/ All Local Area Banks

**Levy of Foreclosure Charges /Pre-payment Penalty on Floating Rate Term Loans**

Please refer to our [circulars DBOD.No.Dir.BC.107/13.03.00/2011-12 dated June 5, 2012](https://rbi.org.in/Scripts/NotificationUser.aspx?Id=7258&Mode=0) and [DBOD.Dir.BC.No.110/13.03.00/2013-14 dated May 7, 2014](https://rbi.org.in/Scripts/NotificationUser.aspx?Id=8868&Mode=0), in terms of which banks are not permitted to charge foreclosure charges / pre-payment penalties on home loans / all floating rate term loans sanctioned to individual borrowers.

2. In this connection, it is clarified that banks shall not charge foreclosure charges/ pre-payment penalties on any floating rate term loan sanctioned, for purposes other than business, to individual borrowers with or without co-obligant(s).

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**RBI/2019-20/53 DBR.DIR.BC.No.14/13.03.00/2019-20 September 04, 2019**

All Scheduled Commercial Banks (excluding RRBs)/ All Small Finance Banks/ All Local Area Banks

**External Benchmark Based Lending**

As you are aware, Reserve Bank had constituted an Internal Study Group (ISG) to examine various aspects of the marginal cost of funds-based lending rate (MCLR) system. The final report of the ISG was published in [October 2017](https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=41863) for public feedback. The ISG observed that internal benchmarks such as the Base rate/MCLR have not delivered effective transmission of monetary policy. The Study Group had, therefore, recommended a switchover to an external benchmark in a time-bound manner.

2. As a step in that direction, it was announced in the fifth bi-monthly Monetary Policy Statement for 2018-19 under [‘Statement on Developmental and Regulatory Policies’ dated December 05, 2018](https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=45658), that all new floating rate personal or retail loans and floating rate loans to Micro and Small Enterprises extended by banks from April 1, 2019 shall be linked to external benchmarks. Subsequently, it was announced in the first bi-monthly Monetary Policy Statement for 2019-20 under [‘Statement on Developmental and Regulatory Policies’ dated April 04, 2019](https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=46724) to hold further consultations with stakeholders and work out an effective mechanism for transmission of rates. Based on the consultations with stakeholders, it has now been decided to link all new floating rate personal or retail loans (housing, auto, etc.) and floating rate loans to Micro and Small Enterprises extended by banks with effect from October 01, 2019 to external benchmarks.

3. Accordingly, RBI instructions contained in Master Direction on Interest Rate on Advances issued vide [DBR.Dir.No.85/13.03.00/2015-16 dated March 03, 2016](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=10295&Mode=0) are amended as under:

3.1 The existing paragraph No. 7 of the aforesaid Master Direction stands replaced as under:

(a) All new floating rate personal or retail loans (housing, auto, etc.) and floating rate loans to Micro and Small Enterprises extended by banks from October 01, 2019 shall be benchmarked to one of the following:

 - Reserve Bank of India policy repo rate

 - Government of India 3-Months Treasury Bill yield published by the Financial Benchmarks India Private Ltd (FBIL)

- Government of India 6-Months Treasury Bill yield published by the FBIL

- Any other benchmark market interest rate published by the FBIL.

(b) Banks are free to offer such external benchmark linked loans to other types of borrowers as well.

(c) In order to ensure transparency, standardisation, and ease of understanding of loan products by borrowers, a bank must adopt a uniform external benchmark within a loan category; in other words, the adoption of multiple benchmarks by the same bank is not allowed within a loan category.

3.2 A new paragraph No.8(e) is added to the aforesaid Master Direction as given below:

**Spread under External Benchmark**

Banks are free to decide the spread over the external benchmark. However, credit risk premium may undergo change only when borrower’s credit assessment undergoes a substantial change, as agreed upon in the loan contract. Further, other components of spread including operating cost could be altered once in three years.

3.3 A new paragraph No. 9(ii) is added to the aforesaid Master Direction as given below:

**Reset of Interest Rates under External Benchmark**

The interest rate under external benchmark shall be reset at least once in three months.

3.4 A new paragraph No. 11(ii) is added to the aforesaid Master Direction as given below:

**Transition to External Benchmark from MCLR/Base Rate/BPLR**

Existing loans and credit limits linked to the MCLR/Base Rate/BPLR shall continue till repayment or renewal, as the case may be.

**Provided** that floating rate term loans sanctioned to borrowers who, in terms of extant guidelines, are eligible to prepay a floating rate loan without pre-payment charges, shall be eligible for switchover to External Benchmark without any charges/fees, except reasonable administrative/ legal costs. The final rate charged to this category of borrowers, post switchover to external benchmark, shall be same as the rate charged for a new loan of the same category, type, tenor and amount, at the time of origination of the loan.

**Provided** that other existing borrowers shall have the option to move to External Benchmark at mutually acceptable terms.

**Provided** that the switch-over shall not be treated as a foreclosure of existing facility.

4. The existing paragraph No. 2 of the aforesaid Master Direction is applicable for Small Finance Banks and Local Area Banks and the para is amended accordingly.

5. The existing paragraph No. 3(a)(iv) of the aforesaid Master Direction stands amended as under:

External benchmark rate means the reference rate which includes:

1. Reserve Bank of India policy Repo Rate
2. Government of India 3-Months and 6-Months Treasury Bill yields published by Financial Benchmarks India Private Ltd (FBIL)
3. Any other benchmark market interest rate published by FBIL.

6. Some of the sub-paragraphs of para 4(a) of the aforesaid Master Direction stands amended as given hereunder:

(ii) All floating rate loans, except those mentioned in Section 13, shall be priced with reference to the benchmark indicated in chapter III.

(iv) When the floating rate advances are linked to an internal benchmark rate, banks shall determine their actual lending rates by adding the components of spread to the internal benchmark rate.

(vi) Interest rates on fixed rate loans of tenor below 3 years shall not be less than the benchmark rate for similar tenor and shall be as per directions contained in Section 13(d)(v).

7. A new paragraph No. 4(a)(xi) is added to the aforesaid Master Direction as indicated below:

There shall be no lending below the benchmark rate for a particular maturity for all loans linked to that benchmark.

8. The existing paragraph No. 6(a)(i) of the aforesaid Master Direction stands amended as under:

All floating rate rupee loans sanctioned and renewed between July 1, 2010 and March 31, 2016 shall be priced with reference to the Base Rate which will be the internal benchmark for such purposes.

9. The existing paragraph No. 6(b)(i) of the aforesaid Master Direction stands amended as under:

All floating rate rupee loans sanctioned and renewed w.e.f. April 1, 2016 shall be priced with reference to the Marginal Cost of Funds based Lending Rate (MCLR) which will be the internal benchmark for such purposes subject to the provisions contained in paragraph 7 of this Master Direction.

10. A new paragraph No. 9 (i)(d) is added to the aforesaid Master Direction as indicated below:

The periodicity of the reset under MCLR shall correspond to the tenor/maturity of the MCLR to which the loan is linked.

11. The following part of the sub-paragraphs (a), (b), (c) of para 13 of the aforesaid Master Direction as indicated hereunder stands deleted:

“shall be exempted from being linked to Base rate/MCLR as the benchmark for determining interest rate’’

12. The following part of the paragraph 13(d) of the aforesaid Master Direction as indicated hereunder stands deleted:

“shall be priced without being linked to Base rate/MCLR as the benchmark for determining interest rate’’

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**RBI/2019-20/37 DBR.AML.BC.No.11/14.01.001/2019-20 August 9, 2019**

The Chairpersons/ CEOs of all the Regulated Entities

**Amendment to Master Direction (MD) on KYC**

Government of India, vide Gazette Notification G.S.R. 381(E) dated May 28, 2019, has notified amendment to the Prevention of Money-laundering (Maintenance of Records) Rules, 2005.

2. The change carried out in the Master Direction in accordance with the aforementioned amendment to the PML Rules is as under:

* A proviso has been added to condition (b) of Section 23 of the Master Direction to the effect that, where the individual is a prisoner in a jail, the signature or thumb print shall be affixed in presence of the officer in-charge of the jail and the said officer shall certify the same under his signature and the account shall remain operational on annual submission of certificate of proof of address issued by the officer in-charge of the jail.

3. The [Master Direction on KYC dated February 25, 2016](https://www.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=11566), is hereby updated to reflect the change effected by the above amendment and shall come into force with immediate effect.

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**RBI/2019-20/66 FIDD.CO.Plan.BC.12/04.09.01/2019-20 September 20, 2019**

The Chairman/Managing Director & CEOs All SCBs including SFBs (Excluding Regional Rural Banks)

**Priority Sector Lending (PSL) – Classification of Exports under priority Sector**

In order to boost credit to export sector, it has been decided to effect following changes in para 8 of the [“Master Direction on Priority Sector Lending-targets and Classification” dated July 7, 2016 (updated as on December 4, 2018)](https://www.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=10497) pertaining to export credit.

1. Enhance the sanctioned limit, for classification of export credit under PSL, from ₹ 250 million per borrower to ₹ 400 million per borrower.
2. Remove the existing criteria of ‘units having turnover of up to ₹ 1 billion’

2. The existing guidelines for domestic scheduled commercial banks to classify ‘Incremental export credit over corresponding date of the preceding year, upto 2 per cent of ANBC or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher’ under PSL will continue to be applicable subject to the criteria mentioned at (i) above.

3. There is no change in the present instructions in respect of foreign banks.

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**RBI/2019-20/130 DoS.CO/CSITE/BC.4084/31.01.015/2019-20 December 31, 2019**

The Chairman / Managing Director / Chief Executive Officer All Scheduled Commercial Banks (excluding Regional Rural Banks)/ All Small Finance Banks and Payments Banks/ All Primary (Urban) Co-operative Banks/ All Local Area Banks and White-Label ATM Operators

**Cyber Security controls for Third party ATM Switch Application Service Providers**

Please refer to para I (8) of the Statement on Developmental and Regulatory policies of the Fifth Bi-monthly Monetary Policy Statement for 2019-20 dated December 5, 2019 ([extract enclosed](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11773&Mode=0#E1)).

2. It is observed that a number of RBI Regulated Entities (RREs) manage their ATM Switch ecosystem through shared services of third party ATM Switch Application Service Providers (ASPs). Since these service providers also have exposure to the payment system landscape, it is felt that some cyber security controls are required to be put in place by them. In view of this, the RREs shall ensure that the contract agreement signed between them and the third party ATM Switch ASP shall necessarily mandate the third party ATM Switch ASP to comply with the cyber security controls given in the [Annex](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11773&Mode=0#AN) on an ongoing basis and to provide access to the RBI for on-site/off-site supervision. To this effect, the contract agreements shall be amended at the earliest or at the time of renewal, in any case not later than March 31, 2020. The list of prescribed controls is indicative but not exhaustive. It may be mentioned that these controls are applicable to the ASPs limited to the IT ecosystem (such as physical infrastructure, hardware, software, reconciliation system, network interfaces, security solutions, hardware security module, middleware, associated people, processes, systems, data, information, etc.,) providing ATM switch services as well as any other type of payment system related services to the RREs.

3. The regulatory instructions issued from time to time in terms of circulars/advisories/alerts, as applicable to the ATM switch ecosystem shall be shared with the ASPs for necessary compliance.

<https://rbidocs.rbi.org.in/rdocs/notification/PDFs/NT13060CC89309DEC4BFB8B7CBC33FAA05FE5.PDF>

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**RBI/2019-20/51 DPSS.CO.PD.No.499/02.14.006/2019-20 August 30, 2019**

All Prepaid Payment Instrument Issuers

**Amendment to Master Direction on Issuance and Operation of Prepaid Payment Instruments (PPIs)**

Please refer to paragraph 9.1 (i) (i) of the Master Direction on Issuance and Operation of PPIs issued vide [DPSS.CO.PD.No.1164/02.14.006/2017-18 dated October 11, 2017 (PPI-MD)](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11142&Mode=0).

2. It is advised that the timeline for conversion of minimum detail PPIs to KYC compliant PPIs has been extended from 18 months to 24 months. The PPI-MD has been amended suitably. It may also be noted that no further extension will be granted for this purpose.

3. In view of the recent developments on e-KYC and digital-KYC, PPI issuers are advised to ensure compliance with the Direction within this extended period.

4. The directive is issued under Section 18 read with Section 10(2) of Payment and Settlement Systems Act, 2007 (Act 51 of 2007).

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**RBI/2019-20/50 DPSS.CO.PD.No.501/02.14.003/2019-20 August 29, 2019**

All Scheduled Commercial Banks including RRBs / Urban Co-operative Banks /State Co-operative Banks / District Central Co-operative Banks /All Authorised Card Networks

**Cash Withdrawal at Points-of-Sale (PoS) Devices**

A reference is invited to the [circulars DPSS.CO.PD.No.147/02.14.003/2009-10 dated July 22, 2009](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=5184&Mode=0), [DPSS.CO.PD.No.563/02.14.003/2013-14 dated September 5, 2013](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=8382&Mode=0) and [DPSS.CO.PD.No.449/02.14.003/2015-16 dated August 27, 2015](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=10004&Mode=0) on cash withdrawal at PoS devices enabled for all debit cards/open loop prepaid cards issued by banks. The instructions outlined therein, limit –

* cash withdrawal to ₹ 1000/- per day in Tier I and II centres and ₹ 2,000/- per day in Tier III to VI centres
* customer charges, if any, on such cash withdrawals to not more than 1% of the transaction amount.

2. It has come to our notice that the above have not been implemented in letter and spirit. The instructions issued in the above circulars are, therefore, reiterated with a view to provide for cash withdrawals at PoS by card-holders. To this end, banks may extend the facility of withdrawal of cash at any merchant establishment designated by them after a due diligence process.

3. Banks are also advised to submit data on cash withdrawals at PoS devices to the Chief General Manager, Department of Payment and Settlement Systems, Mumbai 400001, on quarterly basis within 15 days of the end of quarter as per the format enclosed to the [circular dated August 27, 2015](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=10004&Mode=0#an1); the data shall be forwarded to the email with effect from the quarter ending September 30, 2019.

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**RBI/2019-20/47 DPSS.CO.PD.No.447/02.14.003/2019-20 August 21, 2019**

The Chairman / Managing Director / Chief Executive Officer
All Scheduled Commercial Banks, including Regional Rural Banks / Urban Co-operative Banks / State Co-operative Banks / District Central Co-operative Banks / Payments Banks / Small Finance Banks /
Card Payment Networks / Prepaid Payment Instrument Issuers

**Processing of e-mandate on cards for recurring transactions**

The Reserve Bank of India (RBI) has, over the past decade, put in place various safety and security measures for card payments, including the requirement of Additional Factor of Authentication (AFA), especially for ‘card-not-present’ transactions. Recurring transactions based on standing instructions given to the merchants by the cardholders were brought within the ambit of AFA, vide [RBI’s circular DPSS.PD.CO.No.223/02.14.003/2011-2012 dated August 4, 2011](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=6657&Mode=0).

2. The RBI has been receiving requests from industry stakeholders to allow processing of e-mandate on cards for recurring transactions with AFA during e-mandate registration and first transaction, and simple / automatic subsequent successive transactions. Keeping in view the changing payment needs and the requirement to balance the safety and security of card transactions with customer convenience, it has been decided to permit processing of e-mandate on cards for recurring transactions (merchant payments) with AFA during e-mandate registration, modification and revocation, as also for the first transaction, and simple / automatic subsequent successive transactions, subject to conditions listed in the [Annex](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11668&Mode=0#AN1).

3. This circular is applicable for transactions performed using all types of cards – debit, credit and Prepaid Payment Instruments (PPIs), including wallets.

4. The maximum permissible limit for a transaction under this arrangement shall be ₹ 2,000/-.

5. All other instructions related to card transactions shall be applicable on these e-mandate based recurring card transactions.

6. No charges shall be levied or recovered from the cardholder for availing the e-mandate facility on cards for recurring transactions.

7. This directive, issued under Section 10 (2) read with Section 18 of Payment and Settlement Systems Act, 2007 (Act 51 of 2007), will come into effect from September 1, 2019.

8. This facility may be reviewed, in due course, for extension to other digital modes of payments.

**Annex**

**Conditions to be fulfilled for processing e-mandate on cards for recurring transactions
(DPSS.CO.PD.No.447/02.14.003/2019-20 dated August 21, 2019)**

**Applicability**

1. The e-mandate arrangement on cards shall be only for recurring transactions and not for a ‘once-only’ payment.

**Registration of card details for e-mandate based recurring transactions**

2. A cardholder desirous of opting for e-mandate facility on card shall undertake a one-time registration process, with AFA validation by the issuer. An e-mandate on card for recurring transactions shall be registered only after successful AFA validation, in addition to the normal process required by the issuer.

3. Registration shall be completed only after all requisite information is obtained by the issuer, including the validity period of the e-mandate and other audit trail related requirements. The facility to modify the validity period of the e-mandate at a later stage, if required, shall also has to be provided for.

4. During the registration process, the cardholder shall be given an option to provide the e-mandate for either a pre-specified fixed value of recurring transaction or for a variable value of the recurring transaction; in the case of the latter, the cardholder shall clearly specify the maximum value of recurring transactions, subject to the overall cap fixed by the RBI (currently ₹ 2,000/- per transaction).

5. Any modification in existing e-mandate shall entail AFA validation by the issuer.

**Processing of first transaction and subsequent recurring transactions**

6. While processing the first transaction in e-mandate based recurring transaction series, AFA validation shall be performed. If the first transaction is being performed along with the registration of e-mandate, then AFA validation may be combined. All such AFA validation shall be as per extant instructions of the RBI.

7. Subsequent recurring transactions shall be performed only for those cards which have been successfully registered and for which the first transaction was successfully authenticated and authorised. These subsequent transactions may be performed without AFA.

**Pre-transaction notification**

8. As a risk mitigant and customer facilitation measure, the issuer shall send a pre-transaction notification to the cardholder, at least 24 hours prior to the actual charge / debit to the card. While registering e-mandate on the card, the cardholder shall be given facility to choose a mode among available options (SMS, email, etc.) for receiving the pre-transaction notification from the issuer in a clear, unambiguous manner and in an understandable language. The facility for changing this mode of receiving pre-transaction notification, shall also be provided to the cardholder.

9. The pre-transaction notification shall, at the minimum, inform the cardholder about the name of the merchant, transaction amount, date / time of debit, reference number of transaction/ e-mandate, reason for debit, i.e., e-mandate registered by the cardholder.

10. On receipt of the pre-transaction notification, the cardholder shall have the facility to opt-out of that particular transaction or the e-mandate. Any such opt-out shall entail AFA validation by the issuer. On receipt of intimation of such an opt-out, the issuer shall ensure that the particular transaction is not effected / further recurring transactions are not effected (as the case may be). A confirmation intimation to this effect shall be sent to the cardholder.

**Post-transaction notification**

11. In line with the extant instructions, the issuer shall send post-transaction alert / notification to the cardholder. This notification shall, at the minimum, inform the cardholder about the name of the merchant, transaction amount, date / time of debit, reference number of transaction / e-mandate, reason for debit, i.e., e-mandate registered by the cardholder.

**Transaction limit and velocity check**

12. The cap / limit for e-mandate based recurring transactions without AFA will be ₹ 2,000/- per transaction. Transactions above this cap shall be subject to AFA as hitherto.

13. The limit of ₹ 2,000/- per transaction is applicable for all categories of merchants who accept repetitive payments based on such e-mandates.

14. Suitable velocity checks and other risk mitigation procedures shall be put in place by issuers.

**Withdrawal of e-mandate**

15. The issuer shall provide the cardholder an online facility to withdraw any e-mandate at any point of time following which no further recurring transactions shall be allowed for the withdrawn e-mandate. (Note: The exception to this will be a pipeline transaction for which pre-transaction notification has already been sent to the cardholder, but the debit has not been communicated to or received by the cardholder, and the e-mandate withdrawal happens during the interregnum.) Information about this facility to withdraw e-mandate at any point of time, shall be clearly communicated to the cardholder at the time of registration and later on whenever felt necessary.

16. The withdrawal of any e-mandate by the cardholder shall entail AFA validation by the issuer.

17. In respect of withdrawn e-mandate/s, the acquirers shall ensure that the merchants on-boarded by them, delete all details, including payment instrument information.

**Dispute resolution and grievance redressal**

18. An appropriate redress system shall be put in place by the issuer to facilitate the cardholder to lodge grievance/s. Card networks shall also put in place dispute resolution mechanism for resolving these disputes with clear Turn Around Time (TAT).

19. The card networks shall make suitable arrangements to separately identify chargebacks / dispute requests in respect of e-mandate based recurring transactions.

20. RBI instructions on limiting liability of customers in unauthorised transactions shall be applicable for such transactions as well.

**Miscellaneous**

21. It shall be the responsibility of acquirers to ensure compliance by merchants on-boarded by them in respect of all aspects of these instructions.

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**RBI/2019-20/46 DPSS (CO) RTGS No.364/04.04.016/2019-20 August 21, 2019**

The Chairman / Managing Director / Chief Executive Officer of member banks participating in RTGS

**Real Time Gross Settlement (RTGS) System – Increase in operating hours**

A reference is invited to the circular [DPSS (CO) RTGS No. 2488/04.04.016/2018-19 dated May 28, 2019](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11564&Mode=0) on ‘Real Time Gross Settlement (RTGS) System – Extension of Timings for Customer Transactions’.

2. At present, the RTGS system is available for customer transactions from 8:00 am to 6:00 pm and for inter-bank transactions from 8:00 am to 7:45 pm. In order to increase the availability of the RTGS system, it has been decided to extend the operating hours of RTGS and commence operations for customers and banks from 7:00 am.

3. The RTGS time window with effect from **August 26, 2019** will, therefore, be as under:

|  |  |  |
| --- | --- | --- |
| **Sr. No.** | **Event** | **Time** |
| 1. | Open for Business | 07:00 hours |
| 2. | Customer transactions (Initial Cut-off) | 18:00 hours |
| 3. | Inter-bank transactions (Final Cut-off) | 19:45 hours |
| 4. | IDL Reversal | 19:45 hours - 20:00 hours |
| 5. | End of Day | 20:00 hours |

4. This directive is issued under Section 10 (2) read with Section 18 of Payment and Settlement Systems Act 2007 (Act 51 of 2007).

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**RBI/2019-20/41 DPSS.CO.PD No. 377/02.10.002/2019-20 August 14, 2019**

All Scheduled Commercial Banks including Regional Rural Banks / Urban Co-operative Banks / State Co-operative Banks /District Central Co-operative Banks /Small Finance Banks / Payment Banks / White Label ATM Operators

**Usage of ATMs – Free ATM transactions – Clarifications**

Please refer to our [circulars DPSS.CO.PD.No. 316/02.10.002/2014-2015 dated August 14, 2014](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=9170&Mode=0) and [DPSS.CO.PD.No. 659/02.10.002/2014 -2015 dated October 10, 2014](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=9276&Mode=0" \t "_blank) on the subject.

2. It has come to our notice that transactions that have failed due to technical reasons, non-availability of currency in ATMs, etc., are also included in the number of free ATM transactions.

3. It is hereby clarified that transactions which fail on account of technical reasons like hardware, software, communication issues; non-availability of currency notes in the ATM; and other declines ascribable directly / wholly to the bank / service provider; invalid PIN / validations; etc., shall not be counted as valid ATM transactions for the customer. Consequently, no charges therefor shall be levied.

4. Non-cash withdrawal transactions (such as balance enquiry, cheque book request, payment of taxes, funds transfer, etc.), which constitute ‘on-us’ transactions (i.e., when a card is used at an ATM of the bank which has issued the card) shall also not be part of the number of free ATM transactions.

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**RBI/2019-20/67 DPSS.CO.PD No.629/02.01.014/2019-20 September 20, 2019**

All Operators and Participants of Authorised Payment Systems

**Harmonisation of Turn Around Time (TAT) and customer compensation for failed transactions using authorised Payment Systems**

Please refer to the [Statement on Developmental and Regulatory policies](https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=46724) issued as part of Monetary Policy statement dated April 4, 2019 wherein it was proposed that the Reserve Bank would put in place a framework on Turn Around Time (TAT) for resolution of customer complaints and compensation framework across all authorised payment systems.

2. It has been observed that a large number of customer complaints emanate on account of unsuccessful or ‘failed’ transactions. Failure could be on account of various factors not directly attributable to the customer such as disruption of communication links, non-availability of cash in ATMs, time-out of sessions, non-credit to beneficiary’s account due to various causes, etc. Rectification / Compensation paid to the customer for these ‘failed’ transactions is not uniform.

3. After consultation with various stakeholders, the framework for TAT for failed transactions and compensation therefor has been finalised which will result in customer confidence and bring in uniformity in processing of the failed transactions. The same is enclosed as [Annex](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11693&Mode=0#AN) to this circular.

4. It may be noted that :

* the prescribed TAT is the outer limit for resolution of failed transactions; and
* the banks and other operators / system participants shall endeavour towards quicker resolution of such failed transactions.

5. Wherever financial compensation is involved, the same shall be effected to the customer’s account suo moto, without waiting for a complaint or claim from the customer.

6. Customers who do not get the benefit of redress of the failure as defined in the TAT, can register a complaint to the Banking Ombudsman of Reserve Bank of India.

7. This directive is issued under Section 10(2) read with Section 18 of the Payment and Settlement Systems Act, 2007 (Act 51 of 2007) and shall come into effect from October 15, 2019.

**Annex**

**(Annex to Circular DPSS.CO.PD No.629/02.01.014/2019-20 dated September 20, 2019)**

**Harmonisation of Turn Around Time (TAT) and customer compensation for
failed transactions using authorised Payment Systems**

**General Instructions covering the TAT :**

1. The principle behind the TAT is based on the following :

1. If the transaction is a ‘credit-push’ funds transfer and the beneficiary account is not credited while the debit to originator has been effected, then credit is to be effected within the prescribed time period failing which the penalty has to be paid to the beneficiary;
2. If there is delay in initiation of a transaction at the originator bank’s end beyond the TAT, then penalty has to be paid to the originator.

2. A ‘failed transaction’ is a transaction which has not been fully completed due to any reason not attributable to the customer such as failure in communication links, non-availability of cash in an ATM, time-out of sessions, etc. Failed transactions shall also include the credits which could not be effected to the beneficiary account on account of lack of full information or lack of proper information and delay in initiating a reversal transaction.

3. Terms like, Acquirer, Beneficiary, Issuer, Remitter, etc., have meanings as per common banking parlance.

4. T is the day of transaction and refers to the calendar date.

5. R is the day on which the reversal is concluded and the funds are received by the issuer / originator. Reversal should be effected at the issuer / originator end on the same day when the funds are received from the beneficiary end.

6. The term bank includes non-banks also and applies to them wherever they are authorised to operate.

7. Domestic transactions i.e., those where both the originator and beneficiary are within India are covered under this framework.

**Harmonisation of Turn Around Time (TAT) and customer compensation for
failed transactions using authorised Payment Systems**

|  |  |  |
| --- | --- | --- |
| **Sl. no.** | **Description of the incident** | **Framework for auto-reversal and compensation** |
| **Timeline for auto-reversal** | **Compensation payable** |
| **I** | **II** | **III** | **IV** |
| **1** | **Automated Teller Machines (ATMs) including Micro-ATMs** |
| a | Customer’s account debited but cash not dispensed. | Pro-active reversal (R) of failed transaction within a maximum of T + 5 days. | ₹ 100/- per day of delay beyond T + 5 days, to the credit of the account holder. |
| **2** | **Card Transaction** |
| a | Card to card transferCard account debited but the beneficiary card account not credited. | Transaction to be reversed (R) latest within T + 1 day, if credit is not effected to the beneficiary account. | ₹ 100/- per day of delay beyond T + 1 day. |
| b | Point of Sale (PoS) (Card Present) including Cash at PoSAccount debited but confirmation not received at merchant location i.e., charge-slip not generated. | Auto-reversal within T + 5 days. | ₹ 100/- per day of delay beyond T + 5 days. |
| c | Card Not Present (CNP) (e-commerce)Account debited but confirmation not received at merchant’s system. |
| **3** | **Immediate Payment System (IMPS)** |
| a | Account debited but the beneficiary account is not credited. | If unable to credit to beneficiary account, auto reversal (R) by the Beneficiary bank latest on T + 1 day. | ₹100/- per day if delay is beyond T + 1 day. |
| **4** | **Unified Payments Interface (UPI)** |
| a | Account debited but the beneficiary account is not credited (transfer of funds). | If unable to credit the beneficiary account, auto reversal (R) by the Beneficiary bank latest on T + 1 day. | ₹100/- per day if delay is beyond T + 1 day. |
| b | Account debited but transaction confirmation not received at merchant location (payment to merchant). | Auto-reversal within T + 5 days. | ₹100/- per day if delay is beyond T + 5 days. |
| **5** | **Aadhaar Enabled Payment System (including Aadhaar Pay)** |
| a | Account debited but transaction confirmation not received at merchant location. | Acquirer to initiate “Credit Adjustment” within T + 5 days. | ₹100/- per day if delay is beyond T + 5 days. |
| b | Account debited but beneficiary account not credited. |
| **6** | **Aadhaar Payment Bridge System (APBS)** |
| a | Delay in crediting beneficiary’s account. | Beneficiary bank to reverse the transaction within T + 1 day. | ₹100/- per day if delay is beyond T + 1 day. |
| **7** | **National Automated Clearing House (NACH)** |
| a | Delay in crediting beneficiary’s account or reversal of amount. | Beneficiary bank to reverse the uncredited transaction within T + 1 day. | ₹100/- per day if delay is beyond T + 1 day. |
| b | Account debited despite revocation of debit mandate with the bank by the customer. | Customer’s bank will be responsible for such debit. Resolution to be completed within T + 1 day. |
| **8** | **Prepaid Payment Instruments (PPIs) – Cards / Wallets** |
| a | Off-Us transactionThe transaction will ride on UPI, card network, IMPS, etc., as the case may be. The TAT and compensation rule of respective system shall apply. |
| b | On-Us transactionBeneficiary’s PPI not credited.PPI debited but transaction confirmation not received at merchant location. | Reversal effected in Remitter’s account within T + 1 day. | ₹100/- per day if delay is be |

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**RBI/2019-20/123 DPSS.CO.PD.No.1198/02.14.006/2019-20 December 24, 2019**

All Prepaid Payment Instrument Issuers

**Introduction of a new type of semi-closed Prepaid Payment Instrument (PPI) –
PPIs upto ₹ 10,000/- with loading only from bank account**

Please refer to the [Statement on Developmental and Regulatory Policies](https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=48803) issued as part of Monetary Policy Statement dated December 5, 2019 as also the Master Direction on Issuance and Operation of Prepaid Payment Instruments (PPI-MD) issued vide [DPSS.CO.PD.No.1164/02.14.006/2017-18 dated October 11, 2017 (updated as on August 30, 2019)](https://www.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=11142).

2. To give impetus to small value digital payments and for enhanced user experience, it has been decided to introduce a new type of semi-closed PPI with the following features:

1. Such PPIs shall be issued by bank and non-bank PPI Issuers after obtaining minimum details of the PPI holder.
2. The minimum details shall necessarily include a mobile number verified with One Time Pin (OTP) and a self-declaration of name and unique identity / identification number of any ‘mandatory document’ or ‘officially valid document’ (OVD) listed in the ‘[Master Direction - Know Your Customer (KYC) Direction, 2016](https://www.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=11566)’ issued by Department of Regulation, Reserve Bank of India, as amended from time to time.
3. These PPIs shall be reloadable in nature and issued in card or electronic form. Loading / Reloading shall be only from a bank account.
4. The amount loaded in such PPIs during any month shall not exceed ₹ 10,000 and the total amount loaded during the financial year shall not exceed ₹ 1,20,000.
5. The amount outstanding at any point of time in such PPIs shall not exceed ₹ 10,000.
6. These PPIs shall be used only for purchase of goods and services and not for funds transfer.
7. PPI issuers shall provide an option to close the PPI at any time and also allow to transfer the funds ‘back to source’ (payment source from where the PPI was loaded) at the time of closure.
8. The features of such PPIs shall be clearly communicated to the PPI holder by SMS / e-mail / post or by any other means at the time of issuance of the PPI / before the first loading of funds.
9. The minimum detail PPIs existing as on the date of this circular can be converted to the above type of PPI, if desired by the PPI holder.

3. The PPI-MD is being modified to introduce this new type of PPI. The other instructions contained in the PPI-MD will be applicable to this type of PPI also.

4. The directive is issued under Section 18 read with Section 10(2) of Payment and Settlement Systems Act, 2007 and is effective from the date of issuance of this circular.

**RBI/2019-20/116 DPSS (CO) RPPD No.1140/04.03.01/2019-20 December 16, 2019**

The Chairman / Managing Director / Chief Executive Officer of member banks participating in NEFT

**Furthering Digital Payments – Waiver of Charges – National Electronic Funds Transfer (NEFT) System**

A reference is invited to [RBI circulars DPSS CO (EPPD)/98/04.03.01/2012-13 dated July 13, 2012](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=7448&Mode=0) on National Electronic Funds Transfer (NEFT) System - Rationalisation of customer charges and [DPSS (CO) RPPD No.2557/04.03.01/2018-19 dated June 11, 2019](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11586&Mode=0) on National Electronic Funds Transfer (NEFT) and Real Time Gross Settlement (RTGS) systems – Waiver of charges.

2. In order to give further impetus to digital retail payments, it has now been decided that member banks shall not levy any charges from their savings bank account holders for funds transfers done through NEFT system which are initiated online (viz. internet banking and/or mobile apps of the banks).

3. This directive is issued under Section 10 (2) read with Section 18 of the Payment and Settlement Systems Act, 2007 (Act 51 of 2007) and shall be effective from January 1, 2020.

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**RBI/2019-20/115 FMOD.MAOG.No.138/01.01.001/2019-20 December 13, 2019**

The Chairman / Managing Director / Chief Executive Officers of member banks participating in NEFT payment system

**Liquidity Support (LS) Facility - NEFT 24 x 7**

As announced in the [Statement on Developmental and Regulatory Policies dated October 4, 2019](https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=48318), in order to facilitate smooth settlement of NEFT transactions in the accounts of the member banks maintained with the Reserve Bank in a 24x7 environment, it has been decided to provide an additional collateralised intra-day liquidity facility, to be called Liquidity Support (LS).

2. The salient features of the scheme are as under:

1. LS facility will be available for facilitating NEFT settlements, on 24x7 basis. The LS facility will operate as per the same terms and conditions as the Intra-Day Liquidity (IDL) facility.
2. All member banks eligible for the IDL facility will be eligible to avail of the LS facility.
3. The limit for LS facility would be set by the Reserve Bank from time to time. Drawings under the LS facility shall be reckoned as part of the eligible IDL limit.
4. The margin requirement on LS facility would be similar to that of IDL facility.
5. Outstanding drawing at the end of the day under the LS facility will be automatically converted into borrowing under the Marginal Standing Facility (MSF).
6. The above MSF borrowing reversal will take place along with other LAF operations as is currently being done.
7. The extant instructions on intra-day-liquidity and reversal of IDL shall continue, as hitherto.
8. The Reserve Bank may review the facilities based on the experience gained in operationalizing the scheme.

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**RBI/2019-20/111 DPSS (CO) RPPD No.1097/04.03.01/2019-20 December 6, 2019**

The Chairman/Managing Director/Chief Executive Officer of member banks participating in NEFT payment system

**Availability of National Electronic Funds Transfer (NEFT) System on 24x7 basis**

Please refer to our circular DPSS (CO) RPPD No.510/04.03.01/2019-20 dated August 30, 2019 regarding availability of NEFT on a 24x7 basis.

2. It has been decided that the above facility shall be made available from December 16, 2019 with the first settlement taking place after 00:30 hours on December 16, 2019 (i.e. night of December 15, 2019).

3. Member banks are advised to note the following:

1. There will be 48 half-hourly batches every day. The settlement of first batch will commence after 00:30 hours and the last batch will end at 00:00 hours.
2. The system will be available on all days of the year, including holidays.
3. NEFT transactions after usual banking hours of banks are expected to be automated transactions initiated using ‘Straight Through Processing (STP)’ modes by the banks.
4. The existing discipline for crediting beneficiary’s account or returning the transaction (within 2 hours of settlement of the respective batch) to originating bank will continue.
5. Member banks will ensure sending of positive confirmation message (N10) for all NEFT credits.
6. All provisions of NEFT procedural guidelines will be applicable for NEFT 24x7 transactions as well.

4. Member banks are expected to keep adequate liquidity in their current account with Reserve Bank of India at all times to facilitate successful posting of NEFT batch settlements.

5. Member banks are also advised to initiate necessary action and ensure availability of all necessary infrastructural requirements at their end for providing seamless NEFT 24x7 facility to their customers. Banks may disseminate information on the extended timings for NEFT to all their customers.

6. This directive is issued under Section 10(2) read with Section 18 of the Payment and Settlement Systems Act, 2007 (Act 51 of 2007).

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