**CAIIB: Retail Banking**

**RBI Notifications during the period**

**1st July 2020 to 31st Dec 2020**

**Master Circular – Scheme of Penalties for bank branches based on performance in rendering customer service to the members of public**

RBI/2020-21/08 DCM (CC) No.G-1/03.44.01/2020-21

July 01, 2020

The Chairman & Managing Director/Chief Executive Officers

All Banks

Please refer to the Circular DCM (CC) No.G-5/03.44.01/2019-20 dated July 01, 2019 on the scheme of penalties.

2. A revised and updated version on the subject is annexed for information and necessary action.

Link for Detailed Circular:

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11928&Mode=0>

**Master Circular - Disbursement of Government Pension by Agency Banks**

RBI/2020-21/06 DGBA.GBD.No.01/31.02.007/2020-21

July 01, 2020

All Agency Banks

Please refer to our Master Circular RBI/2019-20/57 dated September 9, 2019 on the above subject. We have now revised and updated the Master Circular which consolidates important instructions on the subject issued by the Reserve Bank of India till June 30, 2020.

2. A copy of the revised Master Circular is enclosed for your information. This circular may also be downloaded from our website [www.mastercirculars.rbi.org.in](http://www.mastercirculars.rbi.org.in).

Link for Detailed Circular:

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11929&Mode=0>

**Master Circular on Conduct of Government Business by Agency Banks - Payment of Agency Commission**

RBI/2020-21/03 DGBA.GBD.No.2/31.12.010/2020-21

July 1, 2020

All Agency Banks

Please refer to our Master Circular RBI/2019-20/28 DGBA.GBD.No.250/ 31.12.010/ 2019-20 dated August 1, 2019 on the above subject. We have now revised and updated the Master Circular which consolidates important instructions on the subject issued by the Reserve Bank of India till June 30, 2020.

2. A copy of the revised Master Circular is enclosed for your information. This circular may also be downloaded from our website [www.mastercirculars.rbi.org.in](http://www.mastercirculars.rbi.org.in).

Link for Detailed Circular:

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11930&Mode=0>

**Master Circular – Detection and Impounding of Counterfeit Notes**

RBI/2020-21/04 DCM (FNVD) G–2/16.01.05/2020-21

July 1, 2020

The Chairman/Managing Director/Chief Executive Officer

All Banks and Director of Treasuries of all States

Please refer to the Master Circular DCM (FNVD) G-1/16.01.05/2019-20 dated July 1, 2019 consolidating the instructions issued till July 1, 2019, relating to Detection and Impounding of Counterfeit Notes. The Master Circular has since been updated by incorporating the instructions issued till date and has been placed on the RBI website www.rbi.org.in.

The Master Circular is a compilation of the instructions issued by RBI on the above subject which are operational as on the date of this Circular.

Link for Detailed Circular:

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11931&Mode=0>

**Master Circular – Facility for Exchange of Notes and Coins**

RBI/2020-21/07 DCM (NE) No.G-3/08.07.18/2020-21

July 01, 2020

The Chairman and Managing Director / The Managing Director / The Chief Executive Officer, All Banks

Please refer to the Master Circular DCM (NE) No.G-2/08.07.18/2019-20 dated July 01, 2019 containing instructions on the facility for exchange of notes and coins. A revised version of Master Circular on the subject is annexed for your information and necessary action. This Master Circular is placed in our website [www.rbi.org.in](http://www.rbi.org.in).

Link for Detailed Circular:

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11932&Mode=0>

**Resolution Framework for COVID-19-related Stress**

RBI/2020-21/16 DOR.No.BP.BC/3/21.04.048/2020-21

August 6, 2020

All Commercial Banks (including Small Finance Banks, Local Area Banks and Regional Rural Banks) /All Primary (Urban) Co-operative Banks/State Co-operative Banks/ District Central Co-operative Banks/All All-India Financial Institutions /All Non-Banking Financial Companies (including Housing Finance Companies)

The Reserve Bank of India (Prudential Framework for Resolution of Stressed Assets) Directions 2019, dated June 7, 2019 (“Prudential Framework”) provides a principle-based resolution framework for addressing borrower defaults under a normal scenario. Any resolution plan implemented under guidelines of “Prudential Framework”1 which involves granting of any concession on account of financial difficulty of the borrower entails an asset classification downgrade, except when it is accompanied by a change in ownership, which allows the asset classification to be retained as or upgraded to Standard, subject to the prescribed conditions.

2. The economic fallout on account of the Covid-19 pandemic has led to significant financial stress for borrowers across the board. The resultant stress can potentially impact the long-term viability of many firms, otherwise having a good track record under the existing promoters, due to their debt burden becoming disproportionate relative to their cash flow generation abilities. Such wide spread impact could impair the entire recovery process, posing significant financial stability risks.

3. Considering the above, with the intent to facilitate revival of real sector activities and mitigate the impact on the ultimate borrowers, it has been decided to provide a window under the Prudential Framework to enable the lenders to implement a resolution plan in respect of eligible corporate exposures without change in ownership, and personal loans, while classifying such exposures as Standard, subject to specified conditions. The details of the facility are given in the Annex.

4. The lending institutions shall ensure that the resolution under this facility is extended only to borrowers having stress on account of Covid19. Further, the lending institutions will be required to assess the viability of the resolution plan, subject to the prudential boundaries laid out in this Annex. Towards this end, each lending institution shall put in place a Board approved policy detailing the manner in which such evaluation may be done and the objective criteria that may be applied while considering the resolution plan in each case.

5. Accounts which do not fulfill the required eligibility conditions to be considered for resolution under this framework may continue to be considered for resolution under the Prudential Framework, or the relevant instructions as applicable to specific category of lending institutions where the Prudential Framework is not applicable.

6. While the Prudential Framework is otherwise not applicable to certain categories of lending institutions to which this circular is addressed, exposures of these lending institutions shall also be included for any resolution under this facility. Consequently, without prejudice to the specific conditions applicable to this facility, all the norms applicable to implementation of a resolution plan, including the mandatory requirement of Inter-Creditor Agreements (ICA) and specific implementation conditions, as laid out in the Prudential Framework shall be applicable to all lending institutions for any resolution plan implemented under this facility. Terms used in this document, to the extent not defined herein, shall have the same meaning assigned to them in the Prudential Framework.

Link for Detailed Circular:

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11941&Mode=0>

**Resolution Framework for COVID-19-related Stress – Financial Parameters**

RBI/2020-21/34 DOR.No.BP.BC/13/21.04.048/2020-21

September 7, 2020

All Commercial Banks (including Small Finance Banks, Local Area Banks and Regional Rural Banks)/ All Primary (Urban) Co-operative Banks/State Co-operative Banks/ District Central Co-operative Banks/All All-India Financial Institutions/All Non-Banking Financial Companies (including Housing Finance Companies)

Please refer to Paragraphs 23 and 24 of the Annex to the circular DOR.No.BP.BC/3/ 21.04.048/2020-21 dated August 6, 2020 (“Resolution Framework”) which envisages constitution of an Expert Committee by the Reserve Bank to make recommendations on the required financial parameters with sector specific benchmark ranges for such parameters to be factored in the resolution plans in respect of borrowers eligible under Part B of the Annex to the Resolution Framework.

2. The Reserve Bank had accordingly set up an Expert Committee with Shri K. V. Kamath as the Chairperson, as announced in the press release dated August 7, 2020. The Expert Committee has since submitted its recommendations to the Reserve Bank on September 4, 2020, which have been broadly accepted by the Reserve Bank.

3. Accordingly, all lending institutions shall mandatorily consider the following key ratios while finalizing the resolution plans in respect of eligible borrowers under Part B of the Annex to the Resolution Framework.

Link for Detailed Circular:

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11961&Mode=0>

**Loans against Gold Ornaments and Jewellery for Non-Agricultural End-uses**

RBI/2020-21/19 DoR.No.BP.BC/6/21.04.048/2020-21

August 6, 2020

All Scheduled Commercial Banks (Including Regional Rural Banks)

Please refer to the circulars DBOD.No.BP.BC.27/21.04.048/2014-15 July 22, 2014 and DBR.RRB.BC.No.53/31.01.001/2016-17 dated February 16, 2017. Under the extant guidelines, loans sanctioned by banks against pledge of gold ornaments and jewellery should not exceed 75 per cent of the value of gold ornaments and jewellery.

2. With a view to further mitigate the economic impact of the Covid19 pandemic on households, entrepreneurs and small businesses, it has been decided to increase the permissible loan to value ratio (LTV) for loans against pledge of gold ornaments and jewellery for non-agricultural purposes from 75 per cent to 90 per cent. This enhanced LTV ratio will be applicable up to March 31, 2021 to enable the borrowers to tide over their temporary liquidity mismatches on account of COVID 19. Accordingly, fresh gold loans sanctioned on and after April 1, 2021 shall attract LTV ratio of 75 per cent.

3. Other terms and conditions of the above-mentioned circulars shall remain applicable.

**Opening of Current Accounts by Banks - Need for Discipline**

RBI/2020-21/20 DOR.No.BP.BC/7/21.04.048/2020-21

August 6, 2020

All Scheduled Commercial Banks/ All Payments Banks

Please refer to the circular DBR.Leg.BC.25./09.07.005/2015-16 dated July 2, 2015 on the subject. The instructions on opening of current accounts by banks have been reviewed and the revised instructions are as under:

i. No bank shall open current accounts for customers who have availed credit facilities in the form of cash credit (CC)/ overdraft (OD) from the banking system and all transactions shall be routed through the CC/OD account.

ii. Where a bank’s exposure1 to a borrower is less than 10 per cent of the exposure of the banking system to that borrower, while credits are freely permitted, debits to the CC/OD account can only be for credit to the CC/OD account of that borrower with a bank that has 10 per cent or more of the exposure of the banking system to that borrower. Funds will be remitted from these accounts to the said transferee CC/OD account at the frequency agreed between the bank and the borrower. Further, the credit balances in such accounts shall not be used as margin for availing any non-fund based credit facilities. In case there is more than one bank having 10 per cent or more of the exposure of the banking system to that borrower, the bank to which the funds are to be remitted may be decided mutually between the borrower and the banks. It may be noted that banks with exposure to the borrower of less than 10 per cent of the exposure of the banking system can offer working capital demand loan (WCDL) / working capital term loan (WCTL) facility to the borrower.

iii. Where a bank has a share of 10 per cent or more in the total exposure of the banking system to the borrower, it can provide CC/OD facility as hitherto.

iv. In case of borrowers covered under guidelines on loan system for delivery of bank credit issued vide circular DBR.BP.BC.No.12/21.04.048/2018-19 dated December 5, 2018, bifurcation of working capital facility into loan component and cash credit component shall henceforth be maintained at individual bank level in all cases, including consortium lending.

v. In case of customers who have not availed CC/OD facility from any bank, banks may open current accounts as under:

In case of borrowers where exposure of the banking system is ₹50 crore or more, banks shall be required to put in place an escrow mechanism. Accordingly, current accounts of such borrowers can only be opened/maintained by the escrow managing bank. However, there is no restriction on opening of ‘collection accounts’ by lending banks subject to the condition that funds will be remitted from these accounts to the said escrow account at the frequency agreed between the bank and the borrower. Further, the balances in such accounts shall not be used as margin for availing any non-fund based credit facilities. While there is no prohibition on amount or number of credits in ‘collection accounts’, debits in these accounts shall be limited to the purpose of remitting the proceeds to the said escrow account. Non-lending banks shall not open any current account for such borrowers.

In case of borrowers where exposure of the banking system is ₹5 crore or more but less than ₹50 crore, there is no restriction on opening of current accounts by the lending banks. However, non-lending banks may open only collection accounts as defined at (v) (a) above.

In case of borrowers where exposure of the banking system is less than ₹5 crore, banks may open current accounts subject to obtaining an undertaking from such customers to the effect that customers shall inform the bank(s), if and when the credit facilities availed by them from the banking system becomes ₹5 crore or more. The current account of such customers, as and when the exposure of the banking system becomes ₹5 crore or more and ₹50 crore or more, will be governed by the provisions of para (v) (b) and (v) (a) respectively.

Banks are free to open current accounts of prospective customers who have not availed any credit facilities from the banking system, subject to necessary due diligence as per their Board approved policies.

2. Banks shall monitor all current accounts and CC/ODs regularly, at least on a quarterly basis, specifically with respect to the exposure of the banking system to the borrower, to ensure compliance with these instructions.

3. Banks should not route drawal from term loans through current accounts. Since term loans are meant for specific purposes, the funds should be remitted directly to the supplier of goods and services. Expenses incurred by the borrower for day to day operations should be routed through CC/OD account, if the borrower has a CC/OD account, else through a current account.

4. As regards existing current and CC/OD accounts, banks shall ensure compliance with the above instructions within a period of three months from the date of this circular.

**Opening of Current Accounts by Banks - Need for Discipline**

RBI/2020-21/62 DOR.No.BP.BC.27/21.04.048/2020-21

November 02, 2020

All Scheduled Commercial Banks/ All Payments Banks

Please refer to our circular DOR.No.BP.BC/7/21.04.048/2020-21 dated August 6, 2020 on the captioned subject.

2. In this connection, a reference is invited to Para 4 of the circular referred to above, wherein the banks were advised that in respect of existing current and CC/OD accounts, banks shall ensure compliance with the above instructions within a period of three months from the date of issue of the circular i.e. by November 5, 2020. We have since received several references from banks seeking clarifications on operational issues regarding maintenance of current accounts already opened by the banks. These references are being examined by the Reserve Bank and will be clarified separately by means of a FAQ.

3. Pending the issue of FAQ on these operational issues, it has been decided that banks may ensure compliance with the instructions contained in Para 4 of the circular ibid by December 15, 2020.

4. All other instructions contained in our circular dated August 6, 2020, remain unchanged.

**Opening of Current Accounts by Banks - Need for Discipline**

RBI/2020-21/79 DOR.No.BP.BC.30/21.04.048/2020-21

December 14, 2020

All Scheduled Commercial Banks/ All Payments Banks

Please refer to the circulars DOR.No.BP.BC/7/21.04.048/2020-21 dated August 6, 2020 and DOR.No.BP.BC.27/21.04.048/2020-21 dated November 2, 2020 on the captioned subject. On a review, it has been decided to permit banks to open specific accounts which are stipulated under various statutes and instructions of other regulators/ regulatory departments, without any restrictions placed in terms of the above-mentioned circular dated August 6, 2020. An indicative list of such accounts is as given below:

1. Accounts for real estate projects mandated under Section 4 (2) l (D) of the Real Estate (Regulation and Development) Act, 2016 for the purpose of maintaining 70% of advance payments collected from the home buyers.
2. Nodal or escrow accounts of payment aggregators/prepaid payment instrument issuers for specific activities as permitted by Department of Payments and Settlement Systems (DPSS), Reserve Bank of India under Payment and Settlement Systems Act, 2007.
3. Accounts for settlement of dues related to debit card/ATM card/credit card issuers/acquirers.
4. Accounts permitted under FEMA, 1999.
5. Accounts for the purpose of IPO / NFO /FPO/ share buyback /dividend payment / issuance of commercial papers/allotment of debentures/gratuity, etc. which are mandated by respective statutes or regulators and are meant for specific/limited transactions only.
6. Accounts for payment of taxes, duties, statutory dues, etc. opened with banks authorized to collect the same, for borrowers of such banks which are not authorized to collect such taxes, duties, statutory dues, etc.
7. Accounts of White Label ATM Operators and their agents for sourcing of currency.

2. The above permission is subject to the condition that the banks shall ensure that these accounts are used for permitted/specified transactions only. Further, banks shall flag these accounts in the CBS for easy monitoring. Lenders to such borrowers may also enter into agreements/arrangements with the borrowers for monitoring of cash flows/periodic transfer of funds (if permissible) in these current accounts.

3. Banks shall monitor all current accounts and CC/ODs regularly, at least on a half-yearly basis, specifically with respect to the exposure of the banking system to the borrower, to ensure compliance with instructions contained in circular dated August 6, 2020 ibid.

4. A set of frequently asked questions (FAQs) providing clarifications related to implementation of the circulars ibid are provided in the Annex.

5. All other instructions contained in the circulars ibid remain unchanged.

**Framework for authorisation of pan-India Umbrella Entity for Retail Payments**

RBI has proposed to set-up pan-India umbrella entity / entities focussing on retail payment systems. Such an entity shall be a Company incorporated in India under the Companies Act, 2013 and may be a ‘for-profit’ or a Section 8 Company as may be decided by it.

The umbrella entity shall be a Company authorised by Reserve Bank of India (RBI) under Section 4 of the PSS Act, 2007. It shall be governed by the provisions of the PSS Act and other relevant statutes and directives, prudential regulations and other guidelines / instructions.

Detailed framework has been laid down by RBI in this regard.

Link for Detailed Circular:

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11954&Mode=0>

**Ad-hoc/Short Review/Renewal of Credit Facilities**

RBI/2020-21/27 DoS.CO.PPG.BC.1/11.01.005/2020-21

August 21, 2020

All Scheduled Commercial Banks (excluding RRBs) / All Small Finance Banks /All Urban Cooperative Banks

In terms of circular DBOD.No.BP.(SC).BC.98/21.04.103/99 dated October 7, 1999 on Risk Management System in Banks, Scheduled Commercial Banks (SCBs) are required to put in place a board approved credit policy, which, inter alia, should prescribe the periodicity and methodology of review/renewal of credit facilities. The policy should also prescribe differential time schedules for review/renewal of borrower limits so that lower rated borrowers whose financials show signs of problems are subjected to renewal control more frequently. The Master Circular for Urban Cooperative Banks (UCBs) on Management of Advances – UCBs dated July 1, 2015, requires all UCBs to lay down policy guidelines for periodic review of the working capital limits.

2. Further, in terms of the Master Circular DBR.No.BP.BC.2/21.04.048/2015-16 dated July 1, 2015 on Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances and the Master Circular DCBR.BPD. (PCB) MC No.12/09.14.000/2015-16 dated July 1, 2015 on Income Recognition, Asset Classification, Provisioning and Other Related Matters – UCBs as applicable to SCBs and UCBs respectively, an account where the regular/ad-hoc credit limits have not been reviewed/renewed within the prescribed timeline from the due date/date of ad-hoc sanction will be treated as Non-Performing Asset.

3. Banks are, therefore, expected to have a detailed Board approved policy on methodology and periodicity for review/renewal of credit facilities within the overall regulatory guidelines, and adhere to the same strictly.

4. However, an analysis of practices followed by the lenders while reviewing/renewing credit facilities has brought out certain supervisory concerns, including that of frequent/repeated ad-hoc review/renewal of credit facilities instead of regular review/renewals, non-capturing and/or inaccurate capturing of review/renewal data in the banking/information systems, and non-coverage of review/renewal activities under the concurrent audit/internal audit mechanism.

5. In this connection, we reiterate that timely and comprehensive review/renewal of credit facilities should be an integral part of the Board approved loan policy and credit risk management framework, and banks should avoid frequent and repeated ad-hoc/short review/renewal of credit facilities without justifiable reasons. Banks are also advised to capture all the data relating to regular as well as ad-hoc/short review/renewal of credit facilities in their core banking systems/management information systems and make the same available for scrutiny as and when required by any audit or inspection by Auditors/RBI. Further, the processes governing review/renewal of credit facilities should be brought under the scope of concurrent/internal audit/internal control mechanism of banks with immediate effect.

6. We advise that all banks should follow above instructions in letter and spirit.

**Master Directions – Priority Sector Lending (PSL) – Targets and Classification**

RBI/FIDD/2020-21/72 Master Directions FIDD.CO.Plan.BC.5/04.09.01/2020-21

September 04, 2020

The Chairman / Managing Director/ Chief Executive Officer

[All Commercial Banks including Regional Rural Banks, Small Finance Banks, Local Area Banks and Primary (Urban) Co-operative Banks other than Salary Earners’ Banks]

The Priority Sector Lending (PSL) guidelines issued by Reserve Bank of India were last reviewed for Commercial Banks in April 2015 and for UCBs in May 2018 respectively. With an objective to harmonise various instructions issued to Commercial Banks, SFBs, RRBs, UCBs and LABs; align these guidelines with emerging national priorities and bring sharper focus on inclusive development, it was decided to comprehensively review the PSL guidelines. The revised guidelines also aim to encourage and support environment friendly lending policies to help achieve Sustainable Development Goals (SDGs). This review also took into account the recommendations made by the ‘Expert Committee on Micro, Small and Medium Enterprises (Chairman: Shri U.K. Sinha) and the ‘Internal Working Group to Review Agriculture Credit’ (Chairman: Shri M. K. Jain) apart from discussions with all stakeholders. Further, these Master Directions encompass the revised guidelines on PSL for all Commercial banks, RRBs, SFBs, UCBs and LABs and, accordingly, supersede the earlier Master Directions on PSL issued separately for Scheduled Commercial Banks, RRBs, SFBs and guidelines issued for UCBs, respectively.

The list of circulars consolidated in these Master Directions is indicated in the Appendix.

The Master Directions have been placed on the RBI website [www.rbi.org.in](http://www.rbi.org.in).

Link for Detailed Circular:

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11959&Mode=0>

**Automation of Income Recognition, Asset Classification and Provisioning processes in banks**

RBI/2020-21/37 Ref. No. DoS.CO.PPG./SEC.03/11.01.005/2020-21

September 14, 2020

The Chairman / Managing Director / Chief Executive Officer

All Scheduled Commercial Banks (Excluding RRBs) and All Small Finance Banks

We invite a reference to our circular DBS.CO.PPD.No.1950/11.01.005/2011-12 dated August 04, 2011, in terms of which banks were advised, inter alia, to have appropriate IT system in place for identification of Non-Performing Assets (NPA) and generation of related data/returns, both for regulatory reporting and bank’s own MIS requirements. It is, however, observed that the processes for NPA identification, income recognition, provisioning and generation of related returns in many banks are not yet fully automated. Banks are still found to be resorting to manual identification of NPA and also over-riding the system generated asset classification by manual intervention in a routine manner.

2. In order to ensure the completeness and integrity of the automated Asset Classification (classification of advances/investments as NPA/NPI and their upgradation), Provisioning calculation and Income Recognition processes, banks are advised to put in place / upgrade their systems to conform to the following guidelines latest by June 30, 2021.

Link for Detailed Circular:

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11964&Mode=0>

**Regulatory Retail Portfolio – Revised Limit for Risk Weight**

RBI/2020-21/53 DOR.No.BP.BC.23/21.06.201/2020-21

October 12, 2020

All Scheduled Commercial Banks (Including Small Finance Banks, Excluding Local Area Banks and Regional Rural Banks)

Please refer to paragraph 5 of the Statement on Developmental and Regulatory Policies dated October 9, 2020 on the limit for regulatory retail portfolio.

2. In terms of para 5.9 on “Claims included in the Regulatory Retail Portfolios” of the Master circular No.DBR.No.BP.BC.1/21.06.201/2015-16 dated July 1, 2015 on Basel III Capital Regulations, claims (including both fund-based and non-fund based) that meet all the four criteria listed in paragraph 5.9.3 of the above Master Circular may be considered as retail claims for regulatory capital purposes and included in a regulatory retail portfolio. Claims included in this portfolio shall be assigned a risk-weight of 75 per cent, except as provided in paragraph 5.12 of above Master Circular for non-performing assets. ‘Low value of individual exposures’ is one of the four qualifying criteria which prescribed that the maximum aggregated retail exposure to one counterparty shall not exceed the absolute threshold limit of ₹ 5 crore.

3. In order to reduce the cost of credit for this segment consisting of individuals and small businesses (i.e. with turnover of upto ₹ 50 crore), and also to harmonise with the Basel guidelines, it has been decided that the above threshold limit of ₹ 5 crore for aggregated retail exposure to a counterparty shall stand increased to ₹ 7.5 crore from the date of this circular. The risk weight of 75 per cent will apply to all fresh exposures and also to existing exposures where incremental exposure may be taken by the banks upto the revised limit of ₹ 7.5 crore. The other exposures shall continue to attract the normal risk weights as per the extant guidelines. Illustrations are given in the Annex.

4. All other instructions applicable in terms of the Master Circular dated July 1, 2015 remain unchanged

**Annex**

**Illustrations of revised instructions on Regulatory Retail**

Scenario 1 : As on October 12, 2020, a bank has an exposure of ₹ 4 crore to borrower A which qualifies for classification as ‘regulatory retail’ in terms of Paragraph 5.9 of the Master Circular – Basel III Capital Regulations – DBR.No.BP.BC.1/21.06.201/2015-16 dated July 1, 2015. Accordingly, it attracts 75% risk weight.

If the bank takes an additional exposure to borrower A upto ₹ 7.5 crore and which continues to satisfy all other eligibility criteria of para 5.9 of the above-mentioned circular, the entire revised exposure shall qualify for classification as ‘regulatory retail’ and attract 75% risk weight.

Scenario 2 : As on October 12, 2020, a bank has an exposure of ₹ 6 crore to borrower B. After October 12, 2020, if the bank takes an additional exposure to borrower B, upto ₹ 7.5 crore and which otherwise satisfies all other eligibility criteria of para 5.9 of the above-mentioned circular, the entire revised exposure shall qualify for classification as ‘regulatory retail’ and attract 75% risk weight. However, if no additional exposure is taken after October 12, 2020, then the existing exposure shall continue to attract risk weight as applicable earlier. The illustrations are tabulated below.

|  |  |  |  |
| --- | --- | --- | --- |
|   | **Borrower** | **A** | **B** |
|   | **Scenarios** | **1** | **2** | **3** | **4** |
| A | Existing Exposure (in ₹ crore) as on October 12, 2020 | 4.0 | 4.0 | 6.0 | 6.0 |
| B | Existing risk weight | 75% | 75% | 100% | 100% |
| C | Additional exposure taken on or after October 12, 2020 (in ₹ crore) | 0 | 1.5 | 0 | 1.5 |
| D | Total exposure on or after October 12, 2020 (in ₹ crore) | 4.0 | 5.5 | 6 | 7.5 |
| E | Applicable risk weight on D | 75% | 75% | 100% | 75% |

**Individual Housing Loans – Rationalisation of Risk Weights**

RBI/2020-21/56 DOR.No.BP.BC.24/08.12.015/2020-21

October 16, 2020

All Scheduled Commercial Banks (Including Small Finance Banks, Excluding Local Area Banks and Regional Rural Banks)

Please refer to paragraph 6 of the Statement on Developmental and Regulatory Policies dated October 9, 2020 on rationalization of risk weights on Individual Housing Loans.

2. In terms of circular No. DBR.BP.BC.No.72/08.12.015/2016-17 dated June 7, 2017, the capital charge for claims secured by residential property falling under the category of individual housing loans is assigned differential risk weights based on the size of the loan as well as the loan to value ratio (LTV).

3. As a countercyclical measure, it has been decided to rationalise the risk weights, irrespective of the amount. The risk weights for all new housing loans to be sanctioned on or after the date of this circular and upto March 31, 2022 shall be as under:

|  |  |
| --- | --- |
| **LTV Ratio (%)** | **Risk Weight (%)** |
| ≤ 80 | 35 |
| > 80 and ≤ 90 | 50 |

4. The requirement of standard asset provision of 0.25% shall continue to apply on all such loans.

5. The LTV ratios, Risk Weights and Standard Asset Provision for all loans sanctioned prior to the date of this circular shall continue to be as prescribed in terms of the circular dated June 7, 2017.

6. All other instructions applicable in terms of the circular dated June 7, 2017 remain unchanged.

**Online Dispute Resolution (ODR) System for Digital Payments**

RBI/2020-21/21 DPSS.CO.PD No.116/02.12.004/2020-21

August 6, 2020

The Chairman / Managing Director / Chief Executive Officer

Authorised Payment System Operators and Participants (Banks and Non-banks)

Please refer to the Statement on Developmental and Regulatory Policies dated August 6, 2020 wherein the Reserve Bank of India (RBI) had announced introduction of Online Dispute Resolution (ODR) system for resolving customer disputes and grievances pertaining to digital payments, using a system-driven and rule-based mechanism with zero or minimal manual intervention.

2. The Payment System Vision-2021 of Reserve Bank highlights the need for technology-driven, rule-based, customer-friendly and transparent dispute redressal systems. As a step in this direction, authorised Payment System Operators (PSOs) – banks and non-banks – and their participants are hereby advised to put in place system/s for ODR for resolving disputes and grievances of customers.

3. To begin with, authorised PSOs shall be required to implement an ODR system for disputes and grievances related to failed transactions in their respective payment systems by January 1, 2021. The PSOs shall provide access to such a system to its participating members i.e., Payment System Participants (PSPs). Any entity setting up a payment system in India thereafter or participating therein, shall make available the ODR system at the commencement of its operations. The minimum requirements of the ODR system are specified in Annex.

4. Based on experience gained, ODR arrangement would later be extended to cover disputes and grievances other than those related to failed transactions. Please note that if the grievance remains unresolved up to one month, the customer may approach the respective ombudsman.

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

Link for Detailed Circular:

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11946&Mode=0>

**Offline Retail Payments using Cards / Wallets / Mobile Devices – Pilot**

RBI/2020-21/22 DPSS.CO.PD.No.115/02.14.003/2020-21

August 06, 2020

The Chairman / Managing Director / Chief Executive Officer

Authorised Payment System Operators (Banks and Non-banks)

Please refer to the Statement on Developmental and Regulatory policies issued as part of Monetary Policy statement dated August 06, 2020 wherein it was proposed that the Reserve Bank would allow a pilot scheme for small value payments in offline mode.

2. Over the years, the Reserve Bank has prioritised security measures for digital payments such as the requirement of Additional Factor of Authentication and online alerts for every transaction. These measures have significantly increased customer confidence and safety leading to increased adoption of digital payments.

3. Absence of, or erratic, internet connectivity, especially in remote areas, is a major impediment for adoption of digital payments. Availability of options to make offline payments, using cards, wallets or mobile devices could boost the adoption of digital payments.

4. To encourage technological innovations that enable offline digital transactions, Reserve Bank shall permit a pilot scheme to be conducted for a limited period. Under the pilot scheme, authorised Payment System Operators (PSOs) – banks and non-banks – will be able to provide offline payment solutions using cards, wallets or mobile devices for remote or proximity payments. The scheme would be subject to the conditions detailed in the Annex. Other entities having innovative solutions shall tie-up with the authorised PSOs.

5. The pilot scheme shall be undertaken till March 31, 2021 only. The Reserve Bank shall decide on formalising such a system based on the experience gained under the pilot.

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

Link for Detailed Circular:

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11947&Mode=0>

**Positive Pay System for Cheque Truncation System**

RBI/2020-21/41DPSS.CO.RPPD.No.309/04.07.005/2020-21

September 25, 2020

The Chairman and 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 / Local Area Banks / Payment Banks / Small Finance Banks / National Payments Corporation of India

Please refer to the Statement on Developmental and Regulatory Policies dated August 6, 2020 wherein Reserve Bank of India (RBI) had announced introduction of Positive Pay System for Cheque Truncation System (CTS).

2. The concept of Positive Pay involves a process of reconfirming key details of large value cheques. Under this process, the issuer of the cheque submits electronically, through channels like SMS, mobile app, internet banking, ATM, etc., certain minimum details of that cheque (like date, name of the beneficiary / payee, amount, etc.) to the drawee bank, details of which are cross checked with the presented cheque by CTS. Any discrepancy is flagged by CTS to the drawee bank and presenting bank, who would take redressal measures.

3. National Payments Corporation of India (NPCI) shall develop the facility of Positive Pay in CTS and make it available to participant banks. Banks, in turn, shall enable it for all account holders issuing cheques for amounts of ₹50,000 and above. While availing of this facility is at the discretion of the account holder, banks may consider making it mandatory in case of cheques for amounts of ₹5,00,000 and above.

4. Only those cheques which are compliant with above instructions will be accepted under dispute resolution mechanism at the CTS grids. Member banks may implement similar arrangements for cheques cleared / collected outside CTS as well.

5. Banks are advised to create adequate awareness among their customers on features of Positive Pay System through SMS alerts, display in branches, ATMs as well as through their web-site and internet banking.

6. Positive Pay System shall be implemented from January 01, 2021.

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

**Framework for Recognition of a Self-Regulatory Organisation for Payment System Operators**

RBI/2020-21/58 DPSS.CO.PD.No.503/02.12.004/2020-21

October 22, 2020

The Chairman / Managing Director / Chief Executive Officer

Authorised Payment System Operators (Banks and Non-banks)

Industry self-governance helps in industry-wide smooth operations and ecosystem development. Reserve Bank of India’s Payment and Settlement Systems Vision 2019-21, therefore, envisaged the setting up of a Self-Regulatory Organisation (SRO) for Payment System Operators (PSOs). The Statement on Developmental and Regulatory Policies of the Reserve Bank of India (RBI), as part of its Sixth Bi-monthly Monetary Policy Statement – 2019-20 (dated February 6, 2020), announced putting in place a Framework for Establishing a SRO for PSOs.

2. RBI had placed a draft framework for public comments and based on the comments and suggestions received, it has finalised the Framework for Grant of Recognition as a SRO, which is at annex.

3. Interested groups / association of PSOs (banks as well as non-banks) seeking recognition as an SRO may apply to the Chief General Manager, Department of Payment and Settlement Systems, Central Office, 14th Floor, Shahid Bhagat Singh Marg, Fort, Mumbai – 400 001. The applications shall comply with the instructions laid down in the Framework.

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

Link for Detailed Circular:

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11986&Mode=0>

**Digital Payment Transactions – Streamlining QR Code infrastructure**

RBI/2020-21/59 DPSS.CO.PD.No.497/02.14.003/2020-21

October 22, 2020

The Chairman / Managing Director / Chief Executive Officer

Authorised Payment System Operators (Banks and Non-banks)

As you are aware, Reserve Bank had constituted a Committee (Chairperson : Prof Deepak Phatak) to review the current system of Quick Response (QR) Codes in India and suggest measures for moving towards interoperable QR Codes. The report of the Committee containing various recommendations was placed on the Reserve Bank website for public comments and feedback.

2. After examining the recommendations and the feedback received, the following has been decided:

1. The two interoperable QR codes in existence – UPI QR and Bharat QR – shall continue as at present.
2. Payment System Operators (PSOs) that use proprietary QR codes shall shift to one or more interoperable QR codes; the process of migration shall be completed by March 31, 2022.
3. No new proprietary QR codes shall henceforth be launched by any PSO for any payment transaction.
4. RBI shall continue a consultative process to standardise and improve interoperable QR codes, to enable beneficial features identified by the Phatak Committee.
5. PSOs may take initiative to increase awareness about interoperable QR codes.

3. The above measures are expected to reinforce the acceptance infrastructure, provide better user convenience due to interoperability and enhance system efficiency.

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

**Maintenance of Escrow Account with a Scheduled Commercial Bank**

RBI/2020-21/68 DPSS.CO.PD.No.660/02.14.008/2020-21

November 17, 2020

All Scheduled Commercial Banks / Authorised Prepaid Payment Instrument Issuers /

Payment Aggregators / Payment System Providers / System Participants

A reference is invited to the instructions issued by Reserve Bank of India vide (a) DPSS.CO.PD.No.1164/02.14.006/2017-18 dated October 11, 2017 (updated as on February 28, 2020) on ‘Issuance and Operation of Prepaid Payment Instruments (PPIs)’; and (b) DPSS.CO.PD.No.1810/02.14.008/2019-20 dated March 17, 2020 on ‘Regulation of Payment Aggregators (PAs) and Payment Gateways (PGs)’.

2. An authorised PPI Issuer or a PA is required to maintain an escrow account with a scheduled commercial bank on an ongoing basis. With a view to diversify risk and address business continuity concerns, it has been decided to allow one additional escrow account in a different scheduled commercial bank. The relevant instructions are being modified as per Annex 1 and 2 to this circular.

3. These directions are issued under Section 18 read with Section 10(2) of the Payment and Settlement Systems Act, 2007.

Link for Detailed Circular:

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11996&Mode=0>

**24x7 Availability of Real Time Gross Settlement (RTGS) System**

RBI/2020-21/70 DPSS (CO) RTGS No.750/04.04.016/2020-21

December 04, 2020

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

A reference is invited to the Statement on Developmental and Regulatory Policies dated October 09, 2020 wherein Reserve Bank of India (RBI) had announced making available the Real Time Gross Settlement (RTGS) system round the clock on all days. Accordingly, it has been decided to make RTGS available round the clock on all days of the year with effect from 00:30 hours on December 14, 2020.

2. Members are advised as under:

1. RTGS shall be available for customer and inter-bank transactions round the clock, except for the interval between ‘end-of-day’ and ‘start-of-day’ processes, whose timings would be duly broadcasted through the RTGS system.
2. RTGS shall continue to be governed by the RTGS System Regulations, 2013, as amended from time to time. The revised Regulations are available on RBI’s website at: https://www.rbi.org.in/Scripts/Bs\_viewRTGS.aspx.
3. Intra-Day Liquidity (IDL) facility shall be made available to facilitate smooth operations. The Intra-Day Liquidity (IDL) availed, if any, shall be reversed before the ‘end-of-day’ process begins.

3. Members are advised to put in place necessary infrastructure to provide RTGS round the clock to their customers. RTGS transactions undertaken after normal banking hours are expected to be automated using ‘Straight Through Processing (STP)’ modes.

4. Members are further advised to disseminate information on the extended availability of RTGS to all their customers.

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

**Card transactions in Contactless mode - Relaxation in requirement of Additional Factor of Authentication**

RBI/2020-21/71 DPSS.CO.PD No.752/02.14.003/2020-21

December 04, 2020

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 / Local Area Banks / Non-bank Prepaid Payment Instrument issuers / Authorised Card Payment Networks

Please refer to circular DPSS.CO.PD.No.2163/02.14.003/2014-2015 dated May 14, 2015 issued by Reserve Bank of India (RBI), wherein Additional Factor of Authentication (AFA) requirement was relaxed for values up to ₹ 2,000/- per transaction for card transactions in contactless mode at Points of Sale (PoS) terminals. Subsequently, it was clarified that transactions beyond this limit can be processed in contactless mode, but with AFA.

2. Reference is also drawn to RBI circular DPSS.CO.PD No.1343/02.14.003/2019-20 dated January 15, 2020 on “Enhancing Security of Card Transactions”, wherein users were provided option of switch on / off or to set limits for various card features, including for contactless transactions. The instructions, which came into effect from October 1, 2020, have made card transactions more secure by empowering users to enable card features and set requirements according to their need and comfort.

3. The present COVID-19 pandemic has underlined the benefits of contactless transactions. Keeping this in view and based on stakeholder feedback, it was announced in the Statement on Developmental and Regulatory Policies dated December 4, 2020 that per transaction limit for AFA relaxation for contactless card transactions will be increased. Accordingly, given the sufficient protection available to users, it has been decided to increase the per transaction limit to ₹ 5,000/-. All other requirements, including the discretion of cardholder to use contactless or contact mode of transaction, shall continue to remain applicable, as hitherto.

4. This directive is issued under Section 10 (2) read with Section 18 of Payment and Settlement Systems Act, 2007 (Act 51 of 2007) and shall come into effect from January 1, 2021.

**Perpetual Validity for Certificate of Authorisation (CoA) issued to Payment System Operators (PSOs) under Payment and Settlement Systems Act, 2007 (PSS Act)**

RBI/2020-21/72 DPSS.CO.AD.No.724/02.27.005/2020-21

December 4, 2020

The Chairman / Managing Director / Chief Executive Officer

Authorised Non-bank Payment System Operators

This has reference to the Statement on Developmental and Regulatory Policies dated October 9, 2020 wherein Reserve Bank of India (RBI) had announced granting of authorisation for all PSOs under PSS Act on a perpetual basis, subject to certain conditions.

2. Currently, RBI grants authorisation to new entities desirous of operating a payment system for specified periods up to five years. Similar approach is adopted for renewal of validity of authorisation to existing entities. To reduce licensing uncertainties and enable PSOs to focus on their business as also to optimise utilisation of regulatory resources, it has been decided to, hereafter, grant authorisation for all PSOs (both new and existing) on a perpetual basis, subject to the usual conditions.

3. For existing authorised PSOs, grant of perpetual validity shall be examined as and when the CoA becomes due for renewal subject to their adherence to the following:

1. Full compliance with the terms and conditions subject to which authorisation was granted;
2. Fulfilment of entry norms such as capital, networth requirements, etc.;
3. No major regulatory or supervisory concerns related to operations of the PSO, as observed during onsite and / or offsite monitoring;
4. Efficacy of customer grievance redressal mechanism;
5. No adverse reports from other departments of RBI / regulators / statutory bodies, etc.

4. Existing PSOs who do not satisfy all conditions will be given one-year renewals to enable them to comply; if any entity fails to do so in a reasonable time, its authorisation may be withdrawn.

5. If an entity becomes non-compliant with any of the conditions of authorisation, RBI may undertake action as deemed fit under the provisions of PSS Act, including imposition of restrictions on payment system operations and / or revocation of CoA.

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

**Authorisation of entities for operating a Payment System under the Payment and Settlement Systems Act, 2007 (PSS Act) – Introduction of Cooling Period**

RBI/2020-21/73 DPSS.CO.OD.No.753/06.08.005/2020-21

December 4, 2020

The Chairman / Managing Director / Chief Executive Officer

Non-bank Payment System Operators

Please refer to provisions contained in Section 4 of PSS Act and ‘Oversight Framework for Financial Market Infrastructures and Retail Payment Systems issued on June 13, 2020’, in terms of which any person before commencing or operating a payment system shall obtain authorisation from the Reserve Bank and for the purpose shall apply in a prescribed format to RBI as defined in Payment and Settlement Systems Regulations, 2008.

2. To inculcate discipline and encourage submission of applications by serious players as also for effective utilisation of regulatory resources, it has been decided to introduce the concept of Cooling Period in the following situations –

1. Authorised Payment System Operators (PSOs) whose Certificate of Authorisation (CoA) is revoked or not-renewed for any reason; or
2. CoA is voluntarily surrendered for any reason; or
3. Application for authorisation of a payment system has been rejected by RBI.
4. New entities that are set-up by promoters involved in any of the above categories; definition of promoters for the purpose, shall be as defined in the Companies Act, 2013.

3. The Cooling Period shall be for one year from the date of revocation / non-renewal / acceptance of voluntary surrender / rejection of application, as the case may be. In respect of entities whose application for authorisation is returned for any reason by RBI, condition of Cooling Period shall be invoked after giving the entity an additional opportunity to submit the application.

4. During the Cooling Period, entities shall be prohibited from submission of applications for operating any payment system under the PSS Act.

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

**Processing of e-mandates for recurring transactions**

RBI/2020-21/74 DPSS.CO.PD No.754/02.14.003/2020-21

December 04, 2020

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 / Local Area Banks / Non-bank Prepaid Payment Instrument issuers / Authorised Card Payment Networks / National Payments Corporation of India

Please refer to our circular DPSS.CO.PD.No.447/02.14.003/2019-20 dated August 21, 2019 vide which relaxation in Additional Factor of Authentication (AFA) was permitted while processing e-mandates / standing instructions on cards and Prepaid Payment Instruments (PPIs) for recurring transactions with values up to ₹ 2,000/-, subject to conditions listed therein. These instructions were later extended to Unified Payments Interface (UPI) as well.

2. Based on requests received from stakeholders and given the sufficient protection available to customers, it was announced in the Statement on Developmental and Regulatory Policies dated December 4, 2020 that the aforesaid transaction limit will be increased. Accordingly, it has been decided to increase the above limit for AFA relaxation to ₹ 5,000/- per transaction, with effect from January 1, 2021.

3. Processing of recurring transactions (domestic or cross-border) using cards / PPIs / UPI under arrangements / practices not compliant with the aforesaid instructions shall not be continued beyond March 31, 2021.

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

**Amendment to Master Direction (MD) on KYC – Centralized KYC Registry – Roll out of Legal Entity Template & other changes**

RBI/2020-21/80 DOR.AML.BC.No.31/14.01.001/2020-21

December 18, 2020

The Chairpersons/ CEOs of all the Regulated Entities

Regulated Entities (REs) have been uploading the KYC data pertaining to all individual accounts opened on or after January 1, 2017 on to CKYCR in terms of the provisions of the Prevention of Money Laundering (Maintenance of Records) Rules, 2005. Changes to the template, as and when required are released by CERSAI after consulting the Reserve Bank.

2. As the CKYCR is now fully operational for individual customers, it has been decided to extend the CKYCR to Legal Entities (LEs). Accordingly, REs shall upload the KYC data pertaining to accounts of LEs opened on or after April 1, 2021, on to CKYCR in terms of Rule 9 (1A) of the PML Rules. The LE Template and the Annex thereof are attached as Annex “A” and Annex “B” respectively to this circular. The LE Template would be released by CERSAI well in advance so that REs start using it from the notified date. REs shall also ensure that in case of accounts of LEs opened prior to April 1, 2021, the KYC records are uploaded on to CKYCR during the process of periodic updation as specified in Section 38 of the Master Direction, or earlier when the updated KYC information is obtained/received from the customer in certain cases. REs shall ensure that during periodic updation, the customers’ KYC details are migrated to current Customer Due Diligence (CDD) standards.

3. In order to ensure that all existing KYC records of individual customers are incrementally uploaded on to CKYCR, REs shall upload the KYC data pertaining to accounts of individuals opened prior to January 01, 2017, at the time of periodic updation as specified in Section 38 of the Master Direction, or earlier when the updated KYC information is obtained/received from the customer in certain cases. REs shall ensure that during periodic updation, the customers’ KYC details are migrated to current CDD standard.

4. Where a customer, for the purpose of establishing an account based relationship, submits a KYC Identifier to a RE, with an explicit consent to download records from CKYCR, then such RE shall retrieve the KYC records online from CKYCR using the KYC Identifier and the customer shall not be required to submit the same KYC records or information or any other additional identification documents or details, unless –

1. there is a change in the information of the customer as existing in the records of CKYCR;
2. the current address of the customer is required to be verified;
3. the RE considers it necessary in order to verify the identity or address of the customer, or to perform enhanced due diligence or to build an appropriate risk profile of the client.

5. Once KYC Identifier is generated by CKYCR, the REs shall ensure that the same is communicated to the individual/legal entity as the case may be.

6. The Master Direction on KYC dated February 25, 2016, is hereby updated to reflect the changes effected by the above amendment and shall come into force with immediate effect.

**FAQs on Resolution Framework for Covid-19 related stress (Revised on December 12, 2020)**

Link for FAQ:

<https://www.rbi.org.in/scripts/FAQView.aspx?Id=137>