**CAIIB: Rural Banking**

**RBI Notifications during the period**

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

**Co-Lending by Banks and NBFCs to Priority Sector**

RBI/2020-21/63 FIDD.CO.Plan.BC.No.8/04.09.01/2020-21

November 05, 2020

The Chairman / Managing Director/Chief Executive Officer

All Scheduled Commercial Banks (Excluding SFBs, RRBs, UCBs and LABs)

All Registered Non-Banking Financial Companies (including Housing Finance Companies)

Please refer to the circular FIDD.CO.Plan.BC.08/04.09.01/2018-19 dated September 21, 2018 on co-origination of loans by banks and NBFCs for lending to priority sector. The arrangement entailed joint contribution of credit at the facility level by both the lenders as also sharing of risks and rewards.

2. Based on the feedback received from the stakeholders and to better leverage the respective comparative advantages of the banks and NBFCs in a collaborative effort, it has been decided to provide greater operational flexibility to the lending institutions, while requiring them to conform to the regulatory guidelines on outsourcing, KYC, etc. The primary focus of the revised scheme, rechristened as “Co-Lending Model” (CLM), is to improve the flow of credit to the unserved and underserved sector of the economy and make available funds to the ultimate beneficiary at an affordable cost, considering the lower cost of funds from banks and greater reach of the NBFCs. Detailed features of the CLM are furnished in the Annex.

3. In terms of the CLM, banks are permitted to co-lend with all registered NBFCs (including HFCs) based on a prior agreement. The co-lending banks will take their share of the individual loans on a back-to-back basis in their books. However, NBFCs shall be required to retain a minimum of 20 per cent share of the individual loans on their books.

4. The banks and NBFCs shall formulate Board approved policies for entering into the CLM and place the approved policies on their websites. Based on their Board approved policies, a Master Agreement may be entered into between the two partner institutions which shall inter-alia include, terms and conditions of the arrangement, the criteria for selection of partner institutions, the specific product lines and areas of operation, along with provisions related to segregation of responsibilities as well as customer interface and protection issues, as detailed in the Annex.

5. The Master Agreement may provide for the banks to either mandatorily take their share of the individual loans originated by the NBFCs in their books as per the terms of the agreement, or to retain the discretion to reject certain loans after their due diligence prior to taking in their books, subject to the conditions specified in the Annex.

6. The banks can claim priority sector status in respect of their share of credit while engaging in the CLM adhering to the specified conditions.

7. The CLM shall not be applicable to foreign banks (including WOS) with less than 20 branches.

8. This circular supersedes the circular FIDD.CO.Plan.BC.08/04.09.01/2018-19 dated September 21, 2018. However, outstanding loans in terms of the circular ibid would continue to be classified under priority sector till their repayment or maturity, whichever is earlier.

Link for Detailed Circular:

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11991&Mode=0>

**Master Circular – Lead Bank Scheme**

RBI/2020-21/05 FIDD.CO.LBS.BC.No.1/02.01.001/2020-21

July 01, 2020

The Chairmen/ Managing Directors/ Chief Executive Officers

SLBC/ UTLBC Convenor Banks / Lead Banks

The Reserve Bank of India has issued a number of guidelines/instructions on Lead Bank Scheme from time to time. This Master Circular consolidates the relevant guidelines/ instructions issued by Reserve Bank of India on Lead Bank Scheme up to June 30, 2020 as listed in the Appendix.

2. This Master Circular has been placed on the RBI website <https://www.rbi.org.in>

Link for Detailed Circular:

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11926&Mode=0>

**Master Circular on SHG-Bank Linkage Programme**

RBI/2020-21/02 FIDD.FID.BC.No.02/12.01.033/2020-21

July 01, 2020

The Chairman/Managing Director/Chief Executive Officer

All Scheduled Commercial Banks

The Reserve Bank of India has, from time to time, issued a number of guidelines/instructions to banks on SHG-Bank Linkage Programme. In order to enable banks to have instructions at one place, the Master Circular incorporating the existing guidelines/instructions on the subject has been updated and enclosed. This Master Circular consolidates the circulars issued by Reserve Bank on the subject up to June 30, 2020, as indicated in the Annex.

Link for Detailed Circular:

<https://www.rbi.org.in/Scripts/BS_ViewMasCirculardetails.aspx?id=11927>

**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>

**Distressed Assets Fund - Subordinate Debt for Stressed MSMEs**

RBI/2020-21/09 DoR.BP.BC.No.01/21.04.048/2020-21

July 1, 2020

All Scheduled Commercial Banks (including Scheduled RRBs)

Please refer to the circular No.170/2020-21 dated June 24, 2020 issued by the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) regarding the captioned scheme. As the credit facilities extended under the above scheme are backed by a guarantee from CGTMSE, as a special dispensation, it has been decided to permit the banks to reckon the funds infused by the promoters in their MSME units through loans availed under the captioned scheme as equity/quasi equity from the promoters for debt-equity computation.

**Credit flow to Micro, Small and Medium Enterprises Sector**

RBI/2020-2021/10 FIDD.MSME & NFS.BC.No.3/06.02.31/2020-21

July 2, 2020

The Chairman/ Managing Director/Chief Executive Officer

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-India Financial Institutions /All Non-Banking Financial Companies

Please refer to our circular RPCD.PLNFS.BC.No.63/06.02.31/2006-07 dated April 4, 2007 containing definition of Micro, Small and Medium Enterprises as per Section 7 (I) of the Micro Small and Medium Enterprises Development Act, 2006.

2. In this connection, we inform that Government of India (GoI), vide Gazette Notification S.O. 2119 (E) dated June 26, 2020, has notified new criteria for classifying the enterprises as Micro, Small and Medium enterprises. The new criteria will come into effect from July 1, 2020. The details are as under:

**2.1 Classification of enterprises**

An enterprise shall be classified as a Micro, Small or Medium enterprise on the basis of the following criteria, namely:

1. a micro enterprise, where the investment in plant and machinery or equipment does not exceed one crore rupees and turnover does not exceed five crore rupees;
2. a small enterprise, where the investment in plant and machinery or equipment does not exceed ten crore rupees and turnover does not exceed fifty crore rupees; and
3. a medium enterprise, where the investment in plant and machinery or equipment does not exceed fifty crore rupees and turnover does not exceed two hundred and fifty crore rupees

**2.2 Composite criteria of investment and turnover for classification**

1. A composite criterion of investment and turnover shall apply for classification of an enterprise as micro, small or medium.
2. If an enterprise crosses the ceiling limits specified for its present category in either of the two criteria of investment or turnover, it will cease to exist in that category and be placed in the next higher category but no enterprise shall be placed in the lower category unless it goes below the ceiling limits specified for its present category in both the criteria of investment as well as turnover.
3. All units with Goods and Services Tax Identification Number (GSTIN) listed against the same Permanent Account Number (PAN) shall be collectively treated as one enterprise and the turnover and investment figures for all of such entities shall be seen together and only the aggregate values will be considered for deciding the category as micro, small or medium enterprise.

**2.3 Calculation of investment in plant and machinery or equipment**

1. The calculation of investment in plant and machinery or equipment will be linked to the Income Tax Return (ITR) of the previous years filed under the Income Tax Act, 1961.
2. In case of a new enterprise, where no prior ITR is available, the investment will be based on self-declaration of the promoter of the enterprise and such relaxation shall end after the 31st March of the financial year in which it files its first ITR.
3. The expression ‘’plant and machinery or equipment’’ of the enterprise, shall have the same meaning as assigned to the plant and machinery in the Income Tax Rules, 1962 framed under the Income Tax Act, 1961 and shall include all tangible assets (other than land and building, furniture and fittings).
4. The purchase (invoice) value of a plant and machinery or equipment, whether purchased first hand or second hand, shall be taken into account excluding Goods and Services Tax (GST), on self-disclosure basis, if the enterprise is a new one without any ITR.
5. The cost of certain items specified in the Explanation I to sub-section (1) of section 7 of the Act shall be excluded from the calculation of the amount of investment in plant and machinery.

**2.4 Calculation of turnover**

1. Exports of goods or services or both, shall be excluded while calculating the turnover of any enterprise whether micro, small or medium, for the purposes of classification.
2. Information as regards turnover and exports turnover for an enterprise shall be linked to the Income Tax Act or the Central Goods and Services Act (CGST Act) and the GSTIN.
3. The turnover related figures of such enterprise which do not have PAN will be considered on self-declaration basis for a period up to 31st March, 2021 and thereafter, PAN and GSTIN shall be mandatory.

2.5 In case of an upward change in terms of investment in plant and machinery or equipment or turnover or both, and consequent re-classification, an enterprise will maintain its prevailing status till expiry of one year from the close of the year of registration. In case of reverse-graduation of an enterprise, whether as a result of re-classification or due to actual changes in investment in plant and machinery or equipment or turnover or both, and whether the enterprise is registered under the Act or not, the enterprise will continue in its present category till the closure of the financial year and it will be given the benefit of the changed status only with effect from 1st April of the financial year following the year in which such change took place. Other aspects relating to registration of enterprises, grievance redressal, etc. are mentioned in the Gazette Notification S.O. 2119 (E) dated June 26, 2020.

3. The above instructions supersedes our earlier guidelines dated April 4, 2007, except paragraph 6 relating to delayed payment to micro and small enterprises.

4. We advise you to initiate necessary action for reclassification of enterprises as per the new definition w.e.f July 1, 2020 and issue necessary instructions to your branches/ controlling offices in this regard, at the earliest.

**Micro, Small and Medium Enterprises (MSME) sector – Restructuring of Advances**

RBI/2020-21/17 DOR.No.BP.BC/4/21.04.048/2020-21

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

Please refer to the circular DOR.No.BP.BC.34/21.04.048/2019-20 dated February 11, 2020 on the subject.

2. In view of the continued need to support the viable MSME entities on account of the fallout of Covid19 and to align these guidelines with the Resolution Framework for COVID 19 – related Stress announced for other advances, it has been decided to extend the scheme permitted in terms of the aforesaid circular. Accordingly, existing loans to MSMEs classified as 'standard' may be restructured without a downgrade in the asset classification, subject to the following conditions:

1. The aggregate exposure, including non-fund based facilities, of banks and NBFCs to the borrower does not exceed ₹25 crore as on March 1, 2020.
2. The borrower’s account was a ‘standard asset’ as on March 1, 2020.
3. The restructuring of the borrower account is implemented by March 31, 2021.
4. The borrowing entity is GST-registered on the date of implementation of the restructuring. However, this condition will not apply to MSMEs that are exempt from GST-registration. This shall be determined on the basis of exemption limit obtaining as on March 1, 2020.
5. Asset classification of borrowers classified as standard may be retained as such, whereas the accounts which may have slipped into NPA category between March 2, 2020 and date of implementation may be upgraded as ‘standard asset’, as on the date of implementation of the restructuring plan. The asset classification benefit will be available only if the restructuring is done as per provisions of this circular.
6. As hitherto, for accounts restructured under these guidelines, banks shall maintain additional provision of 5% over and above the provision already held by them.

3. All other instructions specified in the circular dated February 11, 2020 shall remain applicable.

**New Definition of Micro, Small and Medium Enterprises – clarifications**

RBI/2020-2021/26 FIDD.MSME & NFS.BC.No.4/06.02.31/2020-21

August 21, 2020

The Chairman/ Managing Director/Chief Executive Officer

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-India Financial Institutions /All Non-Banking Financial Companies

Please refer to the circular FIDD.MSME & NFS.BC.No.3/06.02.31/2020-21 dated July 2, 2020 on ‘Credit flow to Micro, Small and Medium Enterprises Sector’.

2. In view of the representations from IBA and banks regarding applicability of certain aspects contained in the Gazette notification No. S.O. 2119(E) dated June 26, 2020 on new criteria for classifying the enterprises as micro, small and medium enterprises, the Ministry of MSME, vide their Office Memorandum (OM) No.2/1(5)/2019 – P & G/Policy (pt. IV) dated August 6, 2020 and letter F.No.5/2(2)/2020 - P & G/Policy dated August 13, 2020 has, inter alia, clarified the following:

**2.1 Classification of Enterprises as per new definition**

1. Classification / re-classification of MSMEs is the statutory responsibility of the GoI, Ministry of MSME, as per the provisions of the MSMED Act, 2006.
2. As per para 2 of the said Gazette notification all enterprises are required to register online and obtain ‘Udyam Registration Certificate’. All lenders may, therefore, obtain ‘Udyam Registration Certificate ’from the entrepreneurs.

**2.2 Validity of EM Part II and UAMs issued till June 30, 2020**

1. The existing Entrepreneurs Memorandum (EM) Part II and Udyog Aadhaar Memorandum (UAMs) of the MSMEs obtained till June 30, 2020 shall remain valid till March 31, 2021. Further, all enterprises registered till June 30, 2020, shall file new registration in the Udyam Registration Portal well before March 31, 2021.
2. ‘Udyam Registration Certificate’ issued on self-declaration basis for enterprises exempted from filing GSTR and / or ITR returns will be valid for the time being, upto March 31, 2021.

**2.3 Value of Plant and Machinery or Equipment**

The online form for Udyam Registration captures depreciated cost as on 31st March each year of the relevant previous year. Therefore, the value of Plant and Machinery or Equipment for all purposes of the Notification No. S.O. 2119(E) dated June 26, 2020 and for all the enterprises shall mean the Written Down Value (WDV) as at the end of the Financial Year as defined in the Income Tax Act and not cost of acquisition or original price, which was applicable in the context of the earlier classification criteria.

3. In view of the above, instructions contained in circular FIDD.MSME & NFS.BC.No.10/ 06.02.31/2017-18 dated July 13, 2017 on ‘Investment in plant and machinery for the purpose of classification as Micro, Small and Medium Enterprises – documents to be relied upon’ are superseded.

4. Further, other instructions contained in circular FIDD.MSME & NFS.BC.No.3/ 06.02.31/ 2020-21 dated July 2, 2020 remains the same.

**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.

**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>

**Master Circular – Deendayal Antyodaya Yojana - National Rural Livelihoods Mission (DAY-NRLM)**

RBI/2020-2021/39 FIDD.GSSD.CO.BC.No.06/09.01.01/2020-21

September 18, 2020

The Chairman/Managing Director & CEO

Public Sector Banks, Private Sector Banks (including Small Finance Banks).

Please refer to the Master Circular FIDD.GSSD.CO.BC.No.15/09.01.01/2019-20 dated November 26, 2019 on Deendayal Antyodaya Yojana - National Rural Livelihoods Mission (DAY-NRLM).

The Master Circular has been suitably updated by incorporating the modifications in DAY-NRLM scheme issued up to September 18, 2020, which are listed in the appendix and also been placed on website (<https://www.rbi.org.in>).

Link for Detailed Circular:

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11967&Mode=0>

**Introduction of Liquidity Adjustment Facility (LAF) and Marginal Standing Facility (MSF) for Regional Rural Banks (RRBs)**

RBI/2020-21/76 DOR.RRB.No.28/31.01.001/2020-21

December 4, 2020

All Regional Rural Banks

In order to provide an additional avenue for liquidity management to Regional Rural Banks (RRBs), it has been decided that Liquidity Adjustment Facility (LAF) and Marginal Standing Facility (MSF) will be extended to Scheduled RRBs meeting the following criteria:

1. Implemented Core Banking Solution (CBS)
2. There is a minimum CRAR of nine per cent and
3. Fully compliant with the terms and conditions for availing LAF and MSF issued by Financial Markets Operations Department (FMOD), Reserve Bank of India.

2. The names of RRBs which meet the eligibility norms to participate in LAF and MSF (Positive List) and of those RRBs found ineligible (Negative List) will be intimated to the banks concerned. The eligibility status of the banks will be reviewed on an ongoing basis.

3. The effective date from which the RRBs will be eligible to avail of LAF and MSF will be intimated separately.

**Regional Rural Banks - Access to Call/Notice/Term Money Market**

RBI/2020-21/78 FMRD.DIRD.01/14.01.001/2020-21

December 04, 2020

All Eligible Market Participants

A reference is invited to the Statement of Developmental and Regulatory Policies dated December 4, 2020 wherein it was announced that Regional Rural Banks (RRBs) shall be permitted to participate in the call/notice/term money market.

2. Accordingly, RRBs shall be permitted to participate in the call/notice and term money markets both as borrowers and lenders. The prudential limits and other guidelines on call/notice/term money markets for the RRBs shall be the same as those applicable to Scheduled Commercial Banks in terms of the RBI Master Direction No.2/2016-17, dated July 7, 2016 on Money Market Instruments: Call/Notice Money Market, Commercial Paper, Certificates of Deposit and Non-Convertible Debentures (original maturity up to one year), as amended from time to time. RRBs may approach the Chief General Manager, Financial Market Regulation Department, Reserve Bank of India Central Office, 9th floor, Central Office building, Shahid Bhagat Singh Marg, Fort, Mumbai-400 001 (cgmfmrd@rbi.org.in) in this regard.

3. These Directions have been issued by RBI in exercise of the powers conferred under section 45W of the Reserve Bank of India Act, 1934 and of all the powers enabling it in this behalf.

4. These Directions shall be applicable with immediate effect.

**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>