**RBI Notifications from January 2021 to June 2021 - Advanced Bank Management**

**1. New Definition of Micro, Small and Medium Enterprises**

**RBI/2021-2022/63 FIDD.MSME & NFS.BC.No.12/06.02.31/2021-22 June 25, 2021**

*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.4/06.02.31/2020-21 dated August 21, 2020](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11951&Mode=0) on ‘New Definition of Micro, Small and Medium Enterprises –clarifications’.

2. In this connection, we inform that Government of India, vide their [Gazette Notification S.O. 2347(E) dated June 16, 2021](https://rbidocs.rbi.org.in/rdocs/content/pdfs/MoMSME16062021.pdf), has notified amendments in paragraph (7) sub-paragraph (3) in the notification of Government of India, Ministry of Micro, Small and Medium Enterprises number [S.O. 2119 (E), dated June 26, 2020](https://rbidocs.rbi.org.in/rdocs/content/pdfs/IndianGazzate02072020.pdf), published in the Gazette of India.

3. In view of the above amendment, paragraph 2.2 (i) of [RBI circular dated August 21, 2020](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11951&Mode=0) stands modified as under:

“The existing Entrepreneurs Memorandum (EM) Part II and Udyog Aadhaar Memorandum (UAMs) of the MSMEs obtained till June 30, 2020 shall remain valid till December 31, 2021”.

4. All other provisions of the circular remain unchanged.

**2. Gold (Metal) Loans – Repayment**

**RBI/2021-22/58DOR.CRE(DIR).REC.24/23.67.001/2021-22 June 23, 2021**

*All Scheduled Commercial Banks, (excluding Regional Rural Banks)*

Please refer to instructions issued vide [circulars DBOD.No.IBS.1519/23.67.001/98-99 dated December 31, 1998](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=7701&Mode=0), [DBOD.No.IBS.3161/23.67.001/98-99 dated June 25, 1999](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11135&Mode=0), [DBOD.No.IBD.BC.33/23.67.001/2005-06 dated September 5, 2005](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=2499&Mode=0), [DBOD.No.IBD.BC.71/23.67.001/2006-07 dated April 3, 2007](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=3387&Mode=0) and [DBOD.No.IBD.BC.104/23.67.001/2013-14 April 2, 2014](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=8823&Mode=0) on the captioned subject.

2. As per the extant instructions, nominated banks authorized to import gold and designated banks participating in [Gold Monetization Scheme, 2015 (GMS)](https://rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=10084) can extend Gold (Metal) Loans (GML) to jewellery exporters or domestic manufacturers of gold jewellery. These loans are repaid in INR, equivalent to the value of gold borrowed, on the relevant date/s.

3. On a review, it has been decided as under:

i) Banks shall provide an option to the borrower to repay a part of the GML in physical gold in lots of one kg or more, provided:

1. the GML has been extended out of locally sourced / GMS-linked gold;
2. repayment is made using locally sourced IGDS (India Good Delivery Standard)/ LGDS (LBMA’s Good Delivery Standards) gold;
3. gold is delivered on behalf of the borrower to the bank directly by the refiner or a central agency, acceptable to the bank, without the borrower’s involvement;
4. the loan agreement contains details of the option to be exercised by the borrower, acceptable standards and manner of delivery of gold for repayment;
5. the borrower is apprised upfront, in a transparent manner, of the implications of exercising the option.

ii) Banks shall suitably incorporate the above aspects into the board-approved policy governing GML along with concomitant risk management measures. Banks shall continue to monitor the end-use of funds lent under GML.

4. All other instructions issued on GML shall remain unchanged.

**3. Resolution Framework - 2.0: Resolution of Covid-19 related stress of Micro, Small and Medium Enterprises (MSMEs) – Revision in the threshold for aggregate exposure**

**RBI/2021-22/47 DOR.STR.REC.21/21.04.048/2021-22 June 4, 2021**

*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)*

A reference is invited to the [circular DOR.STR.REC.12/21.04.048/2021-22](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12086&Mode=0) on “Resolution Framework 2.0 – Resolution of Covid-19 related stress of Micro, Small and Medium Enterprises (MSMEs)” dated May 5, 2021.

2. Clause 2 of the above circular specifies the eligibility conditions for MSME accounts to be considered for restructuring under the framework, which inter alia include sub-clause (iii) which states that the aggregate exposure, including non-fund based facilities, of all lending institutions to the MSME borrower should not exceed ₹25 crore as on March 31, 2021.

3. Based on a review, it has been decided to enhance the above limit from ₹25 crore to ₹50 crore.

4. Consequently, clause 2(v) would stand modified as under:

“(v) The borrower’s account was not restructured in terms of the [circulars DOR.No.BP.BC/4/21.04.048/2020-21 dated August 6, 2020](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11942&Mode=0); [DOR.No.BP.BC.34/21.04.048/2019-20 dated February 11, 2020](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11808&Mode=0); or [DBR.No.BP.BC.18/21.04.048/2018-19 dated January 1, 2019](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11445&Mode=0) (collectively referred to as MSME restructuring circulars) or the [circular DOR.No.BP.BC/3/21.04.048/2020-21 dated August 6, 2020](https://rbi.org.in/Scripts/NotificationUser.aspx?Id=11941&Mode=0) on “Resolution Framework for COVID-19-related Stress.”

5. All other provisions of the circular remain unchanged.

**4. Resolution Framework - 2.0: Resolution of Covid-19 related stress of Individuals and Small Businesses – Revision in the threshold for aggregate exposure**

**RBI/2021-22/46 DOR.STR.REC.20/21.04.048/2021-22 June 4, 2021**

*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)*

A reference is invited to circular DOR.STR.REC.11/21.04.048/2021-22 on “Resolution Framework – 2.0: Resolution of Covid-19 related stress of Individuals and Small Businesses” dated May 5, 2021.

2. Clause 5 of the above circular specifies the eligible borrowers who may be considered for resolution under the framework and includes the following sub-clauses:

(b) Individuals who have availed of loans and advances for business purposes and to whom the lending institutions have aggregate exposure of not more than ₹25 crore as on March 31, 2021.

(c) Small businesses, including those engaged in retail and wholesale trade, other than those classified as MSME as on March 31, 2021, and to whom the lending institutions have aggregate exposure of not more than ₹25 crore as on March 31, 2021.

3. Based on a review, it has been decided to enhance the above limits from ₹25 crore to ₹50 crore.

4. All other provisions of the circular remain unchanged.

**5. Resolution Framework 2.0 – Resolution of Covid-19 related stress of Micro, Small and Medium Enterprises (MSMEs)**

**RBI/2021-22/32 DOR.STR.REC.12/21.04.048/2021-22 May 5, 2021**

*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 the [circular DOR.No.BP.BC/4/21.04.048/2020-21 dated August 6, 2020](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11942&Mode=0) on restructuring of advances to the MSME borrowers.

2. In view of the uncertainties created by the resurgence of the Covid-19 pandemic in India in the recent weeks, it has been decided to extend the above facility for restructuring existing loans without a downgrade in the asset classification subject to the following conditions:

(i) The borrower should be classified as a micro, small or medium enterprise as on March 31, 2021 in terms of the Gazette Notification S.O. 2119 (E) dated June 26, 2020.

(ii) 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 31, 2021.

(iii) The aggregate exposure, including non-fund based facilities, of all lending institutions to the borrower does not exceed ₹25 crore as on March 31, 2021.

(iv) The borrower’s account was a ‘standard asset’ as on March 31, 2021.

(v) The borrower’s account was not restructured in terms of the [circulars DOR.No.BP.BC/4/21.04.048/2020-21 dated August 6, 2020](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11942&Mode=0); [DOR.No.BP.BC.34/21.04.048/2019-20 dated February 11, 2020](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11808&Mode=0); or [DBR.No.BP.BC.18/21.04.048/2018-19 dated January 1, 2019](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11445&Mode=0) (collectively referred to as MSME restructuring circulars).

(vi) The restructuring of the borrower account is invoked by September 30, 2021. For this purpose, the restructuring shall be treated as invoked when the lending institution and the borrower agree to proceed with the efforts towards finalising a restructuring plan to be implemented in respect of such borrower. The decisions on applications received by the lending institutions from their customers for invoking restructuring under this facility shall be communicated in writing to the applicant by the lending institutions within 30 days of receipt of such applications. The decision to invoke the restructuring under this facility shall be taken by each lending institution having exposure to a borrower independent of invocation decisions taken by other lending institutions, if any, having exposure to the same borrower.

(vii) The restructuring of the borrower account is implemented within 90 days from the date of invocation.

(viii) If the borrower is not registered in the Udyam Registration portal, such registration shall be required to be completed before the date of implementation of the restructuring plan for the plan to be treated as implemented.

(ix) Upon implementation of the restructuring plan, the lending institutions shall keep provision of 10 percent of the residual debt of the borrower.

(x) It is reiterated that lending institutions shall put in place a Board approved policy on restructuring of MSME advances under these instructions at the earliest, and in any case not later than a month from the date of this circular.

(xi) All other instructions specified in the [circular DOR.No.BP.BC/4/21.04.048/2020-21 dated August 6, 2020](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11942&Mode=0) shall remain applicable.

3. In respect of restructuring plans implemented as per Clause 2 above, asset classification of borrowers classified as standard may be retained as such, whereas the accounts which may have slipped into NPA category between April 1, 2021 and date of implementation may be upgraded as ‘standard asset’, as on the date of implementation of the restructuring plan.

4. In respect of accounts of borrowers which were restructured in terms of the MSME restructuring circulars, lending institutions are permitted, as a one-time measure, to review the working capital sanctioned limits and / or drawing power based on a reassessment of the working capital cycle, reduction of margins, etc. without the same being treated as restructuring. The decision with regard to above shall be taken by lending institutions by September 30, 2021. The reassessed sanctioned limit / drawing power shall be subject to review by the lending institution at least on a half yearly basis and the renewal / reassessment at least on an annual basis. The annual renewal/reassessment shall be expected to suitably modulate the limits as per the then-prevailing business conditions.

5. The above measures shall be contingent on the lending institutions satisfying themselves that the same is necessitated on account of the economic fallout from Covid-19. Further, accounts provided relief under these instructions shall be subject to subsequent supervisory review with regard to their justifiability on account of the economic fallout from Covid-19.

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12086&Mode=0>

**6. Resolution Framework – 2.0: Resolution of Covid-19 related stress of Individuals and Small Businesses**

**RBI/2021-22/31 DOR.STR.REC.11/21.04.048/2021-22 May 5, 2021**

*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 vide its circular DOR.No.BP.BC/3/21.04.048/2020-21 dated August 6, 2020 on “Resolution Framework for COVID-19-related Stress” (“Resolution Framework – 1.0”) had provided a window to enable 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.

2. The resurgence of Covid-19 pandemic in India in the recent weeks and the consequent containment measures to check the spread of the pandemic may impact the recovery process and create new uncertainties. With the objective of alleviating the potential stress to individual borrowers and small businesses, the following set of measures are being announced. These set of measures are broadly in line with the contours of the Resolution Framework - 1.0, with suitable modifications.

3. Part A of this circular pertains to requirements specific to resolution of advances to individuals and small businesses and Part B pertains to working capital support for: (i) individuals who have availed of loans for business purposes, and (ii) small businesses, where resolution plans were implemented previously. Part C lists the disclosure requirements for the lending institutions with respect to the resolution plans implemented under this window.

A. Resolution of advances to individuals and small businesses

4. Lending institutions are permitted to offer a limited window to individual borrowers and small businesses to implement resolution plans in respect of their credit exposures while classifying the same as Standard upon implementation of the resolution plan subject to the conditions specified hereafter.

5. The following borrowers shall be eligible for the window of resolution to be invoked by the lending institutions:

Individuals who have availed of personal loans (as defined in the Circular DBR.No.BP.BC.99/08.13.100/2017-18 dated January 4, 2018 on “XBRL Returns – Harmonization of Banking Statistics”), excluding the credit facilities provided by lending institutions to their own personnel/staff.

Individuals who have availed of loans and advances for business purposes and to whom the lending institutions have aggregate exposure of not more than Rs.25 crore as on March 31, 2021.

Small businesses, including those engaged in retail and wholesale trade, other than those classified as micro, small and medium enterprises as on March 31, 2021, and to whom the lending institutions have aggregate exposure of not more than Rs.25 crore as on March 31, 2021.

Provided that the borrower accounts / credit facilities shall not belong to the categories listed in sub-clauses (a) to (e) of the Clause 2 of the Annex to the Resolution Framework 1.0, read with the response to Sl. No. 2 of FAQs on Resolution Framework for Covid-19 related stress (Revised on December 12, 2020).

Provided further that the borrower accounts should not have availed of any resolution in terms of the Resolution Framework – 1.0 subject to the special exemption mentioned at Clause 22 below.

Provided further that the credit facilities / investment exposure to the borrower was classified as Standard by the lending institution as on March 31, 2021.

6. Any resolution plan implemented in breach of the stipulations of this circular shall be fully governed by the Prudential Framework for Resolution of Stressed Assets issued on June 7, 2019 (“Prudential Framework”), or the relevant instructions as applicable to specific category of lending institutions where the Prudential Framework is not applicable.

Invocation of resolution process

7. The lending institutions shall frame Board approved policies at the earliest (but not later than four weeks from the date of this Circular), pertaining to implementation of viable resolution plans for eligible borrowers under this framework, ensuring that the resolution under this facility is provided only to the borrowers having stress on account of Covid-19. The Board approved policy shall, inter alia, detail the eligibility of borrowers in respect of whom the lending institutions shall be willing to consider the resolution, and shall lay down the due diligence considerations to be followed by the lending institutions to establish the necessity of implementing a resolution plan in respect of the concerned borrower as well as the system for redressing the grievance of borrowers who request for resolution under the window and / or are undergoing resolution under this window. The Board approved policy shall be sufficiently publicised and should be available on the website of the lending institutions in an easily accessible manner.

8. The resolution process under this window shall be treated as invoked when the lending institution and the borrower agree to proceed with the efforts towards finalising a resolution plan to be implemented in respect of such borrower. In respect of applications received by the lending institutions from their customers for invoking resolution process under this window, the assessment of eligibility for resolution as per the instructions contained in this circular and the Board approved policy put in place as above shall be completed, and the decision on the application shall be communicated in writing to the applicant by the lending institutions within 30 days of receipt of such applications. In order to optimise the processing time, lending institutions may prepare product-level standardized templates as part of their Board approved policies, as above, for resolution under this window.

9. The decision to invoke the resolution process under this window shall be taken by each lending institution having exposure to a borrower independent of invocation decisions taken by other lending institutions, if any, having exposure to the same borrower.

10. The last date for invocation of resolution permitted under this window is September 30, 2021.

Permitted features of resolution plans and implementation

11. The resolution plans implemented under this window may inter alia include rescheduling of payments, conversion of any interest accrued or to be accrued into another credit facility, revisions in working capital sanctions, granting of moratorium etc. based on an assessment of income streams of the borrower. However, compromise settlements are not permitted as a resolution plan for this purpose.

12. The moratorium period, if granted, may be for a maximum of two years, and shall come into force immediately upon implementation of the resolution plan. The extension of the residual tenor of the loan facilities may also be granted to borrowers, with or without payment moratorium. The overall cap on extension of residual tenor, inclusive of moratorium period if any permitted, shall be two years.

13. The resolution plan may also provide for conversion of a portion of the debt into equity or other marketable, non-convertible debt securities issued by the borrower, wherever applicable, and the same shall be governed in terms of Paragraphs 30-32 of the Annex to the Resolution Framework – 1.0.

14. The instructions contained in the circular DOR.No.BP.BC/13/21.04.048/2020-21 dated September 7, 2020 on “Resolution Framework for COVID-19-related Stress – Financial Parameters” shall not be applicable to resolution plans implemented under this window.

15. The resolution plan should be finalised and implemented within 90 days from the date of invocation of the resolution process under this window. The resolution plan shall be deemed to be implemented only if all the conditions in Paragraph 10 of the Annex to the Resolution Framework – 1.0 are met.

Asset classification and provisioning

16. If a resolution plan is implemented in adherence to the provisions of this circular, the asset classification of borrowers’ accounts classified as Standard may be retained as such upon implementation, whereas the borrowers’ accounts which may have slipped into NPA between invocation and implementation may be upgraded as Standard, as on the date of implementation of the resolution plan.

17. The subsequent asset classification for such exposures will be governed by the criteria laid out in the Master Circular - Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances dated July 1, 2015 or other relevant instructions as applicable to specific category of lending institutions (“extant IRAC norms”).

18. In respect of borrowers where the resolution process has been invoked, lending institutions are permitted to sanction additional finance even before implementation of the plan in order to meet the interim liquidity requirements of the borrower. This facility of additional finance may be classified as ‘Standard’ till implementation of the plan regardless of the actual performance of the borrower in the interim. However, if the resolution plan is not implemented within the stipulated timelines, the asset classification of the additional finance sanctioned will be as per the actual performance of the borrower with respect to such additional finance or performance of the rest of the credit facilities, whichever is worse.

19. The lending institutions shall keep provisions from the date of implementation, which are higher of the provisions held as per the extant IRAC norms immediately before implementation, or 10 percent of the renegotiated debt exposure of the lending institution post implementation (residual debt). Residual debt, for this purpose, will also include the portion of non-fund based facilities that may have devolved into fund based facilities after the date of implementation.

20. Half of the above provisions may be written back upon the borrower paying at least 20 per cent of the residual debt without slipping into NPA post implementation of the plan, and the remaining half may be written back upon the borrower paying another 10 per cent of the residual debt without slipping into NPA subsequently.

Provided that in respect of exposures other than personal loans, the above provisions shall not be written back before one year from the commencement of the first payment of interest or principal (whichever is later) on the credit facility with longest period of moratorium.

21. The provisions required to be maintained under this window, to the extent not already reversed, shall be available for the provisioning requirements when any of the accounts, where a resolution plan had been implemented, is subsequently classified as NPA.

Convergence of the norms for loans resolved previously

22. In cases of loans of borrowers specified in Clause 5 above where resolution plans had been implemented in terms of the Resolution Framework – 1.0, and where the resolution plans had permitted no moratoria or moratoria of less than two years and / or extension of residual tenor by a period of less than two years, lending institutions are permitted to use this window to modify such plans only to the extent of increasing the period of moratorium / extension of residual tenor subject to the caps in Clause 12 above, and the consequent changes necessary in the terms of the loan for implementing such extension. The overall caps on moratorium and / or extension of residual tenor granted under Resolution Framework – 1.0 and this framework combined, shall be two years.

23. This modification shall also follow the timelines specified in Clauses 7, 10 and 15 above. For loans where modifications are implemented in line with Clause 22 above, the instructions regarding asset classification and provisioning shall continue to be as per the Resolution Framework – 1.0.

B. Working capital support for small businesses where resolution plans were implemented previously

24. In respect of borrowers specified at sub-clauses (b) and (c) of Clause 5 above where resolution plans had been implemented in terms of the Resolution Framework – 1.0, lending institutions are permitted, as a one-time measure, to review the working capital sanctioned limits and / or drawing power based on a reassessment of the working capital cycle, reduction of margins, etc. without the same being treated as restructuring. The decision with regard to above shall be taken by lending institutions by September 30, 2021, with the margins and working capital limits being restored to the levels as per the resolution plan implemented under Resolution Framework – 1.0, by March 31, 2022.

25. The above measures shall be contingent on the lending institutions satisfying themselves that the same is necessitated on account of the economic fallout from COVID-19. Further, accounts provided relief under these instructions shall be subject to subsequent supervisory review with regard to their justifiability on account of the economic fallout from COVID-19.

26. Lending institutions may, accordingly, put in place a Board approved policy to implement the above measures, which should be disclosed in the public domain and placed on their websites in a prominent and easily accessible manner.

C. Disclosures and Credit Reporting

27. Lending institutions publishing quarterly financial statements shall, at the minimum, make disclosures as per the format prescribed in Format-X in their financial statements for the quarters ending September 30, 2021 and December 31, 2021. The resolution plans implemented in terms of Part A of this framework should also be included in the continuous disclosures required as per Format-B prescribed in the Resolution Framework – 1.0.

28. The number of borrower accounts where modifications were sanctioned and implemented in terms of Clause 22 above, and the aggregate exposure of the lending institution to such borrowers may also be disclosed on a quarterly basis, starting from the quarter ending June 30, 2021.

29. Lending institutions that are required to publish only annual financial statements shall make the required disclosures in their annual financial statements, along with other prescribed disclosures.

30. The credit reporting by the lending institutions in respect of borrowers where the resolution plan is implemented under Part A of this window shall reflect the “restructured due to COVID-19” status1 of the account. The credit history of the borrowers shall consequently be governed by the respective policies of the credit information companies as applicable to accounts that are restructured.

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12085&Mode=0>

**7. Credit to MSME Entrepreneurs**

**RBI/2020-21/92 DOR.No.Ret.BC.37/12.01.001/2020-21 February 05, 2021**

*All Scheduled Commercial Banks*

In terms of paragraph 5 of the [Statement on Developmental and Regulatory Policies of February 5, 2021](https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=51078), Scheduled Commercial Banks will be allowed to deduct the amount equivalent to credit disbursed to ‘New MSME borrowers’ from their Net Demand and Time Liabilities (NDTL) for calculation of the Cash Reserve Ratio (CRR). For the purpose of this exemption, ‘New MSME borrowers’ shall be defined as those MSME borrowers who have not availed any credit facilities from the banking system as on January 1, 2021. This exemption will be available only up to ₹25 lakh per borrower disbursed up to the fortnight ending October 1, 2021, for a period of one year from the date of origination of the loan or the tenure of the loan, whichever is earlier.

2. Banks are required to report the exemption availed at the end of a fortnight, in Annex A to Form A as per [Master Circular on Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR) dated July 1, 2015](https://www.rbi.org.in/Scripts/BS_ViewMasCirculardetails.aspx?id=9905), under the item “Any other liabilities coming under the purview of zero prescription” at VIII.1. Proper fortnightly records of credit disbursed to new MSME borrowers/CRR exemption claimed, duly certified by the Chief Financial Officer (CFO) or an equivalent level officer, must be maintained by banks for supervisory review.

**8. Priority Sector Lending (PSL) - On-lending by Small Finance Banks (SFBs) to NBFC-MFIs**

**RBI/2021-22/27 FIDD.CO.Plan.BC.No.10/04.09.01/2021-22 May 5, 2021**

*The Chairman/ Managing Director, Chief Executive Officer, Small Finance Banks*

As per extant guidelines, lending by Small Finance Banks (SFBs) to Micro-Finance Institutions (MFIs) for on-lending is not reckoned for priority sector lending (PSL) classification. In view of the fresh challenges brought on by the COVID-19 pandemic and to address the emergent liquidity position of smaller MFIs, it has been decided to allow PSL classification to the fresh credit extended by SFBs to registered NBFC-MFIs and other MFIs (Societies, Trusts etc.) which are members of RBI recognised ‘Self-Regulatory Organisation’ of the sector and which have a ‘gross loan portfolio’ of upto ₹500 crore as on 31 March 2021, for the purpose of on-lending to individuals. Bank credit as above will be permitted up to 10% of the bank’s total priority sector portfolio as on 31 March, 2021.

2. The above dispensation shall be valid upto March 31, 2022. However, loans thus disbursed will continue to be classified under Priority Sector till the date of repayment/maturity whichever is earlier. Further, banks will be required to adhere to the conditions prescribed for on-lending under para 21 of our Master Directions on PSL dated September 4, 2020 (updated as on April 29, 2021).

3. The guidelines shall come into effect from the date of the issuance of this circular.

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12081&Mode=0>

**9. Corporate Governance in Banks - Appointment of Directors and Constitution of Committees of the Board**

**RBI/2021-22/24 DOR.GOV.REC.8/29.67.001/2021-22 April 26, 2021**

*To Commercial Banks (as per applicability)*

A Discussion Paper on ‘[Governance in Commercial Banks in India](https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=49937)’ was issued by the Reserve Bank on June 11, 2020 to review the framework for governance in the commercial banks. Based on the feedback received, a comprehensive review of the framework has been done, and a Master Direction on Governance will be issued in due course. In order to address a few operative aspects received through such feedback, it has been decided to issue instructions with regard to the Chair and meetings of the board, composition of certain committees of the board, age, tenure and remuneration of directors, and appointment of the whole-time directors (WTDs).

**Applicability**

2. The revised instructions would be applicable to all the Private Sector Banks including Small Finance Banks (SFBs) and wholly owned subsidiaries of Foreign Banks. In respect of State Bank of India and Nationalised Banks, these guidelines would apply to the extent the stipulations are not inconsistent with provisions of specific statutes applicable to these banks or instructions issued under the statutes. The contents of this circular must be read along with other relevant governing statutes and shall be applicable notwithstanding anything to the contrary contained in the licensing conditions, notifications, directions, regulations, guidelines, instructions, etc., issued by the Reserve Bank before the issue of this circular. The circular will not be applicable in the case of foreign banks operating as branches in India. The applicability to other commercial banks viz., Local Area Banks, Payments Banks and Regional Rural Banks will be notified separately.

**Chair and meetings of the Board**

3. The Chair of the board shall be an independent director. In the absence of the Chair of the board, the meetings of the board shall be chaired by an independent director. The quorum for the board meetings shall be one-third of the total strength of the board or three directors, whichever is higher. At least half of the directors attending the meetings of the board shall be independent directors.

**Committees of the Board**

**(a) Audit Committee of the Board (ACB)**

4. The ACB shall be constituted with only non-executive directors (NEDs). The Chair of the board shall not be a member of the ACB. The ACB shall meet with a quorum of three members. At least two-thirds of the members attending the meeting of the ACB shall be independent directors[1](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12078&Mode=0#F1). The ACB shall meet at least once in a quarter. The meetings of the ACB shall be chaired by an independent director who shall not chair any other committee of the Board. The Chair of the ACB shall not be a member of any committee of the board which has a mandate of sanctioning credit exposures. All members should have the ability to understand all financial statements as well as the notes/ reports attached thereto and at least one member shall have requisite professional expertise/ qualification in financial accounting or financial management [e.g., experience in application of accounting standards and practices, including internal controls around it].

**(b) Risk Management Committee of the Board (RMCB)**

5. The board shall constitute an RMCB with a majority of NEDs. The RMCB shall meet with a quorum of three members. At least half of the members attending the meeting of the RMCB shall be independent directors of which at least one member shall have professional expertise/ qualification in risk management[2](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12078&Mode=0#F2). Meetings of RMCB shall be chaired by an independent director who shall not be a Chair of the board or any other committee of the board. The Chair of the board may be a member of the RMCB only if he/she has the requisite risk management expertise. The RMCB shall meet at least once in each quarter.

**(c) Nomination and Remuneration Committee (NRC)**

6. The board shall constitute an NRC made up of only NEDs. The NRC shall meet with a quorum of three members. At least half of the members attending the meeting of the NRC shall be independent directors, of which one shall be a member of the RMCB. The meetings of the NRC shall be chaired by an independent director. The Chair of the board shall not chair the NRC. The meeting of NRC may be held as and when required[3](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12078&Mode=0#F3).

**Age and tenure of NEDs**

7. The upper age limit for NEDs, including the Chair of the board, shall be 75 years and after attaining the age of 75 years no person can continue in these positions[4](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12078&Mode=0#F4).

8. The total tenure of an NED, continuously or otherwise, on the board of a bank, shall not exceed eight years. After completing eight years on the board of a bank the person may be considered for re-appointment only after a minimum gap of three years.[5](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12078&Mode=0#F5) This will not preclude him/her from being appointed as a director in another bank subject to meeting the requirements.

**Remuneration of NEDs**

9. In addition to sitting fees and expenses related to attending meetings of the board and its committees as per extant statutory norms/ practices, the bank may provide for payment of compensation to NEDs in the form of a fixed remuneration commensurate with an individual director’s responsibilities and demands on time and which are considered sufficient to attract qualified competent individuals. However, such fixed remuneration for an NED, other than the Chair of the board, shall not exceed ₹20 lakh per annum[6](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12078&Mode=0#F6).

**Tenure of MD&CEO and WTDs**

10. Subject to the statutory approvals required from time to time, the post of the MD&CEO or WTD cannot be held by the same incumbent for more than 15 years. Thereafter, the individual will be eligible for re-appointment as MD&CEO or WTD in the same bank, if considered necessary and desirable by the board, after a minimum gap of three years, subject to meeting other conditions. During this three-year cooling period, the individual shall not be appointed or associated with the bank or its group entities in any capacity, either directly or indirectly.

11. It is clarified that the extant instructions on upper age limit for MD&CEO and WTDs in the private sector banks would continue and no person can continue as MD&CEO or WTD beyond the age of 70 years. Within the overall limit of 70 years, as part of their internal policy, individual bank's Boards are free to prescribe a lower retirement age for the WTDs, including the MD&CEO.

12. MD&CEO or WTD who is also a promoter/ major shareholder, cannot hold these posts for more than 12 years. However, in extraordinary circumstances, at the sole discretion of the Reserve Bank such MD&CEO or WTDs may be allowed to continue up to 15 years. While examining the matter of re-appointment of such MD&CEOs or WTDs within the 12/15 years period, the level of progress and adherence to the milestones for dilution of promoters’ shareholding in the bank shall also be factored in by the Reserve Bank.

**Transition Arrangement**

13. While the instructions shall come into effect from the date of issue of this circular, in order to enable smooth transition to the revised requirements, banks are permitted to comply with these instructions latest by October 01, 2021. Specifically:

(i) The Chair of board who is not an independent director on the date of issue of this circular shall be allowed to complete the current term as Chair as already approved by the Reserve Bank.

(ii) Banks with MD&CEOs or WTDs who have already completed 12/15 years as MD&CEO or WTD, on the date these instructions coming to effect, shall be allowed to complete their current term as already approved by the Reserve Bank.

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12078&Mode=0>

**10. Asset Classification and Income Recognition following the expiry of Covid-19 regulatory package**

**RBI/2021-22/17 DOR.STR.REC.4/21.04.048/2021-22 April 7, 2021**

*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 Hon’ble Supreme Court of India has pronounced its judgement in the matter of Small Scale Industrial Manufacturers Association vs UOI & Ors. and other connected matters on March 23, 2021. In this connection, it is advised hereunder:

**I. Refund/adjustment of ‘interest on interest’**

2. All lending institutions1 shall immediately put in place a Board-approved policy to refund/adjust the ‘interest on interest’ charged to the borrowers during the moratorium period, i.e. March 1, 2020 to August 31, 2020 in conformity with the above judgement. In order to ensure that the above judgement is implemented uniformly in letter and spirit by all lending institutions, methodology for calculation of the amount to be refunded/adjusted for different facilities shall be finalised by the Indian Banks Association (IBA) in consultation with other industry participants/bodies, which shall be adopted by all lending institutions.

3. The above reliefs shall be applicable to all borrowers, including those who had availed of working capital facilities during the moratorium period, irrespective of whether moratorium had been fully or partially availed, or not availed, in terms of the circulars DOR.No.BP.BC.47/21.04.048/2019-20 dated March 27, 2020 and DOR.No.BP.BC.71/21.04.048/2019-20 dated May 23, 2020 (“Covid-19 Regulatory Package”).

4. Lending institutions shall disclose the aggregate amount to be refunded/adjusted in respect of their borrowers based on the above reliefs in their financial statements for the year ending March 31, 2021.

**II. Asset Classification**

5. Asset classification of borrower accounts by all lending institutions following the above judgment shall continue to be governed by the extant instructions as clarified below.

In respect of accounts which were not granted any moratorium in terms of the Covid19 Regulatory Package, asset classification shall be as per the criteria laid out in the Master Circular - Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances dated July 1, 2015 or other relevant instructions as applicable to the specific category of lending institutions (IRAC Norms).

In respect of accounts which were granted moratorium in terms of the Covid19 Regulatory Package, the asset classification for the period from March 1, 2020 to August 31, 2020 shall be governed in terms of the circular DOR.No.BP.BC.63/21.04.048/2019-20 dated April 17, 2020, read with circular DOR.No.BP.BC.71/21.04.048/2019-20 dated May 23, 2020. For the period commencing September 1, 2020, asset classification for all such accounts shall be as per the applicable IRAC Norms.

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

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12071&Mode=0>

**11. Priority Sector Lending (PSL) - Lending by banks to NBFCs for On-Lending**

**RBI/2021-22/15 FIDD.CO.Plan.BC.No.8/04.09.01/2021-22 April 7, 2021**

*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]*

Please refer to our Circular No. [RBI/2019-20/179 FIDD.CO.Plan.BC.No.19/04.09.01/2019-20 dated March 23, 2020](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11828&Mode=0) advising, inter alia, that the bank loans to registered NBFCs (other than MFIs) for on-lending will be eligible for classification as priority sector under Agriculture and Micro & Small Enterprises up to March 31, 2021 and will be reviewed thereafter.

2. As announced in the [Statement on Developmental and Regulatory Policies dated April 7, 2021](https://rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=51382), with a view to ensure continued availability of credit to these sectors to aid faster economic recovery, it has been decided to extend the PSL classification for lending by banks to NBFCs for on-lending by six months i.e. up to September 30, 2021. However, bank loans to HFCs for on-lending for the purpose of housing, as prescribed in para 23 of our Master Direction on PSL dated September 4, 2020, will continue on an on-going basis. Further, existing loans disbursed under the on-lending model will continue to be classified under Priority Sector till the date of repayment/maturity.

3. All other guidelines as issued vide circulars [FIDD.CO.Plan.BC.7/04.09.01/2019-20 dated August 13, 2019](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11659&Mode=0), [FIDD.CO.Plan.BC.No.19/04.09.01/2019-20 dated March 23, 2020](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11828&Mode=0) and [Master Directions on PSL dated September 4, 2020](https://www.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=11959) will continue to apply.

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12069&Mode=0>

**12. Priority Sector Lending (PSL) – Increase in limits for bank lending against Negotiable Warehouse Receipts (NWRs) / electronic Negotiable Warehouse Receipts (eNWRs)**

**RBI/2021-22/14 FIDD.CO.Plan.BC.No.7/04.09.01/2021-22 April 7, 2021**

*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]*

Please refer to the [Statement on Developmental and Regulatory Policies dated April 7, 2021](https://rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=51382), wherein Reserve Bank of India (RBI) had announced increase in loan limits for bank lending against NWRs/eNWRs.

2. In terms of paras 8.1 (vii) and 8.2 (b) of the “[Master Direction on Priority Sector Lending – Targets and Classification” dated September 4, 2020](https://www.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=11959), bank loans against pledge/ hypothecation of agricultural produce (including warehouse receipts) for a period not exceeding 12 months are eligible for classification under PSL, subject to a limit up to ₹50 lakh per borrower.

3. With a view to ensure greater flow of credit to the farmers against pledge/hypothecation of agricultural produce, and to encourage use of NWR/eNWR issued by regulated warehouses as a preferred instrument for availing such finance by the farmers, it has been decided to enhance the PSL limit for loans against NWRs/eNWRs from ₹50 lakh to ₹75 lakh per borrower. The PSL limit backed by the warehouse receipts other than NWR/eNWR will continue to be ₹50 lakh per borrower.

4. Consequent to the above change, para 8.1(vii) and 8.2(b) of the [Master Direction on Priority Sector Lending – Targets and Classification dated September 4, 2020](https://www.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=11959) will stand modified as follows:

**Para 8.1 - Farm Credit - Individual farmers**

**vii.**Loans against pledge/hypothecation of agricultural produce (including warehouse receipts) for a period not exceeding 12 months subject to a limit up to ₹75 lakh against NWRs/eNWRs and up to ₹50 lakh against warehouse receipts other than NWRs/eNWRs.

**Para 8.2 Farm Credit - Corporate farmers, Farmer Producer Organisations (FPOs)/(FPC) Companies of Individual Farmers, Partnership firms and Co-operatives of farmers engaged in Agriculture and Allied Activities**

**(b)**Loans up to ₹75 lakh against pledge/hypothecation of agricultural produce (including warehouse receipts) for a period not exceeding 12 months against NWRs/eNWRs and up to ₹50 lakh against warehouse receipts other than NWRs/eNWRs.

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12068&Mode=0>

**13. Master Circular - Credit facilities to Scheduled Castes (SCs) & Scheduled Tribes (STs)**

**RBI/2021-22/11 FIDD.CO.GSSD.BC.No.05/09.09.001/2021-22 April 05, 2021**

*The Chairman & Managing Director \ CEO, All Scheduled Commercial Banks & Small Finance Banks*

Please refer to the [Master Circular FIDD.CO.GSSD.BC.No.03/09.09.001/2019-20 dated July 01, 2019](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11612&Mode=0) consolidating guidelines / Instructions / directions issued to banks with regard to providing credit facilities to Scheduled Castes (SCs) and Scheduled Tribes (STs).

Banks should take the following measures to step up their advances to SCs / STs:

**1. Planning Process**

1.1 The District Level Consultative Committees formed under the Lead Bank Scheme should continue to be the principal mechanism of co-ordination between banks and development agencies in this regard.

1.2 The district credit plans formulated by the lead banks should clearly indicate the linkage of credit with employment and development schemes.

1.3 Banks will have to establish closer liaison with the District Industries Centres, which have been set up in different districts for promoting self-employment.

1.4 At the block level, a certain weightage is to be given to scheduled castes / scheduled tribes in the planning process. Accordingly, the credit planning should be weighted in favour of scheduled castes / scheduled tribes and special bankable schemes suited to members of these communities should be drawn up to ensure their participation in such schemes and larger flow of credit to them for self-employment. It will be necessary for the banks to consider loan proposals of these communities with utmost sympathy and understanding.

1.5 Banks should periodically review their lending procedures and policies to see that loans are sanctioned in time, are adequate and production-oriented and that they generate incremental income to make them self-liquidating.

1.6 While 'adopting' villages for intensive lending, villages with sizeable population of these communities may be specially chosen; the alternative of adopting specific localities (bastis) in the concerned villages which have a concentration of these communities could also be considered.

**2. Role of Banks**

2.1 Bank staff may help the poor borrowers in filling up the forms and completing other formalities so that they are able to get credit facility within a stipulated period from the date of receipt of applications.

2.2 In order to encourage SC / ST borrowers to take advantage of credit facilities, greater awareness among them about various schemes formulated by banks will have to be created. As a majority of the eligible borrowers would be illiterate persons, publicity through brochures, other literature, etc. will be of limited utility. The more desirable method would be for the field staff of banks to contact such borrowers and explain to them the salient features of the schemes as also the advantages that will accrue. Banks should advise their branches to organize meetings more frequently exclusively for SC / ST beneficiaries to understand their credit needs and to incorporate the same in the credit plan.

2.3 Circulars issued by RBI / NABARD should be circulated among the staff for compliance.

2.4 Banks should not insist on deposits while considering loan applications under Government sponsored poverty alleviation schemes / self-employment programmes from borrowers belonging to SCs / STs. It should also be ensured that applicable subsidy is not held back while releasing the loan component till the full repayment of bank dues. Non-release of subsidy upfront amounts to under-financing and hampers asset creation / income generation.

2.5 The National Scheduled Tribes Finance & Development Corporation and National Scheduled Castes Finance & Development Corporation have been set up under the administrative control of Ministry of Tribal Affairs and Ministry of Social Justice & Empowerment, respectively. The banks should advise their branches / controlling offices to render all the necessary institutional support to enable the institution to achieve the desired objectives.

2.6 Advances sanctioned to State sponsored organizations of SC / ST, for the specific purpose of purchase and supply of inputs to and / or the marketing of outputs of the beneficiaries viz. artisans, village and cottage industries of these organizations, should be treated as Priority Sector Advances, subject to the condition that the relative advances are exclusively for the purpose of purchase and supply of inputs to and / or marketing of the outputs of beneficiaries of these organizations.

2.7 Rejection of loan applications in respect of SCs / STs should be done at the next higher level instead of at the branch level and reasons of rejection should be clearly indicated.

**3. Role of SC / ST Development Corporations**

The Government of India has advised all State Governments that the Scheduled Caste/ Tribes Development Corporations can consider bankable schemes / proposals for bank finance. As regards Collateral Security and / or third-party guarantee for loans, guidelines issued to banks on priority sector lending will apply.

**4. Reservations for SC / ST Beneficiaries under Major Centrally Sponsored Schemes.**

There are several major centrally sponsored schemes under which credit is provided by banks and subsidy is received through Government Agencies. Credit flow under these schemes is monitored by RBI. Under each of these, there is a significant reservation / relaxation for the members of the SC / ST communities.

1. Deendayal Antyodaya Yojana - National Rural Livelihoods Mission:

The Ministry of Rural Development, Government of India has launched Deendayal Antyodaya Yojana-National Rural Livelihoods Mission (DAY-NRLM) by restructuring erstwhile Swarnajayanti Gram Swarozgar Yojana, effective from April 01, 2013. DAY-NRLM would ensure adequate coverage of vulnerable sections of the society such that 50% of these beneficiaries are SC/STs. Details of the scheme are available in the Master Circular on NRLM ([FIDD.GSSD.CO.BC.No 04/09.01.01/2021-22 dated April 01, 2021](https://www.rbi.org.in/Scripts/BS_ViewMasCirculardetails.aspx?id=12062" \t "_blank)).

1. Deendayal Antyodaya Yojana - National Urban Livelihoods Mission:

The Ministry of Housing and Urban Affairs (MoHUA), Government of India, has launched the Deendayal Antyodaya Yojana - National Urban Livelihoods Mission (DAY-NULM) by restructuring erstwhile Swarna Jayanti Shahari Rozgar Yojana (SJSRY), effective from September 24, 2013, Under DAY-NULM, advances should be extended to SCs / STs to the extent of their strength in the local population. Details of the scheme are available in the Master Circular on DAY-NULM ([FIDD.GSSD.CO.BC.No.03/09.16.03/2021-22 dated April 05, 2021](https://www.rbi.org.in/Scripts/BS_ViewMasCirculardetails.aspx?id=12066)).

1. Differential Rate of Interest Scheme

Under the DRI Scheme, banks provide finance up to ₹15,000/- at a concessional rate of interest of 4 percent per annum to the weaker sections of the community for engaging in productive and gainful activities. In order to ensure that persons belonging to SCs / STs also derive adequate benefit under the Differential Rate of Interest (DRI) Scheme, banks have been advised to grant to eligible borrowers belonging to SCs / STs such advances to the extent of not less than 2/5th (40 percent) of total DRI advances. Further, the eligibility criteria under DRI that size of land holding should not exceed 1 acre of irrigated land and 2.5 acres of unirrigated land are not applicable to SCs / STs. Members of SCs / STs satisfying the income criteria of the scheme can also avail of housing loan up to ₹20,000/- per beneficiary over and above the individual loan of ₹15,000/- available under the scheme.

**5. Credit Enhancement Guarantee Scheme for Scheduled Castes (CEGSSC)**

The CEGSSC was launched by Ministry of Social Justice & Empowerment on 6th May, 2015 with the objective to promote entrepreneurship amongst the Scheduled Castes (SCs), by providing Credit Enhancement Guarantee to Member Lending Institutions (MLIs), who shall be providing financial assistance to these entrepreneurs. IFCI Ltd. has been designated as the Nodal Agency under the scheme, to issue the guarantee cover in favour of MLIs, who shall be encouraged to finance SCs entrepreneurs to boost entrepreneurship amongst the marginal strata of the society.

Eligibility: Registered Companies and Societies/Registered Partnership Firms/Sole Proprietorship firms/Individual SC Entrepreneur having more than 51% shareholding by SC entrepreneurs/promoters/members with the management control for the past 6 months are eligible for guarantee from IFCI Ltd. against the loans extended by MLIs Bank / Institutions.

Amount of Guarantee cover under CEGSSC- Min ₹ 0.15 Cr. & Max. ₹ 5.00 Cr

Tenure of Guarantee – Max. 7 years or repayment period whichever is earlier.

**6. Monitoring and Review**

6.1 A special cell should be set up at the Head Office of banks for monitoring the flow of credit to SC / ST beneficiaries. Apart from ensuring the implementation of the RBI guidelines, the cell would also be responsible for collection of relevant information / data from the branches, consolidation thereof and submission of the requisite returns to RBI and Government.

6.2 SLBC convenor Bank should invite the representative of National Commission for SCs / STs to attend SLBC meetings. Besides, the Convener bank may also invite representatives from National Scheduled Castes and Scheduled Tribes Finance and Development Corporation (NSFDC) and State Scheduled Castes and Scheduled Tribes Finance and Development Corporation (SCDC) to attend SLBC meetings.

6.3 A periodical review should be made by the Head Office of banks of the credit extended to SCs / STs on the basis of returns and other data received from the branches.

6.4 Bank should review the measures taken to enhance the flow of credit to SC / ST borrowers on a quarterly basis. The Review should also consider the progress made in lending to these communities directly or through the State Level Scheduled Caste / Scheduled Tribe Corporations for various purposes based, amongst others, on field visits of the senior officers from the Head Office / Controlling Offices. Any major gap or variation in credit flow to SC/ST on a year to year basis should be reported to Board of the Bank for review under the themes of “Financial Inclusion” in term of [circular DBR No.BC.93/29.67.001/2014-15 dated May14, 2015](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=9722&Mode=0).

**7. Reporting Requirements**

Data on advances to SCs and STs should be reported as prescribed in Master Direction under Priority sector lending vide [Master Direction FIDD.CO.Plan.5/04.09.01/2020-21 dated September 04, 2020](https://www.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=11959). Banks are advised to submit the same in a timely manner.

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12065&Mode=0>

**14. Master Circular – Lead Bank Scheme**

**RBI/2021-22/04 FIDD.CO.LBS.BC.No.02/02.01.001/2021-22 April 01, 2021**

*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](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12064&Mode=0#MC1) consolidates the relevant guidelines/ instructions issued by Reserve Bank of India on Lead Bank Scheme up to March 31, 2021 as listed in the [Appendix](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12064&Mode=0#APP).

For Detailed Master Circular: <https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12064&Mode=0>

**15. Master Circular - Credit Facilities to Minority Communities**

**RBI/2021-22/06 FIDD.GSSD.BC.No.01/09.10.01/2021-22 April 01, 2021**

*The Chairman/ Managing Director/ Chief Executive Officer, All Scheduled Commercial Banks including Small Finance Banks (Excluding RRBs and Foreign banks with less than 20 branches)*

Please refer to our [Master Circular FIDD.GSSD.BC.No.04/09.10.01/2019-20 dated July 01, 2019](https://www.rbi.org.in/Scripts/BS_ViewMasCirculardetails.aspx?id=11618) containing the instructions / guidelines / directives issued to banks on credit facilities to Minority Communities.

**1. Credit Facilities to Minority Communities:**

The Government of India has indicated that care should be taken to see that minority communities secure, in a fair and adequate measure the benefits flowing from various Government sponsored schemes. Accordingly, all commercial banks are advised to ensure smooth flow of bank credit to minority communities.

Government of India has also forwarded a list of 121 minority concentration districts having at least 25% minority population, excluding those States / UTs where minorities are in majority (J & K, Punjab, Meghalaya, Mizoram, Nagaland and Lakshadweep). Accordingly, all scheduled commercial banks are advised to specially monitor the credit flow to minorities in these 121 districts, thereby, ensuring that the **minority communities receive a fair and equitable portion of the credit within the overall target of the priority sector** (list of Minority Concentration Districts at [Annexure I](https://rbidocs.rbi.org.in/rdocs/content/pdfs/MC01042021_AN1.pdf)).

In terms of Reserve Bank's extant guidelines on lending to priority sector, a target of 40 percent of Adjusted Net Bank Credit (ANBC) or Credit Equivalent amount of Off-Balance Sheet Exposures (OBE), whichever is higher, as on March 31 of the previous year, has been mandated for lending to the priority sector by domestic scheduled commercial banks and foreign banks with 20 and above branches, for Small Finance Banks it is 75% of their Adjusted Net Bank Credit (ANBC). Within this, a sub-target of 12 per cent of ANBC or Credit Equivalent amount of OBE, whichever is higher, as on March 31 of the previous year, has been mandated for lending to weaker sections which includes, among others, persons from minority communities. Revised targets for weaker sections shall be implemented in a phased manner as indicated in Para 5.2 of RBI Master Directions on Priority Sector lending (Targets and Classification) dated September 04, 2020

**2. Definition of Minority Communities**

2.1 The following communities have been notified as minority communities by the Government of India, Ministry of Minority Affairs;

(a) Sikhs
(b) Muslims
(c) Christians
(d) Zoroastrians
(e) Buddhists
(f) Jains

2.2 In the case of a partnership firm, if the majority of the partners belong to one or the other of the specified minority communities, advances granted to such partnership firms may be treated as advances granted to minority communities. Further, if the majority beneficial ownership in a partnership firm belongs to the minority community, then such lending can be classified as advances to the specified communities. A company has a separate legal entity and hence advances granted to it cannot be classified as advances to the specified minority communities.

**3. Creation of Special Cell and Designating an exclusive Officer**

3.1 A Special Cell should be set up in each bank to ensure smooth flow of credit to minority communities and it should be headed by an officer holding the rank of Deputy General Manager/Assistant General Manager or any other similar rank who should function as a 'Nodal Officer'.

3.2 The Lead Bank in each of the minority concentration districts should have an officer who shall exclusively look after the problems regarding the credit flow to minority communities. It shall be his responsibility to publicise among the minority communities various programmes of bank credit and also to prepare suitable schemes for their benefit in collaboration with branch managers.

3.3 The designated officer should exclusively look after aspects relating to credit assistance to minority communities in the concerned districts. The designated officer may be attached to the Lead Bank set up at the district level. He would thus, be able to receive necessary guidance from Lead Bank Officer, who will be senior enough and have adequate experience for liaising effectively with the other credit institutions and Government agencies and will also be working in close collaboration with the branch managers of other banks in the district. The designated officer will also arrange group meetings for their guidance for formulation of schemes suitable for the members of the minority communities. It will be necessary for the banks concerned to ensure that the role assigned to the designated officer/s is effectively fulfilled.

3.4 The Convenor banks of the District Consultative Committees (DCCs) and the State Level Bankers Committees (SLBCs) should ensure that steps taken to facilitate the flow of credit to the minority communities and the progress made in this regard are reviewed regularly at their meetings.

3.5 The Convenor banks of DLRC/SLRM/SLBCs may invite Chairman/ Managing Directors of State Minority Commissions/Boards or the State Minorities Financial Corporations or their representatives to attend the meetings of District Level Review Committee (DLRC), State Level Review Meeting (SLRM) and State Level Bankers Committee (SLBC).

3.6 Names, designation and office addresses of (i) the officer-in-charge of the Special Cell at Head Office and (ii) officer appointed by Lead Banks in the identified districts to look after exclusively the problems of minority communities, should be furnished by banks to the National Commission for Minorities at the following address and updated periodically:

The Secretary
National Commission for Minorities
Government of India
5th Floor, Lok Nayak Bhawan
Khan Market
New Delhi 110 003

A copy of the relevant communication may also be furnished to Financial Inclusion and Development Department, Reserve Bank of India, Central Office, Mumbai.

3.7 The Lead Banks in the identified districts having concentration of minority communities may involve the State Minority Commission / Finance Corporation in the extension work including creating awareness, identification of beneficiaries, preparation of viable projects, provision of backward and forward linkages such as supply of inputs/marketing, recovery etc.

3.8 The Lead Banks in the identified districts may collaborate with DDMs of NABARD/ NGOs/ Voluntary Organizations in reaching the poor through Self Help Groups (SHGs). Lead Banks of the Minority Concentration Districts will have to exercise the pro-active role expected of them to ensure that the minority communities, particularly those who are poor and illiterate have access to bank credit for taking up productive activities.

**4 Advances under DRI Scheme**

Banks may route loans under the DRI scheme through State Minority Finance/Development Corporation on the same terms and conditions as are applicable to loans routed through SC/ST Development Corporations, subject to the beneficiaries of the Corporations meeting the eligibility criteria and other terms and conditions prescribed under the scheme. Banks may ensure proper maintenance of the register to evolve timely sanction and disbursement of loan applications.

**5. Monitoring**

5.1 With a view to monitoring the performance of banks in providing credit to the specified minority communities, data on credit assistance provided to members of minority communities should be furnished to Reserve Bank of India and to the Government of India, Ministry of Finance and Ministry of Minority Affairs, on half yearly basis as at the end of March and September every year. The statements (given in [Annexure II](https://rbidocs.rbi.org.in/rdocs/content/pdfs/MC01042021_AN2.pdf)) should reach RBI within one month from the end of each half year.”

5.2 The Convenor banks of the District Consultative Committees in the identified minority concentrated districts should furnish the data on priority sector advances granted by banks to specified minority communities compiled by them in the prescribed format (vide [Annexure III](https://rbidocs.rbi.org.in/rdocs/content/pdfs/MC01042021_AN3.pdf)) for the district under their lead responsibility to the concerned Regional Offices of RBl within one month from the close of the relative quarter.

5.3 The progress made in regard to the flow of credit to the minority communities should be reviewed regularly at the meetings of the District Consultative Committees (DCCs) and the State Level Bankers Committees (SLBCs).

5.4 The Lead Banks in the identified minority concentrated districts should furnish the relevant extracts of the agenda notes and the minutes of the meetings of the DCCs and of the respective SLBCs to the Union Ministry of Finance and to the Ministry of Minority Affairs on a quarterly basis for their use.

**6 Training**

6.1 With a view to ensuring that the bank staff and officers have proper perspective and appreciation of the various programmes for welfare of minorities, necessary orientation may be provided to officials and other staff. For this purpose, banks should include suitable lecture sessions as part of all relevant training programmes like induction courses, programmes on rural lending, financing of priority sectors, poverty alleviation programmes, etc.

6.2 The Lead Banks in the identified districts may sensitise and motivate the staff posted to identified districts through proper training to assist the minority communities under various credit schemes.

6.3 The Lead Banks may organize sensitization workshops for bank officials regarding micro credit/ lending to SHGs with the help of DDMs of NABARD.

6.4 The Lead Banks functioning in the identified districts should organize Entrepreneur Development Programmes so that the members of the minority communities in these areas are enabled to derive the benefit of various programmes being financed by the banks. Depending upon the major vocation and type of activity undertaken by large sections of the people in the districts, suitable programmes may be organized in co-operation with State Governments, Industries Department, District Industries Centre, SIDBI, State Technical Consultancy Organization, Khadi and Village Industries Commission and other voluntary organizations which are fully equipped to impart such training and orientation. The duration of the programme, the course content, the faculty support to be selected etc. should be decided by each Lead Bank taking into account the prevailing conditions, need and existing skills as well as aptitude of the people in the district.

**7 Publicity**

7.1 There should be good publicity about various anti-poverty programmes of the Government where there is large concentration of minority communities and particularly in the districts listed in the [Annexure I](https://rbidocs.rbi.org.in/rdocs/content/pdfs/MC01042021_AN1.pdf) which have a concentration of minority communities.

7.2 The Lead Banks in the identified districts may create awareness among minority communities regarding credit facilities available from banks through appropriate measures which may include publicity through (i) print media i.e. distribution of pamphlets in local languages, advertisements/articles in newspapers etc. (ii) TV channels - DD/ local channels, (iii) participation / setting up of stalls in the Melas / fairs organized during the religious /festive occasions by these communities.

**8. National Minorities Development and Finance Corporation (NMDFC)**

8.1 National Minorities Development and Finance Corporation (NMDFC) was established in September 1994 to promote economic and developmental activities for the backward sections amongst the minorities. NMDFC works as an apex body and channelises its funds to the beneficiaries through the State Minority Finance Corporation of the respective State/Union Territory Governments.

8.2 The NMDFC is operating, inter-alia, the Margin Money Scheme. Bank finance under the scheme will be upto 60 percent of the project cost. The remaining amount of the project cost is shared by NMDFC, the State channelising agency and the beneficiary in the proportion of 25%, 10%, and 5%, respectively. Banks may implement the Margin Money scheme evolved by NMDFC. While extending bank finance, banks should bear in mind the guidelines/instructions issued by RBI from time to time on priority sector advances. It may be ensured that the assets created out of the loan amount are mortgaged / hypothecated to the banks. Where recoveries have been made by the banks, it would be in order if the amounts are appropriated first towards bank dues.

**9 Prime Minister’s 15 Point Programme for the Welfare of Minorities**

Government of India has revised the “Prime Minister’s New 15-Point Programme for the Welfare of Minorities”. An important objective of the Programme is to ensure that an appropriate percentage of the priority sector lending is targeted for the minority communities and that the benefits of various government sponsored schemes reach the under-privileged, which includes the disadvantaged sections of the minority communities. The New Programme is to be implemented by the Central Ministries/Departments concerned through State Governments/Union Territories and envisages location of certain proportion of development projects in minority concentration districts. Accordingly, all scheduled commercial banks are required to ensure that within the overall target for priority sector lending and the sub-target of 12 percent for the weaker sections, sufficient care is taken to ensure that minority communities also receive an equitable portion of the credit. Lead Banks have been advised to keep this requirement in view while preparing district credit plans.

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12057&Mode=0>

**16.Bilateral Netting of Qualified Financial Contracts- Amendments to Prudential Guidelines**

**RBI/2020-21/115 DOR.CAP.51/21.06.201/2020-21 March 30, 2021**

*All Scheduled Commercial Banks (excluding Regional Rural Banks)*

The Bilateral Netting of Qualified Financial Contracts Act, 2020 (hereafter referred to as “the Act”), has been notified by the Government of India vide Gazette Notification No. S.O. 3463(E) dated October 1, 2020. The Act provides a legal framework for enforceability of bilateral netting of qualified financial contracts (QFC).

2. In exercise of the powers conferred by section 4(a) of the Act, the Reserve Bank, vide Notification no. FMRD.DIRD.2/14.03.043/2020-21 dated March 9, 2021, has since notified (a) “derivatives”; and (b) “repo” and “reverse repo” transactions as defined under Section 45(U) of Chapter III-D of the Reserve Bank of India Act, 1934 as a QFC.

3. Accordingly, select instructions contained in the following circulars have been modified/ amended appropriately:

a) [Master Circular DBR.No.BP.BC.1/21.06.201/2015-16 dated July 1, 2015](https://www.rbi.org.in/Scripts/BS_ViewMasCirculardetails.aspx?id=9859) on ‘Basel III Capital Regulations’ as provided in [Annex 1](https://rbidocs.rbi.org.in/rdocs/content/pdfs/BILA30032021_A1.pdf);

b) [Circular DBR.BP.BC.No.106/21.04.098/2017-18 dated May 17, 2018](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11278&Mode=0) on ‘Basel III Framework on Liquidity Standards – Net Stable Funding Ratio (NSFR) – Final Guidelines’ as provided in [Annex 2](https://rbidocs.rbi.org.in/rdocs/content/pdfs/BILA30032021_A2.pdf);

c) [Master Circular DBR.No.BP.BC.2/21.04.048/2015-16 dated July 1, 2015](https://www.rbi.org.in/Scripts/BS_ViewMasCirculardetails.aspx?id=9908) on ‘Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances’ as provided in [Annex 3](https://rbidocs.rbi.org.in/rdocs/content/pdfs/BILA30032021_A3.pdf); and

d) [Master Circular DBR.No.BP.BC.4./21.06.001/2015-16 dated July 1, 2015](https://www.rbi.org.in/Scripts/BS_ViewMasCirculardetails.aspx?id=9893) on Prudential Guidelines on Capital Adequacy and Market Discipline-New Capital Adequacy Framework (NCAF) as provided in [Annex 4](https://rbidocs.rbi.org.in/rdocs/content/pdfs/BILA30032021_A4.pdf).

The revised instructions come into force with immediate effect.

**17. Large Exposures Framework – Exemptions**

**RBI/2020-21/104 DOR.No.CRE.BC.45/21.01.003/2020-21 February 24, 2021**

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

Please refer to [circular No.DBR.No.BP.BC.43/21.01.003/2018-19 dated June 03, 2019](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11573&Mode=0) on Large Exposures Framework (LEF)

2. Paragraph 3 of the Annex to the above circular specifies the exposures that are exempt from the LEF. On a review, it has been decided to further exempt the following exposures from the LEF:

• Exposures to foreign sovereigns or their central banks that are:

1. subject to a 0% risk weight under Table 2 of paragraph 5.3.1 of the [Master Circular – Basel III Capital Regulations dated July 1, 2015](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=9859&Mode=0), as modified vide circular dated October 8, 2015; and,
2. denominated in the domestic currency of that sovereign and met out of resources of the same currency.

**18. Credit to MSME Entrepreneurs**

**RBI/2021-22/30 DoR.RET.REC.09/12.01.001/2021-22 May 05, 2021**

*All Scheduled Commercial Banks*

Please refer to our circular DOR.No.Ret.BC.37/12.01.001/2020-21 dated February 5, 2021, on captioned subject.

2. In terms of the above circular, Scheduled Commercial Banks were allowed to deduct the amount equivalent to credit disbursed to new MSME borrowers from their Net Demand and Time Liabilities (NDTL) for calculation of the Cash Reserve Ratio (CRR). This exemption was available up to ₹ 25 lakh per borrower for the credit disbursed up to the fortnight ending October 1, 2021.

3. It has been decided to extend this exemption for such credits disbursed up to the fortnight ending December 31, 2021. All other instructions contained in the circular ibid remain same.

**19. Loans and advances to directors, their relatives, and firms / concerns in which they are interested**

**RBI/2020-21/89 DOR.CRG.CRS.Cir.No.5/13.05.000/2020-21 February 5, 2021**

*The Managing Director / Chief Executive Officer, All Primary (Urban) Co-operative Banks*

Please refer to our [circular BPD.Cir.50/13.05.00/2002-03 dated April 29, 2003](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=1204&Mode=0) on the captioned subject and subsequent instructions issued in this regard.

2. The Banking Regulation Act, 1949 (**“the Act”**) has been amended by the Banking Regulation (Amendment) Act, 2020 notified for the Primary (Urban) Co-operative Banks (**UCBs**) on September 29, 2020 and deemed to have been effective from June 29, 2020. Consequently, section 20 of the principal Act has become applicable to UCBs. Keeping in view the above, the extant directions on the subject issued to UCBs have been reviewed and the revised directions are issued as under.

3. UCBs shall not make, provide or renew any loans and advances or extend any other financial accommodation to or on behalf of their directors or their relatives, or to the firms / companies / concerns in which the directors or their relatives are interested (collectively called as **“director-related loans”**). Further, the directors or their relatives or the firms / companies / concerns in which the directors or their relatives are interested shall also not stand as surety/guarantor to the loans and advances or any other financial accommodation sanctioned by UCBs. ‘Advances’ for the purpose shall include all types of funded / working capital limits such as cash credits, overdrafts, credit cards, etc.

4. The following categories of director-related loans shall, however, be excluded from “loans and advances” for the purpose of these directions:

1. Regular employee-related loans to staff directors, if any, on the Boards of UCBs;
2. Normal loans, as applicable to members, to the directors on the Boards of Salary Earners' UCBs;
3. Normal employee-related loans to Managing Directors / Chief Executive Officers of UCBs;
4. Loans to directors or their relatives against Government Securities, Fixed Deposits and Life Insurance Policies standing in their own name.

**Explanation:** For the purpose of these directions -

I. The term 'any other financial accommodation' shall include funded and non-funded credit limits and underwritings and similar commitments, as under:

1. The funded limits shall include loans and advances by way of bill/cheque purchase/ discounting, pre-shipment and post-shipment credit facilities and deferred payment guarantee limits extended for any purpose including purchase of capital equipment and acceptance limits in connection therewith sanctioned to borrowers, and guarantees by issue of which a bank undertakes financial obligation to enable its constituents to acquire capital assets. It shall also include investments which are in the nature of / in lieu of credit.
2. The non-funded limits shall include letters of credit, guarantees other than those referred to in paragraph (a) above, underwritings and similar commitments. It shall also include off-balance sheet exposure in the form of derivatives.

II. The word “relative” shall have the meaning as under:

A person shall be deemed to be a relative of another, if and only if:-

a) They are members of a Hindu Undivided Family; or

b) They are husband and wife; or

c) The one is related to the other (or vice-versa) in the manner indicated below:

1. Father (including step-father)
2. Mother (including step-mother)
3. Son (including step-son)
4. Son’s wife
5. Daughter (including step-daughter)
6. Daughter’s husband
7. Brother (including step-brother)
8. Brother’s wife
9. Sister (including step-sister)
10. Sister’s husband

III. The word “interested” shall mean the director of the UCB or his relative, as the case may be, being a director, managing agent, manager, employee, proprietor, partner, coparcener or guarantor, as the case may be, of the firm / company / concern (including HUF):

1. Provided that a director of a UCB or his relative shall also be deemed to be interested in a company, being the subsidiary or holding company, if he/she is a director, managing agent, manager, employee or guarantor of the respective holding or subsidiary company:
2. Provided further that a director of a UCB shall also be deemed to be interested in a company/firm if he/she holds substantial interest in or is in control of the company/firm or in a company, being the subsidiary or holding company, if he/she holds substantial interest in or is in control of the respective holding or subsidiary company:
3. Provided further that a relative of a director of a UCB shall also be deemed to be interested in a company/firm if he/she is a major shareholder or is in control of the company/firm or in a company, being the subsidiary or holding company, if he/she is a major shareholder or is in control of the respective holding or subsidiary company:

IV. The term “substantial interest” shall have the same meaning as assigned to it in section 5(ne) of the Banking Regulation Act, 1949.

V. The term “control” shall include the right to appoint majority of the directors or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholders agreements or voting agreements or in another manner.

VI. The term “major shareholder” shall mean a person holding 10% or more of the paid up share capital.

5. UCBs shall submit information pertaining to their director-related loans as at the end of each quarter (i.e. 31 March, 30 June, 30 September and 31 December), in the format given in the [Annex](https://rbidocs.rbi.org.in/rdocs/content/pdfs/89NOT05022021_AN.pdf) to these directions, to the concerned Regional Office of Department of Supervision of Reserve Bank of India within fifteen days from the end of the respective quarter. In the case of UCBs functioning under Administrator(s) / Person(s)-in-Charge / Special Officers, the UCBs concerned should submit the information in respect of loans and advances availed by the Administrator(s) / Person(s)-in-Charge / Special Officers, including their relatives.

6. These directions supersede the earlier directives / instructions issued on the subject and shall come into force immediately. The existing director-related loans sanctioned/granted by UCBs in terms of the earlier directives / instructions prior to the issue of this circular, if any, may continue till their respective maturity and shall not be renewed further.

7. A copy of this circular should be placed before the Board of Directors of your bank in its ensuing meeting and a confirmation thereof should be sent to the concerned Regional Office of the Department of Supervision of Reserve Bank of India.

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12019&Mode=0>

**20. Introduction of Legal Entity Identifier for Large Value Transactions in Centralised Payment Systems**

**RBI/2020-21/82 DPSS.CO.OD No.901/06.24.001/2020-21 January 05, 2021**

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

The Legal Entity Identifier (LEI) is a 20-digit number used to uniquely identify parties to financial transactions worldwide. It was conceived as a key measure to improve the quality and accuracy of financial data systems for better risk management post the Global Financial Crisis.

2. LEI has been introduced by the Reserve Bank in a phased manner for participants in the over the counter (OTC) derivative and non-derivative markets as also for large corporate borrowers.

3. It has now been decided to introduce the LEI system for all payment transactions of value ₹50 crore and above undertaken by entities (non-individuals) using Reserve Bank-run Centralised Payment Systems viz. Real Time Gross Settlement (RTGS) and National Electronic Funds Transfer (NEFT).

4. In preparation for the wider introduction of LEI across all payment transactions, member banks should:

* advise entities who undertake large value transactions (₹50 crore and above) to obtain LEI in time, if they do not already have one;
* include remitter and beneficiary LEI information in RTGS and NEFT payment messages (details of the identified fields in the messaging structures of RTGS and NEFT for inclusion of LEI information are at Annex);
* maintain records of all transactions of ₹50 crore and above through RTGS and / or NEFT.

5. Entities can obtain LEI from any of the Local Operating Units (LOUs) accredited by the Global Legal Entity Identifier Foundation (GLEIF), the body tasked to support the implementation and use of LEI. In India, LEI can be obtained from Legal Entity Identifier India Ltd. (LEIL) (https://www.ccilindia-lei.co.in), which is also recognised as an issuer of LEI by the Reserve Bank under the Payment and Settlement Systems Act, 2007.

6. These directions are issued under Section 10 (2) read with Section 18 of Payment and Settlement Systems Act, 2007 (Act 51 of 2007) and shall be effective from April 1, 2021.

**Annex**

**Bank Customers who must obtain LEI**

1. All non-individual customers initiating or receiving transactions of ₹50 crore and above through RTGS and / or NEFT.

Fields in NEFT and RTGS payment messages to be used for recording Remitter and Beneficiary LEI

1. For RTGS customer payment transactions, LEI information shall be provided in ‘Remittance information’ field.
2. For NEFT outward debit messages, LEI information shall be provided in ‘Sender to Receiver Information’ field.
3. Technical guidelines for populating LEI in identified fields in RTGS and NEFT messages shall be communicated separately.

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12010&Mode=0>

**21. RBI releases 2020 list of Domestic Systemically Important Banks (D-SIBs)**

**Date: Jan 19, 2021**

SBI, ICICI Bank, and HDFC Bank continue to be identified as Domestic Systemically Important Banks (D-SIBs), under the same bucketing structure as in the 2018 list of D-SIBs. The additional Common Equity Tier 1 (CET1) requirement for D-SIBs was phased-in from April 1, 2016 and became fully effective from April 1, 2019. The additional CET1 requirement will be in addition to the capital conservation buffer.

The list of D-SIBs is as follows:

|  |  |  |
| --- | --- | --- |
| **Bucket** | **Banks** | **Additional Common Equity Tier 1 requirement as a percentage of Risk Weighted Assets (RWAs)** |
| 5 | - | 1% |
| 4 | - | 0.80% |
| 3 | State Bank of India | 0.60% |
| 2 | - | 0.40% |
| 1 | ICICI Bank, HDFC Bank | 0.20% |

**Background:**

The Reserve Bank had issued the Framework for dealing with Domestic Systemically Important Banks (D-SIBs) on July 22, 2014. The D-SIB framework requires the Reserve Bank to disclose the names of banks designated as D-SIBs starting from 2015 and place these banks in appropriate buckets depending upon their Systemic Importance Scores (SISs). Based on the bucket in which a D-SIB is placed, an additional common equity requirement has to be applied to it. In case a foreign bank having branch presence in India is a Global Systemically Important Bank (G-SIB), it has to maintain additional CET1 capital surcharge in India as applicable to it as a G-SIB, proportionate to its Risk Weighted Assets (RWAs) in India, i.e., additional CET1 buffer prescribed by the home regulator (amount) multiplied by India RWA as per consolidated global Group books divided by total consolidated global Group RWA.

Based on the methodology provided in the D-SIB framework and data collected from banks as on March 31, 2015 and March 31, 2016, the Reserve Bank had announced State Bank of India and ICICI Bank Ltd. as D-SIBs on August 31, 2015 and August 25, 2016, respectively. Based on data collected from banks as on March 31, 2017 and March 31, 2018, the Reserve Bank had announced State Bank of India, ICICI Bank Ltd. and HDFC Bank Ltd. as D-SIBs on September 04, 2017 and March 14, 2019 respectively. Current update is based on the data collected from banks as on March 31, 2020.

**Foreign Exchange Dealers’ Association of India**

**Interpretation of term ‘Outstanding’, ‘Export Outstanding’ or ‘Import Outstanding’ used in directives issued by the Reserve Bank of India March 09, 2021**

*All Members of FEDAI*

Directives issued by Reserve Bank of India for export and import of goods & services have used the term ‘Outstanding’, ‘Export Outstanding’ or ‘Import Outstanding’ at various places. In course of our interaction with member banks we observed that these terms;

* were not being interpreted uniformly by all practitioners;
* at times caused incomplete or inconsistent interpretation of directives if such term is inferred verbatim at all the places;
* need to be inferred in the context of the content of the paragraph wherever the term was used in the respective Master Direction.

In view of above, FEDAI approached Reserve Bank of India for guidance in the matter.

The RBI vide their letter FED.CO.Trade/1875/05.31.077/2020-21 dated March 05, 2021 have clarified these terms as used in various guidelines, which is enclosed herewith for your record and compliance.

Annexure to FEDAI Circular SPL-01/Exp-imp/2021 dated 09th March2021: <https://www.fedai.org.in/DocumentUploadFiles/SpecialCircular/SPL-01.2021dt.09March2021.pdf>

**22. Finance Minister’s Press Conference on 28th June, 2021 - Economic Relief from Pandemic**

<https://static.pib.gov.in/WriteReadData/specificdocs/documents/2021/jun/doc202162821.pdf>

**\_ Finance Minister’s Press Conference 28th June, 2021**

**ECONOMIC RELIEF FROM PANDEMIC**

**I. Rs. 1.1 Lakh Cr Loan Guarantee Scheme for COVID Affected Sectors**

**Health Sector: Rs. 50,000 crore**

Aimed at up scaling medical infrastructure targeting underserved areas.

* Guarantee cover for expansion and new projects related to health/medical infrastructure in cities other than 8 metropolitan cities.
* Guarantee coverage: 50% for expansion & 75% for new projects
* For Aspirational Districts, guarantee cover of 75% for both new projects and expansion.
* Maximum loan: Rs. 100 crore; Guarantee duration: Up to 3 years
* Interest rate capped at 7.95%
* Guarantee by National Credit Guarantee Trustee Company Limited

**Other Sectors: Rs. 60,000 crore**

* Interest rate capped at 8.25% p.a.
* Decisions at later stage based on evolving needs

Normal interest without guarantee cover is 10-11%

**II. Additional 1.5 lakh Cr for Emergency Credit Line Guarantee Scheme**

* Launched as part of Atma Nirbhar Bharat Package in May, 2020.
* ECLGS-1.0, 2.0 and 3.0 have resulted in credit disbursal of 2.69 lakh Crore to 1.1 crore units by 12 Public Sector Banks, 25 Private Sector Banks, and 31 Non-banking Financial Companies
* Contact intensive sectors already covered and shall be continued. Rs 4,000 crore given to these sectors through this window so far
* Limit of admissible guarantee and loan amount proposed to be increased above existing level of 20% of outstanding on each loan
* Sector wise details will be finalized as per evolving needs
* Overall cap of admissible guarantee to be raised from Rs. 3 lakh crore to Rs. 4.5 lakh crore

**III. Credit Guarantee Scheme to Facilitate Loans to 25 Lakh Persons Through Micro Finance Institutions (MFIs)**

* Guarantee will be provided to Scheduled Commercial Banks for loans to new or existing NBFC-MFIs or MFIs for on lending up to Rs 1.25 lakh to approximately 25 lakh small borrowers
* Interest Rate on Loans from banks to be capped at MCLR plus 2%
* Maximum loan tenure 3 years, 80% of assistance to be used by MFI for incremental lending, interest at least 2% below maximum rate prescribed by RBI
* Focus on new lending, not repayment of old loans
* Loans to borrowers to be in line with extant RBI guidelines such as number of lenders, borrower to be member of JLG, ceiling on household income & debt
* All borrowers (including defaulters up to 89 days) eligible
* Guarantee cover for funding provided by MLIs to MFIs/NBFC-MFIs till March 31, 2022 or till guarantees for an amount of Rs. 7,500 crore are issued, whichever is earlier.
* Guarantee up to 75% of default amount for up to 3 years through National Credit Guarantee Trustee Company (NCGTC)
* No guarantee fee to be charged by NCGTC

**IV. Reviving Tourism: Financial support to more than 11,000 Registered Tourist Guides/Travel and Tourism Stakeholders**

* Under new Loan Guarantee Scheme for COVID Affected Sectors, working capital/personal loans will be provided to people in tourism sector to discharge liabilities and restart businesses impacted due to COVID-19
* The scheme will cover:

✓ 10,700 Regional Level Tourist Guides recognised by Ministry of Tourism and Tourist Guides recognised by the State Governments

✓ Travel and Tourism Stakeholders (TTS) recognized by Ministry of Tourism (904)

* Loans will be provided with 100 % guarantee up to the following limits:
* Rs. 10,00,000 for TTS (per agency)
* Rs. 1,00,000 for tourist guides licenced at Regional or State level
* No processing charges, waiver of foreclosure/prepayment charges. No additional collateral requirement
* Scheme to be administered by the Ministry of Tourism through NCGTC

**V. Free Tourist Visa to 5 Lakh Tourists**

* 10.93 million foreign tourists visited India in 2019, spent US $ 30.098 billion on leisure and business.
* Average daily stay for a foreign tourist in India is 21 days. Average daily spending of a tourist in India is around $34 (Rs 2400).
* Once Visa issuance is restarted, the first 5 lakh Tourists Visas will be issued free of charge.
* Benefit will be available only once per tourist
* The scheme will be applicable till 31st March, 2022 or till 5,00,000 visas are issued, whichever is earlier
* Total financial implications- Rs 100 Crore

**VI. Extension of Atmanirbhar Bharat Rozgar Yojana**

* Launched on 1st Oct, 2020. Incentivizes employers for creation of new employment, restoration of loss of employment through EPFO.
* Approved outlay Rs. 22,810 crore for 58.50 lakh estimated beneficiaries. Last date for registration is 30.06.2021.
* Subsidy provided for two years from registration for new employees drawing monthly wages less than Rs. 15000 for:

➢ Both Employer’s and Employee’s share of contribution (total 24% of wages) for establishment strength upto 1000 employees.

➢ Only Employee’s share (12% of wages) in case of establishment strength of more than 1000.

* Benefit of Rs. 902 Cr given to 21.42 lakh beneficiaries of 79,577 establishments till 18.06.2021
* Scheme extended from 30.6.2021 to 31.03.2022

**VII. Additional Subsidy for DAP & P&K fertilizers**

**(Announced Earlier)**

* Record procurement of 432.48 Lakh MT of wheat in Rabi Marketing Season (RMS) 2021-22 (against 389.92 Lakh MT in RMS 2020-21)
* Rs 85,413 Crore paid to farmers
* Existing NBS subsidy was Rs. 27,500 crores in FY 2020-21 which has been increased to Rs. 42,275 crore in FY 2021-22
* Additional amount of Rs. 14,775 crore to be provided. This includes Rs. 9,125 crore additional subsidy for DAP and Rs.5,650 crore additional subsidy for NPK based complex fertilizer

**VIII. Extension of Pradhan Mantri Gareeb Kalyan Anna Yojana (PMGKAY)**

**(Announced Earlier)**

* PMGKAY was launched on 26th March 2020 to ameliorate the hardships faced by the poor due to economic disruption caused by COVID 19 Pandemic
* The scheme was launched initially for the period from April to June 2020.
* However, keeping in view the need for continuous support to the poor and the needy, the scheme was extended till November 2020.
* The total cost of the scheme in 2020-21 was Rs. 133,972 crore.
* In the wake of the second wave of COVID-19, the scheme was relaunched in May 2021 to ensure food security of poor/vulnerable
* 5 kg of food grains will be provided free of cost to NFSA beneficiaries from May to November 2021
* Estimated financial implications are Rs 93,869 cr, bringing the total cost of PMGKY to Rs 2,27,841 Crore

**HEALTH**

**IX. Rs. 23,220 Cr More for Public Health**

* Rs 15,000 Cr Emergency Health Systems Project (2020-21) led to 25-fold increase in COVID dedicated hospitals, setting up of 7,929 COVID health centres, 9,954 COVID care centres, 7.5 times increase in oxygen supported beds, 42-fold increase in isolation beds, 45-fold increase in ICU beds.
* New scheme focused on short term emergency preparedness with special emphasis on children and paediatric care/paediatric beds.
* Rs 23,220 Cr earmarked for one year
* Funding for short-term HR augmentation through medical students (interns, residents, final year) and nursing students
* Increase availability of ICU beds, oxygen supply at central, district and sub-district level.
* Ensure adequate availability of equipment, medicines; access to tele-consultation; ambulance services.
* Enhance testing capacity and supportive diagnostics, strengthen capacity for surveillance and genome sequencing.

**IMPETUS FOR GROWTH & EMPLOYMENT**

**X. Fighting Malnutrition and Improving Farmers’ Income: Release of Climate Resilient Special Traits Varieties**

* Earlier focus of research was on developing higher yield crop varieties. Attention towards nutrition, climate resilience and other traits was missing.
* Concentration of important nutrients far below required level, susceptible to biotic and abiotic stresses
* ICAR has developed bio-fortified crop varieties having high nutrients like protein, iron, zinc, Vitamin-A
* Varieties tolerant to diseases, insect’s, pests, drought, salinity, and flooding, early maturing and amenable to mechanical harvesting also developed
* 21 such varieties of rice, peas, millet, maize, soyabean, quinoa, buckwheat, winged bean, pigeon pea & sorghum will be dedicated to the nation.

**XI. Revival of North Eastern Regional Agricultural Marketing Corporation (NERAMAC)**

* Established in 1982 to support farmers of North East in getting remunerative prices of agri-horticulture produces
* Aims to enhance agricultural, procurement, processing and marketing infrastructure in North East
* 75 Farmer Producer Organisations/Farmer Producer Companies registered with NERAMAC. 13 GI crops of North East registered
* Prepared business plan to give 10-15% higher price to farmers by-passing middlemen/agents
* Roadmap for capacity building, aggregation, marketing and technology prepared
* Proposes to set up North-Eastern Centre for Organic Cultivation, facilitating equity finance to entrepreneurs
* Revival package of Rs 77.45 cr proposed for financial restructuring and infusion of funds to NERAMAC

**XII. Rs 33,000 Crore Boost for Project Exports through National Export Insurance Account (NEIA)**

* NEIA Trust promotes Medium and Long Term (MLT) project exports by extending risk covers
* Provides covers to buyer’s credit, given by EXIM Bank, to less creditworthy borrowers and supporting project exporters.
* NEIA Trust has supported 211 projects of Rs 52,860 cr in 52 countries by 63 different Indian Project Exporters till March 31, 2021
* Proposed to provide additional corpus to NEIA over 5 years to allow it to underwrite additional Rs. 33,000 crores of project exports

**XIII. Rs. 88,000 crore Boost to Export Insurance Cover**

* Export Credit Guarantee Corporation (ECGC) promotes exports by providing credit insurance services.
* Its products support around 30% of India’s merchandise exports.
* Proposed to infuse equity in ECGC over 5 years to boost export insurance cover by Rs. 88,000 cr

**XIV. Digital India: Rs. 19041 Cr for Broadband to each Village through BharatNet PPP Model**

* August 15, 2020: PM announced broadband connectivity to all inhabited villages in 1000 days
* Out of 2,50,000 Gram Panchayats, 1,56,223 Gram Panchayats have been made service ready by 31st May, 2021
* Implementation of BharatNet in PPP model in 16 States (bundled into 9 packages) on viability gap funding basis
* Additional Rs. 19,041 Cr being provided for BharatNet
* Total outlay will be Rs. 61,109 crores including already approved amount of Rs. 42,068 crores in 2017
* Expansion and upgradation of BharatNet to cover all Gram Panchayats and inhabited villages

**XV. Extension of Tenure of PLI Scheme for Large Scale Electronics Manufacturing**

* Provides incentive of 6% to 4% on incremental sales of goods under target segments that are manufactured in India, for a period of five years
* Incentives applicable from 01.08.2020. Base year 2019-20
* Companies have been unable to achieve incremental sales condition due to:
	+ disruption in production activities due to pandemic related lockdowns,
	+ restrictions on movement of personnel
	+ delay in installation of relocated plant and machinery
	+ disruption in supply chain of components
* Tenure of the scheme launched in 2020-21 is proposed to be extended by one year i.e. till 2025-26.
* Participating companies will get option of choosing any five years for meeting their production targets under the scheme.
* Investments made in 2020-21 will continue to be counted as eligible investments

**Rs 3.03 Lakh Cr for Reform Based Result Linked Power Distribution Scheme**

* Revamped reforms-based, result-linked power distribution scheme of financial assistance to DISCOMS for infrastructure creation, up-gradation of system, capacity building and process improvement.
* State specific intervention in place of “one size fits all”.
* Participation contingent to pre-qualification criteria like publication of audited financial reports, upfront liquidation of State Government’s dues/subsidy to DISCOMS and non – creation of additional regulatory assets.
* 25 crore smart meters, 10,000 feeders, 4 lakh km of LT overhead lines planned
* Ongoing works of IPDS, DDUGJY and SAUBHAGYA will be merged
* Total allocation- Rs.3,03,058 Cr, Central share- Rs. 97,631 cr
* States have already been allowed additional borrowing for four years up to 0.5% of Gross State Domestic Product annually (Rs. 1,05,864 Cr for 2021-22) subject to carrying out specified power sector reforms

**New Streamlined Process for PPP Projects and Asset Monetisation**

* Current process for approval of Public Private Partnership (PPP) projects is long and involves multiple levels of approval
* New policy will be formulated for appraisal and approval of PPP proposals and monetization of core infrastructure assets, including through InvITs
* Aim is to ensure speedy clearance of projects to facilitate private sector’s efficiencies in financing construction and management of infrastructure

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**23. The Insolvency and Bankruptcy Code (Amendment) Ordinance, 2021**

The Insolvency and Bankruptcy Code (Amendment) Ordinance, 2021 was promulgated on April 4, 2021. It amends the Insolvency and Bankruptcy Code, 2016. Insolvency is a situation where individuals or companies are unable to repay their outstanding debt.

The Code provides a time-bound process for resolving the insolvency of corporate debtors (within 330 days) called the corporate insolvency resolution process (CIRP). The debtor himself or its creditors may apply for initiation of CIRP in the event of a default of at least one lakh rupees. Under CIRP, a committee of creditors is constituted to decide regarding the insolvency resolution. The committee may consider a resolution plan which typically provides for the payoff of debt by merger, acquisition, or restructuring of the company. If a resolution plan is not approved by the committee of creditors within the specified time, the company is liquidated. During CIRP, the affairs of the company are managed by the resolution professional (RP), who is appointed to conduct CIRP.

**Pre-packaged insolvency resolution**: The Ordinance introduces an alternate insolvency resolution process for micro, small, and medium enterprises (MSMEs), called the pre-packaged insolvency resolution process (PIRP). Unlike CIRP, PIRP may be initiated only by debtors. The debtor should have a base resolution plan in place. During PIRP, the management of the company will remain with the debtor.

**Minimum default amount**: Application for initiating PIRP may be filed in the event of a default of at least one lakh rupees. The central government may increase the threshold of minimum default up to one crore rupees through a notification.

**Debtors eligible for PIRP**: PIRP may be initiated in the event of a default by a corporate debtor classified as an MSME under the MSME Development Act, 2006. Currently, under the 2006 Act, an enterprise with an annual turnover of up to Rs 250 crore, and investment in plant and machinery or equipment up to Rs 50 crore, is classified as an MSME. For initiating PIRP, the corporate debtor himself is required to apply to the adjudicating authority (National Company Law Tribunal). The authority must approve or reject the application for PIRP within 14 days of its receipt.

**Approval of financial creditors**: For applying for PIRP, the debtor needs to obtain approval of at least 66% of its financial creditors (in value of debt due to creditors) who are not related parties of the debtor. Before seeking approval, the debtor must provide creditors with a base resolution plan. The debtor must also propose the name of the RP along with the application for PIRP. The proposed RP must be approved by at least 66% of the financial creditors.

**Proceedings under PIRP**: The debtor will submit the base resolution plan to the RP within two days of the commencement of the PIRP. A committee of creditors will be constituted within seven days of the PIRP commencement date, which will consider the base resolution plan. The committee may provide the debtor with an opportunity to revise the plan. The RP may also invite resolution plans from other persons. Alternative resolution plans may be invited if the base plan: (i) is not approved by the committee, or (ii) is unable to pay the debt of operational creditors (claims related to the provision of goods and services).

**A resolution plan must be approved by** the committee by a vote of at least 66% of the voting shares. A resolution plan must be approved by the committee within 90 days from the commencement date of PIRP. The resolution plan approved by the committee will be examined by the adjudicating authority. If no resolution plan is approved by the committee, the RP may apply for termination of PIRP. The authority must either approve the plan or order termination of PIRP within 30 days of receipt. Termination of PIRP will result in the liquidation of the corporate debtor.

**Moratorium**: During PIRP, the debtor will be provided with a moratorium under which certain actions against the debtor will be prohibited. These include filing or continuation of suits, execution of court orders, or recovery of property.

**Management of debtor during PIRP**: During the PIRP, the board of directors or partners of the debtor will continue to manage the affairs of the debtor. However, the management of the debtor may be vested with the RP if there has been fraudulent conduct or gross mismanagement.

**Initiation of CIRP**: At any time from the PIRP commencement date but before the approval of the resolution plan, the committee of creditors may decide to terminate PIRP and instead initiate CIRP in respect of the debtor (by a vote of at least 66% of the voting shares).

<https://prsindia.org/billtrack/the-insolvency-and-bankruptcy-code-amendment-ordinance-2021>

**Stand-Up India for Financing SC/ST and/or Women Entrepreneurs**

Stand Up India Scheme facilitate bank loans between 10 lakh and 1 crore to at least one scheduled caste (SC) or Scheduled Tribe, borrower and at least one women per bank branch for setting up a greenfield enterprise. This enterprise may be in manufacturing, services or the trading sector. In case of non-individual enterprises at least 51% of the shareholding and controlling stake should be held by either an SC/ST or Woman entrepreneur.

1. SC/ST and/or women entrepreneurs; above 18 years of age
2. Loans under the scheme is available for only greenfield project. Green Field signifies, in this context, the first time venture of the beneficiary in the manufacturing or services or trading sector
3. In case of non-individual enterprises, 51% of the shareholding and controlling stakes should be held by either SC/ST and/or Women Entrepreneur
4. Borrower should not be in default to any bank or financial institution
5. Composite loan (inclusive of Term Loan and working Capital) between 10 lakh and 100 lakh representing upto 85% of the project cost would be eligible.
6. The rate of interest would be lowest applicable rate of the bank for that category (rating) not to exceed (base rate (MCLR) + 3%+ tenor premium).
7. In addition to mortgage/hypothecation of primary asset acquired out of the loan, the loan may also be secured by collateral security or guarantee of Credit Guarantee Scheme for Stand up India Loans as decided by banks.
8. It shall be repayable in up to 7 years with a moratorium of up to 18 months
9. For the purpose of drawing working capital up to an amount of Rs 10 lakh, the funds will be sanctioned in the form of overdrafts.
10. A RuPay debit card can also be issued to the borrower for added convenience of withdrawing funds easily.
11. If the working capital required is above Rs. 10 lakh, the same will be provided by cash credit limit.
12. The scheme envisages 15% margin money which can be provided in convergence with eligible State/Central Government schemes. While such schemes can be drawn upon for availing admissible subsidies or for meeting margin money requirements, in all cases, the borrower shall be required to bring in a minimum of 10% of the cost of the project from their own funds.

[Stand - Up India: STANDUP INDIA SCHEME FEATURES (standupmitra.in)](https://www.standupmitra.in/Home/SUISchemes)

<https://www.standupmitra.in/Home/SUISchemes>

**Startup India**

1. **Initiative**

Under the Startup India initiative, eligible companies can get recognised as Startups by DPIIT, in order to access a host of tax benefits, easier compliance, IPR fast-tracking & more.

1. **Company Age**

Period of existence and operations should not be exceeding 10 years from the Date of Incorporation

1. **Company Type**

Incorporated as a Private Limited Company, a Registered Partnership Firm or a Limited Liability Partnership

1. **Annual Turnover**

Should have an annual turnover not exceeding Rs. 100 crore for any of the financial years since its Incorporation

1. **Original Entity**

Entity should not have been formed by splitting up or reconstructing an already existing business

1. **Innovative & Scalable**

Should work towards development or improvement of a product, process or service and/or have scalable business model with high potential for creation of wealth & employment

[Startup India Scheme](https://www.startupindia.gov.in/content/sih/en/startup-scheme.html)

<https://www.startupindia.gov.in/content/sih/en/startup-scheme.html>

**Guidelines for Second Financial Assistance under PMEGP for Expansion of the Existing Successful PMEGP/MUDRA Units**

**1. The Scheme:**

Khadi & Village Industries Commission (KVIC), under the Ministry of MSME, Government of India, New Delhi, is presently implementing the Prime Minister’s Employment Generation Programme (PMEGP) as the National-level Nodal Agency. At the State Level, the scheme is implemented through the State KVIC Directors, State Khadi & Village Industries Boards (KVIBs), District Industries Centres (DICs) and Banks. Up to 31.3.2018, a total of 4,66,471 units have been set up in the Country. Considering the success of the scheme, and as requested

by the entrepreneurs’/unit holders and also as recommended by Management Development Institute (MDI), Gurgaon, in its Evaluation Study Report, the Government approved continuation of PMEGP beyond 12th five-year Plan for a period of 3 years from 2017-18 to 2019-20 with a financial outlay of Rs. 5,500 Crores. While giving such approval, a provision has also been made for sanctioning a 2nd loan with Subsidy for upgrading the existing units, which are performing well in terms of turnover, profit making and loan repayment. Accordingly, for manufacturing units, financial assistance upto an amount of Rs. 1 Crore would be provided, and for Service/Trading Units, financial assistance upto an amount of Rs.25.00 lakhs would be provided with a subsidy of 15% (20% for NER and Hilly States).

**2. Objectives:**

I. To fulfill the need of additional financial assistance for upgrading and expansion to the successful / well-performing units.

II. To cater to the need of the entrepreneurs for bringing new technology/ automation so as to modernize the existing unit.

III. To enhance the productivity of the existing units with the inclusion of additional dose of funding.

IV. To enhance the capacity of the existing unit with the additional financial assistance assuring additional wage employment.

**3. Quantum and Nature of financial assistance:**

2nd Loan for up-gradation of existing PMEGP/MUDRA units:

|  |  |  |
| --- | --- | --- |
| Categories of beneficiaries | Beneficiary’s contribution | Rate of Subsidy (of project cost) |
| All Categories | 10%(of proposed expansion/ up-gradation cost) | 15% (20% in NER and Hill States). |

1. The maximum cost of the project/unit admissible under manufacturing sector for up-gradation is Rs.1.00 Crore, and the maximum subsidy would be Rs.15 lakhs (Rs.20 lakhs for NER and Hill States).
2. The maximum cost of the project/unit admissible under Service/Trading sector for up-gradation is Rs.25 lakhs, and the maximum subsidy would be Rs. 3.75 lakhs (Rs. 5 lakhs for NER and Hill States).
3. For all categories, rate of subsidy (of project cost) is 15% (20% in NER and Hill States). Beneficiary’s contribution will be 10% for all categories.
4. The balance amount of the total project cost will be provided by bank as term loan. The applicant can utilize the loan amount for investment on fixed assets i.e. for construction of building/purchase of required new machineries/ Installation of machinery etc.
5. Under the term loan component (construction of building/industrial shed, machinery & equipment etc.), the construction of own building may be included and ceiling of construction should not usually exceed 25% of the total sanctioned project cost.
6. The capital expenditure component including cost of construction should be upto 60% of the total project cost. The working capital cost would be upto 40%. However, the financing bank can decide the criteria at the time of sanction of loan based on the nature of the project.

**4. Eligibility conditions for the beneficiaries:**

1. All existing units financed under PMEGP/MUDRA Scheme whose margin money claim has been adjusted and the first loan availed should have been repaid in stipulated time are eligible to avail the benefits.
2. The unit should have been making profit for the last three years.
3. Beneficiary may apply to the same financing bank, which provided first loan, or to any other bank, which is willing to extend credit facility for second loan.
4. Registration of Udyog Aadhaar Memorandum (UAM) is mandatory.
5. The 2nd loan should lead to additional employment generation.

**5. Implementing Agencies:**

1. The scheme will be implemented by KVIC, a Statutory Body created by Khadi and Village Industries Commission Act, 1956, which will be a single National-level Nodal Agency.
2. At the State level, the scheme will be implemented through State Directors of KVIC, State KVIBs and District Industries Centers in rural areas. In urban areas, the scheme will be implemented by the State District Industries Centres (SDIC) only. KVIC will coordinate with State KVIBs, State DICs and monitor the performance of the Units in both in rural and urban areas. KVIC and DIC will also involve NSIC, MSME-DIs, RSETIs, RUDSETIs, ITIs & other
3. similar Institutions, Panchayati Raj Institutions and other NGOs of repute in identification of beneficiaries under the scheme. Coir Board will be involved in identifying the coir units for their upgradation, handholding and mentoring.

**6. Financial Institutions:**

1. All Public Sector Banks.
2. All Regional Rural Banks.
3. Cooperative Banks approved by State Level Task Force Committee headed by Principal Secretary (Industries/MSME)/Commissioner (Industries).
4. Private Scheduled Commercial Banks approved by State Level Task Force Committee headed by Principal Secretary (Industries/MSME)/Commissioner (Industries).
5. Small Industries Development Bank of India (SIDBI).

**7. Identification of the beneficiaries and other procedural formalities:**

1. Units would be selected from all over the country.
2. On PMEGP e-portal, a separate application link will be given for submitting application by the existing units for up-gradation.
3. The State/District-level Agencies (KVIC/KVIB/DIC), after preliminary scrutiny, will forward the application to the Bank opted by the beneficiary in the application. Before recommending the application to the Banks, the State/District-level agencies will ensure that the application is complete in all respects and the applicant has fulfilled all the criteria mentioned in the guidelines. The agencies shall complete the scrutiny of the application within 15 days, and forward the application to the Banks, if the application is found to be order. In case, the application is not in order, they may return the application along with reasons, within 15 days.
4. The concerned bank will appraise and sanction the project proposal within 60 days. After release of loan, the Bank will claim Margin Money Subsidy (MMS) as per the procedure prevalent for PMEGP units. The MMS will be kept as Term Deposit Receipt (TDR) for 18 months. No interest will be paid on the TDR and no interest will be charged on the corresponding amount of the loan disbursed. The TDR amount will be adjusted in the loan account after installation of the machinery and on the basis of positive report of a joint physical verification of the implementing agency and the Bank.
5. A separate MIS for the 2nd dose of financial assistance shall be provided in the PMEGP e-portal for the purpose of monitoring by all the stakeholders.
6. Joint physical verification of the unit by the implementing agencies and the Banks shall be undertaken at least twice in a year, and details of the joint physical verification will be uploaded on the Portal. Geo-tagging of all the units will be done by KVIC.
7. Third party physical verification shall be conducted by KVIC through outsourcing an independent agency, on completion of two years of upgradation.
8. CGTMSE Coverage: The beneficiary may opt for covering the project under CGTMSE Scheme by paying requisite CGTMSE fees.

**8 Documents to be uploaded:**

I. Previous ‘loan sanction letter’ issued by the Bank, Proof of ‘MM claims adjusted against previous loan’ and ‘Bank Certificate for full loan repayment’.

II. Project report for expansion/upgrading the unit.

III. Passport size photograph.

IV. IT returns for the last 3 years.

V. Annual accounts certified by Charted Accountant for the last 3 years.

**9. Miscellaneous:**

The main objective of the scheme is to assist the well-performing units for upgrading the units. The other points, which are already covered in the ongoing existing PMEGP scheme, related to eligibility of the beneficiary units, negative list, procedure for claiming the margin money by the banks and release of the margin money subsidy through existing e-portal and retaining the subsidy in TDR shall also be applicable for 2nd financial assistance. It should be ensured that the second financial assistance would be applicable only for expansion/upgradation in the existing/related activities of well-performing PMEGP/MUDRA units.

**Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE)**

The Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) helps micro and small enterprises in accessing institutional credit, both term loan and working capital, for their viable projects without facing the difficulties of arranging collateral security and/or third party guarantee. With the enactment of MSMED Act 2006, the earlier Credit Guarantee Trust Fund for Small Enterprises was renamed as Credit Guarantee Fund Trust for Micro & Small Enterprises and the scheme as Credit Guarantee Scheme for Micro & Small Enterprises (CGMSE).

**Credit facilities eligible under the Scheme**

The Trust shall cover credit facilities (Fund based and/or Non-fund based) extended by Member Lending Institution(s) to a single eligible borrower in the Micro and Small Enterprises sector for credit facility

(i) not exceeding Rs. 100 lakh (Regional Rural Banks/Financial Institutions) and

(ii) not exceeding Rs.200 lakh (Scheduled Commercial Banks and select Financial Institutions)

by way of term loan and/or working capital facilities on or after entering into an agreement with the Trust, without any collateral security and/or third party guarantees or such amount as may be decided by the Trust from time to time.

Provided that the lending institution applies for guarantee cover in respect of credit proposals sanctioned in the quarter April-June, July-September, October-December and January-March prior to expiry of the following quarter viz. July-September, October-December, January-March and April-June respectively.

Provided further that, as on the material date

1. Credit facility is standard and regular (not SMA) as per RBI guidelines (refer Circular No. 151/2018-19 dated July 12, 2018); and / or
2. The business or activity of the borrower for which the credit facility was granted has not ceased; and / or
3. The credit facility has not wholly or partly been utilized for adjustment of any debt deemed bad or doubtful of recovery, without obtaining a prior consent in this regard from the Trust

Credit facilities extended by more than one bank and/or financial institution jointly and/or separately to eligible borrower upto a maximum upto Rs.200 lakh per borrower subject to ceiling amount of individual MLI (Member Lending Institution) or such amount as may be specified by the Trust.

**5. Credit facilities not eligible under the Scheme**

The following credit facilities shall not be eligible for being guaranteed under the Scheme: -

1. Any credit facility in respect of which risks are additionally covered under a scheme operated / administered by Deposit Insurance and Credit Guarantee Corporation or the Reserve Bank of India, to the extent they are so covered.
2. Any credit facility in respect of which risks are additionally covered by Government or by any general insurer or any other person or association of persons carrying on the business of insurance, guarantee or indemnity, to the extent they are so covered.
3. Any Credit facility for loans upto ₹10 lakh to Micro Enterprises shall not be eligible to covered under the Scheme if the said credit facility has been covered under MUDRA Guarantee Scheme through NCGTC Ltd. while applying for the guarantee cover for such proposals.

(Refer CGTMSE Circular No.117/2016-17 dated November 10, 2016)

1. Any credit facility, which does not conform to, or is in any way inconsistent with, the provisions of any law, or with any directives or instructions issued by the Central Government or the Reserve Bank of India, which may, for the time being, be in force.
2. Any credit facility granted to any borrower, who has availed himself of any other credit facility covered under this scheme or under the schemes mentioned in clause (i), (ii) and (iii) above, and where the lending institution has invoked the guarantee provided by the Trust or under the schemes mentioned in clause (i), (ii) and (iii) above, but has not repaid any portion of the amount due to the Trust or under the schemes mentioned in clause (i), (ii) and (iii) above, as the case may be, by reason of any default on the part of the borrower in respect of that credit facility.
3. Any credit facility which has been sanctioned by the lending institution against collateral security and / or third party guarantee. However, after the introduction of Hybrid Security model MLIs can cover the unsecured part of the collateral security under CGTMSE upto to the extent of Rs. 200 lakh.
4. Any credit facility which has been sanctioned by the lending institution (all scheduled commercial banks, selected financial institutions and RRBs) with the maximum interest rate not more than 14% p.a. including cost of guarantee cover would be eligible for coverage under CGS.

(Refer Circular No.121/2016-17dated January 09, 2017 and 131/2016-17 dated July 21,

2017).

Read further details at:

<https://www.cgtmse.in/Default/ViewFile/?id=1607366695729_CGS-I.pdf&path=Page>

**PMMY(Pradhan Mantri Mudra Yojna)**

* Launched on April 2015, For development and refinancing of micro units
* Purpose – to provide funding to the non-corporate small business sector
* Loans categorised as
	+ Shishu (upto Rs.50k),
	+ Kishore (Rs.50k to Rs.5lakh) and
	+ Tarun (Rs.5-10 lakhs)
* Banks to charge reasonable ROI within the overall RBI guidelines
* Eligibility: Borrowers both in Manufacturing & Services sector under non-farm activities and whose financial requirement is up to Rs 10 lacs. Individuals /Proprietorship / Partnership firms/ Company
* Activities: running as Small Manufacturing Units, Shopkeepers, Fruits/Vegetable Sellers, Hair Cutting Saloon, Beauty Parlours, Transporters, Truck Operators, Hawkers, Food Service Units, Repair Shops, Machine Operators, Small Industries, Artisans, Food Processors, Self Help Groups, Professionals and Service Providers etc. in Rural and Urban areas.
* Assessment Method: OD/CC – 20% of PAT, TL- For Equipments /Machineries
* Financial Bench Marks: CR-1.10/1, DSCR-1.25/1, DER-3/1
* Security: Only Primary/ No collateral (Covered under NCGTC/MUDRA)
* Margin: For Shishu-Nil, For Kishore/Tarun-25%
* Repayment: Maximum 7 Years/84 Months inclusive of Moratorium Period