**Diploma in Co-operative Banking\_ RBI Notifications Jan to June 2021**

**Guidelines for Managing Risk in Outsourcing of Financial Services by Co-operative Banks**

**RBI/2021-22/64 DOR.ORG.REC.27/21.04.158/2021-22 June 28, 2021**

*The Chief Executive Officer, All Co-operative Banks*

It is observed that the co-operative banks are increasingly using outsourcing as a means for reducing costs as well as for availing specialist expertise, where these are not available internally.

2. While it is entirely the banks’ prerogative to take a view on the desirability of outsourcing a permissible activity having regard to all relevant factors, including the commercial aspects of the decision, such outsourcing results in banks being exposed to various risks. To enable the co-operative banks to put in place necessary safeguards for addressing the risks inherent in outsourcing of activities, guidelines on managing risks in outsourcing are given in Annex.

3. Co-operative banks are advised to conduct a self-assessment of their existing outsourcing arrangements and bring the same in line with these guidelines within a period of six months from the date of issue of this circular.

**Annex**

**Introduction**

1.1 'Outsourcing' is defined as use of a third party to perform activities on a continuing basis that would normally be undertaken by a co-operative bank itself, now or in the future. 'Continuing basis' would include agreements for a limited period.

1.2 These guidelines are intended to provide direction and guidance to co-operative banks to adopt sound and responsive risk management practices for effective oversight, due diligence and management of risks arising from outsourcing activities.

1.3 The underlying principles behind these guidelines are that the co-operative bank should ensure that outsourcing arrangements neither diminish its ability to fulfil its obligations to customers and RBI, nor impede effective supervision by Reserve Bank of India (RBI)/ National Bank for Agriculture and Development (NABARD)1. Co-operative banks, therefore, have to take steps to ensure that the service provider employs the same high standard of care in performing the services as would be employed by them, if the activities were conducted by the banks and not outsourced. Accordingly, co-operative banks should not engage in outsourcing that would result in their internal control, business conduct or reputation being compromised or weakened.

1.4 These guidelines are concerned with managing risks in outsourcing of financial services and are not applicable to technology-related issues as also activities not related to financial services like usage of courier, catering of staff, housekeeping and janitorial services, security of the premises, movement and archiving of records, etc. Co-operative banks which desire to outsource would not require prior approval from RBI / NABARD. However, such arrangements would be subject to on-site / off-site monitoring and inspection/scrutiny by RBI / NABARD.

**2. Activities that shall not be outsourced**

Co-operative banks which choose to outsource financial services, however, shall not outsource core management functions including policy formulation, internal audit and compliance, compliance with KYC norms, credit sanction and management of investment portfolio. However, where required, experts, including former employees, could be hired on a contractual basis subject to the Audit Committee of Board/Board being assured that such expertise does not exist within the audit function of the bank. Any conflict of interest in such matters shall be recognised and effectively addressed. Ownership of audit reports in all cases shall rest with regular functionaries of the internal audit function.

**3. Material Outsourcing**

During Inspections/ scrutinies, RBI / NABARD will review the implementation of these guidelines to assess the quality of related risk management systems particularly in respect of material outsourcing. Material outsourcing arrangements are those, which if disrupted, have the potential to significantly impact the business operations, reputation or profitability of co-operative banks. Materiality of outsourcing would be based on:-

1. The level of importance to the co-operative bank of the activity being outsourced as well as the significance of the risk posed by the same;
2. The potential impact of the outsourcing by the co-operative bank on various parameters such as earnings, solvency, liquidity, funding capital and risk profile;
3. The likely impact on the co-operative bank’s reputation and brand value, and ability to achieve its business objectives, strategies and plans, should the service provider fail to perform the service;
4. The cost of the outsourcing as a proportion of total operating costs of the co-operative bank;
5. The aggregate exposure to that particular service provider, in cases where the co-operative bank outsources various functions to the same service provider;
6. The significance of activities outsourced in context of customer service and protection.

**4. Co-operative bank's role**

4.1 The outsourcing of any activity by a co-operative bank does not diminish its obligations, and those of its Board and CEO along with the Management, who have the ultimate responsibility for the outsourced activity. Co-operative banks shall, therefore, be responsible for the actions of their service provider including actions of the Business Correspondents and their retail outlets / sub-agents and the confidentiality of information pertaining to the customers that is available with the service provider. The bank shall retain ultimate control of the outsourced activity.

4.2 The co-operative banks shall consider all relevant laws, regulations, guidelines and conditions of approval, licensing or registration when performing its due diligence in relation to outsourcing.

4.3 The grievance redressal mechanism of co-operative banks should not be compromised on account of outsourcing. Outsourcing arrangements shall not affect the rights of a customer against the co-operative bank, including the ability of the customers to redress their grievances as applicable under relevant laws.

4.4 Outsourcing shall not impede or interfere with the ability of a co-operative bank to effectively oversee and manage its activities nor should it impede RBI / NABARD in carrying out its supervisory functions and objectives.

4.5 The service provider should not be owned or controlled by any director or officer/employee of the co-operative bank or their relatives having the same meaning as assigned under the Companies Act, 2013 and the Rules framed thereunder from time to time.

**5. Risk Management practices for outsourcing**

5.1 Outsourcing Policy

A co-operative bank intending to outsource any of its financial activities shall put in place a comprehensive outsourcing policy, approved by its Board, which incorporates, inter alia, criteria for selection of such activities as well as service providers, parameters for defining material outsourcing based on the broad criteria indicated in para 3, delegation of authority depending on risks and materiality and systems to monitor and review the operations of these activities.

5.2 Role of the Board of Directors (Board), and CEO along with the Senior Management

5.2.1 The Board, and CEO along with the Senior Management shall be ultimately responsible for outsourcing operations and for managing risks inherent in such outsourcing relationships. The Board and CEO along with the Management shall have the responsibility to institute an effective governance mechanism and risk management process for all outsourced operations.

The Board shall be responsible, inter alia, for: -

1. Approving a framework to evaluate the risks and materiality of all existing and prospective outsourcing and the policies that apply to such arrangements;
2. Laying down appropriate approval authorities for outsourcing depending on risks and materiality;
3. Undertaking regular review of the framework for its efficacy and update the same to ensure that the outsourcing strategies and arrangements have continued relevance, effectiveness, safety and soundness;
4. Deciding on business activities of a material nature to be outsourced and approving such arrangements;
5. Assessment of management competencies to develop sound and responsive outsourcing risk management policies and procedures commensurate with the nature, scope, and complexity of outsourcing arrangements; and
6. Setting up suitable administrative framework of management for the purpose of these guidelines.

5.2.2 Chief Executive Officer (CEO) and Senior Management of the bank shall be responsible for:

1. Evaluating the risks and materiality of all existing and prospective outsourcing, based on the framework approved by the Board;
2. Developing and implementing sound and prudent procedures commensurate with the nature, scope and complexity of the outsourcing;
3. Reviewing periodically the effectiveness of policies and procedures;
4. Communicating information pertaining to material outsourcing risks to the Board in a timely manner;
5. Ensuring that contingency plans, based on realistic and probable disruptive scenarios, are in place and tested;
6. Ensuring that there is independent review and audit for compliance with set policies; and
7. Undertaking periodic review of outsourcing arrangements to identify new material outsourcing risks.

**5.3 Evaluation of the Risks**

The indicative key risks in outsourcing that need to be evaluated by the co-operative banks are: -

1. Strategic Risk – The service provider may conduct business on its own behalf, which is inconsistent with the overall strategic goals of the bank.
2. Reputation Risk - Poor service from the service provider, its customer interaction not being consistent with the overall standards of the bank, or failure in preservation and protection of confidential customer information.
3. Compliance Risk - Privacy, consumer and prudential laws not adequately complied with.
4. Operational Risk – Arising due to technology failure, fraud, error, inadequate financial capacity to fulfil obligations and/or provide remedies.
5. Legal Risk - Includes but is not limited to exposure to fines, penalties, or punitive damages resulting from supervisory actions, as well as private settlements due to omissions and commissions of the service provider.
6. Exit Strategy Risk - This could arise from over-reliance on one firm, the loss of relevant skills in the bank itself preventing it from bringing the activity back in-house and where the bank has entered into contracts wherein speedy exits would be prohibitively expensive.
7. Counterparty Risk - Due to inappropriate underwriting or credit assessments.
8. Contractual Risk – Arising from whether or not the bank has the ability to enforce the contract.
9. Country Risk - Due to political, social or legal climate creating added risk.
10. Concentration and Systemic Risk - Due to lack of control of individual banks over a service provider, more so when overall banking industry has considerable exposure to one service provider.

**5.4 Evaluating the Capability of the Service Provider**

5.4.1 In considering or renewing an outsourcing arrangement, co-operative banks shall undertake appropriate due diligence to assess the capability of the service provider to comply with obligations in the outsourcing agreement. Due diligence should take into consideration qualitative, quantitative, financial, operational and reputational factors. Co-operative banks shall consider whether the service providers’ systems are compatible with their own and also whether their standards of performance including in the area of customer service are acceptable to it. Co-operative banks shall also consider, while evaluating the capability of the service provider, issues relating to undue concentration of outsourcing arrangements with a single service provider. Where possible, co-operative banks may obtain independent reviews and market feedback on the service provider to supplement their own findings.

5.4.2 Due diligence should involve an evaluation of all available information about the service provider, including but not limited to the following: -

1. Past experience, competence to implement and support the proposed activity over the contracted period;
2. Financial soundness and ability to service commitments even under adverse conditions;
3. Business reputation, culture, compliance, complaints and outstanding or potential litigation;
4. Security, internal controls, audit coverage, reporting, monitoring and business continuity management;
5. External factors like political, economic, social and legal environment of the jurisdiction in which the service provider operates and other events that may impact service performance;
6. Ensuring due diligence by service provider of his employees; and
7. Ability to effectively service all the customers with confidentiality where a service provider has exposure to multiple banks.

**5.5 The Outsourcing Agreement**

The terms and conditions governing the contract between a co-operative bank and service provider should be carefully defined in written agreements and vetted by bank’s legal counsel on their legal effect and enforceability. Every such agreement should address the risks and risk mitigation strategies. The agreement should be sufficiently flexible to allow the bank to retain an appropriate level of control over the outsourcing and the right to intervene with appropriate measures to meet legal and regulatory obligations. The agreement should also bring out the nature of legal relationship between the parties, i.e., whether agent, principal or otherwise.

Some of the key provisions of the contract would be:

1. The contract should clearly define the activities being outsourced including Service Level Agreements (SLAs) to agree and establish accountability for performance expectations. SLAs must clearly formalize the performance criteria to measure the quality and quantity of service levels.
2. The co-operative bank shall ensure its ability to access all books, records and information relevant to the outsourced activity available with the service provider.
3. The contract should provide for continuous monitoring and assessment of the service provider by the co-operative bank so that any necessary corrective measure can be initiated immediately.
4. Controls to ensure customer data confidentiality and service providers’ liability in case of breach of security and leakage of confidential customer related information shall be incorporated.
5. A termination clause and notice period should be included.
6. Contingency plans to ensure business continuity should be included.
7. The contract should provide for the prior approval/consent of co-operative bank for use of subcontractors by the service provider for all or part of an outsourced activity. Before according the consent, co-operative banks should review the subcontracting arrangement and ensure that these arrangements are compliant with the extant guidelines on outsourcing.
8. The contract should provide the co-operative banks with the right to conduct audits on the service provider whether by its internal or external auditors, or by agents appointed to act on its behalf and to obtain copies of any audit or review reports and findings made on the service provider in conjunction with the services performed for the co-operative bank.
9. Outsourcing agreement should include a clause to allow RBI/NABARD or persons authorised by it to access the co-operative bank’s documents, records of transactions, logs and other necessary information given to, stored or processed by the service provider, within a reasonable time. This includes information maintained in paper and electronic formats.
10. Outsourcing agreement should also include a clause to recognise the right of the RBI / NABARD to cause an inspection of a service provider of a co-operative bank and its books and accounts by one or more of its officers or employees or other authorised persons.
11. The outsourcing agreement should also provide that confidentiality of customers’ information should be maintained even after the contract expires or gets terminated. Further, co-operative bank shall have necessary provisions to ensure that the service provider preserves documents as required by law and take suitable steps to ensure that its interests are protected in this regard even post termination of the services.

**5.6 Confidentiality and Security**

5.6.1 Public confidence and customer trust in co-operative bank is a prerequisite for the stability and reputation of the bank. Hence, the co-operative banks shall seek to ensure the preservation and protection of the security and confidentiality of customer information in the custody of the service provider.

5.6.2 Access to customer information by staff of the service provider shall be on ‘need to know’ basis, i.e., limited to those areas where the information is required in order to perform the outsourced function.

5.6.3 The co-operative banks shall ensure that the service provider is able to isolate and clearly identify the co-operative bank’s customer information, documents, records and assets to protect the confidentiality of the information. In the instances, where service provider acts as an outsourcing agent for multiple banks, care should be taken to build adequate safeguards so that there is no comingling of information/documents, records and assets.

5.6.4 The co-operative banks shall review and monitor the security practices and control processes of the service provider on a regular basis and require the service provider to disclose security breaches.

5.6.5 The co-operative banks shall immediately notify RBI / NABARD in the event of any breach of security and leakage of confidential customer related information. In these eventualities, the co-operative bank shall be liable to its customers for any damage.

**5.7 Business Continuity and Management of Disaster Recovery Plan**

5.7.1 Co-operative banks shall require its service providers to develop and establish a robust framework for documenting, maintaining and testing business continuity and recovery procedures. Banks need to ensure that the service provider periodically tests the Business Continuity and Recovery Plan. Banks may also conduct joint testing and recovery exercises with its service provider at mutually agreed frequency but at least annually.

5.7.2 In order to mitigate the risk of unexpected termination of the outsourcing agreement or liquidation of the service provider, co-operative banks shall retain an appropriate level of control over their outsourcing and the right to intervene with appropriate measures to continue its business operations in such cases without incurring prohibitive expenses and without any break in the operations of the bank and its services to the customers.

5.7.3 In establishing a viable contingency plan, co-operative banks should consider the availability of alternative service providers or the possibility of bringing the outsourced activity back in-house in an emergency and the costs, time and resources that would be involved.

5.7.4 Co-operative banks to ensure that in adverse conditions and/ or termination of the contract, all documents, records of transactions and information given to the service provider and assets of the bank can be removed from the possession of the service provider in order to enable the bank to continue its business operations; or deleted, destroyed or rendered unusable.

**5.8 Monitoring and Control of Outsourced Activities**

5.8.1 The co-operative banks shall have in place a management structure to monitor and control their outsourcing activities. It shall also be ensured that outsourcing agreements with the service provider contain provisions to address their monitoring and control of outsourced activities.

5.8.2 A central record of all material outsourcing that is readily accessible for review by the Board and CEO along with the management of the co-operative bank shall be maintained. The records should be updated promptly and half yearly reviews should be placed before the Board.

5.8.3 Regular audits at least annually by either the internal auditors or external auditors of the bank should assess the adequacy of the risk management practices adopted in overseeing and managing the outsourcing arrangement, the bank’s compliance with its risk management framework and these guidelines.

5.8.4 Co-operative banks shall at least on an annual basis, review the financial and operational condition of the service provider to assess its ability to continue to meet its outsourcing obligations. Such due diligence reviews, which can be based on all available information about the service provider should highlight any deterioration or breach in performance standards, confidentiality and security, and in business continuity preparedness. Co-operative banks shall also submit an Annual Compliance Certificate giving the particulars of outsourcing contracts, the prescribed periodicity of audit by internal / external auditor, major findings of the audit and action taken through Board, to the Regional Offices of RBI / NABARD.

5.8.5 The event of termination of any outsourcing agreement for any reason where the service provider deals with customers, shall be publicised by displaying at a prominent place in the branches and posting it on the bank’s website so as to ensure that the customers do not continue to deal with the service provider.

5.8.6 Certain cases, like outsourcing of cash management, might involve reconciliation of transaction between the co-operative banks, the service provider and its sub-contractors. In such cases, banks should ensure reconciliation of transactions between the bank and the service provider (and /or its subcontractor) are carried out as advised in RBI guidelines on ‘Outsourcing of Cash Management – Reconciliation of Transactions’ dated May 14, 2019 as amended from time to time.

5.8.7 A robust system of internal audit of all outsourced activities shall be put in place and monitored at the Board level.

**5.9 Redressal of Grievances related to Outsourced services**

5.9.1 The co-operative banks shall give wide publicity to the Grievance Redressal Machinery within the bank and also by placing the information on their website. It should be clearly indicated that co-operative banks' Grievance Redressal Machinery will also deal with the issues relating to services provided by the outsourced agencies. The name and contact number of designated grievance redressal officer of the co-operative bank should be made known and widely publicised. The designated officer should ensure that genuine grievances of customers are redressed promptly.

5.9.2 The grievance redressal procedure of the co-operative bank and the time frame fixed for responding to the complaints shall be placed on the bank's website.

**5.10 Reporting of transactions to FIU or other competent authorities**

Co-operative banks shall be responsible for making Currency Transactions Reports and Suspicious Transactions Reports to FIU or any other competent authority in respect of the banks' customer related activities carried out by the service providers.

**6 Centralised List of Outsourced Agents**

If a service provider’s contract is terminated prematurely prior to the completion of contracted period of service, Indian Banks' Association (IBA) would have to be informed with reasons for termination. IBA would be maintaining a caution list of such service providers for the entire banking industry for sharing among banks.

*1 Reserve Bank of India is the supervisor for Primary (Urban) Co-operative Banks. National Bank for Agriculture and Rural Development is the supervisor for State Co-operative Banks and Central Co-operative Banks. The word ‘RBI/NABARD’ mentioned in these guidelines may be interpreted in relation to the relevant supervising authority of co-operative banks.*

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12123&Mode=0>

**Appointment of Chief Risk Officer in Primary (Urban) Co-operative Banks**

**RBI/2021-2022/62 DOR.CRE(DIR).REC.26/21.04.103/2021-22 June 25, 2021**

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

With increasing size and scope of business, Primary (Urban) Co-operative Banks (UCBs) are gradually getting exposed to greater degree of risks. It is, therefore, necessary that every UCB focuses its attention on putting in place appropriate risk management mechanism commensurate with its business profile and strategic objectives. In this connection, it has been decided that all UCBs having asset size1 of ₹5000 crore or above, shall appoint a Chief Risk Officer (CRO). The Board2 must clearly define the CRO’s role and responsibilities and ensure that he/she functions independently.

2. UCBs shall strictly adhere to the following instructions in this regard:

The CRO shall be a senior official in the bank’s hierarchy and shall have adequate professional qualification / experience in the area of risk management.

The CRO shall be appointed for a fixed tenure with the approval of the Board. The CRO can be transferred / removed from the post before completion of the tenure only with the approval of the Board and such premature transfer / removal shall be reported to the concerned Regional Office3 of Department of Supervision, Reserve Bank of India.

The Board shall put in place adequate policies to safeguard the independence of the CRO. The CRO shall have direct reporting lines to MD/CEO or Board or Risk Management Committee of Board (RMC). In case the CRO reports to the MD/CEO, the Board or the RMC shall meet the CRO, without the presence of the MD & CEO, at least on a quarterly basis.

The CRO shall not have any reporting relationship with the business verticals and shall not be given any business targets. Further, there shall not be any ‘dual hatting’ i.e. the CRO shall not be given any other responsibility such as CEO, COO, CFO, Chief of the Internal Audit, etc.

In UCBs that follow committee approach in credit sanction process for high value proposals, if the CRO is one of the decision makers in the credit sanction process, he shall have voting power and all members who are part of the credit sanction process, shall individually and severally be liable for all the aspects, including risk perspective related to the credit proposal. If the CRO is not a part of the credit sanction process, his role will be limited to that of an adviser.

In UCBs which do not follow committee approach for sanction of high value credits, the CRO can only be an adviser in the sanction process and shall not have any sanctioning power.

All credit products shall be vetted by the CRO from the angle of inherent and control risks.

3. The CRO shall support the Board in establishing an integrated risk management system, capable of identifying, measuring and monitoring all types of risks on an ongoing basis. This will include developing the organisational risk appetite and a framework that will translate the Board’s strategy into clearly laid down monitorable risk limits at the aggregate and at granular levels. The CRO shall also be involved in actual monitoring and mitigation of risks.

4. It is emphasized that the primary responsibility of risk management lies with the Board. In order to focus the required level of attention on various aspects of risk management, UCBs meeting the eligibility criteria specified in para 1 above are advised to set up a Risk Management Committee (of the Board) by March 31, 2022. The Board shall decide the membership, scope of work and frequency of meeting of the Risk Management Committee.

5. UCBs meeting the prescribed criteria as on March 31, 2021 shall appoint / designate a CRO by March 31, 2022. UCBs which may fulfill the criteria at the end of the current or subsequent financial years shall appoint / designate a CRO within a period of six months from the end of the financial year concerned.

6. A copy of this circular should be placed before the Board of Directors of the bank at its next meeting.

1 As on March 31 of the previous year

2 ‘Board’ in this circular refers to Board of Directors (BoD)

3 UCBs reporting earlier to Mumbai Regional Office of the erstwhile Department of Co-operative Bank Supervision shall report to the Central Office of the Department of Supervision.

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12121&Mode=0>

**Appointment of Managing Director (MD) / Whole-Time Director (WTD) in Primary (Urban) Co-operative Banks**

**RBI/2021-22/60DOR.GOV.REC.25/12.10.000/2021-22 June 25, 2021**

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

In terms of powers conferred under Sections 10, 10B, 10BB, 35A, 35B, 36AA and 53A (read with Section 56) of the Banking Regulation Act, 1949 (as amended), hereinafter called as “Act”, relating to appointment, re-appointment, termination and removal of Managing Director (MD) and Whole-Time Director (WTD), the Reserve Bank, hereby, issues the following directions.

**2. Applicability**

2.1 These directions are applicable to all Primary (Urban) Co-operative Banks (UCBs). However, in exercise of the powers conferred under the section 53A read with section 56 of the Act, a [notification No. DoR.HGG.GOV.668/12.10.000/2020-21 dated March 23, 2021](https://egazette.nic.in/WriteReadData/2021/227554.pdf) was published in the Part III -Section 4 of the Gazette of India dated June 12, 2021 by the Reserve Bank of India exempting UCBs with a deposit size of less than ₹100 crore as per preceding year’s audited balance sheet and all Salary Earners’ Banks, inter-alia, from the requirement of seeking prior approval of the Reserve Bank under section 35B(1)(b) read with section 56 of the BR Act, 1949, for appointment / re-appointment / termination of appointment of MD or WTD. While the exempted UCBs are not required to obtain prior approval, they are required to formulate a Board approved policy based on all the other provisions of these directions for appointment / re-appointment / termination of appointment of MD or WTD. These banks shall immediately report the appointment / re-appointment / termination of appointment of MD or WTD to respective Regional Offices (Department of Supervision, Central Office, in case of UCBs under jurisdiction of Mumbai office) of the Reserve Bank.

2.2 UCBs which have appointed CEO with the prior approval of the Reserve Bank in terms of the guidelines contained in the [circular DoR (PCB).BPD.Cir.No.8/12.05.002/2019-20 dated December 31, 2019](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11774&Mode=0) on Constitution of Board of Management in Primary (Urban) Co-operative Banks, may continue with the CEO so appointed till completion of his / her tenure or for a period of three years from the date of initial appointment, whichever is earlier. After the aforesaid period, UCBs shall follow the directions issued herein for appointment / re-appointment of MD.

2.3 UCBs, other than those stated in para 2.2 above, shall review the ‘Fit and Proper’ status of the existing MD in terms of these directions and confirm the same, with the approval of BoD, to the concerned Regional Office (Department of Supervision, Central Office, in case of UCBs under jurisdiction of Mumbai office) of Reserve Bank within a period of two months from the date of issue of this circular. In case, the present MD does not satisfy the prescribed ‘Fit and Proper’ criteria, the UCB shall initiate the process for appointment of new MD immediately. If a UCB had appointed WTD, the bank shall follow the same procedure to comply with these directions.

2.4 All UCBs shall obtain a deed of covenants in the format annexed ([Annex I](https://rbidocs.rbi.org.in/rdocs/content/pdfs/MDWTD25062021_A1.pdf)) from the present MD/ WTD who is found to be complying with these directions.

**3. Appointment of Managing Director / Whole-Time Director**

3.1 Managing Director, who may also be designated as Chief Executive Officer or by any other name, is a person who is entrusted with the management of the whole, or substantially the whole of the affairs of a UCB, subject to the regulations or directions issued by the Reserve Bank from time to time. MD shall function under the overall general superintendence, direction and control of the Board of Directors (BoD).

3.2 If a UCB decides to appoint Whole-Time Director (WTD), who may also be designated as Executive Director or by any other name, the need for such an appointment may be decided by the bank keeping in view the growth in business, expansion of activities, geographical footprints and organisational vision for growth in the medium and long term. The creation of the post of WTD and the functions that can be performed may be decided by the BoD and approved by the General Body of the bank. The WTD shall report to the Managing Director.

3.3 The UCBs shall ensure that the following ‘fit and proper’ criteria is fulfilled by the person being appointed as MD/ WTD.

**3.4 Eligibility**

3.4.1 The person shall be a graduate, preferably, with

(a) Qualification in banking/ co-operative banking such as CAIIB / Diploma in Banking and Finance / Diploma in Co-operative Business Management or equivalent qualification; or

(b) Chartered / Cost Accountant / MBA (Finance); or

(c) Post graduation in any discipline.

3.4.2 The person shall not be below the age of 35 years and above the age of 70 years at any time during his/ her term in office. However, 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.

3.4.3 The person shall have a combined experience of at least eight years at the middle / senior management level in the banking sector (including the experience gained in the concerned UCB) or non-banking finance companies engaged in lending (loan companies) and asset financing.

3.4.4 Knowledge of regional language may be considered as an advantage.

**3.5 Propriety Criteria**

3.5.1 The person shall **not**

(i) be engaged in any other business or vocation;

(ii) be holding the position of a Member of Parliament or State Legislature or Municipal Corporation or Municipality or other local bodies;

(iii) be a director of any company other than a company registered under section 8 of the Companies Act, 2013;

(iv) be a partner of any firm which carries on any trade, business or industry;

(v) have substantial interest in any company or firm as defined in Section 5(ne) read with section 56 of the Banking Regulations Act, 1949;

(vi) be a Director, Manager, Managing Agent, partner or proprietor of any trading, commercial or industrial concern;

(vii) be of unsound mind and stands so declared by a competent court;

(viii) be an undischarged insolvent;

(ix) be convicted by a criminal court of an offence involving moral turpitude;

(x) be a director of any other co-operative bank or a co-operative credit society.

3.5.2. The person shall submit a self-declaration on personal integrity as per [Annex II](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12119&Mode=0#AN2).

**4. Tenure of MD/ WTD**

4.1 The tenure of MD/ WTD shall not be for a period more than five years at a time subject to a minimum period of three years at the time of first appointment, unless terminated or removed earlier, and shall be eligible for re-appointment. The performance of MD/WTD shall be reviewed by the Board annually.

4.2 However, the post of the MD 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 / 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 in any capacity, either directly or indirectly.

4.3 UCBs whose existing MD/CEO has completed a tenure of five years at the time of issue of this circular or subsequently, shall approach RBI either to seek re-appointment of the incumbent, if he/she is eligible, or for appointment of a new MD/CEO, within a period of two months from the date of issue of this circular.

**5. Procedure for obtaining approval from the Reserve Bank by the UCBs for appointment / re-appointment / termination of MD/ WTD and remuneration**

5.1 UCBs, not covered under [notification No.DoR.HGG.GOV.668/12.10.000/2020-21 dated March 23, 2021](https://egazette.nic.in/WriteReadData/2021/227554.pdf) published in the Part III -Section 4 of the Gazette of India dated June 12, 2021, shall follow the procedure as prescribed hereinafter for appointment of MD/ WTD and for seeking prior approval from the Reserve Bank.

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

UCBs shall constitute a "Nomination and Remuneration Committee (NRC)" consisting of three directors from amongst the Board of Directors (BoD) and nominate one among them as Chairman of the NRC. All three members of the NRC are required to be present in each meeting. In case of absence of any member nominated to the NRC, the BoD shall nominate any other director in his place to ensure the quorum. At the time of constituting the NRC, the BoD shall also decide its tenure.

**5.1.2 Process of making an application to RBI**

(i) Subject to any regulations or directions or guidelines issued by the Reserve Bank from time to time, the NRC shall undertake a process of due diligence to determine the ‘fit and proper’ status of a person being considered for appointment as MD/ WTD. For this purpose, UCBs shall obtain necessary ‘Declaration and Undertaking’ as per [Annex III](https://rbidocs.rbi.org.in/rdocs/content/pdfs/MDWTD25062021_A3.pdf) from the shortlisted candidates. On completion of the process of due diligence, the NRC shall identify the persons from among the shortlisted candidates and recommend to the BoD for appointment as MD/ WTD.

(ii) NRC shall also recommend the remuneration which shall be payable to the MD/ WTD. While recommending the remuneration, the NRC shall ensure that the cost / income ratio of the bank supports the compensation package and it is consistent with the maintenance of a sound capital adequacy ratio.

(iii) The BoD may pass an appropriate resolution for forwarding the name(s) of the person/s from the panel recommended by the NRC for appointment as MD/ WTD, if it is satisfied that the NRC’s recommendations on the proposed appointment and remuneration are in order.

(iv) In order to expedite the process of appointment, UCBs may submit a panel of at least two names in the order of preference for appointment of new MD/ WTD, to the Reserve Bank, four months before the expiry of the term of office of the present incumbent.

5.2 Non-Scheduled UCBs with a deposit size of ₹1000 crore and above as per preceding year’s audited balance sheet and all scheduled UCBs shall submit the proposal for appointment of MD/ WTD, along with the supporting documents listed in [Annex IV](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12119&Mode=0#AN4), to the Reserve Bank, Department of Regulation, Central Office, Mumbai. Non-Scheduled UCBs with a deposit size of ₹100 crore or above but below ₹1000 crore as per preceding year’s audited balance sheet shall approach the Regional Office/Central Office (in case of UCBs under jurisdiction of Mumbai office) of the Department of Supervision, Reserve Bank of India, under whose jurisdiction the Registered Office of the UCB is situated, for the requisite approval. The Reserve Bank reserves the right to seek any additional information/documents as it considers necessary.

**5.3 Re-appointment**

In the case of a proposal for re-appointment of the incumbent MD/ WTD, the UCBs shall follow the same procedure as prescribed in Para 5.1 above by submitting the complete application in the prescribed form, i.e., ‘Form A’ along with ‘Declaration and Undertaking’ from the candidate, supported by the recommendation of NRC, resolution of the Board approving the recommendation of NRC for re-appointment and a declaration from the UCB that the information is true and complete, to the Reserve Bank six months before the expiry of the term of office of the incumbent.

**5.4 Termination of MD/ WTD by UCB**

In case a UCB decides to terminate the services of MD/ WTD before the expiry of tenure, it shall seek prior approval of the Reserve Bank, by submitting detailed reasons thereof along with the relevant documents and a Board resolution to that effect.

**6. Temporary appointment of MD/ WTD**

Appointment of MD/WTD on temporary basis in UCBs shall be made as per the provisions of Section 10B(9) read with section 56 of the Act. Accordingly, the bank may, with the approval of the Reserve Bank, make suitable arrangements for carrying out the duties of MD/ WTD for a period of not exceeding four months. The bank shall complete the process of regular appointment within the period of the aforesaid four months.

**7. Miscellaneous**

7.1 MD/WTD shall be an ex-officio member of the BoD and may have voting rights in board meetings, if it is permissible under the provisions of the co-operative societies act.

7.2 MD shall be an ex-officio member of the Board of Management (BoM) constituted in terms of [circular DoR (PCB).BPD.Cir.No.8/12.05.002/2019-20 dated December 31, 2019](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11774&Mode=0).

7.3 In public interest, the MD/ WTD shall execute the deed of covenants in the format annexed ([Annex I](https://rbidocs.rbi.org.in/rdocs/content/pdfs/MDWTD25062021_A1.pdf)).

7.4 The appointment/ re-appointment/ termination of MD/ WTD shall be informed to the General Body in the ensuing Annual General Meeting.

**8. Repeal of existing guidelines**

The [circular, DoR (PCB).BPD.Cir.No.8/12.05.002/2019-20 dated December 31, 2019](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11774&Mode=0), issued on the constitution of Board of Management in Primary (Urban) Co-operative Banks, to the extent it deals with the appointment of CEO stands repealed. However, other guidelines issued on the constitution of BoM in the Circular shall continue to apply mutatis mutandis.

9. These directions shall come into force with immediate effect.

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12119&Mode=0>

**Master Direction – Reserve Bank of India (Certificate of Deposit) Directions, 2021**

**RBI/2021-22/79 FMRD.DIRD.03/14.01.003/2021-22 June 4, 2021**

*All Eligible Market Participants*

Please refer to Paragraph 6 of the [Statement on Developmental and Regulatory Policies](https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=47226), announced as a part of the [second Bi-monthly Monetary Policy Statement for 2019-20 dated June 06, 2019](https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=47225) regarding Comprehensive Review of Money Market Directions. A reference is also invited to Paragraph 5 of the [Statement on Developmental and Regulatory Policies](https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=51684), announced as a part of the [second Bi-monthly Monetary Policy Statement for 2021-22 dated June 04, 2021](https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=51683) on ‘Facilitating Flexibility in Liquidity Management by issuers of Certificates of Deposit’.

2. The draft Directions on Certificate of Deposits were released for public comments on [December 04, 2020](https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=50761). Based on the feedback received from the market participants, the Reserve Bank of India (Certificate of Deposit) Directions, 2021 were reviewed and have since been finalised.

In exercise of the powers conferred under section 45W of the Reserve Bank of India Act, 1934 (hereinafter called the Act) read with section 45U of the Act and of all the powers enabling it in this behalf and in supersession of Section III of [FMRD.Master Direction No. 2/2016-17 dated July 07, 2016](https://www.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=10495), the Reserve Bank of India (hereinafter called the Reserve Bank) hereby issues the following Directions to all persons and agencies eligible to deal in Certificate of Deposit.

**Master Direction**

**1. Short title, scope and commencement**

**(a)** These Directions shall be called the Master Direction – Reserve Bank of India (Certificate of Deposit) Directions, 2021.

**(b)** These Directions shall come into force with effect from June 07, 2021.

**2. Definitions**

**(a)** For the purpose of these Directions, unless the context otherwise requires:

1. **“Bank”** means a banking company (including a Payment Bank and a Small Finance Bank) as defined in clause (c) of section 5 of the Banking Regulation Act, 1949 or a “regional rural bank”, a “corresponding new bank” or “State Bank of India” as defined in clauses (ja), (da) and (nc), of section 5 respectively thereof, or a “cooperative bank” as defined in clause (cci) of section 5 read with section 56 of the said Act;
2. **“Benchmark Interest Rates”** means interest rates administered by Financial Benchmark Administrators;
3. **“Certificate of Deposit” or “CD”** is a negotiable, unsecured money market instrument issued by a bank as a Usance Promissory Note against funds deposited at the bank for a maturity period upto one year;
4. **“Delivery versus Payment” or “DvP”** means a settlement mechanism which stipulates that transfer of funds from the buyer of securities is made simultaneously with the transfer of securities by the seller of securities;
5. **“Depository”** shall have the meaning assigned in section 2 (e) of the Depositories Act, 1996 (22 of 1996);
6. **“Electronic Trading Platform” or “ETP”** shall have the meaning assigned in paragraph 2 (1) (iii) of the Electronic Trading Platform (Reserve Bank) Directions, 2018 dated October 05, 2018 as modified from time to time;
7. **“Financial Benchmark Administrator” or “FBA”** means a person who controls the creation, operation and administration of financial benchmark(s) authorized under [Financial Benchmark Administrators (Reserve Bank) Directions, dated June 26, 2019](https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=47408);
8. **“Over-the-Counter markets” or “OTC markets”** refers to markets where transactions are undertaken in any manner other than on exchanges and shall include those executed on electronic trading platforms;
9. **“Person resident in India”** shall have the same meaning assigned to it in section 2 (v) of the Foreign Exchange Management Act, 1999;
10. **“Recognised stock exchanges”** shall have the meaning assigned in section 2 (f) of the Securities Contract Regulation Act, 1956;
11. **“Small Finance Bank”** means a bank licensed under section 22 of the Banking Regulation Act, 1949 and governed by the terms of the “Reserve Bank [Guidelines for Licensing of Small Finance Banks” dated November 27, 2014](https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=32614), as amended from time to time.

**(b)** Words and expressions used but not defined in these Directions shall have the meaning assigned to them in the Reserve Bank of India Act, 1934.

**3. Eligible issuers**

**(a)** Certificate of Deposits (CDs) may be issued by:

1. Scheduled Commercial Banks;
2. Regional Rural Banks; and
3. Small Finance Banks.

**(b)** CDs issued by the All India Financial Institution shall be guided by the Directions contained in [Master Circular No. FID.FIC.1/01.02.00/2015-16 issued by the Reserve Bank on Resource Raising Norms for Financial Institutions dated July 01, 2015](https://www.rbi.org.in/Scripts/BS_ViewMasCirculardetails.aspx?id=9874), as amended from time to time.

**4. Eligible investors**

CDs may be issued to all persons resident in India.

**5. General guidelines**

**(a) Primary issuance**

1. CDs shall be issued only in dematerialised form and held with a depository registered with Securities and Exchange Board of India.
2. CDs shall be issued in minimum denomination of ₹5 lakh and in multiples of ₹5 lakh thereafter.
3. The tenor of a CD at issuance shall not be less than seven days and shall not exceed one year.
4. CDs shall be issued on a T+1 basis where T represents the date of closure of the offer period for issuance of the CDs.

**(b) Discount/coupon rate**

CDs may be issued at a discount to the face value. CDs may also be issued on a fixed / floating rate basis provided the interest rate on the floating rate CD is reset at periodic rests agreed to at the time of issue and is linked to a benchmark published by a Financial Benchmark Administrator or approved by the Fixed Income Money Market and Derivatives Association of India (FIMMDA) for this purpose. FIMMDA shall ensure that any floating rate approved by them for this purpose is determined transparently, objectively and in arm’s length transactions.

**(c) Secondary market - trading venues and settlement**

1. CDs shall be traded either in Over-the-Counter (OTC) markets, including on Electronic Trading Platforms, or on recognised stock exchanges with the approval of the Reserve Bank.
2. The settlement cycle for OTC trades in CDs shall be T+0 or T+1.
3. All secondary market transactions in CDs shall be settled on a DvP basis through the clearing corporation of any recognized stock exchange or any other mechanism approved by the Reserve Bank.

**(d) Loans against CDs**

Banks are not allowed to grant loans against CDs, unless specifically permitted by the Reserve Bank.

**(e) Buyback of CDs**

Issuing banks are permitted to buyback CDs before maturity. Buyback of CDs shall be subject to the following conditions:

1. Buyback of CDs can be made only 7 days after the date of issue of the CD;
2. The buyback offer shall be made to all investors in a particular CD issue on identical terms and conditions. The investors shall have the option to accept or reject the buyback offer;
3. Buyback of CDs shall be at the prevailing market price; and
4. CDs bought back, partially or in full, shall be extinguished.

**(f) Market timings**

Primary issuance and secondary market trading hours shall be between 9:00 AM and 5:00 PM on a business day or as specified by the Reserve Bank from time to time.

**(g) Repayment of CD**

There will be no grace period for repayment of CDs.

**(h) Market practices and documentation**

Eligible participants and agencies in the CD market shall follow the standardised procedures and documentation which may be prescribed by FIMMDA, in consultation with the Reserve Bank, for operational flexibility and smooth functioning of the markets.

**(i) Reserve requirements**

Reserve requirements in respect of the CDs issued by banks shall be governed by relevant regulations of the Reserve Bank.

**(j) Accounting**

Accounting for CD transactions shall be as per the applicable accounting standards prescribed by the Institute of Chartered Accountants of India (ICAI) or other standard setting organisations or as specified by the relevant regulations of the Reserve Bank.

**6. Reporting requirements**

**(a) Primary issuance**

Details of primary issuance of a CD shall be reported by the issuer to the Trade Repository (TR), i.e., Financial Market Trade Reporting and Confirmation Platform (“F-TRAC”) of the Clearing Corporation of India Ltd. (CCIL) by 5.30 PM on the day of issuance or as decided by the Reserve Bank from time to time.

**(b) Secondary market transactions**

All secondary market transactions executed in OTC market and/or on the recognised stock exchanges in CDs shall be reported, with time stamp, within 15 minutes of execution (the time when price is agreed) on the F-TRAC platform by each counterparty to the transaction.

**(c) Buyback transactions**

Details of the buyback of a CD shall be reported by the issuer on the F-TRAC platform by 5.30 PM on the day of buyback.

**(d) Reporting by depositories**

The depositories shall report to the Reserve Bank, the details of the CDs held with them in the dematerialised form, in the prescribed format furnished in [Annex I](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12108&Mode=0#AN_1), at fortnightly intervals (on the 15th day and on the last day of the month) and as and when called upon to do so by the Reserve Bank.

**7. Obligation to provide information sought by the Reserve Bank**

The Reserve Bank may call for any information or statement or seek any clarification, which in the opinion of the Reserve Bank is relevant, from persons or agencies dealing in the CDs, including eligible issuers/ investors and such persons, agencies and participants shall furnish the information, statement or clarification.

**8. Dissemination of data**

The Reserve Bank or any other person authorised by the Reserve Bank, may publish any anonymised data related to transactions in primary and secondary markets in CDs.

**9. Violation of Directions**

In the event of any person or agency violating any provision of these Directions or the provisions of any other applicable law, the Reserve Bank may, in addition to taking any penal or regulatory action in accordance with law, disallow that person or agency from dealing in the CD market for a period not exceeding one month at a time, after providing reasonable opportunity to the person or agency to defend its actions, and such action will be made public by the Reserve Bank.

**10. Applicability of other laws, directions, regulations or guidelines**

Participants in CD market shall abide by the provisions of any directions, regulations or guidelines issued by any regulator or any other authority that may be applicable, in respect of issue of or investment in CDs provided that such directions, regulations or guidelines do not conflict with these Directions. In case of any conflicts, the provisions of these Directions shall prevail.

**11.** These Directions shall apply to the transactions in Certificate of Deposit entered into from the date these Directions come into force. Provisions of Section III of [FMRD.Master Direction No. 2/2016-17 dated July 07, 2016](https://www.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=10495) shall continue to be applicable to the CDs issued in accordance with the said Directions till the maturity of those CDs.

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12108&Mode=0>

**Submission of returns under Section 31 of the Banking Regulation Act, 1949 (AACS) – Extension of time**

**RBI/2021-22/49 DoR.RET.REC.19/12.05.009/2021-22 June 04, 2021**

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

In terms of Section 31 of the Banking Regulation Act, 1949 (“the Act”), read with Section 56 of the Act, accounts and balance sheet referred to in Section 29 of the Act together with the auditor's report shall be published in the prescribed manner and three copies thereof shall be furnished as returns to the Reserve Bank within three months from the end of the period to which they refer. In terms of Section 31 read with Section 56 (t) (ii) of BR Act, State Co-operative Banks and Central Co-operative Banks are also required to submit these statements as returns to the National Bank for Agriculture and Rural Development (NABARD).

2. As many of the Primary (Urban) Co-operative Banks (UCBs), State Co-operative Banks and Central Co-operative Banks are facing difficulties in finalising their Annual Accounts due to the ongoing COVID-19 pandemic, it is considered necessary to allow more time for submission of the aforesaid return during the current period.

3. In view of the above, Reserve Bank hereby extends the said period of three months for the furnishing of the returns under Section 31 of the Act for the financial year ended on March 31, 2021, by a further period of three months. Accordingly, all UCBs, State Co-operative Banks and Central Co-operative Banks shall ensure submission of the aforesaid returns to Reserve Bank on or before September 30, 2021. The State Co-operative Banks and Central Co-operative Banks shall also ensure submission of the aforesaid returns to NABARD on or before September 30, 2021.

**Amalgamation of District Central Co-operative Banks (DCCBs) with the State Co-operative Bank (StCB) – Guidelines**

**RBI/2021-22/42 DOR.RUR.REC.No.17/19.51.007/2021-22 May 24, 2021**

*All State and Central Cooperative Banks*

The Banking Regulation (Amendment) Act, 2020 (39 of 2020) has been notified for the State Co-operative Banks (StCBs) and District Central Co-operative Banks (DCCBs) with effect from, April 1, 2021 vide Notification dated December 23, 2020 issued by Government of India. With the issue of the notification, the amalgamations of the above banks have to be sanctioned by Reserve Bank of India in terms of the provisions of the Section 44-A read with Section 56 of the Banking Regulation Act, 1949.

In recent past, a few State Governments approached RBI for amalgamation of DCCBs with the StCB as a two-tier Short-term Co-operative Credit Structure (STCCS). In order to help the States contemplating delayering their STCCS, following guidelines are being issued to bring the requirements and indicative benchmarks for the amalgamation of DCCBs with the StCB to the notice of all stakeholders. These guidelines will also apply for amalgamation of one or more DCCBs in a State with the StCB or amalgamation of one DCCB with another.

2. The Reserve Bank of India will consider proposals for amalgamation if the following conditions are fulfilled:

1. When the State Government of the State makes a proposal to amalgamate one or more DCCB/s in the State with the StCB after conducting a detailed study of the legal framework along with additional capital infusion strategy, assurance regarding financial support if required, projected business model with clear profitability and proposed governance model for the amalgamated bank.
2. When the scheme of amalgamation is approved by the requisite majority of shareholders in accordance with the provisions of Section 44A read with Section 56 of the Banking Regulation Act, 1949.
3. When such proposal of the State Government has been examined and recommended by NABARD.

3. The proposal for amalgamation of DCCBs with the StCB will be examined by Reserve Bank in consultation with NABARD and the sanction/ approval will be a two-stage process. In the first stage, an 'in-principle' approval will be accorded subject to fulfilment of certain conditions, following which the processes for amalgamation may be initiated by all concerned. After completion of the above processes, NABARD and Reserve Bank may be approached for final approval along with compliance report. To enable the Reserve Bank to consider the application for sanction, the State Government shall submit the information and documents specified in the [Annex](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12096&Mode=0#AN_1) to the concerned Regional Office of Reserve Bank and NABARD.

**Regulatory Criteria**

4. The basic regulatory criteria for amalgamation shall be as under:

1. The proposal should be in compliance with the legal requirements, past orders/ rulings of the Courts, if any. The State Government shall verify that there are no Court Orders prohibiting or staying the proposal for amalgamation.
2. Financial parameters of the amalgamated entity based on notionally consolidated latest audited financial statements should be robust. It should have its CRAR above the prescribed regulatory minimum, Gross NPA below 7% and Net NPA below 5% and availability of adequate liquid assets. Post-amalgamation, it should be a profit making and financially viable entity on sustained basis.
3. The StCB should have a satisfactory track record of regulatory and supervisory compliance.
4. The StCB should have strong governance/ management practices.

**General considerations governing the In-principle Approval**

5. The general considerations governing the in-principle approval by RBI shall be as under:

1. The scheme of amalgamation shall be presented to the shareholders of the StCB/ DCCBs. A resolution shall be passed by 2/3rd of the majority of the shareholders, both in number and value, present and voting at a General Body Meeting of StCB and each DCCB as required under section 44(A) read with section 56 of the Banking Regulation Act, 1949.
2. An MOU shall be executed by the constituents i.e. amalgamating DCCBs, StCB and State Government covering issues of governance structure, management, manpower/HR issues and the manner of arriving at the share swap ratio based on the net worth of DCCBs (Networth of the StCB/ DCCB to be computed as per the guidelines issued by NABARD in circular NB.DoS.HO.POL/2069/J-1/2012-13 Circular No.211/DoS 28/2012 dated August 24, 2012 and other circulars issued from time to time) which are proposed to be amalgamated with the StCB. A copy of the MOU shall be submitted to RBI / NABARD.
3. Due diligence on the amalgamating entities shall be carried out by Chartered Accountants. Shares in the amalgamated entity will be allotted on the basis of the net worth of the amalgamating banks. Share swap ratios for allotment of shares will be required to be worked out on the basis of valuation of assets and liabilities done by a chartered accountant firm registered with IBBI as valuers.
4. If as a result of share swap ratio based on net worth, shareholders of some DCCBs cannot be allotted any shares, the State Government shall infuse sufficient capital in such DCCBs to ensure that the shareholders of such DCCBs are allotted at least one share each.
5. In addition to compliance with extant income recognition, asset classification and provisioning norms, full provision shall be made for impairment of assets, if any, on account of frauds, misappropriation etc. while arriving at the value of net assets of the amalgamating banks.
6. The StCB, post-amalgamation, shall be required to adhere to the CRAR norms prescribed by RBI from time to time. The shortfall in capital, if required, for meeting CRAR requirement shall be met by State Government on an ongoing basis.
7. The StCB, post-amalgamation, shall meet with the regulatory requirements laid down for grant of various permissions/approvals given to the amalgamating banks so that none of the services currently extended by the banks under amalgamation get jeopardized. The required regulatory approvals for the said services shall be obtained, if required, before the amalgamated entity commences operations. In case the StCB is not eligible to continue with certain lines of business which the amalgamating banks have been permitted, such lines of business shall be phased-out non-disruptively within one year of grant of final approval.
8. StCB shall ensure to appropriately configure its IT system to enable system integration with all DCCBs before applying for final approval. The migration audit on IT systems of all the DCCBs shall be completed before the amalgamation. System integrity shall be established and certified before the DCCBs can migrate onto the StCB platform.
9. A new Board of the amalgamated bank shall be constituted within three months of amalgamation. The MD/ CEO who is to be appointed should meet the Fit & Proper criteria prescribed by RBI.
10. In addition to the Board of Directors, a Board of Management (BoM) shall be set up for the StCB within three months of amalgamation as prescribed in terms of the [circular DoR(PCB).BPD.Cir.No.8/12.05.002/2019-20 dated December 31, 2019](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11774&Mode=0) addressed to Urban Co-operative banks. For this purpose, the bye-laws of the StCB shall be amended for incorporating the provisions relating to guidelines on BoM issued by RBI.
11. The banking licence issued to the StCB shall continue after the process of amalgamation. DCCBs which are being amalgamated into the StCB shall surrender their licences to RBI. The process of surrendering licences shall be completed within three months of amalgamation.
12. Existing branches of the DCCBs shall be converted into branches of the StCB and will come under the purview of Section 23 of the BR Act, 1949 (AACS). Thus, the StCB will be required to apply for branch licence from RBI for all these existing branches of DCCBs within three months from the date of amalgamation. The StCB shall also seek prior approval of RBI for shifting of branches and opening of any new place of business including controlling offices. The granting of permission by RBI for shifting of branches/ opening of any new place of business shall be in accordance with the extant guidelines.
13. DICGC clearance for the amalgamation shall be obtained by the StCB before applying for final approval.
14. In case of divergence in interest rates offered on deposits by the StCB and the amalgamating DCCBs, the StCB shall provide sufficient notice period to the customers of DCCBs to enable them to take a decision with regard to continuing their deposits with the amalgamating bank. Depositors deciding to discontinue their deposits within the aforesaid notice period will not be levied any penalty for such premature withdrawal
15. RBI may prescribe any additional condition/s, as may be considered necessary.
16. The proposals for amalgamation which meet the indicative benchmarks would be evaluated by NABARD and RBI on merits and would be subject to additional requirements/ conditions as deemed fit.

6. The assets and liabilities of the transferor DCCBs will be transferred to StCB on the date of the amalgamation as advised by Reserve Bank while according final approval for the amalgamation.

**Post- amalgamation requirements**

7. Post-amalgamation, the StCB will be required to take the following action:

1. A compliance report with reference to the conditions of the final approval for amalgamation shall be submitted within the prescribed timeframe.
2. Licences of the transferor banks shall be surrendered. Applications for issue of branch licences shall be made by StCB within the given time frame as per the conditions of amalgamation.
3. Steps initiated by the authority / institution responsible for settlement of claims of the transferor banks and their members in respect of allotment of shares shall be indicated. Details of the list of pending claims and the time frame to settle such claims should also be indicated.

**Disclosures**

8. The amalgamated entity shall make disclosures in its first annual accounts post- amalgamation as mentioned below. These disclosures shall continue in the subsequent annual accounts till they are resolved/ closed with concurrence of the Statutory Auditors:

1. Pension liabilities pre and post-amalgamation. The methodology of valuation/ re-valuation of the pension liabilities shall be disclosed with details of the increase/ reduction in liabilities as a result of change in pension scheme, if any. This disclosure shall capture details of changes, if any, in pension schemes that are made applicable to the employees of amalgamating banks/ amalgamated bank.
2. Status of vigilance cases and complaints pending in the amalgamating banks as on the date of amalgamation and details of cases that are closed during the year.
3. Status of pending fraud cases, outstanding inter-bank adjustments (amalgamating/amalgamated) and inter-branch accounts and other intermediary accounts post–merger and their impact on the financial statements of the amalgamated bank.
4. Outstanding claims of the amalgamating banks and their members in respect of allotment of shares and time frame for settlement of such claims.
5. Such additional disclosures that may be required by the regulator/ supervisor

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12096&Mode=0>

**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.

**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>

**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.

**Periodic Updation of KYC – Restrictions on Account Operations for Non-compliance**

**RBI/2021-22/29 DOR. AML.REC 13/14.01.001/2021-22 May 5, 2021**

*The Chairpersons/ CEOs of all the Regulated Entities*

Please refer to Section 38 of the Master Direction on KYC dated February 25, 2016, in terms of which Regulated Entities (REs) have to carry out periodic updation of KYC of existing customers. Keeping in view the current COVID-19 related restrictions in various parts of the country, REs are advised that in respect of the customer accounts where periodic updation of KYC is due and pending as on date, no restrictions on operations of such account shall be imposed till December 31, 2021, for this reason alone, unless warranted under instructions of any regulator/ enforcement agency/court of law, etc.

Regulated entities are also advised to continue engaging with their customers for having their KYC updated in such cases.

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

**RBI/2021-22/05 FIDD.GSSD.CO.BC.No.04/09.01.01/2021-22 April 01, 2021**

*The Chairman/ Managing Director & CEO, Public Sector Banks, Private Sector Banks (including Small Finance Banks).*

Please refer to the [Master Circular FIDD.GSSD.CO.BC.No.06/09.01.01/2020-21 dated September 18, 2020](https://www.rbi.org.in/Scripts/BS_ViewMasCirculardetails.aspx?id=11967) on Deendayal Antyodaya Yojana - National Rural Livelihoods Mission (DAY-NRLM).

**1. Background**

The Ministry of Rural Development (MoRD), Government of India launched the National Rural Livelihood Mission (NRLM) by restructuring Swarnajayanti Gram Swarojgar Yojana (SGSY) with effect from 01st April 2013 ([RBI Circular No. RBI/2012-13/559 dated 27 June 2013](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=8075&Mode=0)). NRLM was renamed as DAY-NRLM (Deendayal Antyodaya Yojana - National Rural Livelihoods Mission) w.e.f. March 29, 2016. The DAY-NRLM is the flagship program of Govt. of India for promoting poverty reduction through building strong institutions of the poor, particularly women, and enabling these institutions to access a range of financial services and livelihoods. DAY-NRLM adopts a demand driven approach, enabling the States to formulate their own State specific poverty reduction action plans. The blocks and districts in which all the components of DAY-NRLM would be implemented, either through the SRLMs or partner institutions or NGOs, would be the intensive blocks and districts, whereas remaining would be non-intensive blocks and districts. The key features of DAY-NRLM have been furnished in [Annex I](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12062&Mode=0#A_1).

**2. Women SHGs and their Federations**

**2.1** Women SHGs under DAY-NRLM consist of 10-20 persons. In case of special SHGs i.e. groups in the difficult areas, groups with disabled persons, and groups formed in remote tribal areas, this number may be a minimum of 5 persons.

**2.2** DAY-NRLM promotes affinity-based women Self Help Groups (SHGs).

**2.3** Only for groups to be formed with Persons with disabilities, and other special categories like elder, transgender, DAY-NRLM will have both men and women in the Self-Help Groups.

**2.4** SHG is an informal group and registration under any Societies Act, State cooperative Act or a partnership firm is not mandatory vide Circular RPCD.No. Plan BC.13/PL-09.22/90-91 dated July 24th, 1991. However, Federations of Self Help Groups formed at Village, Gram Panchayat, Cluster or higher level may be registered under appropriate acts prevailing in their respective states.

**Financial Assistance to the SHGs**

**3. Revolving Fund:** DAY-NRLM, MoRD, would provide Revolving Fund (RF) support to SHGs in existence for a minimum period of 3/6 month and follow the norms of good SHGs, i.e. they follow ‘Panchasutra’ – regular meetings, regular savings, regular internal lending, regular recoveries and maintenance of proper books of accounts. Only such SHGs that have not received any RF earlier would be provided with RF, as corpus, with a minimum of ₹10,000 and up to a maximum of ₹15,000 per SHG. The purpose of RF is to strengthen their institutional and financial management capacity and build a good credit history within the group.

**4. Capital Subsidy has been discontinued under DAY-NRLM:**

No Capital Subsidy would be sanctioned to any SHG from the date of implementation of DAY-NRLM.

**5. Community Investment Support Fund (CIF)**

CIF would be provided by MoRD to the SHGs promoted under DAY – NRLM in all blocks (intensive and non-intensive) and would be routed through the Village level/ Cluster level Federations, to be maintained in perpetuity by the Federations. The CIF would be used, by the Federations, to advance loans to the SHGs and/or to undertake the common/collective socio-economic activities.

**6. Introduction of Interest subvention:**

DAY-NRLM has a provision for interest subvention, to cover the difference between the Lending Rate of the banks and 7%, on all credit from the banks/ financial institutions availed by women SHGs, for a maximum of ₹ 300,000/- per SHG. This would be available across the country in two ways:

(i) In 250 identified districts, banks may lend to the women SHGs @7% up to an aggregated loan amount of ₹300,000/-. The banks would be subvented to the extent of difference between the Weighted Average Interest Charged and 7%, subject to the maximum limit of 5.5%. An additional interest subvention of 3% is also available on prompt repayment by the SHGs, reducing the effective rate of interest to 4%.

(ii) In the remaining districts, the banks may lend at their respective lending rates, applicable to SHGs. In these districts, all women SHGs under DAY– NRLM would be eligible for interest subvention on prompt repayment. The difference between the bank lending rates and 7% for loans up to ₹ 300,000/- subject to a maximum limit of 5.5%, would be subvented directly in the loan accounts of the SHGs by the SRLMs. This part of the scheme would be operationalized by the SRLMs.

* Salient features of the Scheme are enclosed in [Annex II](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12062&Mode=0#A_2).
* The list of 250 identified districts is as per [Annex III](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12062&Mode=0#A_3).
* Subvented interest rate would be communicated separately to the banks by GoI/RBI.

**7. Role of banks:**

**7.1 Opening of Savings account:**

**7.1.1 Opening of Savings account of SHGs:** The role of banks would commence with opening of accounts for all the Women SHGs including members with disability and the Federations of the SHGs. The SHGs engaged in promoting of savings habits among their members would be eligible to open savings bank accounts.

1. Know Your Customer (KYC) verification of only the office bearers shall suffice for opening of savings bank account.
2. Banks may not insist on Permanent Account Number (PAN) of SHGs at the time of opening of account or transactions and may accept declaration in Form No 60 as may be required.
3. For KYC verification pertaining to SHG members during opening of accounts, instructions of Department of Banking Regulation in [Master Direction on KYC (dated February 25, 2016](https://www.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=11566), updated as on March 23, 2021) shall be adhered to while completing Customer Due Diligence (CDD) process. CDD means identifying and verifying the customer and the beneficial owner. Accordingly, the current instructions under Simplified norms for Self Help Groups (SHGs) mention that while opening of accounts Customer Due Diligence (CDD) of all the members of SHG shall not be required and CDD of only the office bearers shall suffice. At the time of credit linking of SHGs, banks may undertake KYC verification of all the members in the SHG. However, opening of savings account of all members with the bank shall not be made a prerequisite for credit linkage of SHGs. Banks are advised to maintain separate Savings and loan account for Self Help Groups.
4. Business Correspondents deployed by banks may also be authorized to open Saving Bank Accounts of the SHGs after verification/approval of the base branch, subject to adherence to extant BC guidelines and in accordance with the bank’s Board approved policy on Business Correspondents. However, ensuring compliance with KYC and AML norms under the BC model continues to be the responsibility of the banks.

**7.1.2 Opening of Savings account of Federation of SHGs:** Banks are advised to open savings account of Federations of SHGs at village, Gram Panchayat, Cluster or higher level. These accounts may be categorized as savings account for ‘Association of persons’. The ‘Know Your Customer’ (KYC) norms for the signatories of such accounts as specified from time to time by Reserve Bank of India would be applicable.

**7.1.3 Opening of Current Account of Producer Groups (PGs):** In order to facilitate collective production and marketing for their produce, banks are advised to open current account for Producer Groups promoted under DAY-NRLM at village, Gram Panchayat, Cluster or higher level. The ‘Know Your Customer’ (KYC) norms for the signatories of such accounts as specified from time to time by Reserve Bank of India would be applicable.

**7.1.4 Transaction in Savings/Cash Credit account of SHGs and Federation of SHGs:** SHGs and their federations may be encouraged to transact through their respective saving accounts and Cash Credit Loan accounts on regular basis. To facilitate this, banks are advised to enable transactions in jointly operated savings/Cash Credit account of SHGs and their federations with interoperable facility at retail outlets managed by Business Correspondents. Banks are also advised to extend all such services to SHGs and their federations through Business Correspondents as per their board approved policies.

**7.2 Lending Norms to individual SHG members and SHGs**

**7.2.1 The eligibility criteria for the SHGs to avail loans:**

* SHGs should be in active existence at least since the last 6 months as per the books of account of SHGs and not from the date of opening of S/B account.
* SHGs should be practicing ‘Panchasutras’ i.e. Regular meetings; Regular savings; Regular inter-loaning; Timely repayment; and Up-to-date books of accounts;
* Qualified as per grading norms fixed by NABARD. As and when the federations of the SHGs come to existence, the grading exercise may be done by the Federations to support the banks.
* The existing defunct SHGs are also eligible for credit if they are revived and continue to be active for a minimum period of 3 months.

**7.2.2 Loan Application:** It is advised that all banks may use the Common Loan Application Forms recommended by Indian Bank’s Association (IBA) for extending credit facility to SHGs.

**7.2.3 Loan amount:** Emphasis is laid on the multiple doses of assistance under DAY- NRLM. This would mean assisting an SHG over a period of time, through repeat doses of credit, to enable them to access higher amounts of credit for taking up sustainable livelihoods and improve on the quality of life.

SHGs may avail either Term Loan (TL) or a Cash Credit Limit (CCL) loan or both based on the need. In case of need, additional loan may be sanctioned even though the previous loan is outstanding, based on the repayment behavior and performance of the SHG.

The amount of credit under different facilities are as follows:

**Cash Credit Limit (CCL):** In case of CCL, banks are advised to sanction minimum loan of ₹ 6 lakh to each eligible SHGs for a period of 3 years with a yearly drawing power (DP). The drawing power may be enhanced annually based on the repayment performance of the SHG. The drawing power may be calculated as follows:

* DP for First Year: 6 times of the existing corpus or minimum of ₹1 lakh, whichever is higher
* DP for Second Year: 8 times of the corpus at the time review/ enhancement or minimum of ₹2 lakh, whichever is higher
* DP for Third Year: Minimum of ₹6 lakh based on the Micro credit plan prepared by SHG and appraised by the Federations /Support agency and the previous credit history.
* DP for Fourth Year onwards: Above ₹6 lakh, based on the Micro credit plan prepared by SHG and appraised by the Federations /Support agency and the previous credit History.

**Term Loan:** In case of Term Loan, banks are advised to sanction loan amount in doses as mentioned below:

* First Dose: 6 times of the existing corpus or minimum of ₹1 lakh, whichever is higher
* Second Dose: 8 times of the existing corpus or minimum of ₹2 lakh, whichever is higher
* Third Dose: Minimum of ₹6 lakh, based on the Micro credit plan prepared by the SHGs and appraised by the Federations /Support agency and the previous credit history.
* Fourth Dose onwards: Above ₹6 lakh, based on the Micro credit plan prepared by the SHGs and appraised by the Federations /Support agency and the previous credit History.

Banks are advised take necessary measures to ensure that eligible SHGs are provided with repeat loans. Banks are advised to coordinate with DAY-NRLM to institutionalize a mechanism for online submission of loan application from SHGs for tracking and timely disposal of application.

(Corpus is inclusive of revolving funds, if any, received by that SHG, its own savings, interest earning by SHG from on-lending to its members, income from other sources, and funds from other sources in case of promotion by other institutes/NGOs.)

**7.3 Purpose of loan and repayment:**

**7.3.1** The loan amount would be distributed among members based on the Micro Credit Plan (MCP) prepared by the SHGs. The loans may be used by members for meeting social needs, high cost debt swapping, construction or repair of house, construction of toilets and taking up sustainable livelihoods by the individual members within the SHGs or to finance any viable common activity started by the SHGs.

**7.3.2** In order to facilitate use of loans for augmenting livelihoods of SHG members, it is advised that at least 50% of loans above ₹2 lakh, 75% of loans above ₹4 lakh and at least 85% of loans above ₹6 lakh be used primarily for income generating productive purposes. Micro Credit Plan (MCP) prepared by SHGs would form the basis for determining the purpose and usage of loans.

**7.3.3** Repayment schedule for Term Loans may be as follows:

* The First dose of loan may be repaid in 24-36 months in monthly/Quarterly Instalments.
* The Second dose of loan may be repaid in 36-48 months in monthly/Quarterly instalments.
* The Third dose of loan may be repaid in 48-60 months based on the cash flow in monthly/Quarterly instalments.
* The loan from Fourth dose onwards may be repaid between 60-84 months based on the cash flow in monthly/ quarterly installments.

**7.3.4** All facilities sanctioned under DAY- NRLM would be governed by the Asset Classification norms issued by Reserve Bank of India from time to time.

**7.4. Security and Margin:**

No collateral and no margin would be charged up to ₹10.00 lakh limit to the SHGs. No lien should be marked against savings bank account of SHGs and no deposits should be insisted upon while sanctioning loans

**7.5. Dealing with Defaulters:**

It is desirable that willful defaulters should not be financed under DAY-NRLM. In case willful defaulters are members of a group, they might be allowed to benefit from the thrift and credit activities of the group including the corpus built up with the assistance of Revolving Fund. But at the stage of accessing bank loan by SHG for financing economic activities by its members, the willful defaulters should not have the benefit of such bank loan until the outstanding loans are repaid. Willful defaulters of the group should not get benefits under the DAY-NRLM Scheme and the group may be financed excluding such defaulters while documenting the loan. However, banks should not deny loan to entire SHG on the pretext that spouse or other family members of individual members of SHG being a defaulter with the bank. Further, non-willful defaulters should not be debarred from receiving the loan. In case default is due to genuine reasons, banks may follow the norms suggested for restructuring the account with revised repayment schedule.

**8 Credit Target Planning**

**8.1** Based on the Potential Linked Plan/State Focus Paper prepared by NABARD, SLBC sub-committee on SHG Bank Linkage may arrive at the district-wise, block-wise and branch-wise credit plan. The sub- committee should consider the existing SHGs, New SHGs proposed, and number of SHGs eligible for fresh and repeat loans as suggested by the SRLMs to arrive at the credit targets for the states. The targets so decided should be approved in the SLBC and reviewed and monitored periodically for effective implementation.

**8.2** The district-wise credit plans should be communicated to the DCC. The Block- wise/Cluster-wise targets are to be communicated to the bank branches through the Controllers.

**9 Post credit follow- up**

**9.1** Loan pass books or statement of accounts in regional languages may be issued to the SHGs which may contain all the details of the loans disbursed to them and the terms and conditions applicable to the loan sanctioned. The passbook should be updated with every transaction made by the SHGs. At the time of documentation and disbursement of loan, it is advisable to clearly explain the terms and conditions as part of financial literacy.

**9.2** Bank branches may observe one fixed day in a fortnight to enable the staff to go to the field and attend the meetings of the SHGs and Federations to observe the operations of the SHGs and keep a track of the regularity in the SHGs meetings and performance.

**10 Repayment:**

Prompt repayment of the loans is necessary to ensure the success of the programme. Banks shall take all possible measures, i.e. personal contact, organization of joint recovery camps with District Mission Management Units (DPMUs) /District Rural Development Agency(DRDAs) to ensure the recovery of loans. Keeping in view, the importance of loan recovery, banks should prepare a list of defaulting SHGs under DAY-NRLM every month and furnish the list in the BLBC, DCC meetings. This would ensure that DAY-NRLM staff at the district/ block level would assist the bankers in initiating the repayment

**11 Supervision and monitoring of the Scheme**

Banks may set up cells for Self Help Groups at respective Regional/Zonal offices of banks. These cells should periodically monitor and review the flow of credit to the SHGs, ensure the implementation of the guidelines to the scheme, collect data from the branches and make available consolidated data to the Head office and the DAY-NRLM units at the districts/ blocks. The cell should also discuss this consolidated data in the SLBC, BLBC and DCC meetings regularly to maintain the effective communication with the state staff and all banks.

**11.1** State Level Bankers’ Committee: SLBCs shall constitute a sub-committee on SHG bank linkage. The sub-committee should consist of members from all banks operating in the State, RBI, NABARD, CEO of SRLM, representatives of State Rural Development Department, Secretary-Institutional Finance and Representatives of Development Departments etc. The sub- committee shall discuss a specific agenda of review, implementation and monitoring of the SHG-Bank linkage and the issues/ constraints in achievement of the credit target. The decisions of SLBCs should be derived from the analysis of the reports of the sub-committee.

**11.2** District Coordination Committee: The DCC shall regularly monitor the flow of credit to SHGs at the district level and resolve issues that constrain the flow of credit to the SHGs at district level. This committee should have participation of LDMs, AGM of NABARD, district coordinators of the banks and DPMU staff representing DAY-NRLM and office bearers of SHG federations

**11.3** Block level Bankers Committee: The BLBC shall take up issues of SHG bank linkage at the block level. In this Committee, the SHGs/ Federations of the SHGs should be included as members to raise their voice in the forum. Branch wise status of SHG credit shall be monitored at the BLBC.

**11.4** Reporting to Lead District Managers: The branches may furnish the progress report and the delinquency report achieved under various activities of DAY-NRLM in the format at [Annex–IV](https://rbidocs.rbi.org.in/rdocs/content/pdfs/05MC01042021_A4.pdf) and [Annex-V](https://rbidocs.rbi.org.in/rdocs/content/pdfs/05MC01042021_A5.pdf) to the LDM every month for onward submission to Special Steering Committee/sub-committee constituted by SLBC.

**11.5** Reporting to RBI: Banks may give a state-wise consolidated report on the progress made on DAY-NRLM to RBI/NABARD at quarterly intervals. The data may be submitted within a month from the end of the concerned quarter.

**11.6** LBR returns: Existing procedure of submitting LBR returns to be continued duly furnishing the correct code

**12 Financial Literacy:** Financial Literacy is one of the important strategies to spread awareness on financial behavior and keep households informed about various financial products and services. DAY-NRLM has trained and deployed a large number of cadre called ‘Financial Literacy Community Resource Persons (FL-CRPs)’ to carry out financial literacy camps at village level. Financial Literacy Centers (FLC) established by various banks may coordinate with respective SRLMs and utilize the services of FL-CRPs to conduct village camps on Financial Literacy.

**13 Data Sharing:**

**13.1** Data sharing on a mutually agreed format / interval may be provided to DAY-NRLM or State Rural Livelihood Missions (SRLMs) for initiating various strategies including recovery etc.

The financing banks are advised to regularly share data on loans to SHGs with the DAY- NRLM or SRLMs, directly from the CBS platform.

**13.2** Banks should share data of Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) and Pradhan Mantri Suraksha Bima Yojana (PMSBY) with DAY-NRLM on agreed formats to facilitate higher enrollment and claim settlement under the mentioned schemes.

**13.3** Banks to share data of all SHG transactions being done at Business Correspondents points using Dual Authentication technology introduced by banks on a mutually agreed format/interval only after obtaining consent of the customer. However, the banks should ensure preservation and protection of the security and confidentiality of customer information in the custody or possession of BC.

**14 DAY-NRLM support to the bankers:**

**14.1** SRLM would develop strategic partnerships with major banks at various levels. It would invest in creating enabling conditions for both the banks and the poor for a mutually rewarding relationship.

**14.2** SRLM would assist the SHGs through imparting financial Literacy, extending counselling services on savings, credit, insurance, pension and training on Micro- Investment Planning embedded in capacity building.

**14.3** SRLMs would extend support to banks for improving quality of banking services to poor clients including follow-up for recovery of over dues if any, by positioning customer relationship managers (Bank Mitra/ Sakhi) with every bank branch involved in financing of SHGs.

**14.4** Leveraging IT mobile technologies and institutions of poor, youth or SHG member as business facilitators and business correspondents.

**14.5** Community Based Repayment mechanism (CBRM): One exclusive sub - committee for SHG Bank Linkage may be formed at village/cluster/ block level which would provide support to the banks in ensuring proper utilization of loan amount, recovery etc. The bank linkage sub - committee members from each village level federation along with project staff would meet once in a month under the chairmanship of the Branch Manager in the branch premises with the agenda items relating to bank linkage.

For Detailed Master Circular:

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12062&Mode=0>

**Guidelines for Appointment of Statutory Central Auditors (SCAs)/Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs)**

**RBI/2021-22/25 Ref.No.DoS.CO.ARG/SEC.01/08.91.001/2021-22 April 27, 2021**

*The Chairman/Managing Director/Chief Executive Officer, All Commercial Banks (Excluding RRBs), All Primary (Urban) Co-operative Banks (UCBs), All Non-Banking Finance Companies (NBFCs) (Including Housing Finance Companies)*

The following guidelines are issued under Section 30(1A) of the Banking Regulation Act, 1949, Section 10(1) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970/1980 and Section 41(1) of SBI Act, 1955; and under provisions of Chapter IIIB of RBI Act, 1934 for NBFCs. These guidelines supersede all previous guidelines (list enclosed at [Table 1](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12079&Mode=0#T1)) issued on the subject.

**2. Applicability:**

2.1 These guidelines will be applicable to the **Commercial Banks (excluding RRBs), UCBs and NBFCs including HFCs (hereinafter referred to as the Entities)** for Financial Year 2021-22 and onwards in respect of appointment/reappointment of SCAs/SAs[1](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12079&Mode=0#FT1) of the Entities. However, non-deposit taking NBFCs with asset size[2](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12079&Mode=0#FT2) below ₹1,000 crore have the option to continue with their extant procedure.

2.2 As RBI guidelines regarding appointment of SCAs/SAs shall be implemented for the first time for UCBs and NBFCs from FY 2021-22, they shall have the flexibility to adopt these guidelines from H2 (second half) of FY 2021-22 in order to ensure that there is no disruption.

**3. Prior Approval of RBI:**

3.1 Commercial Banks (excluding RRBs) and UCBs will be required to take prior approval of RBI (Department of Supervision) for appointment/reappointment of SCAs/SAs, on an annual basis in terms of the above-mentioned statutory provisions. For the purpose, they should apply to Department of Supervision, RBI before 31st July of the reference year and the Public Sector Banks (PSBs) shall approach RBI within one month of receipt of list of eligible audit firms from RBI.

3.2 For the purpose, all Commercial Banks (excluding RRBs) in India and UCBs under Mumbai Region shall approach the Central Office of RBI (Department of Supervision). Other UCBs shall approach the concerned Regional Office of RBI (Department of Supervision), under whose jurisdiction their Head Office is located.

3.3 While NBFCs do not have to take prior approval of RBI for appointment of SCAs/SAs, all NBFCs need to inform RBI (to the same office as applicable to UCBs, as stated in Para 3.2 above) about the appointment of SCAs/SAs for each year by way of a certificate in [Form A](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12079&Mode=0#FA) within one month of such appointment.

**4. Number of SCAs / SAs and Branch Coverage**

4.1 For Entities with asset size of ₹15,000 crore and above as at the end of previous year, the statutory audit should be conducted under joint audit of a minimum of two audit firms [Partnership firms/Limited Liability Partnerships (LLPs)]. All other Entities should appoint a minimum of one audit firm (Partnership firm/LLPs) for conducting statutory audit. It shall be ensured that joint auditors of the Entity do not have any common partners and they are not under the same network[3](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12079&Mode=0#FT3) of audit firms. Further, the Entity may finalise the work allocation among SCAs/SAs, before the commencement of the statutory audit, in consultation with their SCAs/SAs.

4.2 The Entities should decide on the number of SCAs/SAs based on a Board/Local Management Committee (LMC) Approved Policy, inter alia, taking into account the relevant factors such as the size and spread of assets, accounting and administrative units, complexity of transactions, level of computerization, availability of other independent audit inputs, identified risks in financial reporting, etc.

Considering the above factors and the requirements of the Entity, the actual number of SCAs/SAs to be appointed shall be decided by the respective Boards/LMC, subject to the following limits:

|  |  |  |
| --- | --- | --- |
| **Sl. No.** | **Asset Size of the Entity** | **Maximum number of SCAs/SAs** |
| 1. | Upto ₹5,00,000 crore | 4 |
| 2. | Above ₹ 5,00,000 crore and Upto ₹ 10,00,000 crore | 6 |
| 3. | Above ₹ 10,00,000 crore and Upto ₹ 20,00,000 crore | 8 |
| 4. | Above ₹ 20,00,000 crore | 12 |

The above limits have been prescribed to ensure that the number of SCAs/SAs appointed by the Entities are adequate, commensurate with the asset size and extent of operations of the Entities, with a view to ensure that audits are conducted in a timely and effective manner. This will be subject to review in future based on the experience.

4.3 In terms of RBI guidelines on ‘Norms on eligibility, empanelment and selection of Statutory Branch Auditors in Public Sector Banks (PSBs)’, PSBs shall allot the Top 20 branches (to be selected strictly in order of the level of outstanding advances) to SCAs in such a manner as to cover a minimum of 15% of total gross advances of the bank by SCAs. For other Entities (excluding Payment Banks and Core Investment Companies), SCAs/SAs shall visit and audit at least the Top 20 branches/Top 20% of the branches of the Entities (in case of Entities having less than 100 branches), to be selected in order of the level of outstanding advances, in such a manner as to cover a minimum of 15% of total gross advances of the Entities. In addition, the banking companies and NBFCs shall ensure adherence to the provisions of Section 143 (8) of the Companies Act, 2013 regarding audit of accounts of all branches.

**5. Eligibility Criteria of Auditors**

Each Entity is required to appoint audit firm(s) as its SCA(s)/SA(s) fulfilling the eligibility norms as prescribed in [Annex I](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12079&Mode=0#AN1).

**6. Independence of Auditors**

6.1 For Commercial Banks (excluding RRBs) and NBFCs[4](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12079&Mode=0#FT4), the Audit Committee of the Board (ACB)/ LMC shall monitor and assess the independence of the auditors and conflict of interest position in terms of relevant regulatory provisions, standards and best practices. Any concerns in this regard may be flagged by the ACB/LMC to the Board of Directors of the Commercial Bank (excluding RRBs)/NBFC and concerned Senior Supervisory Manager (SSM)/Regional Office (RO) of RBI.

For UCBs/remaining NBFCs, the Board of Directors shall monitor and assess the independence of the auditors. Any concerns in this regard may be flagged by the Board of the UCB/NBFC to the concerned SSM/RO of RBI.

6.2 In case of any concern with the Management of the Entities such as non-availability of information/non-cooperation by the Management, which may hamper the audit process, the SCAs/SAs shall approach the Board[5](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12079&Mode=0#FT5)/ACB/LMC of the Entity, under intimation to the concerned SSM/RO of RBI.

6.3 Concurrent auditors of the Entity should not be considered for appointment as SCAs/SAs of the same Entity. The audit of the Entity and any entity with large exposure[6](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12079&Mode=0#FT6) to the Entity for the same reference year should also be explicitly factored in while assessing independence of the auditor.

6.4 The time gap between any non-audit works (services mentioned at Section 144 of Companies Act, 2013, Internal assignments, special assignments, etc.) by the SCAs/SAs for the Entities or any audit/non-audit works for its group entities should be at least one year, before or after its appointment as SCAs/SAs. However, during the tenure as SCA/SA, an audit firm may provide such services to the concerned Entities which may not normally result in a conflict of interest[7](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12079&Mode=0#FT7), and Entities may take their own decision in this regard, in consultation with the Board/ACB/LMC.

6.5 The restrictions as detailed in para 6.3 and 6.4 above, should also apply to an audit firm under the same network[8](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12079&Mode=0#FT8) of audit firms or any other audit firm having common partners.

**7. Professional Standards of SCAs/SAs**

7.1 The SCAs/SAs shall be strictly guided by the relevant professional standards in discharge of their audit responsibilities with highest diligence.

7.2 The Board[9](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12079&Mode=0#FT9)/ACB/LMC of Entities shall review the performance of SCAs/SAs on an annual basis. Any serious lapses/negligence in audit responsibilities or conduct issues on part of the SCAs/SAs or any other matter considered as relevant shall be reported[10](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12079&Mode=0#FT10) to RBI within two months from completion of the annual audit. Such reports should be sent with the approval/recommendation of the Board/ACB/LMC, with the full details of the audit firm.

7.3 In the event of lapses in carrying out audit assignments resulting in misstatement of an Entity’s financial statements, and any violations/lapses vis-à-vis the RBI’s directions/guidelines regarding the role and responsibilities of the SCAs/SAs in relation to Entities, the SCAs/SAs would be liable to be dealt with suitably under the relevant statutory/regulatory framework.

**8. Tenure and Rotation**

8.1. In order to protect the independence of the auditors/audit firms, Entities will have to appoint the SCAs/SAs for a continuous period of three years[11](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12079&Mode=0#FT11), subject to the firms satisfying the eligibility norms each year. Further, Commercial Banks (excluding RRBs) and UCBs can remove the audit firms during the above period only with the prior approval of the concerned office of RBI (Department of Supervision), as applicable for prior approval for appointment, as mentioned at Para 3.2 of this circular. NBFCs removing the SCAs/SAs before completion of three years tenure shall inform concerned SSM/RO at RBI about it, along with reasons/justification for the same, within a month of such a decision being taken.

8.2 An audit firm would not be eligible for reappointment in the same Entity for six years (two tenures) after completion of full or part of one term of the audit tenure[12](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12079&Mode=0#FT12). However, audit firms can continue to undertake statutory audit of other Entities.

8.3. One audit firm can concurrently take up statutory audit of a maximum of four Commercial Banks [including not more than one PSB or one All India Financial Institution (NABARD, SIDBI, NHB, EXIM Bank) or RBI], eight UCBs and eight NBFCs during a particular year, subject to compliance with required eligibility criteria and other conditions for each Entity and within overall ceiling prescribed by any other statutes or rules. For clarity, the limits prescribed for UCBs exclude audit of other co-operative societies by the same audit firm. For the purpose of this circular, a group of audit firms having common partners and/or under the same network, will be considered as one entity and they will be considered for allotment of SCA/SA accordingly. Shared/Sub-contracted audit by any other/associate audit firm under the same network of audit firms is not permissible. The incoming audit firm shall not be eligible if such audit firm is associated with the outgoing auditor or audit firm under the same network of audit firms.

**9. Audit Fees and Expenses**

9.1 The audit fees for SCAs/SAs of all the Entities shall be decided in terms of the relevant statutory/regulatory provisions. Public Sector Banks will continue to be guided by relevant RBI instructions in the matter.

9.2 The audit fees for SCAs/SAs of all the Entities shall be reasonable and commensurate with the scope and coverage of audit, size and spread of assets, accounting and administrative units, complexity of transactions, level of computerization, identified risks in financial reporting, etc.

9.3 The Board/ACB/LMC of Entities shall make recommendation to the competent authority as per the relevant statutory/regulatory instructions for fixing audit fees of SCAs/SAs.

**10. Statutory Audit Policy and Appointment Procedure**

10.1 Each Entity shall formulate a Board/LMC Approved Policy to be hosted on its official website/public domain and formulate necessary procedure thereunder to be followed for appointment of SCAs/SAs. Apart from conforming to all relevant statutory/regulatory requirements in addition to these instructions, this should afford necessary transparency and objectivity for most key aspects of this important assurance function.

10.2 Guidelines on minimum procedural requirements are given at [Annex II](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12079&Mode=0#AN2).

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12079&Mode=0>

**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)).

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>

**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>

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

**RBI/2021-22/09 FIDD.CO.FID.BC.No.06/12.01.033/2021-22 April 01, 2021**

*The Chairman/ Managing Director/ Chief Executive Officer, All Scheduled Commercial Banks*

The Reserve Bank of India has, from time to time, issued a number of guidelines/instructions to banks on SHG-Bank Linkage Programme. In order to enable banks to have instructions at one place, the Master Circular incorporating the existing guidelines/ instructions on the subject has been updated and enclosed.

Self Help Groups have the potential to bring together the formal banking structure and the rural poor for mutual benefit. Studies conducted by NABARD in a few states to assess the impact of the linkage project have brought out encouraging and positive features like increase in loan volume of the SHGs, definite shift in the loaning pattern of the members from non-income generating activities to production activities, nearly 100 per cent recovery performance, significant reduction in the transaction costs for both the banks and the borrowers etc., besides leading to a gradual increase in the income level of the SHG members. Another significant feature observed in the linkage project is that about 85 per cent of the groups linked with banks were formed exclusively by women.

2. Recognizing the importance of SHG Bank linkage, banks have been advised to meet the entire credit requirements of SHG members, as envisaged in Paragraph 93 of the Union Budget announcement for the year 2008-09, made by the Honorable Finance Minister, wherein it was stated as under: "Banks will be encouraged to embrace the concept of Total Financial Inclusion. Government will request all scheduled commercial banks to follow the example set by some public sector banks and meet the entire credit requirements of SHG members, namely, (a) income generation activities, (b) social needs like housing, education, marriage, etc. and (c) debt swapping". Linking of SHGs with banks has thus been emphasized in the Monetary Policy Statements of Reserve Bank of India and Union Budget announcements from time to time and various guidelines have been issued to banks in this regard.

3. Banks should provide adequate incentives to their branches in financing the Self Help Groups (SHGs) and establish linkages with them, making the procedures simple and easy. The group dynamics of working of the SHGs need neither be regulated nor formal structures imposed or insisted upon. The approach to financing of SHGs should be totally hassle-free and may also include consumption expenditures. Accordingly, the following guidelines should be adhered to enable effective linkage of SHGs with the banking sector.

**4. Opening of Savings Bank A/C**

The SHGs, registered or unregistered, which are engaged in promoting savings habit among their members are eligible to open savings bank accounts with banks. These SHGs need not necessarily have already availed of credit facilities from banks before opening savings bank accounts. The instructions on simplified Customer Due Diligence (CDD) applicable to SHGs as prescribed in Part VI of the [Master Direction - Know Your Customer (KYC) Direction, 2016](https://rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=11566) (as updated from time to time) shall be adhered to.

**5. Lending to SHGs**

a) Bank lending to SHGs should be included in branch credit plan, block credit plan, district credit plan and state credit plan of each bank. Utmost priority should be accorded to the sector in preparation of these plans. It should also form an integral part of the bank’s corporate credit plan.

b) As per operational guidelines issued by NABARD, SHGs may be sanctioned savings linked loans by banks (varying from a saving to loan ratio of 1:1 to 1:4). However, in case of matured SHGs, loans may be given beyond the limit of four times the savings as per the discretion of the bank.

c) A simple system requiring minimum procedures and documentation is a precondition for augmenting flow of credit to SHGs. Banks should strive to remove all operational irritants and make arrangements to expeditiously sanction and disburse credit by delegating adequate sanctioning powers to branch managers. The loan application forms, procedures and documents should be made simple. It would help in providing prompt and hassle-free credit.

**6. Interest rates**

The banks would have the discretion to decide on the interest rates applicable to loans given to Self Help Groups/member beneficiaries, subject to regulatory guidelines on interest rate on advances contained in Master Direction - Reserve Bank of India (Interest Rate on Advances) Directions, 2016 issued vide [DBR.Dir.No.85/13.03.00/2015-16 dated March 3, 2016](https://rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=10295), as amended from time to time.

**7. Service/ Processing charges**

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

**8. Separate Segment under priority sector**

Loans to SHGs are allowed to be classified under Priority Sector Lending (PSL) under the respective categories viz Agriculture, MSME, Social Infrastructure and others, subject to extant guidelines of Master Directions – Priority Sector Lending (PSL) – Targets and Classification issued vide [Master Directions FIDD.CO.Plan.BC.5/04.09.01/2020-21 dated September 4, 2020](https://www.rbi.org.in/scripts/FS_Notification.aspx?Id=11959&fn=2754&Mode=0), as amended from time to time.

**9. Presence of defaulters in SHGs**

Defaults by a few members of SHGs and/or their family members to the financing bank should not ordinarily come in the way of financing SHGs per se by banks, provided the SHG is not in default. However, the bank loan may not be utilized by the SHG for financing a defaulter member to the bank.

**10. Capacity Building and Training**

a) Banks may initiate suitable steps to internalize the SHGs linkage project and organize exclusive short duration programmes for the field level functionaries. In addition, suitable awareness/sensitization programmes may be conducted for their middle level controlling officers as well as senior officers.

b) Banks shall refer to instructions on Financial Literacy by FLCs and rural branches – Policy review vide [Circular FIDD.FLC.BC.No.22/12.01.018/2016-17 dated March 02, 2017](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=10869&Mode=0) conducting tailored programs targeting [SHGs](https://www.rbi.org.in/FinancialEducation/content/04SELFHELP20042018.pdf).

**11. Monitoring and Review of SHG Lending**

Considering the potential of SHGs, banks shall closely monitor the progress regularly at various levels. In order to give a boost to the ongoing SHG bank linkage programme for credit flow to the unorganized sector, monitoring of SHG bank linkage programme shall be a regular item on the agenda for discussion at the SLBC and DCC meetings. It should be reviewed at the highest corporate level on a quarterly basis. Further, progress of the programme may be reviewed by banks at regular intervals. The progress under SHG-BLP, as prescribed vide RBI letter FIDD.CO.FID.No.3387/12.01.033/2017-18 dated April 26, 2018 shall be reported to NABARD (Micro Credit Innovations Department), Mumbai, on a quarterly basis, and the returns in the [prescribed format](https://rbidocs.rbi.org.in/rdocs/content/pdfs/SHGLPR210515_AN.pdf) shall be submitted within 15 days from due date.

**12. Reporting to CICs**

Recognizing the importance of credit information reporting in respect of the SHG members for financial inclusion, banks are advised to adhere to the guidelines on [Credit information reporting in respect of Self Help Group (SHG) members dated June 16, 2016](https://rbi.org.in/Scripts/NotificationUser.aspx?Id=10449&Mode=0) and [Credit information reporting in respect of Self Help Group (SHG) members dated January 14, 2016](https://rbi.org.in/Scripts/NotificationUser.aspx?Id=10227&Mode=0).

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12063&Mode=0>

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

**RBI/2021-22/05 FIDD.GSSD.CO.BC.No.04/09.01.01/2021-22 April 01, 2021**

*The Chairman/ Managing Director & CEO, Public Sector Banks, Private Sector Banks (including Small Finance Banks).*

Please refer to the [Master Circular FIDD.GSSD.CO.BC.No.06/09.01.01/2020-21 dated September 18, 2020](https://www.rbi.org.in/Scripts/BS_ViewMasCirculardetails.aspx?id=11967) on Deendayal Antyodaya Yojana - National Rural Livelihoods Mission (DAY-NRLM).

**1. Background**

The Ministry of Rural Development (MoRD), Government of India launched the National Rural Livelihood Mission (NRLM) by restructuring Swarnajayanti Gram Swarojgar Yojana (SGSY) with effect from 01st April 2013 ([RBI Circular No. RBI/2012-13/559 dated 27 June 2013](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=8075&Mode=0)). NRLM was renamed as DAY-NRLM (Deendayal Antyodaya Yojana - National Rural Livelihoods Mission) w.e.f. March 29, 2016. The DAY-NRLM is the flagship program of Govt. of India for promoting poverty reduction through building strong institutions of the poor, particularly women, and enabling these institutions to access a range of financial services and livelihoods. DAY-NRLM adopts a demand driven approach, enabling the States to formulate their own State specific poverty reduction action plans. The blocks and districts in which all the components of DAY-NRLM would be implemented, either through the SRLMs or partner institutions or NGOs, would be the intensive blocks and districts, whereas remaining would be non-intensive blocks and districts. The key features of DAY-NRLM have been furnished in [Annex I](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12062&Mode=0#A_1).

**2. Women SHGs and their Federations**

**2.1** Women SHGs under DAY-NRLM consist of 10-20 persons. In case of special SHGs i.e. groups in the difficult areas, groups with disabled persons, and groups formed in remote tribal areas, this number may be a minimum of 5 persons.

**2.2** DAY-NRLM promotes affinity-based women Self Help Groups (SHGs).

**2.3** Only for groups to be formed with Persons with disabilities, and other special categories like elder, transgender, DAY-NRLM will have both men and women in the Self-Help Groups.

**2.4** SHG is an informal group and registration under any Societies Act, State cooperative Act or a partnership firm is not mandatory vide Circular RPCD.No. Plan BC.13/PL-09.22/90-91 dated July 24th, 1991. However, Federations of Self Help Groups formed at Village, Gram Panchayat, Cluster or higher level may be registered under appropriate acts prevailing in their respective states.

**Financial Assistance to the SHGs**

**3. Revolving Fund:** DAY-NRLM, MoRD, would provide Revolving Fund (RF) support to SHGs in existence for a minimum period of 3/6 month and follow the norms of good SHGs, i.e. they follow ‘Panchasutra’ – regular meetings, regular savings, regular internal lending, regular recoveries and maintenance of proper books of accounts. Only such SHGs that have not received any RF earlier would be provided with RF, as corpus, with a minimum of ₹10,000 and up to a maximum of ₹15,000 per SHG. The purpose of RF is to strengthen their institutional and financial management capacity and build a good credit history within the group.

**4. Capital Subsidy has been discontinued under DAY-NRLM:**

No Capital Subsidy would be sanctioned to any SHG from the date of implementation of DAY-NRLM.

**5. Community Investment Support Fund (CIF)**

CIF would be provided by MoRD to the SHGs promoted under DAY – NRLM in all blocks (intensive and non-intensive) and would be routed through the Village level/ Cluster level Federations, to be maintained in perpetuity by the Federations. The CIF would be used, by the Federations, to advance loans to the SHGs and/or to undertake the common/collective socio-economic activities.

**6. Introduction of Interest subvention:**

DAY-NRLM has a provision for interest subvention, to cover the difference between the Lending Rate of the banks and 7%, on all credit from the banks/ financial institutions availed by women SHGs, for a maximum of ₹ 300,000/- per SHG. This would be available across the country in two ways:

(i) In 250 identified districts, banks may lend to the women SHGs @7% up to an aggregated loan amount of ₹300,000/-. The banks would be subvented to the extent of difference between the Weighted Average Interest Charged and 7%, subject to the maximum limit of 5.5%. An additional interest subvention of 3% is also available on prompt repayment by the SHGs, reducing the effective rate of interest to 4%.

(ii) In the remaining districts, the banks may lend at their respective lending rates, applicable to SHGs. In these districts, all women SHGs under DAY– NRLM would be eligible for interest subvention on prompt repayment. The difference between the bank lending rates and 7% for loans up to ₹ 300,000/- subject to a maximum limit of 5.5%, would be subvented directly in the loan accounts of the SHGs by the SRLMs. This part of the scheme would be operationalized by the SRLMs.

* Salient features of the Scheme are enclosed in [Annex II](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12062&Mode=0#A_2).
* The list of 250 identified districts is as per [Annex III](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12062&Mode=0#A_3).
* Subvented interest rate would be communicated separately to the banks by GoI/RBI.

**7. Role of banks:**

**7.1 Opening of Savings account:**

**7.1.1 Opening of Savings account of SHGs:** The role of banks would commence with opening of accounts for all the Women SHGs including members with disability and the Federations of the SHGs. The SHGs engaged in promoting of savings habits among their members would be eligible to open savings bank accounts.

1. Know Your Customer (KYC) verification of only the office bearers shall suffice for opening of savings bank account.
2. Banks may not insist on Permanent Account Number (PAN) of SHGs at the time of opening of account or transactions and may accept declaration in Form No 60 as may be required.
3. For KYC verification pertaining to SHG members during opening of accounts, instructions of Department of Banking Regulation in [Master Direction on KYC (dated February 25, 2016](https://www.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=11566), updated as on March 23, 2021) shall be adhered to while completing Customer Due Diligence (CDD) process. CDD means identifying and verifying the customer and the beneficial owner. Accordingly, the current instructions under Simplified norms for Self Help Groups (SHGs) mention that while opening of accounts Customer Due Diligence (CDD) of all the members of SHG shall not be required and CDD of only the office bearers shall suffice. At the time of credit linking of SHGs, banks may undertake KYC verification of all the members in the SHG. However, opening of savings account of all members with the bank shall not be made a prerequisite for credit linkage of SHGs. Banks are advised to maintain separate Savings and loan account for Self Help Groups.
4. Business Correspondents deployed by banks may also be authorized to open Saving Bank Accounts of the SHGs after verification/approval of the base branch, subject to adherence to extant BC guidelines and in accordance with the bank’s Board approved policy on Business Correspondents. However, ensuring compliance with KYC and AML norms under the BC model continues to be the responsibility of the banks.

**7.1.2 Opening of Savings account of Federation of SHGs:** Banks are advised to open savings account of Federations of SHGs at village, Gram Panchayat, Cluster or higher level. These accounts may be categorized as savings account for ‘Association of persons’. The ‘Know Your Customer’ (KYC) norms for the signatories of such accounts as specified from time to time by Reserve Bank of India would be applicable.

**7.1.3 Opening of Current Account of Producer Groups (PGs):** In order to facilitate collective production and marketing for their produce, banks are advised to open current account for Producer Groups promoted under DAY-NRLM at village, Gram Panchayat, Cluster or higher level. The ‘Know Your Customer’ (KYC) norms for the signatories of such accounts as specified from time to time by Reserve Bank of India would be applicable.

**7.1.4 Transaction in Savings/Cash Credit account of SHGs and Federation of SHGs:** SHGs and their federations may be encouraged to transact through their respective saving accounts and Cash Credit Loan accounts on regular basis. To facilitate this, banks are advised to enable transactions in jointly operated savings/Cash Credit account of SHGs and their federations with interoperable facility at retail outlets managed by Business Correspondents. Banks are also advised to extend all such services to SHGs and their federations through Business Correspondents as per their board approved policies.

**7.2 Lending Norms to individual SHG members and SHGs**

**7.2.1 The eligibility criteria for the SHGs to avail loans:**

* SHGs should be in active existence at least since the last 6 months as per the books of account of SHGs and not from the date of opening of S/B account.
* SHGs should be practicing ‘Panchasutras’ i.e. Regular meetings; Regular savings; Regular inter-loaning; Timely repayment; and Up-to-date books of accounts;
* Qualified as per grading norms fixed by NABARD. As and when the federations of the SHGs come to existence, the grading exercise may be done by the Federations to support the banks.
* The existing defunct SHGs are also eligible for credit if they are revived and continue to be active for a minimum period of 3 months.

**7.2.2 Loan Application:** It is advised that all banks may use the Common Loan Application Forms recommended by Indian Bank’s Association (IBA) for extending credit facility to SHGs.

**7.2.3 Loan amount:** Emphasis is laid on the multiple doses of assistance under DAY- NRLM. This would mean assisting an SHG over a period of time, through repeat doses of credit, to enable them to access higher amounts of credit for taking up sustainable livelihoods and improve on the quality of life.

SHGs may avail either Term Loan (TL) or a Cash Credit Limit (CCL) loan or both based on the need. In case of need, additional loan may be sanctioned even though the previous loan is outstanding, based on the repayment behavior and performance of the SHG.

The amount of credit under different facilities are as follows:

**Cash Credit Limit (CCL):** In case of CCL, banks are advised to sanction minimum loan of ₹ 6 lakh to each eligible SHGs for a period of 3 years with a yearly drawing power (DP). The drawing power may be enhanced annually based on the repayment performance of the SHG. The drawing power may be calculated as follows:

* DP for First Year: 6 times of the existing corpus or minimum of ₹1 lakh, whichever is higher
* DP for Second Year: 8 times of the corpus at the time review/ enhancement or minimum of ₹2 lakh, whichever is higher
* DP for Third Year: Minimum of ₹6 lakh based on the Micro credit plan prepared by SHG and appraised by the Federations /Support agency and the previous credit history.
* DP for Fourth Year onwards: Above ₹6 lakh, based on the Micro credit plan prepared by SHG and appraised by the Federations /Support agency and the previous credit History.

**Term Loan:** In case of Term Loan, banks are advised to sanction loan amount in doses as mentioned below:

* First Dose: 6 times of the existing corpus or minimum of ₹1 lakh, whichever is higher
* Second Dose: 8 times of the existing corpus or minimum of ₹2 lakh, whichever is higher
* Third Dose: Minimum of ₹6 lakh, based on the Micro credit plan prepared by the SHGs and appraised by the Federations /Support agency and the previous credit history.
* Fourth Dose onwards: Above ₹6 lakh, based on the Micro credit plan prepared by the SHGs and appraised by the Federations /Support agency and the previous credit History.

Banks are advised take necessary measures to ensure that eligible SHGs are provided with repeat loans. Banks are advised to coordinate with DAY-NRLM to institutionalize a mechanism for online submission of loan application from SHGs for tracking and timely disposal of application.

(Corpus is inclusive of revolving funds, if any, received by that SHG, its own savings, interest earning by SHG from on-lending to its members, income from other sources, and funds from other sources in case of promotion by other institutes/NGOs.)

**7.3 Purpose of loan and repayment:**

**7.3.1** The loan amount would be distributed among members based on the Micro Credit Plan (MCP) prepared by the SHGs. The loans may be used by members for meeting social needs, high cost debt swapping, construction or repair of house, construction of toilets and taking up sustainable livelihoods by the individual members within the SHGs or to finance any viable common activity started by the SHGs.

**7.3.2** In order to facilitate use of loans for augmenting livelihoods of SHG members, it is advised that at least 50% of loans above ₹2 lakh, 75% of loans above ₹4 lakh and at least 85% of loans above ₹6 lakh be used primarily for income generating productive purposes. Micro Credit Plan (MCP) prepared by SHGs would form the basis for determining the purpose and usage of loans.

**7.3.3** Repayment schedule for Term Loans may be as follows:

* The First dose of loan may be repaid in 24-36 months in monthly/Quarterly Instalments.
* The Second dose of loan may be repaid in 36-48 months in monthly/Quarterly instalments.
* The Third dose of loan may be repaid in 48-60 months based on the cash flow in monthly/Quarterly instalments.
* The loan from Fourth dose onwards may be repaid between 60-84 months based on the cash flow in monthly/ quarterly installments.

**7.3.4** All facilities sanctioned under DAY- NRLM would be governed by the Asset Classification norms issued by Reserve Bank of India from time to time.

**7.4. Security and Margin:**

No collateral and no margin would be charged up to ₹10.00 lakh limit to the SHGs. No lien should be marked against savings bank account of SHGs and no deposits should be insisted upon while sanctioning loans

**7.5. Dealing with Defaulters:**

It is desirable that willful defaulters should not be financed under DAY-NRLM. In case willful defaulters are members of a group, they might be allowed to benefit from the thrift and credit activities of the group including the corpus built up with the assistance of Revolving Fund. But at the stage of accessing bank loan by SHG for financing economic activities by its members, the willful defaulters should not have the benefit of such bank loan until the outstanding loans are repaid. Willful defaulters of the group should not get benefits under the DAY-NRLM Scheme and the group may be financed excluding such defaulters while documenting the loan. However, banks should not deny loan to entire SHG on the pretext that spouse or other family members of individual members of SHG being a defaulter with the bank. Further, non-willful defaulters should not be debarred from receiving the loan. In case default is due to genuine reasons, banks may follow the norms suggested for restructuring the account with revised repayment schedule.

**8 Credit Target Planning**

**8.1** Based on the Potential Linked Plan/State Focus Paper prepared by NABARD, SLBC sub-committee on SHG Bank Linkage may arrive at the district-wise, block-wise and branch-wise credit plan. The sub- committee should consider the existing SHGs, New SHGs proposed, and number of SHGs eligible for fresh and repeat loans as suggested by the SRLMs to arrive at the credit targets for the states. The targets so decided should be approved in the SLBC and reviewed and monitored periodically for effective implementation.

**8.2** The district-wise credit plans should be communicated to the DCC. The Block- wise/Cluster-wise targets are to be communicated to the bank branches through the Controllers.

**9 Post credit follow- up**

**9.1** Loan pass books or statement of accounts in regional languages may be issued to the SHGs which may contain all the details of the loans disbursed to them and the terms and conditions applicable to the loan sanctioned. The passbook should be updated with every transaction made by the SHGs. At the time of documentation and disbursement of loan, it is advisable to clearly explain the terms and conditions as part of financial literacy.

**9.2** Bank branches may observe one fixed day in a fortnight to enable the staff to go to the field and attend the meetings of the SHGs and Federations to observe the operations of the SHGs and keep a track of the regularity in the SHGs meetings and performance.

**10 Repayment:**

Prompt repayment of the loans is necessary to ensure the success of the programme. Banks shall take all possible measures, i.e. personal contact, organization of joint recovery camps with District Mission Management Units (DPMUs) /District Rural Development Agency(DRDAs) to ensure the recovery of loans. Keeping in view, the importance of loan recovery, banks should prepare a list of defaulting SHGs under DAY-NRLM every month and furnish the list in the BLBC, DCC meetings. This would ensure that DAY-NRLM staff at the district/ block level would assist the bankers in initiating the repayment

**11 Supervision and monitoring of the Scheme**

Banks may set up cells for Self Help Groups at respective Regional/Zonal offices of banks. These cells should periodically monitor and review the flow of credit to the SHGs, ensure the implementation of the guidelines to the scheme, collect data from the branches and make available consolidated data to the Head office and the DAY-NRLM units at the districts/ blocks. The cell should also discuss this consolidated data in the SLBC, BLBC and DCC meetings regularly to maintain the effective communication with the state staff and all banks.

**11.1** State Level Bankers’ Committee: SLBCs shall constitute a sub-committee on SHG bank linkage. The sub-committee should consist of members from all banks operating in the State, RBI, NABARD, CEO of SRLM, representatives of State Rural Development Department, Secretary-Institutional Finance and Representatives of Development Departments etc. The sub- committee shall discuss a specific agenda of review, implementation and monitoring of the SHG-Bank linkage and the issues/ constraints in achievement of the credit target. The decisions of SLBCs should be derived from the analysis of the reports of the sub-committee.

**11.2** District Coordination Committee: The DCC shall regularly monitor the flow of credit to SHGs at the district level and resolve issues that constrain the flow of credit to the SHGs at district level. This committee should have participation of LDMs, AGM of NABARD, district coordinators of the banks and DPMU staff representing DAY-NRLM and office bearers of SHG federations

**11.3** Block level Bankers Committee: The BLBC shall take up issues of SHG bank linkage at the block level. In this Committee, the SHGs/ Federations of the SHGs should be included as members to raise their voice in the forum. Branch wise status of SHG credit shall be monitored at the BLBC.

**11.4** Reporting to Lead District Managers: The branches may furnish the progress report and the delinquency report achieved under various activities of DAY-NRLM in the format at [Annex–IV](https://rbidocs.rbi.org.in/rdocs/content/pdfs/05MC01042021_A4.pdf) and [Annex-V](https://rbidocs.rbi.org.in/rdocs/content/pdfs/05MC01042021_A5.pdf) to the LDM every month for onward submission to Special Steering Committee/sub-committee constituted by SLBC.

**11.5** Reporting to RBI: Banks may give a state-wise consolidated report on the progress made on DAY-NRLM to RBI/NABARD at quarterly intervals. The data may be submitted within a month from the end of the concerned quarter.

**11.6** LBR returns: Existing procedure of submitting LBR returns to be continued duly furnishing the correct code

**12 Financial Literacy:** Financial Literacy is one of the important strategies to spread awareness on financial behavior and keep households informed about various financial products and services. DAY-NRLM has trained and deployed a large number of cadre called ‘Financial Literacy Community Resource Persons (FL-CRPs)’ to carry out financial literacy camps at village level. Financial Literacy Centers (FLC) established by various banks may coordinate with respective SRLMs and utilize the services of FL-CRPs to conduct village camps on Financial Literacy.

**13 Data Sharing:**

**13.1** Data sharing on a mutually agreed format / interval may be provided to DAY-NRLM or State Rural Livelihood Missions (SRLMs) for initiating various strategies including recovery etc.

The financing banks are advised to regularly share data on loans to SHGs with the DAY- NRLM or SRLMs, directly from the CBS platform.

**13.2** Banks should share data of Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) and Pradhan Mantri Suraksha Bima Yojana (PMSBY) with DAY-NRLM on agreed formats to facilitate higher enrollment and claim settlement under the mentioned schemes.

**13.3** Banks to share data of all SHG transactions being done at Business Correspondents points using Dual Authentication technology introduced by banks on a mutually agreed format/interval only after obtaining consent of the customer. However, the banks should ensure preservation and protection of the security and confidentiality of customer information in the custody or possession of BC.

**14 DAY-NRLM support to the bankers:**

**14.1** SRLM would develop strategic partnerships with major banks at various levels. It would invest in creating enabling conditions for both the banks and the poor for a mutually rewarding relationship.

**14.2** SRLM would assist the SHGs through imparting financial Literacy, extending counselling services on savings, credit, insurance, pension and training on Micro- Investment Planning embedded in capacity building.

**14.3** SRLMs would extend support to banks for improving quality of banking services to poor clients including follow-up for recovery of over dues if any, by positioning customer relationship managers (Bank Mitra/ Sakhi) with every bank branch involved in financing of SHGs.

**14.4** Leveraging IT mobile technologies and institutions of poor, youth or SHG member as business facilitators and business correspondents.

**14.5** Community Based Repayment mechanism (CBRM): One exclusive sub - committee for SHG Bank Linkage may be formed at village/cluster/ block level which would provide support to the banks in ensuring proper utilization of loan amount, recovery etc. The bank linkage sub - committee members from each village level federation along with project staff would meet once in a month under the chairmanship of the Branch Manager in the branch premises with the agenda items relating to bank linkage.

For Detailed Master Circular:

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12062&Mode=0>

**Amendment to Master Direction (MD) on KYC – Procedure for Implementation of Section 51A of the Unlawful Activities (Prevention) Act, 1967**

**RBI/2020-21/110 DOR.AML.REC.48/14.01.001/2020-21 March 23, 2021**

*The Chairpersons/ CEOs of all the Regulated Entities*

Please refer to Chapter IX (‘Requirements/obligations under International Agreements Communications from International Agencies’) of the [Master Direction on KYC dated February 25, 2016](https://rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=11566). In terms of instructions contained therein, Regulated Entities (REs) have been instructed, inter alia, that the procedure laid down in the Unlawful Activities (Prevention) Act, 1967, (UAPA) Order dated March 14, 2019, as provided in the Annex-II to the Master Direction, shall be strictly followed and meticulous compliance with the order issued by the Government shall be ensured.

2. In this regard, Ministry of Home Affairs (MHA) has issued a revised order dated February 2, 2021, in supersession of the earlier order dated March 14, 2019.

3. In line with the revised order dated February 2, 2021, issued by the MHA, Sections 52 and 54 of the [Master Direction on KYC dated February 25, 2016](https://rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=11566), are hereby amended.

4. Further, Section 54 has been amended to include the following:

“The list of Nodal Officers for UAPA is available on the website of Ministry of Home Affairs.”

5. These changes in the Master Direction shall come into force with immediate effect.

**Master Circular - Disbursement of Government Pension by Agency Banks (Updated as on May 17, 2021)**

**RBI/2021-22/08 DGBA.GBD.No.S-1/31.02.007/2021-22 April 1, 2021 (Updated as on May 17, 2021)**

*All Agency Banks*

Please refer to our [Master Circular RBI/2020-21/06 dated July 1, 2020](https://www.rbi.org.in/Scripts/BS_ViewMasCirculardetails.aspx?id=11929) on the above subject. We have now revised and updated the Master Circular which consolidates important instructions on the subject issued by the Reserve Bank of India till March 31, 2021

**Introduction**

Payment of pension to retired government employees, including payment of basic pension, increased Dearness Relief (DR), and other benefits as and when announced by the governments, is governed by the relevant schemes prepared by concerned Ministries/Departments of the Government of India and State Governments. This Master Circular consolidates important instructions on the subject issued by the Reserve Bank of India till March 31, 2021 ([listed in Appendix](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12059&Mode=0#AP1)). It does not replace or supersede any existing government instructions on the matter. The instructions issued by Pension Sanctioning Authority of the Central and State Governments and circulated by RBI in the past will continue to remain in operation subject to changes being made by the competent authority. In case of any doubt or apparent contradiction, agency banks may be guided by the relevant government instructions. Contents of various circulars issued in this connection by the Reserve Bank of India are summarized here under.

**General Instructions**

**Government orders on DR, etc. on websites**

2. In order to obviate the time lag between issue of DR orders and payment of DR to the beneficiary and to render expeditious service to senior citizens, the following actions are required to be taken:

1. It has been decided to discontinue the procedure of forwarding government orders in respect of dearness relief etc. to pension paying agency banks. Agency Banks may, therefore, act on the copies of government orders supplied by government to them through post, fax, e-mails or by accessing from the website and authorize their pension paying branches to make payments to the pensioners immediately.
2. All agency banks are advised to scrupulously follow all the guidelines/instructions contained in various notifications of Government (Central as well as States) and take necessary action immediately without waiting for any further instructions from RBI.

**Timing of pension disbursement by agency banks.**

3. The pension paying banks will credit the pension amount in the accounts of the pensioners based on the instructions given by respective Pension Paying Authorities.

**Refund of excess pension payment to Government**

4. Whenever any excess/overpayment is detected the entire amount thereof should be credited to the Government account in lump sum immediately when the excess/overpayment is due to an error on the part of the agency bank. This action is independent of recovery from the pensioner. Agency banks are requested to seek guidance from respective Pension Sanctioning Authorities regarding the process to be followed for recovery of excess pension paid to the pensioners, if any.

5. If the excess/wrong payment to the pensioner is due to errors committed by the government, banks may take up the matter with the full particulars of the cases with respective Government Department for a quick resolution of the matter. However, this must be a time bound exercise and the government authority’s acknowledgement to this effect must be kept on the bank’s record. The banks may take up such cases with government departments without reference to the Reserve Bank of India.

**Withdrawal of pension by old/ sick/ disabled/ incapacitated pensioners**

6. In order to take care of problems/ difficulties faced by sick and disabled pensioners in withdrawal of pension / family pension from the banks, agency banks may categorise such pensioners as under:

1. Pensioner who is too ill to sign a cheque / unable to be physically present in the bank.
2. Pensioner who is not only unable to be physically present in the bank but also not even able to put his/her thumb impression on the cheque/ withdrawal form due to certain physical defect /incapacity.

7. With a view to enabling such old/sick/incapacitated pensioners to operate their accounts, banks may follow the procedure as under:

1. Wherever thumb or toe impression of the old/sick pensioner is obtained, it should be identified by two independent witnesses known to the bank, one of whom should be a responsible bank official.
2. Where the pensioner cannot even put his/her thumb/ toe impression and also would not be able to be physically present in the bank, a mark can be obtained on the cheque/withdrawal form, which should be identified by two independent witnesses, one of whom should be a responsible bank official.

8. Accordingly, the agency banks are requested to instruct their branches to display the instructions issued in this regard on their notice board so that sick and disabled pensioners could make full use of these facilities. Agency Banks are also advised to strictly implement the instructions issued by RBI regarding the facilities to be provided to the sick and disabled persons and sensitise staff members in the matter and to refer to the [FAQs](https://www.rbi.org.in/Scripts/FAQView.aspx?Id=68) on pension disbursement hosted on our website [www.rbi.org.in](https://www.rbi.org.in/)in case of any doubt.

**Reimbursement of pension payments**

9. Link branches of agency banks may submit reimbursement claims to Reserve Bank of India, Central Accounts Section, Nagpur / Government Banking Division at Regional Office for Central/State Government pension payments.

**Continuation of either or survivor pension account after death of pensioner**

10. All agency banks disbursing Central Government pension have been advised that in case the spouse (Family pensioner) opts for existing joint account for credit of family pension, banks should not insist on opening a new account when the spouse is the survivor and having a joint account with the pensioner and in whose favour an authorisation for payment of family pension exists in the Pension Payment Order (PPO).

**Life Certificate - Issuance of Acknowledgement**

11. There have been complaints that life certificates submitted over the counter of pension paying branches are misplaced causing delay in payment of monthly pensions. In order to alleviate the hardships faced by pensioners, agency banks were instructed to mandatorily issue duly signed acknowledgements. They were also advised to consider entering the receipt of life certificates in their CBS and issue a system generated acknowledgement which would serve the twin purpose of acknowledgement as well as real time updation of records.

**Single Window System for reimbursement of Pension Payments**

12. Single Window System was introduced to facilitate prompt settlement of reimbursement claims and reconciliation. The underlying objective is to make each pension paying bank responsible in its own right to effect settlement without the intervention of RBI Offices or SBI (at District Headquarters) in the process eliminating cause of delay in reimbursement claims.

**Customer Service**

13. All agency banks may issue instructions to their dealing branches to adhere to the recommendations of the Prabhakar Rao Committee relating to pension payments. A checklist may be provided to the inspecting officers/auditors, which may at a minimum include the items given in [Annex 1](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12059&Mode=0#AN1). Agency banks may also instruct their internal auditors/inspectors to comment on the quality of customer service in their reports which may be made available to Reserve Bank’s inspecting officers, as and when they visit the branches.

14. Grievances of pensioners are not being addressed properly at the branch level especially after the setting up of Centralised Pension Processing Centres (CPPCs). To provide hassle free service to the pensioners, there should be a forum for regular interaction and settlement of grievances. Accordingly, agency banks should appoint one/two nodal officers at each Region/Zone for monitoring the resolution of grievances of pensioners on regular basis and the GM/CGM concerned should review the position at monthly intervals

15. At locations outside the CPPCs, there should be designated nodal officers for pension related complaints who should be easily accessible to pensioners and who should hold regular meetings at different locations in their jurisdiction on the lines of Pension Adalat. Each bank should establish toll free dedicated pension line manned by trained persons with access to the database to answer queries, note down and redress complaints.

16. Following several complaints from pensioners alleging inordinate delay in disbursing revised pension and arrears, agency banks are advised as under:

1. Pension paying banks should compensate the pensioner for delay in crediting pension/ arrears thereof at a fixed interest rate of 8 per cent per annum for the delay after the due date of payment and the compensation shall be credited to the pensioner's account automatically without any claim from the pensioner on the same day when the bank affords credit for revised pension/ pension arrears, in respect of all delayed pension payments made since October 1, 2008.
2. Pension paying banks have been advised to put in place a mechanism to obtain immediately the copies of pension orders from the pension paying authorities directly and make payments without waiting for receipt of instructions from the Reserve Bank of India so that pensioners should get benefits announced by the Governments in the succeeding month's pension payment itself.
3. When the agency bank is calculating pension, the branch should continue to be a point of referral for the pensioner lest he/she feel disenfranchised.
4. All branches having pension accounts should guide and assist the pensioners in all their dealings with the bank.
5. Suitable arrangements should be made to place the arithmetic and other details about pension calculations on the web, to be made available to the pensioners through the net or at the branches at periodic interval as may be necessary and sufficient advertisement is made about such arrangements.
6. All claims for agency commission by banks in respect of pension payments must be accompanied by a certificate from ED/CGM in charge of government business that there are no pension arrears to be credited/ delays in crediting regular pension/arrears thereof.
7. All agency banks disbursing pension are advised to provide considerate and sympathetic customer service to the pensioners, especially to those pensioners who are of old age.

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

**RBI/2021-22/07 DGBA.GBD.No. S-2/31.12.010/2021-22 April 1, 2021**

*All Agency Banks*

Please refer to our [Master Circular RBI/2020-21/03; DGBA.GBD.No.2/31.12.010/2020-21 dated July 01, 2020](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11930&Mode=0) on the above subject. We have now revised and updated the Master Circular which consolidates important instructions on the subject issued by the Reserve Bank of India till March 31, 2021.

**Introduction**

1. The Reserve Bank of India carries out the general banking business of the Central and State Governments through its own offices and through the offices of the agency banks appointed under Section 45 of the RBI Act, 1934, by mutual agreement. RBI pays agency commission to the agency banks for the government business handled by them. This Master Circular consolidates the instructions contained in the circulars listed in [Annex 1](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12058&Mode=0#ANX_1).

**Government transactions eligible for agency commission**

2. Transactions relating to the following government business undertaken by agency banks are eligible for agency commission paid by RBI:

1. Revenue receipts and payments on behalf of the Central/State Governments
2. Pension payments in respect of Central / State Governments and
3. Any other item of work specifically advised by Reserve Bank as eligible for agency commission

3. The Agency banks also undertake the work related to Small Savings Schemes (SSS) the commission for which is borne by Government of India. Though the settlement of commission on such SSS is processed by RBI and settled at Central Accounts Section (CAS), Nagpur, the rates of agency commission related to SSS transactions are decided by Government of India. Agency commission claims on Special Deposit Scheme (SDS) related transactions (where mirror accounts are maintained in RBI) are also settled at CAS, Nagpur.

4. Short term/long term borrowings of State Governments raised directly from financial institutions and banks are not eligible for agency commission as these transactions are not considered to be in the nature of general banking business. Reserve Bank pays the agency banks separate remuneration as agreed upon for acting as agents for management of public debt.

5. Whenever agency banks collect stamp duty through physical mode or e-mode (challan based), they are eligible for payment of agency commission, provided the agency banks do not collect any charges from the members of public or receive remuneration from the State Government for doing this work.

6. If the agency bank is engaged by the State Government as Franking Vendor and it collects stamp duty from the public for franking the documents, it will not be eligible for agency commission since the State Government is paying commission to it as Franking Vendor. However, the agency bank which collects the stamp duty paid by the Franking Vendor for credit to the Treasury through challan in physical or e-mode for purchase of the franking bar, would be eligible for agency commission since it is a regular payment of Stamp Duty as stated above.

**Government transactions not eligible for agency commission**

7. Agency banks paying their own tax liabilities through their own branches or through authorised branches of any other agency bank including State Bank of India or offices of Reserve Bank of India wherever they do not have their own authorised direct tax collection branch should indicate the same separately in the scroll. Such transactions will not be eligible for payment of agency commission. Banks should furnish a certificate to the effect that own tax liabilities (TDS, Corporation Tax, etc.) paid by them have been excluded while claiming agency commission.

8. The following activities, inter alia, do not come under the purview of agency bank business and are therefore not eligible for payment of agency commission.

1. Furnishing of bank guarantees/security deposits, etc. through agency banks by government contractors/suppliers, which constitute banking transactions undertaken by banks for their customers.
2. The banking business of autonomous/statutory bodies/Municipalities/ companies/Corporations/Local Bodies.
3. Payments which have been classified as capital in nature by government to cover losses incurred by autonomous/statutory bodies/ Municipalities/ Corporations/Local Bodies, etc.
4. Prefunded schemes which may be implemented by a Central Government Ministry/Department (in consultation with CGA) and a State Government Department through any bank.
5. Transactions related to Gold Monetisation Scheme 2015
6. Transactions arising out of Letters of Credit / Bank Guarantee opened by banks on behalf of Ministries/Departments etc. do not qualify for agency commission as RBI only reimburses the paid amount to the banks based on the mandate received from the governments.
7. Any other item of work specifically advised by Reserve Bank or Central or State Government as ineligible for agency commission

9. Agency Banks are advised to meticulously follow instructions issued by RBI from time to time regarding transactions which are not eligible for agency commission and submit their claims for agency commission accordingly. All agency banks while claiming agency commission should certify that no claim of agency commission is made on ineligible transactions.

**Reporting of transactions by agency banks to RBI**

10. After the operationalisation of NEFT 24X7 and RTGS 24X7, agency banks authorised to collect GST shall upload their luggage files in RBI’s QPX/E-Kuber on all days except the Global holidays, which are January 26, August 15, October 2, all non-working Saturdays, all Sundays and any other day declared holiday by RBI for Government Transactions due to exigencies.

11. State government transactions (electronic as well as in physical mode) of previous month reported after 8th of the succeeding month and those pertaining to earlier months should be reported to RBI through a separate statement for accounting, after being confirmed by the competent authorities of concerned state government.

12. For Central Government transactions (electronic as well as in physical mode) or any adjustments thereof, if reported after a gap of 90 days from the date of transaction, agency banks have to obtain prior approval from concerned ministry/department and submit the same to RBI separately at the time of reporting such transactions for settlement.

**Rates for agency commission**

13. As per agency bank agreement, RBI pays agency commission at rates determined by it. The rates applicable with effect from July 1, 2019 are as under:

|  |  |  |  |
| --- | --- | --- | --- |
| **Sr. No.** | **Type of Transaction** | **Unit** | **Revised Rate** |
| a. | (i) | Receipts - Physical mode | Per transaction | ₹40/- |
|   | (ii) | Receipts - e-mode | Per transaction | ₹9/- |
| b. | Pension Payments | Per transaction | ₹75/- |
| c. | Payments other than Pension | Per ₹100 turnover | 6.5 paise per ₹100 |

14. In this context, the ‘Receipts-e-mode transactions’ indicated against Sr. No. a.(ii) in the above table refer to those transactions involving remittance of funds from the remitter’s bank account through internet banking as well as such transactions which do not involve physical receipt of cash /instruments at all. For example, challan generated electronically and submitted to agency bank along with cash/instrument should be treated as transaction under physical mode.

15. With reference to the implementation of Goods and Service Tax (GST) regime, it is advised that a single Common Portal Identification Number (CPIN), processed successfully leading to generation of a Challan Identification Number (CIN), under GST payment process, may be treated as a single transaction, even if multiple major head/sub major head/minor head of accounts are credited. This means that CGST, SGST, IGST and Cess etc. paid through a single challan would constitute a single transaction. Thus, all such records clubbed under a single challan i.e., CPIN have to be treated as a single transaction for the purpose of claiming agency commission effective July 1, 2017.

16. Similarly, in case of transactions not covered under GST, it is emphasised that a single challan (electronic or physical) should be treated as single transaction only and not multiple transactions, even if the challan contains multiple major head/sub major head/minor head of accounts that will get credited. Therefore, records clubbed under a single challan processed successfully have to be treated as a single transaction for the purpose of claiming agency commission.

17. Agency banks would be eligible to claim agency commission for pension transactions at the rate of ₹75 per transaction only when the entire work relating to disbursement of pension including pension calculation is attended to by them. If the work relating to pension calculations, etc., is attended to by the concerned Government Department / Treasury and the banks are required only to credit the amount of pension to the pensioners' accounts maintained with them by a single debit to Government Account, such transaction is to be categorised under ‘other than pension payment’ and would be eligible for payment of agency commission @ 6.5 paise per ₹ 100/- turnover w.e.f. July 1, 2019.

18. The number of transactions eligible for payment of agency commission should not exceed 14 per pensioner per year. This includes one monthly credit for payment of net pension and a maximum of two per year for payment of arrears on account of increase in dearness relief, if applicable. Cases involving payment of arrears on account of late start/restart of pension qualifies as a single transaction for claiming of agency commission. In other words, any payment of arrears on account of late start/restart of pension should be treated as a single credit transaction and not as separate monthly credits.

19. Agency commission is payable to an agency bank at the full rate provided the transactions are handled by the bank at all stages. Where, however, the work is shared between two banks, the agency commission is shared between the banks in the proportion of 75:25. Thus, broadly, the agency commission is payable to the agency banks as detailed below:

1. At the full rate, in cases where the transactions are handled by the bank at all stages, i.e., upto the stage of dispatch of scrolls and challans / cheques to the Pay and Accounts Offices, and treasuries/sub-treasuries.
2. At 75% of the applicable rate, where the dealing branch is required to account for the transaction by passing on the scrolls and documents to the local/nearest branch of Reserve Bank of India or by any agency bank conducting government business.
3. At 25% of the applicable rate, in the case of agency branch which received the scrolls and documents from dealing branches of other banks and is responsible for the accounting of these transactions and dispatching of the scrolls and documents to the Pay and Accounts Offices, Treasuries, etc.

20. All agency banks should settle their agency transactions for both funds and agency commission directly with the concerned Regional Office of Reserve Bank instead of routing them through any other agency bank that acts as aggregator in certain cases. So also for payments made by all agency banks on behalf of state government/s get directly settled with the concerned Regional Office of RBI. Agency Transaction details/scrolls may be sent directly by individual agency bank to the concerned State Government/Treasury. This new arrangement for settlement of state government funds on day to day basis (receipts and payments) directly with Reserve Bank is with effect from January 1, 2018.

**Claiming agency commission**

21. Agency banks are required to submit their claims for agency commission in the prescribed format to CAS Nagpur in respect of Central government transactions and the respective Regional Office of Reserve Bank of India for State government transactions. However, agency commission claims with respect to GST receipt transactions will be settled at Mumbai Regional Office of Reserve Bank of India only and accordingly all agency banks, authorized to collect GST, are advised to submit their agency commission claims pertaining to GST receipt transactions at Mumbai Regional Office only. The formats for claiming agency commission for all agency banks and separate and distinctive set of certificates to be signed by the branch officials and Chartered Accountants or Cost Accountants are given in [Annex 2](https://rbidocs.rbi.org.in/rdocs/content/pdfs/07MCPA010421_AN2.pdf), [Annex 2A](https://rbidocs.rbi.org.in/rdocs/content/pdfs/07MCPA010421_AN2A.pdf) and [Annex 2B](https://rbidocs.rbi.org.in/rdocs/content/pdfs/07MCPA010421_AN2B.pdf) respectively. These certificates would be in addition to the usual Certificate from ED / CGM (in charge of government business) to the effect that there are no pension arrears to be credited / delays in crediting regular pension / arrears thereof.

22. Where the External Auditor is also the Concurrent Auditor / Statutory Auditor, claims can be certified by such Concurrent Auditor / Statutory Auditor. In addition to this, agency banks are required to ensure that the agency bank’s internal inspectors / auditors verify the agency commission claims submitted by their branches and confirm their accuracy during the course of their inspection / audit.

23. Reference is also drawn to the instructions contained in our letter dated November 4, 2016 advising the process of claiming reimbursement of service tax (ST) on agency commission received for Central and State Government transactions, centrally from Reserve Bank of India at Central Accounts Section, Nagpur. The same process continued even after Service Tax got subsumed into the Goods and Service Tax (GST) framework. This process of centralised claims submission has been replaced with a system whereby applicable GST (18% at present) shall be paid along with agency commission by the respective Regional Offices of RBI / CAS, Nagpur as the case may be.

24. For eligible government transactions done with effect from July 01, 2019, agency banks shall submit the agency commission claims, including applicable GST amount, as per revised agency commission rates indicated above, to RBI at respective ROs / CAS, Nagpur as per the extant instructions issued by RBI in this regard. TDS on GST shall be deducted as applicable by RBI at the time of making agency commission payment in accordance with Government instructions in the matter.

25. However, for eligible government transactions done by agency banks upto June 30, 2019, agency banks shall continue to submit agency commission claims as well as the centralized claims for ST/GST reimbursement as hitherto.

26. Agency banks are required to ensure that agency commission claims submitted to the Regional Offices of Reserve Bank of India / Central Accounts Section, Nagpur as applicable in the prescribed format are accurate. Agency banks may also alert their branches concerned to ensure that agency commission claims submitted to our Regional Offices are accurate. Such erroneous claims, if certified by the Internal / Concurrent Auditors, will defeat the very purpose of making such requirement an essential condition for making quarterly claims.

27. Agency banks are advised to furnish their claim on agency commission to Reserve Bank within 60 calendar days from the end of the quarter in which the transactions have been conducted. If the banks fail to lodge the claims within the stipulated period mentioned above they may forward the same to RBI only after giving reasons for delay.

**Penal interest for wrong claims**

28. As per the agreement that agency banks have with RBI, violation or non-compliance of instructions issued by Government or Reserve Bank shall attract imposition of penalty. Agency banks will be liable to pay penal interest at Bank Rate as notified by Reserve Bank of India plus 2% for any wrong claims of agency commission settled.

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12058&Mode=0>

**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>

**Master Direction - Amalgamation of Urban Cooperative Banks, Directions, 2020**

**RBI/DOR/2020-21/75 Master Direction DOR.MAM.No.49/09.16.901/2020-21 March 23, 2021**

In exercise of powers conferred by Section 35A and Section 44A read with Section 56 of the Banking Regulation Act,1949, as amended vide Banking Regulation (Amendment) Act, 2020 (39 of 2020), the Reserve Bank of India being satisfied that it is necessary and expedient in public interest so to do, hereby issues the Directions hereinafter specified.

**CHAPTER – I
PRELIMINARY**

**1. Short Title and Commencement**

(a) These Directions shall be called the Reserve Bank of India (Amalgamation of Urban Co-operative Banks) Directions, 2020.

(b) These directions shall come into effect on the day it is placed on the official website of the Reserve Bank of India (RBI).

**2. Applicability**

The provisions of these Directions shall apply to all Primary (Urban) Co-operative Banks.

**3. Definitions**

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

(a) “Amalgamated Bank” means the UCB which proposes to transfer its business to another UCB under the scheme of amalgamation.

(b) “Amalgamating Bank” means the UCB which is to acquire the business of the amalgamated bank under the scheme of amalgamation.

(c) “Amalgamation” means one or more UCBs amalgamating with another UCB under the procedure in accordance with Section 44A read with Section 56 of Banking Regulation Act, 1949.

(d) “Urban Co-operative Banks (UCBs)” means Primary Cooperative Banks as defined under section 5(ccv) read with Section 56 of Banking Regulation Act, 1949 and includes both uni and multi-State banks.

(ii) All other expressions unless defined herein shall have the same meaning as have been assigned to them under the Banking Regulation Act, 1949 or the Reserve Bank of India Act, 1934 or as used in commercial parlance, as the case may be.

**4. Scope**

(a) These guidelines shall cover amalgamation of two or more UCBs.

(b) Reserve Bank of India may consider proposals for merger and amalgamation in the following circumstances:

(i) When the net worth of the amalgamated bank is positive and the amalgamating bank assures to protect entire deposits of all the depositors of the amalgamated bank.

(ii) When the net worth of amalgamated bank is negative and the amalgamating bank on its own assures to protect deposits of all the depositors of the amalgamated bank.

(iii) When the net worth of the amalgamated bank is negative and the amalgamating bank assures to protect the deposits of all the depositors of the amalgamated bank with the financial support from the State Government extended upfront as part of the process of merger.

**5. Statutory Provisions**

The Reserve Bank has discretionary powers to approve the voluntary amalgamation of UCBs under the provisions of Section 44A read with Section 56 of the Banking Regulation Act, 1949 as amended vide Banking Regulation (Amendment) Act 2020 (39 of 2020).

**CHAPTER - II
APPROVAL BY BOARD OF DIRECTORS**

6. Boards of the banks concerned shall play a crucial role in the process, while dealing with the amalgamation proposals of UCBs. The decision of amalgamation shall be approved by two-third majority of the total number of Board members of both amalgamating and amalgamated UCBs and not just of those present and voting.

7. While according this approval, the Boards of the UCBs shall give particular consideration to the following matters:-

1. The assets, liabilities and reserves of the amalgamated UCB are incorporated in the books of the amalgamating UCB at their existing carrying amounts and such incorporation does not result in a revaluation upwards or credit taken for unrealized gains.
2. Whether due diligence exercise has been undertaken in respect of the amalgamated UCB(s).
3. The nature and quantum of the consideration, which, the amalgamating UCB will pay to the shareholders of the amalgamated UCB.
4. Whether the swap ratio has been determined by independent valuers having required competence and experience and whether in the opinion of the Board such swap ratio is fair and proper.
5. The shareholding pattern in the concerned UCBs and whether as a result of the amalgamation and the swap ratio, the shareholding of any individual in the amalgamating bank will be violative of any guidelines prescribed by Reserve Bank or under the concerned co-operative societies act(s) requiring specific approval of any of the regulator.
6. The impact of the amalgamation on the profitability, net NPA and capital adequacy ratio, compliance with exposure norms of the amalgamating UCB. In all cases of amalgamation, CRAR of the amalgamating bank post-amalgamation should conform to the minimum regulatory requirement as prescribed by Reserve Bank.
7. The changes which are proposed to be made in the composition of the Board of Directors of the amalgamating UCB, consequent upon amalgamation shall be in conformity with the RBI directions/ guidelines on that behalf. These changes shall also be in conformity with the relevant provisions of the cooperative societies act(s) as applicable to the extent that they are not in conflict with the relevant RBI directions/ guidelines.

**CHAPTER – III
AMALGAMATION OF UCBs**

8. In terms of Section 44A read with Section 56 of the Banking Regulation Act, 1949, as amended from time to time, the draft scheme of amalgamation shall be approved by the shareholders of each UCB by a resolution passed by a majority representing two-thirds of the shareholders both in number and value, present in person at a meeting called for the purpose.

9. Before convening the meeting for the purposes of obtaining the shareholders' approval, the draft scheme of amalgamation shall be approved by the Boards of Directors of the concerned UCBs separately in the manner mentioned in Paragraph 6 above.

10. After the scheme of amalgamation is approved by the requisite majority of shareholders in accordance with the provisions of the Section 44 A read with Section 56 of the Banking Regulation Act, 1949, it shall be submitted to the concerned Regional Office / Central Office of Reserve Bank for sanction.

**CHAPTER – III A
PROCEDURE FOR APPLICATION FOR AMALGAMATION OF UCBs**

11. To enable the Reserve Bank to consider the application for sanction, the amalgamating and the amalgamated UCBs shall submit to the Reserve Bank the information and documents specified in the [Schedules A](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12043&Mode=0#S_A) & [B](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12043&Mode=0#S_B) to these Directions.

**CHAPTER III B
ENTITLEMENT OF DISSENTING SHAREHOLDERS**

12. In terms of Section 44A (3) of the Act ibid, a dissenting shareholder is entitled, in the event of the scheme being sanctioned by the Reserve Bank, to claim within 3 months from the date of sanction, from the UCB concerned, in respect of the shares held by him in that UCB, the value as per the scheme of amalgamation sanctioned by Reserve Bank. However, if certain shareholders of either of the UCBs who have subscribed to shares as linkage with borrowing have outstanding dues in respect of credit facilities availed, such shareholders will become entitled for refund of the value only after full and final settlement of his/her dues to the UCB concerned.

13. Both the amalgamated and amalgamating UCBs shall submit the details in respect of the proposed treatment of shares held by shareholders of the amalgamated bank and the rationale/detailed computations for determination of the swap ratio.

**CHAPTER IV
SANCTION OF SCHEME OF AMALGAMATION**

14. Sanction of the scheme will be through an order in writing directing the date from which the properties / assets and liabilities of the amalgamated UCB will be transferred to and vest in the amalgamating UCB and thereby, the amalgamated UCB shall stand dissolved in terms of the provisions of Sub Section 6-A of Section 44A of the Act ibid. A copy of the order directing such dissolution will be transmitted to the RCS/Central Registrar under whom the amalgamated UCB is registered as a Cooperative Society and on receipt of such order, the RCS/Central Registrar shall strike off the name of the Society from its records in terms of the provisions of Sub Section 6-B of Section 44A of the Act ibid. A copy of the order shall also be transmitted to the RCS/Central Registrar under whom the amalgamating UCB is registered as a Cooperative Society, if the amalgamated and amalgamating UCBs are registered under different cooperative society acts. In case, the amalgamating bank is a uni-state bank and becomes multi-state bank as a result of the amalgamation with a uni-state bank registered in another State, a copy of the order will also be transmitted to the Central Registrar for registration of the UCB as a multi-state UCB under the Multi-State Co-operative Societies Act, 2002 and the amalgamation shall take effect only after the said registration.

**CHAPTER – V
INCENTIVES TO AMALGAMATING UCBS**

15. The Reserve Bank will consider the following additional incentives to the amalgamating bank in case of amalgamations:

i) The amalgamating UCB may be permitted to close down the loss incurring branches (net loss for last three years) of the amalgamated UCB or merge branches of the amalgamated UCB with its own. The amalgamating bank, if need be, may be permitted to use closed / merged branch licences for opening new branches in the expanded area of operation (i.e. the area of operations of the amalgamated and amalgamating bank put together). Similarly, shifting/relocation of the branches of the amalgamated bank may be permitted within the expanded area of operation of the amalgamating bank, subject to the condition that the existing clientele is provided banking facilities through the existing/relocated branches of the amalgamating/ amalgamated bank.

ii) The amalgamating bank may be permitted to retain the facilities such as AD category I licence issued under FEMA, etc. where higher level of CRAR at 12 % is required on an on-going basis, provided it maintains the benchmark CRAR of 9% for a period as may be specified by the Reserve Bank.

iii) The minimum entry point capital prescribed for multi-state UCBs will not be insisted upon in case the amalgamating UCB becomes multi-state UCB, only on account of the amalgamated UCB being registered in a different state.

**CHAPTER – VI
REPEAL AND OTHER PROVISIONS**

16. With the issue of these Directions, the [circular PCB.Cir.36/09.169.00/04-05 dated February 2, 2005](https://rbi.org.in/Scripts/NotificationUser.aspx?Id=2631&Mode=0) on “Guidelines for Merger / Amalgamation of Urban Co-operative Banks” issued by the Reserve Bank stands repealed. Reserve Bank may, however, approve the proposals for voluntary amalgamation received before the date of issue of these directions and found viable under the aforesaid guidelines.

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12043&Mode=0>

**Annual Closing of Government Accounts – Transactions of Central / State Governments – Special Measures for the Current Financial Year (2020-21)**

**RBI/2020-21/112 DGBA.GBD.No.S212/42.01.029/2020-21 March 25, 2021**

*All Agency Banks*

All government transactions done by agency banks for Financial Year 2020-21 must be accounted for within the same financial year. Accordingly, the following arrangements are put in place to report and account for Government transactions for March 31, 2021.

2. All agency banks should keep their designated branches open for over the counter transactions related to government transactions upto the normal working hours on March 31, 2021.

3. Transactions through National Electronic Funds Transfer (NEFT) and Real Time Gross Settlement (RTGS) System will continue upto 2400 hours as hitherto on March 31, 2021.

4. Special clearing will be conducted for collection of government cheques on March 31, 2021 for which the Department of Payment and Settlement Systems (DPSS), RBI will issue necessary instructions.

5. Regarding reporting of Central and State Government transactions to RBI, including uploading of GST / e-receipts luggage files, the reporting window of March 31, 2021 will be extended and kept open till 1200 hours on April 1, 2021.

6. Agency banks may take note and give adequate publicity to the special arrangements made as above.

**Strengthening of Grievance Redress Mechanism in Banks**

**RBI/2020-21/87 CEPD.CO.PRD.Cir.No.01/13.01.013/2020-21 January 27, 2021**

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

Please refer to the ‘[Statement on Developmental and Regulatory Policies](https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=50748)’ issued as part of the [Monetary Policy statement dated December 4, 2020](https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=50747), wherein it was stated that with a view to strengthen and improve the efficacy of the grievance redress mechanism of banks and to provide better customer service it has been decided to put in place a comprehensive framework comprising certain measures.

2. Reserve Bank of India has taken various initiatives over the years for improving customer service and grievance redress mechanism in banks. Detailed guidelines on customer service were issued to banks encompassing various aspects of operations that impact customers. The Banking Ombudsman Scheme was introduced in 1995 to serve as an alternate grievance redress mechanism for customer complaints against banks. In 2019, Reserve Bank also introduced the Complaint Management System (CMS), a fully automated process-flow based platform, available 24x7 for customers to lodge their complaints with the Banking Ombudsman (BO).

3. As part of the disclosure initiative, banks were advised to disclose in their annual reports, summary information regarding the complaints handled by them; and certain disclosures were also being made in the Annual Report of the Ombudsman Schemes published by the Reserve Bank. To further strengthen grievance redress mechanisms, banks were mandated to appoint an Internal Ombudsman (IO) to function as an independent and objective authority at the apex of their grievance redress mechanism.

4. Effective grievance redress should be an integral part of the business strategy of the banks. It is, however, evident from the increasing number of complaints received in the Offices of Banking Ombudsman (OBOs), that greater attention by banks to this area is warranted. More focused attention to customer service and grievance redress will ensure satisfactory customer outcomes and greater customer confidence.

5. In view of the above, and to further strengthen the customer grievance redress mechanism in banks, it has been decided to put in place a comprehensive framework comprising of, inter-alia, enhanced disclosures by banks on customer complaints, recovery of cost of redress from banks for the maintainable complaints received against them in OBOs in excess of the peer group average, and undertaking intensive review of the grievance redress mechanism and supervisory action against banks that fail to improve their redress mechanism in a time bound manner. Details of the framework are provided in the [Annex](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12017&Mode=0#AN1).

6. The framework will come into effect from the date of the circular.

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12017&Mode=0>

**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>

**Booklet on Payment Systems in India 25 Jan 2021**

The Reserve Bank today released the [Booklet on Payment Systems](https://www.rbi.org.in/Scripts/OccasionalPublications.aspx?head=Payment%20Systems%20in%20India%20-%20Booklet) covering the journey of Payment and Settlement Systems in India during the second decade of the millennium, viz., from the beginning of 2010 till the end of 2020.

This Booklet captures the transformation of India in the sphere of payment and settlement systems and describes, inter-alia, the legal and regulatory environment underpinning the digital payments systems, various enablers, payment options available to consumers, extent of adoption, etc. during 2010 to 2020.

Reserve Bank had earlier come out with Booklets on Payment Systems in the years 1998 and 2008. This third Booklet in the series is expected to serve as a reference document for those interested in knowing more about payment system developments in the country.

<https://rbidocs.rbi.org.in/rdocs/Publications/PDFs/PSSBOOKLET93D3AEFDEAF14044BC1BB36662C41A8C.PDF>

**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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