**Principles & Practices of Banking**

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

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

*The Chairman/ Managing Director/Chief Executive Officer, All Commercial Banks  
(including Small Finance Banks, Local Area Banks and Regional Rural Banks) All Primary (Urban) Co-operative Banks/State Co-operative Banks / District Central Co-operative Banks  
All-India Financial Institutions All Non-Banking Financial Companies*

Please refer to the [circular FIDD.MSME & NFS.BC.No.4/06.02.31/2020-21 dated August 21, 2020](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11951&Mode=0) on ‘New Definition of Micro, Small and Medium Enterprises –clarifications’.

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

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

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

4. All other provisions of the circular remain unchanged.

**2. Reserve Bank of India (Call, Notice and Term Money Markets) Directions, 2021**

**RBI/2021-22/61FMRD.DIRD.06/14.01.001/2021-22 June 25, 2021**

*All Eligible Market Participants*

Please refer to the Master Direction – Reserve Bank of India (Call, Notice and Term Money Markets) Directions, 2021 dated April 01, 2021 (hereinafter referred as ‘Master Directions’).

2. On a review based on representations received, the prudential borrowing limits for transactions in Call, Notice and Term Money Markets have been revised. Accordingly, in Part 4 (b) of the Master Directions, Table 1 is being revised as under:

|  |  |  |
| --- | --- | --- |
| **Table 1: Prudential limits for outstanding borrowing transactions in Call, Notice and Term Money Markets** | | |
| **Sr. No.** | **Participant Category** | **Prudential Limit** |
| 1 | Scheduled Commercial Banks (including Small Finance Banks) | **Call and Notice Money:**  (i) 100% of capital funds, on a daily average basis in a reporting fortnight, and  (ii) 125% of capital funds on any given day.  **Term Money:**  (i) Internal board approved limit within the prudential limits for inter-bank liabilities. |
| 2 | Payment Banks and Regional Rural Banks | **Call, Notice and Term Money:**  (i) 100% of capital funds, on a daily average basis in a reporting fortnight, and  (ii) 125% of capital funds on any given day. |
| 3 | Co-operative Banks | **Call, Notice and Term Money:**  (i) 2.0% of aggregate deposits as at the end of the previous financial year. |
| 4 | Primary Dealers | **Call and Notice Money:**  (i) 225% of Net Owned Fund (NOF) as at the end of the previous financial year on a daily average basis in a reporting fortnight.  **Term Money:**  (i) 225% of Net Owned Fund (NOF) as at the end of the previous financial year. |

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

4. These changes shall be applicable with immediate effect.

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12120&Mode=0>

**3. Liberalised Remittance Scheme for Resident Individuals – Reporting**

**RBI/2021-22/56 A. P. (DIR Series) Circular No. 07 June 17, 2021**

*All Category - I Authorised Dealer Banks*

Attention of all Authorised Dealer Category - I (AD Category - I) banks is invited to [A. P. (DIR Series) Circular No. 106 dated May 23, 2013](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=7992&Mode=0), in terms of which, AD Category -I banks were required to upload the data in respect of number of applications received and the total amount remitted under the Liberalised Remittance Scheme (the Scheme) on Online Return Filing System (ORFS).

2. It has now been decided to collect this information through XBRL system instead of the ORFS.

3. Accordingly, AD Category – I banks shall upload the requisite information on XBRL system on or before the fifth of the succeeding month from July 01, 2021 onwards. The XBRL site can be accessed through URL <https://xbrl.rbi.org.in/orfsxbrl>. User ids are being issued separately. In case no data is to be furnished, AD banks shall upload ‘nil’ figures.

4. The directions contained in this circular have been issued under Sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and are without prejudice to permissions / approvals, if any, required under any other law.

**4. Bharat Bill Payment System – Addition of Biller Category**

RBI/2021-22/54  
CO.DPSS.POLC.No.S188/02-27-020/2021-2022

June 14, 2021

The Chairman and Managing Director / Chief Executive Officer  
Scheduled Commercial Banks including RRBs /  
Urban Co-operative Banks / State Co-operative Banks /  
District Central Co-operative Banks / Payment Banks / Small Finance Banks /  
NPCI Bharat BillPay Ltd. / Bharat Bill Payment System Providers /  
System Participants and prospective Bharat Bill Payment Operating Units

Madam / Dear Sir,

**Bharat Bill Payment System – Addition of Biller Category**

This has reference to the guidelines on Bharat Bill Payment System (BBPS) issued by the Reserve Bank of India vide [circular DPSS.CO.PD.No.940/02.27.020/2014-2015 on November 28, 2014](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=9368&Mode=0). BBPS, started as an interoperable platform for repetitive bill payments, which covered bills of five categories viz. Direct to Home (DTH), Electricity, Gas, Telecom and Water. The system provided standardised bill payment experience, centralised customer grievance redressal mechanism, prescribed customer convenience fee and ensured availability of a bouquet of anytime, anywhere digital payment options. The scope and coverage of BBPS was expanded vide [circular DPSS.CO.PD.No.605/02.27.020/2019-20 dated September 16, 2019](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11686&Mode=0) to include all categories of billers which raise recurring bills (except mobile prepaid recharges) as eligible participants, on a voluntary basis.

2. With consistent growth in different biller categories and to facilitate mobile prepaid customers with more options to recharge, it has been decided to permit ‘mobile prepaid recharges’ as a biller category in BBPS, on a voluntary basis. This will be implemented on or before August 31, 2021.

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

Yours faithfully,

(P. Vasudevan)  
Chief General Manager

**5. Usage of Automated Teller Machines / Cash Recycler Machines – Review of Interchange Fee and Customer Charges**

**RBI/2021-22/52DPSS.CO.OD.No.S-182/06.07.011/2021-22 June 10, 2021**

*The Chairman and Managing Director / Chief Executive Officer, All Scheduled Commercial Banks including RRBs / Urban Co-operative Banks / State Co-operative Banks / District Central Co-operative Banks / Authorised ATM Network Operators / Card Payment Network Operators / White Label ATM Operators*

The Reserve Bank of India had constituted a Committee in [June 2019](https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=47270) under the Chairmanship of the Chief Executive, Indian Banks’ Association to review the entire gamut of Automated Teller Machine (ATM) charges and fees with particular focus on interchange structure for ATM transactions.

2. The recommendations of the Committee have been comprehensively examined. It is also observed that the last change in interchange fee structure for ATM transactions was in August 2012, while the charges payable by customers were last revised in August 2014. A substantial time has thus elapsed since these fees were last changed. Accordingly, given the increasing cost of ATM deployment and expenses towards ATM maintenance incurred by banks / white label ATM operators, as also considering the need to balance expectations of stakeholder entities and customer convenience, it has been decided as under :

1. Allow increase in interchange fee per transaction from ₹15 to ₹17 for financial transactions and from ₹5 to ₹6 for non-financial transactions in all centres. This shall be effective from August 1, 2021.
2. Customers are eligible for five free transactions (inclusive of financial and non-financial transactions) every month from their own bank ATMs. They are also eligible for free transactions (inclusive of financial and non-financial transactions) from other bank ATMs viz. three transactions in metro centres and five transactions in non-metro centres. Beyond the free transactions, the ceiling / cap on customer charges is ₹20 per transaction, as prescribed vide [circular DPSS.CO.PD.No.316/02.10.002/2014-2015 dated August 14, 2014](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=9170&Mode=0). To compensate the banks for the higher interchange fee and given the general escalation in costs, they are allowed to increase the customer charges to ₹21 per transaction. This increase shall be effective from January 1, 2022.
3. Applicable taxes, if any, shall be additionally payable.
4. These instructions shall also apply, mutatis mutandis, to transactions done at Cash Recycler Machines (other than for cash deposit transactions).

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

**6. Preservation of CCTV recordings**

**RBI/2021-22/51 DCM(Plg).No. 51961/10.27.00/2021-22 June 8, 2021**

*The Chairman & Managing Director, Chief Executive Officers  
All Banks*

Please refer to our [circular DCM (Plg) No. 1712/10.27.00/2016-17 dated December 13, 2016](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=10775&Mode=0) wherein the banks were advised to preserve the CCTV recordings of operations at bank branches and currency chests for the period from November 08, 2016 to December 30, 2016, until further instructions, to facilitate coordinated and effective action by the enforcement agencies in dealing with matters relating to illegal accumulation of new currency notes.

2. In continuation to the above, keeping in view the investigations pending with law enforcement agencies, proceedings pending at various courts, you are advised to preserve the CCTV recordings of operations at bank branches and currency chests for the period from November 08, 2016 to December 30, 2016 in a proper way, till further orders.

**7. 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>

**8. 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.

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

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

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

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

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

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

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

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

4. All other provisions of the circular remain unchanged.

**10. Customer Due Diligence for transactions in Virtual Currencies (VC)**

**RBI/2021-22/45 DOR. AML.REC 18 /14.01.001/2021-22 May 31, 2021**

*All Commercial and Co-operative Banks / Payments Banks/ Small Finance Banks /  
NBFCs / Payment System Providers*

It has come to our attention through media reports that certain banks/ regulated entities have cautioned their customers against dealing in virtual currencies by making a reference to the [RBI circular DBR.No.BP.BC.104/08.13.102/2017-18 dated April 06, 2018](https://www.rbi.org.in/scripts/FS_Notification.aspx?Id=11243&fn=2&Mode=0). Such references to the above circular by banks/ regulated entities are not in order as this  circular was set aside by the Hon’ble Supreme Court on March 04, 2020 in the matter of Writ Petition (Civil) No.528 of 2018 (Internet and Mobile Association of India v. Reserve Bank of India). As such, in view of the order of the Hon’ble Supreme Court, the circular is no longer valid from the date of the Supreme Court judgement, and therefore cannot be cited or quoted from.

2. Banks, as well as other entities addressed above, may, however, continue to carry out customer due diligence processes in line with regulations governing standards for Know Your Customer (KYC), Anti-Money Laundering (AML), Combating of Financing of Terrorism (CFT) and obligations of regulated entities under Prevention of Money Laundering Act, (PMLA), 2002 in addition to ensuring compliance with relevant provisions under Foreign Exchange Management Act (FEMA) for overseas remittances.

**11. 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

Dear Sir/ Madam,

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

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

Yours faithfully

(Neeraj Nigam)  
Chief General Manager in Charge

**12. Prepaid Payment Instruments (PPIs) – (i) Mandating Interoperability; (ii) Increasing the Limit to ₹2 lakh for Full-KYC PPIs; and (iii) Permitting Cash Withdrawal from Full-KYC PPIs of Non-Bank PPI Issuers**

**RBI/2021-22/40 DPSS.CO.PD.No.S-99/02.14.006/2021-22 May 19, 2021**

*All Bank and Non-Bank Prepaid Payment Instrument Issuers, System Providers and System Participants*

This has reference to paragraphs 10 and 11 of the [Statement on Developmental and Regulatory Policies dated April 07, 2021](https://rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=51382) wherein it was announced that (a) PPI interoperability shall be made mandatory, (b) the limit for full-KYC PPIs shall be increased from ₹1 lakh to ₹2 lakh, and (c) cash withdrawal shall be permitted using full-KYC PPIs of non-bank PPI issuers.

2. A reference is also invited to the [Master Direction DPSS.CO.PD.No.1164/02.14.006/2017-18 dated October 11, 2017](https://rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=11142) on Issuance and Operation of PPIs (as amended from time to time) and [Circular DPSS.CO.PD.No.808/02.14.006/2018-19 dated October 16, 2018](https://rbi.org.in/Scripts/NotificationUser.aspx?Id=11393&Mode=0) on PPIs – Guidelines for Interoperability.

3. Accordingly, the following are advised –

1. It shall be mandatory for PPI issuers to give the holders of full-KYC PPIs (KYC-compliant PPIs) interoperability through authorised card networks (for PPIs in the form of cards) and UPI (for PPIs in the form of electronic wallets);
2. Interoperability shall be mandatory on the acceptance side as well;
3. The interoperability shall be enabled by March 31, 2022; and
4. PPIs for Mass Transit Systems (PPI-MTS) shall remain exempted from interoperability while Gift PPI issuers have the option to offer interoperability.

4. The maximum amount outstanding in respect of full-KYC PPIs (KYC-compliant PPIs) has been increased from ₹1 lakh to ₹2 lakh. All other conditions mentioned under paragraphs 9.1 (ii) and 9.2 of the [Master Direction on PPIs dated October 11, 2017](https://rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=11142) shall continue to be applicable.

5. The feature of cash withdrawal shall be permitted in respect of full-KYC PPIs issued by non-bank PPI issuers as well. The following conditions shall, however, be applicable –

1. Maximum limit of ₹2,000 per transaction with an overall limit of ₹10,000 per month per PPI;
2. All cash withdrawal transactions performed using a card / wallet, shall be authenticated by an Additional Factor of Authentication (AFA) / PIN;
3. Any PPI issuer offering this facility shall put in place proper customer redressal mechanisms. Complaints in this regard shall fall under the ambit of the respective ombudsmen schemes and instructions on limiting liability of customers; and
4. PPI issuers shall put in place suitable cooling period for cash withdrawal upon opening the PPIs or loading / re-loading of funds into PPIs to mitigate the risk of fraudulent use of PPIs.

6. The cash withdrawal limit from Points of Sale (PoS) terminals using debit cards and open system prepaid cards issued by banks in India advised vide [circular DPSS.CO.PD.No.449/02.14.003/2015-16 dated August 27, 2015](https://rbi.org.in/Scripts/NotificationUser.aspx?Id=10004&Mode=0) has also been rationalised to ₹2,000 per transaction within an overall monthly limit of ₹10,000 across all locations (Tier 1 to 6 centres). The requirement of submission of data to RBI mentioned at paragraph 6 of the circular has been dispensed with. All other provisions shall, however, continue to be applicable.

7. The [Master Direction on Issuance and Operation of PPIs dated October 11, 2017](https://rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=11142) (as amended from time to time) is being modified to reflect the above.

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

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12094&Mode=0>

**13. Government Agency Business Arrangement – Appointment of Scheduled Private Sector Banks as Agency Banks of Reserve Bank of India (RBI)**

**RBI/2021-22/36 CO.DGBA.GBD.No.S77/42.01.033/2021-22 May 10, 2021**

*All Scheduled Commercial Banks in India*

Please refer to RBI Circular RBI/2011-2012/377; DGBA.GAD.No.H-5029/42.01.033/2011-12 dated January 31, 2012 on the captioned subject.

2. In this regard it is informed that the embargo put in place from September 2012 by Department of Financial Services (DFS), Ministry of Finance (MoF) on further allocation of Government business to private sector banks has since been lifted by them vide their communication dated February 24, 2021.

3. Based on the above developments, the existing guidelines on appointment of Scheduled Private Sector Banks as Agency Banks of RBI have been reviewed and the revised guidelines/framework for authorising Scheduled Private Sector Banks as agency banks of RBI for conduct of government business attracting agency commission are as follows:

(i) For existing Private Sector Agency Banks (already having agency banking agreement with RBI):

(a) Such existing private Sector Agency bank with whom RBI already has agency banking agreement and who are authorized to do government agency business for Civil/Non-Civil Ministry/Department (for Central Government) or concerned department of a State Government (for State Government) may continue to do these government agency business for Central and/or State Governments without taking any fresh approval from RBI.

(b) For the purpose of undertaking fresh/additional government agency business by these existing private sector agency banks, after obtaining approval from O/o CGA (for Central Government) or the Finance Department of the State Government (for State Government) they need to obtain approval from DGBA, CO as per the Circular no. RBI/2011-2012/377; DGBA.GAD.No.H-5029/42.01.033/2011-12 dated January 31, 2012.

(ii) For other private sector banks (not having agency banking agreement with RBI)

Scheduled private sector banks, not having agency banking agreement with RBI, but intend to handle Government agency business, may be appointed as agents of RBI upon execution of an agreement with RBI. This will be subject to the condition that the concerned bank is not under Prompt Corrective Action (PCA) framework or moratorium at the time of making the application or signing of the agreement with RBI.

(iii) The choice of accrediting an agency bank (including scheduled private sector agency bank) for any particular government agency business rests solely with the concerned Central Government Departments /State Governments. Further, Government Departments /State Governments have the option to discontinue the arrangement after giving notice to the concerned agency banks, keeping RBI informed.

(iv) The procedure to be followed to accredit an agency bank (including scheduled private sector agency bank) will be as under:

For Central Government/Union Territory business: For Central Government/Union Territory business, the concerned Civil/Non-Civil Ministry/Department may work out the arrangement with the agency bank and send the proposal of accreditation of the agency bank/providing new/additional government agency business to the O/o CGA for examination. The O/o CGA will forward their recommendation on the proposal to DGBA CO and on consideration, RBI will formally authorise the agency bank as accredited bank/ for providing the new/additional government agency business to the concerned Civil/ Non-civil Ministry/Department.

For State Government business: The concerned Department of the State Government may work out the arrangement and approach the Finance Department of the State Government which will recommend the proposal for accreditation of the agency bank/providing new/additional government agency business to the concerned Regional Director of RBI, who will forward the case with his/her comments to the DGBA, CO for approval and further action. On consideration, RBI will formally authorise the agency bank as accredited bank/for providing the new/additional government agency business to the concerned State Government.

(v) Once RBI authorises a bank for any Government business, separate approval from RBI with regard to mode (physical or e-mode) and area of operations is not required and the same will be decided by the O/o CGA (for Central Government) or the Finance Department of the State Government, keeping RBI informed in the matter.

(vi) It may please be noted that performance of the agency banks, on a matrix of various Government initiatives and Schemes, may be reviewed from time to time by the Government in consultation with RBI based on which the permission given to the concerned bank to undertake Government business could be potentially withdrawn.

4. The revised guidelines come into effect from the date of the circular.

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12090&Mode=0>

**14. Amendment to the Master Direction (MD) on KYC**

**RBI/2021-22/35 DOR.AML.REC.No.15/14.01.001/2021-22 May 10, 2021**

*The Chairpersons/ CEOs of all the Regulated Entities*

Please refer to the Master Direction (MD) on KYC dated February 25, 2016, as amended from time to time, in terms of which Regulated Entities (REs) have to undertake Customer Due Diligence (CDD) while dealing with the customers as per the process laid out therein.

2. In this regard, on a review, it has been decided to amend the MD on KYC to further leverage the Video based Customer Identification Process (V-CIP) and to simplify and rationalise the process of periodic updation of KYC. The amended provisions read as under:

I. V-CIP:

Clause (xx) of Section 3: Amended Definition of V-CIP:

Video based Customer Identification Process (V-CIP) is an alternate method of customer identification with facial recognition and customer due diligence by an authorised official of the RE by undertaking seamless, secure, live, informed-consent based audio-visual interaction with the customer to obtain identification information required for CDD purpose, and to ascertain the veracity of the information furnished by the customer through independent verification and maintaining audit trail of the process. Such processes complying with prescribed standards and procedures shall be treated on par with face-to-face CIP for the purpose of this Master Direction.

Clause (v) of Section 17:

v. Accounts, both deposit and borrowal, opened using OTP based e-KYC shall not be allowed for more than one year unless identification as per Section 16 or as per Section 18 (V-CIP) is carried out, If Aadhaar details are used under Section 18, the process shall be followed in its entirety including fresh Aadhaar OTP authentication.

Amended Section 18 on V-CIP:

REs may undertake V-CIP to carry out:

CDD in case of new customer on-boarding for individual customers, proprietor in case of proprietorship firm, authorised signatories and Beneficial Owners (BOs) in case of Legal Entity (LE) customers.

Provided that in case of CDD of a proprietorship firm, REs shall also obtain the equivalent e-document of the activity proofs with respect to the proprietorship firm, as mentioned in Section 28, apart from undertaking CDD of the proprietor.

Conversion of existing accounts opened in non-face to face mode using Aadhaar OTP based e-KYC authentication as per Section 17.

Updation/Periodic updation of KYC for eligible customers.

REs opting to undertake V-CIP, shall adhere to the following minimum standards:

(a) V-CIP Infrastructure

(i) The RE should have complied with the RBI guidelines on minimum baseline cyber security and resilience framework for banks, as updated from time to time as well as other general guidelines on IT risks. The technology infrastructure should be housed in own premises of the RE and the V-CIP connection and interaction shall necessarily originate from its own secured network domain. Any technology related outsourcing for the process should be compliant with relevant RBI guidelines.

(ii) The RE shall ensure end-to-end encryption of data between customer device and the hosting point of the V-CIP application, as per appropriate encryption standards. The customer consent should be recorded in an auditable and alteration proof manner.

(iii) The V-CIP infrastructure / application should be capable of preventing connection from IP addresses outside India or from spoofed IP addresses.

(iv) The video recordings should contain the live GPS co-ordinates (geo-tagging) of the customer undertaking the V-CIP and date-time stamp. The quality of the live video in the V-CIP shall be adequate to allow identification of the customer beyond doubt.

(v) The application shall have components with face liveness / spoof detection as well as face matching technology with high degree of accuracy, even though the ultimate responsibility of any customer identification rests with the RE. Appropriate artificial intelligence (AI) technology can be used to ensure that the V-CIP is robust.

(vi) Based on experience of detected / attempted / ‘near-miss’ cases of forged identity, the technology infrastructure including application software as well as work flows shall be regularly upgraded. Any detected case of forged identity through V-CIP shall be reported as a cyber security event under extant regulatory guidelines.

(vii) The V-CIP infrastructure shall undergo necessary tests such as Vulnerability Assessment, Penetration testing and a Security Audit to ensure its robustness and end-to-end encryption capabilities. Any critical gap reported under this process shall be mitigated before rolling out its implementation. Such tests should be conducted by suitably accredited agencies as prescribed by RBI. Such tests should also be carried out periodically in conformance to internal / regulatory guidelines.

(viii) The V-CIP application software and relevant APIs / webservices shall also undergo appropriate testing of functional, performance, maintenance strength before being used in live environment. Only after closure of any critical gap found during such tests, the application should be rolled out. Such tests shall also be carried out periodically in conformity with internal/ regulatory guidelines.

(b) V-CIP Procedure

(i) Each RE shall formulate a clear work flow and standard operating procedure for V-CIP and ensure adherence to it. The V-CIP process shall be operated only by officials of the RE specially trained for this purpose. The official should be capable to carry out liveliness check and detect any other fraudulent manipulation or suspicious conduct of the customer and act upon it.

(ii) If there is a disruption in the V-CIP procedure, the same should be aborted and a fresh session initiated.

(iii) The sequence and/or type of questions, including those indicating the liveness of the interaction, during video interactions shall be varied in order to establish that the interactions are real-time and not pre-recorded.

(iv) Any prompting, observed at end of customer shall lead to rejection of the account opening process.

(v) The fact of the V-CIP customer being an existing or new customer, or if it relates to a case rejected earlier or if the name appearing in some negative list should be factored in at appropriate stage of work flow.

(vi) The authorised official of the RE performing the V-CIP shall record audio-video as well as capture photograph of the customer present for identification and obtain the identification information using any one of the following:

OTP based Aadhaar e-KYC authentication

Offline Verification of Aadhaar for identification

KYC records downloaded from CKYCR, in accordance with Section 56, using the KYC identifier provided by the customer

Equivalent e-document of Officially Valid Documents (OVDs) including documents issued through DigiLocker

RE shall ensure to redact or blackout the Aadhaar number in terms of Section 16.

In case of offline verification of Aadhaar using XML file or Aadhaar Secure QR Code, it shall be ensured that the XML file or QR code generation date is not older than 3 days from the date of carrying out V-CIP.

Further, in line with the prescribed period of three days for usage of Aadhaar XML file / Aadhaar QR code, REs shall ensure that the video process of the V-CIP is undertaken within three days of downloading / obtaining the identification information through CKYCR / Aadhaar authentication / equivalent e-document, if in the rare cases, the entire process cannot be completed at one go or seamlessly. However, REs shall ensure that no incremental risk is added due to this.

(vii) If the address of the customer is different from that indicated in the OVD, suitable records of the current address shall be captured, as per the existing requirement. It shall be ensured that the economic and financial profile/information submitted by the customer is also confirmed from the customer undertaking the V-CIP in a suitable manner.

(viii) RE shall capture a clear image of PAN card to be displayed by the customer during the process, except in cases where e-PAN is provided by the customer. The PAN details shall be verified from the database of the issuing authority including through DigiLocker.

(ix) Use of printed copy of equivalent e-document including e-PAN is not valid for the V-CIP.

(x) The authorised official of the RE shall ensure that photograph of the customer in the Aadhaar/OVD and PAN/e-PAN matches with the customer undertaking the V-CIP and the identification details in Aadhaar/OVD and PAN/e-PAN shall match with the details provided by the customer.

(xi) Assisted V-CIP shall be permissible when banks take help of Banking Correspondents (BCs) facilitating the process only at the customer end. Banks shall maintain the details of the BC assisting the customer, where services of BCs are utilized. The ultimate responsibility for customer due diligence will be with the bank.

(xii) All accounts opened through V-CIP shall be made operational only after being subject to concurrent audit, to ensure the integrity of process and its acceptability of the outcome.

(xiii) All matters not specified under the paragraph but required under other statutes such as the Information Technology (IT) Act shall be appropriately complied with by the RE.

(c) V-CIP Records and Data Management

(i) The entire data and recordings of V-CIP shall be stored in a system / systems located in India. REs shall ensure that the video recording is stored in a safe and secure manner and bears the date and time stamp that affords easy historical data search. The extant instructions on record management, as stipulated in this MD, shall also be applicable for V-CIP.

(ii) The activity log along with the credentials of the official performing the V-CIP shall be preserved.

II. Periodic updation of KYC:

Amended Section 38:

REs shall adopt a risk-based approach for periodic updation of KYC. However, periodic updation shall be carried out at least once in every two years for high risk customers, once in every eight years for medium risk customers and once in every ten years for low risk customers from the date of opening of the account / last KYC updation. Policy in this regard shall be documented as part of REs’ internal KYC policy duly approved by the Board of Directors of REs or any committee of the Board to which power has been delegated.

i. Individual Customers:

No change in KYC information: In case of no change in the KYC information, a self-declaration from the customer in this regard shall be obtained through customer’s email-id registered with the RE, customer’s mobile number registered with the RE, ATMs, digital channels (such as online banking / internet banking, mobile application of RE), letter etc.

Change in address: In case of a change only in the address details of the customer, a self-declaration of the new address shall be obtained from the customer through customer’s email-id registered with the RE, customer’s mobile number registered with the RE, ATMs, digital channels (such as online banking / internet banking, mobile application of RE), letter etc., and the declared address shall be verified through positive confirmation within two months, by means such as address verification letter, contact point verification, deliverables etc.

Further, REs, at their option, may obtain a copy of OVD or deemed OVD or the equivalent e-documents thereof, as defined in Section 3(a)(xiii), for the purpose of proof of address, declared by the customer at the time of periodic updation. Such requirement, however, shall be clearly specified by the REs in their internal KYC policy duly approved by the Board of Directors of REs or any committee of the Board to which power has been delegated.

Accounts of customers who were minor at the time of opening account on their becoming major: In case of customers for whom account was opened when they were minor, fresh photographs shall be obtained on their becoming a major and at that time it shall be ensured that CDD documents as per the current CDD standards are available with the REs. Wherever required, REs may carry out fresh KYC of such customers i.e. customers for whom account was opened when they were minor, on their becoming a major.

ii. Customers other than individuals:

No change in KYC information: In case of no change in the KYC information of the LE customer, a self-declaration in this regard shall be obtained from the LE customer through its email id registered with the RE, ATMs, digital channels (such as online banking / internet banking, mobile application of RE), letter from an official authorized by the LE in this regard, board resolution etc. Further, REs shall ensure during this process that Beneficial Ownership (BO) information available with them is accurate and shall update the same, if required, to keep it as up-to-date as possible.

Change in KYC information: In case of change in KYC information, RE shall undertake the KYC process equivalent to that applicable for on-boarding a new LE customer.

iii. Additional measures: In addition to the above, REs shall ensure that -

The KYC documents of the customer as per the current CDD standards are available with them. This is applicable even if there is no change in customer information but the documents available with the RE are not as per the current CDD standards. Further, in case the validity of the CDD documents available with the RE has expired at the time of periodic updation of KYC, RE shall undertake the KYC process equivalent to that applicable for on-boarding a new customer.

Customer’s PAN details, if available with the RE, is verified from the database of the issuing authority at the time of periodic updation of KYC.

An acknowledgment is provided to the customer mentioning the date of receipt of the relevant document(s), including self-declaration from the customer, for carrying out periodic updation. Further, it shall be ensured that the information / documents obtained from the customers at the time of periodic updation of KYC are promptly updated in the records / database of the REs and an intimation, mentioning the date of updation of KYC details, is provided to the customer.

In order to ensure customer convenience, REs may consider making available the facility of periodic updation of KYC at any branch, in terms of their internal KYC policy duly approved by the Board of Directors of REs or any committee of the Board to which power has been delegated.

REs shall adopt a risk-based approach with respect to periodic updation of KYC. Any additional and exceptional measures, which otherwise are not mandated under the above instructions, adopted by the REs such as requirement of obtaining recent photograph, requirement of physical presence of the customer, requirement of periodic updation of KYC only in the branch of the RE where account is maintained, a more frequent periodicity of KYC updation than the minimum specified periodicity etc., shall be clearly specified in the internal KYC policy duly approved by the Board of Directors of REs or any committee of the Board to which power has been delegated.

REs shall ensure that their internal KYC policy and processes on updation / periodic updation of KYC are transparent and adverse actions against the customers should be avoided, unless warranted by specific regulatory requirements.

3. Accordingly, the relevant Sections of the MD on KYC are hereby amended to reflect the aforementioned changes. The amended provisions shall come into force with immediate effect.

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12089&Mode=0>

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

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

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

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

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

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

(ii) The borrowing entity is GST-registered on the date of implementation of the restructuring. However, this condition will not apply to MSMEs that are exempt from GST-registration. This shall be determined on the basis of exemption limit obtaining as on March 31, 2021.

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

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

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

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

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

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

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

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

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

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

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

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

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

**16. 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>

**17. 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.

**18. 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.

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

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

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

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

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

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

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

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

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

*To Commercial Banks (as per applicability)*

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

**Applicability**

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

**Chair and meetings of the Board**

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

**Committees of the Board**

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

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

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

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

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

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

**Age and tenure of NEDs**

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

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

**Remuneration of NEDs**

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

**Tenure of MD&CEO and WTDs**

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

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

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

**Transition Arrangement**

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

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

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

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

**21. Enhancement of limit of maximum balance per customer at end of the day from ₹1 lakh to ₹2 lakh – Payments Banks (PBs)**

**RBI/2021-22/20 DoR.LIC.REC.5/16.13.218/2021-22 April 8, 2021**

*Chief Executive Officers of Payments Banks*

Please refer to paragraph 3 of [Statement on Developmental and Regulatory Policies dated April 7, 2021](https://rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=51382) on the above subject.

2. In terms of paragraph 4(i) of the ‘[Guidelines for Licensing of Payments Banks’ (Licensing Guidelines) dated November 27, 2014](https://rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=32615), PBs were restricted to hold a maximum balance of ₹1 lakh per individual customer at the end of the day. It was also indicated in the guidelines that after gauging the performance of the PBs, RBI may consider increasing the maximum balance limit.

3. Considering the progress made by PBs in furthering financial inclusion and with the objective of giving more flexibility to the PBs, it has been decided to enhance the limit of maximum balance at the end of the day from ₹1 lakh to ₹2 lakh per individual customer of PBs with immediate effect.

4. The other terms and conditions of the Licensing Guidelines remain unchanged.

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12074&Mode=0>

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

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

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

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

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

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

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

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

**II. Asset Classification**

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

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

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

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

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

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

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

*The Chairman / Managing Director/ Chief Executive Officer, [All Commercial Banks including Regional Rural Banks, Small Finance Banks, Local Area Banks and Primary (Urban) Co-operative Banks other than Salary Earners’ Banks]*

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

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

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

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

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

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

*The Chairman / Managing Director/ Chief Executive Officer, [All Commercial Banks including Regional Rural Banks, Small Finance Banks, Local Area Banks and Primary (Urban) Co-operative Banks other than Salary Earners’ Banks]*

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

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

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

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

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

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

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

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

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

**25. Gold Monetization Scheme (GMS), 2015**

RBI/2021-22/13  
DoR.AUT.REC.2/23.67.001/2021-22

April 5, 2021

All Scheduled Commercial Banks  
(excluding Regional Rural Banks)

Dear Sir/Madam

**Gold Monetization Scheme (GMS), 2015**

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

2. A new sub-paragraph 1.3 (iii) has been inserted to read as follows:

“GMS Mobilisation, Collection & Testing Agent (GMCTA) - Jewellers/Refiners certified as CPTCs by BIS and meeting additional eligibility conditions set by IBA will be recognised as GMCTA by designated banks.”

3. The existing sub-paragraph 2.1.1 (iii) has been amended to read as follows:

“The Principal on STBD and MLTGD shall be denominated in gold. However, the interest on STBD and MLTGD shall be calculated in Indian Rupees with reference to the value of gold at the time of deposit.”

4. The existing sub-paragraph 2.1.1 (v) has been amended to read as follows:

“All deposits under the scheme shall be made at the CPTC/GMCTA. Provided that, at their discretion, banks may accept the deposit of gold at the designated branches, especially from the larger depositors. Banks shall have a Board approved policy to identify the branches that can accept the deposits under the scheme. The policy shall inter-alia cover the processes involved in the identification of such branches and skill development of the dealing employees. The policy shall also identify the minimum number of branches as designated branches in every State/UT where the bank has a presence. Provided further that banks may, at their discretion, also allow the depositors to deposit their gold directly with the refiners that have facilities to carry out final assaying and to issue the deposit receipts of the standard gold of 995 fineness to the depositor.”

5. The existing sub-paragraph 2.1.1 (viii) has been amended to read as follows:

“On the day the gold deposited under the scheme starts accruing interest, the designated banks shall translate the gold liabilities and assets in Indian Rupees by crossing the London AM fixing for Gold / USD rate with the Rupee-US Dollar reference rate announced by Financial Benchmarks India Private Limited (FBIL) on that day. The prevalent custom duty for import of gold will be added to the above value to arrive at the final value of gold. This approach will also be followed for valuation of gold at any subsequent valuation dates and for the conversion of gold into Indian Rupees under the Scheme.”

6. The existing sub-paragraph 2.1.1 (ix) has been amended to read as follows:

“Designated banks shall inform the RBI of their decision to participate in the Scheme as soon as the policy to implement the scheme is approved by their Board. They shall also report to the RBI the gold mobilized under the scheme by all branches in a consolidated manner on a monthly basis as per the format given in the Annex-2. Designated banks shall furnish the statement giving details of redemption due in next three months, as per format given in the Annex-3. The information in Annex 2 and 3 shall be furnished to Department of Regulation, Reserve Bank of India, Mumbai by 7th day of the month.”

7. The existing sub-paragraph 2.1.2 (i) has been amended to read as follows:

“The minimum deposit at any one time shall be 10 grams of raw gold (bars, coins, jewellery excluding stones and other metals). There is no maximum limit for deposit under the Scheme.”

8. The existing sub-paragraph 2.2.1 (iii) has been amended to read as follows:

“The deposit will attract CRR and SLR requirements as per applicable instructions of RBI from the date of credit of the amount to the deposit account. However, the stock of gold held by banks in their books will be an eligible asset for meeting the SLR requirement in terms of [RBI Master Circular - Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR) dated 1 July 2015](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=9905&Mode=0). Further, borrowing of gold by designated banks (from gold mobilised under STBD by other designated banks) will be treated as interbank liabilities and hence exempted from CRR and SLR.”

9. The existing sub-paragraph 2.2.1 (vi) has been amended to read as follows:

“From the date of issue of this circular, interest in respect of STBD shall be denominated and paid in Indian Rupee only. Redemption of principal at maturity will, at the option of depositor, be either in Indian Rupee equivalent of the deposited gold based on the prevailing price of gold at the time of redemption, or in gold. The option in this regard shall be obtained in writing from the depositor at the time of making the deposit and shall be irrevocable. Any premature redemption shall be in Indian Rupee equivalent or gold at the discretion of the designated banks. All STBDs made prior to the issue of this circular will continue to be governed by their existing terms and conditions”

10. The existing sub-paragraph 2.2.2 (vii) stands deleted

“Reserve Bank of India will maintain the Gold Deposit Accounts denominated in gold in the name of the designated banks that will in turn hold sub-accounts of individual depositors.”

11. The new sub-paragraph 2.4 (iii) has been inserted to read as follows:

“The designated banks shall take steps to enter into agreement with sufficient number of CPTCs.”

12. The new paragraph 2.5 on GMS Mobilisation, Collection & Testing Agent (GMCTA) has been inserted to read as follows:

i. Jewellers/Refiners certified as CPTCs by BIS and meeting additional eligibility conditions set by IBA may be recognised by designated banks as GMCTA.

ii. Jewellers or refiners functioning as GMCTA shall assay and refine gold received from depositors; undertake vaulting and movement of refined gold to banks as per bi-partite agreement with the designated banks.

iii. As GMCTAs will carry out functions of CPTC, the instructions applicable to CPTCs as mentioned at para 2.4 above shall also be applicable to GMCTA.

iv. The designated banks shall pay a maximum of 1.5% as incentive/handling charges to the gold handling/ mobilizing functions performed by GMCTAs.

13. The new sub-paragraph 2.8.1 (iii) has been inserted to read as follows:

“Lend the gold to other designated banks participating in the Scheme for granting GML subject to following conditions:

(a) Interest Rate: The interest rate to be charged on interbank lending of gold mobilised from these deposits shall be decided by banks.

(b) Repayment: The repayment shall be in INR or in locally sourced (India Good Delivery Standard) IGDS/ LGDS (LBMA’s Good Delivery Standards) gold as agreed by the participating banks.

(c) Tenor: As the purpose for interbank lending is to provide gold to jewellery manufacturers/ jewellery exporters under GML, the tenor of interbank lending of gold shall be as per our [circular DBOD.No.IBD.BC.71/23.67.001/2006-07 dated April 3, 2007](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=3387&Mode=0) and the Foreign Trade Policy and the Handbook of Procedures issued by DGFT, as amended from time to time.”

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

15. The reporting format given at Annex-2 of the Master Direction has been revised and Annex-3 has been added.

Yours faithfully

(Prakash Baliarsingh)  
Chief General Manager

26. **Deendayal Antyodaya Yojana – National Urban Livelihoods Mission (DAY-NULM)**

**RBI/2021-22/12 FIDD.GSSD.CO.BC.No.03/09.16.03/2021-22 April 05, 2021**

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

Please refer to the Master Circular on DAY-NULM [FIDD.GSSD.CO.BC.No.01/09.16.03/2019-20 dated July 01, 2019](https://www.rbi.org.in/Scripts/BS_ViewMasCirculardetails.aspx?id=11615) containing the instructions / guidelines / directives issued to banks.

**Background**

The Government of India, Ministry of Housing and Urban Affairs (MoHUA), restructured the existing Swarna Jayanti Shahari Rozgar Yojana (SJSRY) and launched the National Urban Livelihoods Mission (NULM) in 2013. NULM has been under implementation w.e.f. September 24, 2013 in all district headquarters (irrespective of population) and all the cities with population of 1 lakh or more.

The Self Employment Program (SEP) of NULM focuses on providing financial assistance through provision of interest subsidy on loans to support establishment of Individual & Group Enterprises and Self-Help Groups (SHGs) of urban poor. The erstwhile provision of capital subsidy for USEP (Urban Self Employment Program) and UWSP (Urban Women Self-Help Program) under SJSRY has been replaced by interest subsidy for loans to Individual enterprise (SEP-I), Group enterprise (SEP-G) and Self Help Groups (SEP-SHGs). With a view to improving the livelihood opportunities for the poor in urban areas, erstwhile Ministry of Housing and Urban Poverty Alleviation (UPA Division), Government of India vide their Office Memorandum No.K-14011/2/2012-UPA/FTS-5196 dated February 19, 2016 had enhanced the scope of National Urban Livelihoods Mission. The Mission with enhanced scope was renamed as **“Deendayal Antyodaya Yojana -National Urban Livelihoods Mission (DAY-NULM)”**.

The operational guidelines of the Self Employment Program (SEP) component of DAY-NULM are as under:

**1. Introduction:**

1.1 The SEP provides financial assistance to individuals/groups including street venders/hawkers of urban poor for setting up gainful self-employment ventures/ micro-enterprises, suited to their skills, training, aptitude and local conditions. The programme also supports Self Help Groups (SHGs) of urban poor to access easy credit from bank and avail interest subsidy on SHG loans. The SEP will also focus on technology, marketing and other support services to the above beneficiaries engaged in micro enterprises for their livelihoods and will also facilitate issuance of credit cards for working capital requirement of the entrepreneurs.

1.2 The underemployed and unemployed urban poor will be encouraged to set up small enterprises relating to manufacturing, service and small business for which there is considerable local demand. Local skills and local crafts should be particularly encouraged. Each Urban Local Body (ULB) should develop a compendium of such activities/projects keeping in view skills available, marketability of products, costs, economic viability etc.

1.3 The percentage of women beneficiaries under SEP shall not be less than 30 percent. SCs and STs must be benefited at least to the extent of the proportion of their strength in the city/town population of poor. A special provision of 5 percent reservation should be made for the differently-abled under this program with priority to women. In view of the Prime Minister’s 15-Point Program for the Welfare of Minorities, at least 15 percent of the physical and financial targets under this component shall be earmarked for the minority communities.

**2. Selection of Beneficiary & Procedure for Sponsoring Applications:**

The Community Organizers (COs) and professionals from Urban Local Body (ULB) will identify the prospective beneficiaries from among the urban poor. The community structures formed under Social Mobilization & Institutional Development (SM&ID) component of DAY- NULM viz. Self Help Groups (SHGs) and Area Level Federations (ALFs) may also refer prospective individual and group entrepreneurs for purpose of financial assistance under SEP to ULB. The beneficiaries may directly approach ULB or its representatives for assistance. Banks may also identify prospective beneficiaries at their end and forward such cases directly to ULB. The Banks may also use their empaneled Business Correspondents (BCs) and Business Facilitators (BFs) to increase the outreach. Due diligence will be undertaken as per the Banks’ policy, in this regard.

2.1 The application for individual and group enterprise loans will be sponsored by the Urban Local Body (ULB) which will be the sponsoring agency for the individual and group enterprise.

2.2 The ULB will create awareness regarding SEP to the prospective beneficiaries through mass media campaigns, Information Education and Communication (IEC) activities, advertisements in local newspapers, City Livelihoods Centres (CLCs) etc. The ULB may also disseminate information regarding this component through active involvement of Resource Organizations and its field staff.

2.3 The beneficiaries desirous of seeking financial assistance for setting up an enterprise can submit an application of intent to the concerned ULB officials on a plain paper with basic details viz: Name, Age, Contact details, Address, Aadhaar details (if any), amount of loan required, bank account number (if available), type of enterprise/ activity, category etc. The intent could also be sent by mail /post to the ULB office. The ULB shall accept such intents throughout the year.

2.4 The community structures formed under Social Mobilization & Institutional Development (SM&ID) component of DAY-NULM viz: Self Help Groups (SHGs)/ Area Level Federations (ALFs) may also refer prospective individual and group entrepreneurs for purpose of financial assistance under SEP to ULB.

2.5 On submission/receipt of the intent from the beneficiary the respective ULB will enter the details in a register/or MIS if available and hence will generate a waiting list of beneficiaries. The ULB will issue an acknowledgement to the beneficiary with a unique registration number, which may be used as a reference number for tracking the status of application.

2.6 ULB will call the beneficiaries in order of the waiting list to complete requisite documentation including filling of Loan Application Form (LAF), activity details, identity proof, address proof, bank account details etc. To verify the identity of the beneficiary, her/his Aadhar number will also be brought on record. If beneficiary does not have Aadhaar card, his/ her any other unique identification document like voters’ card, driving license etc. will be taken and s/he will be helped to obtain Aadhar card as soon as possible. The State Urban Livelihoods Mission (SULM) may develop a Loan Application Form (LAF) in suitable format in consultation with State Level Bankers Committee (SLBC) convenor bank. The same LAF may be utilised across the State/UTs. The Loan Application Form (LAF) will contain basic data in respect of economic status of the beneficiary and her/his family. This data will be such that it can be used to analyse impact of the benefits on her/his economic status at a later stage.

2.7 A Task Force constituted at ULB level will scrutinize the applications based on experience, skills, viability of activity, scope of the activity etc. Thereafter, the Task Force will shortlist the applications and call for interview of the applicants before recommending or rejecting the application or call for additional information from the applicant if required.

2.8 The Chief Executive Officer (CEO)/ Municipal Commissioner of ULB will be responsible to constitute the Task Force and will be the Chairman of the Task force. There could be more than 1 task force at ULB level depending upon the size/population of the ULB.

2.9 The indicative composition of the Task Force is as follows:

|  |  |  |
| --- | --- | --- |
| **Sr. No.** | **TASK Force at ULB level** | **Role** |
| 1. | Chief Executive Officer (CEO) ULB/ Municipal Commissioner of ULB/ or any representative authorized by CEO ULB | Chairman |
| 2. | Lead District Manager (LDM) | Member |
| 3. | City Project Officer (CPO), ULB/ or any authorized representative of ULB | Member Convenor |
| 4. | Representative from District Industries Centre (DIC) | Member |
| 5. | Senior Branch Managers (Max-2) of banks | Member |
| 6. | Representatives(2) of Area Level Federation / City Level Federation | Member |

2.10 The task force will then recommend the applications if found suitable, reject if found unsuitable or ask the beneficiary to submit further requisite information for re-examination on case to case basis.

2.11 The case duly recommended by the task force will be forwarded by the ULB to the concerned banks for further processing. Such cases recommended by task force have to be processed by concerned banks within a time frame of 15 days. As these cases are already recommended by the task force, such cases should be rejected by banks only in exceptional circumstances.

2.12 The banks will send a periodic report to the ULB on the status of the applications received. In case of MIS being used, the banks may be allowed to update the status of application online in addition to manual report.

2.13 Banks may also directly accept the loan applications of urban poor beneficiaries on the basis of relevant documents as per the guidelines of Prime Minister MUDRA Yojana (PMMY) or any other such scheme without the need of having prior sponsoring from ULB. The banks can send details of such loans sanctioned by them to ULBs for confirmation of their eligibility for interest subsidy under DAY-NULM. Task Force constituted for scrutinizing applications should quickly clear these applications if they otherwise meet the criteria. On confirmation of their eligibility, interest subsidy may be claimed from ULBs on the pattern of interest subsidy claim for beneficiaries sponsored by ULBs. The subsidy will be transferred directly to the loan account of DAY-NULM beneficiaries. This procedure will also be direct benefit transfer compliant.

**3. Educational Qualifications and Training Requirement:**

No minimum educational qualification is required for prospective beneficiaries under this component. However, where the identified activity for micro-enterprise development requires some special skills appropriate training must be provided to the beneficiaries before extending financial support.

**3.1 Employment through Skills Training and Placement (EST&P):** Financial assistance should be extended only after the prospective beneficiary has acquired required skills for running the proposed micro-enterprise. Such training may not be necessary if the beneficiary has already undergone training from a known institution, registered NGO/Voluntary Organization or trained under any government scheme provided requisite certificate is produced. In case the beneficiary has acquired requisite skills from family occupation such cases should be certified by the ULB before extending financial assistance.

**3.2 Entrepreneurship Development Program (EDP):**In addition to skill training of the beneficiaries, the ULB will also arrange to conduct Entrepreneurship Development Program for 3-7 days for individual and group entrepreneurs. The EDP will cover basics of entrepreneurship development such as management of an enterprise, basic accounting, financial management, marketing, backward and forward linkages, legal procedures, costing and revenue etc. In addition to above topics the module should also include group dynamics, allocation of work, profit sharing mechanism etc. for group enterprises.

3.3 The EDP module may be developed and finalized by State Urban Livelihoods Mission (SULM) supported by State Mission Management Unit (SMMU) with assistance of an empaneled institution/agency or consulting firm and same may be utilized for conducting training program by the ULB. This EDP training may be arranged through institutions such as Rural Self Employment Training Institutes (RSETI), reputed institutions engaged in entrepreneurship development/ training, management/ educational institutes, reputed NGOs engaged in entrepreneurship development/ training etc.

**3.4 Follow-up entrepreneurial support to Individual and Group entrepreneurs:** After financing to Individual and Group beneficiaries, the ULB will also arrange to conduct follow-up Entrepreneurship Development Programme (EDP) as and when required. Such programme should preferably be conducted once in six months for each beneficiary who has been given a loan. During the follow-up EDP, problems and issues faced by beneficiaries should also be discussed and solutions should be given.

**4. Pattern of Financial Assistance:**

The financial assistance available to urban poor in setting up individual and group enterprises will be in the form of Interest subsidy on the bank loans. Interest subsidy, over and above 7% rate of interest will be available on a bank loan for setting up of individual or group enterprises. The difference between 7% p.a. and the rate of interest charged by the bank will be provided to banks under DAY-NULM. Interest subsidy will be given only in case of timely repayment of loan. Suitable certification from banks will be obtained in this regard. An additional 3 percent interest subvention will be provided to all Women Self Help Groups (WSHGs) who repay their loan in time. The Interest subsidy will be subject to timely repayment of the loan (as per the loan repayment schedule) and suitable certification obtained from banks by the ULB. The additional 3% interest subvention amount will be reimbursed to the eligible WSHGs. The banks should credit the amount of 3% interest subvention to the eligible WHSGs accounts and thereafter seek the reimbursement.

**5. Procedure for interest subsidy to Banks:**

5.1 All scheduled commercial banks (SCBs) and Small Finance Banks which are on the Core Banking Solution (CBS) platform would be eligible for getting interest subvention under the scheme.

5.2 After disbursement of loan to the beneficiaries, the concerned branch of the bank will send details of disbursed loan cases to ULB along with details of interest subsidy amount.

**Procedure I**

5.3 The submission and settlement of claims made by banks would be done on monthly basis. The ULB will check the data at their end and will release the interest subsidy amount (difference between 7% p.a. and prevailing rate of interest) to the banks.

5.4 Banks can upload XML file format for Master data and XML file format for Claim data for interest subsidy as per Data Structure Document available on [www.paisaportal.in](https://www.paisaportal.in/)

5.5 The claims should not be pending more than a quarter. In case the claims of the banks are not settled for a period of 6 months, SLBC is empowered to stop the scheme temporarily in selected cities subject to clearance of claims by such ULBs. In such eventualities, the claims settlement should prospectively be given to the Lead District Bank.

**Procedure - II**

**5.6 Settlement of Claims:** Nodal Agency for releasing interest subsidy: A public sector bank may be engaged at national level. All the Banks will consolidate data regarding interest subsidy from their branches and upload on the portal of Nodal Bank. The nodal bank, after verification by concerned ULB/states, will transfer the interest subsidy to the beneficiaries through DBT mode. The State/UT will deposit some funds in advance with the nodal bank, which will release funds as per guidelines of the DAY-NULM. Nodal bank will regularly render account of reimbursement to the SULM. This procedure will be followed in all three types of loans i.e. SEP (I), SEP (G) and SHG-Bank Linkage.

**6. Individual Enterprises (SEP-I)-Loan & Subsidy**

An urban poor individual beneficiary desirous of setting up an individual micro-enterprise for self-employment can avail benefit of subsidized loan under this component from any bank. The norms/ specifications for individual micro-enterprise loans are as follows:

**6.1 Age:** The prospective beneficiary should have attained the age of 18 Years at the time of applying for loan.

**6.2 Project Cost (PC):** The Maximum unit Project Cost for an individual micro-enterprise is ₹ 2,00,000 (₹ Two Lakhs).

**6.3 Collateral Guarantee on Bank Loan:** No collateral required. As per RBI [Circular RPCD.SME & NFS.BC.No.79/06.02.31/2009-10 dated May 6, 2010](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=5657&Mode=0) banks are mandated not to accept collateral security in the case of loans up to ₹ 10 lakhs extended to units in the MSE sector. Therefore, only the assets created would be hypothecated/ mortgaged/ pledged to banks for advancing loans. The banks may approach Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) setup by Small Industries Development Bank (SIDBI) or any other appropriate guarantee fund for the purpose of availing guarantee cover for SEP loans as per the eligibility of the activity for guarantee cover.

**6.4 Repayment:** Repayment schedule would range between 5 to 7 Years after initial moratorium of 6-18 months as per norms of the banks.

**6.5 Margin Money:** No margin money should be taken for a loan up to ₹ 50,000 and for higher amount loans, preferably 5% should be taken as margin money and it should in no case be more than 10% of the project cost.

**6.6 Type of Loan Facility:** Banks may extend finance to individuals for capital expenditure in the form of Term Loan and Working Capital loans through Cash Credit. Banks may also extend Composite Loans consisting of Capital Expenditure and Working Capital components, depending upon individual borrower’s requirement.

**7. Group Enterprises (SEP-G) -Loan & Subsidy**

A Self Help Group (SHG) or members of an SHG constituted under DAY-NULM or a group of urban poor for self-employment can avail benefit of subsidized loans under this component from any bank. The norms/ specifications for group based micro-enterprise loans are as follows:

**7.1 Eligibility Criteria:** The group enterprises should have minimum of Three (3) members with a minimum of 70% of the members from urban poor families. More than one person from the same family should not be included in the same group.

**7.2 Age:** All members of the group enterprise should have attained an age of 18 years at the time of applying for bank loan.

**7.3 Project Cost (PC):**The group will be eligible for a maximum loan of Rs. 2 Lakh per member or Rs. 10 Lakh, whichever is lower.

**7.4 Type of Loan:** Loan can be extended either as a single loan to the group functioning as one borrowing unit or each member of the group can be provided individual loans up to 2 lakhs and an overall cap of 10 lakhs based on the principal of joint liability of the group. The principles laid down in the RBI circular on “Budget (2014-15) Announcement Financing of Joint Farming Groups of ‘Bhoomi Heen Kisan’ dated 13th November, 2014” and subsequent revisions should be followed in case of loans to a group.

**7.5 Type of Loan Facility:** Banks may extend finance to groups for capital expenditure in the form of Term Loan and for Working Capital, through Cash Credit Facility. Banks may also extend Composite Loans for Capital Expenditure and Working Capital, depending upon Group’s requirement.

**7.6 Loan and Margin Money:** The Project Cost minus the beneficiary contribution (Margin Money) would be made available as loan amount to the group enterprise by the bank. No margin money should be taken for loan up to ₹ 50,000 and for higher amount loans, preferably 5% should be taken as margin money and it should in no case be more than 10% of the project cost.

**7.7 Collateral Guarantee on Bank Loan:** No collateral guarantee is required. Only the assets created would be hypothecated/ mortgaged/ pledged to banks for advancing loans. The banks may approach Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) or any other appropriate guarantee fund as detailed in Para-6.3.

**7.8 Repayment:** Repayment schedule would range between 5 to 7 Years after initial moratorium of 6-18 months as per the norms of the banks.

**8. SHG-Bank Linkage – General Guidelines**

Linking of SHGs with banks have been emphasized in the Monetary policy of Reserve Bank of India and Union Budget announcements from time to time and various guidelines in this regard have been issued by the Reserve Bank of India (RBI) to banks. To scale up the SHGs linkage program and make it sustainable, banks have been advised to consider lending to SHGs as part of their mainstream credit operations both at policy and implementation level.

8.1 Master Circular of RBI on SHG-Bank Linkage Programme, [FIDD.FID.BC. No.06/12.01.033/2021-22 dated April 01, 2021](https://www.rbi.org.in/Scripts/BS_ViewMasCirculardetails.aspx?id=12063) contains instructions on opening of Savings Bank Account of Self Help Groups (whether registered or unregistered), which are engaged in promoting habit of savings among their members as a starting point. Thereafter, the SHGs may be sanctioned Savings Linked Loans (varying from a saving to loan ratio of 1:1 to 1:4) after due assessment or grading by banks. 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. The Banks have also been instructed that the advances to SHGs irrespective of the purposes for which the members of SHGs should be included by the banks as part of their lending to the weaker sections.

8.2 Under Social Mobilization & Institution Development (SM&ID) component of DAY-NULM, the ULB will do necessary groundwork to open bank accounts for SHGs and facilitating access to Revolving Fund (RF). The ULB may also engage Resource Organization (RO) for the purpose or may directly facilitate SHGs through its staff. (Concept & Formation of SHGs, ROs and Revolving Fund has been detailed out in Social Mobilization & Institutional Development (SM&ID) component of DAY- NULM).

8.3 The banks will send the details of disbursed loan cases to the ULB along with the calculation details of the interest subsidy amount. The ULB will check the data at their end and will release the interest subsidy amount on monthly basis to the banks following a similar procedure as mentioned in Para 5.

8.4 The ULB through its field staff or Resource Organization (ROs) will facilitate filling of loan applications for eligible SHGs to access credit from the banks. The ULB will be responsible to forward the Loan application of the SHGs to the concerned banks with requisite documentation. The ULB will maintain area wise, bank-wise, ROs/ Staff wise data of SHGs loan applications forwarded to the banks. The same will be sent to SULM on a monthly basis.

8.5 In order to ensure effective SHG-Bank Linkage under DAY-NULM, the SULM will monitor and review the progress with banks on regular basis and co-ordinate with SLBC for interest subsidy/ subvention on SHG Loans in the state. Active involvement of State level Bankers’ Committee (SLBC) and lead banks may be ensured for sensitization of bank and branch staff for financial inclusion of urban poor.

8.6 It may be noted that the identification, selection, formation and monitoring of SHGs who are to get interest subvention would be the responsibility of State/ ULBs and banks would not be liable for wrong identification of SHGs who get interest subvention.

8.7 Type of Loan Facility: SHGs can avail either Term loan or a Cash Credit Limit (CCL) loan or both based on their needs. In case of need, additional loan can be sanctioned even though the previous loan is outstanding.

8.8 Guidelines for prompt repayment are as follows:

**a. For Cash Credit Limit to SHGs:**

i) Outstanding balance shall not have remained in excess of the sanctioned limit/drawing power continuously for more than 30 days.

ii) There shall be regular credits and debits in the account. In any case there shall be at least one customer induced credit during the month.

iii) Customer induced Credits during a month shall be sufficient to cover the interest debited during the month.

**b. For Term Loan to SHGs:** A term loan account where all of the interest payments and/or instalments of principal were paid within 30 days of the due date during the entire tenure of the loans would be considered as an account having prompt payment.

**9. Progress Reporting for SEP-I, SEP-G & SEP-SHG**

9.1 The ULB will prepare a data sheet of the applications recommended by the TASK force along with their status details of the sanction, disbursement and rejection (along with reasons) after validating the same with the respective banks. This data sheet will be sent to SULM on a monthly basis.

9.2 The SULM will compile all the reports received from respective ULBs and will communicate to Ministry of Housing and Urban Affairs (MoHUA) on a monthly basis.

9.3 SULM must ensure that progress under SEP is reviewed in every SLBC and District Consultative Committee (DCC) meetings. Any other important issue with regard to SEP may be taken up by SULM with SLBC convener bank for effective coordination and implementation.

**10. Credit Card for enterprise development**

10.1 The financial assistance to the individual entrepreneurs though subsidized loan for setting up of enterprises under DAY-NULM could be viewed as initial impetus to facilitate livelihood support to the urban poor. However, the individual entrepreneurs require further financial support in terms of working capital to make the enterprise economically sustainable. This may include immediate and short term monthly requirement of cash for meeting expenses for purchase of goods, raw materials and other miscellaneous expenditures etc. The micro-entrepreneur does not have a regular fixed monthly cash inflow/income to meet expenses arising out of entrepreneurial activities. To approach a financial institution for such immediate credit requirement, it requires procedural documentation and consumes a lot of time. This need for working capital credit is generally met from informal sources of credit (including money lenders) which is typically available at high rate of interest.

10.2 In order to support the micro-entrepreneurs to meet their working capital and miscellaneous credit needs, DAY-NULM will facilitate access to Credit Cards or MUDRA Card through banks.

10.3 The SULM in consultation with the State Level Bankers Committee (SLBC) will finalize the norms, limits and specifications for issuance of Credit Card (or) MUDRA Card to the individual entrepreneurs. The General Credit Card Scheme (GCC), which is being implemented by all scheduled commercial banks or any other variant of credit cards for enterprise development of banks in urban areas, may be explored by SULM and SLBC for the same. The Circular on revised GCC scheme has been issued by RBI notification vide [RPCD.MSME&NFS.BC.No.61/06.02.31/2013-14 dated December 02, 2013](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=8603&Mode=0) available on RBI web-site ‘[www.rbi.org.in](https://www.rbi.org.in/)’.

10.4 The ULB will identify the prospective beneficiaries and will facilitate linkages with banks for issuance of credit cards. The focus is to initially facilitate issuance of credit card to cover all the beneficiaries who have availed financial assistance under SEP. Additionally, other beneficiaries who are running their own business but have not availed assistance under SEP may also be covered if they satisfy the norms of issuance of credit cards.

10.5 The targets for the same may be decided at ULB level and the progress under this component is aggregated at SULM level and communicated to Ministry of Housing and Urban Affairs (MoHUA) periodically.

**11. Technology, Marketing and Other Support**

11.1 Micro entrepreneurs often need support in order to grow and sustain their businesses. Support needed may be for establishment, technology, marketing, and other services. Micro entrepreneurs who run very small businesses may need to gain a better understanding of what the market needs, demand of the products produced by them, prices, where to sell, etc. Support services under this component are envisaged with a view to provide an encouraging environment for development of micro enterprises.

11.2 The City Livelihoods Centers (CLCs) established under DAY-NULM will offer services to the micro-enterprises such as in establishment (licenses, certificates registration, legal services etc.), production, procurement, technology, processing, marketing, sales, packaging, accounting etc. for long term sustainability. CLCs will also provide support in taking up feasibility/ assessment studies on market demand and market strategy for products and services of micro-enterprises.

11.3 All SEP individual and groups enterprises can avail the services from CLCs as per the norms of CLCs. The CLCs with support of ULB may also tie up with various other government schemes which offer services and benefits for micro-enterprise development for the benefit of prospective beneficiaries.

11.4 The SULM may arrange for additional funds/professional assistance for the purpose of providing above services to CLCs.

**12. Funding Pattern of SEP of DAY-NULM**

12.1 Funding under this component will be shared between the Centre and the States as per the general norms under DAY-NULM.

12.2 The Ministry will allocate funds to the states on annual basis based on the targets assigned to the states. The states in consultation with the respective SLBCs and ULBs will decide the targets and corresponding funds will be allocated to ULBs so that full reimbursement to the banks on account of Interest subvention is settled during the financial year and no subvention amount remain overdue or pending with the States.

**13. Monitoring and Evaluation**

13.1 The State Mission Management Unit (SMMU) at the State level and City Mission Management Unit (CMMU) at the ULB level will closely monitor progress of activities / targets under this component, undertake reporting and evaluation. The SULM and the ULB/executing agencies shall report timely progress in formats prescribed by the Mission Directorate from time-to-time, indicating the cumulative achievement monthly and up to the end of the quarter and key issues in implementation.

13.2 In addition, under DAY-NULM, a comprehensive and robust IT-enabled DAY-NULM MIS will be established for tracking targets and achievements. States and ULBs will be required to submit their progress reports online and may also use this tool to monitor progress on the ground. In the spirit of proactive disclosure of information and ensuring transparency under DAY-NULM, key progress reports under SEP will also be made available in the public domain in a timely manner.

13.3 All the SEP beneficiaries should be visited periodically to assess the impact of the benefit and also to know any problem being faced by them. The Community Organisers (COs) should visit all the beneficiaries in their jurisdiction at least once in three months. The project officer/ technical experts at CMMU level should visit at least 50% beneficiaries once in three months. The observations during the field visit should be kept in record and be uploaded on MIS also.

13.4 During the field visit mentioned above data on economic status of the beneficiaries should be collected and be compared with similar data given in loan application form, to know the impact of the benefit on the economic conditions of the beneficiaries.

13.5 Impact analysis studies may also be conducted at suitable interval to assess the impact of benefit under SEP on the economic status of the beneficiaries.

13.6 To monitor progress of the targets vis-a-vis achievement under DAY-NULM, Banks are advised to furnish cumulative progress reports on quarterly basis as per enclosed proforma ([Annex I](https://rbidocs.rbi.org.in/rdocs/content/pdfs/MC12_05042021AN1.pdf) & [II](https://rbidocs.rbi.org.in/rdocs/content/pdfs/MC12_05042021AN2.pdf)) to the Director, NULM as well as to RBI on [email](mailto:nulmfidd@rbi.org.in) latest by the end of next month of the quarter to which they relate.

13.7 **Unique Code for loans under NULM:** Banks are advised to categorise these loans under Non-Farm sector and use unique sub-code in their database for loans granted under NULM. Further, separate sub-sub-codes may also be assigned for SEP-I, SEP-G, SHG and WSHGs. Proper care must be taken while classifying loans under NULM particularly relating to SHG and WSHGs to enable distinct identification of these loans vis-à-vis NRLM loans as WSHGs are eligible for additional 3 percent interest subvention.

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12066&Mode=0>

27. **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>

28. **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>

29. **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>

30. **Master Direction - Reserve Bank of India (Call, Notice and Term Money Markets) Directions, 2021**

**RBI/2021-22/78 FMRD.DIRD.01/14.01.001/2021-22 April 01, 2021**

*All Eligible Market Participants*

Please refer to Paragraph 6 of the [Statement on Developmental and Regulatory Policies, Reserve Bank of India](https://rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=47226), issued as part of the [second Bi-monthly Monetary Policy Statement for 2019-20 dated June 06, 2019](https://rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=47225) regarding Comprehensive Review of Money Market Directions.

The draft Directions were released for public comments on December 04, 2020. Based on the feedback received from the market participants, the Reserve Bank of India (Call, Notice and Term Money Markets) Directions, 2021 were reviewed and have since been finalised. The [Directions](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12061&Mode=0#ANN) are enclosed herewith.

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 I of the [FMRD Master Direction No. 2/2016-17 dated July 07, 2016](https://rbi.org.in/Scripts/NotificationUser.aspx?Id=10495&Mode=0), Direction No. [FMRD.DIRD.09/14.01.001/2018-19 dated October 29, 2018](https://rbi.org.in/Scripts/NotificationUser.aspx?Id=11405&Mode=0) and Direction No. [FMRD.DIRD.01/14.01.001/2020-21 dated December 04, 2020](https://rbi.org.in/Scripts/NotificationUser.aspx?Id=12006&Mode=0), the Reserve Bank of India (hereinafter called the Reserve Bank), hereby issues the following Directions to all persons and agencies eligible to deal in Call, Notice and Term Money Markets.

**1. Short title and commencement**

**(a)** These Directions shall be called the Master Direction- Reserve Bank of India (Call, Notice and Term Money Markets) Directions, 2021.

**(b)** These Directions shall come into force with effect from April 05, 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. **“Call Money”** means borrowing or lending in unsecured funds on overnight basis;
3. **“Capital Funds”** shall have the meaning assigned in the applicable capital regulations issued by the Department of Regulation of the Reserve Bank as amended from time to time and shall be calculated as per the latest audited balance sheet;
4. **“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](https://rbi.org.in/Scripts/NotificationUser.aspx?Id=11385&Mode=0), as modified from time to time;
5. **“Exchange”** shall mean ‘recognised stock exchange’ and shall have the same meaning as assigned to in Section 2 (f) of the Securities Contract Regulation Act, 1956.
6. **“Fortnight”** shall have the meaning assigned to it under section 42 of the Reserve Bank of India Act, 1934;
7. **“Negotiated Dealing System-CALL” or “NDS-CALL”** is the electronic trading platform for execution and reporting of transactions in Call, Notice and Term Money Markets;
8. **“Net Owned Fund”** shall have the meaning assigned to it under the Explanation to section 45-IA of the Reserve Bank of India Act, 1934;
9. **“Notice Money”** means borrowing or lending in unsecured funds for tenors up to and inclusive of 14 days excluding overnight borrowing or lending;
10. **“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;
11. **“Payment 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 Payments Banks” dated November 27, 2014](https://rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=32615), as amended from time to time;
12. **“Primary Dealer”** means a Non-Banking Financial Company that holds a letter of authorisation issued by the Reserve Bank to act as a Primary Dealer, in terms of the "Guidelines for Primary Dealer in Government Securities Market" dated March 29, 1995, as amended from time to time;
13. **“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://rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=32614), as amended from time to time;
14. **“Term Money”** means borrowing or lending in unsecured funds for periods exceeding 14 days and up to one year.

**(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. Participants**

The following entities shall be eligible to participate in the Call, Notice and Term Money Markets, both as borrowers and lenders:

1. Scheduled Commercial Banks (excluding Local Area Banks);
2. Payment Banks;
3. Small Finance Banks;
4. Regional Rural Banks;
5. State Co-operative Banks, District Central Co-operative Banks and Urban Co-operative Banks (hereinafter Co-operative Banks); and
6. Primary Dealers.

**4. Prudential limits**

**(a)** Prudential limits in respect of outstanding lending transactions in the Call, Notice and Term Money Markets shall be decided by the participants with the approval of their Board within the regulatory framework of the exposure norms prescribed by the Department of Regulation of the Reserve Bank for the eligible participant concerned.

**(b)** Prudential limits for outstanding borrowing transactions in the Call, Notice and Term Money Markets are set out in [Table 1](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12061&Mode=0#T1).

|  |  |  |
| --- | --- | --- |
| **Table 1: Prudential limits for outstanding borrowing transactions in Call, Notice and Term Money Markets** | | |
| **Sr. No.** | **Participant category** | **Prudential limit** |
| 1. | Scheduled Commercial Banks, Payment Banks, Small Finance Banks and Regional Rural Banks | (i) 100% of capital funds, on a daily average basis in a reporting fortnight, and  (ii) 125% of capital funds on any given day. |
| 2. | Co-operative Banks | (i) 2.0% of aggregate deposits as at the end of the previous financial year. |
| 3. | Primary Dealers | (i) 225% of Net Owned Fund (NOF) as at the end of previous financial year. |

**(c)** Eligible participants may, with the approval of their respective Board of Directors (or equivalent bodies), fix separate internal limits within the prudential limits for borrowing and lending in the Call, Notice and Term Money Markets. The internal limits so arrived at by the eligible participants shall be conveyed to the Clearcorp Dealing System Ltd., or any other NDS-CALL system operator authorised by the Reserve Bank for setting of limits in the NDS-CALL platform, under advice to the Financial Markets Regulation Department (FMRD) of the Reserve Bank through [e-mail](mailto:reportfmd@rbi.org.in).

**5. General guidelines**

**(a) Interest rates:** Eligible participants are free to decide on interest rates in the Call, Notice and Term Money Markets.

**(b) Trading venues:** Call, Notice and Term Money transactions shall be executed in Over-the-Counter markets, including on the NDS-CALL platform or any other Electronic Trading Platform authorised for the purpose by the Reserve Bank.

**(c) Market timings:** The market timings for Call, Notice and Term Money transactions shall be from 9:00 AM to 5:00 PM on each business day or as specified by the Reserve Bank from time to time.

**(d) Market practices and documentation:** Eligible participants shall follow the standard market practices, methodologies and documentation prescribed by Fixed Income Money Market and Derivatives Association of India (FIMMDA), in consultation with the Reserve Bank, from time to time.

**6. Cancellation and termination**

**(a)** A Call, Notice or Term Money transaction shall, normally, not be cancelled.

**(b)** A Notice or Term Money transaction can be terminated before maturity at a mutually agreed price.

**(c)** Any cancellation or termination of a Call, Notice or Term Money transaction shall be reported as set out in paragraph 7 of these Directions.

**7. Reporting requirements**

**(a)** All Call, Notice or Term Money transactions, other than those executed on NDS-CALL platform, shall be reported to the NDS-CALL platform within 15 minutes of execution (the time when interest rate is agreed), by both counterparties to the transaction or by the Electronic Trading Platform concerned, as the case may be. For this purpose, all eligible participants in the Call, Notice and Term Money Markets shall obtain membership of NDS-CALL platform. Eligible participants who are not members of NDS-CALL platform shall obtain such membership within a period of six months from the date of these Directions.

**(b)** A Call, Notice or Term Money transaction executed on the NDS-CALL platform need not be reported separately.

**(c)** Any cancellation or termination of a Call, Notice and Term Money transaction shall be reported on the NDS-CALL platform within 15 minutes of cancellation by each counterparty to the transaction or by the Electronic Trading Platform concerned, as the case may be.

**(d)** Any misreporting or multiple reporting of the same OTC markets deal by a counterparty shall be immediately brought to the notice of the Clearcorp Dealing System Ltd., or any other NDS-CALL system operator authorised by the Reserve Bank and also to the Financial Markets Regulation Department, Reserve Bank of India, Central Office, Fort, Mumbai, through [email](mailto:reportfmd@rbi.org.in).

**8. 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 Call, Notice and Term Money Markets, including eligible participants, and such persons, agencies and participants shall furnish such information, statement or clarification.

**9. Dissemination of data:** The Reserve Bank or any other person authorised by the Reserve Bank, may publish any anonymised data related to transactions in Call, Notice and Term Money Markets.

**10. 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 Call, Notice and Term Money Markets 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 may be made public by the Reserve Bank.

**11.** These Directions shall apply to Call, Notice and Term Money transactions entered into from the date these Directions come into force. Provisions of Section I of the [FMRD Master Direction No. 2/2016-17 dated July 07, 2016](https://rbi.org.in/Scripts/NotificationUser.aspx?Id=10495&Mode=0); Direction No. [FMRD.DIRD.09/14.01.001/2018-19 dated October 29, 2018](https://rbi.org.in/Scripts/NotificationUser.aspx?Id=11405&Mode=0) and Direction No. [FMRD.DIRD.01/14.01.001/2020-21 dated December 04, 2020](https://rbi.org.in/Scripts/NotificationUser.aspx?Id=12006&Mode=0), shall continue to be applicable to transactions undertaken in accordance with the said Directions till the expiry of those contracts.

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12061&Mode=0>

**31. Amendment to Master Direction (MD) on KYC – KYC norms for Self Help Groups (SHGs)**

**RBI/2021-22/10 DOR.AML.BC.No.1/14.01.001/2021-22 April 1, 2021**

*The Chairpersons/ CEOs of all the banks*

Please refer to Section 43 of the [Master Direction on KYC dated February 25, 2016](https://www.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=11566) as amended from time to time, wherein simplified norms for Self Help Groups (SHGs) have been stipulated.

2. In this regard, on a review, it has been decided to amend clause (c) of Section 43 to read as under:

“Customer Due Diligence (CDD) of all the members of SHG may be undertaken at the time of credit linking of SHGs.”

**32. Framework for processing of e-mandates for recurring online transactions**

**RBI/2020-21/118 CO.DPSS.POLC.No.S34/02-14-003/2020-2021 March 31, 2021**

*The Chairman / Managing Director / Chief Executive Officer, All Scheduled Commercial Banks, including Regional Rural Banks /Urban Co-operative Banks / State Co-operative Banks /District Central Co-operative Banks / Payments Banks /Small Finance Banks / Local Area Banks / Card Payment Networks /Non-bank Prepaid Payment Instrument Issuers /National Payments Corporation of India*

A reference is invited to our [circulars DPSS.CO.PD.No.447/02.14.003/2019-20 dated August 21, 2019](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11668&Mode=0), [DPSS.CO.PD.No.1324/02.23.001/2019-20 dated January 10, 2020](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11784&Mode=0) and [DPSS.CO.PD.No.754/02.14.003/2020-21 dated December 4, 2020](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12002&Mode=0), wherein the framework for registering e-mandates for recurring online transactions using cards / wallets / Unified Payments Interface was put in place. The framework had ensured that changing payment needs of customers were accommodated by adequately balancing safety, security and convenience of such transactions. Stakeholders were given sufficient time to complete the process of migration to the framework by March 31, 2021.

2. It is, however, noted that the progress of onboarding existing as well as new mandates of customers as per the framework is not satisfactory. Keeping in view the requests of some stakeholders and to prevent any inconvenience to customers, it has been decided, as a one-time measure, to extend the timeline for ensuring full compliance to the framework till September 30, 2021. During the extended timeline, no new mandate for recurring online transactions shall be registered by stakeholders, unless such mandates are compliant with the framework.

3. Any further delay in ensuring complete adherence to the framework beyond the extended timeline will attract stringent supervisory action.

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

**33. Guidelines on Regulation of Payment Aggregators and Payment Gateways**

**RBI/2020-21/117 CO.DPSS.POLC.No.S33/02-14-008/2020-2021 March 31, 2021**

*All Payment System Providers and Payment System Participants*

We invite a reference to our [circular DPSS.CO.PD.No.1810/02.14.008/2019-20 dated March 17, 2020](https://rbi.org.in/Scripts/NotificationUser.aspx?Id=11822&Mode=0) (as updated from time to time) and the clarification dated September 17, 2020 issued on the subject ([Annex](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12050&Mode=0#ANN1)). Accordingly, neither the authorised Payment Aggregators (PAs) nor the merchants on-boarded by them can store customer card credentials within their database or server.

2. Based on the representations received from the industry seeking additional time for implementing the above instructions, it has been decided, as a one-time measure, to extend the timeline for non-bank PAs by six months, i.e., till December 31, 2021, to enable the payment system providers and participants to put in place workable solutions, such as tokenisation, within the framework set out in the [circular dated March 17, 2020](https://rbi.org.in/Scripts/NotificationUser.aspx?Id=11822&Mode=0) cited above and our [circular DPSS.CO.PD No.1463/02.14.003/2018-19 dated January 08, 2019](https://rbi.org.in/Scripts/NotificationUser.aspx?Id=11449&Mode=0) on “Tokenisation – Card transactions”. All other provisions of the [circular dated March 17, 2020](https://rbi.org.in/Scripts/NotificationUser.aspx?Id=11822&Mode=0) referred to above, shall remain unchanged.

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

**Annex**

**RBI circular CO.DPSS.POLC.No.S33/02-14-008/2020-2021 dated March 31, 2021**

**Clarification issued by RBI on**[**circular DPSS.CO.PD.No.1810/02.14.008/2019-20 dated March 17, 2020**](https://rbi.org.in/Scripts/NotificationUser.aspx?Id=11822&Mode=0)**(as updated from time to time) on “Guidelines on Regulation of Payment Aggregators (PAs) and Payment Gateways (PGs)”**

**1. Definition and applicability related**

1.1. The circular is applicable to online PAs and PGs. The guidelines seek to regulate the activities of online PAs while providing baseline technology-related recommendations to PGs.

1.2. In the case of bank PAs, there is no requirement of authorisation; they shall ensure compliance with the guidelines by September 30, 2020 (as extended vide [circular DPSS.CO.PD.No.1897/02.14.003/2019-20 dated June 04, 2020](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11910&Mode=0)). For non-bank PAs, the instructions will come into force from the date of their authorisation, subject to the submission of application for authorisation before the end date of June 30, 2021.

1.3. The circular is also applicable to e-commerce marketplaces that are undertaking direct payment aggregation; e-commerce marketplaces availing the services of a PA shall be considered as merchants.

1.4. The circular is not applicable on ‘Delivery vs. Payment’ transactions but addresses the transactions where the payment is made in advance while the goods are delivered in a deferred manner.

**2. Authorisation, capital and net-worth related**

2.1. Banks maintaining the escrow account/s need not monitor the net-worth of the PA.

2.2. For existing non-bank PAs, the CA certificate of net-worth evidencing that the requirement of net-worth is ensured (as on March 31, 2021) will be required to be submitted to RBI at the time of application for authorisation (in case of an existing entity desirous of applying before March 31, 2021 a similar certificate shall be submitted as on the nearest half-year ending date). Newly incorporated non-bank entities which may not have an audited statement of financial accounts shall submit a certificate from their CA regarding the current net-worth along with provisional balance sheet.

**3. Governance related**

3.1. The Promoters / Promoter Groups, shall conform to the Reserve Bank’s ‘fit and proper’ criteria. Director of the PA company shall be deemed to be a “fit and proper” person if:

3.1.1. Such person has a record of fairness and integrity, including but not limited to:

1. financial integrity;
2. good reputation and character; and
3. honesty;

3.1.2. Such person has not incurred any of the following disqualifications:

1. Convicted by a court for any offence involving moral turpitude or any economic offence or any offence under the laws administered by the RBI;
2. Declared insolvent and not discharged;
3. An order, restraining, prohibiting or debarring the person from accessing / dealing in any financial system, passed by any regulatory authority, and the period specified in the order has not elapsed;
4. Found to be of unsound mind by a court of competent jurisdiction and the finding is in force; and
5. Is financially not sound.

3.1.3. If any question arises as to whether a person is a fit and proper person, the RBI’s decision on such question shall be final.

3.2. Para 5.4 related to disclosure of comprehensive information regarding merchant policies, customer grievances, privacy policy and other terms and conditions on the website and / or their mobile application, refers to policies of the PA and not of individual merchants on-boarded by it.

**4. KYC and merchant on-boarding related**

4.1. In case a PA is maintaining an account-based relationship with the merchant, the KYC guidelines of Department of Regulation (DoR), RBI is applicable. Thus, to this extent, para 6 on ‘Safeguards against Money Laundering (KYC / AML / CFT) Provisions’ shall also be applicable.

4.2. For merchant on-boarding, the PA can have a Board approved policy (Para 7.1). There would not be a requirement to carry-out entire process of KYC (in accordance with the KYC guidelines of DoR), in cases where the merchant already has a bank account which is being used for transaction settlement purpose.

**5. OPGSP related**

5.1. Entities functioning as OPGSP and undertaking cross-border transactions in terms of OPGSP guidelines shall ensure compliance with the instructions issued vide [A.P. (DIR Series) Circular No.16 dated September 24, 2015](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=10037&Mode=0).

5.2. If OPGSP is also an entity which is functioning as PG or PA under the guidelines stipulated by DPSS, for undertaking any domestic leg of import / export transaction, it has to be ensured that the timelines and other guidelines, including those relating to authorised modes of collection, i.e. debit card, credit card and internet banking, indicated for the purpose of cross-border transactions in [A.P. (DIR Series) Circular No.16 dated September 24, 2015](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=10037&Mode=0), are also adhered to.

**6. Security, fraud prevention and risk management framework related**

6.1. The PA needs to ensure compliance of the infrastructure of the merchants to security standards like PCI-DSS and PA-DSS, as applicable.

6.2. Merchants are not allowed to store payment data irrespective of their being PCI-DSS compliant or otherwise. They shall, however, be allowed to store limited data for the purpose of transaction tracking; for which, the required limited information may be stored in compliance with the applicable standards.

6.3. The PA cannot also store customer card credentials within its database or the server (irrespective of it being accessed by merchant or not) except for the limited purpose of transaction tracking; for which, required credentials may be stored in compliance with the applicable standards.

6.4. Para 10.5: A standard system audit, including cyber security audit, conducted by CERT-In empanelled auditors may be carried out.

**7. Settlement and escrow account related**

7.1. For the purpose of maintenance of the escrow account, the operations of PAs are deemed to be ‘designated payment systems’ under the Payment and Settlement Systems Act (PSS Act) after the entity obtains authorisation from RBI.

7.2. The applicability of [circular DPSS.CO.PD.No.1102/02.14.08/2009-10 dated November 24, 2009](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=5379&Mode=0) on “Directions for opening and operation of Accounts and settlement of payments for electronic payment transactions involving intermediaries” shall be as follows:

7.2.1. The circular shall be considered repealed for authorised PAs from the date of authorisation;

7.2.2. The circular shall be considered repealed with effect from June 30, 2021 except for such PAs who have applied for authorisation and a decision on it is pending with RBI.

7.3. The existing entities can continue to maintain nodal accounts till they have been authorised by RBI. Since the PA needs to move towards an escrow account, the bank and the PA may take a call about maintaining the same from an earlier date as well. However, this alone shall not make them eligible for a “designated payment system” status under Section 23A of the PSS Act.

7.4. If the bank can satisfactorily establish that the nodal account of an entity has been migrated to escrow account in compliance with the new instructions, it can allow the balances under existing nodal accounts of PAs to be considered for calculation of ‘Core portion’.

7.5. Those entities who have not attained the requisite net-worth as of March 31, 2021 shall wind up their PA business. Banks shall be required to close such nodal accounts after June 30, 2021 unless the PA produces evidence to the bank regarding application for authorisation being made to RBI.

7.6. The pre-funding has been allowed to tide over temporary mis-matches. Taking back of surplus pre-funding is not allowed.

7.7. There can be different “t” for different merchants as per the agreement between PA and merchants.

7.8. Para 8.6: The amount due to the merchant will be reckoned only after the settlement and credit to the escrow account. There is no need to prefund the account for this purpose. However, the proceeds shall be credited to escrow on the settlement day itself.

7.9. Where PAs have no control over incoming funds and its delay thereof, the PAs need to follow the instructions and transfer the funds to the merchant within T+0 / T+1 basis, post receiving of funds into its account.

7.10. The settlement accounts opened under Bharat Bill Payment System (BBPS) would be governed by BBPS instructions.

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12050&Mode=0>

**34. 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.

**35.** **Extension of Cheque Truncation System (CTS) across all bank branches in the country**

RBI/2020-21/107  
DPSS.CO.RPPD.No.SUO 21102/04.07.005/2020-21

March 15, 2021

The Chairman and Managing Director / Chief Executive Officer  
All Scheduled Commercial Banks including Regional Rural Banks /  
Urban Co-operative Banks / State Co-operative Banks /  
District Central Co-operative Banks / Local Area Banks / Payment Banks /  
Small Finance Banks / National Payments Corporation of India

Madam / Dear Sir,

**Extension of Cheque Truncation System (CTS) across all bank branches in the country**

Please refer to the [Statement on Developmental and Regulatory Policies dated February 5, 2021](https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=51078) wherein Reserve Bank of India (RBI) had announced pan-India coverage of CTS by bringing all branches of banks in the country under image-based CTS clearing mechanism.

2. The CTS is in use since 2010 and presently covers around 1,50,000 branches. All the erstwhile 1219 non-CTS clearing houses (ECCS centres) have been migrated to CTS effective September 2020. It is, however, seen that there are branches of banks that are outside any formal clearing arrangement and their customers face hardships due to longer time taken and cost involved in collection of cheques presented by them.

3. To leverage the availability of CTS and provide uniform customer experience irrespective of location of her/his bank branch, it has been decided to extend CTS across all bank branches in the country. To facilitate this, banks shall have to ensure that all their branches participate in image-based CTS under respective grids by September 30, 2021. They are free to adopt a model of their choice, like deploying suitable infrastructure in every branch or following a hub & spoke model, etc. and concerned banks shall coordinate with the respective Regional Offices of RBI to operationalise this.

4. Banks are advised to inform us ([helpdpss@rbi.org.in](mailto:helpdpss@rbi.org.in)) the roadmap to achieve pan-India coverage of CTS and submit a status report before April 30, 2021.

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

Yours faithfully

(P Vasudevan)  
Chief General Manager

36. **Master Direction on Digital Payment Security Controls**

**RBI/2020-21/74 DoS.CO.CSITE.SEC.No.1852/31.01.015/2020-21 February 18, 2021**

*The Chairman/ Managing Director/ Chief Executive Officer, All Scheduled Commercial Banks excluding RRBs/Small Finance Banks/Payments Banks/ Credit Card issuing NBFCs.*

Please refer to para II (7) of the Statement on Developmental and Regulatory Policies of the Bi-monthly Monetary Policy Statement for 2020-21 dated December 4, 2020 ([extract given below](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12032&Mode=0#S1)). The [Master Direction](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12032&Mode=0#MD) provides necessary guidelines for the regulated entities to set up a robust governance structure and implement common minimum standards of security controls for digital payment products and services.

Going by the pre-eminent role being played by digital payment systems in India, RBI gives highest importance to the security controls around it. Now it is proposed to issue Reserve Bank of India (Digital Payment Security Controls) Directions 2020, for regulated entities to set up a robust governance structure for such systems and implement common minimum standards of security controls for channels like internet, mobile banking, card payments, among others. While the guidelines will be technology and platform agnostic, it will create an enhanced and enabling environment for customers to use digital payment products in more safe and secure manner. Necessary guidelines will be issued separately.

**INTRODUCTION**

In exercise of the powers conferred by the Banking Regulation Act, 1949, the Reserve Bank of India Act, 1934 and Payment and Settlement Systems Act, 2007, the Reserve Bank, being satisfied that it is necessary and expedient in the public interest so to do, hereby, issues the directions hereinafter specified.

**CHAPTER – I**

**PRELIMINARY**

**1. Short Title and Commencement**

1. These directions shall be called the Reserve Bank of India (Digital Payment Security Controls) directions, 2021.
2. These directions shall come into effect six months from the day they are placed on the official website of the Reserve Bank of India (RBI). However, in respect of instructions already issued either by Department of Payment and Settlement Systems (DPSS), Department of Regulation (DoR) or Department of Supervision (DoS) of RBI including those to select Regulated Entities (REs), by way of circular or advisory, the timeline would be with immediate effect or as per the timelines already prescribed.

**2. Applicability**

The provisions of these directions shall apply to the following Regulated Entities (REs):

1. Scheduled Commercial Banks (excluding Regional Rural Banks);
2. Small Finance Banks;
3. Payments Banks; and
4. Credit card issuing NBFCs.

**3. Definitions**

All expressions unless defined herein shall have the same meaning as have been assigned to them under the Banking Regulation Act, 1949, Reserve Bank of India Act, 1934, Payment and Settlement Systems Act, 2007 or Information Technology Act, 2000/ Information Technology (Amendment) Act, 2008 and Rules made thereunder, any statutory modification or re-enactment thereto or as used in commercial parlance, as the case may be.

**CHAPTER – II**

**GENERAL CONTROLS**

**Governance and Management of Security Risks**

4. REs shall formulate a policy for digital payment products and services with the approval of their Board. The contours of the policy, while discussing the parameters of any “new product” including its alignment with the overall business strategy and inherent risk of the product, risk management/ mitigation measures, compliance with regulatory instructions, customer experience, etc., should explicitly discuss about payment security requirements from Functionality, Security and Performance (FSP) angles such as:

1. Necessary controls to protect the confidentiality of customer data and integrity of data and processes associated with the digital product/ services offered;
2. Availability of requisite infrastructure e.g. human resources, technology, etc. with necessary back up;
3. Assurance that the payment product is built in a secure manner offering robust performance ensuring safety, consistency and rolled out after necessary testing for achieving desired FSP;
4. Capacity building and expansion with scalability (to meet the growth for efficient transaction processing);
5. Minimal customer service disruption with high availability of systems/ channels (to have minimal technical declines);
6. Efficient and effective dispute resolution mechanism and handling of customer grievance; and
7. Adequate and appropriate review mechanism followed by swift corrective action, in case any one of the above requirements is hampered or having high potential to get hampered.

The Board and Senior Management shall be responsible for implementation of this policy. The policy shall be reviewed periodically, at least on a yearly basis. REs may formulate this policy separately for its different digital products or include the same as part of their overall product policy. Further, the policy document should require that every digital payment product/ services offered addresses the mechanics, clear definition of starting point, critical intermittent stages/ points and end point in the digital payment cycle, security aspects, validations till the digital payment is settled, clear pictorial representation of digital path and exception handling. In addition, signing off of the above requirements, mechanism for carrying out User Acceptance Tests (UAT) in multiple stages before roll out, sign off from multiple stakeholders (post UAT) and data archival requirements shall also be taken in to account. The need for an external assessment of the entire process including the logic, build and security aspects of the application(s) supporting the digital product should be clearly articulated.

5. REs shall incorporate appropriate processes into their governance and risk management programs for identifying, analysing, monitoring and managing the specific risks, including compliance risk and fraud risk, associated with the portfolio of digital payment products and services on a continual basis and in a holistic manner. The Board/ Senior Management of REs shall have appropriate performance monitoring systems/ key performance indicators for assessing whether the product or service offered through digital payment channels meet operational and security norms.

6. As part of this process, the REs shall define product-level limits on the level of acceptable security risk, document specific security objectives and performance criteria including quantitative benchmarks for evaluating the success of the security built into the digital payment product or service, periodically compare actual results with projections and qualitative benchmarks to detect and address adverse trends or concerns in a timely manner and modify the business plan/ strategy involving the product, when appropriate, based on the security performance of the product or service.

7. REs shall have trained resources with necessary expertise to manage the digital payment infrastructure. Wherever the REs are dependent on third party service providers, adequate oversight and controls for monitoring the activities of the third party personnel, in line with RBI guidelines on outsourcing, shall be put in place.

8. REs shall conduct risk assessments with regard to the safety and security of digital payment products and associated processes and services as well as suitability and appropriateness of the same vis-a-vis the target users, both prior to establishing the service(s) and regularly thereafter. The risk assessment should take into account –

1. The technology stack and solutions used;
2. Known vulnerabilities at each of the touchpoints of the digital product and the remedial action taken by the entity;
3. Dependence on third party service providers and oversight over such providers;
4. Risk arising out of integration of digital payment platform with other systems both internal and external to the RE, including core systems and systems of payment systems operators, etc.;
5. The customer experience, convenience and technology adoption required to use such products;
6. Reconciliation process;
7. Interoperability aspects;
8. Data storage, security and privacy protection as per extant laws/ instructions;
9. Operational risk including fraud risk;
10. Business continuity and service availability;
11. Compliance with extant cyber security requirements; and
12. Compatibility aspects.

Such assessment shall cover the surrounding ecosystem as well. The assessment of risks shall address the need to protect and secure payment data[1](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12032&Mode=0#F1) and evaluate the resilience of systems. The internal Risk and Control Self-Assessment (RCSA) exercise shall cover the risks (inherent) & controls vis-à-vis the probability and impact of threats to arrive at residual risk. In such an exercise, it is imperative for REs to maintain database of all systems and applications storing customer data in the payment ecosystem and compliance with applicable PCI standards in each of the systems (notwithstanding mandatory requirements of certification/ standard accreditation).

9. REs shall evaluate the risks associated with the chosen technology platforms, application architecture, both on the server and client side. Further, REs should undertake a review of the risk scenarios and existing security measures based on incidents affecting their services, before any major change to the infrastructure or procedures is made or, when, any new threats are identified through risk monitoring activities. Further, unused or unwanted features of the platform should be closely controlled to minimise risk.

10. REs shall develop sound internal control systems and take into account the operational risk before offering digital payment products and related services. This would include ensuring that adequate safeguards are in place to protect integrity of data, customer confidentiality and security of data.

11. REs shall ensure that the digital payment architecture is robust and scalable, commensurate with the transaction volumes and customer growth. The IT strategy of the RE shall ensure that a robust capacity management plan is in place to meet evolving demand. REs shall also put in place review mechanism of IT/ IT Security architecture and technology platform overhaul on a periodic basis based on Board-approved policy.

12. REs shall have necessary capacity, systems and procedures in place to periodically test the backed-up data, application pertaining to digital products to ensure recovery without loss of transactions or audit-trails. These facilities should be tested at least on a half-yearly basis for digital payment products and services.

**Other Generic Security Controls**

13. The communication protocol in the digital payment channels (especially over Internet) shall adhere to a secure standard. An appropriate level of encryption and security shall be implemented in the digital payment ecosystem.

14. Web applications providing the digital payment products and services should not store sensitive information in HTML hidden fields, cookies, or any other client-side storage to avoid any compromise in the integrity of the data.

15. REs shall implement Web Application Firewall (WAF) solution and DDoS mitigation techniques to secure the digital payment products and services offered over Internet.

16. The key length (for symmetric/ asymmetric encryption, hashing), algorithms (for encryption, signing, exchange of keys, creation of message digest, random number generators), cipher suites, digital certificates and applicable protocols used in transmission channels, processing of data, authentication purpose, shall be strong, adopting internationally accepted and published standards that are not deprecated/ demonstrated to be insecure/ vulnerable and the configurations involved in implementing such controls are in general, compliant with extant instructions and the law of the land.

17. REs shall renew their digital certificates used in digital payment ecosystem well in time.

18. The mobile application[2](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12032&Mode=0#F2) and internet banking application should have effective logging and monitoring capabilities to track user activity, security changes and identify anomalous behaviour and transactions.

**Application Security Life Cycle (ASLC)**

19. REs shall implement multi-tier application architecture, segregating application, database and presentation layer in the digital payment products and services.

20. REs shall follow a ‘secure by design’ approach in the development of digital payment products and services. REs shall ensure that digital payment applications are inherently more secure by embedding security within their development lifecycle.

21. REs shall explicitly define security objectives (including protection of customer information/ data) during (a) requirements gathering, (b) designing, (c) development, (d) testing including source code review, (e) implementation, maintenance & monitoring and (f) decommissioning phases of the digital payment applications.

22. REs (including those partnering with other entities to co-brand/ co-develop applications) shall adopt and incorporate a threat modelling approach during application lifecycle management into their policies, processes, guidelines and procedures.

23. For digital payment applications that are licensed by a third party vendor, REs shall have an escrow arrangement for the source code for ensuring continuity of services in case the vendor defaults or is unable to provide services.

24. REs shall conduct security testing including review of source code, Vulnerability Assessment (VA) and Penetration Testing (PT) of their digital payment applications to assure that the application is secure for putting through transactions while preserving confidentiality and integrity of the data that is stored and transmitted. Such testing should invariably cover compliance with various standards like OWASP. If the source code is not owned by the RE, then, in such cases, the RE shall obtain a certificate from the application developer stating that the application is free of known vulnerabilities, malwares and any covert channels in the code.

In this context,

1. The VA shall be conducted at least on a half-yearly basis; PT shall be conducted at least on a yearly basis. In addition, VA/PT shall be conducted as and when any new IT Infrastructure or digital payment application is introduced or when any major change is performed in application or infrastructure;
2. Testing related to review of source code/ certification shall be conducted/ obtained. This shall continue on a yearly basis, if changes/ upgrades have been made to the application during the year;
3. Testing/ Certification should broadly address the objective that the product/ version/module(s) functions only in a manner that it is intended to do, is developed as per the best secure design/ coding practices and standards, addressing known flaws/threats due to insecure coding; and
4. Penal provisions shall be included by the RE into third-party contractual arrangements for any non-compliance by the application provider.

25. REs may also run automated VA scanning tools to automatically scan all systems on the network that are critical, public facing or store customer sensitive data on a continuous/ more frequent basis.

26. REs shall compare the results from earlier vulnerability scans to verify/ ascertain that vulnerabilities are addressed either by patching, implementing a compensating control, or documenting and accepting the residual risk with necessary approval and that there is no recurrence of the known vulnerabilities. The identified vulnerabilities should be fixed in a time-bound manner.

27. REs shall ensure that all vulnerability scanning is performed in authenticated mode either with agents running locally on the system to analyse the security configuration or with remote scanners that are given administrative rights on the system being tested.[3](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12032&Mode=0#F3)

28. REs shall verify and thoroughly test the functionality (to validate whether the system meets the functional requirements/ specifications) and security controls of payment products and services before its launch/ moving to the production environment.

29. REs shall institute a mechanism to actively monitor for the non-genuine/ unauthorised/ malicious applications (with similar name/ features) on popular app-stores and the Web and respond accordingly to bring them down.

30. The server at the RE’s end should have adequate checks and balances to ensure that no transaction is carried out through non-genuine/ unauthorised digital payment products/ applications and the authentication process is robust, secure and centralised.

31. The security controls for digital payment applications must focus on how these applications handle, store and protect payment data. The APIs for secure data storage and communication have to be implemented and used correctly in order to be effective. REs shall refer to standards such as OWASP-MASVS, OWASP-ASVS and other relevant OWASP standards, security and data protection guidelines in ISO 12812, threat catalogues and guides developed by NIST (including for Bluetooth and LTE security), for application security and other protection measures. Such testing has to necessarily verify for vulnerabilities including, but not limited to OWASP/ OWASP Mobile Top 10, application security guidelines/ requirements developed/ shared by operating system providers/ OEMs.

32. REs shall redact/ mask customer information such as account numbers/ card numbers/ other sensitive information when transmitted via SMS/ e-mails.

**Authentication Framework**

33. In view of the proliferation of cyber-attacks and their potential consequences, REs should implement, except where explicitly permitted/ relaxed, multi-factor authentication for payments through electronic modes and fund transfers, including cash withdrawals from ATMs/ micro-ATMs/ business correspondents, through digital payment applications. At least one of the authentication methodologies should be generally dynamic or non-replicable. [e.g., Use of One Time Password, mobile devices (device binding and SIM), biometric/ PKI/ hardware tokens, EMV chip card (for Card Present Transactions) with server-side verification could be termed either in dynamic or non-replicable methodologies.].

34. REs may also adopt adaptive authentication to select the right authentication factors depending on risk assessment, user risk profile and behaviour. Properly designed and implemented multi-factor authentication methods are more reliable and stronger fraud deterrents and are more difficult to compromise. The key objectives of multi-factor authentication are to protect the confidentiality of payment data as well as enhance confidence in digital payment by combating various cyber-attack mechanisms like phishing, keylogging, spyware/ malware and other internet-based frauds targeted at REs and their customers. In this regard,

1. The implementation of appropriate authentication methodologies should be based on an assessment of the risk posed by the RE’s digital payment products and services. The risk should be evaluated in light of the type of customer (e.g., retail/ corporate/ commercial); the customer transactional requirements/ pattern (e.g., bill payment, fund transfer), the sensitivity of customer information and the volume, value of transactions involved.
2. Beyond the technology factor, the success of a particular authentication method depends on appropriate policies, procedures, and controls. An effective authentication method should take into consideration customer acceptance, ease of use, reliable performance, scalability to accommodate growth, customer profile, location, transaction, etc., and interoperability with other systems.
3. To enhance online processing security, multi factor authentication and alerts (like SMS, e-mail, etc.) should be applied in respect of all payment transactions (including debits and credits), creation of new account linkages (addition/ modification/ deletion of beneficiaries), changing account details or revision to fund transfer limits. In devising these security features, REs should take into account their efficacy and differing customer preferences for additional online protection.
4. The alerts and OTPs received by the customer for online transactions shall identify the merchant name, wherever applicable, rather than the payment aggregator through which the transaction was effected.
5. As an integral part of the multi factor authentication architecture, REs should also implement appropriate measures to minimise exposure to a middleman attack which is more commonly known as a man-in-the-middle attack (MITM), man-in-the browser (MITB) attack or man-in-the application attack. This is to ensure, among other things, that the data in transit is secured and the transactions are authenticated only by genuine/ authorised source/ process.
6. An authenticated session, together with its encryption protocol, should remain intact throughout the interaction with the customer. Else, in the event of interference or in case the customer closes the application, the session should be terminated, and the affected transactions resolved or reversed out. The customer should be promptly notified about the status of the transaction by email, SMS or through other means.

35. REs should set down the maximum number of failed log-in or authentication attempts after which access to the digital payment product/ service is blocked. They should have a secure procedure in place to re-activate the access to blocked product/ service. The customer shall be notified for failed log-in or authentication attempts.

**Fraud Risk Management**

36. The REs shall document and implement the configuration aspects for identifying suspicious transactional behaviour in respect of rules, preventive, detective types of controls, mechanism to alert the customers in case of failed authentication, time frame for the same, etc.

37. System alerts shall be parameterised and monitored in terms of various applicable parameters. Such parameters, as applicable could be: transaction velocity (e.g., fund transfers, cash withdrawals, payments through electronic modes, adding new beneficiaries, etc.) in a short period, more so in the accounts of customers who’ve never used mobile app/ internet banking/ card ever (depending upon the type of payment channel), high risk merchant category codes (MCC) parameters, counterfeit card parameters (String of Invalid CVV/ PINs indicates an account generation attack), new account parameters (excessive activity on a new account), time zones, geo-locations, IP address origin (in respect of unusual patterns, prohibited zones/ rogue IPs), behavioural biometrics, transaction origination from point of compromise, transactions to mobile wallets/ mobile numbers/ VPAs on whom vishing fraud or other types of fraud is/are registered/ recorded, declined transactions, transactions with no approval code, etc.

38. Fraud analysis shall be conducted to identify the reason for fraud occurrence and determine mechanism to prevent such frauds.

39. The staff, especially in the fraud control function, shall be educated about frauds and trained in the following skills and areas of expertise:

1. Fraud control tools and their usage;
2. Investigative techniques and procedures;
3. Cardholder and merchant education techniques to prevent fraud;
4. Scheme/ Card operating regulations;
5. Data processing and analysis and liaising or communicating with law enforcement agencies; and
6. The requisite skills required to (i) set and update appropriate rules, (ii) monitor the exceptions thrown based on the rules on a continuous basis and take necessary actions promptly, (iii) communicate/ escalate wherever required to appropriate authorities, and (iv) differentiate false positives from the rest.

40. REs shall maintain updated contact details of service providers, intermediaries, external agencies and other stakeholders (including other REs) for coordination in incident response. REs shall put in place a mechanism with the stakeholders to update and verify such contact details. REs shall also formulate specific SOPs to handle incidents related to payment ecosystem to mitigate the loss either to the customer or RE.

**Reconciliation Mechanism**

41. A real time/ near-real time (not later than 24 hours from the time of receipt of settlement file(s)) reconciliation framework for all digital payment transactions between RE and all other stakeholders such as payment system operators, business correspondents, card networks, payment system processors, payment aggregators, payment gateways, third party technology service providers, other participants, etc., shall be put in place for better detection and prevention of suspicious transactions. A mechanism shall be introduced to monitor the implementation and effectiveness of such framework.

**Customer Protection, Awareness and Grievance Redressal Mechanism**

42. REs shall incorporate secure, safe and responsible usage guidelines and training materials for end users within the digital payment applications. They shall also make it mandatory (i.e. not providing any option to circumvent/ avoid the material) for the consumer to go through secure usage guidelines (even in the consumer’s preferred language) while obtaining and recording confirmation during the on-boarding procedure in the first instance and first use after each update of the digital payment application or after major updates to secure and safe usage guidelines.

43. REs shall mention/ incorporate a section on the digital payment application clearly specifying the process and procedure (with forms/ contact information, etc.) to lodge consumer grievances. A mechanism to keep this information periodically updated shall also be put in place. The reporting facility on the application shall provide an option for registering a grievance. Customer dispute handling, reporting and resolution procedures, including the expected timelines for the RE's response should be clearly defined.

44. REs shall adhere to extant instructions[4](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12032&Mode=0#F4), updated from time to time, to put in place system/s for online dispute resolution for resolving disputes and grievances of customers pertaining to digital payments.

45. REs shall educate customers about the need to maintain the physical and logical security of their devices accessing digital payment products and services including recommending secure/ regular installation of operating system and application updates, downloading applications only from authorised sources, having anti-malware/ anti-virus applications on devices, etc.

46. REs shall ensure that its customers are provided information about the risks, benefits and liabilities of using digital payment products and its related services before they subscribe to them. Customers shall also be informed clearly and precisely on their rights, obligations and responsibilities on matters relating to digital payments, and, any problems that may arise from its service unavailability, processing errors and security breaches. The terms and conditions including customer privacy and security policy applying to digital payment products and services shall be readily available to customers within the product. All digital channels are to be offered on express willingness of customers and shall not be bundled without their knowledge.

47. Whenever new operating features or functions, particularly those relating to security, integrity and authentication, are introduced to online delivery channels, clear and effective communication followed by sufficient instructions to properly utilise such new features should be provided to the customers.

48. REs may continuously create public awareness on the types of threats and attacks used against the consumers while using digital payment products and precautionary measures to safeguard against the same. Customers shall be cautioned against commonly known threats in recent times like phishing, vishing, reverse-phishing, remote access of mobile devices and educated to secure and safeguard their account details, credentials, PIN, card details, devices, etc.

49. REs shall provide digital payment products and services, to a customer only at her/ his option based on specific written or authenticated electronic requisition along with a positive acknowledgement of the terms and conditions.

50. REs should provide a mechanism on their mobile and internet banking application for their customers to, with necessary authentication, identify/ mark a transaction as fraudulent for seamless and immediate notification to his RE. On such notification by the customer, the REs may endeavour to build the capability for seamless/ instant reporting of fraudulent transactions to the corresponding beneficiary/ counterparty’s RE; vice-versa have mechanism to receive such fraudulent transactions reported from other REs. The objective of this mechanism is to accelerate early detection and enable the banking/ payment system to trace the transaction trail and mitigate the loss to the defrauded customer at the earliest possible time.

**Chapter III**

**INTERNET BANKING SECURITY CONTROLS**

In addition to the controls prescribed in [Chapter II](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12032&Mode=0#6), the following instructions are applicable to REs offering/ intending to offer internet banking facility to their customers:

51. Internet banking websites are vulnerable to authentication related brute force attacks/ application layer Denial of Service (DoS) attacks. Based on the RE’s individual risk/ vulnerability assessment on authentication-related attacks such as brute force/ DoS attacks, REs shall implement additional levels of authentication to internet banking website such as adaptive authentication, strong CAPTCHA (preferably with anti-bot features) with server-side validation, etc., in order to plug this vulnerability and prevent its exploitation. Appropriate measures shall be taken to prevent DNS cache poisoning attacks and for secure handling of cookies. Virtual keyboard option should be made available.

52. An online session shall be automatically terminated after a fixed period of inactivity.

53. Secure delivery of password for login purpose shall be ensured. The password generated and dispatched by the RE should be valid for a limited period from the date of its creation. If the password is generated and dispatched by the RE, then, the user shall be compulsorily required to change the password, on the first login.

54. When the internet banking application is accessed through external websites (eg: in case of payment of taxes, e-commerce transactions, etc.), the procedure for authentication and the appearance/ look and feel of the RE’s internet banking site should be made uniform as far as possible.

**Chapter IV**

**MOBILE PAYMENTS APPLICATION SECURITY CONTROLS**

In addition to the controls prescribed in [Chapter II](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12032&Mode=0#6), the following instructions are applicable to the REs offering/ intending to offer mobile banking/ mobile payments facility to their customers through mobile application:

55. On detection of any anomalies or exceptions for which the mobile application was not programmed, the customer shall be directed to remove the current copy/ instance of the application and proceed with installation of a new copy/ instance of the application. REs shall be able to verify the version of the mobile application before the transactions are enabled.

56. Specific Controls for mobile applications include:

1. Device policy enforcement (allowing app installation/ execution after baseline requirements are met);
2. Application secure download/ install;
3. Deactivating older application versions in a phased but time bound manner (not exceeding six months from the date of release of newer version) i.e., maintaining only one version (excluding the overlap period while phasing out older version) of the mobile application on a platform/ operating system;
4. Storage of customer data;
5. Device or application encryption;
6. Ensuring minimal data collection/ app permissions;
7. Application sandbox/ containerisation;
8. Ability to identify remote access applications (to the extent possible) and prohibit login access to the mobile application, as a matter of precaution; and
9. Code obfuscation.

57. REs may consider to perform validation on the security and compatibility condition of the device/ operating system and the mobile application to ensure that activities relating to the account are put through the mobile application in a safe and secure manner.

58. REs may explore the feasibility of implementing a code that checks if the device is rooted/ jailbroken prior to the installation of the mobile application and disallow the mobile application to install/ function if the phone is rooted/ jailbroken.

59. Checksum of current active version of application shall be hosted on public platform so that users can verify the same.

60. REs shall ensure device binding of mobile application[5](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12032&Mode=0#F5).

61. Considering that the additional factor of authentication and mobile application may reside on the same mobile device in the case of mobile banking, mobile payments, REs may consider implementing alternatives to SMS-based OTP authentication mechanisms.

62. The mobile application should require re-authentication whenever the device or application remains unused for a designated period and each time the user launches the application. Applications must be able to identify new network connections or connections from unsecured networks like unsecured Wi-Fi connections and must implement appropriate authentication/ checks/ measures to perform transactions under those circumstances.

63. The mobile application should not store/ retain sensitive personal/ consumer authentication information such as user IDs, passwords, keys, hashes, hard coded references on the device and the application should securely wipe any sensitive customer information from memory when the customer/ user exits the application.

64. REs shall ensure that their mobile application limit the writing of sensitive information into ‘temp’ files. The sensitive information written in such files must be suitably encrypted/ masked/ hashed and stored securely.

65. REs may consider designing anti-malware capabilities into their mobile applications.

66. REs shall ensure that the usage of raw (visible) SQL queries in mobile applications to fetch or update data from databases is avoided. Mobile applications should be secured from SQL injection type of vulnerabilities. Sensitive information should be written to the database in an encrypted form. Web content, as part of the mobile application’s layout, should not be loaded if errors are detected during SSL/ TLS negotiation. Certificate errors on account of the certificate not being signed by a recognised certificate authority; expiry/ revocation of the certificate must be displayed to the user.

**Chapter V**

**CARD PAYMENTS SECURITY**

In addition to the controls prescribed in [Chapter II](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12032&Mode=0#6), the following instructions are applicable to the REs offering/ intending to issue cards (credit/ debit/ prepaid) (physical or virtual) to their customers:

67. REs shall follow various payment card standards (over and above PCI-DSS and PA-DSS[6](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12032&Mode=0#F6)) as per Payment Card Industry (PCI) prescriptions for comprehensive payment card security as per applicability/ readiness of updated versions of the standards such as –

1. PCI-PIN (secure management, processing, and transmission of personal identification number (PIN) data);
2. PCI-PTS (security approval framework addresses the logical and/ or physical protection of cardholder and other sensitive data at point of interaction (POI) devices and hardware security modules (HSMs);
3. PCI-HSM (securing cardholder-authentication applications and processes including key generation, key injection, PIN verification, secure encryption algorithm, etc.); and
4. PCI-P2PE (security standard that requires payment card information to be encrypted instantly upon its initial swipe and then securely transferred directly to the payment processor).

68. REs should ensure that terminals installed at the merchants for capturing card details for payments or otherwise are validated against the PCI-P2PE program to use PCI-approved P2PE solutions; PoS terminals with PIN entry installed at the merchants for capturing card payments (including the double swipe terminals) are approved by the PCI-PTS program.

69. Acquirers shall secure their card payment infrastructure (Unique Key Per Terminal – UKPT or Derived Unique Key Per Transaction – DUKPT/ Terminal Line Encryption – TLE).

70. The security controls to be implemented at HSM are:

1. The HSMs should have logging enabled, the logs must themselves be tamper proof;
2. HSM can become a single point of failure. This needs to be mitigated by ‘clustering’ for high availability and ensure secure backups;
3. Access to the HSM should be controlled through Access Control Lists (ACLs);
4. Separate ACLs should be maintained for each individual application to ensure application level isolation;
5. All access to HSM should be managed and monitored using a robust Privileged Identity and Access Management solution;
6. Decryption and validation of keys, PIN should be done at HSM;
7. Card PIN generation and printing should be directly at system connected HSM;
8. CVV generation and validation should be done at HSM;
9. Ensure HSM is implemented with secure PIN block format with controls to disable outputting PIN block in weaker format;
10. Secure key management for HSMs (such as LMKs, etc.); and
11. Security of the physical keys of the HSM device should be properly maintained.

71. REs shall implement the following for improving the security posture of the ATM:

1. Implement security measures such as BIOS password, disabling USB ports, disabling auto-run facility, applying the latest patches of operating system and other softwares, terminal security solution, time-based admin access, etc;
2. Implement anti-skimming and whitelisting solution; and
3. Upgrade all the ATMs with supported versions of operating system. Use of ATMs that have unsupported operating systems shall be prohibited.

72. REs shall ensure robust surveillance/ monitoring of card transactions (especially overseas cash withdrawals) and setting up of rules and limits commensurate with their risk appetites. REs shall take up with the card network and/ or ATM network as the case may be, to put in place transaction limits at Card, BIN as well as at the RE level. Such limits shall be mandatorily set at the card network switch itself. Limits could be mandated both for domestic as well as international transactions separately. REs shall put in place transaction control mechanisms with necessary caps (restrictions on transactions), if any of the limits set as per the above requirement is breached. A periodic review mechanism of such limits set as per the risk appetite of the RE shall be put in place as per the Board-approved policy. REs shall institute a mechanism to monitor breaches, if any, on a 24x7 basis, including weekends, long holidays and put in place a robust incident response mechanism to mitigate the fraud loss, on account of suspicious transactions, if any. REs shall ensure that card details of the customers are not stored in plain text at the RE and its vendor(s) locations, systems and applications. REs shall also ensure that the processing of card details in readable format is performed in a secure manner to strictly avoid data leakage of sensitive customer information.

73. REs that use card data scanning tools to identify unencrypted (clear text) payments card data in their ecosystem especially during audits shall adhere to the following safety measures:

1. Any tool (procured by/ from a third-party) for the purpose of scanning of unencrypted card data should first be tested in a test environment to understand the scope and impact of the tool’s capabilities;
2. The scanning tool should be installed only in the RE's premises on their devices;
3. Card data scanning should not be done remotely;
4. The discovered data, if any, must preferably reside in the scanning tool. Exportable card data must be appropriately masked. (No data, even masked, must be taken out of the RE’s premises/ infrastructure); and
5. Limited access to service providers to conduct the scan or analyse the data, if at all, must be provided only on the RE’s devices.

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12032&Mode=0>

37. **Master Direction – Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021**

**RBI/2020-21/73 DOR.FIN.HFC.CC.No.120/03.10.136/2020-21 February 17, 2021**

The Reserve Bank of India (the Bank), having considered it necessary in the public interest, and being satisfied that, for the purpose of enabling the Bank to regulate the financial system to the advantage of the country and to prevent the affairs of any Housing Finance Company (HFCs) from being conducted in a manner detrimental to the interest of investors and depositors or in any manner prejudicial to the interest of such HFCs, and in exercise of the powers conferred under sections 45L and 45MA of the Reserve Bank of India Act, 1934 and Sections 30, 30A, 32 and 33 of the National Housing Bank Act, 1987, hereby issues to every HFC, in supersession of the regulations/ directions as given in Chapter XVII of these directions, the [Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021](https://rbidocs.rbi.org.in/rdocs/content/pdfs/MD100017022021_A.pdf) hereinafter specified.

<https://rbidocs.rbi.org.in/rdocs/content/pdfs/MD100017022021_A.pdf>

**38. Remittances to International Financial Services Centres (IFSCs) in India under the Liberalised Remittance Scheme (LRS)**

**RBI/2020-21/99 A.P. (DIR Series) Circular No. 11 February 16, 2021**

*All Category-I Authorised Dealer Banks*

Please refer to the [Statement on Development and Regulatory Polices](https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=51078) announced as part of the [Bi-monthly Monetary Policy Statement dated February 05, 2021](https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=51077) on the above subject.

2. With a view to deepen the financial markets in International Financial Services Centres (IFSCs) and provide an opportunity to resident individuals to diversify their portfolio, the extant guidelines on Liberalised Remittance Scheme (LRS) have been reviewed and it has been decided to permit resident individuals to make remittances under LRS to IFSCs set up in India under the Special Economic Zone Act, 2005, as amended from time to time. Accordingly, AD Category - I banks may allow resident individuals to make remittances under LRS to IFSCs in India, subject to the following conditions:

1. The remittance shall be made only for making investments in IFSCs in securities, other than those issued by entities/companies resident (outside IFSC) in India.
2. Resident Individuals may also open a non interest bearing Foreign Currency Account (FCA) in IFSCs, for making the above permissible investments under LRS. Any funds lying idle in the account for a period upto 15 days from the date of its receipt into the account shall be immediately repatriated to domestic INR account of the investor in India.
3. Resident Individuals shall not settle any domestic transactions with other residents through these FCAs held in IFSC.

3. AD Category - I banks, while allowing such remittances, shall ensure compliance with all other terms and conditions, including reporting requirements prescribed under the Scheme. It may be noted that any person resident in India (outside IFSC) entering into any transaction with a person/entity in IFSC shall only be governed by regulations/directions and rules issued/notified by the Reserve Bank of India and the Government of India respectively under Foreign Exchange Management Act (FEMA), 1999. Further, compounding of any contravention of FEMA provision by such person resident in India shall be dealt by the Reserve Bank of India in accordance with the extant instructions/provisions on compounding of contraventions under FEMA.

4. [Master Direction No.7 (Master Direction – Liberalised Remittance Scheme)](https://www.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=10192) is being updated to reflect the above changes. AD Category - I banks should bring the contents of this circular to the notice of their constituents and customers.

5. The directions contained in this circular have been issued under sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and are without prejudice to permissions/approvals, if any, required under any other law.

**39. Basel III Framework on Liquidity Standards – Net Stable Funding Ratio (NSFR)**

**RBI/2020-21/95 DOR.No.LRG.BC.40/21.04.098/2020-21 February 05, 2021**

*All Commercial Banks (excluding Regional Rural Banks,Local Area Banks and Payments Banks)*

Please refer to our [circular DBR.BP.BC.No.106/21.04.098/2017-18 dated May 17, 2018](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11278&Mode=0) on Basel III Framework on Liquidity Standards - Net Stable Funding Ratio (NSFR)-Final Guidelines (‘NSFR Guidelines’) and [circular DOR.BP.BC.No.16/21.04.098/2020-21 dated September 29, 2020](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11971&Mode=0) deferring the implementation of the said guidelines till April 1, 2021.

2. In view of the ongoing stress on account of COVID-19, it has been decided to defer the implementation of NSFR guidelines by a further period of six months. Accordingly, the NSFR Guidelines shall come into effect from October 1, 2021.

**40. SLR holdings in HTM category**

**RBI/2020-21/94 DOR.No.MRG.BC.39/21.04.141/2020-21 February 5, 2021**

*All Commercial Banks*

Please refer to paragraph 4 of [Statement on Developmental and Regulatory Policies dated February 5, 2021](https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=51078) and our [circular DoR.No.BP.BC.22/21.04.141/2020-21 dated October 12, 2020](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11982&Mode=0) on the above subject.

2. Banks are permitted to exceed the limit of 25 per cent of the total investments under Held to Maturity (HTM) category provided:

1. the excess comprises only of SLR securities; and
2. total SLR securities held under HTM category is not more than 19.5 per cent of Net Demand and Time Liabilities (NDTL) as on the last Friday of the second preceding fortnight.

3. With respect to the limit stated in paragraph 2(b) above, banks have been granted a special dispensation of enhanced HTM limit of 22 per cent of NDTL, for SLR securities acquired between September 1, 2020 and March 31, 2021, until March 31, 2022. The enhanced limit was required to be restored in a phased manner over three quarters beginning with the quarter ending June 30, 2022.

4. It has now been decided to extend the dispensation of enhanced HTM of 22 per cent to March 31, 2023 to include SLR securities acquired between April 1, 2021 and March 31, 2022. Thus, banks may exceed the limit specified in paragraph 2(b) above upto 22 per cent of NDTL (instead of 19.5 per cent of NDTL) till March 31, 2023, provided such excess is on account of SLR securities acquired between September 1, 2020 and March 31, 2022.

5. The schedule for restoring the enhanced HTM limit to 19.5 per cent of NDTL specified in paragraph 3 of the [circular dated October 12, 2020](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11982&Mode=0) referred to above is accordingly modified. The enhanced HTM limit shall be restored to 19.5 percent in a phased manner, beginning from the quarter ending June 30, 2023, i.e. the excess SLR securities acquired by banks during the period September 1, 2020 to March 31, 2022 shall be progressively reduced from the HTM category such that the total SLR securities under the HTM category as a percentage of the NDTL does not exceed:

1. 21.00 per cent as on June 30, 2023
2. 20.00 per cent as on September 30, 2023
3. 19.50 per cent as on December 31, 2023

6. As per extant instructions, banks may shift investments to/from HTM with the approval of the Board of Directors once a year and such shifting will normally be allowed at the beginning of the accounting year. However, in order to enable banks to shift their excess SLR securities from the HTM category to available for sale (AFS)/ held for trading (HFT) to comply with the instructions as indicated in paragraph 5 above, it has been decided to allow such shifting of the excess securities during the quarter in which the HTM ceiling is brought down. This would be in addition to the shifting permitted at the beginning of the accounting year.

**41. Basel III Capital Regulations- Review of transitional arrangements**

**RBI/2020-21/93 DOR.CAP.BC.No.34/21.06.201/2020-21 February 5, 2021**

*All Commercial Banks (Excluding Small Finance Banks, Payments Banks, RRBs and LABs)*

Please refer to [circular DOR.BP.BC.No.15/21.06.201/2020-21 dated September 29, 2020](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11970&Mode=0) on ‘Basel III Capital Regulations- Review of transitional arrangements’.

2. In view of the continuing stress on account of COVID-19 and in order to aid in the recovery process, it has been decided to defer the implementation of the last tranche of 0.625 per cent of the Capital Conservation Buffer (CCB) from April 1, 2021 to October 1, 2021. Accordingly, the minimum capital conservation ratios in para 15.2.2 of Part D ‘Capital Conservation Buffer Framework’ of [Master Circular, DBR.No.BP.BC.1/21.06.201/2015-16 dated July 1, 2015](https://www.rbi.org.in/Scripts/BS_ViewMasCirculardetails.aspx?id=9859) on ‘Basel III Capital Regulations’, shall continue to apply till the CCB attains the level of 2.5 per cent on October 1, 2021.

3. The pre-specified trigger for loss absorption through conversion / write-down of Additional Tier 1 instruments (Perpetual Non-Convertible Preference Shares and Perpetual Debt Instruments), shall remain at 5.5 per cent of risk weighted assets (RWAs) and will rise to 6.125 per cent of RWAs from October 1, 2021.

**42. Credit to MSME Entrepreneurs**

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

*All Scheduled Commercial Banks*

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

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

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

**43. Section 24 of the Banking Regulation Act, 1949 – Maintenance of Statutory Liquidity Ratio (SLR) – Marginal Standing Facility (MSF) - Extension of Relaxation**

**RBI/2020-21/91 DOR.No.Ret.BC.36/12.01.001/2020-21 February 05, 2021**

*All Scheduled Banks*

Please refer to our [circulars DOR.No.Ret.BC.52/12.01.001/2019-20 dated March 27, 2020](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11838&Mode=0), [DOR.RRB.No.28/31.01.001/2020-21 dated December 4, 2020](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12004&Mode=0) and [Press Release No.2020-2021/401 dated September 28, 2020](https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=50427) on Marginal Standing Facility (MSF), wherein the banks were allowed to avail of funds under the MSF by dipping into the Statutory Liquidity Ratio (SLR) up to an additional one per cent of their net demand and time liabilities (NDTL), i.e., cumulatively up to three per cent of NDTL. This facility, which was initially available up to June 30, 2020 was later extended in phases up to March 31, 2021 providing comfort to banks on their liquidity requirements and also to enable them to meet their Liquidity Coverage Ratio (LCR) requirements.

2. As announced in the [Statement of Developmental and Regulatory Policies of February 05, 2021](https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=51078), with a view to providing comfort to banks on their liquidity requirements, banks are allowed to continue with the MSF relaxation for a further period of six months, i.e., up to September 30, 2021.

**44. Maintenance of Cash Reserve Ratio (CRR)**

**RBI/2020-21/90 DOR.No.Ret.BC.35/12.01.001/2020-21 February 5, 2021**

*All Banks*

Please refer to our [Circular DOR.No.Ret.BC.49/12.01.001/2019-20 dated March 27, 2020](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11841&Mode=0), on the captioned subject. The cash reserve ratio (CRR) of all banks was reduced by 100 basis points to 3.00 per cent of their Net Demand and Time liabilities (NDTL) effective from the reporting fortnight beginning March 28, 2020. The dispensation was available for a period of one year ending March 26, 2021.

2. As announced in paragraph 2 of the [Statement on Developmental and Regulatory Policies dated February 05, 2021](https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=51078), it has been decided to gradually restore the CRR in two phases in a non-disruptive manner. Accordingly, banks are required to maintain the CRR at 3.50 per cent of their NDTL effective from the reporting fortnight beginning March 27, 2021 and 4.00 per cent of their NDTL effective from fortnight beginning May 22, 2021.

**45.**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

b) They are husband and wife; or

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

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

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

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

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

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

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

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

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

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

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

**46. Prudential Guidelines on Capital Adequacy and Market Discipline - New Capital Adequacy Framework (NCAF) - Eligible Credit Rating Agencies – CRISIL Ratings Limited**

**RBI/2020-21/86 DOR.No.CRE.BC.33/21.06.007/2020-21 January 27, 2021**

*All Scheduled Commercial Banks (Excluding Payment Banks, Local Area Banks and Regional Rural Banks)*

Please refer to the [Master Circular DBR.No.BP.BC.4./21.06.001/2015-16 dated July 1, 2015](https://www.rbi.org.in/Scripts/BS_ViewMasCirculardetails.aspx?id=9893) on 'Prudential Guidelines on Capital Adequacy and Market Discipline - New Capital Adequacy Framework (NCAF)’ and [Master Circular DBR.No.BP.BC.1/21.06.201/2015-16 dated July 1, 2015](https://www.rbi.org.in/Scripts/BS_ViewMasCirculardetails.aspx?id=9859) on Basel III Capital Regulations.

2. In terms of paragraph 6 of the above circulars, CRISIL Limited has been accredited for the purpose of risk weighting the banks' claims for capital adequacy purposes along with other credit rating agencies (CRAs) registered with Securities and Exchange Board of India (SEBI). The rating business of CRISIL Limited has since been transferred to CRISIL Ratings Limited, a wholly owned subsidiary of CRISIL Limited in compliance with SEBI’s notification dated September 11, 2018 read with SEBI’s circular dated September 19, 2018. Banks may therefore, use the ratings of the CRISIL Ratings Limited for the purpose of risk weighting their claims for capital adequacy purposes. The rating-risk weight mapping for the long term and short-term ratings assigned by CRISIL Ratings Limited will be the same as was in the case of CRISIL Limited and there is no change in the rating symbols earlier assigned by CRISIL Limited.

3. All other provisions regarding external credit ratings stipulated in the aforementioned Master Circulars remain unchanged.

**47. Withdrawal of circulars - on Recovery of excess pension made to pensioners**

**RBI/2020-21/84 DGBA.GBD.No.SUO 546/45.01.001/2020-21 January 21, 2021**

*The Chairman / Chief Executive Officer, All Agency Banks*

It has been brought to the notice of RBI that the recovery of excess /wrong pension payments from the pensioners are being made in a manner that is not in keeping with the extant guidelines / Court orders.

2. This issue has been examined by RBI and it has been decided that the following circulars issued by Department of Government and Bank Accounts, Reserve Bank of India related to recovery of excess pension paid by agency banks stands withdrawn with effect from the date of this circular -

1. [Circular no DGBA.GAD.No.2960/45.01.001/2015-16 dated March 17, 2016](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=10303&Mode=0)
2. Circular no CO.DGBA (NBS) No.44/GA.64 (11-CVL) 90/91 dated April 18, 1991
3. Circular no CO DGBA (NBS) No.50/GA.64 (11-CVL) 90/91 dated May 6, 1991.

3. It may please be noted that though the above-mentioned circulars issued under the signature of RBI stand withdrawn, 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.

4. As regards the issue of refund to be made to the government of excess/wrong pension payments, banks may be guided by the guidelines laid down in our Circulars Nos.DGBA.GAD.H10450/45.03.001/2008-09 dated June 1, 2009 and [DGBA.GAD.H.4054/45.03.001/2014-15 dated March 13, 2015](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=9601&Mode=0). Agency banks are again advised that, where excess pension payment has arisen on account of mistakes committed by the bank, the amount paid in excess should be refunded to the Government in lumpsum immediately after detection of the same and without waiting for recovery of any amount from the pensioners.

48. **RBI Notifications**

**Operationalisation of Payments Infrastructure Development Fund (PIDF) Scheme**

**RBI/2020-21/81 DPSS.CO.AD No.900/02.29.005/2020-21 January 05, 2021**

*The Chairman / Managing Director / Chief Executive Officer, Card Issuing and Acquiring Banks and Non-banks / Authorised Card Networks*

Please refer to the Statement on Developmental and Regulatory Policies dated October 4, 2019 and the Press Release dated June 05, 2020 announcing creation of Payments Infrastructure Development Fund (PIDF). PIDF is intended to subsidise deployment of payment acceptance infrastructure in Tier-3 to Tier-6 centres with special focus on North-Eastern States of the country. It envisages creating 30 lakh new touch points every year for digital payments.

2. The framework of PIDF is enclosed (Annex – I). An Advisory Council (AC), under the Chairmanship of the Deputy Governor, RBI, has been constituted for managing the PIDF. PIDF will be operational for a period of three years from January 01, 2021 and may be extended for two more years depending upon the progress. PIDF presently has a corpus of ₹ 345 crore (₹ 250 crore contributed by RBI and ₹ 95 crore by the major authorised card networks in the country).

3. All stakeholders are requested to co-operate in this endeavour by – (a) making their contributions to PIDF within the timelines, and (b) deploying acceptance infrastructure and seeking reimbursement from PIDF.

4. These directions are issued under Section 10 (2) read with Section 18 of Payment and Settlement Systems Act, 2007 (Act 51 of 2007).

**Annex - I**

**Payments Infrastructure Development Fund (PIDF) Scheme**

The objective of PIDF is to increase the number of acceptance devices multi-fold in the country. The Scheme is expected to benefit the acquiring banks / non-banks and merchants by lowering overall acceptance infrastructure cost.

**1. Validity Period and PIDF Target**

1.1 Three years from January 01, 2021, extendable by two further years, if necessary.

1.2 Increasing payments acceptance infrastructure by adding 30 lakh touch points – 10 lakh physical and 20 lakh digital payment acceptance devices every year.

**2. Governance Structure of PIDF**

2.1 PIDF shall be governed by an ex-officio Advisory Council (AC).

2.2 Composition of the AC :–

Shri B P Kanungo, Deputy Governor, Reserve Bank of India;

Shri Sunil Mehta, Chief Executive, Indian Banks’ Association;

Shri D Nageswara Rao, Chief General Manager, DFIBT, NABARD;

Shri Dilip Asbe, Chief Executive Officer, National Payments Corporation of India;

Shri Vishwas Patel, Chairman, Payments Council of India;

Shri Shailesh Paul, Vice President and Head Merchant Sales and Solutions, Visa;

Shri Rajeev Kumar, Senior Vice President, Market Development, Mastercard;

Shri R Vittal Raj, Chartered Accountant, Kumar & Raj Chartered Accountants; and

Shri Ajay Michyari, Regional Director, Reserve Bank of India, Mumbai Regional Office (Administrator of PIDF).

The Chief General Manager, Department of Payment & Settlement Systems, Reserve Bank of India shall function as the Secretariat to the AC.

2.3 The AC may constitute sub-committees to look into different aspects of the PIDF, as required.

2.4 The AC may co-opt members at its discretion.

2.5 AC shall devise suitable rules for operating the PIDF.

**3. Target Geographies**

3.1 The primary focus shall be to create payment acceptance infrastructure in Tier-3 to Tier-6 centres.

3.2 North Eastern states of the country shall be given special focus.

3.3 While setting parameters for utilisation of funds, the focus shall be to target those merchants who are yet to be terminalised (merchants who do not have any payment acceptance device).

3.4 The AC shall devise a transparent mechanism for allocation of targets to acquiring banks / non-banks in different segments / locations.

3.5 The tentative distribution of targets across centers will be as follows:

|  |  |
| --- | --- |
| **Distribution of Acceptance Devices** | **% Share of Total** |
| Tier-3 and Tier-4 centres | 30 |
| Tier-5 and Tier-6 centres | 60 |
| North Eastern States | 10 |

**4. Market Segments and Merchant Categories**

4.1 Merchants providing essential services (transport, hospitality, etc.), government payments, fuel pumps, PDS shops, healthcare, kirana shops may be targeted, especially in the targeted geographies.

**5. Types of Acceptance Devices Covered**

5.1 Multiple payment acceptance devices / infrastructure supporting underlying card payments, such as physical PoS, mPoS (mobile PoS), GPRS (General Packet Radio Service), PSTN (Public Switched Telephone Network), QR code-based payments, etc.

5.2 As the cost structure of acceptance devices vary, subsidy amounts shall accordingly differ by the type of payment acceptance device deployed. A subsidy of 30% to 50% of cost of physical PoS and 50% to 75% subsidy for Digital PoS shall be offered.

5.3 Payment methods that are not inter-operable shall not be considered under PIDF.

5.4 The subsidy shall not be claimed by applicant from other sources like NABARD, etc. In case other mechanisms exist for providing subsidy or reimbursing cost of deployment of acceptance infrastructure,

no reimbursement shall be claimed from PIDF therefor.

**6. Initial Corpus**

6.1 Initial corpus of PIDF has to be substantial to initiate pan-India terminalisation and to cover the pay-outs in the first year. Contributions to the PIDF shall be mandatory for banks and card networks.

6.2 RBI shall contribute ₹ 250 crore to the corpus; the authorised card networks shall contribute in all ₹ 100 crore.

6.3 The card issuing banks shall also contribute to the corpus based on the card issuance volume (covering both debit cards and credit cards) at the rate of ₹ 1 and ₹ 3 per debit and credit card issued by them, respectively.

6.4 It shall be the endeavour to collect the contributions by January 31, 2021.

6.5 Any new entrant to the card payment eco-system (card issuer and card network) shall contribute an appropriate amount to the PIDF.

**7. Recurring Contribution**

7.1 Besides the initial corpus, the PIDF shall also receive annual contribution from card networks and card issuing banks as under:

a) Card networks – Turnover based – 1 basis point (bps) i.e., 0.01 paisa per Rupee of transaction;

b) Card issuing banks – Turnover based – 1 bps and 2 bps i.e., 0.01 paisa and 0.02 paisa per Rupee of transaction for debit and credit cards respectively; also at the rate of ₹ 1 and ₹ 3 for every new debit and credit card issued by them respectively during the year.

7.2 RBI shall contribute to yearly shortfalls, if any.

**8. Collection Mechanism**

8.1 By January 31st and July 31st based on card data of December 31st and June 30th respectively.

**9. Types of Expenses Covered**

9.1 The parameters / rules for claiming the amount of subsidy for the capital expenditure, taking into account the type of device, deployment location etc., shall be framed by the AC.

9.2 Subsidy shall be granted on half yearly basis, after ensuring that performance parameters are achieved, including conditions for ‘active’ status of the acceptance device and ‘minimum usage’ criteria, as defined by the AC.

9.3 The minimum usage shall be termed as 50 transactions over a period of 90 days and active status shall be minimum usage for 10 days over the 90-day period.

9.4 The subsidy claims shall be processed on half yearly basis and 75 percent of the subsidy amount shall be released. The balance 25 percent shall be released later subject to the status of the acceptance device being active in 3 out of the 4 quarters of the ensuing year.

**10. Deployment Targets for Acquirers**

10.1 Acquirers need to adopt a scientific process for identification of deployment areas, submit proposals to Regional Director, Mumbai Regional Office (MRO), RBI and effectively implement the project. The PIDF proposal format for submission in this regard is enclosed ([Format I](https://rbidocs.rbi.org.in/rdocs/content/pdfs/FORMAT_I.pdf)).

**11. Claims**

11.1 The scheme is on reimbursement basis; accordingly, the claim shall be submitted only after making payment to the vendor.

11.2 Maximum cost of physical acceptance device eligible for subsidy – ₹ 10,000 (including one-time operating cost up to a maximum of ₹ 500).

11.3 Maximum cost of digital acceptance device eligible for subsidy – ₹ 300 (including one-time operating cost up to a maximum of ₹ 200).

11.4 Subsidised amount of cost of physical and digital payment acceptance devices based on location of deployment shall be as under:

|  |  |  |
| --- | --- | --- |
| **Location** | **Physical payment acceptance device (% of total cost)** | **Digital payment acceptance device (% of total cost)** |
| Tier-3 and Tier-4 centres | 30 | 50 |
| Tier-5 and Tier-6 centres | 40 | 60 |
| North Eastern States | 50 | 75 |

11.5 Acquirers shall submit their claims through their bankers to RBI, MRO with self-declaration about fulfilment of ‘minimum usage’ and ‘active status’ criteria for deployed devices.

11.6 All initial claims shall be submitted for reimbursement of expenses (less the Input Tax Credit received / receivable by the bank / non-bank under GST) as per format ([Format II](https://rbidocs.rbi.org.in/rdocs/content/pdfs/FORMAT_II.pdf)). The second claim for 25% of eligible subsidy shall be submitted as per format ([Format III](https://rbidocs.rbi.org.in/rdocs/content/pdfs/FORMAT_III.pdf)).

**12. Monitoring of Implementation of Targets**

12.1 Implementation of targets under PIDF shall be monitored by RBI, MRO with assistance from Card networks, Indian Banks’ Association (IBA) and Payments Council of India (PCI).

12.2 Acquirers shall submit quarterly deployment reports on achievement of targets to RBI, MRO.

12.3 Acquirers meeting / exceeding their targets well in time and / or ensure greater utilisation of acceptance devices in terms of transactions shall be incentivised while those who do not achieve their targets shall be disincentivised, by scaling up or down the extent of reimbursement of subsidy as follows:

|  |  |
| --- | --- |
| **Target Achievement / Utilisation** | **% of Subsidy Eligible** |
| Less than 75 percent | 90 |
| 75 percent to 125 percent | 100 |
| Greater than 125 percent | 110 |

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12009&Mode=0>

49. **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>

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

**Date: Jan 19, 2021**

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

The list of D-SIBs is as follows:

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

**Background:**

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

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

**51. Foreign Exchange Dealers’ Association of India**

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

*All Members of FEDAI*

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

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

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

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

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

52. **FATF**

**High-risk and other monitored jurisdictions: Jurisdictions under Increased Monitoring - June 2021**

Jurisdictions under increased monitoring are actively working with the FATF to address strategic deficiencies in their regimes to counter money laundering, terrorist financing, and proliferation financing. When the FATF places a jurisdiction under increased monitoring, it means the country has committed to resolve swiftly the identified strategic deficiencies within agreed timeframes and is subject to increased monitoring. This list is often externally referred to as the “grey list”.

The FATF and FATF-style regional bodies (FSRBs) continue to work with the jurisdictions below as they report on the progress achieved in addressing their strategic deficiencies. The FATF calls on these jurisdictions to complete their action plans expeditiously and within the agreed timeframes. The FATF welcomes their commitment and will closely monitor their progress. The FATF does not call for the application of enhanced due diligence measures to be applied to these jurisdictions, but encourages its members and all jurisdictions to take into account the information presented below in their risk analysis.

The FATF identifies additional jurisdictions, on an on-going basis, that have strategic deficiencies in their regimes to counter money laundering, terrorist financing, and proliferation financing. A number of jurisdictions have not yet been reviewed by the FATF or their FSRBs, but will be in due course.

For detailed guidelines: <http://www.fatf-gafi.org/publications/high-risk-and-other-monitored-jurisdictions/documents/increased-monitoring-june-2021.html>

53. **High-Risk Jurisdictions subject to a Call for Action - June 2021**

High-risk jurisdictions have significant strategic deficiencies in their regimes to counter money laundering, terrorist financing, and financing of proliferation. For all countries identified as high-risk, the FATF calls on all members and urges all jurisdictions to apply enhanced due diligence, and, in the most serious cases, countries are called upon to apply counter-measures to protect the international financial system from the money laundering, terrorist financing, and proliferation financing (ML/TF/PF) risks emanating from the country. This list is often externally referred to as the “black list”. Since February 2020, in light of the COVID-19 pandemic, the FATF has paused the review process for countries in the list of High-Risk Jurisdictions subject to a Call for Action, given that they are already subject to the FATF’s call for countermeasures. Therefore, please refer to the statement on these jurisdictions adopted in February 2020. While the statement may not necessarily reflect the most recent status of Iran and the Democratic People’s Republic of Korea’s AML/CFT regimes, the FATF’s call for action on these high-risk jurisdictions remains in effect.

<http://www.fatf-gafi.org/publications/high-risk-and-other-monitored-jurisdictions/documents/call-for-action-june-2021.html>

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

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

**ECONOMIC RELIEF FROM PANDEMIC**

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

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

Aimed at up scaling medical infrastructure targeting underserved areas.

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

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

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

Normal interest without guarantee cover is 10-11%

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**(Announced Earlier)**

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

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

**(Announced Earlier)**

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

**HEALTH**

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

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

**IMPETUS FOR GROWTH & EMPLOYMENT**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

55. **The Insurance (Amendment) Bill, 2021**

* The Insurance (Amendment) Bill, 2021 was introduced in Rajya Sabha by the Minister of Corporate Affairs, Ms. Nirmala Sitharaman, on March 15, 2021.  The Bill amends the Insurance Act, 1938.  The Act provides the framework for functioning of insurance businesses and regulates the relationship between an insurer, its policyholders, its shareholders, and the regulator (the Insurance Regulatory and Development Authority of India).  The Bill seeks to increase the maximum foreign investment allowed in an Indian insurance company.
* **Foreign investment:**The Act allows foreign investors to hold up to 49% of the capital in an Indian insurance company, which must be owned and controlled by an Indian entity.  The Bill increases the limit on foreign investment in an Indian insurance company from 49% to 74%, and removes restrictions on ownership and control.  However, such foreign investment may be subject to additional conditions as prescribed by the central government.

* **Investment of assets:**The Act requires insurers to hold a minimum investment in assets which would be sufficient to clear their insurance claim liabilities.  If the insurer is incorporated or domiciled outside India, such assets must be held in India in a trust and vested with trustees who must be residents of India.  The Act specifies in an explanation that this will also apply to an insurer incorporated in India, in which at least: (i) 33% capital is owned by investors domiciled outside India, or (ii) 33% of the members of the governing body are domiciled outside India.  The Bill removes this explanation.

<https://prsindia.org/billtrack/the-insurance-amendment-bill-2021>

56. **The National Bank for Financing Infrastructure and Development (NaBFID) Bill, 2021**

The National Bank for Financing Infrastructure and Development Bill, 2021 was introduced in Lok Sabha on March 22, 2021. The Bill seeks to establish the National Bank for Financing Infrastructure and Development (NBFID) as the principal development financial institution (DFIs) for infrastructure financing. DFIs are set up for providing long-term finance for such segments of the economy where the risks involved are beyond the acceptable limits of commercial banks and other ordinary financial institutions. Unlike banks, DFIs do not accept deposits from people. They source funds from the market, government, as well as multi-lateral institutions, and are often supported through government guarantees.

**NBFID**: NBFID will be set up as a corporate body with authorised share capital of one lakh crore rupees. Shares of NBFID may be held by: (i) central government, (ii) multilateral institutions, (iii) sovereign wealth funds, (iv) pension funds, (v) insurers, (vi) financial institutions, (vii) banks, and (viii) any other institution prescribed by the central government. Initially, the central government will own 100% shares of the institution which may subsequently be reduced up to 26%.

**Functions of NBFID**: NBFID will have both financial as well as developmental objectives. Financial objectives will be to directly or indirectly lend, invest, or attract investments for infrastructure projects located entirely or partly in India. Central government will prescribe the sectors to be covered under the infrastructure domain. Developmental objectives include facilitating the development of the market for bonds, loans, and derivatives for infrastructure financing. Functions of NBFID include: (i) extending loans and advances for infrastructure projects, (ii) taking over or refinancing such existing loans, (iii) attracting investment from private sector investors and institutional investors for infrastructure projects, (iv) organising and facilitating foreign participation in infrastructure projects, (v) facilitating negotiations with various government authorities for dispute resolution in the field of infrastructure financing, and (vi) providing consultancy services in infrastructure financing.

**Source of funds**: NBFID may raise money in the form of loans or otherwise both in Indian rupees and foreign currencies, or secure money by the issue and sale of various financial instruments including bonds and debentures. NBFID may borrow money from: (i) central government, (ii) Reserve Bank of India (RBI), (iii) scheduled commercial banks, (iii) mutual funds, and (iv) multilateral institutions such as World Bank and Asian Development Bank.

**Management of NBFID**: NBFID will be governed by a Board of Directors. The members of the Board include: (i) the Chairperson appointed by the central government in consultation with RBI, (ii) a Managing Director, (iii) up to three Deputy Managing Directors, (iv) two directors nominated by the central government, (v) up to three directors elected by shareholders, and (vi) a few independent directors (as specified). A body constituted by the central government will recommend candidates for the post of the Managing Director and Deputy Managing Directors. The Board will appoint independent directors based on the recommendation of an internal committee.

**Support from the central government**: The central government will provide grants worth Rs 5,000 crore to NBFID by the end of the first financial year. The government will also provide guarantee at a concessional rate of up to 0.1% for borrowing from multilateral institutions, sovereign wealth funds, and **Support from the central government** other foreign funds. Costs towards insulation from fluctuations in foreign exchange (in connection with borrowing in foreign currency) may be reimbursed by the government in part or full. Upon request by NBFID, the government may guarantee the bonds, debentures, and loans issued by NBFID.

**Prior sanction for investigation and prosecution**: No investigation can be initiated against employees of NBFID without the prior sanction of: (i) the central government in case of the chairperson or other directors, and (ii) the managing director in case of other employees. Courts will also require prior sanction for taking cognisance of offences in matters involving employees of NBFID.

**Other DFIs**: The Bill also provides for any person to set up a DFI by applying to RBI. RBI may grant a licence for DFI in consultation with the central government. RBI will also prescribe regulations for these DFIs.

<https://prsindia.org/billtrack/the-national-bank-for-financing-infrastructure-and-development-bill-2021>