**Retail 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. Gold (Metal) Loans – Repayment**

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

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

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

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

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

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

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

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

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

**3. 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" \t "_blank), 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" \t "_blank) 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.**

**Relaxation in timeline for compliance with various payment system requirements**

**RBI/2021-22/41 CO.DPSS.POLC.No.S-106/02-14-003/2021-2022 May 21, 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 / Non-Bank PPI Issuers / Authorised Payment System Operators / Participants*

A reference is invited to Reserve Bank of India instructions – (a) [DPSS.CO.PD.No.1164/02.14.006/2017-18 dated October 11, 2017](https://www.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=11142) (as updated from time to time) on Master Direction on Issuance and Operation of Prepaid Payment Instruments (PPI-MD); (b) [DPSS.CO.PD.No.629/02.01.014/2019-20 dated September 20, 2019](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11693&Mode=0) on Harmonisation of Turn Around Time (TAT) and Customer Compensation for Failed Transactions using Authorised Payment Systems; (c) DPSS.CO.OD.No.1325/06.11.001/2019-20 dated January 10, 2020 on Scope and Coverage of System Audit of Payment Systems; (d) [DPSS.CO.PD.No.1810/02.14.008/2019-20 dated March 17, 2020](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11822&Mode=0) on Guidelines on Regulation of Payment Aggregators (PAs) and Payment Gateways (PGs); and (e) [DPSS.CO.PD.No.1897/02.14.003/2019-20 dated June 4, 2020](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11910&Mode=0) on Extension of Timeline for Compliance with Various Payment System Requirements.

2. Keeping in view the resurgence of the COVID-19 pandemic and the representations received from various bank and non-bank entities, it has been decided to extend the timeline prescribed for compliance in respect of a few areas detailed in the [Annexure](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12095&Mode=0#AN).

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).

**Annexure**

|  |  |  |  |
| --- | --- | --- | --- |
| **SN** | **Instruction / Circular** | **Present Timeline** | **Revised Timeline** |
| 1. | All existing non-bank PPI issuers (at the time of issuance of PPI-MD) to comply with the minimum positive net-worth requirement of Rs.15 crore for the financial position as on March 31, 2020 (audited balance sheet). | Financial position as on March 31, 2021 | Financial position as on September 30, 2021 |
| 2. | Harmonisation of TAT and customer compensation for failed transactions using authorised Payment Systems – “Calendar days” to be read as “Working days”. | Working days until December 31, 2020 (Calendar days from January 1, 2021) | Working days – Prospective – Until September 30, 2021 |
| 3. | Authorised Payment System Operators (PSOs) are required to furnish System Audit Report conducted by CERT-IN empanelled auditors or a Certified Information Systems Auditor registered with Information Systems Audit and Control Association or by a holder of a Diploma in Information System Audit qualification of the Institute of Chartered Accountants of India, on an annual basis within two months of close of their respective financial year. | By May 31, 2021 | By September 30, 2021 |
| 4. | Existing non-bank entities offering PA services shall apply for authorisation on or before June 30, 2021. | By June 30, 2021 | By September 30, 2021\* |

\* Extension provided vide [circular CO.DPSS.POLC.No.S33/02-14-008/2020-2021 dated March 31, 2021](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12050&Mode=0) to enable payment system providers and participants to put in place workable solutions to comply with the provisions of Paragraphs 7.4 and 10.4 of the [circular dated March 17, 2020](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11822&Mode=0) will not be impacted.

**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. Banking Regulation Act, 1949 – Section 26A Depositor Education and Awareness Fund Scheme, 2014 – Interest rates payable on unclaimed interest bearing deposit**

**RBI/2021-22/37DoR.DEA.REC.No.16/30.01.002/2021-22 May 11, 2021**

*The Managing Director & CEO/Chief Executive Officers, All Scheduled Commercial Banks (including RRBs) Local Area Banks (LABs) Urban Co-operative Banks / State Co-operative Banks, District Central Co-operative Banks/Small Finance Banks/Payments Banks*

Please refer to [circulars DBOD.No.DEAF Cell.BC.126/30.01.002/2013-14 dated June 26, 2014](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=8967&Mode=0) and [DBR.DEA Fund Cell.BC.No.110/30.01.002/2017-18 dated June 07, 2018](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11294&Mode=0) wherein RBI had specified the rates of interest payable by banks to the depositors on the unclaimed interest bearing deposit amount transferred to the DEA Fund.

2. The rate of interest has since been reviewed and it has been decided that the rate of interest payable by banks to the depositors/claimants on the unclaimed interest bearing deposit amount transferred to the Fund shall be 3 per cent simple interest per annum with effect from the date of this circular.

3. Accordingly, all the banks are advised to calculate the interest payable on interest bearing deposits transferred to RBI at the rate of 4 per cent p.a. up to June 30, 2018, 3.5 per cent w.e.f. July 1, 2018 up to May 10, 2021 and at 3 per cent with effect from May 11, 2021 till the time of payment to the depositor/claimant.

4. The other contents of the circular dated June 26, 2014 remain unchanged.

**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. 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>

**22. 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>

**23. 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>

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

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

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

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

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

**1. Planning Process**

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

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

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

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

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

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

**2. Role of Banks**

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

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

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

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

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

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

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

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

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

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

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

1. Deendayal Antyodaya Yojana - National Rural Livelihoods Mission:

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

1. Deendayal Antyodaya Yojana - National Urban Livelihoods Mission:

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

1. Differential Rate of Interest Scheme

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

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

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

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

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

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

**6. Monitoring and Review**

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

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

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

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

**7. Reporting Requirements**

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

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

**25. 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>

**26. 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.”

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

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

*All Agency Banks*

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

**Introduction**

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

**General Instructions**

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

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

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

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

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

**Refund of excess pension payment to Government**

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

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

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

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

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

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

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

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

**Reimbursement of pension payments**

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

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

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

**Life Certificate - Issuance of Acknowledgement**

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

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

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

**Customer Service**

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

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

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

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

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

**Annex 1**

**Checklist relating to Government Business (pension related) for internal/concurrent audit**

Internal inspections should assess branch performance in servicing pensioner customers. In this regard, the following may be ensured:

1. A specific questionnaire covering all aspects of pension payment may be devised for use during inspection of pension paying branches.
2. Inspecting officers may also, during inspections, call up pensioners at random and enquire about their satisfaction with pension-related services.
3. A detailed check-list relating to pension payments/government business may be given by banks to internal auditors/inspectors in order to adhere to the recommendations of the Prabhakar Rao Committee, constituted by the Government of India, relating to pension payments/government business.

These include the following:

1. Whether there is delay in payment of pension, revision of pension, revision in dearness relief etc.
2. Whether the branch manager has structured interaction with a cross section of pensioners serviced at the branch on quarterly basis, where the number of pensioners of all governments and departments exceeds affixed number, say, 100 or 200.
3. Whether nominations have been obtained for all pension accounts.
4. Whether pension accounts have been converted into joint accounts wherever applicable.
5. Whether the bank branch has an effective complaint redressal mechanism and the complaints of pensioners are attended promptly and their grievances redressed expeditiously.
6. Whether the pension is credited to pensioner’s account during the last four working days of the month except for the month of March for which pension is to be credited on or after first working day of April.
7. Whether the pension paying branch obtains Life Certificate/ Non-employment certificate/Employment Certificate from the pensioners in the month of November every year.
8. Whether pension paying branches deduct income tax at source from pension payments wherever applicable.
9. Whether paper tokens in acknowledgement of cheques presented are invariably given by the tax collecting branches.
10. Whether the challans are stamped giving bank’s BSR code and Challan Identification Number (CIN) clearly.
11. Whether the stamped challans are kept in the custody of bank’s staff and handed over to the concerned tax payer only on production of the paper token.

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12059&Mode=0>

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

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

*All Agency Banks*

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

**Introduction**

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

**Government transactions eligible for agency commission**

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

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

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

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

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

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

**Government transactions not eligible for agency commission**

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

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

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

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

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

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

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

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

**Rates for agency commission**

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

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

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

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

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

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

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

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

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

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

**Claiming agency commission**

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

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

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

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

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

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

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

**Penal interest for wrong claims**

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

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

**29. Master Direction on Levy of Penal Interest for Delayed Reporting / Wrong Reporting / Non-Reporting of Currency Chest Transactions and Inclusion of Ineligible Amounts in Currency Chest Balances**

RBI/2021-22/77 Master Direction DCM (CC) No.G-4/03.35.01/2021-22 April 01, 2021

*The Chairman/ Managing Director/Chief Executive Officer, (All Banks having Currency Chests)*

In terms of the Preamble, under Section 45 of the RBI Act, 1934 and 35 A of the Banking Regulation Act, 1949, the Bank issues guidelines / instructions for realising the objectives of our Clean Note Policy. With a view to sustain these efforts and to ensure discipline among the banks on timely and accurate reporting of currency chest transactions, we have issued instructions on the subject. The Master Direction enclosed incorporates updated guidelines / circulars on the subject. The Direction will be updated from time to time as and when fresh instructions are issued.

**1. Penal interest for Delayed Reporting / Wrong Reporting / Non-Reporting of Currency Chest Transactions**

**1.1 Reporting of Currency Chest Transactions**

The minimum amount of deposit into / withdrawal from currency chest will be ₹ 1,00,000 and thereafter, in multiples of ₹ 50,000.

**1.2 Time limit for Reporting**

**1.2.1** The currency chests should invariably report all transactions through CyM – CC portal on the same day by **7 pm**.

**1.2.2 Relaxation in respect of strike period in banks**

Relaxation in the reporting period on account of strike situation will be considered on case-to-case basis.

**1.3 Levy of penal interest –**

**1.3.1 Delay in Reporting -**

In the event of delay in reporting currency chest transactions, penal interest at the rate indicated in paragraph 3 of this circular will be levied on the **amount due** from the chest holding bank for the period of delay. Penal interest will be calculated on T+0 basis i.e. penal interest will be levied in respect of transactions not reported by currency chests to the Issue Office on the same business day within the time limit prescribed above.

**1.3.2 Wrong reporting**

Penal interest will be levied in respect of cases of wrong reporting in the same manner till the date of receipt of corrected advice by Reserve Bank. As debits/credits to banks' current accounts are raised on the basis of the transactions reported by the currency chests, penal interest will invariably be levied in all cases of wrong reporting by the currency chests. It is expected that currency chests would ensure the correctness of figures reported on the CyM - CC portal. Particular care should be taken to ensure that remittances of fresh notes/notes to the currency chests are not reported as 'deposit' transactions on the portal.

**1.3.3 Penal interest for inclusion of ineligible amounts in the currency chest balances**

(i) Penal interest will be levied in all cases where the bank has enjoyed 'ineligible' credit in its current account with Reserve Bank on account of wrong reporting / delayed reporting / non-reporting of transactions. Penal measures will also be taken in cases of shortages in chest balances / remittances, shortages due to pilferage / frauds, counterfeit banknotes detected in chest balances / remittances as per the prevailing “Scheme of Penalties”.

(ii) Further, only cash held in the custody of joint custodians and 'freely available' to them is eligible for inclusion in the chest balances. Thus, cash kept for safe custody in sealed covers for whatever reasons/cash in trunks/bins under the lock and key of any official/s other than the Joint Custodians or bearing a third lock put by any official in addition to the two locks of the Joint Custodians is not eligible for being included in the chest balances. If such amounts are included in the chest balances, these will be treated as instances of wrong reporting and will attract penal interest at the rate specified in Para 3.

(iii) In all the above cases (excepting shortages in chest balances / remittances, shortages due to pilferage / frauds, counterfeit banknotes detected in chest balances / remittances), penal interest will be levied from the date of inclusion of 'ineligible' amounts in chest balances till the exclusion of such amounts from chest balances. Penal measures for shortages in chest balances / remittances, shortages due to pilferage / frauds, counterfeit banknotes detected in chest balances / remittances will be taken on the basis of prevailing “Scheme of Penalties”.

**2 Levy of penalty**

**2.1 Reporting of Soiled note remittances to RBI**

Soiled note remittances to RBI should not be shown as withdrawal by chest/s. In case such remittances to RBI are wrongly reported as 'withdrawals', a penalty of ₹ 50,000 will be levied irrespective of the value of remittance and period of such wrong reporting.

**2.2 Reporting of diversions in CyM – CC portal**

All currency chest diversions (both between chests of the same bank and between chests of different banks) have to be reported through ‘Diversion Module’ of CyM-CC Portal. The CC sending the diversion should initiate the diversion entry. The receiving CC should acknowledge the same. Diversions must not be reported as Deposit/Withdrawal. A penalty of ₹ 50,000 will be levied for such wrong reporting.

**2.3 Delayed reporting where currency chests had “Net Deposit”**

Penal interest at the prevailing rate for delayed reporting of the instances where the currency chest had reported “net deposit” may not be charged. However, in order to ensure proper discipline in reporting currency chest transactions, a flat penalty of ₹ 50,000 may be levied on the currency chests for delayed reporting irrespective of the value of net deposit.

**3. Rate of penal interest**

Penal interest shall be levied at the rate of 2% over the prevailing Bank Rate for the period of delayed reporting/wrong reporting/non-reporting /inclusion of ineligible amounts in chest balances.

**4. Representations**

**4.1** As the sole criterion for levy of penal interest for **delayed reporting** is the number of days of delay, there should ordinarily be no occasion for banks to request for reconsideration of the Reserve Bank's decision in individual cases. However, representations, if any, on account of genuine difficulties faced by chests especially in hilly/remote areas and those affected by natural calamities, etc., may be made to the Issue Office concerned through the Head / Controlling office of the bank concerned within a month from the date of debit of the bank concerned.

**4.2** In the case of **wrong reporting** representations for waiver will not be considered. {cf. para 1.3.2 above}.

**4.3** As the intention behind the levy of penal interest is to inculcate discipline among banks so as to ensure prompt/correct reporting, pleas by banks for waiver of penal interest on grounds that delayed/wrong/non-reporting did not result in utilization of the Reserve Bank's funds or shortfall in the maintenance of CRR/SLR or that they were the result of clerical mistakes, unintentional or arithmetical errors, first time error, inexperience of staff etc., will **not** be considered as valid grounds for waiver of penal interest. Further, we will take a serious view of all such lapses.

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12056&Mode=0>

30. **Master Direction on “Currency Distribution & Exchange Scheme (CDES)” for bank branches including currency chests based on performance in rendering customer service to members of public**

**RBI/2021-22/76 Master Direction DCM (CC) No.G-2/03.41.01/2021-22 April 01, 2021**

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

In terms of the Preamble, under Section 45 of the RBI Act, 1934 and 35 A of the Banking Regulation Act, 1949, the Bank issues guidelines / instructions for realising the objectives of Clean Note Policy. With a view to sustaining these objectives, the Bank has formulated a scheme of incentives titled Currency Distribution and Exchange Scheme (CDES) in order to ensure that all bank branches provide better customer services to members of public.

1. The Currency Distribution & Exchange Scheme (CDES) for bank branches including currency chests has been formulated in order to ensure that all bank branches provide better customer service to members of public with regard to exchange of notes and coins, in keeping with the objectives of Clean Note Policy.

**2. Incentives**

As per the scheme, banks are eligible for the following financial incentives for providing facilities for exchange of notes and coins:

|  |  |  |
| --- | --- | --- |
| **Sr. No.** | **Nature of Service** | **Particulars of Incentives** |
| i) | Opening of and maintaining currency chests at centres having population of less than 1 lakh in under banked States | **a. Capital Cost:** Reimbursement of 50% of capital expenditure subject to a ceiling of ₹ 50 lakh per currency chest. In the North Eastern region up to 100% of capital expenditure is eligible for reimbursement subject to the ceiling of ₹ 50 lakh.  **b. Revenue cost:** Reimbursement of 50% of revenue expenditure for the first 3 years. In the North Eastern region 50% of revenue expenditure will be reimbursed for the first 5 years. |
| ii) | Exchange of soiled notes/ adjudication of mutilated banknotes over the counter at bank branches | **a. Exchange of soiled notes –** ₹ 2 per packet for exchange of soiled notes up to denomination ₹ 50  **b. Adjudication of mutilated notes –**₹ 2 per piece |
| iii) | Distribution of coins over counter | i. ₹ 25 per bag for distribution of coins over the counter.  ii. The incentives would be paid on the basis of withdrawal from currency chest, without waiting for claims from banks.  iii. Banks may put in place a system of checks and balances to ensure that coins are distributed to retail customers in small lots and not to bulk customers.  iv. The distribution of coins shall be verified by RBI Regional Offices through inspection of currency chest / incognito visits to branches etc. |

**3. Operational Guidelines to avail performance-based incentives –**

1. The incentives will be paid on the soiled notes actually received in the Issue Office of the RBI. Banks need not submit a separate claim in this regard. Currency chest branch will have to pass on the incentive to the linked branches for the soiled notes tendered / coins distributed by them on a pro-rata basis.
2. ii) Similarly, incentive will be paid in respect of the adjudicated notes received along with the soiled note remittances / sent separately by registered / insured post in a sealed cover to the RBI. No separate claim is required to be made.

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12055&Mode=0>

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

**RBI/2021-22/03 DCM (CC) No. G-3/03.44.01/2021-22 April 01, 2021**

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

Please refer to the Circular DCM (CC) No. G-1/03.44.01/2020-21 dated July 1, 2020 on the scheme of penalties. A revised and updated version on the subject is annexed for information and necessary action.

1. The Scheme of Penalties for bank branches including currency chests has been formulated in order to ensure that all bank branches provide better customer service to members of public with regard to exchange of notes and coins, in keeping with the objectives of Clean Note Policy.

2. Penalties

Penalties to be imposed on banks for deficiencies in exchange of notes and coins/remittances sent to RBI/operations of currency chests etc. are as follows:

|  |  |  |
| --- | --- | --- |
| **Sr. No.** | **Nature of Irregularity** | **Penalty** |
| i. | Shortages in soiled note remittances and currency chest balances | **For notes in denomination up to ₹ 50** ₹ 50/- per piece in addition to the loss  **For notes in denomination of ₹ 100 & above** Equal to the value of the denomination per piece in addition to the loss.  In case of shortage in soiled note remittances/chest balances, the amount of shortage/loss thereof will be recovered immediately.  Penalty will be levied immediately on detection of shortage in soiled note remittances/chest balances, irrespective of the number of pieces detected. |
| ii. | Counterfeit notes detected in soiled note remittances and currency chest balances. | Penalty on account of detection of counterfeit notes by RBI from soiled note remittance of banks and in currency chest balances shall be levied in terms of the instructions issued by DCM (FNVD) No.G-1/16.01.05/2021-22 dated April 01, 2021. |
| iii. | Mutilated notes detected in soiled note remittances and currency chest balances | ₹ 50/- per piece irrespective of the denomination  In case of mutilated notes detected in soiled note remittances and currency chest balances, the amount of loss thereof will be recovered immediately.  Penalty will be levied immediately on detection of mutilated notes in soiled note remittances / currency chest balances, irrespective of the number of pieces detected. |
| iv. | Non-compliance with operational guidelines by currency chests detected by RBI officials  a) Non-functioning of CCTV  b) Branch cash/documents kept in strong room  c) Non-utilization of NSMs for sorting of notes (NSMs not used for sorting of high denomination notes received over the counter or not used for sorting notes remitted to chest/RBI) | Penalty of ₹ 5000 for each irregularity.  Penalty will be enhanced to ₹ 10,000 in case of repetition.  Penalty will be levied immediately. |
| v. | Violation of any term of agreement with RBI (for opening and maintaining currency chests) or deficiency in service in providing exchange facilities, as detected by RBI officials e.g.  a) Non-issue of coins over the counter to any member of public despite having stock.  b) Refusal by any bank branch to exchange soiled notes / refusal by any currency chest branch to adjudicate mutilated notes tendered by any member of public  c) Non conduct of surprise verification of chest balances, at least at bimonthly intervals, by officials unconnected with the custody thereof and by the officials from the Controlling Office once in six months.  d) Denial of facilities/services to linked branches of other banks.  e) Non acceptance of lower denomination notes (i.e. denomination of ₹ 50 and below) tendered by members of public and linked bank branches.  f) Detection of mutilated /counterfeit notes in re-issuable packets prepared by the currency chest branches. | ₹ 10,000 for any violation of agreement or deficiency of service.   ₹ 5 lakh in case there are more than 5 instances of violation of agreement/deficiency in service by the branch. The levy of such penalty will be placed in public domain.  Penalty will be levied immediately. |

3. Operational Guidelines on levy of penalties –

3.1 Competent Authority –

The Competent Authority to decide the nature of irregularity will be the Officer-in-Charge of the Issue Department of the Regional Office under whose jurisdiction the defaulting currency chest/bank branch is located.

3.2 Appellate Authority -

1. Appeal against the decision of the Competent Authority may be made by the Controlling Office of the currency chest/branch to the Regional Director/Chief General Manager/Officer-in-Charge of the Regional Office concerned, within one month from the date of debit, who may decide whether the same can be accepted/ rejected.
2. Appeals for waiver of penalty made on grounds such as staff being new/untrained, lack of awareness of staff, corrective action having been taken/will be taken, etc. will not be considered.

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12054&Mode=0>

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

**RBI/2021-22/02 DCM (FNVD) G–1/16.01.05/2021-22 April 1, 2021**

*The Chairman/ Managing Director /Chief Executive Officer, All Banks and Director of Treasuries of all States*

Please refer to the [Master Circular DCM (FNVD) G-2/16.01.05/2020-21 dated July 1, 2020](https://www.rbi.org.in/Scripts/BS_ViewMasCirculardetails.aspx?id=11931) consolidating the instructions issued till July 1, 2020, relating to Detection and Impounding of Counterfeit Notes. The [Master Circular](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12053&Mode=0#MC) has since been updated by incorporating the instructions issued till date.

**Detection and Impounding of Counterfeit Notes**

**Para 1- Authority to Impound Counterfeit Notes**

The Counterfeit Notes can be impounded by

1. All Banks
2. All Treasuries and Sub-Treasuries.
3. Issue Offices of Reserve Bank of India.

**Para 2 - Detection of Counterfeit Notes**

Banknotes tendered over the counter should be examined for authenticity through machines.

Similarly, banknotes received directly at the back office / currency chest through bulk tenders should also be examined through machines.

No credit to customer’s account is to be given for Counterfeit Notes, if any, detected in the tender received over the counter or at the back-office / currency chest.

In no case, the Counterfeit Notes should be returned to the tenderer or destroyed by the bank branches / treasuries. Failure of the banks to impound Counterfeit Notes detected at their end will be construed as wilful involvement of the bank concerned in circulating Counterfeit Notes and penalty will be imposed.

**Para 3 - Impounding of Counterfeit Notes**

Notes determined as counterfeit shall be stamped as "COUNTERFEIT NOTE" and impounded in the prescribed format ([Annex I](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12053&Mode=0#Annex_I)). Each such impounded note shall be recorded under authentication, in a separate register.

**Para 4 - Issue of Receipt to Tenderer**

When a banknote tendered at the counter of a bank branch / back office and currency chest or treasury is found to be counterfeit, an acknowledgement receipt in the prescribed format ([Annex II](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12053&Mode=0#Annex_II)) must be issued to the tenderer, after stamping the note as in Paragraph 3 ibid. The receipt, in running serial numbers, should be authenticated by the cashier and tenderer. Notice to this effect should be displayed prominently at the offices / branches for information of the public. The receipt is to be issued even in cases where the tenderer is unwilling to countersign it.

**Para 5 - Detection of Counterfeit Notes - Reporting to Police and other bodies**

The following procedure should be followed while reporting incidence of detection of Counterfeit Note to the Police:

For cases of detection of Counterfeit Notes up to 4 pieces, in a single transaction, a consolidated report in the prescribed format ([Annex III](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12053&Mode=0#Annex_III)) should be sent by the Nodal Bank Officer to the police authorities or the Nodal Police Station, along with the suspect Counterfeit Notes, at the end of the month.

For cases of detection of Counterfeit Notes of 5 or more pieces, in a single transaction, the Counterfeit Notes should be forwarded immediately by the Nodal Bank Officer to the local police authorities or the Nodal Police Station for investigation by filing FIR in the prescribed format ([Annex IV](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12053&Mode=0#Annex_IV)).

A copy of the monthly consolidated report / FIR shall be sent to the Forged Note Vigilance Cell constituted at the Head Office of the bank (only in the case of banks), and in the case of the treasury, it should be sent to the Issue Office of the Reserve Bank concerned.

Acknowledgement of the police authorities concerned has to be obtained for note/s forwarded to them both as consolidated monthly statement and for filing of FIR. If the Counterfeit Notes are sent to the police by insured post, acknowledgement of receipt thereof by the police should be invariably obtained and kept on record. A proper follow-up of receipt of acknowledgement from the police authorities is necessary. In case any difficulty is faced by the Offices / Branches due to reluctance of the police to receive monthly consolidated statement / file FIRs, the matter may be sorted out in consultation with the Nodal Officer of the police authority designated to coordinate matters relating to investigation of Counterfeit Banknotes cases. The list of Nodal Police Stations may be obtained from the Regional Office concerned of the Reserve Bank of India.

In order to facilitate identification of people abetting circulation of Counterfeit Notes, banks are advised to cover the banking hall / area and counters under CCTV surveillance and recording and preserve the recording.

Banks should also monitor the patterns / trends of such detection and suspicious trends / patterns should be brought to the notice of RBI / Police authorities immediately.

The progress made by banks in detection and reporting of Counterfeit Notes to Police, RBI, etc. and problems thereof, should be discussed regularly in the meetings of various State Level Committees viz. State Level Bankers’ Committee (SLBC), Standing Committee on Currency Management (SCCM), State Level Security Committee (SLSC), etc.

The data on detection of counterfeit Indian notes at bank branches and treasuries should be included in the monthly returns forwarded to the Reserve Bank Issue Offices as indicated in [para 10](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12053&Mode=0#C10) below.

The definition of 'counterfeiting' in the Indian Penal Code covers currency notes issued by a foreign government authority as well. In case of suspected foreign currency note received for opinion from the police and government agencies, etc., they should be advised to forward the case to the Interpol Wing of the CBI, New Delhi after prior consultation with them.

The Government of India has framed Investigation of High Quality Counterfeit Indian Currency Offences Rules, 2013 under Unlawful Activities (Prevention) Act (UAPA), 1967. The Third Schedule of the Act defines High Quality Counterfeit Indian Currency Note. Activity of production, smuggling or circulation of High Quality Counterfeit Indian Notes has been brought under the ambit of UAPA, 1967.

**Para 6 - Examination of the Banknotes before Issuing over Counters, Feeding ATMs and Remitting to Issue Offices of the Reserve Ban**k

The banks should re-align their cash management in such a manner so as to ensure that cash receipts in the denominations of ₹100 and above are not put into re-circulation without the notes being machine processed for authenticity. The said instructions shall be applicable to all bank branches, irrespective of the volume of daily cash receipt. Any non-compliance will be construed as violation of the [Directive No.3158/09.39.00 (Policy)/2009-10 dated November 19, 2009](https://www.rbi.org.in/scripts/NotificationUser.aspx?Id=5376&Mode=0#M) issued by the Reserve Bank.

In order to obviate complaints regarding receipt of Counterfeit Notes through ATMs, and to curb circulation of counterfeits, it is imperative to put in place adequate safeguards / checks before loading ATMs with notes. Dispensation of Counterfeit Notes through the ATMs would be construed as an attempt to circulate the Counterfeit Notes by the bank concerned.

Detection of counterfeits in chest remittances is also liable to be construed as wilful involvement of the chest branches concerned in circulating Counterfeit Notes and may attract special investigation by police authorities, and other action like suspending the operation of the chest concerned.

Penalty at 100% of the notional value of Counterfeit Notes, in addition to the recovery of loss to the extent of the notional value of such notes, will be imposed under the following circumstances:

a) When Counterfeit Notes are detected in the soiled note remittance of the bank.

b) If Counterfeit Notes are detected in the currency chest balance of a bank during Inspection / Audit by RBI.

In terms of [DPSS.CO.OD.No.1916/06.07.011/2018-19 dated March 7, 2019](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11495&Mode=0), all guidelines, safeguards, standards and control measures applicable to banks relating to (a) currency handling, and (b) cyber-security framework for ATMs, shall also be applicable to the WLA Operators.

**Para 7 - Designating Nodal Bank Officer**

Each bank should designate a Nodal Bank Officer, district-wise and notify the same to the Regional Office of RBI concerned and Police Authorities. All cases of reporting of Counterfeit Note detection as indicated in [Para 5](https://www.rbi.org.in/scripts/FS_Notification.aspx?Id=10517&fn=2753&Mode=0#5) should be done through the Nodal Bank Officer. The Nodal Bank Officer will also serve as the contact point for all Counterfeit Note detection related activities.

**Para 8 - Establishment of Forged Notes Vigilance Cell at Head Office of Bank**

Each bank shall establish at its Head Office, a Forged Note Vigilance (FNV) Cell to undertake the following functions:

1. Dissemination of instructions issued by the Reserve Bank on Counterfeit Notes to bank’s branches. Monitoring the implementation of these instructions. Compilation of data on detection of Counterfeit Notes, and its submission to Reserve Bank, FIU-IND and National Crime Records Bureau (NCRB) as per extant instructions. Follow-up of cases of Counterfeit Notes, with police authorities / designated nodal officer.
2. Sharing of the information thus compiled with bank’s CVO and report to him / her all cases of acceptance / issue of Counterfeit Notes over the counters.
3. Conducting periodic surprise checks at currency chests where shortages / defective / Counterfeit Notes etc. are detected.
4. Ensuring operation of Note Sorting Machines of appropriate capacity at all the currency chests / back offices and closely monitoring the detection of Counterfeit Notes and maintaining the record of the same. Ensuring that only properly sorted and machine examined banknotes are fed into the ATMs / issued over the counters and to put in place adequate safeguards, including surprise checks, both during the processing and in transit of notes.

FNV Cell shall submit status report on a quarterly basis covering the aforesaid aspects to the Chief General Manager, Department of Currency Management, Reserve Bank of India, Central Office, Amar Building, Fourth Floor, Sir P. M. Road, Fort, Mumbai 400 001 / to ([email](mailto:dcmfnvd@rbi.org.in)) and to the Issue office of the Regional office of Reserve Bank under whose jurisdiction the FNV Cell is functioning, within a fortnight from the conclusion of the quarter under report. The said report should be sent by [e-mail.](mailto:dcmfnvd@rbi.org.in) No hard copy need be sent.

In order to update the record of the addresses of the FNV Cells, the bank shall furnish by e-mail, in the prescribed format ([Annex V](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12053&Mode=0#Annex_V)), the particulars to the Reserve Bank every year, as on 1st April. No hard copy need be sent.

**Para 9 - Provision of Ultra-Violet Lamp and Other Infrastructure**

With a view to facilitating the detection of Counterfeit Notes, all bank branches / identified back offices should be equipped with ultra-violet lamps / other appropriate banknote sorting / detection machines. In addition, all currency chest branches should be equipped with verification, processing and sorting machines and should be used to their optimum capacity. Such machines should conform to the guidelines on '[Note Authentication and Fitness Sorting Parameters' prescribed by the Reserve Bank](https://www.rbi.org.in/scripts/NotificationUser.aspx?Id=5671&Mode=0#A).

The banks shall maintain a daily record of the notes processed through the Note Sorting machines, including the number of counterfeits detected.

The banks should also consider providing at least one counting machine (with dual display facility) for public use at the counter.

**Para 10 - Reporting of Data to RBI / NCRB / FIU-IND**

By All Bank branches

Data on Counterfeit Notes detected by all the branches of the bank shall be reported in the prescribed format, on a monthly basis. A statement ([Annex VI](https://rbidocs.rbi.org.in/rdocs/content/pdfs/02MC01042021_AVI.pdf)) showing the details of Counterfeit Notes detected in the bank branches during the month shall be compiled and forwarded to the Issue Office of Reserve Bank concerned so as to reach them by 7th of the next month. A “nil “report may be sent in case no counterfeit note has been detected during the month.

Under Rule 8 (1) of Prevention of Money Laundering (Maintenance of Records) Amendment Rules, 2013, Principal Officers of banks are also required to report information on cash transactions where forged notes have been detected to The Director, FIU-IND, Financial Intelligence Unit- India, 6th Floor, Hotel Samrat, Chanakyapuri, New Delhi-110021, by the 15th day of the succeeding month, **by uploading the information on the FINnet Portal**. Similarly, data on Counterfeit Note detection is also to be uploaded on the web-enabled software of National Crime Records Bureau, New Delhi **at their website**.

**Para 11- Preservation of Counterfeit Notes Received from Police Authorities**

All Counterfeit Notes received back from the police authorities / courts may be carefully preserved in the safe custody of the bank and a record thereof be maintained by the branch concerned. FNV Cell of the bank shall also maintain a branch-wise consolidated record of such Counterfeit Notes.

These Counterfeit Notes at branches should be subjected to verification on a half-yearly basis (on 31st March and 30th September) by the Officer-in-Charge of the bank office concerned. They should be preserved for a period of three years from the date of receipt from the police authorities.

Counterfeit Notes, which are the subject matter of litigation in the court of law should be preserved with the branch concerned for three years after conclusion of the court case.

After the preservation period, such notes may be sent to the Issue Office of Reserve Bank of India concerned with full details.

**Para 12 - Detection of Counterfeit Notes - Training of Staff**

It is necessary to ensure that the cash handling staff in banks and treasuries / sub-treasuries are fully conversant with the security features of a banknote.

With a view to educating the branch staff on detection of Counterfeit Notes, the design and security features of all the banknotes shown in [Annex VII](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12053&Mode=0#Annex_VII) have been supplied to all the banks / treasuries with instructions to display them prominently at the branches for information of the public. Details of security features of the New Design banknotes of ₹2000, ₹500, ₹200, ₹100, ₹50, ₹20 and ₹10 are available at the link [https://paisaboltahai.rbi.org.in](https://paisaboltahai.rbi.org.in/).

Details of other banknotes are also available under ‘Know your Banknotes’ at the above link.

The Controlling Offices / Training Centers should also organise / conduct training programmes on the security features of banknotes for members of staff to enable detection of Counterfeit Notes at the point of receipt itself. The banks should ensure that all bank personnel handling cash are trained on features of genuine Indian bank notes. These trainings should cover detection, impounding and reporting of Counterfeit Notes. The Reserve Bank will also provide faculty support and training materials.

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12053&Mode=0>

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

**RBI/2021-22/01 DCM (NE) No.G-4/08.07.18/2021-22 April 01, 2021**

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

Please refer to the [Master Circular DCM (NE) No.G-3/08.07.18/2020-21 dated July 01, 2020](https://www.rbi.org.in/Scripts/BS_ViewMasCirculardetails.aspx?id=11932) containing instructions on the facility for exchange of notes and coins. A revised version of [Master Circular](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12052&Mode=0#MC) on the subject is annexed for your information and necessary action.

**1. Facility for Exchange of Notes and Coins at Bank Branches**

**(a)** All branches of banks in all parts of the country are mandated to provide the following customer services, more actively and vigorously to the members of public so that there is no need for them to approach the RBI Regional Offices for this purpose:

1. Issuing fresh / good quality notes and coins of all denominations,
2. Exchanging soiled / mutilated / defective notes,

\*Small Finance Banks and Payment Banks may exchange mutilated and defective notes at their option.

and

1. Accepting coins and notes either for transactions or exchange.

It will be preferable to accept coins, particularly, in the denominations of ₹1 and ₹2, by weighment. However, accepting coins packed in sachets of 100 each would perhaps be more convenient for the cashiers as well as the customers. Such sachets may be kept at the counters and made available to the customers.

**(b)** All branches should provide the above facilities to members of public without any discrimination on all working days. The scheme of providing exchange facility by a few select currency chest branches on one of the Sundays in a month will remain unchanged. The names and addresses of such bank branches should be available with the respective banks.

**(c)** The availability of the above-mentioned facilities at the bank branches should be given wide publicity for information of the public at large.

**(d)** None of the bank branches should refuse to accept small denomination notes and / or coins tendered at their counters. All coins in the denomination of 50 paise, ₹1, ₹2, ₹5, ₹10 and ₹20 of various sizes, theme and design issued from time to time by the Government of India continue to be legal tender.

**2. Reserve Bank of India (Note Refund) Rules, 2009 [as Amended by Reserve Bank of India (Note Refund) Amendment Rules, 2018] - Delegation of Powers**

**(a)** In terms of Section 28 read with Section 58 (2) of Reserve Bank of India Act, 1934, no person is entitled as a right to recover from the Government of India or RBI the value of any lost, stolen, mutilated or imperfect currency note of the GOI or banknote. However, with a view to mitigating the hardship to the public in genuine cases, it has been provided that the RBI may, with the previous sanction of the Central Government, prescribe the circumstances in, and the conditions and limitations subject to which, the value of such currency notes or banknotes may be refunded as a matter of grace.

**(b)** With a view to extending the facility for the benefit and convenience of public, all branches of banks have been delegated powers under Rule 2(j) of Reserve Bank of India (Note Refund) Rules, 2009 [as Amended by Reserve Bank of India (Note Refund) Amendment Rules, 2018] (hereinafter referred to as NRR, 2009) for exchange of mutilated / defective notes free of cost.

**(c)** The NRR, 2009 were amended to enable the public to exchange mutilated notes in Mahatma Gandhi (New) series, which are smaller in size compared to the earlier series. The minimum area of the single largest undivided piece of the note required for payment of full value for notes of rupees fifty and above denominations were also revised. The Reserve Bank of India (Note Refund) Amendment Rules, 2018 have since been notified in the Gazette of India on September 6, 2018.

**3. Liberalized Definition of a Soiled Note**

In order to facilitate quicker exchange facilities, the definition of soiled note has been expanded. A ‘soiled note’ means a note which has become dirty due to normal wear and tear and also includes a two piece note pasted together wherein both the pieces presented belong to the same note and form the entire note with no essential feature missing. These notes should be accepted over bank counters in payment of Government dues and for credit to accounts of the public maintained with banks. However, in no case, these notes should be issued to the public as re-issuable notes and shall be deposited in currency chests for onward transmission to RBI offices as soiled note remittances for further processing.

**4. Mutilated Notes – Presentation and Passing**

A mutilated note is a note of which a portion is missing or which is composed of more than two pieces. Mutilated notes may be presented at any of the bank branches. The notes so presented shall be accepted, exchanged and adjudicated in accordance with [NRR, 2009](https://www.rbi.org.in/Scripts/OccasionalPublications.aspx?head=RBI%20-%20Note%20Refund%20Rules).

**5. Extremely Brittle, Burnt, Charred, Stuck-Up Notes**

Notes which have turned extremely brittle or are badly burnt, charred or inseparably stuck up together and, therefore, cannot withstand normal handling, shall not be accepted by the bank branches for exchange. Instead, the holders may be advised to tender these notes to the Issue Office of Reserve Bank of India concerned where they will be adjudicated under a Special Procedure.

**6. Procedure for Exchange of Soiled/ Mutilated/ Imperfect Notes**

**6.1 Exchange of Soiled Notes**

**6.1.1 Notes presented in small number:** Where the number of notes presented by a person is up to 20 pieces with a maximum value of ₹5,000 per day, banks should exchange them over the counter, free of charge.

**6.1.2 Notes presented in bulk:** Where the number of notes presented by a person exceeds 20 pieces or ₹5,000 in value per day, banks may accept them, against receipt, for value to be credited later. Banks may levy service charges as permitted in Master Circular on Customer Service in Banks ([DBR.No.Leg.BC.21/09.07.006/2015-16 dated July 1, 2015](https://rbi.org.in/Scripts/BS_ViewMasCirculardetails.aspx?id=9862)). In case tendered value is above ₹50,000, banks are expected to take the usual precautions.

**6.2 Exchange of Mutilated and Imperfect Notes**

**6.2.1** While designated branches may continue to follow the procedure as laid down in Part III of NRR, 2009 ([www.rbi.org.in](https://www.rbi.org.in/" \t "_blank)→Publications→Occassional) for exchanging mutilated and imperfect notes and issue receipt for the notes presented for adjudication, non-chest branches are required to follow the following procedure for notes presented in small numbers and in bulk.

**6.2.2 Notes presented in small number:** Where the number of notes presented by a person is up to 5 pieces, non-chest branches should normally adjudicate the notes as per the procedure laid down in Part III of NRR, 2009 and pay the exchange value over the counter. If the non-chest branches are not able to adjudicate the mutilated notes, the notes may be received against a receipt and sent to the linked currency chest branch for adjudication. The probable date of payment should be informed to the tenderers on the receipt itself and the same should not exceed 30 days. Bank account details should be obtained from the tenderers for crediting the exchange value by electronic means.

**6.2.3 Notes presented in bulk:** Where the number of notes presented by a person is more than 5 pieces not exceeding ₹5,000 in value, the tenderer should be advised to send such notes to nearby currency chest branch by insured post giving his / her bank account details (a/c no, branch name, IFSC, etc.) or get them exchanged thereat in person. All other persons tendering mutilated notes whose value exceeds ₹5,000 should be advised to approach nearby currency chest branch. Currency chest branches receiving mutilated notes through insured post should credit the exchange value to the account of sender by electronic means within 30 days of receipt of notes.

**6.3** Tenderers aggrieved with the service provided by the banks in this regard may approach Banking Ombudsman concerned, following the procedure as laid under Banking Ombudsman Scheme, 2006 with the bank/ postal receipts as proof for necessary action.

**7. Notes Bearing "PAY" / "PAID" / "REJECT" Stamps**

**(a)** Every Officer-in-charge of the branch i.e. the Branch Manager and every Officer-in-charge of the Accounts or Cash Wing of the Branch shall act as 'Prescribed Officer' in each branch to adjudicate the notes received at the branch for exchange in accordance with NRR, 2009. After adjudicating mutilated notes, the Prescribed Officer is required to record his order by subscribing his initials to the dated 'PAY'/ 'PAID'/ 'REJECT' stamp. The 'PAY' /'PAID' & 'REJECT' stamps should also carry the name of the bank and branch concerned and held under the custody of the 'Prescribed Officer' to avoid misuse.

**(b)** Mutilated / defective notes bearing 'PAY'/'PAID' (or 'REJECT') stamp of any RBI Issue Office or any bank branch, if presented for payment again at any of the bank branches should be rejected under Rule 6(2) of NRR, 2009 and the tenderer should be advised that the value of such note/s cannot be paid since the same has already been paid as is evident from the PAY/ PAID stamps affixed on it/ them. All bank branches have instructions not to issue notes bearing PAY/ PAID stamps to the public even through oversight. The branches should caution their customers not to accept such notes from any bank or anybody else.

**8. Notes with Slogans/ Scribbling/ Stain etc.**

**(a)** Notes with slogans, political or religious messages, scribbling, stain (including colour stain) etc. are unfit for usage and circulation and go against Clean Note Policy of RBI.

**(b)** Such notes received from members of public may not be reissued for circulation. They may be remitted to currency chest for onward remittance to RBI offices.

**(c)** Any note with slogans and message of a political or religious nature written across it ceases to be a legal tender and the claim on such a note will be rejected under Rule 6(3) (iii) of NRR, 2009. Similarly, notes which are disfigured may also be rejected under Rule 6(3) (ii) of [NRR, 2009](https://www.rbi.org.in/Scripts/OccasionalPublications.aspx?head=RBI%20-%20Note%20Refund%20Rules).

**(d)** All Bank notes with scribbling / stain (including colour stain) on them continue to be legal tender. Such notes can be deposited or exchanged in any bank branch.

**9. Deliberately Cut Notes**

The notes, which are found to be deliberately cut, torn, altered or tampered with, if presented for payment of exchange value should be rejected under Rule 6(3) (ii) of the NRR, 2009. Although it is not possible to precisely define deliberately cut notes, a close look at such notes will clearly reveal any deliberate fraudulent intention, as the manner in which such notes are mutilated will follow a broad uniformity in the shape/ location of missing portions of the notes, especially when the notes are tendered in large numbers. The details of the case such as the name of the tenderer, the number of notes tendered and their denominations should be reported thereafter to the DGM/ GM, Issue Department, Reserve Bank of India under whose jurisdiction the branch falls. The matter should also be reported to local police in case a large number of such notes are tendered.

**10. Training**

RBI Issue Offices conduct training programmes for 'Prescribed Officers' of bank branches on a priority basis. As the training programmes are intended to provide knowledge and instil confidence in the Prescribed Officers in the process of adjudication of defective notes, it is imperative that the Prescribed Officers of the branches are deputed for such programmes.

**11. Display of Notice Board**

All bank branches are required to display at their branch premises, at a prominent place, a board indicating the availability of note and coin exchange facility with the legend, "SOILED/ MUTILATED NOTES AND COINS ARE ACCEPTED AND EXCHANGED HERE" for information of general public. Banks should ensure that all their branches provide facility for exchange of notes and coins not only to their customers but also others. However, they should ensure that the note exchange facility is not cornered by money changers / dealers in defective notes.

**12. Disposal of Notes Adjudicated at Bank Branches**

Regarding audit of the notes adjudicated by bank branches, the full value paid notes have to be remitted by all branches to the chest branches with which they have been linked and therefrom to the RBI Issue Offices concerned together with the next soiled note remittance in the manner already laid down. The half value paid notes and rejected notes, which are held by the chest branches in their cash balance, may either be remitted separately packed together with the full value paid notes or sent by registered and insured post as and when required. The full value paid notes will be treated as chest remittance by the RBI Issue Office while the half value paid notes and rejected notes will be treated as notes tendered for adjudication and processed accordingly. All chest branches are required to submit to our RBI Issue Offices a monthly statement showing the number of notes adjudicated during the month.

**13. Uncurrent Coins**

The coins of 25 paise and below, issued from time to time, ceased to be legal tender for payments as well as account with effect from June 30, 2011 in terms of Gazette Notification No. 2529 dated December 20, 2010 issued by the Government of India.

**14. Monitoring and Control**

**(a)** The Regional Managers / Zonal Managers of the banks may pay surprise visits to the branches and report the position of compliance in this regard to the Head Office which will review such reports and take prompt remedial action, wherever necessary.

**(b)** Any non-compliance in this regard shall be viewed as violation of instructions issued by the Reserve Bank of India.

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12052&Mode=0>

**34. 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).

**35. 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>

**36. 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.

**37. 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

**38.**

**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>

**39. 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.

**40. 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.

**41. 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>

**42. Strengthening of Grievance Redress Mechanism in Banks**

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

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

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

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

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

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

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

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

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

**43. 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.

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

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

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

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

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

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

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

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

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

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

**Annex**

**Bank Customers who must obtain LEI**

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

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

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

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

45. **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>

**46. 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>

47. **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