**Certificate in Compliance\_RBI Notifications jan to June 2021**

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

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

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

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

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

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

**Annex**

**Introduction**

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

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

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

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

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

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

**3. Material Outsourcing**

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

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

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

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

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

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

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

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

**5. Risk Management practices for outsourcing**

5.1 Outsourcing Policy

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

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

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

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

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

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

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

**5.3 Evaluation of the Risks**

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

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

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

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

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

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

**5.5 The Outsourcing Agreement**

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

Some of the key provisions of the contract would be:

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

**5.6 Confidentiality and Security**

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

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

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

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

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

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

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

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

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

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

**5.8 Monitoring and Control of Outsourced Activities**

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

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

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

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

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

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

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

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

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

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

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

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

**6 Centralised List of Outsourced Agents**

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

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

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

**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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 As on March 31 of the previous year

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

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

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

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

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

*All Eligible Market Participants*

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

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

In exercise of the powers conferred under section 45W of the Reserve Bank of India Act, 1934 (hereinafter called the Act) read with section 45U of the Act and of all the powers enabling it in this behalf and in supersession of Section I of the [FMRD Master Direction No. 2/2016-17 dated July 07, 2016](https://rbi.org.in/Scripts/NotificationUser.aspx?Id=10495&Mode=0), Direction No. [FMRD.DIRD.09/14.01.001/2018-19 dated October 29, 2018](https://rbi.org.in/Scripts/NotificationUser.aspx?Id=11405&Mode=0) and Direction No. [FMRD.DIRD.01/14.01.001/2020-21 dated December 04, 2020](https://rbi.org.in/Scripts/NotificationUser.aspx?Id=12006&Mode=0), the Reserve Bank of India (hereinafter called the Reserve Bank), hereby issues the following Directions to all persons and agencies eligible to deal in Call, Notice and Term Money Markets.

**1. Short title and commencement**

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

**(b)** These Directions shall come into force with effect from April 05, 2021.

**2. Definitions**

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

1. **“Bank”** means a banking company (including a Payment Bank and a Small Finance Bank) as defined in clause (c) of section 5 of the Banking Regulation Act, 1949 or a “regional rural bank”, a “corresponding new bank” or “State Bank of India” as defined in clauses (ja), (da) and (nc), of section 5 respectively thereof, or a “cooperative bank” as defined in clause (cci) of section 5 read with section 56 of the said Act;
2. **“Call Money”** means borrowing or lending in unsecured funds on overnight basis;
3. **“Capital Funds”** shall have the meaning assigned in the applicable capital regulations issued by the Department of Regulation of the Reserve Bank as amended from time to time and shall be calculated as per the latest audited balance sheet;
4. **“Electronic Trading Platform” or “ETP”** shall have the meaning assigned in paragraph 2 (1) (iii) of [the Electronic Trading Platform (Reserve Bank) Directions, 2018 dated October 05, 2018](https://rbi.org.in/Scripts/NotificationUser.aspx?Id=11385&Mode=0), as modified from time to time;
5. **“Exchange”** shall mean ‘recognised stock exchange’ and shall have the same meaning as assigned to in Section 2 (f) of the Securities Contract Regulation Act, 1956.
6. **“Fortnight”** shall have the meaning assigned to it under section 42 of the Reserve Bank of India Act, 1934;
7. **“Negotiated Dealing System-CALL” or “NDS-CALL”** is the electronic trading platform for execution and reporting of transactions in Call, Notice and Term Money Markets;
8. **“Net Owned Fund”** shall have the meaning assigned to it under the Explanation to section 45-IA of the Reserve Bank of India Act, 1934;
9. **“Notice Money”** means borrowing or lending in unsecured funds for tenors up to and inclusive of 14 days excluding overnight borrowing or lending;
10. **“Over-the-Counter markets” or “OTC markets”** refers to markets where transactions are undertaken in any manner other than on exchanges and shall include those executed on electronic trading platforms;
11. **“Payment Bank”** means a bank licensed under section 22 of the Banking Regulation Act, 1949 and governed by the terms of the “Reserve Bank [Guidelines for Licensing of Payments Banks” dated November 27, 2014](https://rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=32615), as amended from time to time;
12. **“Primary Dealer”** means a Non-Banking Financial Company that holds a letter of authorisation issued by the Reserve Bank to act as a Primary Dealer, in terms of the "Guidelines for Primary Dealer in Government Securities Market" dated March 29, 1995, as amended from time to time;
13. **“Small Finance Bank”** means a bank licensed under section 22 of the Banking Regulation Act, 1949 and governed by the terms of the “Reserve Bank [Guidelines for Licensing of Small Finance Banks” dated November 27, 2014](https://rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=32614), as amended from time to time;
14. **“Term Money”** means borrowing or lending in unsecured funds for periods exceeding 14 days and up to one year.

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

**3. Participants**

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

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

**4. Prudential limits**

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

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

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

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

**5. General guidelines**

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

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

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

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

**6. Cancellation and termination**

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

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

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

**7. Reporting requirements**

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

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

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

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

**8. Obligation to provide information sought by the Reserve Bank:** The Reserve Bank may call for any information or statement or seek any clarification, which in the opinion of the Reserve Bank is relevant, from persons or agencies dealing in the Call, Notice and Term Money Markets, including eligible participants, and such persons, agencies and participants shall furnish such information, statement or clarification.

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

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

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

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

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

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

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

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

**2. Applicability**

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

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

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

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

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

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

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

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

**3.4 Eligibility**

3.4.1 The person shall be a graduate, preferably, with

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

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

(c) Post graduation in any discipline.

3.4.2 The person shall not be below the age of 35 years and above the age of 70 years at any time during his/ her term in office. However, within the overall limit of 70 years, as part of their internal policy, individual bank's Boards are free to prescribe a lower retirement age.

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

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

**3.5 Propriety Criteria**

3.5.1 The person shall **not**

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

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

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

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

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

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

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

(viii) be an undischarged insolvent;

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

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

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

**4. Tenure of MD/ WTD**

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

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

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

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

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

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

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

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

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

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

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

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

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

**5.3 Re-appointment**

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

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

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

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

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

**7. Miscellaneous**

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

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

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

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

**8. Repeal of existing guidelines**

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

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

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

**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.

**Investment in Entities from FATF Non-compliant Jurisdictions**

**RBI/2021-22/55CO.DPSS.AUTH.No.S190/02.27.005/2021-22 June 14, 2021**

*All entities authorised to operate Payment Systems in India*

A reference is invited to the circular DOR.CO.LIC.CC No.119/03.10.001/2020-21 dated February 12, 2021 issued by the Department of Regulation, Reserve Bank of India (RBI) on investment in NBFCs from FATF non-compliant jurisdictions. With a view to maintaining consistency, the corresponding regulations for investments in Payment Systems Operators (PSOs) are as follows.

2. The Financial Action Task Force (FATF) periodically identifies jurisdictions with weak measures to combat money laundering and terrorist financing (AML / CFT) in its following publications: i) High-Risk Jurisdictions subject to a Call for Action, and ii) Jurisdictions under Increased Monitoring. A jurisdiction whose name does not appear in these two lists is referred to as a FATF compliant jurisdiction. Investments in PSOs from FATF non-compliant jurisdictions shall not be treated at par with that from compliant jurisdictions.

3. Investors in existing PSOs holding their investments prior to the classification of the source or intermediate jurisdiction/s as FATF non-compliant, may continue with the investments or bring in additional investments as per extant regulations so as to support continuity of business in India.

4. New investors from or through non-compliant FATF jurisdictions, whether in existing PSOs or in entities seeking authorisation as PSOs, are not permitted to acquire, directly or indirectly, ‘significant influence’ as defined in the applicable accounting standards in the concerned PSO. In other words, fresh investments (directly or indirectly) from such jurisdictions, in aggregate, should account for less than 20 per cent of the voting power (including potential1 voting power) of the PSO.

5. The above instructions, as amended from time to time, shall also apply to any entity that has applied for or that intends to apply for authorisation as a PSO under the Payment and Settlement Systems Act, 2007.

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

\**Potential voting power could arise from instruments that are convertible into equity, other instruments with contingent voting rights, contractual arrangements, etc., that grant investors voting rights (including contingent voting rights) in the future. In such cases, it should be ensured that new investments from FATF non-compliant jurisdictions are less than both (i) 20 per cent of the existing voting powers, and (ii) 20 per cent of existing and potential voting powers assuming those potential voting rights have materialised.*

**Risk Based Internal Audit (RBIA) Framework – Strengthening Governance arrangements**

**RBI/2020-21/83 Ref.No.DoS.CO.PPG./SEC.04/11.01.005/2020-21 January 07, 2021**

*The Chairman / Managing Director / Chief Executive Officer, All Scheduled Commercial Banks (Excluding RRBs), All Local Area Banks, All Small Finance Banks and All Payments Banks*

In terms of the Guidance Note on Risk-Based Internal Audit issued by RBI vide [circular DBS.CO.PP.BC.10/11.01.005/2002-03 dated December 27, 2002](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=1020&Mode=0), banks, inter alia, are required to put in place a risk based internal audit (RBIA) system as part of their internal control framework that relies on a well-defined policy for internal audit, functional independence with sufficient standing and authority within the bank, effective channels of communication, adequate audit resources with sufficient professional competence, among others.

2. While the aforesaid Guidance Note lays out the basic approach for risk based internal audit functions, banks are expected to re-orient their approach, in line with the evolving best practices, as a part of their overall Governance and Internal Control framework. Banks are encouraged to adopt the International Internal Audit standards, like those issued by the Basel Committee on Banking Supervision (BCBS) and the Institute of Internal Auditors (IIA).

3. To bring uniformity in approach followed by the banks, as also to align the expectations on Internal Audit Function with the best practices, banks are advised as under:

1. Authority, Stature and Independence - The internal audit function must have sufficient authority, stature, independence and resources within the bank, thereby enabling internal auditors to carry out their assignments with objectivity. Accordingly, the Head of Internal Audit (HIA) shall be a senior executive of the bank who shall have the ability to exercise independent judgement. The HIA as well as the internal audit function shall have the authority to communicate with any staff member and have access to all records or files that are necessary to carry out the entrusted responsibilities.
2. Competence - Requisite professional competence, knowledge and experience of each internal auditor is essential for the effectiveness of the bank's internal audit function. The desired areas of knowledge and experience may include banking operations, accounting, information technology, data analytics and forensic investigation, among others. Banks should ensure that internal audit function has the requisite skills to audit all areas of the bank.
3. Staff Rotation - Except for the entities where the internal audit function is a specialised function and managed by career internal auditors, the Board should prescribe a minimum period of service for staff in the Internal Audit function. The Board may also examine the feasibility of prescribing at least one stint of service in the internal audit function for those staff possessing specialized knowledge useful for the audit function, but who are posted in other departments, so as to have adequate skills for the staff in the Internal Audit function.
4. Tenor for appointment of Head of Internal Audit - Except for the entities where the internal audit function is a specialised function and managed by career internal auditors, the HIA shall be appointed for a reasonably long period, preferably for a minimum of three years.
5. Reporting Line - The HIA shall directly report to either the Audit Committee of the Board (ACB) / MD & CEO or Whole Time Director (WTD). Should the Board of Directors decide to allow the MD & CEO or a WTD to be the ‘reporting authority’ of the HIA, then the ‘reviewing authority’ shall be with the ACB and the ‘accepting authority’ shall be with the Board in matters of performance appraisal of the HIA. Further, in such cases, the ACB shall meet the HIA at least once in a quarter, without the presence of the senior management, including the MD & CEO/WTD. The HIA shall not have any reporting relationship with the business verticals of the bank and shall not be given any business targets. In foreign banks operating in India as branches, the HIA shall report to the internal audit function in the controlling office / head office.
6. Remuneration - The independence and objectivity of the internal audit function could be undermined if the remuneration of internal audit staff is linked to the financial performance of the business lines for which they exercise audit responsibilities. Thus, the remuneration policies should be structured in a way that it avoids creating conflict of interest and compromising audit’s independence and objectivity.

4. The internal audit function shall not be outsourced. However, where required, experts, including former employees, could be hired on contractual basis subject to the ACB being assured that such expertise does not exist within the audit function of the bank. Any conflict of interest in such matters shall be recognised and effectively addressed. Ownership of audit reports in all cases shall rest with regular functionaries of the internal audit function.

5. Banks must ensure and demonstrate through proper documentation that their risk-based internal audit framework captures all the significant criteria / principles suited for their organisational structure, the business model and the risks.

6. The instructions contained in this circular shall come into effect immediately from the date of this circular.

7. This circular supplement the guidelines issued by Reserve Bank of India on [December 27, 2002](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=1020&Mode=0) on Risk-based internal audit along with other circulars/instruction on the subject issued from time-to time and for any common areas of guidance, the prescription of this circular shall be followed.

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12011&Mode=0>

**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.

**Transactions in Government securities by Foreign Portfolio Investors: Reporting**

**RBI/2021-22/50 FMRD.FMID.No.05/14.01.006/2021-22 June 7, 2021**

*All participants in Government securities market*

Over the counter (OTC) transactions in Government securities (including State Development Loans and Treasury Bills) undertaken by market participants other than on the Negotiated Dealing System – Order Matching (NDS-OM) platform are required to be reported to the ‘NDS-OM’ platform for settlement.

2. Based on the feedback received, it has been decided to provide operational flexibility for reporting of such transactions undertaken by the Foreign Portfolio Investors (FPIs) in Government securities, as under.

1. FPIs/custodian banks shall report their transactions to the NDS-OM platform within three hours after the close of trading hours for the Government securities market.
2. Information about trades undertaken by domestic counterparties with FPIs shall be disseminated by the Clearcorp Dealing Systems (India) Ltd. (CDSL) after one leg of the trade is reported on the NDS-OM platform by the domestic counterparty with a suitable qualifier to indicate that the trade is awaiting counterparty confirmation.
3. Domestic market participants, including domestic counterparties to transactions with FPIs, shall continue to report transactions to the NDS-OM platform as per extant practice.

3. Necessary operational guidance in this regard shall be issued by CDSL.

4. These Directions are issued under the powers vested in the Reserve Bank of India under Section 45W of the Reserve Bank of India Act, 1934 and are without prejudice to permissions/ approvals, if any, required under any other law.

5. The Directions shall come into effect from June 14, 2021

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

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

*All Eligible Market Participants*

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

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

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

**Master Direction**

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

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

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

**2. Definitions**

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

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

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

**3. Eligible issuers**

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

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

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

**4. Eligible investors**

CDs may be issued to all persons resident in India.

**5. General guidelines**

**(a) Primary issuance**

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

**(b) Discount/coupon rate**

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

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

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

**(d) Loans against CDs**

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

**(e) Buyback of CDs**

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

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

**(f) Market timings**

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

**(g) Repayment of CD**

There will be no grace period for repayment of CDs.

**(h) Market practices and documentation**

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

**(i) Reserve requirements**

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

**(j) Accounting**

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

**6. Reporting requirements**

**(a) Primary issuance**

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

**(b) Secondary market transactions**

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

**(c) Buyback transactions**

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

**(d) Reporting by depositories**

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

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

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

**8. Dissemination of data**

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

**9. Violation of Directions**

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

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

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

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

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

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

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

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

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

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

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

**Payment of margins for transactions in Government Securities by Foreign Portfolio Investors**

**RBI/2021-22/48 A.P. (DIR Series) Circular No.06 June 4, 2021**

*All Authorised Persons*

Please refer to Paragraph 4 of the [Statement on Developmental and Regulatory Policies](https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=51684), issued 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) regarding placement of margins for Government securities transactions on behalf of Foreign Portfolio Investors (FPIs). Attention is also invited to the Foreign Exchange Management (Borrowing and Lending) Regulations, 2018 notified, vide [Notification No. FEMA 3(R)/2018-RB dated December 17, 2018](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11441&Mode=0), as amended from time to time, and the relevant directions issued thereunder.

2. All transactions in government securities concluded outside the recognized stock exchanges are settled on a guaranteed basis by the Clearing Corporation of India Ltd. (CCIL) which acts as the central counter party. Based on requests received, it has been decided to allow banks in India having an Authorised Dealer Category-1 licence under FEMA, 1999 to lend to FPIs in accordance with their credit risk management frameworks for the purpose of placing margins with CCIL in respect of settlement of transactions involving Government Securities (including Treasury Bills and State Development Loans) by the FPIs.

3. Necessary amendments to Foreign Exchange Management (Borrowing and Lending) Regulations, 2018 have been carried out, vide [Notification No. FEMA 3(R)2/2021-RB dated May 24, 2021](https://rbidocs.rbi.org.in/rdocs/content/pdfs/FEMA3(R)224052021.pdf).

4. These Directions shall be applicable with immediate effect.

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.

**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.

**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.

**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.

**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.

**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>

**Sponsor Contribution to an AIF set up in Overseas Jurisdiction, including IFSCs**

**RBI/2021-22/38 A.P.(DIR Series) Circular No. 04 May 12, 2021**

*All Category-I Authorised Dealer Banks*

Attention of AD Category - I banks is invited to paragraph A.3.(e) and B.6 of [Master Direction No.15 dated January 1, 2016](https://www.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=10637), on “Direct Investment by Residents in Joint Venture (JV) / Wholly Owned Subsidiary (WOS) Abroad”, as amended from time to time and Regulation 7 of the [Notification FEMA 120/2004-RB](https://www.rbi.org.in/Scripts/BS_FemaNotifications.aspx?Id=2126), pertaining to provisions for an Indian Party (IP) making investment/ financial commitment in an entity engaged in the financial services sector.

2. It has been decided that any sponsor contribution from a sponsor IP to an Alternative Investment Fund (AIF) set up in an overseas jurisdiction, including International Financial Services Centres (IFSCs) in India, as per the laws of the host jurisdiction, will be treated as Overseas Direct Investment (ODI). Accordingly, IP, as defined in regulation 2(k) of the Notification ibid. can set up AIF in overseas jurisdictions, including IFSCs, under the automatic route provided it complies with Regulation 7 of the [Notification FEMA 120/2004-RB](https://www.rbi.org.in/Scripts/BS_FemaNotifications.aspx?Id=2126).

3. All the other provisions under the Notification ibid. shall remain unchanged. AD Category - I banks may bring the contents of this circular to the notice of their constituents and customers concerned.

4. The [Master Direction No. 15 dated January 01, 2016](https://www.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=10637), is being updated to reflect the changes.

5. The directions contained in this circular have been issued under section 10 (4) and 11(1) of the FEMA and are without prejudice to permissions/approvals, if any, required under any other law.

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

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

*All Scheduled Commercial Banks in India*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**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>

**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>

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

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

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

The Reserve Bank of India vide its circular DOR.No.BP.BC/3/21.04.048/2020-21 dated August 6, 2020 on “Resolution Framework for COVID-19-related Stress” (“Resolution Framework – 1.0”) had provided a window to enable lenders to implement a resolution plan in respect of eligible corporate exposures without change in ownership, and personal loans, while classifying such exposures as Standard, subject to specified conditions.

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

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

A. Resolution of advances to individuals and small businesses

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

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

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

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

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

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

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

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

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

Invocation of resolution process

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

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

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

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

Permitted features of resolution plans and implementation

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

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

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

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

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

Asset classification and provisioning

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

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

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

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

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

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

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

Convergence of the norms for loans resolved previously

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

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

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

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

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

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

C. Disclosures and Credit Reporting

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

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

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

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

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

**Credit to MSME Entrepreneurs**

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

*All Scheduled Commercial Banks*

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

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

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

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

*The Chairpersons/ CEOs of all the Regulated Entities*

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

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

**Utilisation of Floating Provisions/Counter Cyclical Provisioning Buffer**

**RBI/2021-22/28 DOR.STR.REC.10/21.04.048/2021-22 May 5, 2021**

*All Scheduled Commercial Banks, (Excluding Regional Rural Banks and Payments Banks)*

Please refer to our [circular DBOD.No.BP.BC.89/21.04.048/2005-06 dated June 22, 2006](https://www.rbi.org.in/scripts/NotificationUser.aspx?Id=2918&Mode=0) and [DBOD.No.BP.BC.68/21.04.048/2006-07 dated March 13, 2007](https://www.rbi.org.in/scripts/NotificationUser.aspx?Id=3334&Mode=0) on creation, accounting, disclosures and utilisation of floating provisions by banks. Banks may also refer to our [circular DBOD.No.BP.BC.87/21.04.048/2010-11 dated April 21, 2011](https://www.rbi.org.in/scripts/NotificationUser.aspx?Id=6357&Mode=0) on creation and utilisation of ‘countercyclical provisioning buffer’, wherein we had advised that the buffer will be allowed to be used by banks for making specific provisions for non-performing assets, inter alia, during periods of system wide downturn, with the prior approval of RBI.

2. Accordingly, in terms of our circulars [DBOD.No.BP.95/21.04.048/2013-14 dated February 7, 2014](https://www.rbi.org.in/scripts/NotificationUser.aspx?Id=8737&Mode=0) and [DBR.No.BP.BC.79/21.04.048/2014-15 dated March 30, 2015](https://www.rbi.org.in/scripts/NotificationUser.aspx?Id=9624&Mode=0), banks were allowed to utilise upto 33 per cent and 50 per cent of floating provisions/ countercyclical provisioning buffer held by them as on March 31, 2013 and December 31, 2014 respectively, for making specific provisions for non-performing assets, as per their Board approved policy.

3. In order to mitigate the adverse impact of COVID 19 related stress on banks, as a measure to enable capital conservation, it has been decided to allow banks to utilise 100 per cent of floating provisions/ countercyclical provisioning buffer held by them as on December 31, 2020 for making specific provisions for non-performing assets with prior approval of their Boards. Such utilisation is permitted with immediate effect and upto March 31, 2022.

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

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

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

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

**2. Applicability:**

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

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

**3. Prior Approval of RBI:**

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

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

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

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

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

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

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

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

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

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

**5. Eligibility Criteria of Auditors**

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

**6. Independence of Auditors**

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

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

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

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

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

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

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

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

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

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

**8. Tenure and Rotation**

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

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

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

**9. Audit Fees and Expenses**

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

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

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

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

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

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

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

**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>

**Declaration of dividends by banks**

**RBI/2021-22/23 DOR.ACC.REC.7/21.02.067/2021-22 April 22, 2021**

*All Commercial Banks and Cooperative Banks,*

Please refer to our [circular DOR.BP.BC.No.29/21.02.067/2020-21 dated December 4, 2020](https://rbi.org.in/Scripts/NotificationUser.aspx?Id=12003&Mode=0), and other associated circulars on the captioned subject.

2. In view of the continuing uncertainty caused by the ongoing second wave of COVID-19 in the country, it is crucial that banks remain resilient and proactively raise and conserve capital as a bulwark against unexpected losses. Therefore, while allowing banks to pay dividend on equity shares, it has been decided to review the dividend declaration norms for the year ended March 31, 2021 as below.

**Commercial Banks**

3. In partial modification of the instructions contained in [circular DBOD.NO.BP.BC.88/21.02.067/2004-05 dated May 4, 2005](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=2240&Mode=0), banks may pay dividend on equity shares from the profits for the financial year ended March 31, 2021, subject to the quantum of dividend being not more than fifty percent of the amount determined as per the dividend payout ratio prescribed in paragraph 4 of the said circular. Other instructions in the [circular dated May 4, 2005](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=2240&Mode=0) shall remain unchanged.

**Cooperative Banks**

4. Cooperative banks shall be permitted to pay dividend on equity shares from the profits of the financial year ended March 31, 2021 as per the extant instructions.

**General**

5. All banks shall continue to meet the applicable minimum regulatory capital requirements after dividend payment. While declaring dividend on equity shares, it shall be the responsibility of the Board of Directors to inter-alia consider the current and projected capital position of the bank vis-à-vis the applicable capital requirements and the adequacy of provisions, taking into account the economic environment and the outlook for profitability.

[**https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12077&Mode=0**](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12077&Mode=0)

**Interest Equalization Scheme on Pre and Post Shipment Rupee Export Credit- Extension**

**RBI/2021-22/21 DOR.CRE.REC.06/04.02.001/2021-22 April 12, 2021**

*All Scheduled Commercial Banks (excluding RRBs), Small Finance Banks, Primary (Urban) Cooperative Banks and EXIM Bank*

Please refer to the instructions issued vide [DBR.Dir.BC.No.69/04.02.001/2019-20 dated May 13, 2020](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11887&Mode=0).

2. In this connection, Government of India has approved the extension of Interest Equalization Scheme for pre and post shipment Rupee export credit, with same scope and coverage, for three more months i.e., upto June 30, 2021. The extension takes effect from April 01, 2021 and ends on June 30, 2021 covering a period of three months.

3. Consequently, the extant operational instructions issued by the Reserve Bank under the captioned Scheme shall continue to remain in force upto June 30, 2021.

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12075&Mode=0>

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

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

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

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

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

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

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

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

**II. Asset Classification**

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

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

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

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

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

**External Commercial Borrowings (ECB) Policy – Relaxation in the period of parking of unutilised ECB proceeds in term deposits**

R**BI/2021-22/16 A.P. (DIR Series) Circular No. 01 April 07, 2021**

*All Category-I Authorised Dealer Banks*

Please refer to paragraph 12 of the Governor’s Statement on Developmental and Regulatory Policies dated April 07, 2021. In this connection, attention of Authorized Dealer Category-I (AD Category-I) banks is invited to paragraph 4.2 of the of Master Direction No.5 dated March 26, 2019, on “External Commercial Borrowings, Trade Credits and Structured Obligations”, in terms of which ECB borrowers are allowed to park ECB proceeds in term deposits with AD Category-I banks in India for a maximum period of 12 months cumulatively.

2. Based on requests from stakeholders, including Industry associations, and with a view to providing relief to the ECB borrowers affected by the Covid-19 pandemic, it has been decided to relax the above stipulation as a one-time measure. Accordingly, unutilised ECB proceeds drawn down on or before March 01, 2020 can be parked in term deposits with AD Category-I banks in India prospectively for an additional period up to March 01, 2022.

3. All other provisions of the ECB policy remain unchanged. AD Category-I banks should bring the contents of this circular to the notice of their constituents/ customers.

4. The aforesaid Master Direction No. 5 dated March 26, 2019, is being updated to reflect the changes.

5. The directions contained in this circular have been issued under section 10(4) and 11(2) of the Foreign Exchange Management Act, 1999 (42 of 1999) and are without prejudice to permissions/ approvals, if any, required under any other law.

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12070&Mode=0>

**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>

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

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

*All Eligible Market Participants*

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

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

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

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

4. These changes shall be applicable with immediate effect.

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

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

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

*All Eligible Market Participants*

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

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

In exercise of the powers conferred under section 45W of the Reserve Bank of India Act, 1934 (hereinafter called the Act) read with section 45U of the Act and of all the powers enabling it in this behalf and in supersession of Section I of the [FMRD Master Direction No. 2/2016-17 dated July 07, 2016](https://rbi.org.in/Scripts/NotificationUser.aspx?Id=10495&Mode=0), Direction No. [FMRD.DIRD.09/14.01.001/2018-19 dated October 29, 2018](https://rbi.org.in/Scripts/NotificationUser.aspx?Id=11405&Mode=0) and Direction No. [FMRD.DIRD.01/14.01.001/2020-21 dated December 04, 2020](https://rbi.org.in/Scripts/NotificationUser.aspx?Id=12006&Mode=0), the Reserve Bank of India (hereinafter called the Reserve Bank), hereby issues the following Directions to all persons and agencies eligible to deal in Call, Notice and Term Money Markets.

**1. Short title and commencement**

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

**(b)** These Directions shall come into force with effect from April 05, 2021.

**2. Definitions**

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

1. **“Bank”** means a banking company (including a Payment Bank and a Small Finance Bank) as defined in clause (c) of section 5 of the Banking Regulation Act, 1949 or a “regional rural bank”, a “corresponding new bank” or “State Bank of India” as defined in clauses (ja), (da) and (nc), of section 5 respectively thereof, or a “cooperative bank” as defined in clause (cci) of section 5 read with section 56 of the said Act;
2. **“Call Money”** means borrowing or lending in unsecured funds on overnight basis;
3. **“Capital Funds”** shall have the meaning assigned in the applicable capital regulations issued by the Department of Regulation of the Reserve Bank as amended from time to time and shall be calculated as per the latest audited balance sheet;
4. **“Electronic Trading Platform” or “ETP”** shall have the meaning assigned in paragraph 2 (1) (iii) of [the Electronic Trading Platform (Reserve Bank) Directions, 2018 dated October 05, 2018](https://rbi.org.in/Scripts/NotificationUser.aspx?Id=11385&Mode=0), as modified from time to time;
5. **“Exchange”** shall mean ‘recognised stock exchange’ and shall have the same meaning as assigned to in Section 2 (f) of the Securities Contract Regulation Act, 1956.
6. **“Fortnight”** shall have the meaning assigned to it under section 42 of the Reserve Bank of India Act, 1934;
7. **“Negotiated Dealing System-CALL” or “NDS-CALL”** is the electronic trading platform for execution and reporting of transactions in Call, Notice and Term Money Markets;
8. **“Net Owned Fund”** shall have the meaning assigned to it under the Explanation to section 45-IA of the Reserve Bank of India Act, 1934;
9. **“Notice Money”** means borrowing or lending in unsecured funds for tenors up to and inclusive of 14 days excluding overnight borrowing or lending;
10. **“Over-the-Counter markets” or “OTC markets”** refers to markets where transactions are undertaken in any manner other than on exchanges and shall include those executed on electronic trading platforms;
11. **“Payment Bank”** means a bank licensed under section 22 of the Banking Regulation Act, 1949 and governed by the terms of the “Reserve Bank [Guidelines for Licensing of Payments Banks” dated November 27, 2014](https://rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=32615), as amended from time to time;
12. **“Primary Dealer”** means a Non-Banking Financial Company that holds a letter of authorisation issued by the Reserve Bank to act as a Primary Dealer, in terms of the "Guidelines for Primary Dealer in Government Securities Market" dated March 29, 1995, as amended from time to time;
13. **“Small Finance Bank”** means a bank licensed under section 22 of the Banking Regulation Act, 1949 and governed by the terms of the “Reserve Bank [Guidelines for Licensing of Small Finance Banks” dated November 27, 2014](https://rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=32614), as amended from time to time;
14. **“Term Money”** means borrowing or lending in unsecured funds for periods exceeding 14 days and up to one year.

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

**3. Participants**

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

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

**4. Prudential limits**

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

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

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

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

**5. General guidelines**

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

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

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

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

**6. Cancellation and termination**

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

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

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

**7. Reporting requirements**

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

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

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

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

**8. Obligation to provide information sought by the Reserve Bank:** The Reserve Bank may call for any information or statement or seek any clarification, which in the opinion of the Reserve Bank is relevant, from persons or agencies dealing in the Call, Notice and Term Money Markets, including eligible participants, and such persons, agencies and participants shall furnish such information, statement or clarification.

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

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

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

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

**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>

**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, 19

49, 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>

**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>

**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>

**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/)→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>

**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).

**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>

**Investment by Foreign Portfolio Investors (FPI): Investment limits**

**RBI/2020-21/116 A.P. (DIR Series) Circular No. 14 March 31, 2021**

*All Authorized Persons*

Attention of Authorised Dealer Category-I (AD Category-I) banks is invited to Schedule 1 to the Foreign Exchange Management (Debt Instruments) Regulations, 2019 notified vide [Notification No. FEMA.396/2019-RB dated October 17, 2019](https://rbidocs.rbi.org.in/rdocs/content/pdfs/396FEMA17102019.pdf), as amended from time to time and the relevant Directions issued thereunder. A reference is also invited to [A.P. (DIR Series) Circular No. 30 dated April 15, 2020](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11866&Mode=0) on the captioned subject.

**2. Investment Limits for FY 2021-22**

a. The limits for FPI investment in Corporate bonds shall remain unchanged at 15% of outstanding stock of securities for FY 2021-22. Accordingly, the revised limits for FPI investment in corporate bonds, after rounding off, shall be as under ([Table - 1](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12049&Mode=0#TA1))

|  |  |
| --- | --- |
| **Table - 1: Limits for FPI investment in Corporate bonds for FY 2021-22** | |
| (₹ Crore) | |
| Current FPI limit | 5,41,488 |
| Revised limit for HY Apr 2021-Sep 2021 | 5,74,263 |
| Revised limit for HY Oct 2021-Mar 2022 | 6,07,039 |

b. The revised limits for FPI investment in Central Government securities (G-secs) and State Development Loans (SDLs) for FY 2021-22 will be advised separately. Till such announcement, the current limits (as in [Table - 2](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12049&Mode=0#TA2)), shall continue to be applicable.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Table - 2: Limits for FPI investments in G-Sec and SDL** | | | | |
| (₹ Crore) | | | | |
|  | **G-Sec General** | **G-Sec Long Term** | **SDL General** | **SDL Long Term** |
| FPI investment limits | 2,34,531 | 1,03,531 | 67,630 | 7,100 |

3. AD Category – I banks may bring the contents of this circular to the notice of their constituents and customers concerned.

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/approval, if any, required under any other law.

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

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

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

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

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

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

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

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

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

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

The revised instructions come into force with immediate effect.

**FETERS – Cards: Monthly Reporting**

**RBI/2020-21/113 A.P. (DIR Series) Circular No.13 March 25, 2021**

*All Category-I Authorised Dealer Banks*

Attention of Authorised Dealers (Category I) is invited to [A.P. (DIR Series) Circular No. 50 dated February 11, 2016](https://rbi.org.in/Scripts/NotificationUser.aspx?Id=10276&Mode=0) on compilation of R-Returns for reporting under the Foreign Exchange Transactions Electronic Reporting System (FETERS). It has been decided to collect more details of international transactions using credit card / debit card / unified payment interface (UPI) along with their economic classification (merchant category code – MCC) through a new return called ‘FETERS-Cards’, using the same web-portal ([https://bop.rbi.org.in](https://bop.rbi.org.in/)).

2. Nodal offices of Authorised Dealers (ADs) may submit FETERS-Cards details on the web-portal in the following manner:

A. For transactions through credit card / debit card / UPI:

1. Sale of forex by AD towards international transaction made by Indian resident (to be reported by the card issuing / transaction originating AD); and
2. Purchase of forex by AD under transaction by foreign resident with Indian resident (to be reported by merchant acquirer AD).

B. The information shall be submitted in the following fixed format (details given in [Annex](https://rbidocs.rbi.org.in/rdocs/content/pdfs/NT113_25032021.pdf)):

1. For transactions using credit/debit card:  
     
   MCC X Country X Currency X Amount (Payment/Refund) X Card Status (Present /Not present)
2. For transactions through UPI:  
     
   MCC X Country X Currency X Amount (Payment/Refund) X QR Code Scan (Yes/No)

3. AD Banks need to report all card transactions (e.g., through PoS terminals / e-commerce (online purchase) / for transferring funds to bank accounts).

4. Data submission by ADs:

1. ADs shall submit the FETERS-Cards data on the web-portal ([https://bop.rbi.org.in](https://bop.rbi.org.in/)) by using the RBI-provided login-name and password, within seven working days from the last date of the month for which data are being reported. The web-portal provides detailed guidance and help material.
2. FETERS-Cards reporting will be implemented for the transactions taking place from April 1, 2021. Hence, details of the transactions in April 2021 may be reported in the first week of May 2021.
3. In case of any clarifications, banks may send their queries through [e-mail](mailto:bkccard@rbi.org.in) or contact by phone at 022-26578416 or 022-26571154 (direct).

5. The directions contained in this circular have been issued under Sections 10(4) and 11(2) of the Foreign Exchange Management Act, 1999 (42 of 1999) and are without prejudice to permissions / approvals, if any, required under any other law.

**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.

**Large Exposures Framework – Deferment of applicability of limits on non-centrally cleared derivatives exposures**

**RBI/2020-21/109 DOR.No.CRE.BC.47/21.01.003/2020-21 March 23, 2021**

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

Please refer to [circular No.DOR.No.BP.BC.43/21.01.003/2019-20 dated March 23, 2020](https://rbi.org.in/Scripts/NotificationUser.aspx?Id=11827&Mode=0) on Large Exposures Framework (LEF).

2. On a review it has been decided that non-centrally cleared derivatives exposures will continue to be outside the purview of exposure limits till September 30, 2021.

**Reporting and Accounting of Central Government transactions of March 2021 – Change of date of closure**

**RBI/2021-22/18 DGBA.GBD.No.S26/42.01.029/2021-22 April 07, 2021**

*All Agency Banks*

Please refer Circular DGBA.GBD.No.S-140/42.01.029/2020-21 dated March 18, 2021 where in the date of closure for reporting residual transactions of March 2021 was fixed as April 10, 2021.

2. On account of holidays on April 10 and 11, 2021 (second Saturday and Sunday respectively), Government of India has now decided that the date of closure of residual transactions for the month of March 2021 be fixed as April 12, 2021. All agency banks may take note of the change of date of closure and ensure that arrangements are put in place to report all the March 2021 residual transactions by 1400 hours of April 12, 2021.

3. All other instructions contained in Circular DGBA.GBD.No.S-140/42.01.029/2020-21 dated March 18, 2021 are operational and may be adhered to, taking into account closure date as April 12, 2021. To sum up, the nodal/Focal Point branches will be required to prepare separate set of scrolls, one pertaining to March 2021 residual transactions and another for April transactions during the first 12 days of April 2021. The Nodal/Focal Point branches should also ensure that the accounts for all transactions (revenues/tax collections/payments) up to March 31, 2021 are effected at the receiving branches in the accounts for financial year 2020-21 itself and are not mixed up with the transactions of April 2021. Also, while reporting transactions pertaining to March 2021 up to April 12, 2021, the transactions of April 2021 should not be mixed up with the residual transactions relating to March 2021.

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12072&Mode=0>

**Data Format for Furnishing of Credit Information to Credit Information Companies and other Regulatory Measures**

**RBI/2020-21/106 DoR.FIN.REC.46/20.16.056/2020-21 March 12, 2021**

*All Commercial Banks (including Small Finance Banks, Local Area Banks and Regional Rural Banks) excluding Payment Banks, All Primary (Urban) Co-operative Banks/State Co-operative Banks/ District Central Co-operative Banks, All-India Financial Institutions (Exim Bank, NABARD, NHB and SIDBI), All Non-Banking Financial Companies (including Housing Finance Companies) All Credit Information Companies*

Please refer to our [circular DBOD.No.CID.BC.127/20.16.056/2013-14 dated June 27, 2014](https://rbi.org.in/Scripts/NotificationUser.aspx?Id=8968&Mode=0) inter alia setting out a Uniform Credit Reporting Format for the purpose of reporting credit information to the Credit Information Companies (CICs).

2. The Uniform Credit Reporting Format has two Annexes. The Annex-I contains two formats for credit reporting, viz., Consumer Bureau and Commercial Bureau, whereas Annex-II contains credit reporting format for Micro Finance Institution (MFI) segment.

3. It has now been decided to modify the aforesaid three formats as under:

(i) **Consumer Bureau:** The label of the field ‘Written off and Settled status’ is modified as ‘Credit Facility Status’ and it will also have a new catalogue value, viz., ‘Restructured due to COVID-19’.

(ii) **Commercial Bureau:** The existing field ‘Major reasons for restructuring’ will have a new catalogue value, viz., ‘Restructured due to COVID-19’.

(iii) **MFI Bureau:** The existing field ‘Account status’ will have a new catalogue value, viz., ‘Restructured due to COVID-19’.

4. The modifications are being made to enable banks/AIFIs/NBFCs to report the information relating to restructured loans to CICs as envisaged in [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 the Resolution Framework for COVID-19 related stress.

5. Banks/AIFIs/NBFCs should make necessary modification to their systems and commence reporting the above information to CICs within two months from the date of this circular. CICs shall make necessary modifications to their system to reflect the above changes.

**Investment by Foreign Portfolio Investors (FPI) in Defaulted Bonds – Relaxations**

**RBI/2020-21/105 A.P. (DIR Series) Circular No. 12 February 26, 2021**

*All Authorised persons*

Attention of Authorised Dealer Category-I (AD Category-I) banks is invited to Foreign Exchange Management (Debt Instruments) Regulations, 2019 notified vide [Notification No. FEMA. 396/2019-RB dated October 17, 2019](https://rbidocs.rbi.org.in/rdocs/content/pdfs/396FEMA17102019.pdf), as amended from time to time, and the relevant directions issued thereunder. A reference is also invited to [A.P. (DIR Series) Circular No. 31 dated November 26, 2015](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=10147&Mode=0) wherein FPIs were permitted to acquire NCDs/bonds, which are under default, either fully or partly, in the repayment of principal on maturity or principal instalment in the case of amortising bond, and to [A.P. (DIR Series) Circular No. 31 dated June 15, 2018](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11303&Mode=0) (hereinafter, Directions), as amended from time to time.

2. Attention of AD Category-I banks is also invited to para 12 of [Statement on Developmental and Regulatory Policies dated February 05, 2021](https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=51078), wherein it was announced that FPI investment in defaulted corporate bonds will be exempted from the short-term limit and the minimum residual maturity requirement under the MTF.

3. Currently, FPI investments in corporate bonds are subject to a minimum residual maturity requirement, short-term investment limit (paragraph 4 (b)(ii)) and the investor limit (paragraph 4(f)(i)) in terms of the Directions. However, FPI investments in security receipts and debt instruments issued by Asset Reconstruction Companies and debt instruments issued by an entity under the Corporate Insolvency Resolution Process as per the resolution plan approved by the National Company Law Tribunal under the Insolvency and Bankruptcy Code, 2016 are exempt from these requirements. It has now been decided to exempt investments by FPI in NCDs/bonds which are under default, either fully or partly, in the repayment of principal on maturity or principal instalment in the case of amortising bond from the aforesaid requirements.

4. The updated [Directions](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11303&Mode=0) are attached.

5. These directions are 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.

Updated MD: <https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11303&Mode=0>

**Large Exposures Framework – Exemptions**

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

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

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

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

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

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

**Capital and provisioning requirements for exposures to entities with Unhedged Foreign Currency Exposure**

**RBI/2020-21/100 DOR.No.MRG.BC.41/21.06.200/2020-21 February 17, 2021**

*All Scheduled Commercial Banks (Excluding RRBs)*

Please refer to our [circular DBOD.No.BP.BC.116/21.06.200/2013-14 dated June 3, 2014](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=8914&Mode=0) on capital and provisioning requirements for exposures to entities with Unhedged Foreign Currency Exposure (UFCE).

2. The guidelines mandate that information on UFCE may be obtained by banks from entities on a quarterly basis, on self-certification basis, and preferably should be internally audited by the entity concerned. We have received representation from banks expressing their inability in obtaining UFCE certificates from listed entities for the latest quarter due to restrictions on disclosure of such information prior to finalisation of accounts.

3. In view of this, it has been decided that in such cases, banks may use data pertaining to the immediate preceding quarter for computing capital and provisioning requirements in case of Unhedged Foreign Currency Exposures.

4. All other instructions remain unchanged.

**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.

**Margin for Derivative Contracts**

**RBI/2020-21/98 A. P. (DIR Series) Circular No. 10 February 15, 2021**

*All Authorised Dealer Category-I Banks*

Attention of Authorised Dealer Category-I (AD Cat-I) banks is invited to the Foreign Exchange Management (Margin for Derivative Contracts) Regulations, 2020 notified in the Gazette of India vide notification no. FEMA.399/RB-2020 dated October 23, 2020 ([Annex I](https://rbidocs.rbi.org.in/rdocs/content/pdfs/AnnexI_15022021.pdf)). Accordingly, directions are being issued to allow posting and collection of margin for permitted derivative contracts between a person resident in India and a person resident outside India.

2. AD Cat-I banks may post and collect margin in India, on their own account or on behalf of their customers, for a permitted derivative contract entered into with a person resident outside India in the form of:

1. Indian currency;
2. Freely convertible foreign currency;
3. Debt securities issued by Indian Central Government and State Governments;
4. Rupee bonds issued by persons resident in India which are:
5. Listed on a recognized stock exchange in India; and
6. Assigned a credit rating of AAA issued by a rating agency registered with the Securities and Exchange Board of India. If different ratings are accorded by two or more credit rating agencies, then the lowest rating shall be reckoned.

**Explanation:** Permitted derivative contract shall have the same meaning as assigned to it in the Foreign Exchange Management (Margin for Derivative Contracts) Regulations, 2020 [Notification no. FEMA.399/RB-2020 dated October 23, 2020].

3. AD Cat-I banks may post and collect such margin outside India in the form of:

1. Freely convertible foreign currency; and
2. Debt securities issued by foreign sovereigns with a credit rating of AA- and above issued by S&P Global Ratings / Fitch Ratings or Aa3 and above issued by Moody’s Investors Service. If different ratings are accorded by two or more credit rating agencies, then the lowest rating shall be reckoned.

4. AD Cat-I banks may receive and pay interest on margin posted and collected on their own account or on behalf of their customers for a permitted derivative contract entered into with a person resident outside India.

5. AD Cat-I banks shall maintain a separate account in the name of persons resident outside India for the purpose of posting and collecting cash margin in India, and transactions incidental thereto.

6. 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.

**Investment in Entities from FATF Non-compliant Jurisdictions**

**RBI/2021-22/55CO.DPSS.AUTH.No.S190/02.27.005/2021-22 June 14, 2021**

*All entities authorised to operate Payment Systems in India*

A reference is invited to the circular DOR.CO.LIC.CC No.119/03.10.001/2020-21 dated February 12, 2021 issued by the Department of Regulation, Reserve Bank of India (RBI) on investment in NBFCs from FATF non-compliant jurisdictions. With a view to maintaining consistency, the corresponding regulations for investments in Payment Systems Operators (PSOs) are as follows.

2. The Financial Action Task Force (FATF) periodically identifies jurisdictions with weak measures to combat money laundering and terrorist financing (AML / CFT) in its following publications: i) High-Risk Jurisdictions subject to a Call for Action, and ii) Jurisdictions under Increased Monitoring. A jurisdiction whose name does not appear in these two lists is referred to as a FATF compliant jurisdiction. Investments in PSOs from FATF non-compliant jurisdictions shall not be treated at par with that from compliant jurisdictions.

3. Investors in existing PSOs holding their investments prior to the classification of the source or intermediate jurisdiction/s as FATF non-compliant, may continue with the investments or bring in additional investments as per extant regulations so as to support continuity of business in India.

4. New investors from or through non-compliant FATF jurisdictions, whether in existing PSOs or in entities seeking authorisation as PSOs, are not permitted to acquire, directly or indirectly, ‘significant influence’ as defined in the applicable accounting standards in the concerned PSO. In other words, fresh investments (directly or indirectly) from such jurisdictions, in aggregate, should account for less than 20 per cent of the voting power (including potential1 voting power) of the PSO.

5. The above instructions, as amended from time to time, shall also apply to any entity that has applied for or that intends to apply for authorisation as a PSO under the Payment and Settlement Systems Act, 2007.

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

\**Potential voting power could arise from instruments that are convertible into equity, other instruments with contingent voting rights, contractual arrangements, etc., that grant investors voting rights (including contingent voting rights) in the future. In such cases, it should be ensured that new investments from FATF non-compliant jurisdictions are less than both (i) 20 per cent of the existing voting powers, and (ii) 20 per cent of existing and potential voting powers assuming those potential voting rights have materialised.*

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

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

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

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

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

**SLR holdings in HTM category**

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

*All Commercial Banks*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**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.

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

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

*All Scheduled Banks*

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

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

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

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

*All Banks*

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

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

**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>

**Risk Based Internal Audit (RBIA) Framework – Strengthening Governance arrangements**

**RBI/2020-21/83 Ref.No.DoS.CO.PPG./SEC.04/11.01.005/2020-21 January 07, 2021**

*The Chairman / Managing Director / Chief Executive Officer, All Scheduled Commercial Banks (Excluding RRBs), All Local Area Banks, All Small Finance Banks and All Payments Banks*

In terms of the Guidance Note on Risk-Based Internal Audit issued by RBI vide [circular DBS.CO.PP.BC.10/11.01.005/2002-03 dated December 27, 2002](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=1020&Mode=0), banks, inter alia, are required to put in place a risk based internal audit (RBIA) system as part of their internal control framework that relies on a well-defined policy for internal audit, functional independence with sufficient standing and authority within the bank, effective channels of communication, adequate audit resources with sufficient professional competence, among others.

2. While the aforesaid Guidance Note lays out the basic approach for risk based internal audit functions, banks are expected to re-orient their approach, in line with the evolving best practices, as a part of their overall Governance and Internal Control framework. Banks are encouraged to adopt the International Internal Audit standards, like those issued by the Basel Committee on Banking Supervision (BCBS) and the Institute of Internal Auditors (IIA).

3. To bring uniformity in approach followed by the banks, as also to align the expectations on Internal Audit Function with the best practices, banks are advised as under:

1. Authority, Stature and Independence - The internal audit function must have sufficient authority, stature, independence and resources within the bank, thereby enabling internal auditors to carry out their assignments with objectivity. Accordingly, the Head of Internal Audit (HIA) shall be a senior executive of the bank who shall have the ability to exercise independent judgement. The HIA as well as the internal audit function shall have the authority to communicate with any staff member and have access to all records or files that are necessary to carry out the entrusted responsibilities.
2. Competence - Requisite professional competence, knowledge and experience of each internal auditor is essential for the effectiveness of the bank's internal audit function. The desired areas of knowledge and experience may include banking operations, accounting, information technology, data analytics and forensic investigation, among others. Banks should ensure that internal audit function has the requisite skills to audit all areas of the bank.
3. Staff Rotation - Except for the entities where the internal audit function is a specialised function and managed by career internal auditors, the Board should prescribe a minimum period of service for staff in the Internal Audit function. The Board may also examine the feasibility of prescribing at least one stint of service in the internal audit function for those staff possessing specialized knowledge useful for the audit function, but who are posted in other departments, so as to have adequate skills for the staff in the Internal Audit function.
4. Tenor for appointment of Head of Internal Audit - Except for the entities where the internal audit function is a specialised function and managed by career internal auditors, the HIA shall be appointed for a reasonably long period, preferably for a minimum of three years.
5. Reporting Line - The HIA shall directly report to either the Audit Committee of the Board (ACB) / MD & CEO or Whole Time Director (WTD). Should the Board of Directors decide to allow the MD & CEO or a WTD to be the ‘reporting authority’ of the HIA, then the ‘reviewing authority’ shall be with the ACB and the ‘accepting authority’ shall be with the Board in matters of performance appraisal of the HIA. Further, in such cases, the ACB shall meet the HIA at least once in a quarter, without the presence of the senior management, including the MD & CEO/WTD. The HIA shall not have any reporting relationship with the business verticals of the bank and shall not be given any business targets. In foreign banks operating in India as branches, the HIA shall report to the internal audit function in the controlling office / head office.
6. Remuneration - The independence and objectivity of the internal audit function could be undermined if the remuneration of internal audit staff is linked to the financial performance of the business lines for which they exercise audit responsibilities. Thus, the remuneration policies should be structured in a way that it avoids creating conflict of interest and compromising audit’s independence and objectivity.

4. The internal audit function shall not be outsourced. However, where required, experts, including former employees, could be hired on contractual basis subject to the ACB being assured that such expertise does not exist within the audit function of the bank. Any conflict of interest in such matters shall be recognised and effectively addressed. Ownership of audit reports in all cases shall rest with regular functionaries of the internal audit function.

5. Banks must ensure and demonstrate through proper documentation that their risk-based internal audit framework captures all the significant criteria / principles suited for their organisational structure, the business model and the risks.

6. The instructions contained in this circular shall come into effect immediately from the date of this circular.

7. This circular supplement the guidelines issued by Reserve Bank of India on [December 27, 2002](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=1020&Mode=0) on Risk-based internal audit along with other circulars/instruction on the subject issued from time-to time and for any common areas of guidance, the prescription of this circular shall be followed.

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12011&Mode=0>

**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>

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

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

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

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

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

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

**Foreign Exchange Management (Export of Goods and Services) (Amendment) Regulations, 2021**

**Notification No. FEMA 23(R)/(4)/2021-RB January 08, 2021**

In exercise of the powers conferred by clause (a) of sub-section (1), sub-section (3) of section 7 and clause (b) of sub-section (2) of section 47 of the Foreign Exchange Management Act, 1999 (42 of 1999), the Reserve Bank of India makes the following amendments in the Foreign Exchange Management (Export of Goods & Services) Regulations, 2015 [[Notification No. FEMA 23(R)/2015- RB dated January 12, 2016](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=10256&Mode=0)] (hereinafter referred to as 'the Principal Regulations'), namely:

**1. Short title and commencement: -**

1. These Regulations may be called the Foreign Exchange Management (Export of Goods and Services) (Amendment) Regulations, 2021.
2. They shall come into force from the date of their publication in the [official Gazette](https://rbidocs.rbi.org.in/rdocs/content/pdfs/GazetteN21012021.pdf).

2. In the Principal Regulations, in regulation 4, for sub-regulation (ea), the following shall be substituted, namely:-

“(ea) re-export of leased aircraft/helicopter and/or engines/auxiliary power units (APUs), either completely or in partially knocked down condition re-possessed by overseas lessor and duly de-registered by the Directorate General of Civil Aviation (DGCA) on the request of Irrevocable Deregistration and Export Request Authorisation (IDERA) holder under ‘Cape Town Convention’ or any other termination or cancellation of the lease agreement between the lessor and lessee subject to permission by DGCA/Ministry of Civil Aviation for such export/s.”

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12014&Mode=0>

**Risk-Based Internal Audit (RBIA)**

**RBI/2020-21/88 Ref.No.DoS.CO.PPG./SEC.05/11.01.005/2020-21 February 03, 2021**

*The Chairman / Managing Director / Chief Executive Officer, All deposit taking Non-Banking Financial Companies (NBFCs), All non-deposit taking NBFCs (including Core Investment Companies) with asset size of ₹5,000 crore and above, All Primary (Urban) Co-operative Banks (UCBs) with asset size of ₹500 crore and above*

An independent and effective internal audit function in a financial entity provides vital assurance to the Board and its senior management regarding the quality and effectiveness of the entity’s internal control, risk management and governance framework. The essential requirements for a robust internal audit function include, inter alia, sufficient authority, proper stature, independence, adequate resources and professional competence.

2. The range and commonality of risks faced by Supervised Entities (SEs) would warrant effective and harmonized systems and processes for the internal audit function across the SEs based on certain common guiding principles.

3. The introduction of Risk-Based Internal Audit (RBIA) system was mandated for all Scheduled Commercial Banks (except Regional Rural Banks) vide our [circular DBS.CO.PP.BC.10/11.01.005/2002-03 dated December 27, 2002](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=1020&Mode=0), which was further supplemented vide [circular DoS.CO.PPG./SEC.04/11.01.005/2020-21 dated January 07, 2021](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12011&Mode=0). It has now been decided to mandate RBIA framework for the following Non-Banking Financial Companies (NBFCs) and Primary (Urban) Co-operative Banks (UCBs):

1. All deposit taking NBFCs, irrespective of their size;
2. All Non-deposit taking NBFCs (including Core Investment Companies) with asset size of ₹5,000 crore and above; and
3. All UCBs having asset size of ₹500 crore and above[1](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12018&Mode=0#F1).

4. The Supervised Entities as indicated in Para 3 above shall implement the RBIA framework by March 31, 2022 in accordance with the Guidelines on Risk-Based Internal Audit provided in the enclosed [Annex](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12018&Mode=0#ANN). The Guidelines are intended to enhance the efficacy of internal audit systems and processes followed by the NBFCs and UCBs.

5. Further, in order to ensure smooth transition from the existing system of internal audit to RBIA, the concerned NBFCs and UCBs may constitute a committee of senior executives with the responsibility of formulating a suitable action plan. The committee may address transitional and change management issues and should report progress periodically to the Board and senior management.

6. This circular should be placed before the Board in its next meeting. The implementation of these guidelines as per timeline specified should be done under the oversight of the Board.

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12018&Mode=0>

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

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

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

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

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

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

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

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

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

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

**Annex**

**Bank Customers who must obtain LEI**

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

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

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

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

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

**Date: Jan 19, 2021**

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

The list of D-SIBs is as follows:

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

**Background:**

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

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

**Foreign Exchange Dealers’ Association of India**

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

*All Members of FEDAI*

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

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

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

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

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

**FATF**

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

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

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

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

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

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

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

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

**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

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

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

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

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

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

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

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

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

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

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

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

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

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

MINISTRY OF CORPORATE AFFAIRS

NOTIFICATION

New Delhi, the 9th April, 2021

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**Further changes:**

S.O. 1543(E). —In exercise of the powers conferred by the second proviso to section 4 of the Insolvency and Bankruptcy Code, 2016 (31 of 2016), as amended by the Insolvency and Bankruptcy Code (Amendment) Ordinance, 2021 (3 of 2021), the Central Government hereby specifies **ten lakh rupees as the minimum amount of default** for the matters relating to the pre-packaged insolvency resolution process of corporate debtor under Chapter III-A of the Code.

[F. No. 30/20/2020-Insolvency]

GYANESHWAR KUMAR SINGH, Jt. Secy