A Monthly Newsletter of Indian Institute of Banking & Finance

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IIBF VISION

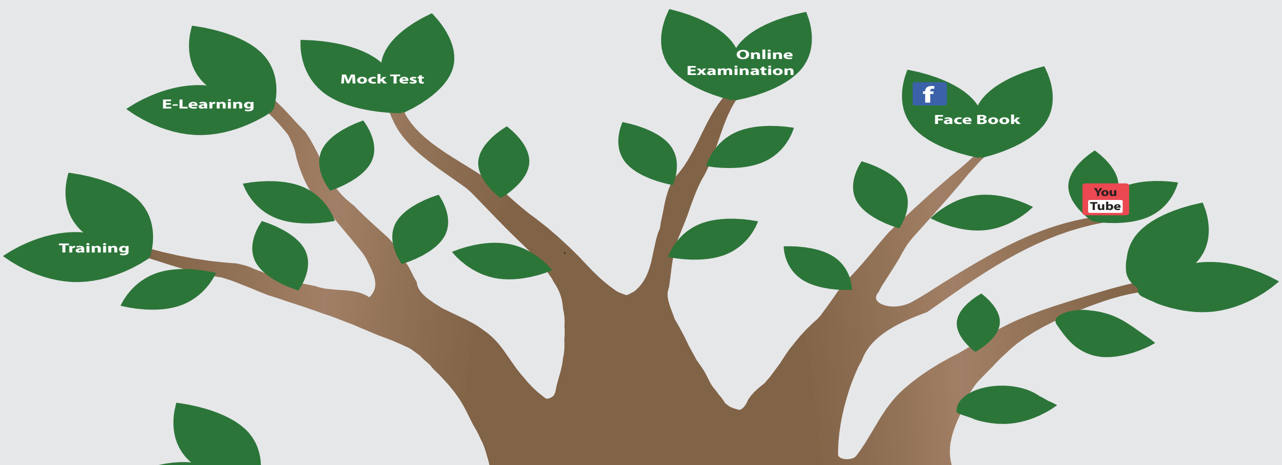
Volume No. : 17 Issue No. : 9 April 2025 No. of Pages - 8

VISION

To be premier Institute for developing and nurturing competent professionals in banking and finance field.

MISSION

To develop professionally qualified and competent bankers and finance professionals primarily through a process of education, training, examination, consultancy / counselling and continuing professional development programs.



INSIDE

TOP STORIES

RBI issued revised priority sector lending norms effective from April 1, 2025

RBI issued revised guidelines on Priority Sector Lending (PSL) to facilitate better targeting of bank credit to the priority sectors of the economy. Under the revised guidelines, the overall PSL target for Urban Co-operative Banks (UCBs) has been revised to 60% of Adjusted Net Bank Credit (ANBC) or Credit Equivalent of Off-Balance Sheet Exposures (CEOBSEs), whichever is higher. Further, bank loans to the housing sector under PSL norms have been prescribed in three categories viz., Rs. 50 lakh (centres with a population of 50 lakh and above), Rs. 45 lakh (centres with a population of 10 lakh and above but below 50 lakh) and Rs. 35 lakh (centres with a population below 10 lakh). The purposes for which loans may be classified as 'renewable energy' has been broadened. Bank loans up to Rs. 35 crore for renewable energy-based power generators and for renewable energy-based public utilities will be eligible for PSL classification. This limit will be Rs. 10 lakh per borrower for individual households.

NCGTC launched Mutual Credit Guarantee Scheme (MCGS) to make finance more accessible for MSMEs

To provide affordable credit access and improve the overall financial accessibility for Micro, Small and Medium Enterprises (MSMEs) (especially those involved in manufacturing and exports), the National Credit Guarantee Trustee Company Limited (NCGTC) has launched the Mutual Credit Guarantee Scheme for MSMEs (MCGS-MSME). This scheme will provide 60% guarantee coverage to Member Lending Institutions (MLIs) for credit facility up to Rs.100 crore sanctioned to eligible MSMEs for purchasing equipment/machinery. Potential borrowers under MCGS-MSME must be MSMEs with valid Udyam Registration number; should not be an Non-Performing Asset (NPA) with any lender; and recognise that minimum cost of equipment/machinery is 75% of project cost.

SEBI modified ESG disclosure requirements

SEBI has made modifications to its Environmental, Social and Governance (ESG) disclosure requirements by amending its Listing Obligations and Disclosure Requirements (LODR) regulations, to facilitate ease of doing business for listed entities. Accordingly, voluntary green credit disclosures have been introduced within the Business Responsibility and Sustainability Reporting (BRSR). Listed entities shall mandatorily undertaken "assessment" or "assurance" for BRSR Core. Value chain ESG disclosures have been deferred by one year. The threshold for value chain partners has been set at 2% or more of the entity's purchases and sales.

SEBI harnessing DigiLocker to reduce unclaimed assets

To reduce the unidentified unclaimed assets, SEBI has decided to harness the prowess of DigiLocker. The inclusion of mutual funds and demat holding statements with DigiLocker can make available the entire financial holdings of individuals in a single account – DigiLocker. It also provides facility to notify the DigiLocker Nominee/s about demise of the user through SMS and e-mail. This move will facilitate smooth access to financial records and identify assets that may otherwise remain overlooked.

SEBI reduced application size for Zero Coupon Zero Principal Instruments

SEBI has revised the Framework on Social Stock Exchange to protect investors' interest while also promoting the development and regulation of stock markets. As per the revised guidelines, minimum application size for subscribing to Zero Coupon Zero Principal Instruments has been reduced from Rs. 10,000 to Rs. 1,000.

Banking Policies

RBI issued Prudential Norms on Capital Adequacy for Regional Rural Banks

RBI has issued Prudential Norms on Capital Adequacy for Regional Rural Banks (RRBs) that mandate a minimum Capital to Risk Weighted Assets Ratio (CRAR) of 9%, with at least 7% in Tier 1 capital (including paid-up share capital, reserves and Perpetual Debt Instruments (PDIs)), April 1, 2025 onwards. This move has been made to ensure that RRBs maintain sufficient capital to cover risks. Risk-weight calculations, regulatory deductions and conditions for PDIs have also been addressed in the guidelines. RRBs have been mandated to submit annual returns to NABARD indicating capital funds and risk asset ratio. They will also require prior approval of RBI for exercising call options.

Medium and Long Term deposits of GMS withdrawn by Government

From March 26, 2025 onwards, the Medium Term and Long Term Government Deposit (MLTGD) components of the Gold Monetisation Scheme (GMS) have been discontinued.

The GMS was launched on September 15, 2015 and comprised of three components i.e. short-term bank deposits (1-3 years), medium-term Government deposits (5-7 years) and long-term Government deposits (12-15 years). The Short Term Bank Deposit (STBD) option will remain available but only as per the individual bank's commercial viability assessments.

Banking Developments

BHIM 3.0 launched with several more features

The National Payments Corporation of India (NPCI) has launched BHIM 3.0 that will be available in more than 15 Indian languages. The app will enable smooth transactions even in areas with slow or unstable internet connections. BHIM 3.0 is incorporated with a spend analytics feature to track, manage and split expenses with ease.

BHIM 3.0 has also brought along BHIM Vega, a seamless in-app payment solution for merchants. BHIM Vega integrates with online merchant platforms, so that customers can complete payment instantly within the app, without switching to third-party apps.

RBI revised the Amortisation of additional pension liability norms for RRBs

Recognising the difficulties that Reginal Rural Banks (RRBs) are facing in absorbing increased liabilities in a single year owing to revision of pensions, RBI has revised the norms.

Earlier, RRBs could amortise their liability on account of the RRB (Employee) Pension Scheme 2018 over five years starting from the FY ending March 31, 2019. Now, they required to implement the pension scheme w.e.f. November 1, 1993. If this expenditure is not fully charged to the profit and loss account in FY25, it may be amortised over five years beginning with the FY ending March 31, 2025, subject to a minimum of 20% of the total pension liability involved being expensed every year. Their accounting policy, in this regard, must be disclosed in the 'Notes to Accounts' section of their financial statements. The apex bank has made it clear that RRBs cannot reduce the pension related unamortised expenditure from its Tier 1 capital.

Insurance

Insurers can transact in bond forwards for hedging: IRDAI

RBI has now allowed any entity eligible to be classified as a non-retail user to undertake transactions as a user in Forward Contracts in Government Securities (Bond Forwards). Following this development, the Insurance Regulatory and Development Authority of India (IRDAI) has permitted insurers to undertake long positions in buying Bond Forwards. They are required to report such transactions on a quarterly basis.

IRDAI asks Regulated Entities (REs) to engage cyber forensic experts in advance to minimise risk

IRDAI has asked all regulated entities are required to establish a well-defined procedure or practice to ensure forensic auditors are on-boarded in advance to conduct forensics and root cause analysis of cyber incidents without any delay. All REs, including insurance intermediaries, must place compliance to the provisions in the ensuing board meeting and submit the minutes of the meeting to the IRDAI for information.

Regulator Speaks

Digital payments enable economic growth and financial inclusion: Mr. Sanjay Malhotra, Governor, RBI

Speaking at the inauguration of Digital Payments Awareness Week 2025, Mr. Sanjay Malhotra, Governor, RBI stated that digital payments support economic growth and enhance financial inclusion by overcoming geographical barriers and high transaction costs. This quick, secure, reliable and affordable payments are the foundation of a vibrant economy.

Recognising the importance of expanding the digital-payment footprint further, Mr. Malhotra mentioned three broad areas to work on. The areas are: soft-touch regulations to continue promoting innovation; promote awareness generation; and more efficient cross-border payments.

A holistic approach is needed to mitigate climate-change related risks: Mr. Sanjay Malhotra, Governor, RBI

Delivering the keynote address at the Policy Seminar on Climate Change Risks and Finance, Mr. Sanjay Malhotra, Governor, RBI highlighted two dimensions to climate change related risks viz. facilitative and prudential aspects, that regulators, policymakers and practitioners need to be cognisant about. Facilitative dimension involves capacity building, development of the ecosystem and financing of green and sustainable transition. On the other hand, prudential aspect relates to risk management. The climate change risks can adversely affect not just the financial system but also the real economy, be it the corporates, the MSMEs or the agricultural sector. Hence, the cohesive co-ordination and harmonisation among all entities is required. A holistic approach to tackle climate change risks needs to be adopted considering the country specific requirements and circumstances. To mitigate climate change risks, a realistic and comprehensive assessment of the frequency and severity of climate risks and estimation of their financial impact is required.

REs must look at customer complaints as opportunities for improvement: Mr. Sanjay Malhotra, Governor, RBI

Speaking at the annual conference of RBI Ombudsmen, Mr. Sanjay Malhotra, Governor, RBI stressed on the need for Regulated Entities (REs) to enhance customer experience to a degree such that there will be no cause for a grievance that requires a redress. He asked REs to strengthen their internal grievance redressal mechanism to resolve customer complaints at their level, instead of escalating them to the RBI Ombudsman. Suggesting the use of Artificial Intelligence for tackling the customer complaints, he exhorted REs to look at grievances as opportunities to improve, innovate and build trust.

Furthermore, Mr. Malhotra flagged the misclassification of customer complaints by the regulated entities to suppress its numbers as a “gross regulatory violation”. He also advised leadership at banks to have a dedicated time off every week to redress customer grievances.

Need to be aware of latest trends and keep upgrading risk assessment models: Mr. Sanjay Malhotra, Governor, RBI

Addressing a private sector collaborative forum of the Financial Action Task Force (FATF), Mr. Sanjay Malhotra, Governor, RBI, cautioned against over-zealous measures for controlling money laundering activities, lest they stifle legitimate investments.

He said that improving the quality of data and harnessing emerging technologies will help refine the screening of transactions and detection of suspicious activities, thus, lowering the possibilities of false positives and false negatives.

Stressing on the need to upgrade risk assessment models, Mr. Malhotra also urged central banks to be on point with the latest trends and developments that criminals can misuse. They should keep revamping their rules and frameworks to detect suspicious transactions early and take pre-emptive action.

On an added note, he also asked banks to take care of customers’ rights and conveniences while fulfilling the due diligence requirements, as such strong public-private partnerships are essential for safeguarding the integrity of the financial system.

Economic Wrap Up

The Department of Economic Affairs released its Monthly Economic Review, February 2025. The key highlights are as follows:

- The Indian economy is estimated to achieve a growth of 6.5% in FY25 despite considerable external headwinds.
- Retail inflation eased to 3.6% in February 2025 on the back of recent benign price trends of food items.
- The deposit growth continued to trail credit growth in 2025. While Scheduled Commercial Banks' (SCBs) credit growth was 12% as of March 7, 2025, deposit growth (excluding the impact of the merger) was at 10.3% for the same period.
- Overall bank liquidity remained sufficient, with a robust capital-to-risk weighted assets ratio standing at 16.7% as of March 7, 2025.
- Despite a moderation in net interest margin, return on assets and return on equity reached decadal highs of 1.4% and 14.1%, respectively, in H1 FY25.
- Asset quality remained robust, with the gross non-performing assets ratio of SCBs remaining stable at 2.6% as of September 2024, maintaining its 12-year low. Non-Banking Financial Corporations too, showed robustness across its system level parameters.
- The Micro, Small and Medium Enterprise (MSME) Outlook Survey conducted by the Small Industries Development Bank of India (October – December 2024) showed stable employment scenario in the Q3 FY 2025, with 62% of MSMEs maintaining their employee strength.

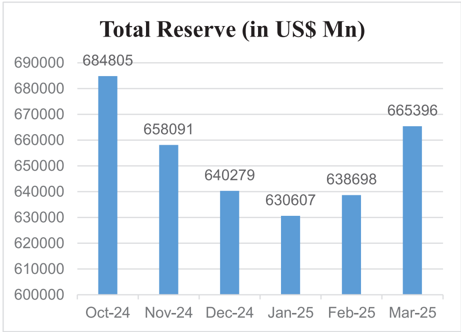
New Appointments

NAME	DESIGNATION
Mr. Atul Kumar Goel	Chief Executive, Indian Banks' Association (IBA)

Forex

Foreign Exchange Reserves		
Item	As on March 28, 2025	
	₹ Cr.	US$ Mn.
	1	2
1 Total Reserves	5687095	665396
1.1 Foreign Currency Assets	4829095	565014
1.2 Gold	664889	77793
1.3 SDRs	155344	18176
1.4 Reserve Position in the IMF	37768	4413

Trends in Foreign Exchange Reserve (US$ Mn) last 6 months



Note: Data as reported on last Friday of respective Month

Source: *Reserve Bank of India*

Base Rates of Alternative Reference Rates (ARRs) for FCNR (B) deposits as on March 28 2025, applicable for the month of April 2025

ARR Name	Rates
SOFR (USD)	4.35
SONIA (GBP)	4.4572
€STR (EUR)	2.417
TONA (JPY)	0.477
CORRA (CAD)	2.7600

ARR Name	Rates
AONIA (AUD)	4.10
SARON (CHF)	0.199213
OCR (NZD)	3.75
SWESTR (SEK)	2.138
SORA (SGD)	2.9409

ARR Name	Rates
HONIA (HKD)	2.60960
MYOR (MYR)	3.00
DESTR (DKK)	2.0430

Source: *www.fbil.org.in*

Glossary

Perpetual Debt Instruments (PDIs)

Perpetual debt instruments, also known as Perpetual bonds, are fixed income securities with no maturity date. The issuer is legally obligated to make regular interest (coupon) payments to bondholders indefinitely, as long as the issuer remains solvent. Due to this nature of these bonds, they are often viewed as a type of equity and not a debt.

Financial Basics

Adjusted Net Bank Credit (ANBC)

ANBC is used to determine the base for calculating the targets and sub-targets for lending to priority sectors by banks in India. It is calculated by adding net bank credit to investments in non-Statutory Liquidity Ratio (SLR) bonds held in the held-to-maturity category.

Institute's Training Activities

Training Programmes for the month of April 2025

Programmes	Dates	Location
Post-Examination Training for Certified Credit Professional	15th - 17th April, 2025	Virtual
Programme on Balance Sheet Reading & Ratio Analysis	15th - 17th April, 2025	
Programme on IT & Cyber Security	21st - 22nd April, 2025	
Programme on Foreign Exchange Business	21st - 23rd April, 2025	Leadership Centre, IIBF Corporate Office, Mumbai
Programme on Resolution of Stressed Assets through Insolvency and Bankruptcy Code, 2016	22nd - 24th April, 2025	Virtual
Programme on Customer Service Excellence	23rd - 24th April, 2025	Leadership Centre, IIBF Corporate Office, Mumbai
Programme on Strategies for Prevention of Frauds in Banks	24th - 25th April, 2025	Virtual
Programme on Compliance in Banking	29th - 30th April, 2025	

News from the Institute

IIBF organised HR and Learning & Development Meet

IIBF has organised HR and Learning & Development (L&D) Meet on 5th April, 2025 on first anniversary of Professional Development Centre Western Zone. The key dignitary was Mr. Biswa Ketan Das, Chief Executive Officer, IIBF. The conference was organised to discuss the various strategies of learning in financial sector.

IIBF releases the fourth edition of Banking & Finance Yearbook, 2025

IIBF releases the fourth edition of the "Banking & Finance Yearbook, 2025". It is a comprehensive digest of all major developments, trends, expert views and regulatory changes across different verticals in Banking & Finance domain for the year ended December 31, 2024. The book is available on Amazon both as a paperback and as a Kindle edition. It is available in the retail outlets of publisher, M/s Taxmann Publications (Pvt.) Ltd.

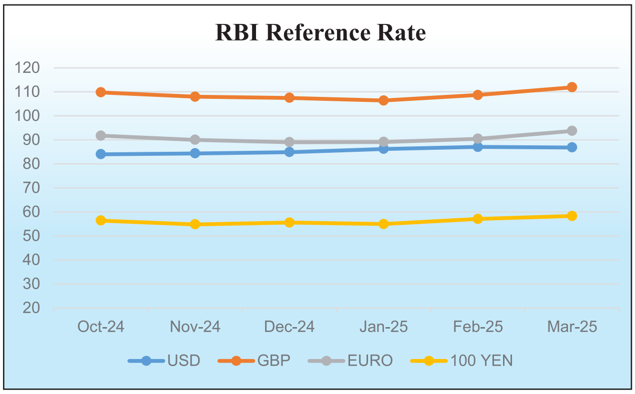
Bank Quest Theme for upcoming issue

The theme for the upcoming issue of Bank Quest for the quarter April-June 2025 is "*Net Zero Banking*". The sub-themes are: Responsible Banking, Green Finance, Green Bonds, Transition to Green Financing.

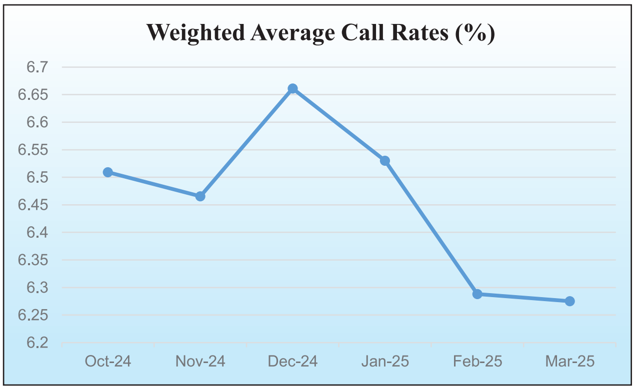
Cut-off date of guidelines/important developments for examinations

The Institute has a practice of asking questions in each exam about the recent developments/guidelines issued by the regulator(s) in order to test if the candidates keep themselves abreast of the current developments. However, there could be changes in the developments/guidelines from the date the question papers are prepared and the dates of the actual examinations. In order to address these issues effectively, it has been decided that: (i) In respect of the exams to be conducted by the Institute for the period from March to August of a calendar year, instructions/guidelines issued by the regulator(s) and important developments in banking and finance up to 31st December will only be considered for the purpose of inclusion in the question papers. (ii) In respect of the examinations to be conducted by the Institute for the period September to February of a calendar year, instructions/guidelines issued by the regulator(s) and important developments in banking and finance up to 30th June will only be considered for the purpose of inclusion in the question papers.

Market Roundup



Source: FBIL



Source: Weekly Newsletter of CCIL

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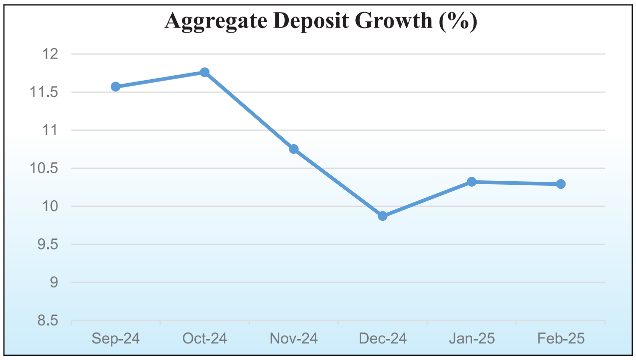
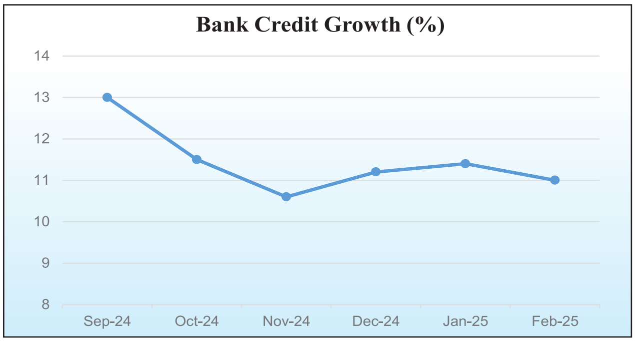
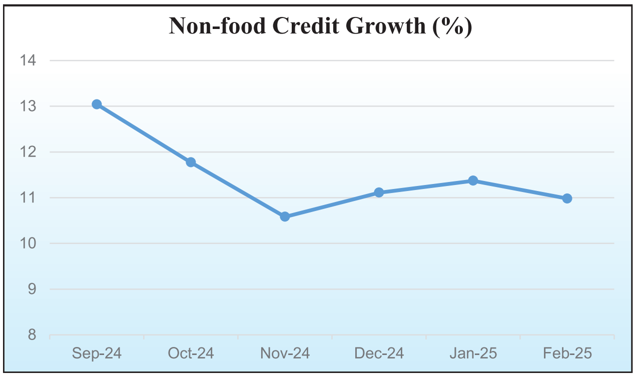


Source: Monthly Review of the Economy, CCIL, March, 2025



Source: Reserve Bank of India



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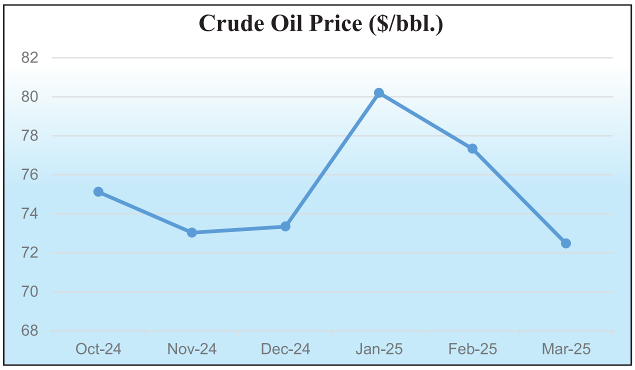
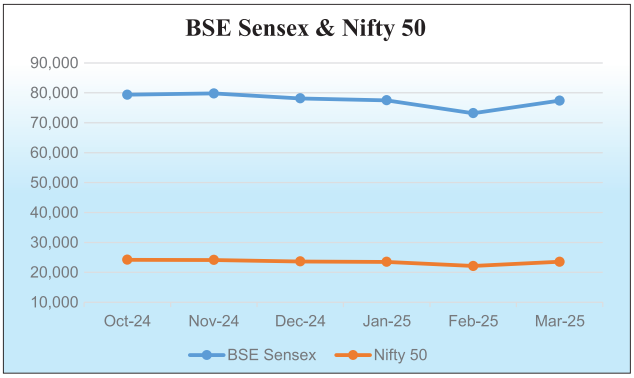
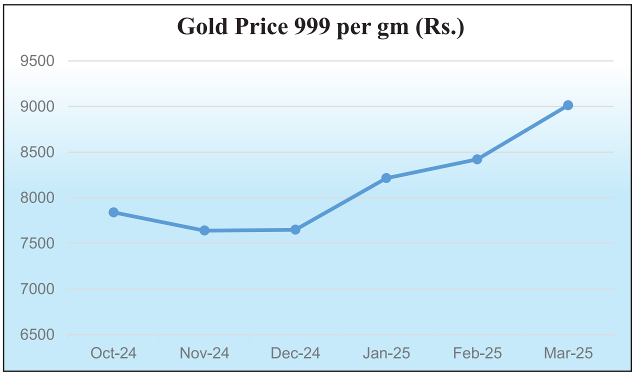


Source: PPAC, Ministry of Petroleum and Natural Gas



Source: BSE & NSE



Source: Gold Price India

Green Initiative

Members are requested to update their e-mail address with the Institute and send their consent to receive the Annual Report via e-mail.

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