**RBI NOTIFICATIONS FOR THE PERIOD JULY 2019 TO DECEMBER 2019**

***CERTIFIED CREDIT PROFESSIONAL***

**Notification Dated July 30th, 2019 –**

**External Commercial Borrowings (ECB) Policy – Rationalisation of End-use Provisions**

Attention of Authorized Dealer Category-I (AD Category-I) banks is invited to paragraphs 2.1.(v) and 2.1.(viii) of Master Direction No.5 dated March 26, 2019 on the above subject in terms of which, inter alia, ECB proceeds cannot be utilised for working capital purposes, general corporate purposes and repayment of Rupee loans except when the ECB is availed from foreign equity holder for a minimum average maturity period of 5 years. Further, on-lending for these activities out of ECB proceeds is also prohibited.

2. Based on the feedback from stakeholders and with a view to further liberalise the ECB framework, it has been decided, in consultation with the Government of India, to relax the end-use restrictions. Accordingly, eligible borrowers will now be permitted to raise ECBs for the following purposes from recognised lenders, except foreign branches/ overseas subsidiaries of Indian banks, subject to paragraph 2.2 of the direction ibid:

i. ECBs with a minimum average maturity period of 10 years for working capital purposes and general corporate purposes. Borrowing by NBFCs for the above maturity for on lending for the above purposes is also permitted.

ii. ECBs with a minimum average maturity period of 7 years can be availed by eligible borrowers for repayment of Rupee loans availed domestically for capital expenditure as also by NBFCs for on-lending for the same purpose. For repayment of Rupee loans availed domestically for purposes other than capital expenditure and for on-lending by NBFCs for the same, the minimum average maturity period of the ECB is required to be 10 years.

iii. It has been decided to permit eligible corporate borrowers to avail ECB for repayment of Rupee loans availed domestically for capital expenditure in manufacturing and infrastructure sector if classified as SMA-2 or NPA, under any one time settlement with lenders. Lender banks are also permitted to sell, through assignment, such loans to eligible ECB lenders, except foreign branches/ overseas subsidiaries of Indian banks, provided, the resultant external commercial borrowing complies with all-in-cost, minimum average maturity period and other relevant norms of the ECB framework.

3. The prescribed minimum average maturity provision, as above, for the aforesaid end-uses will have to be strictly complied with under all circumstances.

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 and customers.

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

6. 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.

**Notification Dated September 12, 2019 -**

**Large Exposures Framework**

Please refer to paragraph 7 (a) of the Statement on Developmental and Regulatory Policies dated August 7, 2019 on ‘Harmonisation of single counterparty exposure limit for banks’ exposures to a single NBFC with general single counterparty exposure limit’ **(**extract enclosed).

2. In terms of circular DBR.No.BP.BC.43/21.01.003/2018-19 dated June 03, 2019 on “Large Exposures Framework (LEF)”, banks’ exposures to a single NBFC is restricted to 15 percent of their available eligible capital base, while general single counterparty exposure limit is 20 percent, which can be extended to 25 percent by banks’ Boards under exceptional circumstances.

3. It has been decided that a bank’s exposure to a single NBFC (excluding gold loan companies) will be restricted to 20 percent of that bank’s eligible capital base. Bank finance to NBFCs predominantly engaged in lending against gold will continue to be governed by limits prescribed in circular DBOD.BP.BC.No.106/21.04.172/2011-12 dated May 18, 2012.

**Notification Dated September 20, 2019**

**Priority Sector Lending (PSL) – Classification of Exports under priority Sector**

In order to boost credit to export sector, it has been decided to effect following changes in para 8 of the “Master Direction on Priority Sector Lending-targets and Classification” dated July 7, 2016 (updated as on December 4, 2018) pertaining to export credit.

(i) Enhance the sanctioned limit, for classification of export credit under PSL, from ₹ 250 million per borrower to ₹ 400 million per borrower.

(ii) Remove the existing criteria of *‘units having turnover of up to ₹ 1 billion’*

2. The existing guidelines for domestic scheduled commercial banks to classify ‘Incremental export credit over corresponding date of the preceding year, upto 2 per cent of ANBC or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher’ under PSL will continue to be applicable subject to the criteria mentioned at (i) above.

3. There is no change in the present instructions in respect of foreign banks.

**Notification Dated September 12, 2019 -**

**Risk Weight for Consumer Credit except credit card receivables**

Please refer to paragraph 6 of the Statement on Developmental and Regulatory Policies dated August 7, 2019 on ‘Reduction in risk weight for consumer credit except credit card receivables’

2. As per extant instructions, consumer credit, including personal loans and credit card receivables but excluding educational loans, attracts a higher risk weight of 125 per cent or higher, if warranted by the external rating of the counterparty.

3. On a review, it has been decided to reduce the risk weight for consumer credit, including personal loans, but excluding credit card receivables, to 100%. Other stipulations remain the same.

**Notification Dated October 14th, 2019**

**Lending by banks to InvITs**

Please refer to the circular DBR.No.FSD.BC.62/24.01.040/2016-17 dated April 18, 2017 on ‘Banks' Investment in Units of InvITs’ in terms of which banks are allowed to invest in units of InvITs subject to the specified conditions.

2. Banks and other stakeholders have been seeking clarity on provision of credit facilities to InvITs. The matter has been examined and it has been decided that banks may be permitted to lend to InvITs subject to the following conditions:

i) Banks shall put in place a Board approved policy on exposures to InvITs which shall inter alia cover the appraisal mechanism, sanctioning conditions, internal limits, monitoring mechanism, etc.

ii) Without prejudice to generality, banks shall undertake assessment of all critical parameters including sufficiency of cash flows at InvIT level to ensure timely debt servicing. The overall leverage of the InvITs and the underlying SPVs put together shall be within the permissible leverage as per the Board approved policy of the banks. Banks shall also monitor performance of the underlying SPVs on an ongoing basis as ability of the InvITs to meet their debt obligation will largely depend on the performance of these SPVs. As InvITs are trusts, banks should keep in mind the legal provisions in respect of these entities especially those regarding enforcement of security.

iii) Banks shall lend to only those InvITs where none of the underlying SPVs, which have existing bank loans, is facing ‘financial difficulty’ as defined in para 2 of Annex-I to the circular DBR.No.BP.BC.45/21.04.048/2018-19 dated June 07, 2019.

iv) Bank finance to InvITs for acquiring equity of other entities shall be subject to the conditions given in para 2.3.7.4 (iv) of the Master Circular on Loans & Advances – Statutory & Other Restrictions dated July 1, 2015.

v) The Audit Committee of the Board of banks shall review the compliance to the above conditions on a half yearly basis.

**NOTIFICATION DATED 8TH NOVEMBER 2019- QUALIFYING ASSETS CRITERIA - REVIEW OF LIMITS**

Please refer to the Statement on Developmental and Regulatory Policies issued as part of Monetary Policy Statement dated October 4, 2019 and Para 3 of theNon-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 and the Non-Banking Financial Company – Non-Systemically Important Non-Deposit taking Company (Reserve Bank) Directions, 2016 prescribing the eligibility criteria for classification under ‘Qualifying Assets’ for NBFC-MFIs.

2. Taking into consideration the important role played by MFIs in delivering credit to those in the bottom of the economic pyramid and to enable them play their assigned role in a growing economy, it has been decided to increase the household income limits for borrowers of NBFC-MFIs from the current level of ₹1,00,000 for rural areas and ₹1,60,000 for urban/semi urban areas to ₹1,25,000 and ₹2,00,000 respectively.

3. Further, the limit on total indebtedness of the borrower has been increased from ₹1,00,000 to ₹1,25,000. In light of the revision to the limit on total indebtedness, the limits on disbursal of loans have been raised from ₹60,000 for the first cycle and ₹1,00,000 for the subsequent cycles to ₹75,000 and ₹1,25,000 respectively.

4. These instructions shall come into effect from the date of this circular.

5. All other terms and conditions specified under the master directions shall remain unchanged. The master directions, ibid, are being modified accordingly.

**Notification Dated November 11, 2019 –**

**Withdrawal of exemptions granted to Housing Finance Institutions**

Please refer to Para 1 of our Master Direction – Exemptions from the provisions of RBI Act, 1934.

2. Housing Finance Institutions as defined under Clause (d) of Section 2 of the National Housing Bank Act, 1987 are currently exempt from the provisions of Chapter IIIB of Reserve Bank of India Act, 1934. On a review, it has been decided to withdraw these exemptions and make the provisions of Chapter IIIB except Section 45-IA of Reserve Bank of India Act, 1934, applicable to them.

3. Master Direction – Exemptions from the provisions of RBI Act, 1934 has been updated accordingly.

4. Necessary notification withdrawing the exemption under Section 45 NC of the RBI Act, 1934 shall be issued separately.

**NOTIFICATION DATED 6th DECEMBER 2019 - ACQUISITION OF FINANCIAL ASSETS BY ASSET RECONSTRUCTION COMPANIES FROM SPONSORS AND LENDERS**

Please refer to para 2(A) of Circular DNBS (PD) CC.No.37/SCRC/26.03.001/2013-2014 dated March 19, 2014.2. On a review, it has been decided that Asset Reconstruction Companies (ARCs) shall not acquire financial assets from the following on a bilateral basis, whatever may be the consideration:

(i) a bank/ financial institution which is the sponsor of the ARC;

(ii) a bank/ financial institution which is either a lender to the ARC or a subscriber to the fund, if any, raised by the ARC for its operations;

(iii) an entity in the group to which the ARC belongs.

However, they may participate in auctions of the financial assets provided such auctions are conducted in a transparent manner, on arm’s length basis and the prices are determined by market forces.

**NOTIFICATION DATED 13th DECEMBER 2019 -**

**Provision of additional Fixed-rate Reverse Repo and MSF window**

The Reserve Bank has decided to make National Electronic Funds Transfer (NEFT) System available on 24x7 basis from December 16, 2019. To give eligible market participants more flexibility and to facilitate their liquidity management, as an interim measure, the Reserve Bank has now decided to provide an additional fixed-rate Reverse Repo and Marginal Standing Facility (MSF) window on all days as under:

The reversal of these operations will take place along with other LAF operations as is currently being done. The results of these operations will be published in the Money Market Operation (MMO) press release.

The existing fixed-rate Reverse Repo and MSF windows, available between 17:30 hrs and 19:30 hrs on RTGS working days, will continue, as hitherto.

These changes will come into effect from December 16, 2019 (Monday).

Further, it is reiterated that as advised vide RBI press release 2015-2016/1231 dated November 24, 2015, physical submission of bids for these operations would not be entertained.

These measures would be reviewed based on experience gained.

**Notification Dated December 27, 2019 -**

**Reporting of Large Exposures to Central Repository of Information on Large Credits (CRILC) - UCBs**

Please refer to paragraph 2 of the Statement on Developmental and Regulatory Policies dated December 5, 2019 on ‘Primary (Urban) Co-operative Banks - Reporting to Central Repository of Information on Large Credits (CRILC)’ (extract enclosed).

2. It has been decided that Primary (Urban) Co-operative Banks (UCBs) having total assets of ₹500 crore and above as on 31st March of the previous financial year shall report credit information, including classification of an account as Special Mention Account (SMA), on all borrowers having aggregate exposures of ₹5 crore and above with them to Central Repository of Information on Large Credits (CRILC) maintained by the Reserve Bank. Aggregate exposure shall include all fund-based and non-fund based exposure, including investment exposure on the borrower.

3. **Special Mention Account (SMA)**

Special Mention Account (SMA) is an account which is exhibiting signs of incipient stress resulting in the borrower defaulting in timely servicing of her debt obligations, though the account has not yet been classified as NPA as per the extant RBI guidelines. As early recognition of such accounts will enable banks to initiate timely remedial actions to prevent their potential slippages into NPAs, it is advised that UCBs having total assets of ₹500 crore and above as on 31st March of the previous financial year shall take necessary steps to classify loans/advances accounts as SMA, as under:

SMA Sub Categories Basis of classification Principal or interest payment or any other amount wholly or partially overdue for

 SMA - O 1-30 days

 SMA - 1 31- 60 days

 SMA - 2 61-90 days

In case of revolving credit facilities like cash credit, the SMA sub-categories will be as follows:

SMA Sub Categories - Basis for Classification

Outstanding balance remains continuously in excess of the sanctioned limit or drawing power whichever is lower for a period of

SMA-1 31-60 days

SMA 2 61–90 days

**SMA Sub-categories.**

4. To start with, UCBs will be required to submit CRILC Report on quarterly basis with effect from December 31, 2019. Detailed operating instructions will be issued shortly by Department of Supervision, Reserve Bank of India.

5. UCBs should take utmost care about data accuracy and integrity while submitting the information /data on large credit to RBI, failing which penal action as per the provisions of the Banking Regulation Act, 1949 may be taken.

**Notification Dated December 23, 2019**

**Setting up of IFSC Banking Units (IBUs) – Permissible activities**

Please refer to RBI circular DBR.IBD.BC.14570/23.13.004/2014-15 dated April 01, 2015, as modified from time to time, setting out RBI directions relating to IFSC Banking Units (IBUs). We have received a few suggestions and queries from the stakeholders regarding operations of the IBUs and financial institutions in IFSCs. These issues have been examined and in the Fifth Bi-Monthly Monetary Policy Statement 2019-20 dated December 05, 2019, it has been announced that necessary instructions will be issued shortly. Accordingly, the directions stand further modified as follows:

**2**. *The existing paragraph No.2.6 (iv) of Annex I and II of the aforesaid circular dated April 1, 2015 is amended to read as follows:*

*“*RBI will not prescribe any limit for raising short-term liabilities from banks. However, the IBUs must maintain LCR as applicable to Indian banks on a stand-alone basis and strictly follow the liquidity risk management guidelines issued by RBI to banks. Further, NSFR will also be applicable to IBUs as and when it is applied to Indian banks*.”*

**3.** *The existing paragraph No.2.6 (v) of Annex I and II of the aforesaid circular dated April 1, 2015 is amended to read as follows:*

“IBUs are not allowed to open savings accounts. They can open foreign currency current accounts of units operating in IFSC and of non-resident institutional investors to facilitate their investment transactions. They can also open foreign currency current accounts (including escrow accounts) of their corporate borrowers subject to the provisions of FEMA 1999 and regulations issued thereunder, wherever applicable in addition to provisions of para 2.5 above. However, IBUs cannot raise liabilities from retail customers including high net worth individuals (HNIs). Also, no cheque facility will be available for holders of current accounts in the IBUs. All transactions through these accounts must be undertaken via bank transfers”.

**4.** *The existing paragraph No.2.6 (x) of Annex I and II of the aforesaid circular dated April 1, 2015 is amended to read as follows*

“Subject to para 2.5 above, the IBUs can accept fixed deposits in foreign currency of tenor less than one year from non-bank entities and can also repay fixed deposits prematurely without any time restrictions.

**5.** *The existing paragraph No.2.8 of Annex I of the aforesaid circular dated April 1, 2015 is amended on the lines of para 2.8 of Annex II to read as follows*

“The IBUs will be required to scrupulously follow "Know Your Customer (KYC)", Combating of Financing of Terrorism (CFT) and other anti-money laundering instructions issued by RBI from time to time, *including the reporting thereof, as prescribed by the Reserve Bank /other agencies in India*. IBUs are prohibited from undertaking cash transactions.”

**6.** All other terms and conditions contained in the aforementioned circular remain unchanged.

**7.** An updated copy of the RBI circular on IBU dated April 01, 2015 incorporating the amendments made hitherto is available on RBI’s website.