

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

### **Notification Dated July 31, 2019**

#### **Agency Commission - Furnishing reconciliation certificate**

Please refer to Para 19 and 20 of our Master Circular on 'Conduct of Government Business by Agency Banks - Payment of Agency Commission' dated July 02, 2018 related to claiming of agency commission based on which agency banks are submitting two certificates to RBI along with the agency commission claims.

2. It has now been decided in consultation with Government of India, that agency banks while claiming agency commission from RBI Central Accounts Section, Nagpur and at Regional offices of RBI (including Mumbai Regional Office for GST collections) are required to submit certificates by the bank official and by Chartered Accountant in this regard in the revised format as given in Annex A and Annex B. Certificates in the new format are to be submitted along with the agency commission claims submitted by agency banks from July 1, 2019 onwards.

3. These certificates would be in addition to the usual Certificate from ED / CGM (in charge of government business) to the effect that there are no pension arrears to be credited / delays in crediting regular pension / arrears thereof.

### **Notification Dated July 1st, 2019 -**

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

Please refer to the Master Circular on NULM FIDD.GSSD.CO.BC. No.11/09.16.03/2018-19 dated December 06, 2018 containing the instructions / guidelines / directives issued to banks.

2. The Master Circular has been suitably updated by incorporating the instructions on DAY-NULM issued up to June 30, 2019 which are listed in the appendix. The Master Circular has also been placed on RBI website (<https://www.rbi.org.in>).

### **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 July 16, 2019 –**  
**Foreign Exchange Management (Deposit)(Amendment) Regulations, 2019**

In exercise of the powers conferred by clause (f) of sub-section (3) of Section 6 and sub-section (2) of Section 47 of the Foreign Exchange Management Act, 1999 (42 of 1999) and in partial

modification of its Notification No. FEMA 5(R)/2016-RB dated April 01, 2016, the Reserve Bank makes the following amendment in the Foreign Exchange Management (Deposit) Regulations, 2016, as amended from time to time, namely:-

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

- (i) These Regulations may be called the Foreign Exchange Management (Deposit) (Amendment) Regulations, 2019.
- (ii) They shall come into force with effect from the date of their publication in the Official Gazette.

**2. In the Principal Regulation, in SCHEDULE 4,**

(a) for paragraph 1, the following shall be substituted, namely, :-

“1. Any person resident outside India, having a business interest in India, may open Special Non-Resident Rupee Account (SNRR account) with an authorised dealer for the purpose of putting through bona fide transactions in rupees, not involving any violation of the provisions of the Act, rules and regulations made thereunder. The business interest, apart from generic business interest, shall include the following INR transactions, namely, :-

i. Investments made in India in accordance with Foreign Exchange Management (Non-debt Instruments) Rules, 2019 dated October 17, 2019 and Foreign Exchange Management (Debt Instruments) Regulations, 2019 notified vide notification no. FEMA 396/2019-RB dated October 17, 2019, as applicable, as amended from time to time;

ii. Import of goods and services in accordance with Section 5 of the Foreign Exchange Management Act 1999 (42 of 1999), read with Notification No. G.S.R. 381(E) dated May 3, 2000, viz., Foreign Exchange Management (Current Account Transaction) Rules, 2000, as amended from time to time;

iii. Export of goods and services in accordance with Section 7 of the Foreign Exchange Management Act 1999 (42 of 1999), read with Notification No. G.S.R. 381(E) dated May 3, 2000, viz., Foreign Exchange Management (Current Account Transactions) Rules, 2000, as amended from time to time, and further read with FEMA Notification No.23(R)/2015-RB dated January 12, 2016, as amended from time to time;

iv. Trade credit transactions and lending under External Commercial Borrowings (ECB) framework in accordance with Foreign Exchange Management (Borrowing and Lending) Regulations, 2018, as amended from time to time; and

v. Business related transactions outside International Financial Service Centre (IFSC) by IFSC units at GIFT city like administrative expenses in INR outside IFSC, INR amount from sale of scrap, government incentives in INR, etc. The account will be maintained with bank in India (outside IFSC).”

(b) for paragraph 2, the following shall be substituted, namely, :-

“2. The SNRR account shall carry the nomenclature of the specific business for which it is in operation. Indian bank may, at its discretion, maintain separate SNRR Account for each category of transactions or a single SNRR Account for a person resident outside India engaged in multiple categories of transactions provided it is able to identify/ segregate and account them category-wise.”

(c) in paragraphs 3,5 and 6, for the word ‘should’, the word ‘shall’ shall be substituted.

(d) for in paragraph 8, the following shall be substituted, namely, :-

“8. The tenure of the SNRR account shall be concurrent to the tenure of the contract / period of operation / the business of the account holder and in no case shall exceed seven years. Approval of the Reserve Bank shall be obtained in cases requiring renewal: Provided the restriction of seven years shall not be applicable to SNRR accounts opened for the purposes stated at sub. paragraphs i to v of paragraph 1 of this schedule.”

(e) for paragraph 13, the following shall be substituted, namely, :-

“13. The amount due/ payable to non-resident nominee from the account of a deceased account holder, shall be credited to NRO/NRE account of the nominee with an authorised dealer/ authorised bank in India or by remittance through normal banking channels.”

### **3. Amendment of the regulations: -**

Sub-regulation 3 of regulation 6 including all the words and expressions contained therein shall be deleted.

### **Notification Dated July 5th, 2019**

### **Basel III Framework on Liquidity Standards - Liquidity Coverage Ratio (LCR), FALLCR against credit disbursed to NBFCs and HFCs**

Please refer to our DBR.BP.BC.No.34/21.04.098/2018-19 dated April 4, 2019 wherein banks have been permitted to reckon, in a phased manner, an additional 2 per cent of government securities held by them under Facility to Avail Liquidity for Liquidity Coverage Ratio (FALLCR) within the mandatory SLR requirement, as Level 1 HQLA for the purpose of computing Liquidity Coverage Ratio (LCR).

2. As per the roadmap, FALLCR is scheduled to increase by 0.50 per cent of NDTL on August 1 and December 1, 2019, respectively. It has been decided that, with immediate effect, banks will be permitted to reckon this increase in FALLCR of 1.0 per cent of the bank’s NDTL as Level 1 HQLA for computing LCR, to the extent of incremental outstanding credit to NBFCs and Housing Finance Companies (HFCs) over and above the amount of credit to NBFCs/HFCs outstanding on their books as on date. The frontloading of FALLCR of one per cent, exclusively meant for incremental exposure to NBFCs/HFCs, will form part of general

FALLCR as and when the increase in FALLCR takes place as per original schedule on August 1 and December 1, 2019.

3. All other instructions as per our circular ibid remain unchanged.

**Notification Dated November 26, 2019**

**Master Circular – Deendayal Antyodaya Yojana - National Rural Livelihoods Mission (DAY-NRLM)**

Please refer to the Master Circular FIDD.GSSD.CO.BC.No.02/09.01.01/2019-20 dated July 01, 2019 on Deendayal Antyodaya Yojana - National Rural Livelihoods Mission (DAY-NRLM).

2. The latest guidelines on Interest Subvention Scheme for the year 2019-20, as advised by Ministry of Rural Development (MoRD), Government of India, have been incorporated in Annex-II of this Master Circular for implementation.

3. The Master Circular has been suitably updated by incorporating the instructions on DAY-NRLM issued up to November 26, 2019.

**Notification Dated August 30, 2019 -**

**Amendment to Master Direction on Issuance and Operation of Prepaid Payment Instruments (PPIs)**

Please refer to paragraph 9.1 (i) (i) of the Master Direction on Issuance and Operation of PPIs issued vide DPSS.CO. PD. No.1164/02.14.006/2017-18 dated October 11, 2017 (PPI-MD).

2. It is advised that the timeline for conversion of minimum detail PPIs to KYC compliant PPIs has been extended from 18 months to 24 months. The PPI-MD has been amended suitably. It may also be noted that no further extension will be granted for this purpose.

3. In view of the recent developments on e-KYC and digital-KYC, PPI issuers are advised to ensure compliance with the Direction within this extended period.

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

**Notification Dated August 29, 2019 -**

## **Cash Withdrawal at Points-of-Sale (PoS) Devices**

A reference is invited to the circulars DPSS.CO.PD.No.147/02.14.003/2009-10 dated July 22, 2009, DPSS.CO.PD.No.563/02.14.003/2013-14 dated September 5, 2013 and DPSS.CO.PD.No.449/02.14.003/2015-16 dated August 27, 2015 on cash withdrawal at PoS devices enabled for all debit cards/open loop prepaid cards issued by banks. The instructions outlined therein, limit – cash withdrawal to ₹ 1000/- per day in Tier I and II centres and ₹ 2,000/- per day in Tier III to VI centres – customer charges, if any, on such cash withdrawals to not more than 1% of the transaction amount.

2. It has come to our notice that the above have not been implemented in letter and spirit. The instructions issued in the above circulars are, therefore, reiterated with a view to provide for cash withdrawals at PoS by card-holders. To this end, banks may extend the facility of withdrawal of cash at any merchant establishment designated by them after a due diligence process.

3. Banks are also advised to submit data on cash withdrawals at PoS devices to the Chief General Manager, Department of Payment and Settlement Systems, Mumbai 400001, on quarterly basis within 15 days of the end of quarter as per the format enclosed to the circular dated August 27, 2015; the data shall be forwarded to the email with effect from the quarter ending September 30, 2019.

## **Notification Dated September 18, 2019 - Concurrent Audit System**

Please refer to circular DBS.CO.ARS.No.BC.2/08.91.021/2015-16 dated July 16, 2015 on 'Concurrent Audit System in Commercial Banks - Revision of RBI's Guidelines'.

2.As you are aware, concurrent audit aims at shortening the interval between a transaction and its independent examination. It is, therefore, integral to the establishment of sound internal accounting functions and effective controls and is regarded as part of bank's early warning system to ensure timely detection of serious errors and irregularities, which also helps in averting fraudulent transactions and preventive vigilance in banks.

3.RBI has in the past, been prescribing guidelines for scope, coverage of business/branches, minimum items of coverage, etc. for concurrent auditors of banks. However, with the differing levels of centralization in banks, diverse nature of activities undertaken by various banks and commencement of operations by small finance banks and payments banks, a common programme of work for concurrent audit applicable to all banks may not be desirable. Further, the Expert Committee (headed by Shri Y H Malegam) appointed by the Bank has made certain recommendations in the area of Concurrent Audit. The existing guidelines on the subject have, therefore, been reviewed and the revised guidelines are given as under:

## **A. Coverage**

- i. The scope of work to be entrusted to concurrent auditors, coverage of business/branches, etc. is left to the discretion of the head of internal audit of banks, with the due prior approval of the Audit Committee of the Board of Directors (ACB)/Local Management Committee ((LMC) in case of foreign banks) of the bank.
- ii. Banks may, however, ensure that risk sensitive areas identified by them as per their specific business models are covered under concurrent audit. The detailed scope of the concurrent audit may be determined and approved by the ACB/LMC. The broad areas of coverage under concurrent audit shall be based on the identified risk of the unit and must include random transaction testing of sufficiently large sample of such transactions wherever required. Minimum areas of coverage are given in Annex.
- iii. Care may be taken to ensure that all Centralized Processing Centres (business origination and monitoring) are covered under concurrent audit.

## **B. Appointment of Auditors**

- i. The option to consider whether concurrent audit should be done by bank's own staff or external auditors (which may include retired staff of its own bank) continues to be left to the discretion of individual banks.
- ii. The head of internal audit in the bank should participate in selection of concurrent auditors where such function is outsourced and should be responsible for the quality review (including skills of the staff employed) of the work of the concurrent auditors reporting to her/him. It may, however, be ensured that if any partner of a Chartered Accountant firm is a Director on the Board of a bank, no partner of the same firm should be appointed as concurrent auditor in the same bank.
- iii. In case the bank has engaged its own officials as concurrent auditors, they should be experienced, well trained and sufficiently senior. The staff engaged in concurrent audit must be independent of the branch/business unit, where concurrent audit is conducted.

## **C. Accountability**

- i. If external firms are appointed and any serious acts of omission or commission are noticed in their working, their appointments may be cancelled after giving them reasonable opportunity to be heard and the fact shall be reported to ACB/ LMC of the bank, RBI and ICAI.
- ii. The bank should frame a policy for fixing accountability in cases of serious acts of omission or commission noticed in the working of bank's own staff or retired staff, working as concurrent auditors.

## **D. Tenure**

- i. ACB/ LMC of the bank shall decide the maximum tenure of external concurrent auditors with the bank. Generally, tenure of external concurrent auditors with a bank shall not be more

than five years on continuous basis. Further, the age limit for retired staff engaged as concurrent auditors may be capped at 70 years. However, no concurrent auditor shall be allowed to continue with a branch/business unit for a period of more than three years.

#### **E. Remuneration**

i. The remuneration to be paid to external concurrent auditors shall be decided by the ACB/LMC of the bank. The remuneration shall be commensurate with the scope and coverage of audit, skill sets required, number of staff required and the time to be devoted for the audit.

#### **F. Review of effectiveness of Concurrent Audit**

i. ACB/ LMC of the bank should review the effectiveness of the Concurrent Audit system as well as the performance of the concurrent auditors on an annual basis and take necessary measures to suitably strengthen the system.

#### **G. Reporting System**

i. Banks' Internal Audit Department should develop a reporting system for concurrent auditors with the approval of ACB/LMC.

ii. The findings of the concurrent auditors may be received in a structured format prescribed by the bank.

iii. Minor irregularities pointed out by the concurrent auditors shall be rectified on the spot. The major deficiencies/aberrations noticed during audit should be immediately brought to the notice of Head Office/Controlling Office of the concerned branch/business unit of the bank.

iv. A quarterly review containing important features brought out during concurrent audits should be placed before the ACB/LMC. The zone-wise findings of concurrent audit may be reported to ACB/LMC on a quarterly basis.

v. Whenever fraudulent transactions are detected, they should immediately be reported to Internal Audit Department (Head Office) as also to the Chief Vigilance Officer as well as Branch Managers concerned (unless the branch manager is involved).

vi. Follow-up action on the concurrent audit reports and rectification of the deficiencies should be accorded high priority by the Head Office/Controlling Office of the concerned branch/business unit of the bank.

4. You may ensure that, based on the revised guidelines, a review of the present system of concurrent audit is carried out immediately and necessary changes are incorporated therein with the prior approval of the ACB/ LMC of the bank.

Concurrent Audit. The existing guidelines on the subject have, therefore, been reviewed and the revised guidelines are given as under:

k's own staff or retired staff, working as concurrent auditors.

### **Annexure**

Minimum areas of coverage under Concurrent Audit

1. Cash transactions including physical verification of cash, etc.
2. Loans & Advances including physical verification of securities, delegation of Powers for sanction, Security Charge Creation, end use verification of funds, monitoring of accounts with excess drawings, monitoring of projects, etc.
3. Adherence to KYC / AML guidelines including monitoring of transactions in accounts, compliance with Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standards (CRS), monitoring of transactions in new accounts/staff accounts, reporting of CTR/STR, etc.
4. Remittances/ Bills for Collection including SWIFT transactions, monitoring of overdue statements (bills purchased / discounted / negotiated, etc.).
5. House Keeping including reconciliation of accounts, monitoring of General Ledger/Subsidiary General Ledger/Parking Accounts, opening of internal accounts, etc.
6. Treasury operations.
7. Non fund based business.
8. Foreign Exchange transactions.
9. Clearing transactions.
10. Verification of Merchant Banking Business.
11. Verification of Credit Card / Debit card business.
12. Conduct of employees, mis-selling of products, etc.
13. Compliance to RBI guidelines and internal Policy guidelines issued from time to time

### **Notification Dated September 4th, 2019**

#### **External Benchmark Based Lending**

As you are aware, Reserve Bank had constituted an Internal Study Group (ISG) to examine various aspects of the marginal cost of funds-based lending rate (MCLR) system. The final report of the ISG was published in October 2017 for public feedback. The ISG observed that internal benchmarks such as the Base rate/MCLR have not delivered effective transmission of monetary policy. The Study Group had, therefore, recommended a switchover to an external benchmark in a time-bound manner.

2. As a step in that direction, it was announced in the fifth bi-monthly Monetary Policy Statement for 2018-19 under 'Statement on Developmental and Regulatory Policies' dated December 05, 2018, that all new floating rate personal or retail loans and floating rate loans to

Micro and Small Enterprises extended by banks from April 1, 2019 shall be linked to external benchmarks. Subsequently, it was announced in the first bi-monthly Monetary Policy Statement for 2019-20 under 'Statement on Developmental and Regulatory Policies' dated April 04, 2019 to hold further consultations with stakeholders and work out an effective mechanism for transmission of rates. Based on the consultations with stakeholders, it has now been decided to link all new floating rate personal or retail loans (housing, auto, etc.) and floating rate loans to Micro and Small Enterprises extended by banks with effect from October 01, 2019 to external benchmarks.

3. Accordingly, RBI instructions contained in Master Direction on Interest Rate on Advances issued vide DBR.Dir.No.85/13.03.00/2015-16 dated March 03, 2016 are amended as under:

3.1 The existing paragraph No. 7 of the aforesaid Master Direction stands replaced as under:

(a) All new floating rate personal or retail loans (housing, auto, etc.) and floating rate loans to Micro and Small Enterprises extended by banks from October 01, 2019 shall be benchmarked to one of the following:

- Reserve Bank of India policy repo rate
- Government of India 3-Months Treasury Bill yield published by the Financial Benchmarks India Private Ltd (FBIL)
- Government of India 6-Months Treasury Bill yield published by the FBIL
- Any other benchmark market interest rate published by the FBIL.

(b) Banks are free to offer such external benchmark linked loans to other types of borrowers as well.

(c) In order to ensure transparency, standardisation, and ease of understanding of loan products by borrowers, a bank must adopt a uniform external benchmark within a loan category; in other words, the adoption of multiple benchmarks by the same bank is not allowed within a loan category.

3.2 A new paragraph No.8(e) is added to the aforesaid Master Direction as given below:

#### **Spread under External Benchmark**

Banks are free to decide the spread over the external benchmark. However, credit risk premium may undergo change only when borrower's credit assessment undergoes a substantial change, as agreed upon in the loan contract. Further, other components of spread including operating cost could be altered once in three years.

3.3 A new paragraph No. 9(ii) is added to the aforesaid Master Direction as given below:

#### **Reset of Interest Rates under External Benchmark**

The interest rate under external benchmark shall be reset at least once in three months.

3.4 A new paragraph No. 11(ii) is added to the aforesaid Master Direction as given below:

**Transition to External Benchmark from MCLR/Base Rate/BPLR**

Existing loans and credit limits linked to the MCLR/Base Rate/BPLR shall continue till repayment or renewal, as the case may be.

**Provided** that floating rate term loans sanctioned to borrowers who, in terms of extant guidelines, are eligible to prepay a floating rate loan without pre-payment charges, shall be eligible for switchover to External Benchmark without any charges/fees, except reasonable administrative/ legal costs. The final rate charged to this category of borrowers, post switchover to external benchmark, shall be same as the rate charged for a new loan of the same category, type, tenor and amount, at the time of origination of the loan.

**Provided** that other existing borrowers shall have the option to move to External Benchmark at mutually acceptable terms.

**Provided** that the switch-over shall not be treated as a foreclosure of existing facility.

4. The existing paragraph No. 2 of the aforesaid Master Direction is applicable for Small Finance Banks and Local Area Banks and the para is amended accordingly.

5. The existing paragraph No. 3(a)(iv) of the aforesaid Master Direction stands amended as under:

External benchmark rate means the reference rate which includes:

(a) Reserve Bank of India policy Repo Rate

(b) Government of India 3-Months and 6-Months Treasury Bill yields published by Financial Benchmarks India Private Ltd (FBIL)

(c) Any other benchmark market interest rate published by FBIL.

6. Some of the sub-paragraphs of para 4(a) of the aforesaid Master Direction stands amended as given hereunder:

(ii) All floating rate loans, except those mentioned in Section 13, shall be priced with reference to the benchmark indicated in chapter III.

(iv) When the floating rate advances are linked to an internal benchmark rate, banks shall determine their actual lending rates by adding the components of spread to the internal benchmark rate.

(vi) Interest rates on fixed rate loans of tenor below 3 years shall not be less than the benchmark rate for similar tenor and shall be as per directions contained in Section 13(d)(v).

7. A new paragraph No. 4(a)(xi) is added to the aforesaid Master Direction as indicated below: There shall be no lending below the benchmark rate for a particular maturity for all loans linked to that benchmark.

8. The existing paragraph No. 6(a)(i) of the aforesaid Master Direction stands amended as under:

All floating rate rupee loans sanctioned and renewed between July 1, 2010 and March 31, 2016 shall be priced with reference to the Base Rate which will be the internal benchmark for such purposes.

9. The existing paragraph No. 6(b)(i) of the aforesaid Master Direction stands amended as under:

All floating rate rupee loans sanctioned and renewed w.e.f. April 1, 2016 shall be priced with reference to the Marginal Cost of Funds based Lending Rate (MCLR) which will be the internal benchmark for such purposes subject to the provisions contained in paragraph 7 of this Master Direction.

10. A new paragraph No. 9 (i)(d) is added to the aforesaid Master Direction as indicated below: The periodicity of the reset under MCLR shall correspond to the tenor/maturity of the MCLR to which the loan is linked.

11. The following part of the sub-paragraphs (a), (b), (c) of para 13 of the aforesaid Master Direction as indicated hereunder stands deleted:

“shall be exempted from being linked to Base rate/MCLR as the benchmark for determining interest rate”

12. The following part of the paragraph 13(d) of the aforesaid Master Direction as indicated hereunder stands deleted:

“shall be priced without being linked to Base rate/MCLR as the benchmark for determining interest rate”

**NOTIFICATION DATED 20<sup>th</sup> SEPTEMBER 2019- HARMONISATION OF TURN AROUND TIME (TAT) AND CUSTOMER COMPENSATION FOR FAILED TRANSACTIONS USING AUTHORISED PAYMENT SYSTEMS**

Please refer to the Statement on Developmental and Regulatory policies issued as part of Monetary Policy statement dated April 4, 2019 wherein it was proposed that the Reserve Bank would put in place a framework on Turn Around Time (TAT) for resolution of customer complaints and compensation framework across all authorised payment systems.

2. It has been observed that a large number of customer complaints emanate on account of unsuccessful or ‘failed’ transactions. Failure could be on account of various factors not directly attributable to the customer such as disruption of communication links, non-availability of cash

in ATMs, time-out of sessions, non-credit to beneficiary's account due to various causes, etc. Rectification / Compensation paid to the customer for these 'failed' transactions is not uniform.

3. After consultation with various stakeholders, the framework for TAT for failed transactions and compensation therefor has been finalised which will result in customer confidence and bring in uniformity in processing of the failed transactions. The same is enclosed as Annex to this circular.

4. It may be noted that : the prescribed TAT is the outer limit for resolution of failed transactions; and the banks and other operators / system participants shall endeavour towards quicker resolution of such failed transactions.

5. Wherever financial compensation is involved, the same shall be effected to the customer's account suo moto, without waiting for a complaint or claim from the customer.

6. Customers who do not get the benefit of redress of the failure as defined in the TAT, can register a complaint to the Banking Ombudsman of Reserve Bank of India.

7. This directive is issued under Section 10(2) read with Section 18 of the Payment and Settlement Systems Act, 2007 (Act 51 of 2007) and shall come into effect from October 15, 2019.

#### **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 26, 2019-**

#### **Recovery of Interest on delayed remittance of Government Receipts into Government Account**

Please refer to our circular DGBA.GAD.No.H-4831/42.01.011/2012-13 dated February 13, 2013 wherein, in order to bring uniformity in the procedure of reporting both central and State government transactions to Reserve Bank, it was advised that the petty claims of delayed period of penal interest involving amount of ` 500/- or below will be ignored and excluded from the purview of penal interest.

2. With a view to bring further uniformity in the procedure for reporting both central and state government transactions to Reserve Bank, it has been decided with the approval of Comptroller and Auditor General of India that instructions given in para 7.4 of CGA's OM S-11012/1(31)/AC(22)/2015/RBD/332-424 dated March 9, 2016, will be made applicable to State government transactions also i.e ignoring petty claims of penal interest involving an amount of ` 500/- or below and excluding them from the purview of penal interest, and applying the limit of penal interest of ` 500/- on per transaction basis.

3. You may bring this instruction immediately to the notice of your branches accredited to conduct state government transactions as the related instructions are already in place.

4. The state governments are also being advised about the issuance of this instruction

#### **Notification Dated September 26, 2019-**

#### **Remittance of government receipts (physical receipts) to Government account**

Please refer to the Office Memorandum No. S-11012/1(31)/AC(22)/2015/RBD/332-424 dated March 9, 2016 issued by Office of Controller General of Accounts, Ministry of Finance (copy enclosed) along with our Circulars DGBA.GAD.No.H-11763/ 42.01.011/2006-07 dated

January 24, 2007, DGBA.GAD.No.H-7790/42.01.011/2009-10 dated April 7, 2010 and DGBA.GAD No.H-3203/42.01.011/2014-15 January 21, 2015 on the above subject.

2. O/o CGA, vide OM No. S-11012/2/3(17)/RBI/2018/GBA/1558-1606 dated September 19, 2019 (copy enclosed) has prescribed revised timelines for credit of physical government receipts into government accounts at RBI, in supersession of earlier instructions on this matter.

3. As per the above referred OM, the instructions become effective from October 1, 2019.

4. Agency banks are advised to take necessary action.

**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 17th, 2019  
Foreign Exchange Management (Mode of Payment and Reporting of Non-Debt Instruments) Regulations, 2019**

In exercise of the powers conferred by section 47 of the Foreign Exchange Management Act, 1999 (42 of 1999) and consequent to the Foreign Exchange Management (Non-Debt Instrument) Rules, 2019, the Reserve Bank makes the following regulations relating to mode of payment and reporting requirements for investment in India by a person resident outside India, namely:

**1. Short title & commencement**

These regulations may be called the Foreign Exchange Management (Mode of Payment and Reporting of Non-Debt Instruments) Regulations, 2019.

b) They shall come into force from the date of their publication in the Official Gazette.

## 2. Definitions

In these regulations, unless the context requires otherwise, -

- a) 'Act' means the Foreign Exchange Management Act, 1999 (42 of 1999);
- b) 'Rules' means Foreign Exchange Management (Non-Debt Instrument) Rules, 2019;
- c) The words and expressions used but not defined in these regulations shall have the same meanings respectively assigned to them in the Act or the Rules.

## 3. Mode of Payment and Remittance of sale proceeds:

### 3.1 Schedule

<b>Schedule of the Rules</b>	<b>Instructions on Mode of payment and Remittance of sale proceeds</b>
<b>I. Schedule I</b>	<b>A. Mode of payment</b>
<b>(Purchase or sale of equity instruments of an Indian company by a person resident outside India)</b>	(1) The amount of consideration shall be paid as inward remittance from abroad through banking channels or out of funds held in NRE/ FCNR(B)/ Escrow account maintained in accordance with the Foreign Exchange Management (Deposit) Regulations, 2016. Explanation: The amount of consideration shall include:
	(i) Issue of equity shares by an Indian company against any funds payable by it to the investor (ii) Swap of equity instruments.

	<p>(2) Equity instruments shall be issued to the person resident outside India making such investment within sixty days from the date of receipt of the consideration.</p> <p>Explanation: In case of partly paid equity shares, the period of 60 days shall be reckoned from the date of receipt of each call payment</p> <p>(3) Where such equity instruments are not issued within sixty days from the date of receipt of the consideration the same shall be refunded to the person concerned by outward remittance through banking channels or by credit to his NRE/ FCNR (B) accounts, as the case may be within fifteen days from the date of completion of sixty days.</p> <p>(4) An Indian company issuing equity instruments under this Schedule may open a foreign currency account with an Authorised Dealer in India in accordance with Foreign Exchange Management (Foreign currency accounts by a person resident in India) Regulations, 2016.</p> <p><b>B. Remittance of sale proceeds</b> The sale proceeds (net of taxes) of the equity instruments may be remitted outside India or may be credited to the NRE/ FCNR (B) of the person concerned.</p>
<p><b>II. Schedule II</b> <b>(Investments by Foreign Portfolio Investors)</b></p>	<p><b>A. Mode of payment</b></p> <p>(1) The amount of consideration shall be paid as inward remittance from abroad through banking channels or out of funds held in a foreign currency account and/ or a Special Non-Resident Rupee (SNRR) account maintained in accordance with the Foreign Exchange Management (Deposit) Regulations, 2016. Provided balances in SNRR account shall not be used for making investment in units of Investment Vehicles other than the units of domestic mutual fund.</p> <p>(2) The foreign currency account and SNRR account shall be used only and exclusively for transactions under this Schedule.</p> <p><b>B. Remittance of sale proceeds</b></p>

	<p>The sale proceeds (net of taxes) of equity instruments and units of domestic mutual fund may be remitted outside India or credited to the foreign currency account or a SNRR account of the FPI.</p> <p>The sale proceeds (net of taxes) of units of investment vehicles other than domestic mutual fund may be remitted outside India.</p>
<p>III. Schedule III</p> <p>(Investments by Non-Resident Indian (NRI) or Overseas Citizen of India (OCI) on repatriation basis)</p>	<p><b>A. Mode of payment</b></p> <p>(1) The amount of consideration shall be paid as inward remittance from abroad through banking channels or out of funds held in a Non-Resident External (NRE) account maintained in accordance with the Foreign Exchange Management (Deposit) Regulations, 2016.</p> <p>(2) The NRE account will be designated as an NRE (PIS) Account and the designated account shall be used exclusively for putting through transactions permitted under this Schedule.</p> <p>(3) Investment in units of domestic mutual fund shall be paid as inward remittance from abroad through banking channels or out of funds held in NRE/FCNR(B) account.</p> <p>(4) Subscription to National Pension System shall be paid as inward remittance from abroad through banking channels or out of funds held in NRE/FCNR(B)/NRO account.</p> <p><b>B. Remittance of sale proceeds</b></p> <p>The sale proceeds (net of taxes) of equity instruments may be remitted outside India or may be credited to NRE (PIS) account of the person concerned.</p> <p>The sale proceeds (net of taxes) of units of mutual funds and subscription to National Pension System may be remitted outside India or may be credited to NRE (PIS)/FCNR(B)/NRO account of the person concerned at the option of the NRI/OCI investor.</p>

<p>IV. Schedule IV</p> <p>(Investment by NRI or OCI on non-repatriation basis)</p>	<p><b>1. Purchase or sale of equity instruments of an Indian company or units or contribution to the capital of a LLP by Non-Resident Indian (NRI) or Overseas Citizen of India (OCI) on Non-repatriation basis.</b></p> <p><b>A. Mode of Payment</b></p> <p>The amount of consideration shall be paid as inward remittance from abroad through banking channels or out of funds held in NRE/ FCNR(B)/ NRO account maintained in accordance with the Foreign Exchange Management (Deposit) Regulations, 2016.</p> <p><b>B. Sale/ maturity proceeds</b></p> <p>(1) The sale/ maturity proceeds (net of applicable taxes) of equity instruments or units or disinvestment proceeds of a LLP shall be credited only to the NRO account of the investor, irrespective of the type of account from which the consideration was paid;</p> <p>(2) The amount invested in equity instruments of an Indian company or the consideration for contribution to the capital of a LLP and the capital appreciation thereon shall not be allowed to be repatriated abroad.</p> <p><b>2. Investment in a firm or a proprietary concern.</b></p> <p><b>A. Mode of payment</b></p> <p>The amount of consideration shall be paid as inward remittance from abroad through banking channels or out of funds held in NRE/ FCNR(B)/ NRO account maintained in accordance with the Foreign Exchange Management (Deposit) Regulations, 2016.</p> <p><b>B. Sale/ maturity proceeds</b></p> <p>(1) The disinvestment proceeds shall be credited only to the NRO account of the person concerned, irrespective of the type of account from which the consideration was paid;</p>
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	<p>(2) The amount invested for contribution to the capital of a firm or a proprietary concern and the capital appreciation thereon shall not be allowed to be repatriated abroad.</p>
<p><b>V. Schedule V</b> <b>(Investment by other non-resident investors)</b></p>	<p><b>A. Mode of payment</b></p> <p>The amount of consideration shall be paid out of inward remittances from abroad through banking channels.</p> <p><b>B. Remittance/ credit of sale/ maturity proceeds</b></p> <p>The sale/ maturity proceeds (net of taxes) may be remitted abroad.</p>
<p><b>VI. Schedule VI</b> <b>(Investment in a Limited Liability Partnership)</b></p>	<p><b>A. Mode of payment</b></p> <p>Payment by an investor towards capital contribution of an LLP shall be made by way of an inward remittance through banking channels or out of funds held in NRE or FCNR(B) account maintained in accordance with the Foreign Exchange Management (Deposit) Regulations, 2016.</p> <p><b>B. Remittance of disinvestment proceeds</b></p> <p>The disinvestment proceeds may be remitted outside India or may be credited to NRE or FCNR(B) account of the person concerned.</p>
<p><b>VII. Schedule VII</b> <b>(Investment by a Foreign Venture Capital Investor)</b></p>	<p><b>A. Mode of payment</b></p> <p>(1) The amount of consideration shall be paid as inward remittance from abroad through banking channels or out of funds held in a foreign currency account and/ or a Special Non-Resident Rupee (SNRR) account maintained in accordance with the Foreign Exchange Management (Deposit) Regulations, 2016.</p> <p>(2) The foreign currency account and SNRR account shall be used only and exclusively for transactions under this Schedule.</p>

	<p><b>B. Remittance of sale/ maturity proceeds</b> The sale/ maturity proceeds (net of taxes) of the securities may be remitted outside India or may be credited to the foreign currency account or a Special Non-resident Rupee Account of the FVCI.</p>
<p><b>VIII. Schedule VIII</b> <b>(Investment by a person resident outside India in an Investment Vehicle)</b></p>	<p><b>A. Mode of payment</b> The amount of consideration shall be paid as inward remittance from abroad through banking channels or by way of swap of shares of a Special Purpose Vehicle or out of funds held in NRE or FCNR(B) account maintained in accordance with the Foreign Exchange Management (Deposit) Regulations, 2016.</p> <p><b>B. Remittance of sale/ maturity proceeds</b> The sale/ maturity proceeds (net of taxes) of the units may be remitted outside India or may be credited to the NRE or FCNR(B) account of the person concerned.</p>
<p><b>IX. Schedule X</b> <b>(Issue of Indian Depository Receipts)</b></p>	<p><b>A. Mode of Payment</b> NRIs or OCIs may invest in the IDRs out of funds held in their NRE/ FCNR(B) account, maintained in accordance with the Foreign Exchange Management (Deposit) Regulations, 2016.</p> <p><b>B. Remittance of sale/ maturity proceeds</b> Redemption/ conversion of IDRs into underlying equity shares of the issuing company shall be a compliance the Foreign Exchange Management (Transfer or Issue of any Foreign Security) Regulations, 2004.</p>

### 3.2 Issue of Convertible Notes by an Indian start-up company:

A start-up company issuing convertible notes to a person resident outside India shall receive the amount of consideration by inward remittance through banking channels or by debit to the NRE/ FCNR (B)/ Escrow account maintained by the person concerned in accordance with the Foreign Exchange Management (Deposit) Regulations, 2016. Repayment or sale proceeds may be remitted outside India or credited to NRE/ FCNR (B) account maintained by the person concerned in accordance with the Foreign Exchange Management (Deposit) Regulations, 2016.

### 4. Reporting Requirements:

The reporting requirement for any Investment in India by a person resident outside India shall be as follows:

(1) **Form Foreign Currency-Gross Provisional Return (FC-GPR):** An Indian company issuing equity instruments to a person resident outside India and where such issue is reckoned as Foreign Direct Investment, defined under the rules, shall report such issue in Form FC-GPR, not later than thirty days from the date of issue of equity instruments. Issue of 'participating interest / rights' in oil fields shall be reported in Form FC-GPR.

(2) **Annual Return on Foreign Liabilities and Assets (FLA):** An Indian Company which has received FDI or an LLP which has received investment by way of capital contribution in the previous year including the current year, shall submit form FLA to the Reserve Bank on or before the 15th day of July of each year.

Explanation: Year for this purpose shall be reckoned as April to March.

(3) **Form Foreign Currency-Transfer of Shares (FC-TRS):**

(a) Form FCTRS shall be filed for transfer of equity instruments in accordance with the rules, between:

- i. a person resident outside India holding equity instruments in an Indian company on a repatriable basis and person resident outside India holding equity instruments on a non-repatriable basis; and
- ii. a person resident outside India holding equity instruments in an Indian company on a repatriable basis and a person resident in India,

The onus of reporting shall be on the resident transferor / transferee or the person resident outside India holding equity instruments on a non-repatriable basis, as the case may be.

Note: Transfer of equity instruments in accordance with the rules by way of sale between a person resident outside India holding equity instruments on a non-repatriable basis and person resident in India is not required to be reported in Form FC-TRS.

(b) Transfer of equity instruments on a recognised stock exchange by a person resident outside India shall be reported by such person in Form FC-TRS.

(c) Transfer of equity instruments prescribed in Rule 9(6) of the Rules, shall be reported in Form FC-TRS on receipt of every tranche of payment. The onus of reporting shall be on the resident transferor / transferee.

(d) Transfer of 'participating interest / rights' in oil fields shall be reported Form FC-TRS.

The form FCTRS shall be filed within sixty days of transfer of equity instruments or receipt / remittance of funds whichever is earlier.

(4) **Form Employees' Stock Option (ESOP):** An Indian company issuing employees' stock option to persons resident outside India who are its employees / directors or employees / directors of its holding company / joint venture / wholly owned overseas subsidiary / subsidiaries shall file Form-ESOP, within 30 days from the date of issue of employees' stock option.

(5) **Form Depository Receipt Return (DRR):** The Domestic Custodian shall report in Form DRR, the issue / transfer of depository receipts issued in accordance with the Depository Receipt Scheme, 2014 within 30 days of close of the issue.

(6) **Form LLP (I):** A Limited Liability Partnerships (LLP) receiving amount of consideration for capital contribution and acquisition of profit shares shall file Form LLP (I), within 30 days from the date of receipt of the amount of consideration.

(7) **Form LLP (II):** The disinvestment / transfer of capital contribution or profit share between a resident and a non-resident (or vice versa) shall be filed in Form LLP(II) within 60 days from the date of receipt of funds. The onus of reporting shall be on the resident transferor/transferee.

(8) **LEC(FII):** The Authorised Dealer Category I banks shall report to the Reserve Bank in Form LEC (FII) the purchase / transfer of equity instruments by FPIs on the stock exchanges in India.

(9) **LEC(NRI):** The Authorised Dealer Category I banks shall report to the Reserve Bank in Form LEC (NRI) the purchase / transfer of equity instruments by Non-Resident Indians or Overseas Citizens of India on stock exchanges in India.

(10) **Form InVI:** An Investment vehicle which has issued its units to a person resident outside India shall file Form InVI within 30 days from the date of issue of units.

(11) **Downstream Investment** a. An Indian entity or an investment vehicle making downstream investment in another Indian entity which is considered as indirect foreign investment for the investee Indian entity in terms of the Rules, shall notify the Secretariat for Industrial Assistance, DPIIT within 30 days of such investment, even if equity instruments have not been allotted, along with the modality of investment in new / existing ventures (with / without expansion programme).

b. **Form DI:** An Indian entity or an investment Vehicle making downstream investment in another Indian entity which is considered as indirect foreign investment for the

investee Indian entity in terms of Rule 22 of the Rules shall file Form DI with the Reserve Bank within 30 days from the date of allotment of equity instruments.

**(12) Form Convertible Notes (CN):**

- a. The Indian start-up company issuing Convertible Notes to a person resident outside India shall file Form CN within 30 days of such issue.
- b. A person resident in India, who may be a transferor or transferee of Convertible Notes issued by an Indian start-up company shall report such transfers to or from a person resident outside India, as the case may be, in Form CN within 30 days of such transfer.

Provided, the format, periodicity and manner of submission of such reporting shall be as prescribed by Reserve Bank in this regard.

Provided further that unless otherwise specifically stated in these regulations all reporting shall be made through or by an Authorised Dealer bank, as the case may be.

**5. Delays in reporting**

The person / entity responsible for filing the reports provided in Regulation 4 above shall be liable for payment of late submission fee, as may be decided by the Reserve Bank, in consultation with the Central Government, for any delays in reporting.

**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 October 30, 2019 -  
Sovereign Gold Bond (SGB) Scheme - Marking of lien**

As you are aware, the Sovereign Gold Bonds may be used as collateral by both banks and non-bank institutions and the creation of pledge, hypothecation or lien on the bonds shall be governed by Section 28 of the Government Securities Act, 2006 and Chapter VII of the Government Securities Regulations, 2007. In this regard, we have been approached by several banks and non-bank entities desirous of knowing whether the Certificate of Holding (COH) held by a bond holder is a valid proof of its title and the procedure for marking lien on the said bond.

2. In this regard, we clarify that SGBs are issued in the form of Government of India Stock and are held either as Bond Ledger Account (BLA) in RBI's E-Kuber system or as dematerialised bond with the Depository. The investors are issued COH as a proof of investment if the bonds are held in BLA account with RBI. In case the bonds are held in dematerialized forms, the title of a holder could be verified from the demat statements provided by Depositories.

3. As regards the lien marking rights in case of bonds held in BLA form, the same is provided to the banks. It may be mentioned that in order to create a valid lien, the lien marking should be recorded by the banks extending the loan by using the facility provided on the E-Kuber portal. In case of dematerialized bonds, the lien is marked by the depositories in line with the practice followed for stocks and shares which are accepted as collateral by the banks. The detailed procedure for marking of lien is provided in the user manual on our website under the link for guidance please see the User Manual available at our website

4. We also advise that the information on lien marking facility in respect of SGBs as described above may be given wide dissemination amongst the personnel in operation in the organisation so that customers are not inconvenienced on account of lack of knowledge among the staff.

**Notification Dated November 7, 2019 –  
Auction of State Development Loans: Non-Competitive Bidding Facility to Retail Investors**

Please refer to our circular IDMD.No. 954/08.03.001/2009-10 dated August 24, 2009, whereby the facility of non-competitive bidding in State Development Loans (SDLs) was allowed to retail investors.

2. As part of the overall strategy of diversifying the investor base for SDLs, Reserve Bank of India has been taking various measures to encourage participation of retail investors in SDL market including introduction of non-competitive bidding in primary auctions. In continuation of this endeavour, RBI had announced in the Statement on Developmental and Regulatory Policies released with the Second Bi-monthly Monetary Policy Statement 2019-20, on June 06, 2019, that Specified Stock Exchanges will be permitted to act as Aggregators/ Facilitators to aggregate the bids of their stockbrokers/ other retail participants and submit a single consolidated bid under the non-competitive segment of the primary auctions of State Development Loans (SDLs). In line with this announcement and as per the provisions on non-competitive bidding included in the General Notification of States on 'Issue of State Government Securities', it has been decided that, in addition to scheduled banks and primary dealers,

- a) Specified stock exchanges will be permitted to act as Aggregators/ Facilitators.
- b) These stock exchanges will submit a single consolidated non-competitive bid in the auction process and will put in place necessary processes to transfer the securities so allotted in the primary auction to their members/ clients.
- c) Stock exchanges, desirous of acting as Aggregators/ Facilitators, may approach CGM, IDMD, Reserve Bank of India, with a copy of the No Objection Certificate (NOC) from SEBI, for necessary approvals.

**Notification Dated November 28, 2019 -  
Repurchase Transactions (Repo) (Reserve Bank) Directions, 2018 - Amendment**

Please refer to Repurchase Transactions (Repo) (Reserve Bank) Directions, 2018 dated July 24, 2018.

2. Units of Debt Exchange Traded Funds (Debt ETFs) shall henceforth be eligible securities for repo transactions.
3. The Directions, revised as above, are enclosed.

**NOTIFICATION DATED 13<sup>TH</sup> NOVEMBER 2019 - FOREIGN EXCHANGE  
MANAGEMENT (DEPOSIT) (THIRD AMENDMENT) REGULATIONS, 2019**

In exercise of the powers conferred by clause (f) of sub-section (3) of section 6, sub-section (2) of section 47 of the Foreign Exchange Management Act, 1999 (42 of 1999), the Reserve Bank

of India makes the following amendment in the Foreign Exchange Management (Deposit) Regulations, 2016 (Notification No. FEMA 5 (R)/2016-RB dated April 01, 2016) (hereinafter referred to as 'the Principal Regulations'), namely: -

1. Short title and commencement.

(i) These regulations shall be called the Foreign Exchange Management (Deposit) (Third Amendment) Regulations, 2019.

(ii) They shall come into force with effect from the date of their publication in the Official Gazette.

2. In the Principal Regulation, in SCHEDULE 4,

(a) for paragraph 1, the following shall be substituted, namely, :-

“1. Any person resident outside India, having a business interest in India, may open Special Non-Resident Rupee Account (SNRR account) with an authorised dealer for the purpose of putting through bona fide transactions in rupees, not involving any violation of the provisions of the Act, rules and regulations made thereunder. The business interest, apart from generic business interest, shall include the following INR transactions, namely, :-

i. Investments made in India in accordance with Foreign Exchange Management (Non-debt Instruments) Rules, 2019 dated October 17, 2019 and Foreign Exchange Management (Debt Instruments) Regulations, 2019 notified vide notification no. FEMA 396/2019-RB dated October 17, 2019, as applicable, as amended from time to time;

ii. Import of goods and services in accordance with Section 5 of the Foreign Exchange Management Act 1999 (42 of 1999), read with Notification No. G.S.R. 381(E) dated May 3, 2000, viz., Foreign Exchange Management (Current Account Transaction) Rules, 2000, as amended from time to time;

iii. Export of goods and services in accordance with Section 7 of the Foreign Exchange Management Act 1999 (42 of 1999), read with Notification No. G.S.R. 381(E) dated May 3, 2000, viz., Foreign Exchange Management (Current Account Transactions) Rules, 2000, as amended from time to time, and further read with FEMA Notification No.23(R)/2015-RB dated January 12, 2016, as amended from time to time;

iv. Trade credit transactions and lending under External Commercial Borrowings (ECB) framework in accordance with Foreign Exchange Management (Borrowing and Lending) Regulations, 2018, as amended from time to time; and

v. Business related transactions outside International Financial Service Centre (IFSC) by IFSC units at GIFT city like administrative expenses in INR outside IFSC, INR amount from sale of scrap, government incentives in INR, etc. The account will be maintained with bank in India (outside IFSC).”

(b) for paragraph 2, the following shall be substituted, namely, :-

“2. The SNRR account shall carry the nomenclature of the specific business for which it is in operation. Indian bank may, at its discretion, maintain separate SNRR Account for each category of transactions or a single SNRR Account for a person resident outside India engaged in multiple categories of transactions provided it is able to identify/ segregate and account them category-wise.”

(c) in paragraphs 3,5 and 6, for the word ‘should’, the word ‘shall’ shall be substituted.

(d) for in paragraph 8, the following shall be substituted, namely, :-

“8. The tenure of the SNRR account shall be concurrent to the tenure of the contract / period of operation / the business of the account holder and in no case shall exceed seven years. Approval of the Reserve Bank shall be obtained in cases requiring renewal:

Provided the restriction of seven years shall not be applicable to SNRR accounts opened for the purposes stated at sub. paragraphs i to v of paragraph 1 of this schedule.”

(e) for paragraph 13, the following shall be substituted, namely, :-

“13. The amount due/ payable to non-resident nominee from the account of a deceased account holder, shall be credited to NRO/NRE account of the nominee with an authorised dealer/ authorised bank in India or by remittance through normal banking channels.

#### **Notification Dated November 4th, 2019**

#### **Liquidity Risk Management Framework for Non-Banking Financial Companies and Core Investment Companies**

Please refer to paragraph 108 and paragraph 94 of Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016, and Master Direction - Non-Banking Financial Company – Non-Systemically Important Non-Deposit taking Company (Reserve Bank) Directions, 2016, both dated September 1, 2016, respectively.

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11719&Mode=0>

#### **Notification Dated November 13, 2019 -**

#### **Foreign Exchange Management (Manner of Receipt and Payment) (Amendment) Regulations, 2019**

In exercise of the powers conferred by Section 47 of the Foreign Exchange Management Act, 1999 (42 of 1999), the Reserve Bank of India makes the following amendment in the Foreign Exchange Management (Manner of Receipt and Payment) Regulations, 2016 (Notification No. FEMA 14 (R)/2016-RB dated May 02, 2016) (hereinafter referred to as 'the Principal Regulations'), namely: -

##### **1. Short title and commencement.**

(i) These Regulations may be called the Foreign Exchange Management (Manner of Receipt and Payment) (Amendment) Regulations, 2019.

(ii) They shall come into effect from the date of their publication in the Official Gazette.

## 2. In the Principal Regulations:

(a) in regulation 2, after clause (iv), the following new clause shall be inserted, namely, :-

(v) 'SNRR account' means a Special Non- Resident Rupee account referred to in sub. regulation (4) of regulation 5 of Foreign Exchange Management (Deposit) Regulations, 2016.

(b) in regulation 4,

(i) in sub. regulation (1), for clause (ii), the following shall be substituted, namely:

“by debit to FCNR/ NRE/ SNRR account maintained by a person resident outside India (overseas buyer) with an Authorised Dealer or an Authorised Bank in India, as specified in Foreign Exchange Management (Deposits) Regulations, 2016;”

(ii) after sub. regulation (2), the following new sub. regulation shall be inserted, namely:

“(3) Payment may also be received in rupees by a person resident in India from SNRR Account of person resident outside India after ensuring that the underlying transactions are in conformity with the provisions of the Foreign Exchange Management Act, 1999 and the rules, regulations and directions issued thereunder.”

(c) in regulation 6,

(i) in sub. regulation (2), after clause (iii), the following new clauses shall be inserted, namely:

“(iv) by credit to SNRR account maintained by a person resident outside India (overseas seller) with an Authorised Dealer or an Authorised Bank in India for imports into India, as specified in Foreign Exchange Management (Deposit) Regulations, 2016.

(v) in rupees to SNRR account of the person resident outside India after ensuring that the underlying transactions are in conformity with the provisions of the Foreign Exchange Management Act, 1999 and the rules, regulations and directions issued thereunder

## **NOTIFICATION DATED 8<sup>TH</sup> 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 the Non-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 22<sup>nd</sup> NOVEMBER 2019- NON-RESIDENT RUPEE ACCOUNTS – REVIEW OF POLICY**

Attention of Authorized Dealer Category-I (AD Category-I) banks is invited to paragraph 3 of Statement on Developmental and Regulatory Policies of the Fourth Bi-Monthly Monetary Policy Statement for 2019-20 dated October 04, 2019.

2. In terms of paragraph 7 of Part II of Master Direction No.14 dated January 01, 2016 on "Deposits and Accounts", as amended from time to time, any person resident outside India, having a business interest in India, may open a Special Non-Resident Rupee Account (SNRR account) with an authorised dealer for the purpose of putting through bona fide transactions in rupees.

3. With a view to promote the usage of INR products by person's resident outside India, it has been decided, in consultation with the Government of India, to expand the scope of SNRR Account by permitting person resident outside India to open such account for:

i. External Commercial Borrowings in INR;

ii. Trade Credits in INR;

iii. Trade (Export/ Import) Invoicing in INR; and

iv. Business related transactions outside International Financial Service Centre (IFSC) by IFSC units at GIFT city like administrative expenses in INR outside IFSC, INR amount from sale of scrap, government incentives in INR, etc. The account will be maintained with bank in India (outside IFSC).

4. It has also been decided, in consultation with the Government of India, to rationalise certain other provisions for operation of the SNRR Account, as under:

- i. Remove the restriction on the tenure of the SNRR account opened for the purposes given at paragraph 3 above as the proposed transactions are more enduring in nature.
  - ii. Apart from Non-Resident Ordinary (NRO) Account, permit credit of amount due/ payable to non-resident nominee from account of a deceased account holder to Non-Resident External (NRE) Account or direct remittance outside India through normal banking channels.
5. All other provisions of the policy on Deposits and Accounts remain unchanged. AD Category - I banks should bring the contents of this circular to the notice of their constituents and customers.
  6. The aforesaid Master Direction No. 14 dated January 01, 2016 is being updated to reflect the changes.
  7. 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 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 6<sup>th</sup> DECEMBER 2019 - AVAILABILITY OF NATIONAL ELECTRONIC FUNDS TRANSFER (NEFT) SYSTEM ON 24X7 BASIS**

Please refer to our circular DPSS (CO) RPPD No.510/04.03.01/2019-20 dated August 30, 2019 regarding availability of NEFT on a 24x7 basis.

2. It has been decided that the above facility shall be made available from December 16, 2019 with the first settlement taking place after 00:30 hours on December 16, 2019 (i.e. night of December 15, 2019).

3. Member banks are advised to note the following:

- a. There will be 48 half-hourly batches every day. The settlement of first batch will commence after 00:30 hours and the last batch will end at 00:00 hours.
  - b. The system will be available on all days of the year, including holidays.
  - c. NEFT transactions after usual banking hours of banks are expected to be automated transactions initiated using 'Straight Through Processing (STP)' modes by the banks.
  - d. The existing discipline for crediting beneficiary's account or returning the transaction (within 2 hours of settlement of the respective batch) to originating bank will continue.
  - e. Member banks will ensure sending of positive confirmation message (N10) for all NEFT credits.
  - f. All provisions of NEFT procedural guidelines will be applicable for NEFT 24x7 transactions as well.
4. Member banks are expected to keep adequate liquidity in their current account with Reserve Bank of India at all times to facilitate successful posting of NEFT batch settlements.
  5. Member banks are also advised to initiate necessary action and ensure availability of all necessary infrastructural requirements at their end for providing seamless NEFT 24x7 facility to their customers. Banks may disseminate information on the extended timings for NEFT to all their customers.
  6. This directive is issued under Section 10(2) read with Section 18 of the Payment and Settlement Systems Act, 2007 (Act 51 of 2007).

**NOTIFICATION DATED 6<sup>th</sup> 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 December 31, 2019**

**Cyber Security controls for Third party ATM Switch Application Service Providers**

Please refer to para I (8) of the Statement on Developmental and Regulatory policies of the Fifth Bi-monthly Monetary Policy Statement for 2019-20 dated December 5, 2019 (extract enclosed).

2. It is observed that a number of RBI Regulated Entities (RREs) manage their ATM Switch ecosystem through shared services of third party ATM Switch Application Service Providers (ASPs). Since these service providers also have exposure to the payment system landscape, it is felt that some cyber security controls are required to be put in place by them. In view of this, the RREs shall ensure that the contract agreement signed between them and the third party ATM Switch ASP shall necessarily mandate the third party ATM Switch ASP to comply with the cyber security controls given in the **Annex** on an ongoing basis and to provide access to the RBI for on-site/off-site supervision. To this effect, the contract agreements shall be amended at the earliest or at the time of renewal, in any case not later than March 31, 2020. The list of prescribed controls is indicative but not exhaustive. It may be mentioned that these controls are applicable to the ASPs limited to the IT ecosystem (such as physical infrastructure, hardware, software, reconciliation system, network interfaces, security solutions, hardware security module, middleware, associated people, processes, systems, data, information, etc.) providing ATM switch services as well as any other type of payment system related services to the RREs.

3. The regulatory instructions issued from time to time in terms of circulars/advisories/alerts, as applicable to the ATM switch ecosystem shall be shared with the ASPs for necessary compliance.

4. A copy of this circular may be placed before the Board of Directors in its ensuing meeting.

5. Please acknowledge receipt.

**NOTIFICATION DATED 16th DECEMBER 2019 - FURTHERING DIGITAL PAYMENTS – WAIVER OF CHARGES – NATIONAL ELECTRONIC FUNDS TRANSFER (NEFT) SYSTEM**

A reference is invited to RBI circulars DPSS CO (EPPD)/98/04.03.01/2012-13 dated July 13, 2012 on National Electronic Funds Transfer (NEFT) System - Rationalisation of customer charges and DPSS (CO) RPPD No.2557/04.03.01/2018-19 dated June 11, 2019 on National Electronic Funds Transfer (NEFT) and Real Time Gross Settlement (RTGS) systems – Waiver of charges.

2. In order to give further impetus to digital retail payments, it has now been decided that member banks shall not levy any charges from their savings bank account holders for funds

transfers done through NEFT system which are initiated online (viz. internet banking and/or mobile apps of the banks).

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) and shall be effective from January 1, 2020.

**Notification Dated December 30th, 2019**

**Enhancing facilitation of National Electronic Toll Collection (NETC) system**

India is progressing ahead with NETC gaining large scale acceptance. Currently, the NETC system allows linking of FASTags with bank accounts – savings, current and prepaid.

2. In order to further broad base this system by allowing more payment choices for the customers, as well as for fostering competition among the system participants, all authorised payment systems and instruments [non-bank PPIs, cards and Unified Payments Interface (UPI)] shall from now be permitted for linking with the FASTags, which can be used for various types of payments (vehicle toll, parking fee, etc.).

3. The Turn Around Time (TAT) for resolving failed transactions advised vide circular DPSS.CO.PD No.629/02.01.014/2019-20 dated September 20, 2019 shall also be applicable to the transactions carried out in the NETC system.

4. The transactions in the NETC system can be performed without any Additional Factor of Authentication (AFA) and / or pre-transaction notification / alert.

5. NPCI shall facilitate requests received from banks / non-banks in this regard.

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

**Notification Dated December 31st, 2019**

**Extension of relaxation on the guidelines to NBFCs on securitisation transactions**

Please refer to the circular DNBR (PD)CC.No.95/03.10.001/2018-19 dated November 29, 2018 on “Relaxation on the guidelines to NBFCs on securitisation transactions” and the circular DNBR (PD)CC.No.100/03.10.001/2018-19 dated May 29, 2019 extending the dispensation till December 31, 2019.

2. On a review, it has been decided to extend the relaxation provided therein till June 30, 2020. All other instructions governing securitisation and direct assignment transactions remain unchanged.

**Notification Dated December 24<sup>th</sup>, 2019**

**Introduction of a new type of semi-closed Prepaid Payment Instrument (PPI) – PPIs upto `10,000/- with loading only from bank account**

Please refer to the Statement on Developmental and Regulatory Policies issued as part of Monetary Policy Statement dated December 5, 2019 as also the Master Direction on Issuance and Operation of Prepaid Payment Instruments (PPI-MD) issued vide DPSS.CO.PD.No.1164/02.14.006/2017-18 dated October 11, 2017 (updated as on August 30, 2019).

2. To give impetus to small value digital payments and for enhanced user experience, it has been decided to introduce a new type of semi-closed PPI with the following features:

a) Such PPIs shall be issued by bank and non-bank PPI Issuers after obtaining minimum details of the PPI holder.

b) The minimum details shall necessarily include a mobile number verified with One Time Pin (OTP) and a self-declaration of name and unique identity / identification number of any 'mandatory document' or 'officially valid document' (OVD) listed in the 'Master Direction - Know Your Customer (KYC) Direction, 2016' issued by Department of Regulation, Reserve Bank of India, as amended from time to time.

c) These PPIs shall be reloadable in nature and issued in card or electronic form. Loading / Reloading shall be only from a bank account.

d) The amount loaded in such PPIs during any month shall not exceed `10,000 and the total amount loaded during the financial year shall not exceed `1,20,000.

e) The amount outstanding at any point of time in such PPIs shall not exceed `10,000.

f) These PPIs shall be used only for purchase of goods and services and not for funds transfer.

g) PPI issuers shall provide an option to close the PPI at any time and also allow to transfer the funds 'back to source' (payment source from where the PPI was loaded) at the time of closure.

h) The features of such PPIs shall be clearly communicated to the PPI holder by SMS / e-mail / post or by any other means at the time of issuance of the PPI / before the first loading of funds.

i) The minimum detail PPIs existing as on the date of this circular can be converted to the above type of PPI, if desired by the PPI holder.

3. The PPI-MD is being modified to introduce this new type of PPI. The other instructions contained in the PPI-MD will be applicable to this type of PPI also.

4. The directive is issued under Section 18 read with Section 10(2) of Payment and Settlement Systems Act, 2007 and is effective from the date of issuance of this circular.

### **Notification Dated December 5th, 2019**

### **RBI releases “Guidelines for ‘on tap’ Licensing of Small Finance Banks in the Private Sector”**

The Reserve Bank of India today released on its website, “Guidelines for ‘on tap’ Licensing of Small Finance Banks in the Private Sector”.

Major changes from the earlier Guidelines on Small Finance Banks dated November 27, 2014, are

(i) The licensing window will be open on-tap; (ii) minimum paid-up voting equity capital / net worth requirement shall be `200 crore; (iii) for Primary (Urban) Co-operative Banks (UCBs), desirous of voluntarily transiting into Small Finance Banks (SFBs) initial requirement of net worth shall be at `100 crore, which will have to be increased to `200 crore within five years from the date of commencement of business. Incidentally, the net-worth of all SFBs currently in operation is in excess of `200 crore; (iv) SFBs will be given scheduled bank status immediately upon commencement of operations; (v) SFBs will have general permission to open banking outlets from the date of commencement of operations; (vi) Payments Banks can apply for conversion into SFB after five years of operations, if they are otherwise eligible as per these guidelines.

### **Background**

It may be recalled that the Reserve Bank of India (RBI) had last issued guidelines for licensing of Small Finance Banks in the private sector on November 27, 2014. Consequently, the Reserve Bank issued in-principle approval to ten applicants and they have since established the banks. It was mentioned in the guidelines that after gaining experience in dealing with these banks, RBI would consider receiving the applications on a continuous basis. In the Second Bi-monthly Monetary Policy Statement, 2019-20 dated June 06, 2019, it was announced that the Draft Guidelines for ‘on tap’ Licensing of such banks will be issued. Accordingly, the draft guidelines were published on the RBI website on September 13, 2019 inviting comments from the stakeholders and members of the public. Taking into consideration the responses received, the final guidelines have now been issued.

**Notification Dated December 13, 2019**  
**Liquidity Support (LS) Facility - NEFT 24 x 7**

As announced in the Statement on Developmental and Regulatory Policies dated October 4, 2019, in order to facilitate smooth settlement of NEFT transactions in the accounts of the member banks maintained with the Reserve Bank in a 24x7 environment, it has been decided to provide an additional collateralised intra-day liquidity facility, to be called Liquidity Support (LS).

2. The salient features of the scheme are as under:

- a) LS facility will be available for facilitating NEFT settlements, on 24x7 basis. The LS facility will operate as per the same terms and conditions as the Intra-Day Liquidity (IDL) facility.
- b) All member banks eligible for the IDL facility will be eligible to avail of the LS facility.
- c) The limit for LS facility would be set by the Reserve Bank from time to time. Drawings under the LS facility shall be reckoned as part of the eligible IDL limit.
- d) The margin requirement on LS facility would be similar to that of IDL facility.
- e) Outstanding drawing at the end of the day under the LS facility will be automatically converted into borrowing under the Marginal Standing Facility (MSF).
- f) The above MSF borrowing reversal will take place along with other LAF operations as is currently being done.
  
- g) The extant instructions on intra-day-liquidity and reversal of IDL shall continue, as hitherto.
- h) The Reserve Bank may review the facilities based on the experience gained in operationalizing the scheme.

**NOTIFICATION DATED 23rd DECEMBER 2019 - REVIEW OF MASTER DIRECTIONS - NON-BANKING FINANCIAL COMPANY – PEER TO PEER LENDING PLATFORM (RESERVE BANK) DIRECTIONS, 2017**

Please refer to paragraphs 7 and 9 of Master Directions - Non-Banking Financial Company – Peer to Peer Lending Platform (Reserve Bank) Directions, 2017, dated October 04, 2017. 2. On a review, it has been decided that

- (i) The aggregate exposure of a lender to all borrowers at any point of time, across all P2P platforms, shall be subject to a cap of ₹ 50,00,000 provided that such investments of the lenders on P2P platforms are consistent with their net-worth.
- (ii) The lender investing more than ₹10,00,000 across P2P platforms shall produce a certificate to P2P platforms from a practicing Chartered Accountant certifying minimum net-worth of ₹ 50,00,000. Further, all the lenders shall submit declaration to P2P platforms that they have understood all the risks associated with lending transactions and that P2P platform does not assure return of principal/payment of interest.

- (iii) Escrow accounts to be operated by bank promoted trustee for transfer of funds need not be mandatorily maintained with the bank which has promoted the trustee.

**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.