**CERTIFICATE IN MICROFINANCE**

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**Credit/Investment Concentration Norms – Credit Risk Transfer**

RBI/2023-24/112
DOR.CRE.REC.70/21.01.003/2023-24

January 15, 2024

All Non-Banking Financial Companies including Housing Finance Companies

Madam/ Dear Sir,

**Credit/Investment Concentration Norms – Credit Risk Transfer**

Please refer to the following instructions, as amended from time to time: (i) paragraphs 32, 91 and 110.4.2 of [Master Direction - Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 dated October 19, 2023](https://www.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=12550) (“MD on NBFC”); and (ii) paragraph 20 of [Master Direction - Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021 dated February 17, 2021](https://www.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=12030) (“MD on HFC”).

2. The guidelines on Large Exposures Framework (LEF) are applicable to NBFC-Upper Layer (NBFC-UL) in terms of paragraph 110 of the MD on NBFC. The NBFC-Base Layer (NBFC-BL) and NBFC-Middle Layer (NBFC-ML) are, however, governed by the credit/investment concentration norms prescribed at paragraphs 32 and 91 of the MD on NBFC, paragraph 20 of MD on HFC and [circular on Scale Based Regulation (SBR): A Revised Regulatory Framework for NBFCs dated October 22, 2021](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12179&Mode=0). In order to ensure uniformity and consistency in computation of concentration norms among NBFCs, a review of the extant concentration norms has been carried out and it has been decided as under:

**A. Regulations for NBFC-ML**

**3. Computation of exposure – Credit Risk Transfer Instruments**

Aggregate exposure to a counterparty comprising both on and off-balance sheet exposures are calculated based on the method prescribed for capital computation in MD on NBFC and MD on HFC; i.e., on-balance sheet exposures are reckoned at the outstanding amount[1](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12598&Mode=0#FN1) while the off-balance sheet exposures are converted into credit risk equivalent by applying the credit conversion factor prescribed under capital requirements. Further, as per Annex XIV of the MD on NBFC, credit default swaps (CDS) are currently allowed as credit risk transfer instruments for offsetting exposure to the underlying counterparty. Henceforth, the exposures of NBFC-ML shall also be offset with credit risk transfer instruments listed below:

1. Cash margin/caution money/security deposit held as collateral on behalf of the borrower against the advances for which right to set off is available;
2. Central Government guaranteed claims which attract 0 per cent risk weight for capital computation;
3. State Government guaranteed claims which attract 20 per cent risk weight for capital computation[2](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12598&Mode=0#FN2);
4. Guarantees issued under the Credit Guarantee Schemes of Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE), Credit Risk Guarantee Fund Trust for Low Income Housing (CRGFTLIH) and individual schemes under National Credit Guarantee Trustee Company Ltd (NCGTC) subject to meeting the conditions of [circular on ‘Review of Prudential Norms – Risk Weights for Exposures guaranteed by Credit Guarantee Schemes (CGS)’ dated September 07, 2022](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12384&Mode=0), as amended from time to time.

Provided that to be eligible as a credit risk transfer instrument, guarantees shall be direct, explicit, irrevocable and unconditional.

**4. Exemptions from credit/investment concentration norms**

In addition to the exposures already exempted from credit/investment concentration norms in terms of paragraph 91 of MD on NBFC and paragraph 20 of MD on HFC, exposures listed below shall also be exempt from credit/investment concentration norms:

1. Exposure to the Government of India and State Governments which are eligible for zero percent risk weight under capital regulations applicable to NBFC[3](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12598&Mode=0#FN3);
2. Exposure where the principal and interest are fully guaranteed by the Government of India[3](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12598&Mode=0#FN3).

5. **Disclosure:** The exposures where the NBFC has exceeded the prudential exposure limits during the year are required to be disclosed in the Notes to Accounts in the annual financial statements, presently as per paragraph 3.5.4 of Annex XXII of the MD on NBFC and paragraph 3.7.4 of Annex IV of the MD on HFC. Henceforth, computation of exposure limit for disclosure requirements shall be reckoned as per paragraphs 3 and 4 of this circular.

**B. Regulations for NBFC-BL**

6. NBFC-BL shall put in place an internal Board approved policy for credit/investment concentration limits for both single borrower/party and single group of borrowers/parties. Computation of exposure shall be on similar lines as that for NBFC-ML as given at paragraphs 3 and 4 of this circular.

**C. Regulations for NBFC-UL**

7. A reference is drawn to paragraph 110.4.2 of MD on NBFC which lists out the credit risk transfer instruments. It is clarified that to be eligible as a credit risk transfer instrument, guarantees shall be direct, explicit, irrevocable and unconditional.

8. The above instructions shall come into force from the date of issuance of the circular.

9. All other terms and conditions for LEF and credit/investment concentration norms shall continue as per the extant instructions.

Yours faithfully,

(Vaibhav Chaturvedi)
Chief General Manager

For more details, kindly refer:

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12598&Mode=0>

**Omnibus Framework for recognising Self-Regulatory Organisations (SROs) for Regulated Entities (REs) of the Reserve Bank of India
(issued by Department of Regulation on March 21, 2024)**

**Chapter I – Preliminary**

**Introduction**

Reserve Bank of India is entrusted with regulating the currency and credit system of the country to its advantage so as to maintain stability of the financial system. To this end, Reserve Bank prescribes necessary regulatory framework for its Regulated Entities (REs). With the growth of the REs in terms of number as well as scale of operations, increase in adoption of innovative technologies and enhanced customer outreach, a need is felt to develop better industry standards for self-regulation.

2. Self-Regulatory Organisations (SROs) enhance the effectiveness of regulations by drawing upon the technical expertise of practitioners and also aid in framing/ fine-tuning regulatory policies by providing inputs on technical & practical aspects, nuances and trade-offs involved. SROs can also help in fostering innovation, transparency, fair competition, and consumer protection. In sum, self-regulation shall complement the extant regulatory/ statutory framework for better compliance, in letter and spirit. In deliverance of this role, the SRO shall frame necessary best practices/ standards/ codes within the regulatory framework prescribed by RBI for voluntary adoption by its members and these shall not be a substitute to the prescribed regulatory framework for REs.

3. As announced in the [Statement on Developmental and Regulatory Policies dated October 06, 2023](https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=56503), it has been decided to issue an omnibus framework for recognizing SROs for the REs of the Reserve Bank. In order to fulfil this objective, the omnibus SRO framework prescribes the broad objectives, functions, eligibility criteria and governance standards, which will be common for all SROs, irrespective of the sector. The framework also lays down the broad membership criteria and other terms and conditions to be followed by the SROs for grant of recognition by the Reserve Bank. It may be noted that guidelines contained in the framework are the minimum requirement and the recognised SROs will be encouraged to develop their best practices. Reserve Bank may prescribe sector-specific additional conditionalities, if warranted, at the time of calling for applications for recognising SROs for a category/ class of REs, within the broad contours of this framework.

4. Existing SROs already recognized by the Reserve Bank shall continue to be governed by the terms and conditions under which they were recognized, unless this framework is specifically extended to such SROs.

**Characteristics of an SRO**

5. An SRO is expected to operate with credibility, objectivity and responsibility under the oversight of the regulator, to improve regulatory compliance for healthy and sustainable development of the sector to which it caters. Further, an SRO should have the following characteristics:

1. Sufficient authority which is derived from membership agreements to set ethical, professional and governance standards and enforce these standards on the members. It should have strong governance mechanisms, including focus on independent board, transparency, and adherence to well-defined processes.

Note: The term 'members' used in this framework refers to the REs which accept the membership of the SRO.
2. Objective, well-defined and consultative processes to make rules relating to conduct of its members and shall be able to enforce these rules. SROs should also put in place well-defined and transparent processes and procedures for overseeing activities of their members. It should establish clear standards of conduct and specify consequences for violation of agreed rules/ codes such as counselling, cautioning, reprimanding and expelling members. It may be noted that such consequences shall not entail monetary penalties in any manner.
3. Develop standards for improving compliance culture and adherence by its members to the rules and regulations framed by the Reserve Bank.
4. Devise and implement standardised procedures for handling disputes among members, including processes to resolve these disputes through a transparent and consistent dispute resolution/ arbitration mechanism (further detailed in para 8(iv) below).
5. Suitable surveillance methods for effective monitoring of the sector.
6. Strive to develop the ecosystem of the sector to which it caters, and the standards/ best practices developed by SRO shall be in compliance with, and within the applicable statutory/ regulatory instructions.

**Chapter II – Objectives and responsibilities of the SRO**

**Objectives of the SRO**

6. In general, the SRO is expected to adhere to a set of overarching objectives for betterment of the sector they represent, foster advancement and address critical industry concerns within the broader financial system. These objectives would collectively define the expected role and responsibilities of the SRO in steering the sector towards enhanced professionalism, compliance, innovation, and ethical conduct. This includes a strong emphasis on the development and adherence to robust self-regulatory principles and practices and conventions that are conducive to the furtherance of the sector. Upholding the principles of good faith and avoiding conflicts of interest should be the cornerstones of its operations.

7. In particular, an SRO is expected to achieve the following objectives:

1. Promote a culture of compliance among its members by encouraging progressive practices and conventions. Special attention must be given on extending guidance and support, particularly to smaller entities within the sector, and sharing best practices aligned with statutory and regulatory policies. For this purpose, the SRO should frame and implement a comprehensive code of conduct for its members.
2. Act as the collective voice of its members in engagements with the Reserve Bank, government authorities or other regulatory and statutory bodies, in India. It should aim to represent and address broader industry concerns and play a pivotal role in the functioning of the financial system. It is expected that the SRO functions above the self-interests and addresses larger concerns of the industry and financial system as a whole. While acting as the industry representative, the SRO is expected to ensure equitable and transparent treatment for all its members.
3. Collect and share relevant sectoral information to the Reserve Bank to aid in policymaking. The SRO should also use the information to foster innovation, and coordinate on the introduction of new products within the broader regulatory framework set by the Reserve Bank.
4. Encourage a culture of research and development within the sector to encourage innovation while ensuring highest standards of compliance and self-governance.

**Responsibilities of the SRO towards members**

8. The primary responsibility of the SRO towards its members would be to promote best business practices. The SRO shall establish minimum benchmarks and conventions for professional market conduct amongst its members. In the interest of its members, the SRO should aim to protect interests of the customers/ depositors, participants and other stakeholders in the ecosystem. In particular, the SRO should discharge the following responsibilities towards its members:

1. Frame a code of conduct to be followed by its members and monitor adherence to the code as well as compliance with the regulatory instructions by its members.
2. Develop a uniform, reasonable and non-discriminatory membership fee structure.
3. Disseminate sector-specific information through periodicals, bulletins, pamphlets, magazines, etc., from publicly available data, for creating awareness on matters of interest to members.
4. Establish a grievance redressal and dispute resolution/ arbitration framework for its members and offer counselling on restrictive, unhealthy and such other practices which may be detrimental to growth of the sector. The dispute resolution process should consistently use efficient, fair and transparent policies and procedures that are in line with the regulatory and statutory requirements.
5. Promote knowledge of statutory/ regulatory provisions and provide necessary resources for exchange of expertise and experience among members. It may also arrange for training programmes for skill development and awareness programs on contemporary issues for its members.
6. Educate public about operations of REs, grievance redress mechanisms available to them and spread awareness in general about the sector.

**Responsibilities of the SRO towards the Regulator**

9. In general, the SRO is expected to be an ally of the Reserve Bank in ensuring better compliance with the regulatory guidelines, development of the sector, protection of stakeholder interests, foster innovation and detection of early warning signals. It should strive to achieve the objectives set forth for SRO under paragraph 6 above. The SRO is also expected to act as a bridge between the REs and the Reserve Bank.

10. In particular, the SRO shall discharge the following responsibilities towards the Regulator:

1. Keep the Reserve Bank regularly informed of the developments in the sector. It shall also promptly inform the Reserve Bank about any violation by its member of the provision of the Acts or the rules/ guidelines/ regulations/ directions issued by the Reserve Bank, that comes to its notice.
2. Carry out any work assigned to it by the Reserve Bank and examine the proposal or suggestion referred to it. It shall provide data/ information, sought by the Reserve Bank periodically or as advised.
3. Submit an Annual Report to the Reserve Bank, within three months of completion of the accounting year. The SRO shall also submit the periodic/ adhoc returns as may be prescribed by the Reserve Bank.
4. Engage in periodic interactions with the Reserve Bank. It is expected that SRO would look at the larger picture of the industry/ segment in offering its views/ inputs/ suggestions.
5. Discharge such other functions and also abide by such other directions as specified by the Reserve Bank, from time to time.
6. Reserve Bank may, if it deems necessary, inspect the books of the SRO or arrange to have the books inspected by an audit firm. The SRO shall be obligated to provide the required information to the inspection team for the purpose of conduct of inspection. The expenses of such inspection shall be borne by the SRO.

**Chapter III – Eligibility Criteria, governance, and application for recognition**

**Eligibility criteria for the applicant**

11. In order to ensure that the SRO delivers on its objectives and responsibilities, it is important to ensure that its independence and integrity is enshrined in its establishment and composition. The entities intending to function as an SRO shall, therefore, fulfil the following eligibility criteria:

1. The applicant shall be set up as a not-for-profit company registered under Section 8 of the Companies Act, 2013. The applicant must have adequate net-worth as specified, wherever necessary, at the time of inviting applications for each category/ class of REs and should possess or have the ability to create infrastructure to enable it to discharge responsibilities of an SRO on a continuing basis. The shareholding of the SRO should be sufficiently diversified, and no entity shall hold 10% or more of its paid-up share capital, either singly or acting in concert.
2. The applicant must represent the sector and have the specified membership or should have submitted roadmap for attaining specified membership within a reasonable timeline.
3. The applicant and its directors must have professional competence and have general reputation of fairness and integrity to be established to the satisfaction of the Reserve Bank. Neither the applicant nor any of its directors should be involved in any legal proceeding, which may have an adverse impact on the interest of the sector. Further, neither the applicant nor any of its directors should have been convicted of any offence including moral turpitude/ economic offence in the past.
4. The applicant must be fit and proper for the grant of recognition as an SRO, in all other respects. The applicant shall undertake to function as per the objectives and responsibilities prescribed under this framework.
5. While granting recognition as an SRO, the Reserve Bank may, if deemed necessary, prescribe such other conditions as may be necessary to ensure that functioning of the SRO is not prejudicial to the public interest.

**Governance framework of the SRO**

12. The SRO is expected to operate with transparency, professionalism and independence, in order to foster greater confidence in the integrity of the sector. Compliance with the highest standards of governance is a pre-requisite for an effective SRO. Accordingly, the SRO shall abide by the following guidelines:

1. The SRO shall be professionally managed and have a suitable provision in their Articles of Association(AoA)/ bye-laws to ensure this. AoA/ bye laws shall clearly provide for the manner in which the Board of Directors/ governing body would function, duly addressing issues of conflict of interest.
2. The AoA/ bye-laws of the SRO shall specify the functions it will discharge, as one of its main objects. The AoA/bye-laws shall also clearly lay down the criteria for admission, expulsion, suspension, re-admission, etc. of members.
3. The Directors shall fulfil the 'fit and proper' criteria as framed by the Board of the SRO on an ongoing basis and have relevant expertise/ experience and be persons of high integrity. At least one-third of members in the Board of Directors including the chairperson shall be independent and without any active association with the category/ class of REs for which the SRO is established. The Board shall, among others, frame a policy on rotation of directors for important positions in the Board. Any change in the directorship or any adverse information about any Director, shall be immediately reported to the Reserve Bank.
4. The Board shall ensure that the SRO has adequately skilled human resources and robust technical capability to monitor the sector. The Board shall follow transparent practices for establishing its governance processes.
5. Recognised SROs shall ensure to comply with the provisions of relevant Acts, applicable regulations, guidelines, directions or circulars issued by the Reserve Bank from time to time.

**Application for recognition**

13. The process of seeking recognition as an SRO shall be robust so as to ensure adherence to a set of stringent parameters essential for the critical role it is required to play. An entity aspiring to function as an SRO under this framework shall be required to fulfil the following requirements/ submit the following documents while making an application for recognition. The requirements are as under:

i. The application made by the applicant shall be accompanied by:

1. A copy of the Memorandum of Association relating to the constitution of the SRO;
2. A copy of the Articles of Association/ bye-laws of SRO;
3. Details of the constitution of its Board and the Directors, and roles/ responsibilities of management and the manner in which its operations would be undertaken;
4. The powers and duties of the office bearers[1](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12636&Mode=0#FT1) of SRO;
5. Roadmap to achieve the minimum membership criteria within the prescribed timeline;
6. The application shall be signed by the authorized person, on behalf of the applicant under authority of its Board of Directors;
7. Reserve Bank may require the entity to submit any further such information or clarification as may be deemed necessary by it to satisfy itself regarding the fit & proper status of the entity applying to be an SRO before granting it recognition as an SRO;

ii. Any application, which is not complete in all aspects or does not fulfil the requisite criteria shall be liable to be rejected by the Reserve Bank. However, before rejecting any such application, Reserve Bank shall give an opportunity to the applicant to address such objections, within 15 days from date of despatch of intimation by Reserve Bank.

iii. Where the applicant is deemed suitable, the Reserve Bank would proceed to issue a “Letter of Recognition” as the SRO. Reserve Bank reserves the right to not grant recognition to any SRO. The decision of Reserve Bank in this regard shall be final.

**Conditions for grant of recognition**

14. The recognition granted to SRO shall be valid subject to the following conditions:

1. Information or particulars furnished by recognised SRO shall be true and not misleading in any material aspects.
2. The requirements prescribed in this framework, including that of membership as prescribed, shall be adhered to on a continuing basis.
3. The SRO shall ensure adherence to the terms and conditions governing its recognition. The recognition granted to the SRO shall be subject to periodic review by the Reserve Bank, as considered necessary.
4. Reserve Bank shall revoke the recognition granted to the SRO, if it deems the functioning of the SRO to be detrimental to public interest or any other stakeholder and/ or the SRO is found to be conducting activities which are not in conformity with the objectives of the SRO, after giving due opportunity of being heard.

**Chapter IV – Membership Criteria**

**Membership**

15. It is necessary that the SRO operates as a true representative of the sector and its members. Therefore, the SRO should have a good mix of members at all levels to represent the sector holistically. Accordingly, membership criteria of the SRO shall be as prescribed by the Reserve Bank at the time of inviting the application for each category/ class of REs. In particular, the SRO shall also adhere to the following criteria:

1. The minimum membership that may be prescribed by the Reserve Bank shall be attained ideally at the time of making an application or within such a timeline as prescribed by the Reserve Bank but not exceeding two years, from the date of grant of recognition. Failure to achieve specified membership within the timeline could result in revocation of the recognition granted.
2. The membership of SRO shall be voluntary for the members.

For more details, kindly refer:

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12636&Mode=0>

**Master Circular on SHG-Bank Linkage Programme**

RBI/2024-25/05
FIDD.CO.FID.BC.No.1/12.01.033/2024-25

April 01, 2024

The Chairman/ Managing Director/
Chief Executive Officer
All Scheduled Commercial Banks

Madam/Dear Sir

**Master Circular on SHG-Bank Linkage Programme**

The Reserve Bank of India has, from time to time, issued a number of guidelines/instructions to banks on SHG-Bank Linkage Programme. In order to enable banks to have instructions at one place, the Master Circular incorporating the existing guidelines/ instructions on the subject has been updated and enclosed. This [Master Circular](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12649&Mode=0#MC) consolidates the circulars issued by Reserve Bank on the subject up to March 31, 2024, as indicated in the [Appendix](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12649&Mode=0#Appendix).

Yours faithfully

(Nisha Nambiar)
Chief General Manager-in-Charge

For more details, kindly refer:

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12649&Mode=0>

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

RBI/2024-25/20
FIDD.GSSD.CO.BC.No.03/09.01.003/2024-25

April 16, 2024

The Chairman/Managing Director & CEO
Public Sector Banks,
Private Sector Banks (including Small Finance Banks)

Madam/Dear Sir,

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

Please refer to the [Master Circular FIDD.GSSD.CO.BC.No.07/09.01.003/2023-24 dated April 26, 2023](https://www.rbi.org.in/Scripts/BS_ViewMasCirculardetails.aspx?id=12493) on Deendayal Antyodaya Yojana - National Rural Livelihoods Mission (DAY-NRLM).

2. The enclosed [Master Circular](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12665&Mode=0#MC) consolidates and updates all the instructions/guidelines on the subject issued till date and replaces the earlier Master Circular issued on the subject.

Yours faithfully,

(R Giridharan)
Chief General Manager

For more details, kindly refer:

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12665&Mode=0>