

Regulatory Updates

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June 07, 2024: Amendment to master direction—Reserve Bank of India (interest rate on deposits) directions

Tags

Bulk deposits, single rupee term deposit, interest rate on deposits

Summary

This circular is applicable to all scheduled commercial banks except Regional Rural Bank (RRB), small finance banks and local area banks. The circular highlights revised definition of bulk deposits for scheduled commercial banks, small finance banks, and local area banks.

Insights

Definition of bulk deposits has been modified as follows:

1. Scheduled commercial banks (excluding RRB) and small finance bank: Single term deposit of rupee 3 crore and above.
2. Regional rural bank and local area bank: Single term deposit of rupee 1 crore and above.

Further details can be found on the RBI website:

<https://rbi.org.in/Scripts/NotificationUser.aspx?Id=12690&Mode=0>

June 07, 2024: Foreign exchange management (overseas investment) directions, 2022—Investments in overseas funds

Tags

Overseas portfolio investment, overseas investment fund, listed Indian companies, unlisted Indian companies, IFSC, sponsor contribution

Summary

This circular is applicable to all Category-I Authorized Dealer Banks. The circular provides amendment to foreign exchange management (overseas investment) directions for investment in overseas funds.

Insights

1. The amendment allows the investment in units or other financial instruments issued by the overseas investment fund which are regulated by the financial regulator of the host jurisdiction. This investment will be considered as an overseas portfolio investment.
2. Listed Indian companies and resident individual can make these kinds of investments, provided they are outside of IFSC jurisdiction. In case of IFSC jurisdiction, unlisted Indian entity can make investment in such overseas portfolio investment.

Further details can be found on the RBI website:

<https://rbi.org.in/Scripts/NotificationUser.aspx?Id=12691&Mode=0>

June 11, 2024: International trade settlement in Indian rupees (INR)— Opening of additional current account for settlement of trade transactions

Tags

Authorized Dealer Category I, trade settlement, export transactions, import transactions, operational flexibility, international trade, current account

Summary

This circular is applicable to all scheduled commercial banks which are holding AD Category-I license. AD Category-I banks are allowed to open additional current accounts for export and import transaction settlement.

Insights

1. The Reserve Bank of India has allowed Authorized Dealer (AD) Category-I banks to open additional current accounts for the settlement of export and import transactions in Indian rupees, expanding on the previous permission limited to export transactions only.
2. This move aims to enhance operational flexibility for AD Category-I banks and their constituents involved in international trade settlement.
3. AD Category-I banks are required to inform their constituents about this new facility for trade transaction settlement in Indian rupees.

Further details can be found on the RBI website:

<https://rbi.org.in/Scripts/NotificationUser.aspx?Id=12693&Mode=0>

June 21, 2024: Priority sector lending—Amendments to the master directions

Tags

Priority Sector Lending, MSME, urban cooperative banks, credit flow, district ranking system

Summary

The notification outlines recent amendments to the Master Directions on Priority Sector Lending by the Reserve Bank of India. Key updates include the introduction of a district ranking system based on per capita credit flow, referencing the MSME definition to a specific Master Direction, and changes in reporting requirements for urban cooperative banks. These amendments aim to enhance the effectiveness of Priority Sector Lending and address regional disparities in credit flow.

Insights

It provides updates from the Reserve Bank of India regarding Priority Sector Lending (PSL). Here is a summary of the key points:

1. **District ranking system:** The RBI has introduced a district ranking system based on per capita credit flow to the priority sector. Districts with lower credit flow will receive higher weightage (125%), while districts with higher credit flow will receive lower weightage (90%). This system aims to address regional disparities in credit flow at the district level.
2. **MSME definition:** The definition of Micro, Small and Medium Enterprises (MSMEs) has been referenced to the Master Direction on Lending to MSME Sector for clarity.
3. **Validity of lists:** The lists of districts with high and low PSL credit, detailed in Annex IA and IB, are valid until FY 2026-27 and will be reviewed thereafter.
4. **Reporting changes:** Urban Cooperative Banks (UCBs) are required to furnish data on priority sector advances in the prescribed reporting formats at quarterly and annual intervals. The reporting provision has been updated in line with the Master Direction on Filing of Supervisory Returns.
5. **Website updates:** The Master Directions and FAQs on Priority Sector Lending on the RBI's website have been updated to reflect these changes.

Overall, the document outlines amendments aimed at improving the efficiency and effectiveness of Priority Sector Lending in India.

Further details can be found on the RBI website:

<https://rbi.org.in/Scripts/NotificationUser.aspx?Id=12694&Mode=0>

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