

Regulatory Updates

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January 1, 2025: Participation of NaBFID as an AIFI in financial markets

Tags

National Bank for Financing Infrastructure and Development (NaBFID), All-India Financial Institution (AIFI), Credit Default Swap, Repo transactions

Summary

This circular is applicable to all eligible market participants. The circular states that National Bank for Financing Infrastructure and Development (NaBFID) can be regulated and supervised as an All-India Financial Institution (AIFI) and can involve in credit default swap and repo transactions.

Further details can be found on the RBI website:

<https://www.rbi.org.in/scripts/NotificationUser.aspx?Id=12761&Mode=0>

January 2, 2025: Formation of new district in the state of Nagaland – Assignment of lead bank responsibility

Tags

Lead Bank, District Working Code

Summary

This circular is applicable to the Chairman, Managing Director & Chief Executive Officer of the concerned lead bank. The circular states the assignment of lead bank due to the formation of new district in the state of Nagaland.

Insights

1. Meluri is the new district created in the state of Nagaland.
2. State Bank of India has been assigned with the lead bank responsibility of the newly created district.
3. '02R' is the working code the newly created district.

Further details can be found on the RBI website:

<https://www.rbi.org.in/scripts/NotificationUser.aspx?Id=12762&Mode=0>

January 3, 2025: Status of March 30, 2025 for Government transactions through integration with e-Kuber

Tags

e-Kuber, Core Banking Solution

Summary

This circular is applicable to all agency banks. The circular states to consider 30th March 2025 as working day for all Government transactions through integration with e-Kuber.

Insights

1. Office of Controller General of Accounts, Government of India has directed to consider 30th March 2025 as working day for all Government transactions relating to receipts and payments in the financial year 2024-25.
2. 'e-Kuber' being the Core Banking Solution platform of RBI for Government transactions, 'e-Kuber' will be open on 30th March 2025 so that all the Government transactions through integration with e-Kuber will be processed.
3. The e-Kuber system will also accept the luggage files from banks for transferring Government transaction data to the RBI on March 30, 2025 (Sunday), up to the specified cut-off time for accounting on the same day itself.

Further details can be found on the RBI website:

<https://www.rbi.org.in/scripts/NotificationUser.aspx?Id=12763&Mode=0>

January 6, 2025: Master Direction – Reserve Bank of India (Credit Information Reporting) Directions, 2025

Tags

Credit Information Reporting, Credit Information Companies (CICs), Credit Institutions (CIs), Regulated Entities (REs), Data Quality Index, Uniform Credit Reporting Format (UCRF)

Summary

This master direction is applicable to all Commercial Banks, Co-operative banks, All India Financial Institutions, Non-Banking Financial Companies, Asset Reconstruction Companies and Credit Information Companies. The master direction highlights the regulatory framework for Credit Information Reporting.

Insights

1. **Membership:** All Credit Institutions need to be a member of Credit Information Companies which is registered with RBI.
2. **Data format:** Credit Information needs to be reported to CIC in 3 different types of Uniform Credit Reporting Format.
 - a. Form 1 - Uniform Credit Reporting Format (Consumer)
 - b. Form 2 - Uniform Credit Reporting Format (Commercial)
 - c. Form 3 - Uniform Credit Reporting Format (MFI)
3. **Report submission cycle:** CIs need to submit Credit Information to CICs on fortnightly basis and this needs to be submitted within 7 calendar days from reporting period.
4. **Data validation:** CICs need to share the logic and validation details for data acceptance so that data rejection can be minimized.
5. **Data Quality Index:** CICs will prepare and share the Data Quality Index for all the 3 segments to CIs so that CIs can understand the quality of data submitted.

Further details can be found on the RBI website:

<https://www.rbi.org.in/scripts/NotificationUser.aspx?Id=12764&Mode=0>

January 7, 2025: Master Direction - Reserve Bank of India (Non-resident investment in debt instruments) Directions, 2025

Tags

Non-resident Investment, Debt Instruments, Foreign Portfolio Investors (FPIs), Corporate Debt Securities, General Route, Voluntary Retention Route (VRR), Fully Accessible Route, Sovereign Green Bonds

Summary

This master direction is applicable to all authorized person. The master direction highlights regulatory framework related to Non-resident investment in debt instruments.

Insights

1. **Investment Channels:** Investment in debt instruments can be done in 4 different channels by non-residents i.e. General Route, Voluntary Retention Route, Fully Accessible Route and Sovereign Green Bonds.
2. **General Route:** Foreign Portfolio Investors are eligible non-residents. Eligible instruments are Central Government securities, State Government securities and Corporate debt securities.
3. **Voluntary Retention Route (VRR):** Foreign Portfolio Investors are eligible investors. Eligible instruments are listed under Schedule 1 to Foreign Exchange Management.
4. **Fully Accessible Route:** Foreign Portfolio Investors, Non-Resident Indians and Overseas Citizens of India are eligible investors. All the securities falling under FAR (Fully Accessible Route) and all new issuances of 5-year, 7-year and 10-year tenors by the Central Government are eligible instruments.
5. **Sovereign Green Bonds:** Eligible investors in International Financial Services Centre can make investment in Sovereign Green Bonds issued by the Government of India.
6. A non-resident is permitted to carry out transactions in foreign exchange, interest rate derivatives, and credit derivatives.

Further details can be found on the RBI website:

<https://www.rbi.org.in/scripts/NotificationUser.aspx?Id=12765&Mode=0>

January 14, 2025: Foreign Exchange Management (Deposit) (Fifth Amendment) Regulations, 2025

Tags

Repatriable Rupee Account, Special Non-Resident Rupee Account (SNNR), Authorized Dealer

Summary

The circular highlights the amendment done to Foreign Exchange Management (Deposit) Regulations.

Insights

1. Transfer of funds in bona fide transaction between repatriable Rupee accounts is allowed.
2. A person residing outside India having business interest in India can open a Special Non-Resident Rupee Account (SNNR) account through authorized dealer in India or with abroad

branches. This account will facilitate current and capital account transactions with an Indian resident.

3. The tenure of the SNNR account should be aligned with the tenure of the contract or period of operation or business of the account holder.

Further details can be found on the RBI website:

<https://www.rbi.org.in/scripts/NotificationUser.aspx?Id=12766&Mode=0>

January 14, 2025: Foreign Exchange Management (Foreign Currency Accounts by a person resident in India) (Fifth amendment) Regulations, 2025

Tags

Foreign Currency Account, Advance Remittance

Summary

The circular highlights the amendment done to Foreign Exchange Management Regulations for Foreign Currency Accounts by a person resident in India.

Insights

1. An Indian exporter can open and maintain foreign currency account with a bank outside India which can be utilized for realization of export value and advance remittance received for exported goods and services.
2. A Payments for imports into India also can be done through this foreign currency account.

Further details can be found on the RBI website:

<https://www.rbi.org.in/scripts/NotificationUser.aspx?Id=12767&Mode=0>

January 16, 2025: Foreign Exchange Management (Mode of Payment and Reporting of Non-Debt Instruments) (Third amendment) Regulations, 2025

Tags

Foreign Exchange, Foreign Investments, FEMA, Equity Instruments, Foreign Direct Investment, Venture Capital, Convertible Notes, Repatriation, Cross-Border Transactions, Non-Debt Instruments.

Summary

Through this circular, RBI has amended the Foreign Exchange Management (Mode of Payment and Reporting of Non-Debt Instruments) Regulations, 2019, outlining updated rules for foreign investments in equity, Limited Liability Partnerships (LLPs), Foreign Venture Capital Investors (FVCIs), and investment vehicles.

The amendments clarify permissible payment modes, reporting requirements, and repatriation rules. New provisions include expanded usage of repatriable accounts, timelines for equity issuance, and regulations for convertible notes issued by startups.

Insights

1. **Revised Payment Modes** – Investments must be funded through repatriable accounts or inward remittances.
2. **Equity Issuance Timeline** – Indian companies must issue equity within 60 days of receiving investment.
3. **Refund Requirement** – If equity instruments are not issued within 60 days, funds must be refunded within 15 days.
4. **Expanded Repatriation Rules** – Sale proceeds can be credited to repatriable foreign currency or Rupee accounts.
5. **Foreign Portfolio Investor (FPI) Regulations** – FPIs must use Special Non-Resident Rupee (SNRR) accounts for transactions.
6. **Venture Capital Investment Guidelines** – Foreign Venture Capital Investors (FVCIs) must transact only through designated accounts.
7. **Convertible Notes for Startups** – Startups issuing convertible notes to foreign investors must comply with specified payment and repatriation rules.
8. **Inclusion of Rupee Vostro Accounts** – Transactions can now be facilitated through rupee vostro accounts under the new guidelines.

Further details can be found on the RBI website:

<https://www.rbi.org.in/scripts/NotificationUser.aspx?Id=12768&Mode=0>

January 17, 2025: Coverage of customers under the nomination facility

Tags

Nomination facility, Customer Service, Legal Heirs, Claim Settlement, Deposit Accounts, Financial Inclusion, Safety Lockers, Consumer Protection.

Summary

Through his circular, RBI has reinforced the importance of the nomination facility in deposit accounts, safe custody articles, and safety lockers to ease claim settlement for legal heirs. Banks and NBFCs must ensure all customers provide a nomination or formally opt out.

The Customer Service Committee (CSC) of the Board must track progress, and financial institutions must report nomination coverage quarterly via the DAKSH portal. Public awareness campaigns will be conducted to maximize adoption.

Insights

1. **Mandatory Nomination or Opt-Out** – All new and existing customers must either provide a nominee or explicitly opt out.
2. **Eased Claim Settlement for Legal Heirs** – The facility is designed to minimize delays and hardships for families of deceased customers.
3. **Board-Level Monitoring** – The Customer Service Committee (CSC) must periodically review nomination coverage.
4. **Quarterly Reporting on DAKSH Portal** – Banks must report progress to RBI, starting March 31, 2025.
5. **Frontline Staff Training** – Bank employees must be trained to handle nominee claims efficiently.
6. **Modification of Account Opening Forms** – Forms should include a clear provision for nomination selection.
7. **Public Awareness Initiatives** – Banks must actively promote the benefits of nomination via campaigns.
8. **Ensuring Full Coverage** – Periodic drives will be conducted to achieve universal adoption of the nomination facility.

Further details can be found on the RBI website:

<https://www.rbi.org.in/scripts/NotificationUser.aspx?Id=12769&Mode=0>

January 17, 2025: Prevention of financial frauds perpetrated using voice calls and SMS – Regulatory prescriptions and institutional safeguards

Tags

Financial fraud prevention, RBI regulations, Telecom Fraud, SMS Fraud, Voice Call Fraud, Digital Transactions, Cybercrime Prevention, Mobile Number Verification, TRAI, Financial Safety, Scam Detection.

Summary

These circular outlines the regulatory prescriptions and institutional safeguards to prevent financial frauds that are committed using voice calls and SMS. With digital transactions increasing, fraudsters are increasingly exploiting mobile numbers for scams.

To counter this, RBI mandates financial institutions to use the Mobile Number Revocation List (MNRL) to detect and prevent fraud-linked numbers, register customer care details on the “Sanchar Saathi” portal, and follow TRAI’s commercial communication regulations. Banks and financial institutions must also use designated number series (140/160) for promotional and service calls, ensure secure customer data handling, and enhance public awareness about fraud prevention.

Insights

1. **Mobile Number Revocation List (MNRL) Usage** – Financial institutions must monitor and update customer databases using MNRL to prevent fraud.
2. **Mandatory Registration of Customer Care Numbers** – Banks must verify and register their helpline details on the "Sanchar Saathi" portal for customer authenticity.
3. **Designated Number Series for Calls** – Transactional and service calls should use ‘1600xx’ series, while promotional calls must use ‘140xx’ to distinguish legitimacy.
4. **Fraudulent Number Detection & Monitoring** – Enhanced tracking and reporting of revoked or fraud-associated mobile numbers are required.
5. **Strict Compliance with TRAI Guidelines** – Banks must register their numbers, headers, and message templates on the Distributed Ledger Technology (DLT) platform for secure communication.
6. **Prohibition of Unregistered Numbers** – Unauthorized use of 10-digit personal numbers for commercial communication can lead to penalties and disconnection.

7. **Public Awareness Campaigns** – Financial institutions must educate customers on fraud risks, reporting mechanisms, and safe digital transaction practices.
8. **Legal Provisions & Reporting** – Entities must report suspected frauds to regulatory authorities and law enforcement, ensuring compliance with cybercrime laws.

Further details can be found on the RBI website:

<https://www.rbi.org.in/scripts/NotificationUser.aspx?Id=12770&Mode=0>

January 20, 2025: Guidelines on settlement of dues of borrowers by ARCs

Tags

Asset Reconstruction Companies (ARCs), loan settlement, debt recovery, borrower dues, fraud accounts, financial restructuring, Independent Advisory Committee (IAC) approval, compromise settlement.

Summary

The Reserve Bank of India (RBI) has issued revised guidelines for the settlement of dues of borrowers by Asset Reconstruction Companies (ARCs). The guidelines mandate that ARCs adopt a Board-approved policy outlining settlement eligibility, permissible sacrifices, and valuation methodologies. Settlements should only be considered after exhausting all recovery options.

For accounts exceeding ₹1 crore, an Independent Advisory Committee (IAC) must assess the borrower's financial condition before settlement approval. Settlements involving fraud or willful defaulters require additional scrutiny but do not impact ongoing legal proceedings. The new provisions are immediately effective.

Insights

1. **Mandatory Board-Approved Policy** – ARCs must establish a framework for settlement eligibility, permissible sacrifice levels, and asset valuation methodologies.
2. **Exhausting Recovery Options First** – Settlements are allowed only when all other recovery avenues are deemed unviable.
3. **Independent Advisory Committee (IAC) Involvement** – For accounts over ₹1 crore, an IAC must review the borrower's financial status before recommending a settlement.
4. **Net Present Value (NPV) Considerations** – Settlement amounts should not be lower than the realizable value of securities unless justified with recorded reasons.

5. **Lump-Sum Payment Preference** – Settlements should preferably be in one payment unless supported by a viable business plan.
6. **Higher Scrutiny for Large Accounts** – Board approval and independent director oversight are required for settlements above ₹1 crore.
7. **Reporting Requirements** – ARCs must report settlement trends, fraud cases, and recovery performance quarterly to their Board.

Further details can be found on the RBI website:

<https://www.rbi.org.in/scripts/NotificationUser.aspx?Id=12771&Mode=0>

January 29, 2025: Private placement of Non-Convertible Debentures (NCDs) with maturity period of more than one year by HFCs – Review of guidelines

Tags

Private Placement of NCDs, Housing Finance Companies (HFCs), Non-Convertible Debentures, Financial Market Instructions, NCD Maturity Requirements, Master Direction Amendments, NBFC Regulation Changes

Summary

This circular informs Housing Finance Companies (HFCs) about the repeal of existing guidelines on the private placement of Non-Convertible Debentures (NCDs) with maturities over one year.

It states that the new guidelines from the Master Direction on Non-Banking Financial Companies, specifically those concerning NCD placements, will now apply to HFCs. This change aims to standardize and update the regulations governing such financial practices.

Insights

1. **Transition of Guidelines:** Existing guidelines under the chapter related to HFCs are now replaced, reflecting a shift towards harmonized practices in line with NBFC regulations.
2. **Applicability Scope:** The new regulations are specifically targeted at private placements of NCDs with a maturity period exceeding one year, indicating a focus on long-term borrowing mechanisms.

3. **Standardization:** The move towards a uniform regulatory framework is intended to streamline operations across HFCs and ensure compliance with updated financial practices.
4. **Impact on Future Placements:** All new private placements of NCDs by HFCs must now adhere to the revised guidelines, which might influence their fundraising strategies and compliance requirements.
5. **Deleted Regulations:** The deletion of multiple paragraphs from the previous guidelines signifies a significant regulatory overhaul aimed at simplifying and updating HFC operations.

Further details can be found on the RBI website:

<https://www.rbi.org.in/scripts/NotificationUser.aspx?Id=12772&Mode=0>

January 30, 2025: Framework for imposing monetary penalty and compounding of offences under the Payment and Settlement Systems Act, 2007

Tags

Payment and Settlement Systems Act, Monetary Penalties, Penalty Framework, Compounding Offences, Financial Reporting, Enforcement Actions, Contraventions

Summary

The Reserve Bank of India (RBI) has revised the framework for imposing monetary penalties and compounding offences under the Payment and Settlement Systems Act, 2007. The updated guidelines outline specific contraventions that lead to penalties, the procedures for imposing those penalties, and the powers granted to the RBI.

It specifies the application process for compounding contraventions, including requirements for disclosures and penalties associated with compliance failures. This framework aims to rationalize and consolidate enforcement actions while ensuring adherence to the PSS Act.

Insights

1. **Expanded Penalty Limits:** The RBI can impose penalties up to ₹10 lakh or twice the quantifiable amount for contraventions, whichever is greater, with additional penalties for continuing defaults.

2. **List of Contraventions:** Key offences include operating without authorization, providing false statements, failing to disclose required information, and non-compliance with RBI directives.
3. **Compounding Authority:** An authorized RBI officer can compound eligible contraventions, excluding those punishable solely by imprisonment, streamlining the process for non-criminal violations.
4. **Application Process:** Entities seeking compounding must submit a detailed application to the RBI, including relevant information and an undertaking regarding legal investigations.
5. **Disclosure Requirements:** Entities must disclose monetary penalties in their financial statements and the RBI will publicly share information about penalties and compounding on their website.
6. **Timeliness of Payment:** Compounded penalties must be paid within a stipulated timeframe, and failure to do so may result in further action by the RBI.
7. **Proportional Penalties:** The RBI will consider various factors, including the severity and nature of contraventions, when determining penalty amounts and may reduce the compounding amount by 25% for first-time offences.

Further details can be found on the RBI website:

<https://www.rbi.org.in/scripts/NotificationUser.aspx?Id=12773&Mode=0>