Regulatory Updates

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Table of contents

March 15, 2025: Implementation of Section 51A of UAPA, 1967: Updates to UNSC's 1267/1989 ISIL (Da'esh) & Al-Qaida sanctions list: Amendments in 12 entries

Tags

UNSC Sanctions List, UAPA Act, Regulated Entities, ISIL (Da'esh), Al-Qaida

Summary

This RBI circular informs Regulated Entities (REs) about updates to the UNSC's 1267/1989 ISIL (Da'esh) & Al-Qaida Sanctions List. These updates, provided by the Ministry of External Affairs, necessitate that REs ensure they do not maintain accounts for individuals/entities on the updated list, as per Section 51A of the UAPA Act, 1967 and amendments.

Insights

1. Regulated Entities (REs) must refer to Paragraph 51 of the RBI Master Direction on Know Your Customer (KYC) dated February 25, 2016, as amended on November 06, 2024, for guidelines on UAPA implementation.
2. REs are required to ensure compliance with Section 51A of the UAPA Act, 1967, and amendments, by not having accounts in the name of individuals/entities appearing in the UNSC's Sanctions List.
3. REs must note the UNSC press release SC/16017 dated March 12, 2025, which details amendments to the ISIL (Da'esh) and Al-Qaida Sanctions List.
4. **Further details can be found on:** https://rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=12790&Mode=0

March 17, 2025: Asian Clearing Union (ACU) mechanism— Indo-Maldives trade

Tags

Asian Clearing Union (ACU), Authorized Dealer (AD) Banks

Summary

The circular is applicable to all category – 1 authorized dealer banks. This RBI circular permits trade transactions between India and Maldives to be settled in Indian Rupees (INR) and/or Maldivian Rufiyaa (MVR) in addition to the existing Asian Clearing Union (ACU) mechanism. This decision follows a Memorandum of Understanding between RBI and Maldives Monetary Authority to promote the use of local currencies for bilateral transactions.

Insights

1. AD Category-I banks can now settle India-Maldives trade transactions in INR and/or MVR, in addition to the existing ACU mechanism.
2. This instruction comes into effect immediately, requiring AD Category-I banks to promptly inform their constituents about this alternative settlement method.
3. The permission is granted under FEMA sections 10(4) and 11(1), implying that AD banks must still adhere to other applicable legal requirements for these transactions.
4. AD Category-I banks should update their systems and procedures to facilitate and report transactions settled in INR and/or MVR with Maldives, alongside the ACU mechanism transactions.
5. **Further details can be found on:** https://rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=12792&Mode=0

March 17, 2025: Annual closing of government accounts—transactions of Central/State Governments—special measures for the current financial year (2024–25)

Tags

Agency Banks, Special Clearing

Summary

This circular is applicable to all the Agency Banks. This RBI circular outlines special measures for agency banks to ensure all Central and State Government transactions for the financial year 2024-25 are accounted for within the same year.

Insights

1. Agency banks must keep all branches handling government transactions open until normal working hours on March 31, 2025, for over-the-counter transactions.
2. Agency banks should note that a special clearing will be conducted for Government cheques on March 31, 2025, and follow DPSS, RBI instructions regarding this.
3. Agency banks must report Central and State Government transactions to RBI, including uploading GST/TIN 2.0/ICEGATE/State e-receipts files, by 12:00 noon on April 1, 2025.
4. Agency banks must ensure all government transactions for FY 2024-25 are accounted for within the same financial year and give adequate publicity to these special arrangements.
5. **Further details can be found on:** https://rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=12791&Mode=0

March 20, 2025: Reserve Bank of India (Financial statements—presentation and disclosures) directions, 2021: Clarifications

Tags

Clarification, Queries, Financial Statements, Balance Sheet, Disclosure

Summary

This RBI circular provides clarifications on specific aspects of disclosures in the notes to accounts and the compilation of the balance sheet, as per the Reserve Bank of India (Financial Statements - Presentation and Disclosures) Directions, 2021. These clarifications are applicable to all commercial and cooperative banks for the preparation of financial statements from the financial year ending March 31, 2025, onwards.

Insights

1. Banks must classify margin money received in the form of deposits where lien is marked, under "Deposits" in the balance sheet.
2. Advances covered by Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) and similar schemes with explicit Central Government Guarantee should be disclosed under "Advances Covered by Bank/Government Guarantee" in Schedule 9.
3. Disclosures for repo and reverse repo transactions shall be at both market value terms and face value terms.

Further details can be found on:
https://rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=12793&Mode=0

March 20, 2025: Amortisation of additional pension liability—implementation of pension scheme in Regional Rural Banks with effect from November 1, 1993—prudential regulatory treatment

Tags
Regional Rural Banks (RRBs), Pension Scheme, Amortisation, Regulatory Treatment, Tier 1 Capital

Summary
This RBI circular addresses the prudential regulatory treatment for Regional Rural Banks (RRBs) implementing the pension scheme with effect from November 1, 1993, allowing them to amortize the additional pension liability over a period not exceeding five years, starting from the financial year ending March 31, 2025, with a minimum of 20% expensed annually.

The circular mandates specific accounting policy disclosures in the financial statements and clarifies that the unamortized pension expenditure will not be reduced from Tier 1 Capital; it is applicable to all RRBs from the financial year 2024-25.

Insights
1. RRBs must fully recognize pension liabilities as per accounting standards, resulting from the implementation of the pension scheme with effect from November 1, 1993.
2. RRBs can amortize pension expenditure revisions not fully charged to the P&L for FY 2024-25 over a maximum of five years, starting March 31, 2025, with a minimum of 20% expensed annually.
3. RRBs must disclose the accounting policy for pension liability amortization in the 'Notes to Accounts', including the unamortized expenditure and its impact on net profit if fully recognized.
4. Pension-related unamortized expenditure should not be reduced from Tier 1 Capital of the RRBs, thereby providing clarity on capital adequacy treatment.

Further details can be found on:
https://rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=12794&Mode=0

March 21, 2025: Treatment of Right-of-Use (ROU) asset for regulatory capital purposes

Tags

Right-of-Use asset, NBFC, tangible asset, owned fund, CET 1 capital, regulatory capital, risk weight

Summary

This RBI circular addresses the treatment of Right-of-Use (ROU) assets under Ind AS 116 for the purpose of calculating regulatory capital. It clarifies that regulated entities are not required to deduct ROU assets from Owned Fund/CET 1 capital/Tier 1 capital, provided the underlying asset being taken on lease is a tangible asset.

The ROU asset shall be risk-weighted at 100 percent. The circular is applicable to NBFCs (including HFCs) and Asset Reconstruction Companies implementing Companies (Indian Accounting Standards) Rules, 2015.

Insights

1. Regulated entities are not required to deduct a Right-of-Use (ROU) asset (created in terms of Ind AS 116 - Leases) from Owned Fund/ CET 1 capital/ Tier 1 capital, as applicable, if the underlying asset being taken on lease is a tangible asset.
2. The ROU asset shall be risk-weighted at 100 percent, consistent with the historical risk weight applied to owned tangible assets.

Further details can be found on:
https://rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=12795&Mode=0

March 24, 2025: Priority Sector Lending Certificates(PSLC)

Tags

Priority Sector Lending Certificates (PSLC), Small and Marginal Farmers (SF/MF), Weaker Sections Sub-Target, Agricultural Lending, RBI Circular

Summary

This RBI circular clarifies the categorization of Priority Sector Lending Certificates (PSLCs) related to small and marginal farmers. It specifies that PSLCs for small/marginal farmers (PSLC-SF/MF) can be counted towards the achievement of the SF/MF sub-target, Weaker Sections sub-target, NCF sub-target, agriculture target, and the overall PSL target.

This applies to all Scheduled Commercial Banks (including Regional Rural Banks), Primary (Urban) Co-operative Banks, and Local Area Banks.

Insights

1. Banks must note the amended classification of PSLC-SF/MF, which will now count towards the achievement of SF/MF sub-target, weaker sections sub-target, NCF sub-target, agriculture target and overall PSL target. This requires adjustments in internal monitoring and reporting systems.
2. Regulated entities should review their priority sector lending strategies in light of this revised classification of PSLCs. This will optimize the use of PSLCs for meeting specific sub-targets.

Further details can be found on:
https://rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=12798&Mode=0

March 24, 2025: Review of Priority Sector Lending (PSL) target – Urban Co-operative Banks (UCBs)

Tags

Priority Sector Lending, PSL Target, Urban Co-operative Banks, UCB, ANBC

Summary

This RBI circular revises the overall Priority Sector Lending (PSL) target for Urban Co-operative Banks (UCBs). The overall PSL target for UCBs is revised to 60 percent of Adjusted Net Bank Credit (ANBC) or Credit Equivalent Amount of Off-Balance Sheet Exposure (CEOBSE), whichever is higher, from the financial year 2024-25 onwards.

Insights

1. The overall PSL target for Urban Co-operative Banks (UCBs) is revised to 60 percent of ANBC or CEOBSE, whichever is higher, from FY2024-25 onwards.
2. The revision supersedes the provisions relating to the overall PSL target contained in paragraph 2 of the circular DOR.CRE.REC. 18/07.10.002/2023-24 dated June 8, 2023, and paragraph 3 of the circular DOR (PCB).BPD.Cir No. 10/13.05.000/2019-20 dated March 13, 2020.
3. All other provisions of the circular DOR.CRE.REC. 18/07.10.002/2023-24 dated June 8, 2023, remain unchanged.

Further details can be found on:
https://rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=12797&Mode=0

March 24, 2025: Master directions—Reserve Bank of India (Priority Sector Lending – targets and classification) directions, 2025

Tags

Priority Sector Lending, PSL, Targets, Classification, Bank Credit

Summary

This RBI circular provides master directions for Priority Sector Lending (PSL), including the categories, targets, and classification guidelines. It will come into effect on April 1, 2025, and will supersede previous directions on the subject.

These guidelines replace the earlier directions from 2020, while allowing previously categorized loans to remain valid until maturity. The aim is to ensure adequate credit flow to sectors vital for socio-economic development, especially to those underserved despite their creditworthiness.

The master directions apply to every Commercial Bank, Regional Rural Bank (RRB), Small Finance Bank (SFB), Local Area Bank (LAB), and Primary (Urban) Co-operative Bank (UCB) other than Salary Earners' Bank.

Insights

1. Framework objective: The primary goal is to ensure a sufficient flow of credit to key sectors, with a focus on agriculture, small enterprises, education, housing, and others that are creditworthy but underserved.
2. Categories Defined: Key categories under PSL include agriculture, Micro, Small and Medium Enterprises (MSMEs), export credit, education, housing, social infrastructure, renewable energy, and weaker sections.
3. Loan classifications remain valid: Loans categorized under previous PSL guidelines will continue to maintain their classification under the new directions, protecting borrower interests.
4. On-lending provisions: The directions describe 'on-lending,' which involves banks providing loans to eligible entities for further lending to create priority sector assets.
5. Monitoring mechanisms: Compliance will be monitored quarterly, with banks required to report sector advances at defined intervals.
6. Non-achievement consequences: Banks that do not meet PSL targets may be required to contribute to various rural development funds as a penalty, emphasizing the importance of target compliance.
7. Guidance for interest rates and charges: Banks must adhere to specific guidelines on interest rates for PSL loans and are restricted from imposing certain fees for small loans to ensure affordability.
8. These insights underline the Reserve Bank of India's commitment to facilitating enhanced credit availability in crucial sectors, which is essential for broader economic development.

Further details can be found on:
https://rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=12799&Mode=0

March 25, 2025: Gold Monetization Scheme (GMS), 2015—amendment

Tags

Gold Monetization Scheme (GMS), Medium Term and Long Term Government Deposit (MLTGD), Short Term Bank Deposits (STBD)

Summary

This circular is applicable to all the Scheduled Commercial Banks except Regional Rural Banks .This RBI circular announces the discontinuation of the Medium Term and Long Term Government Deposit (MLTGD) components of the Gold Monetization Scheme (GMS) effective March 26, 2025, as decided by the Government of India. Consequently, designated banks can no longer accept gold deposits under the MLTGD, but can continue to offer Short Term Bank Deposits (STBD) under GMS.

Insights

1. Designated banks must cease accepting gold deposits towards Medium Term and Long Term Government Deposit (MLTGD) components of GMS effective March 26, 2025.
2. Banks must inform MLTGD depositors about redemption options at least 120 days prior to maturity and seek a response within 30 days.
3. Designated banks need to maintain gold stock equivalent to the MLTGD redemption due in the next 3 months until March 25, 2025.
4. Renewal of MLTGD is discontinued from March 26, 2025. Banks should remove the option for renewal in the letters sent to the MLTGD customers.
5. Banks must now automatically redeem MLTGD in INR if the depositor fails to indicate a choice or redeem within 60 days of maturity, crediting the amount to the linked account; non-availability of active account must be reported to RBI on priority.

Further details can be found on:
https://rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=12801&Mode=0

March 25, 2025: Master directions—Reserve Bank of India (prudential norms on capital adequacy for Regional Rural Banks) directions, 2025

Tags

Regional Rural Banks, Capital Adequacy, CRAR, Tier 1 Capital, Tier 2 Capital

Summary

This circular is applicable to all the Regional Rural Banks. It specifies the requirements for capital, including Tier 1 and Tier 2 capital, and the computation of Risk Weighted Assets, with the aim of ensuring that RRBs maintain adequate capital to support their risks.

Insights

1. RRBs must maintain a minimum Capital to Risk Weighted Assets Ratio (CRAR) of 9 percent on an ongoing basis.
2. The directions will come into effect from April 1, 2025, and apply to all Regional Rural Banks (RRBs).

Further details can be found on:
https://rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=12800&Mode=0

March 27, 2025: General notification for sale and issue of Government of India securities (including Treasury bills and Cash Management bills)

Tags

Government Securities, Treasury Bills, Cash Management Bills, General Notification, Debt Management

Summary

This RBI circular notifies all participants in the Government Securities market about a new General Notification from the Government of India regarding the sale and issue of Government of India Securities, including Treasury Bills and Cash Management Bills.

The new notification, F.No.4(2)-B(W&M)/2018 dated March 26, 2025, supersedes the previous notifications issued in 2018. This impacts all entities involved in trading and managing Government of India securities.

Insights

Ensure all procedures for the sale and issuance of Government of India Securities, Treasury Bills, and Cash Management Bills align with the stipulations outlined in the General Notification F.No.4(2)-B(W&M)/2018.

Further details can be found on:
https://rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=12802&Mode=0

March 29, 2025: Revised norms for government guaranteed Security Receipts (SRs)

Tags

Security Receipts (SR), Asset Reconstruction Companies (ARC), Net Book Value (NBV), Net Asset Value (NAV)

Summary

This circular is applicable to all commercial banks, Co-operative banks, All-India Financial Institutions, Non-Banking Financial Companies including Housing Finance Companies. This RBI circular provides revised norms for Government Guaranteed Security Receipts (SRs). It details the prudential treatment for the transfer of loans by eligible transferors to Asset Reconstruction Companies (ARCs), specifically addressing the reversal of excess provision and valuation norms for SRs guaranteed by the Government of India.

Insights

1. If a loan is transferred to an ARC for a value higher than the net book value (NBV), the excess provision can be reversed to the Profit and Loss Account in the year of transfer, provided the sale consideration comprises only of cash and SRs guaranteed by the Government of India.
2. SRs guaranteed by the Government of India shall be valued periodically by reckoning the Net Asset Value (NAV) declared by the ARC based on the recovery ratings received for such instruments.
3. Any SRs outstanding after the final settlement of the government guarantee or the expiry of the guarantee period, whichever is earlier, shall be valued at one rupee (₹1).

Further details can be found on:
https://rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=12804&Mode=0