



Boards should ensure that heads of assurance functions are positioned appropriately within the organisational hierarchy and granted direct access to the Board. Dual-hatting, or combining assurance responsibilities with operational or management duties, undermines the independence and objectivity of assurance functions by creating conflicts of interest.

-Shri Swaminathan J, Deputy Governor, Reserve Bank of India

[Gold loans - Irregular practices observed in grant of loans against pledge of gold ornaments and jewellery](#)

A record growth in gold loans has raised regulatory concerns. RBI conducted a review of the practices related to loans against pledge of gold ornaments and jewellery and found several irregularities. Major deficiencies include reliance on third parties for loan appraisal, lack of customer presence during gold valuation, inadequate due diligence, transparency issues in auctioning pledged gold, and improper risk-weight application. SEs are instructed to review their gold loan policies and practices, take remedial action, and monitor their gold loan portfolios. It should also be ensured that adequate controls are in place over outsourced activities and third-party service providers. SSM is to be informed of the action taken in this regard within three months of the date of issue of the circular.

[Implementation of Section 12A of the Weapons of Mass Destruction and their Delivery Systems \(Prohibition of Unlawful Activities\) Act, 2005: Designated List \(Amendments\)](#)

The circular refers to amendments in the implementation of Section 12A of the WMD Act, 2005. Regulated Entities must ensure compliance with procedures outlined in the Master Direction on KYC, especially in verifying daily updates to the UNSCR 1718 Sanctions List. Amendments to the list, related to designated individuals and entities, have been notified, and REs must adhere to the updated list and UNSC resolution on Democratic Peoples Republic of Korea.

[Interest Equalization Scheme \(IES\) on Pre and Post Shipment Rupee Export Credit](#)

RBI has announced an extension of the Interest Equalization Scheme (IES) for Pre and Post Shipment Rupee Export Credit only for MSME exporters from September 1 to September 30, 2024, as per the Government of India's directives. This extension specifically targets MSME manufacturer exporters, capping the annual net subvention amount at Rs. 10 crore per Importer-Exporter Code (IEC), with a maximum of Rs 5 crore for MSME manufacturer exporters for the FY starting April 1, 2024. For non-MSME manufacturer and merchant exporters, the cap is set at Rs. 2.5 crore per IEC until June 30, 2024. The RBI circular clarifies that all other provisions of the existing instructions on the scheme will remain unchanged.

[Liberalised Remittance Scheme \(LRS\) for Resident Individuals- Discontinuation of Reporting of monthly return](#)

RBI has discontinued the requirement for AD Category-I banks to submit monthly reports under the Liberalised Remittance Scheme (LRS). Instead, AD Category-I banks must now submit transaction-wise daily return data on CIMS at the close of business of the next working day. 'NIL' reports must be uploaded in case of no data.

[Reporting by Foreign Venture Capital Investors](#)

Under the SEBI (FVCI) Regulations, 2000, Foreign Venture Capital Investors (FVCIs) are required to submit quarterly

reports on their venture capital activities. The format for these reports has been updated. FVCIs must submit the reports even if no investments were made during the quarter. Custodians are responsible for ensuring timely submission.

[Modifications in Guidelines for Business Continuity Plan \(BCP\) and Disaster Recovery \(DR\) of Market Infrastructure Institutions \(MIIs\)](#)

SEBI has introduced modifications to the guidelines for Business Continuity Plans (BCP) and Disaster Recovery (DR) for Market Infrastructure Institutions (MIIs), including Stock Exchanges, Clearing Corporations, and Depositories. MIIs are now required to maintain a Near Site (NS) in addition to their Disaster Recovery Sites (DRS) to ensure minimal or zero data loss. Stock Exchanges must implement systems to ensure near-zero data loss, while Clearing Corporations and Depositories are expected to achieve zero data loss. MIIs must ensure their DRS can operate independently, with trained staff ready to manage operations without relying on the primary data center.

[Modification in framework for valuation of investment portfolio of AIFs](#)

SEBI has modified the framework for the valuation of investment portfolios of Alternative Investment Funds (AIFs). Under this framework, securities other than unlisted, non-traded, or thinly traded securities will now be valued in accordance

with mutual fund Regulations. Further, AIFs will now have seven months (earlier six months) to report valuations based on audited data from investee companies.

[Enabling T+2 trading of Bonus shares where T is the record date](#)

SEBI has released a circular to enhance the efficiency of bonus share issuance, effective from October 1, 2024. The circular reduces the timeline for trading bonus shares from the record date. Issuers must seek approval for the bonus issue within five working days of the board meeting and set the record date (T day), with the deemed allotment date as T+1. Stock exchanges will announce the record and allotment dates, while issuers must submit required documents to depositories by noon on T+1. Bonus shares will be credited and made available for trading by T+2.

[Optional mechanism for fee collection by SEBI registered Investment Advisers \(IAs\) and Research Analysts \(RAs\)](#)

A "Centralized Fee Collection Mechanism" (CeFCoM) for Investment Advisers (IAs) and Research Analysts (RAs) is being introduced to ensure transparency in fee payments. Developed through consultations with stakeholders, CeFCoM will allow clients to pay fees to registered IAs and RAs via a designated platform administered by a recognized Administration and Supervisory Body (ASB). The mechanism, co-created by BSE Limited, will have its operational framework defined by September 23, 2024, and become functional from October 1, 2024. While the use of this system is optional, ASB will encourage both clients and registered IAs/RAs to adopt it for enhanced investor protection and a secure payment environment.

[Flexibility in participation of Mutual Funds in Credit Default Swaps \(CDS\)](#)

Mutual Funds are now permitted to both buy and sell CDS with adequate risk management. Such flexibility to participate in CDS shall serve as an additional investment product for Mutual Funds and also aid in increasing liquidity in the corporate bond market. SEBI has outlined specific guidelines on exposure limits, valuation, cover requirements, and risk management.

[Modification in the timeline for submission of status regarding payment obligations to the stock exchanges by entities that have listed commercial paper](#)

SEBI has revised the reporting timeline for entities with listed Commercial Paper, shortening the submission deadline for certificates confirming payment obligations from two days to one working day, aligning it with the requirements for other listed non-convertible securities.

[Securities and Exchange Board of India \(Delisting of Equity Shares\) \(Amendment\) Regulations, 2024](#)

The major amendments include introduction of fixed price option, change in manner of determination of counter offer price and floor price, change in

Penalty corner

Imposed a monetary penalty of Rs. 1.91 crore on **Axis Bank Limited** for contravention of Section 19(1)(a) of the Banking Regulation Act, 1949, and non-compliance with RBI directions on 'Interest Rate on Deposits,' 'KYC,' and 'Credit Flow to Agriculture - Collateral Free Agricultural Loans.' The bank opened savings accounts for ineligible entities, issued multiple customer identification codes instead of a Unique Customer Identification Code (UCIC), obtained collateral for agricultural loans up to Rs. 1.60 lakh, and allowed its wholly-owned subsidiary to undertake technology service provider business, which is not permitted under Section 6 of the BR Act.

Imposed a monetary penalty of Rs. 1,00,00,000 on **HDFC Bank Limited** for non-compliance with RBI directions on 'Interest Rate on Deposits,' 'Recovery Agents engaged by Banks,' 'Customer Service in Banks' (as per the BCSBI Code), and 'Guidelines on Managing Risks and Code of Conduct in Outsourcing of Financial Services by Banks.' The bank provided gifts exceeding Rs. 250 (by paying the first-year premium for complimentary life insurance) to depositors, opened savings accounts for ineligible entities, and failed to ensure that customers were not contacted outside the hours of 7 pm to 7 am.

Imposed a monetary penalty of Rs.31,80,000 on **BNP Paribas** for non-compliance with certain directions issued by RBI on 'Interest Rate on Advances'. The bank failed to adopt uniform external benchmark within the same loan category in respect of certain loans.

Imposed a monetary penalty of Rs. 3,50,000 on **Housing and Urban Development Corporation Limited** for non-compliance with RBI's KYC Directions, 2016, and Housing Finance Company Directions, 2021. The company failed to undertake risk categorization of customers and establish a system for periodic review in 2021-22, and did not create or register a floating charge on assets in favor of its depositors, as required under Section 29B of the NHB Act.

Imposed a monetary penalty of Rs. 23,10,000 on **SMFG India Credit Company Limited** (formerly Fullerton India Credit Company Limited) for non-compliance with provisions of the 'Master Direction - Information Technology Framework for the NBFC Sector' and RBI's cyber security directions. The company (i) failed to include provisions for monitoring and oversight in its contracts with outsourced vendors, (ii) did not conduct an Information Systems (IS) Audit for Network and Security Solutions since its inception, and (iii) failed to ensure adequate storage and retention of audit logs for the email gateway or address a critical malware alert from the Endpoint Detection & Response solution.

Imposed a monetary penalty of Rs. 5,00,000 on **Godrej Housing Finance Limited** for non-compliance with certain provisions of the 'Non-Banking Financial Company - Housing Finance Company (Reserve Bank) Directions, 2021. The company failed to obtain two independent valuation reports before sanctioning certain loans of ₹75 lakh and above.

Imposed a monetary penalty of Rs. 5,00,000 on **Aadhar Housing Finance Limited** for non-compliance with certain provisions of the 'Non-Banking Financial Company - Housing Finance Company (Reserve Bank) Directions, 2021. The company charged interest on loans for a period prior to the date of actual disbursement of loan / issuance of cheque to certain borrowers in contravention of RBI directions on 'Fair Practices Code'.

Imposed a monetary penalty of Rs. 7,90,000 on **Muthoot Vehicle & Asset Finance Limited** for non-compliance with RBI directions on the 'Liquidity Risk Management Framework' and 'NBFC - Systemically Important Non-Deposit Taking Company Directions.' The company failed to disclose the Liquidity Coverage Ratio on its website, submit gold loan customer data to Credit Information Companies, and provide loan sanction details in the vernacular language to vehicle loan borrowers.

determination of reference date, modification to the counter offer thresholds and introduction of framework on delisting of an investment holding company.

[Allowing securities funded through cash collateral as maintenance margin for Margin Trading Facility \(MTF\)](#)

SEBI has amended provisions to ease collateral requirements for the Margin Trading Facility (MTF). Securities funded through cash collateral can now be used as maintenance margin, provided they are separately identifiable, with no comingling allowed. Cash collateral provided by clients can be applied to the maintenance margin if securities from the Clearing Corporation are pledged. A new clause mandates that funded stocks used for maintenance margin must be Group 1 securities, with a margin requirement of VaR+5 times the Extreme Loss Margin. Trading Members must report MTF exposure by 6:00 PM on T+1 day. These changes come into effect from October 1, 2024, and stock exchanges are instructed to amend their regulations accordingly.

[Usage of UPI by individual investors for making an application in public issue of securities through intermediaries](#)

SEBI has revised the application process for public issues of securities, including non-convertible and municipal debt securities. Individual investors applying through intermediaries for amounts up to ₹5 lakh must now use UPI to block funds and provide their bank account-linked UPI ID. Other methods, such as SCSBs and the Stock Exchange Platform, remain available. These provisions apply to public issues opening after a specified date.

[Operational Guidelines for Foreign Venture Capital Investors \(FVCIs\) and Designated Depository Participants \(DDPs\)](#)

The SEBI (Foreign Venture Capital Investors) Regulations, 2000, were amended on September 5, 2024, with the changes set to take effect from January 1, 2025. These amendments outline new provisions regarding the registration of Foreign Venture Capital Investors (FVCIs) through Designated Depository Participants, including eligibility conditions and the renewal of registration. To facilitate a smooth transition to the updated FVCI framework, SEBI has now issued operational guidelines to implement the amended provisions effectively.

Imposed a monetary penalty of Rs. 10,40,000 on **Hewlett Packard Financial Services (India) Private Limited** for non-compliance with RBI directions on 'KYC,' 'NBFC - Systemically Important Non-Deposit Taking Company and Deposit Taking Company Directions, 2016,' and the 'Master Direction - Information Technology Framework for the NBFC Sector.' The company failed to implement a system for periodic review of risk categorization of accounts, did not disclose or communicate the rate of interest and risk gradation approach in loan applications and sanction letters, and did not establish an IT Strategy Committee and an IT Steering Committee.

Imposed a monetary penalty of Rs. 25,000 on **RAR Fincare Limited**, Chennai, Tamil Nadu, for non-compliance with certain provisions of the RBI's Master Directions for Non-Banking Financial Companies (2016 and 2023). The company failed to obtain prior written permission from the RBI for effecting changes in management that resulted in a change of more than 30 per cent of its directors, excluding independent directors, warranting the imposition of the penalty.

[Reduction in the timeline for listing of debt securities and Non-convertible Redeemable Preference Shares to T+3 working days from existing T + 6 working days \(as an option to issuers for a period of one year and on a permanent basis thereafter such that all listings occur on a T+3 basis\)](#)

The circular outlines the revised timelines for the listing of debt securities and Non-convertible Redeemable Preference Shares (NCRPS) resulting from public issues. The listing must now be completed within T+3 working days from the issue's closure, down from the previous T+6 working days. This change aims to expedite fund access for issuers and enhance liquidity for investors. The T+3 listing timeline will be voluntary for one year starting November 1, 2024, and will become mandatory for public issues opening on or after November 1, 2025.

[Securities and Exchange Board of India \(Issue and Listing of Non-Convertible Securities\) \(Second Amendment\) Regulations, 2024](#)

SEBI has enacted the Securities and Exchange Board of India (Issue and Listing of Non-Convertible Securities) (Second Amendment) Regulations, 2024, effective upon publication in the Official Gazette. Key amendments include reducing the timeline for posting draft offer documents from seven to five working days, mandating issuers to advertise public issues through electronic modes, and specifying that details regarding branches can be provided via a QR code. Additional changes involve altering compliance requirements, such as modifying disclosure criteria for issuers, and ensuring that information is available for inspection by debenture trustees. These amendments aim to streamline processes and enhance transparency in the issuance and listing of non-convertible securities.

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