

***"The Reserve Bank has been repeatedly emphasizing the importance of strong governance framework in Banks and NBFCs. Such a framework has to be built on principles of transparency, prudent business strategy, effective risk management and a strong compliance culture."***

**- Shaktikanta Das, Governor – RBI  
National Academy of Audit and Accounts (NAAA)**

### **Prudential Norms on Income Recognition, Asset Classification and Provisioning - Clarifications**

Certain aspects of the regulatory guidelines have been clarified by RBI to ensure uniformity in the implementation of the IRACP norms across all lending institutions. These include specifying the exact due dates for repayment of loan, frequency of repayment, breakup between principal and interest, examples of SMA/NPA classification dates, etc. in the loan agreement and apprise the borrower of the same at the time of loan sanction and also at the time of subsequent changes, if any, to the sanction terms/loan agreement till full repayment of the loan. Other clarifications are to remove ambiguity around SMA classification, treatment of CC/OD accounts as 'out of order', classification of account as NPA if the interest applied on the term loans at specified rests remains overdue for more than 90 days etc. Further, the lending institutions are required to increase customer awareness and educate the borrowers by explaining these concepts with examples on their websites/ display at branches and also through their front line officers.

### **RBI Retail Direct Scheme**

RBI aims to bring G-secs within easy reach of the common man by simplifying the process of investment. Under the Scheme, retail individual investors will be able to open a Retail Direct Gilt (RDG) Account with the Reserve Bank Of India, using an online portal for investment in primary issuance of G Secs and Secondary market where Investors can buy and sell G Secs on NDS-OM.

### **Integrated Ombudsman Scheme, 2021**

RBI has integrated the three Ombudsman schemes viz [the Banking Ombudsman Scheme, 2006](#), [the Ombudsman Scheme for Non-Banking Financial Companies, 2018](#); and [the Ombudsman Scheme for Digital Transactions, 2019](#) into the Reserve Bank - Integrated Ombudsman Scheme, 2021 to make the alternate dispute redressal mechanism simpler and more responsive to the customers of entities regulated by it.

### **Working Group releases Report on digital lending through online platforms and mobile apps**

The Reserve Bank of India had constituted a Working Group (WG) on digital lending activities in January, 2021. The core objective of the report has been to enhance customer protection and facilitate a safe and robust digital lending ecosystem. The WG has since submitted its report and some key recommendations provided include, subjecting digital lending apps to a verification process by a nodal agency to be setup in consultation with stakeholders; setting up of a Self-Regulatory Organisation (SRO) covering the participants in the digital lending ecosystem; a separate legislation to prevent data collection with prior and explicit consent of borrowers with verifiable audit trails; development of certain baseline technology standards and compliance with those standards as a precondition for offering digital lending solutions; all data must be stored in India etc. The RBI has sought comments from stakeholders by email by 31 December, 2021.

## Appointment of Internal Ombudsman for select NBFCs

The RBI announced that Deposit-taking NBFCs (NBFCs-D) with 10 or more branches and Non-deposit taking NBFCs (NBFCs-ND) with asset size over Rs. 5000 Crore and public customer interface will be required to appoint an Internal Ombudsman (IO). RBI has clearly described guidelines for Appointment and prerequisites of the IO, the tenure of the IO, roles and responsibilities of the IO, secretariat and cost of the office of the IO, procedural guidelines for NBFCs regarding complaints referred to the IO by the NBFC.

NBFCs are required to put in place a system of periodic reporting of information as specified for compliance with quarterly and annual reporting requirements. The Internal Audit of the NBFC is expected to cover the implementation of this direction.

## Ownership Guidelines/Corporate Structure of Private Banks - IWG Recommendations

RBI had constituted an Internal Working Group (IWG) to review the extant guidelines on ownership and corporate structure for Indian private sector banks. Out of a total of 33 recommendations made, 21 recommendations have been accepted. As per the accepted recommendations, promoters will now be allowed to hold up to 26% stake in the bank in the long run while Non-promoter stake cap to be capped at 10% for natural persons/ non-financial institutions and entities and 15% for all categories of FIs respectively. The minimum initial capital requirement for licensing new banks has been raised to Rs. 1000 Crores and Rs. 300 Crores for "Universal Banks and SFBs respectively. Listing obligations mandate all Universal Banks and themselves within 6 years and all SFBs to list within 8 years of commencement of business operations. The other recommendations are still under examination.

## Disclosure Obligations for Related Party Transactions (RPT) by Listed Entities

The Securities and Exchange Board of India has issued disclosure obligations for approval of RPTs by listed entities. Listed Entities will have to seek approval from the Audit Committee by disclosing information of the RPT as per the circular. The Audit Committee must review the status of long-term or recurring RPTs on an annual basis. In addition to seeking the Audit Committee's approval, the entity must provide relevant information like the summary pertaining to the RPT for shareholder consideration and approval. RPT disclosures are expected to be reported every six months in the format as annexed. The Circular shall come into effect from April 1, 2022.

## Penalty Corner

### RBI:

The Reserve Bank of India penalised **Tata Communications Payment Solutions Limited (TCPSL)** Rs. 2 Crore for non-compliance with directions on White Label ATM deployment targets and net-worth requirement.

**Appnit Technologies Private Limited (ATPL)**, a Payment System Operator (PSO), was penalised Rs. 54.93 Lakhs for failing to comply with regulatory directions on maintenance of escrow account balance and net-worth requirement.

The RBI imposed a monetary penalty of Rs. 1 Crore on **Union Bank of India** for non-compliance with RBI guidelines in classifying an account as Red Flag Account despite Early Warning Signals. It had also failed to disclose ageing of and provisioning for Security Receipts in its Annual Report.

**State Bank of India** was penalized Rs. 1 Crore for holding shares in borrower companies, as pledgee, with the amount exceeding 30% of the paid-up share capital in said companies in contravention of the provisions of sub-section (2) of section 19 of the Banking Regulation Act, 1949.

RBI imposed a penalty of Rs. 20 Lakh on **Mulamoottil Financiers Limited** for non-adherence with certain directions on classification of Non-performing assets and RBI's directions on raising money through Private Placement by NBFCs-Debentures.

Restrictions placed on **Diners Club International Ltd** in April 2021 on onboarding new customers, have been lifted by the Reserve Bank of India. Diners Club had failed to comply with RBI's directions on storage of payment system data only in India.