

COMPLIANCE

“Oversight and assurance functions have a key role in value creation for a financial institution, strengthening public confidence, preserving and enhancing its reputation, and maintaining the integrity of its business and management. The Board should engage with the oversight and assurance functions and assure them of direct and unfettered access. The “tone from the top” would set the pace for a sound organisation culture that values honesty and integrity.”

- M.K. Jain – Dy. Governor - RBI

Importance of Governance and Assurance Functions in Financial Institutions - Keynote Address delivered by Shri M. K. Jain, Deputy Governor, Reserve Bank of India - March 10, 2022 - at CAFRAL

At the keynote address delivered at CAFRAL, Shri M.K. Jain, Deputy Governor, highlighted the importance of Governance and Assurance functions in Financial institutions. He pointed out that banks' business models are unique as they can raise a substantial amount of non-collateralized deposits, and perform the function of liquidity and maturity transformation. The governance structures and practices in the banks should therefore prioritise the protection of the interests of their depositors. He emphasised the role of the 3 Lines of Defence in identifying, addressing, and managing risk. The focus of RBI inspections has been increasingly on oversight and assurance functions in identifying the root cause of problems. He shared the areas of weakness identified by RBI and the supervisory expectations on governance and assurance. He pointed out that effective internal defences will help in building organisations that are strong, resilient, disciplined, and enjoy the benefits of sustained growth and customer confidence. It will also preempt supervisory actions and attendant reputational risks that arise in case transgressions are detected.

Framework for Geo-tagging of Payment System Touch Points

RBI had announced that a framework for geo-tagging of physical payment acceptance infrastructure would be prescribed by it to facilitate the nuanced spread of acceptance infrastructure and inclusive access to digital payments. Geo-tagging refers to capturing the geographical coordinates (latitude and longitude) of payment touchpoints deployed by merchants to receive payments from their customers. Capturing the accurate location of existing payment system touchpoints/acceptance infrastructure (payment touchpoints) is essential to upscaling and chalking out intervention strategies. This requirement can be effectively facilitated by geo-tagging of payment touchpoints. Banks / Non-bank PSOs are required to capture and maintain geographical coordinates for all payment touchpoints. The Geo-tagging information in respect of the PoS terminals and Paper-based / Soft QR Codes (QR, UPI QR, etc.) are required to be submitted by them to RBI as per the timeline through the Centralised information Management System (CIMS).

Circular on Calculation of investment concentration norm for Category III AIFs

As per SEBI's circular, subject to the availability of investible funds and approval from the trustees, board, or designated partners, existing Category III AIFs may opt for calculating investment concentration norm and may communicate the same to investors by April 28, 2022. These AIFs will be required to disclose the basis of calculation in the placement memorandum of their schemes and cannot be revised during the term of the scheme.

Interest Equalization Scheme on Pre and Post Shipment Rupee Export Credit - Extension

The Government of India has extended the Interest Equalisation Scheme up to March 31, 2024, or till further review. As per the guidelines, interest equalisation rates have been revised to 3% for MSME manufacturer exporters under HS lines and 2% for manufacturer exporters exporting under 410 HS lines (excluding telecom instruments sector having 6 HS Lines). While providing approvals to exporters, banks are required to furnish the prevailing interest rate; the interest subvention provided and the net rate being charged to each exporter for ensuring transparency and accountability. Further, for the period October 1, 2021, to March 31, 2022, banks are required to identify eligible exporters, credit their accounts with eligible amounts, and provide a sector-wise consolidated reimbursement claim to the RBI by April 30, 2022. Effective April 1, 2022, banks shall reduce the interest rate charged to eligible exporters upfront as per the guidelines and submit claims in the prescribed format within 15 days of the respective month-end.

Action against Paytm Payments Bank Ltd

The Reserve Bank of India has barred Paytm Payments Bank Ltd from onboarding new customers with immediate effect due to inadequacies in its IT infrastructure and material supervisory concerns at the Bank. RBI has further directed the bank to appoint an IT audit firm to conduct a comprehensive system Audit of the IT System. Onboarding of new customers by the bank will be subject to specific approval by RBI after reviewing reports of the IT auditors.

Penalty Corner

IIFL Finance Limited

SEBI in its order dated March 28, 2022 imposed an aggregate penalty of Rs 10 lakh on 6 persons/entities for violation of the Substantial Acquisition of Share and Takeovers) Regulations, 2011 (SAST) Regulations. SEBI held that the acquisition of 4,54,000 equity shares of IIFL from the open market by one of the promoters of IIFL on June 24 2020 without making a public announcement was in violation of the SAST Regulations.

LiqQuick Technology (India) Pvt. Ltd

LiqQuick Technology (India) Pvt. Ltd. has been imposed a penalty of ₹14,83,000/- by RBI for non-compliance with the directions issued by RBI on Issuance and Operation of prepaid payment instruments regarding net worth.

M.L Securities and Finance Pvt Ltd

M.L. Securities and Finance Private Limited has been penalised ₹2.50 lakh by the RBI for non-compliance with certain provisions on classification of non-performing assets as per RBI's Master Directions for (NBFCs - ND, NSI)