



"Banks are special and not like any other commercial entity. They are not just the custodians of shareholders' interest but more fundamentally the trust of the depositors. Depositors are at the very core of the banking system. Protection of depositors' interest is paramount to a robust, reliable and stable financial system in the country. It is important for banks to always remember that the funds they deploy belong to depositors and this should reflect in proper risk management, governance and internal control systems."

- Shri Shaktikanta Das, Governor - RBI

Bank of Baroda's Annual Banking Conference, July 2022

RBI has announced a slew of measures for liberalization of forex inflows with a view of expanding the sources of forex funding so as to mitigate volatility and dampen global spillovers. These measures aim to enhance forex inflows while ensuring overall macroeconomic and financial stability. The key measures in this regard are:

Overseas Forex borrowings of Authorised Dealer Category-I (AD Cat-1) Banks

AD Cat-I banks are now permitted to utilize the funds raised from overseas foreign currency borrowings between July 08, 2022, and October 31, 2022, for lending in foreign currency to constituents in India. Such lending shall be subject to the end-use prescriptions as applicable to External Commercial Borrowings (ECBs) This facility will be available till the maturity/repayment of the overseas foreign currency borrowings.

FCNR (B)/NRE Term deposits - Exemption from maintenance of CRR/SLR

Banks are required to include all Foreign Currency Non-Resident (Bank) [FCNR (B)] and Non-Resident (External) Rupee (NRE) deposit liabilities for computation of Net Demand and Time Liabilities (NDTL) for maintenance of CRR and SLR. With effect from the reporting fortnight beginning July 30, 2022, incremental FCNR (B) deposits as also NRE Term deposits with reference to the base date of July 1, 2022, mobilized by banks will be exempt from maintenance of CRR and SLR. with effect from the fortnight beginning July 30, 2022. These exemptions are valid for deposits raised till November 04, 2022. The exemption on reserves maintenance will be available for the original deposit amounts till such time the deposits are held in the banks' books.

Investment by Foreign Portfolio Investors (FPI) in Debt - Relaxations

The relaxations permit investments by FPIs in G-Secs and Corporate Bonds made between July 08, 2022, and October 31, 2022, to be exempted from the limit on short-term investments till the maturity or sale of such investments. Further, FPI investments in corporate bonds were subjected to a minimum residual maturity requirement of one year. FPIs are now allowed to invest in commercial papers and non-convertible debentures with an original maturity of up to one year, during the same period and would also be exempted from the limit on short-term investments till maturity or sale.

External Commercial Borrowings (ECB) Policy - Liberalisation Measures

The limit for ECBs under the automatic route has been temporarily raised from US\$ 750 million or its equivalent per financial year to US\$ 1.5 billion. The all-in cost ceiling under the ECB framework is also raised by 100 basis points, subject to the borrower being of investment grade rating from credit rating agencies. These dispensations are available for ECBs raised up to December 31, 2022.

'Fully Accessible Route' for Investment by Non-residents in Government Securities

In order to encourage Foreign Portfolio investment and increase the choice of G-Secs available for investment by non-resident investors under the FAR, as also to augment liquidity across the sovereign yield curve, the RBI has included 7.10% G S 2029 and 7.54% GS 2036 as 'specified securities' which will be eligible for investment under the FAR.

International Trade Settlement in Indian Rupees

With the Rupee facing pressure and trade with Russia facing restrictions due to wide-ranging sanctions, RBI has put in place an additional arrangement for invoicing, payment, and settlement of exports/imports in INR. Under this arrangement AD banks may open Special Rupee Vostro Accounts of correspondent bank/s of the partner trading country. Indian importers undertaking imports through this mechanism can make payment in INR which shall be credited into the Special Vostro account of the correspondent bank of the partner country, against the invoices for the supply of goods or services from the overseas seller /supplier. Similarly, Indian exporters shall be paid the export proceeds in INR from the balances in the designated Special Vostro account of the correspondent bank of the partner country. The surplus balances in the account can be used for permissible current and capital account transactions.

Asian Clearing Union (ACU) Mechanism - Indo-Sri Lanka trade

While transactions between member countries are required to be settled through the ACU mechanism, in the wake of the Sri Lankan crisis, RBI has allowed all eligible current account transactions including trade transactions with Sri Lanka to be settled in any permitted currency outside the ACU.

Digital Lending - RBI Recommendations

RBI's guidelines seek to regulate the delivery of credit products and their servicing through the Digital Lending route in the wake of complaints around misselling, breach of data privacy, unfair business conduct, charging of exorbitant interest rates, and unethical recovery practices. The guidelines are based on the principle that lending business can be carried out only by entities that are either regulated by the RBI or under other applicable laws. All loan disbursements and repayments are required to be executed only between the bank accounts of the borrower and the RE without any pass-through/pool account of the Lending Service Provider or third party. The data collected by Digital Lending Apps should be need-based and with clear audit trails. Lending sourced through DLAs is required to be reported to CICs by REs irrespective of its nature or tenor.

Penalty Corner

RBI imposed a severe monetary penalty of ₹5.72 crore on Federal Bank for lack of governance and oversight to ensure no incentives were paid to staff engaged in the insurance broking/corporate agency services by the insurance company.

IndusInd Bank has been subjected to supervisory action with a penalty of Rs. 1 Crore for non-compliance with Customer Due Diligence (CDD) procedure applicable to accounts opened via e-KYC, as per KYC norms. Certain accounts had aggregate credits exceeding Rs. 2 Lakh and certain FD accounts were opened for greater than Rs. 1 Lakh, some even exceeding Rs. 2 Lakh.

The Reserve Bank has imposed a penalty of Rs. 1.05 Crore on Kotak Mahindra Bank Ltd for a series of compliance breaches. Statutory Inspection of the Bank revealed that it had failed to credit the eligible amount to the Depositor Education and Awareness Fund within the period prescribed, credit (shadow reversal) the amount involved in the unauthorised electronic transactions to the customers' account within 10 working days from the date of intimation and, maintain/ apply margin on advances to stock brokers.

Bank of India has been penalised Rs. 70 Lakh for non-compliance with RBI's KYC guidelines on allotting Unique Customer Identification Code (UCIC) to many customers and further failing to complete the process even with extended timelines.

Ola Financial Services Pvt Ltd. has been penalised Rs. 1.68 Crores for failing to comply with RBI's Know Your Customer (KYC) Directions.

Suryoday Bank has been penalised Rs. 57.75 Lakhs for failing to report certain frauds in the FMR report to RBI within three weeks of detection and further failing to report to the State Police Authorities certain cases of fraud perpetrated by its staff.

Dhani Loans and Services has received a monetary penalty of ₹7.6 Lakhs for failing to categorise customers based on risk assessment and risk perception as per extant KYC guidelines.