



***"Banks need to prepare themselves for facing the dynamic environment, while keeping their focus on appropriate business models, sustainability, stability, and consumer centrality. More importantly, good governance remains fundamental to success and should not be compromised. Due care needs to be taken to protect the stakeholders from digital frauds, data breaches and cybercrimes. At the end of the day, banking is a service, and enhanced customer protection and experience should be given the primacy it deserves."***

**- Shri Shaktikanta Das, Governor - RBI**

### **Overseas Investment Framework - Relaxations**

In keeping with the spirit of liberalization and ease of doing business, the Foreign Exchange Management (Overseas Investment) Directions, 2022, and the Foreign Exchange (Overseas Investment) Regulations, 2022, have been notified. Overseas investments by residents in India enhance the scale and scope of business operations of Indian entrepreneurs by providing global opportunities for growth. The changes bring enhanced clarity to various definitions, and the introduction of the concept of "strategic sector". Besides, other changes include dispensing with the requirement of approval for deferred payment of consideration, investment/disinvestment by persons resident in India under investigation by any investigative agency/regulatory body, and issuance of corporate guarantees to or on behalf of second or subsequent level step-down subsidiary (SDS), write-off on account of disinvestment. Further, Late Submission Fee (LSF) has been introduced for reporting delays. Additional changes include that no person resident in India can make a financial commitment to a foreign entity that has invested or invested into India, at the time of making such a financial commitment or at any time thereafter, either directly or indirectly, resulting in a structure with more than two layers of subsidiaries.

### **Push for greater Financial Inclusion**

RBI has issued fresh guidelines in an effort to drive greater financial inclusion viz., Master Circular (MC) on Credit Facilities to Minority Communities and MC on Credit facilities to Scheduled Castes and Scheduled Tribes in addition to certain revisions to the Master Direction on Priority Sector Lending.

### **Authorized Dealer Category-I License eligibility for Small Finance Banks**

Small Finance Banks were allowed to become Authorised Dealers Category II (AD II) as per the licensing guidelines issued by RBI in 2019. Aiming to provide higher flexibility in meeting customers' foreign exchange requirements, SFBs, will be eligible for an Authorised Dealer Category I license after completion of at least two years of operations as Authorised Dealer Category II and subject to compliance with certain eligibility norms i.e minimum net worth of Rs 500 crore, CRAR not less than 15%, a record of profits for the preceding two years, etc. Eligible SFBs can approach the Foreign Exchange Department, Central Office RBI, with their applications along with the required supporting documents.

### **Rupee Interest Rate Derivatives (Reserve Bank) Directions - Review**

Banks in India were permitted in February 2022 to undertake transactions in the offshore Foreign Currency Settled Overnight Indexed Swap (FCS-OIS) market with non-residents and other market makers, with a view to remove the segmentation between onshore and offshore OIS markets and improve the efficiency of price discovery. Standalone Primary Dealers (SPDs) who are also market-makers, like banks, in the onshore OIS market and who are authorized under section 10(1) of FEMA, 1999 have been permitted by RBI to undertake FCS-OIS transactions directly with non-residents, AD- Cat 1 banks and eligible SPDs.

## **Bilateral Netting of Qualified Financial Contracts**

While computing capital requirements for counterparty credit risk, certain exposures wherever allowed to be taken were capped or exempted. Based on queries received from REs regarding the applicability of these caps/exemptions under the Bilateral Netting Framework, RBI has clarified that the exemption for foreign exchange (except gold) contracts that have an original maturity of 14 calendar days or less shall be applicable to entities calculating the counterparty credit risk under Original Exposure Method without taking the benefit of bilateral netting. Accordingly, the exemption would be applicable only to RRBs, Local Area Banks, and Co-Op Banks, where the Bank has not adopted the bilateral netting framework. For other entities, the exemption shall stand withdrawn. In respect of 'sold options', provided the entire premium/fee or any other form of income is received/realized, can be excluded only when such 'sold options' are outside the netting and margin agreements. For CDS where the bank is the protection seller and that are outside netting and margin agreements, the exposure may be capped to the amount of premium unpaid. Banks have the option to remove such credit derivatives from their legal netting sets in order to apply the cap.

## **Guidelines on Digital Lending**

The Operational Guidelines on Digital Lending aim to bring banks and non-bank lenders using digital lending apps under tighter supervision and ensure greater customer protection. Regulated Entities are required to ensure that all loan servicing, repayment, etc., are executed by the borrower directly in the RE's bank account without any pass-through account/pool account of any third party. The disbursements shall always be made into the bank account of the borrower except for disbursements covered exclusively under statutory or regulatory mandate (of RBI or of any other regulator), the flow of money between REs for co-lending transactions, and disbursements for specific end-use, provided the loan is disbursed directly into the account of the end-beneficiary. REs shall ensure that in no case, disbursement is made to a third-party account, including the accounts of LSPs and their DLAs, and are required to ensure that their outsourcing partners adhere to all the rules on digital lending norms.

## **Framework for restricting trading by Designated Persons by freezing PAN at security level**

SEBI has introduced as part of the Prohibition of Insider Trading (PIT) Regulations, a framework for restricting trading by Designated Persons (DP) by freezing PAN at the security level. The guidelines provide the process for implementation of the framework by the listed company, the designated depository, and the Stock Exchanges to promote ease of business and prevent any inadvertent non-compliance of the PIT Regulations by the DP and restrict trading during the trading window closure period. The restriction on trading shall be for on-market transactions, off-market transfers, and the creation of pledges in equity shares and equity derivatives contracts (i.e. Futures and Options) of such listed companies.

As per the process, the depositories will identify the Demat accounts by the PAN details of the DP based on details provided by the listed company, and both depositories and SEs will restrict transactions of DP till the end of the trading window closure period.

## **Penalty Corner**

Indian Bank has been imposed a monetary penalty of ₹32 Lakh for non-compliance with certain provisions of RBI's (Fraud classification and reporting by commercial banks and select FIs) Directions, 2016 for delay in the submission of certain flash reports regarding frauds to RBI.

Spandana Sphoorty Financial Limited has been penalised ₹2.33 crore for non-compliance with RBI's NBFC - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 by failing to adhere to pricing of credit guidelines applicable to NBFC-MFIs.

RBI has penalised Jupiter Capital Private Limited ₹81.92 lakh for failure to comply with RBI's directions pertaining to submission of credit information data to CRILC and Credit Information Companies (CICs).

Obopay Mobile Technology India has received a penalty of ₹5.93 Lakh for failing to comply with certain provisions of RBI's Master Directions on Prepaid Payment Instruments, 2021, and extant KYC.