



"Corporate governance systems that value professional skill sets, are open to innovation, and are capable not only of facilitating the formulation of strategies consistent with the new competitive scenario but also of adequately monitoring new risks, are indispensable for the stability of individual intermediaries and that of the banking system as a whole."

- Ignazio Visco, Governor of the Bank of Italy

Review of Risk Weights for Exposures guaranteed by Credit Guarantee Schemes (CGS)

Banks are currently permitted to apply a risk weight of zero percent in respect of exposures guaranteed under any existing or future schemes launched by CGTMSE, CRGFTLIH, and NCGTC as per the Master Circular on Basel III Capital Regulations. RBI has provided a set of conditions under which zero percent risk weight is applicable. With effect from April 1, 2023, for portfolio-level guarantees, the extent of exposure subjected to first loss absorption by the MLI shall be subjected to a full capital reduction, and the residual exposure shall attract a risk weight as applicable on a pro-rata basis. Subject to the above, any future schemes launched under the aforementioned Trust Funds, in order to be eligible for zero percent risk weight, shall provide for the settlement of the eligible guaranteed claims within thirty days from the date of lodgement, and the lodgement shall be permitted within sixty days from the date of default.

RBI's Discussion Paper - Expected Loss based approach for Loan Loss Provisioning by Banks

RBI has announced that it would be issuing a Discussion Paper on loss-based loan loss provisioning by Banks, as a step towards moving Banks to Ind-AS accounting standards, and further steps towards converging with globally accepted prudential norms. The inadequacy of the incurred loss approach for provisioning by Banks and its procyclicality, which amplified the downturn following the financial crisis of 2007-09, has triggered a global response to a shift to the Expected Credit Loss (ECL) regime for provisioning. Banks may be expected to factor in economic cycles while making such provisions.

RBI cautions against using unauthorized Forex Trading Platforms

RBI has cautioned the public not to undertake forex transactions on unauthorized electronic trading platforms (ETPs) or remit/deposit money for unauthorized forex transactions. Resident persons can undertake forex transactions only with authorized persons and for permitted purposes, in terms of the FEMA. While permitted forex transactions can be executed electronically, they should be undertaken only on ETPs authorized for the purpose by the RBI or on recognized stock exchanges viz., National Stock Exchange of India Ltd., BSE Ltd., and Metropolitan Stock Exchange of India Ltd. RBI has placed on its website an "Alert List" of entities which are neither authorized to deal in forex under the Foreign Exchange Management Act, 1999 (FEMA) nor authorized to operate electronic trading platforms for forex transactions for the guidance of the public.

Enabling Bharat Bill Payment System (BBPS) to process cross-border in-bound Bill Payments

Currently, foreign inward remittances received under Rupee Drawing Arrangement (RDA) can be transferred to KYC-Compliant beneficiary bank accounts through electronic modes such as NEFT, IMPS, etc., subject to the prescribed procedure and conditions. To facilitate Non-Resident Indians (NRIs) to undertake utility, education, and other bill payments on behalf of their families in India, it has been decided to enable BBPS to accept cross-border inward remittances under the RDA to be transferred to the KYC-compliant bank account of the biller (beneficiary) through Bharat Bill Payment System (BBPS).

Firewall between Credit Rating Agencies (CRAs) and their Affiliates

SEBI CRA Regulations required CRAs to segregate certain activities into separate entities. Correspondingly, to strengthen the firewall between SEBI registered CRAs and their non-rating entities, CRAs are required to formulate a Board approved policy on the separation of firewall practices with their non-rating entities and have these documented in their internal operating manuals. Additionally, disclosure requirements of any common Directors/Senior Officers between the entities have been covered. Credit Rating Scales prescribed by SEBI shall not be used by any non-rating entities of CRAs. Effective from January 1, 2023, and CRAs shall report on their compliance with this circular as ratified by the Board, to SEBI, within one quarter from the date of applicability of this circular. Monitoring the implementation of this circular shall be conducted via the mandated half-yearly internal audits for CRAs.

Framework for Social Stock Exchange (SSE)

SEBI has provided a detailed framework for SSE which highlights the minimum requirements to be met by NPOs for registering with SSE. It also covers the Minimum Initial Disclosure Requirement applicable to NPOs that are raising funds through Zero Coupon Zero Principal Instruments including information on key aspects such as Governance, Compliance, Vision, Strategy, etc. NPOs that are registered with, or have raised funds through SSE, are further required to make a comprehensive set of disclosures 60 days from the end of the financial year. They are also required to disclose their Annual Impact Report and a Statement of Utilization of Funds as mandated by the Listing Obligations and Disclosure Requirement (LODR) Regulations.

RBI releases list of NBFCs in the Upper Layer

16 NBFCs form part of RBI's NBFC-UL List and are required to put in place a Board endorsed policy for the adoption of the enhanced regulatory framework and chart out an implementation plan for adhering to the new set of regulations by December 30, 2022.

Exclusion from Prompt Corrective Action (PCA) Framework - Central Bank of India

On a review of the performance of the Central Bank of India by the Board for Financial Supervision, it was observed that the Bank was not in breach of PCA parameters. Besides, the Bank has provided RBI with a written commitment to meet prudential norms such as Minimum Regulatory Capital, Net NPA, and Leverage Ratio on an ongoing basis and has also put in place certain structural and systemic improvements to continue meeting these requirements. It has therefore been excluded from PCA restrictions.

Penalty Corner

RBI has been continually emphasizing on the responsibility of Regulated Entities in ensuring outsourced recovery and repossession activities are strictly in accordance with regulatory guidelines. Mahindra and Mahindra Financial Services has been directed to immediately cease recovery and repossession activity through its outsourcing arrangements as certain material supervisory concerns were observed, and may continue to carry out such activities only through its own employees.

Woori Bank has been levied a monetary penalty of ₹59.10 lakh by RBI for non-compliance with extant guidelines as it failed to report information on CRILC in respect of customers with non-fund based exposure of more than ₹5 crore, and pay interest on deposits at rates strictly as per the schedule of interest rates disclosed in advance, in certain instances. Periodic reviews of key compliance risk areas to assess compliance with applicable regulations may assist Banks in preventing such contraventions.

Industrial Bank of Korea has been penalised ₹36 lakh as it failed to put in place a system of periodic review of risk categorization of accounts as per RBI's KYC Directions. Recent regulatory penalties highlights the need for Regulated Entities to assess their AML/KYC Framework to ensure they are in line with regulatory expectations and commensurate with their operations.

A penalty of ₹12.35 lakh has been imposed on Indiabulls Commercial Credit Limited for failing to comply with RBI's KYC Guidelines. The NBFC failed to allot Unique Customer Identification Code (UCIC) to its individual customers and risk categorize its customers based on internal assessment and risk perception.