

**RBI
UPDATES**

1. Applicability Interest Subvention Scheme for MSMEs to Co-operative banks

- i. Government of India (GoI), Ministry of Micro, Small and Medium Enterprises (MSMEs) had announced the 'Interest Subvention Scheme for MSMEs 2018' ("Scheme") on November 2, 2018 for Scheduled Commercial Banks. Ministry of MSMEs has issued an operational guideline for implementation of the Scheme. On **October 07, 2020** Reserve Bank of India (RBI) vide its notification no. DOR (PCB).BPD.Cir No.3/13.05.001/2020-21 notified that GOI has decided to **include Co-operative Banks also as Eligible Lending Institutions effective from March 3, 2020.**
- ii. The scheme provides for an interest relief of 2% p.a. to eligible MSMEs on their outstanding fresh/incremental term loan/working capital during the period of its validity. The coverage of the Scheme is limited to all term loans / working capital to the extent of Rs. 100 lakh. However the loan accounts on the date of filing claim should not have been declared as NPA as per the extant guidelines in force. No interest subvention shall be admissible for any period during which the account remains NPA.
- iii. Para 2.1, 2.2 and 2.4 of the operational guidelines issued by the Ministry of MSME for the Scheme have been further modified by the Government as under:
 - a. The validity of the scheme has been extended till March 31, 2021. Accordingly, fresh or incremental term loan / working capital limit extended by co-operative banks with effect from March 3, 2020 will be eligible for coverage under the scheme.
 - b. Acceptance of claims in multiple lots for a given half-year by eligible institutions is permitted.
 - c. Requirement of Udyog Aadhaar Number (UAN) may be dispensed with for units eligible for GST. Units not required to obtain GST may either submit Income Tax Permanent Account Number (PAN) or their loan account must be categorized as MSME by the concerned bank.
 - d. Trading activities have also been allowed to be covered under the scheme without UAN.
- iv. Small Industries Development Bank of India (SIDBI) is the single national level nodal implementation agency for the scheme. Nodal office of eligible lending institutions should submit their half yearly claims to SIDBI in the enclosed formats as per the guidelines for claim submission provided in the scheme.

The link for aforesaid Notification and operational guideline is mentioned below:

<https://rbidocs.rbi.org.in/rdocs/notification/PDFs/ISS5D09963F430140329CD88683ACC7707F.PDF>

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2. Exim Bank's Government of India supported Line of Credit (LoC) to the Government of the Republic of Zimbabwe

- i) On **October 08, 2020** RBI vide its General Circular A.P. (DIR Series) Circular No. 02 notified that on February 24, 2020 Export-Import Bank of India (Exim Bank) has entered into an agreement with the Government of the Republic of Zimbabwe, for making available to the latter, Government of India supported Line of Credit (LoC) of USD 310 million (USD Three Hundred and Ten Million only) for the purpose of financing repowering of Hwange Thermal Power Station in the Republic of Zimbabwe.

Under the arrangement, financing of export of eligible goods and services from India, as defined under the agreement, would be allowed subject to their being eligible for export under the Foreign Trade Policy of the Government of India and whose purchase may be agreed to be financed by the Exim Bank under this agreement and out of the total credit by Exim Bank under the agreement, goods, works and services of the value of at least 75% of the contract price shall be supplied by the seller from India, and the remaining 25% of goods and services may be procured by the seller for the purpose of the eligible contract from outside India.

- ii) The Agreement under the LoC is effective from September 30, 2020. Under the LoC, the terminal utilization period is 60 months after the scheduled completion date of the project and Shipments under the LoC shall be declared in Export Declaration Form as per instructions issued by the Reserve Bank from time to time.
- iii) No agency commission is payable for export under the above LoC. However, if required, the exporter may use his own resources or utilize balances in his Exchange Earners' Foreign Currency Account for payment of commission in free foreign exchange. Authorised Dealer Category- I (AD Category- I) banks may allow such remittance after realization of full eligible value of export subject to compliance with the extant instructions for payment of agency commission.
- iv) AD Category – I banks may bring the contents of this circular to the notice of their exporter constituents and advise them to obtain complete details of the LoC from the Exim Bank's office at Centre One, Floor 21, World Trade Centre Complex, Cuffe Parade, Mumbai 400 005 or from their website www.eximbankindia.in

The link for aforesaid Circular and Annex is mentioned below:

<https://rbidocs.rbi.org.in/rdocs/notification/PDFs/EBGS08102020A63D27086AFD44D689F5002B28BEFE9C.PDF>

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3. Review of Export Data Processing and Monitoring System (EDPMS) Module for 'Caution/De-caution Listing of Exporters'

- i) On **October 09, 2020** RBI vide its General Circular A.P. (DIR Series) Circular No. 03 notified that, it has been decided to withdraw the existing para 3 (1) (i) and 3 (1) (ii) of the APDIR Circular No. 74 dated May 26, 2016 on the Module for 'Caution/ De-caution Listing of Exporters' in the EDPMS, with a view to make system more exporter friendly and equitable.
- ii) Under the revised procedure, an exporter would be caution-listed by the Reserve Bank based on the recommendations of the AD bank concerned, depending upon the exporters track record with the AD bank and investigative agencies. The AD bank would make recommendations in this regard to the Regional Office concerned of the Foreign Exchange Department of the Reserve Bank in case the exporter has come to the adverse notice of the Enforcement Directorate(ED) / Central Bureau of Investigation (CBI) / Directorate of Revenue Intelligence (DRI) /any such other law enforcement agency and/or the exporter is not traceable and/or is not making sincere efforts to realise the export proceeds.
- iii) Similarly, the AD bank would also make recommendations to the Regional Office of the Reserve Bank for de-caution-listing an exporter as per the laid down procedure.
- iv) The procedural aspects on handling of shipping documents of the caution-listed exporters by the AD banks, as outlined in Para 3.2 of the circular *ibid*, remain unchanged.

The link for aforesaid Circular is mentioned below:

<https://rbidocs.rbi.org.in/rdocs/notification/PDFs/APDIR034420C8AC687F453B9E1A0C851F9D95E9.PDF>

4. Sovereign Gold Bond Scheme (SGB) 2020-21- Series VII, VIII, IX, X, XI, XII

On **October 09, 2020** RBI vide its notification no. IDMD.CDD.No.730/14.04.050/2020-21 notified that GoI has vide its Notification No F.No4.(4)-B (W&M)/2020 dated October 9, 2020 has announced the Sovereign Gold Bond Scheme 2020-21, Series VII, VIII, IX, X, XI and XII. Under the scheme there will be a distinct series (starting from Series VII) for every tranche. The terms and conditions of the issuance of the Bonds shall be as per the above notification.

The Link for details of Date of Issue of SGB, Period of Subscription, Procedure for application of SGB and link for aforesaid notification is mentioned below:

<https://rbidocs.rbi.org.in/rdocs/notification/PDFs/NOTI52DF056138FF5E461F8A6E2EC19CCAED91.PDF>

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5. Regulatory Retail Portfolio – Revised Limit for Risk Weight

- i) As per para 5.9 on “Claims included in the Regulatory Retail Portfolios” of the Master circular No.DBR.No.BP.BC.1/21.06.201/2015-16 dated July 1, 2015 on Basel III Capital Regulations, claims (including both fund-based and non-fund based) that meet all the four criteria listed in paragraph 5.9.3 of the above Master Circular may be considered as retail claims for regulatory capital purposes and included in a regulatory retail portfolio.
- ii) **‘Low value of individual exposures’** is one of the four qualifying criteria which prescribed that the maximum aggregated retail exposure to one counterparty shall not exceed the absolute threshold limit of Rs. 5 crore. As per the present RBI instructions, Claims included in this portfolio shall be assigned a risk-weight of 75%.
- iii) In order to reduce the cost of credit for this segment consisting of individuals and small businesses (i.e. with turnover of upto Rs. 50 crore), and also to harmonise with the Basel guidelines, on **October 12, 2020** RBI vide its notification no. DOR.No.BP.BC.23/21.06.201/2020-21 notified that, it has been decided that the above threshold limit of Rs. 5 crore for aggregated retail exposure to counterparty shall stand increased to Rs. 7.5 crore from the date of this circular. The risk weight of 75% will apply to all fresh exposures and also to existing exposures where incremental exposure may be taken by the banks upto the revised limit of Rs. 7.5 crore.
- iv) The other exposures shall continue to attract the normal risk weights as per the extant guidelines. Illustrations are given in the **Annex** of the notification.

The link for aforesaid notification is mentioned below:

<https://rbidocs.rbi.org.in/rdocs/notification/PDFs/NOTI534D0C8BAE2D3A44EB9672375CE4605C56.PDF>

6. SLR holdings in HTM category

- i) On **October 12, 2020** RBI vide its notification no. DoR.No.BP.BC.22/21.04.141/2020-21 notified that, it has been decided to extend the dispensation of holding SLR securities acquired on or after September 1, 2020 up to March 31, 2021 under HTM category up to an overall limit of 22 per cent of NDTL, which had allowed by RBI vide circular dated September 1, 2020, for SLR securities acquired between September 1, 2020 and March 31, 2021, up to March 31, 2022, i.e. banks may continue to hold such excess SLR securities in HTM category upto March 31, 2022.
- ii) It has also been decided that the enhanced HTM limit shall be restored to 19.5 per cent in a phased manner, beginning from the quarter ending June 30, 2022, i.e. the excess SLR securities acquired by banks during the period September 1, 2020 to March 31, 2021 shall be progressively reduced such that the total SLR securities held in the HTM category as a percentage of the NDTL does not exceed:

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- (a) 21.00 per cent as on June 30, 2022
- (b) 20.00 per cent as on September 30, 2022
- (c) 19.50 per cent as on December 31, 2022

iii) As per extant instructions, banks may shift investments to/from HTM with the approval of the Board of Directors once a year and such shifting will normally be allowed at the beginning of the accounting year. However, in order to enable banks to shift their excess SLR securities from the HTM category to AFS/HFT to comply with the instructions as indicated in paragraph 3 above, it has been decided to allow such shifting of the excess securities during the quarter in which the HTM ceiling is brought down. This would be in addition to the shifting permitted at the beginning of the accounting year.

The link for aforesaid notification is mentioned below:

<https://rbidocs.rbi.org.in/rdocs/notification/PDFs/NOTI542E7CB9D6246F42A9B13E6B886366A6D4.PDF>

7. Extension of time for Submission of returns under Section 31 (read with section 56) of the Banking Regulation Act, 1949

On **October 13, 2020** RBI vide its notification no. DoR(PCB).BPD.Cir No.4/12.05.001/2020-21 notified that, in view of the difficulties faced by all Primary (Urban) Co-operative Banks (UCBs) in finalizing the financial statements amidst the COVID-19 pandemic, GoI, on the recommendation of the Reserve Bank, has issued a Gazette Notification No. S.O. 3377(E) dated September 29, 2020, declaring that the provisions of Section 31 read with clause (t) of Section 56 of the Act shall not apply to Primary Co-operative Banks till December 31, 2020. Accordingly, all UCBs shall ensure submission of the aforesaid returns to the Reserve Bank on or before December 31, 2020. (Earlier exemption was granted till September 30, 2020).

Further since the Banking Regulation (Amendment) Act, 2020 has not been notified for the State Co-operative Banks and Central Co-operative Banks as yet, they are required to furnish three copies of accounts and balance sheet together with auditor's report as returns to the Reserve Bank and the National Bank (NABARD), in terms of Section 31 read with Section 56 (t) of BR Act, within six months from the end of the period to which they refer, i.e., by September 30, 2020 for the financial year 2019-20. However into account the difficulties being faced by the State Co-operative Banks and Central Co-operative Banks due to the ongoing COVID-19 pandemic, the Reserve Bank hereby extends the period for furnishing of the returns under Section 31 of the Act for the financial year ended on March 31, 2020 by a further period of three months in terms of the first proviso to the above section. Accordingly, all State Co-operative Banks and Central Co-operative Banks shall ensure submission of the aforesaid returns to the Reserve Bank and NABARD on or before December 31, 2020.

The link for aforesaid notification is mentioned below:

<https://rbidocs.rbi.org.in/rdocs/notification/PDFs/NOTI55D6B79031B7D44FBA8B3F5D3BAD5839C4.PDF>

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8. Rationalisation of Risk Weights for Individual Housing Loans

RBI through its Circular No. DBR.BP.BC.No.72/08.12.015/2016-17 dated June 7, 2017, assigned differential risk weights to the capital charge for claims secured by residential property falling under the category of individual housing loans based on the size of the loan as well as the loan to value ratio (LTV).

On **October 16, 2020** RBI vide its notification no. DOR.No.BP.BC.24/08.12.015/2020-21, as a countercyclical measure, decided to rationalise the risk weights, irrespective of the amount. The risk weights for all new housing loans to be sanctioned on or after the date of this circular i.e. after October 16, 2020 and upto March 31, 2022 shall be as under:

LTV Ratio (%)	Risk Weight (%)
≤ 80	35
> 80 and ≤ 90	50

The requirement of standard asset provision of 0.25% shall continue to apply on all such loans and the LTV ratios, Risk Weights and Standard Asset Provision for all loans sanctioned prior to the date of this circular shall continue to be as prescribed in terms of the circular dated June 7, 2017.

All other instructions applicable in terms of the circular dated June 7, 2017 remain unchanged.

The link for aforesaid notification is mentioned below:

<https://rbidocs.rbi.org.in/rdocs/notification/PDFs/NT56BEDDD975CA624938A941CCF63BE51C70.PDF>

9. Inclusion in/exclusion from the Second Schedule to the Reserve Bank of India Act, 1934 - Regional Rural Banks (RRBs)

On **October 20, 2020** RBI vide its notification no. DOR.CO.RRB.No.25/31.04.002/2020-21 notified that, the Notification DOR.CO.RRB.No.138/31.04.002/2020-21 and DOR.CO.RRB.No.139/31.04.002/2020-21 dated July 27, 2020 for inclusion of names of ten amalgamated Regional Rural Banks and exclusion of names of 21 erstwhile Regional Rural Banks (RRBs) to/from the Second Schedule to the Reserve Bank of India Act, 1934, respectively, has been published in the Extraordinary Gazette of India (Part III - Section 4) dated October 19, 2020.

Copies of the above two notifications DOR.CO.RRB.No.138/31.04.002/2020-21 and DOR.CO.RRB.No.139/31.04.002/2020-21 dated July 27, 2020 are enclosed in the said notification.

The link for aforesaid notification is mentioned below:

<https://rbidocs.rbi.org.in/rdocs/notification/PDFs/NT5752C31103C215445B98AEBE787B71C5B6.PDF>

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10. Framework for Recognition of a Self-Regulatory Organization for Payment System Operators

On **October 22, 2020** RBI vide its Notification no. DPSS.CO.PD.No.503/02.12.004/2020-21 has issued framework for recognition of a self-regulatory organization for payment system operators wherein provisions related to characteristics, eligibility for recognition, requirements, grant, function and responsibilities have been discussed in details.

Industry self-governance helps in industry-wide smooth operations and ecosystem development. RBI's **Payment and Settlement Systems Vision 2019-21**, therefore, envisaged the setting up of a Self-Regulatory Organisation (SRO) for Payment System Operators (PSOs). The Statement on Developmental and Regulatory Policies of the Reserve Bank of India (RBI), as part of its Sixth Bi-monthly Monetary Policy Statement – 2019-20 (dated February 6, 2020), announced putting in place a Framework for Establishing a SRO for PSOs.

RBI had placed a draft framework for public comments and based on the comments and suggestions received, it has finalised the Framework for Grant of Recognition as a SRO, details are given in annexure to the notification. Interested groups / association of PSOs (banks as well as non-banks) **seeking recognition as an SRO** may apply to the Chief General Manager, Department of Payment and Settlement Systems, Central Office, 14th Floor, Shahid Bhagat Singh Marg, Fort, Mumbai – 400 001. The applications shall comply with the instructions laid down in the Framework.

The link for aforesaid notification is mentioned below:

<https://rbidocs.rbi.org.in/rdocs/notification/PDFs/NT583EB873C7EE0B4AEF8ACE7893E7588CDE.PDF>

11. Digital Payment Transactions – Streamlining QR Code infrastructure

On **October 22, 2020** RBI vide its Notification no. DPSS.CO.PD.No.497/02.14.003/2020-21 notified about Digital Payment Transactions to streamline QR Code infrastructure on the recommendations and suggestion of the Committee constituted **to review the current system of QR Codes under the Payment and Settlement Systems Act, 2007.**

The Committee has decided the following: -

- i. The **two interoperable QR codes in existence** – UPI QR and Bharat QR – shall continue as at present.
- ii. **Payment System Operators (PSOs)** that use proprietary QR codes shall shift to one or more interoperable QR codes; the process of migration shall be completed **by March 31, 2022.**
- iii. **No new proprietary QR codes** shall henceforth be launched by any PSO for any payment transaction.
- iv. RBI shall continue a **consultative process** to standardise and improve interoperable QR codes, to enable beneficial features identified by the Phatak Committee.
- v. PSOs may take initiative to **increase awareness about interoperable QR codes.**

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The above measures are expected to reinforce the acceptance infrastructure, provide better user convenience due to interoperability and enhance system efficiency.

The link for aforesaid notification is mentioned below:

<https://rbidocs.rbi.org.in/rdocs/notification/PDFs/NT597FAB5678F14F46359E7B535EBDE0E412.PDF>

12. Review of regulatory framework for Housing Finance Companies (HFCs)

On **October 22, 2020** RBI vide its Notification no. DOR.NBFC (HFC).CC.No.118/03.10.136/2020-21 notified about Review of regulatory framework for Housing Finance Companies (HFCs) in reference to its earlier Press Release No. 2019/419 dated August 13, 2019 and Press Release No. 2019-2020/2510 dated June 17, 2020 under the National Housing Bank Act, 1987 and Reserve Bank of India Act, 1934.

The draft regulatory framework for HFCs was issued for seeking comments from stakeholders based on the examination of the inputs received, RBI has decided to issue the **revised regulatory framework for HFCs** with the changes in the following subject matters:-

- a) Principal business and housing finance i.e. the definition of “Housing finance company” and “Housing Finance”
- b) Net Owned Fund (NOF) Requirement
- c) Applicability of directions issued by Reserve Bank
- d) Exposure of HFCs to group companies engaged in real estate business

The link for aforesaid notification is mentioned below:

<https://rbidocs.rbi.org.in/rdocs/notification/PDFs/NT605BE165AA9E8043EFA087339829CCF469.PDF>

13. Scheme for grant of ex-gratia payment of difference between compound interest and simple interest for six months to borrowers in specified loan accounts (1.3.2020 to 31.8.2020)

On **October 26, 2020** RBI vide its notification no. DOR.No.BP.BC.26/21.04.048/2020-21 stated that, the Government of India has announced the Scheme for grant of ex-gratia payment of difference between compound interest and simple interest for 6 months to borrowers in specified loan accounts (1.3.2020 to 31.8.2020) (the ‘Scheme’) on October 23, 2020, which **mandates ex-gratia payment to certain categories of borrowers** by way of crediting the **difference between simple interest and compound interest for the period between March 1, 2020 to August 31, 2020** by respective lending institutions. The details of the Scheme are available at: <https://financialservices.gov.in/sites/default/files/Scheme%20Letter.pdf>.

The link for aforesaid notification is mentioned below:

<https://rbidocs.rbi.org.in/rdocs/notification/PDFs/NOTI612B155289A6084BF180E687C96DCB6DC1.PDF>

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