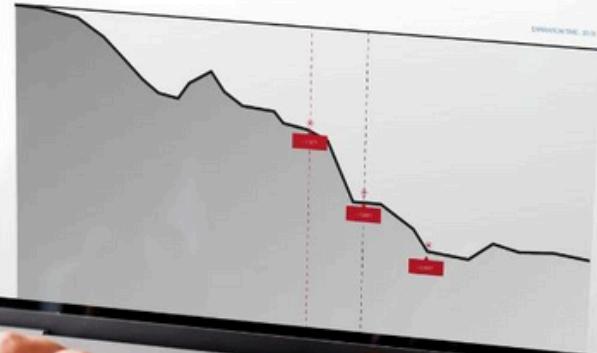


## RISK



*Banks must stay alert to the risks of certain practices that may seem less evident during strong economic growth but could lead to serious consequences during economic downturns.*

*-Shri M. Rajeshwar Rao, Deputy Governor, Reserve Bank of India*

### [Foreign Exchange Management \(Deposit\) \(Fifth Amendment\) Regulations, 2025](#)

The RBI has been making efforts to promote the use of INR/local currencies for settlement of trade-cross border transactions. This included introducing Special Rupee Vostro Accounts (SRVAs) and several foreign banks have opened SRVAs with banks in India. To further boost such cross border transactions, FEMA has been reviewed and changes effected in the Foreign Exchange Management (Deposit) Fifth Amendment regulations Foreign Currency Accounts by a person resident in India, Mode of payment and Reporting of non debt instruments Regulations, as follows. The Foreign Exchange Management (Deposit) (Fifth Amendment) Regulations, 2025, come into effect from the date of publication in the Official Gazette. Sub-regulation (4) of Regulation 5 is amended to include "or its branch outside India" after "authorised dealer in India." A new Regulation 9 permits the transfer of funds for bona fide transactions between repatriable Rupee accounts as per these regulations. Paragraph 1 of Schedule 4 is revised to allow a person resident outside India with business interests in India to open a Special Non-Resident Rupee (SNRR) account with an authorised dealer in India or its branch outside India for permissible transactions. Units in IFSCs can open SNRR accounts with authorised dealers outside IFSCs for business-related transactions.

In Paragraph 2 of Schedule 4, "Indian bank" is replaced with "A bank." Paragraph 8 of Schedule 4 now states that the tenure of the SNRR account aligns with the contract/operation/business period of the account holder. In Paragraphs 9, 11, and 12 of Schedule 4, "in India" is added after "SNRR account." In Paragraph 13 of Schedule 4, "having the SNRR account in India" is added after "account holder."

### [Foreign Exchange Management \(Foreign Currency Accounts by a person resident in India\) \(Fifth Amendment\) Regulations, 2025](#)

The Foreign Exchange Management (Foreign Currency Accounts by a person resident in India) (Fifth Amendment) Regulations, 2025, come into effect from the date of publication in the Official Gazette. Regulation 5 of the principal regulations is amended to insert sub-regulation (CA). Sub-regulation (CA) permits a person resident in India, being an exporter, to open, hold, and maintain a Foreign Currency Account with a bank outside India for realisation of full export value and advance remittance related to export of goods or services. Funds in this account may be utilised for import payments into India or must be repatriated into India by the end of the next month after receipt, adjusted for forward commitments. The exporter must also comply with realisation and repatriation requirements specified in Regulation 9 of the Foreign Exchange Management (Export of Goods and Services) Regulations, 2015.

### [Foreign Exchange Management \(Mode of Payment and Reporting of Non- Debt Instruments\) \(Third Amendment\) Regulations, 2025](#)

The Foreign Exchange Management (Mode of Payment and Reporting of Non-Debt Instruments) (Third Amendment) Regulations, 2025, take effect from the date of publication in the Official Gazette.

Regulation 3.1 of the principal regulations is amended to substitute provisions under Schedules I, II, VI, VII, VIII, and IX:

- Schedule I: Equity instruments must be issued to persons resident outside India within 60 days of receiving consideration, and funds may include inward remittance or funds in specified accounts. Sale proceeds (net of taxes) may be repatriated or credited to specified accounts.
- Schedule II: Foreign Portfolio Investors (FPIs) may invest using inward remittance or funds from designated accounts, with sale proceeds of equity instruments or other investments similarly repatriable.
- Schedule VI: Investments in Limited Liability Partnerships (LLPs) must be funded via inward remittance or specified accounts, with disinvestment proceeds repatriable or credited to designated accounts.
- Schedule VII: Foreign Venture Capital Investors (FVCIs) may use inward remittance or designated accounts for investments, with sale or maturity proceeds repatriable or credited as permitted.
- Schedule VIII: Investments in Investment Vehicles by persons resident outside India, can be made via inward remittance, swap of shares of a SPV or designated accounts, with proceeds repatriable or credited to specified accounts.
- Schedule X: Investment in Indian Depository Receipts (IDRs) by NRIs, OCIs,

and FPIs must follow specified funding methods, with redemption conversion into equity shares of the issuing company in accordance with Overseas Investment Rules, 2022.

Regulation 3 is amended as follows:

- Sub-regulation 3.2: Convertible notes issued by Indian start-up companies must be funded through inward remittance or specified accounts. Sale or repayment proceeds may be repatriated or credited to such accounts.
- New paragraph addition after Sub-regulation 3.2: Banking channels now include rupee vostro accounts, including Special Rupee Vostro Accounts, as permitted under Regulation 7(1) of the Foreign Exchange Management (Deposit) Regulations, 2016.

#### [Participation of NaBFID as an AIFI in financial markets](#)

NaBFID has been designated as an All-India Financial Institution (AIFI) and will be regulated and supervised by RBI, as per Sections 45L and 45N of the RBI Act, 1934. It will be regulated under the RBI Master Direction (Prudential Regulations on Basel III, Exposure Norms, Investments, and Resource Raising) Directions, 2023, effective from September 21, 2023. NaBFID is permitted to engage in credit default swap and repo transactions in accordance with the RBI Master Directions on Credit Derivatives (2022) and Repurchase Transactions (Repo) Directions (2018). These Directions, have been updated to clarify NaBFID's participation as an AIFI in financial markets regulated by the RBI.

#### [Status of March 30, 2025 for Government transactions through integration with e-Kuber](#)

The e-Kuber platform, RBI's Core Banking Solution for Government transactions, does not process transactions on global holidays, including Sundays. March 30, 2025, falls on a Sunday, but it has been marked as a working day for Government transactions to account for all receipts and payments for the financial year 2024-25. e-Kuber will remain open for Government transactions on March 30, 2025, ensuring accurate cash balances for the Central and State Governments. Luggage files from banks for Government transactions will be accepted by e-Kuber on March 30, 2025, up to the stipulated cut-off time, with transactions accounted for on the same date.

#### [Coverage of customers under the nomination facility](#)

RBI's supervisory assessments revealed that in a large number of deposit accounts nomination was not available. The RBI emphasizes the importance of the nomination facility to ease claim settlements for families of deceased depositors. SEs are directed to ensure nomination for all existing and new deposit accounts, safe custody articles, and safety lockers. The Customer Service Committee (CSC) of the Board must periodically review nomination coverage, with progress reported quarterly via RBI's DAKSH portal starting March 31, 2025. Frontline staff should be trained to obtain nominations and handle claims appropriately, and Account Opening Forms must include options to avail or opt-out of the nomination facility. SEs are also advised to publicize the facility through media campaigns and customer drives to achieve full coverage.

## **Penalty corner**

Imposed a monetary penalty of ₹1.00 lakh on **Datson Exports Ltd.**, West Bengal for non-compliance with certain directions issued by RBI on 'Managing Risks and Code of Conduct in Outsourcing of Financial Services by NBFCs'. The company had outsourced one of its decision-making functions, viz., sanction of loans, to its Digital Lending Application (DLA) partner.

Imposed a monetary penalty of ₹1.00 crore on **Bank of India** for non-compliance with provisions of Section 26A of the Banking Regulation Act, 1949 (BR Act) read with the 'Depositor Education and Awareness Fund Scheme, 2014'. The bank had not transferred eligible amounts to the Depositor Education and Awareness Fund within the prescribed period.

Imposed a monetary penalty of ₹1,63,60,000 on **Canara Bank** (the bank) for non-compliance with certain directions issued by RBI on 'Priority Sector Lending - Targets and Classification', 'Interest Rate on Deposits' and 'Financial Inclusion - Access to Banking Services - Basic Savings Bank Deposit Account (BSBDA)'.

The Bank:

- Collected loan related charges in certain Priority Sector loans upto ₹25,000;
- Did not pay any interest on certain Savings Bank Deposit accounts; and
- Simultaneously maintained Savings Bank Deposit accounts and Basic Savings Bank Deposit (BSBD) accounts of same customers.

Imposed a monetary penalty of ₹3.10 lakh on **Aptus Finance India Private Limited** (the company) for non-compliance with certain provisions of the 'Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016' issued by RBI, relating to 'Governance Issues'. The company failed to take prior written permission of the RBI for effecting change in management, resulting in change of more than 30 per cent of its directors, excluding independent directors.

Imposed a monetary penalty of ₹26.70 lakh on **India Post Payments Bank Limited** for non-compliance with certain directions issued by RBI on 'Customer Service in Banks'. The bank had upgraded certain Savings Bank accounts without obtaining customers' consent (in writing or through any other mode) and also levied annual charges after upgradation of those accounts.

Imposed a monetary penalty of ₹65 lakh on **Equitas Small Finance Bank Limited** for non-compliance with certain directions issued by RBI on 'Levy of Foreclosure Charges/Pre-payment Penalty on Floating Rate Term Loans' and 'Credit Flow to Agriculture - Collateral free agricultural loans'.

The bank:

- levied foreclosure charges on certain floating rate term loans sanctioned to individual borrowers for purposes other than business; and
- Obtained collateral security for certain agricultural loans amounting up to ₹1.6 lakh.

#### [Prevention of financial frauds perpetrated using voice calls and SMS - Regulatory prescriptions and Institutional Safeguards](#)

The rise in digital transactions has increased fraud risks, with scamsters exploiting mobile numbers for online frauds. Regulated Entities (REs) must use the Mobile Number Revocation List (MNRL) via the Digital Intelligence Platform (DIP) to monitor and clean their customer database, update registered mobile numbers after verification, and

monitor accounts linked to revoked numbers to prevent misuse. REs must provide verified customer care numbers to the DIP for publication on the "Sanchar Saathi" portal by DoT and share details via the specified email. Transactional/service calls should use the '1600xx' series, promotional calls the '140xx' series, and all communication must follow TRAI guidelines. Awareness campaigns on these measures should be conducted in multiple languages. Compliance with these instructions must be ensured by all REs no later than March 31, 2025.

#### [Guidelines on Settlement of Dues of borrowers by ARCs](#)

RBI has revised the guidelines on the settlement of dues by borrowers of Asset Reconstruction Companies (ARCs), amending paragraph 15 of the Master Direction – Reserve Bank of India (Asset Reconstruction Companies) Directions, 2024. The updated guidelines take effect immediately and the guidelines require ARCs to put in place a Board approved policy for settlement of dues by borrowers, computation of NPV etc.

#### [Private Placement of Non-Convertible Debentures \(NCDs\) with maturity period of more than one year by HFCs – Review of guidelines](#)

RBI has aligned the guidelines on the private placement of Non-Convertible Debentures (NCDs) with a maturity of more than one year by Housing Finance Companies (HFCs) with those applicable to NBFCs under the Scale-Based Regulation framework. Consequently, the existing guidelines in Chapter XI of the Master Direction – Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021 stand repealed. The revised guidelines apply to all fresh private placements of such NCDs by HFCs from the date of this circular. The Master Direction will be updated accordingly.

#### [Framework for imposing monetary penalty and compounding of offences under the Payment and Settlement Systems Act, 2007](#)

The RBI has revised the framework for imposing monetary penalties and compounding offences under the Payment and Settlement Systems Act, 2007 (PSS Act), in light of amendments to the provisions of the Act. The updated framework aims to rationalize and consolidate enforcement actions by the RBI. The revised framework supersedes the previous circular issued on January 10, 2020, and will be effective from the date of this circular.

#### [Measure for ease of doing business - Settlement of Account of Clients who have not traded in the last 30 days](#)

SEBI has revised the settlement of funds for clients who have not traded in the last 30 calendar days, aiming to improve ease of doing business. Previously, stock brokers had to settle such client accounts within three working days, leading to daily monitoring and inefficiencies. Now, the entire credit balance of such clients must be returned on the upcoming settlement date of the monthly running account settlement cycle as per the stock exchange's annual calendar. If a client trades after 30 days but before the upcoming settlement date, the quarterly/monthly settlement cycle preference will continue as usual.

#### [Guidelines for Investment Advisers](#)

Securities and Exchange Board of India (SEBI) has revised its regulatory framework for Investment Advisers (IAs) through amendments effective December 16, 2024. Key updates include new deposit requirements based on client numbers, provisions for part-time IAs, and dual registration for Research Analysts as IAs under specific conditions. Non-individual IAs must appoint compliance officers and meet qualification standards. Fee-related provisions allow flexibility in charging modes and revise fixed fee limits. Disclosure and segregation requirements apply to IAs using Artificial Intelligence or offering non-SEBI-regulated products. Enhanced audit, record maintenance, and website requirements aim to ensure transparency and compliance. The circular also mandates functional websites for all IAs and enforces detailed terms for agreements with clients. Provisions come into immediate effect unless specified otherwise, with deadlines for compliance varying by clause.

#### [Guidelines for Research Analysts](#)

The Securities and Exchange Board of India (SEBI) has revised its framework for regulating Research Analysts (RAs) through the SEBI (Research Analysts) (Third Amendment) Regulations, 2024, effective December 16, 2024. Key updates include revised qualification requirements, deposit mandates based on client count, and provisions for dual registration as both investment advisers and research analysts. Compliance deadlines for existing RAs vary, with deposit requirements due by April 30, 2025, and client fee-related provisions effective by June 30, 2025. SEBI has also introduced client-level segregation for research and distribution activities, clarified guidelines for recommending model portfolios, and updated KYC record-keeping and interaction documentation standards. Additional directives cover fee limits, refund mechanisms, grievance redressal, and mandatory disclosures, including Most Important Terms and Conditions (MITC). SEBI emphasizes maintaining transparency, adhering to client consent protocols, and avoiding conflicts of interest. The updated framework aims to enhance accountability, ensure client protection, and standardize practices in the research and advisory industry. Compliance audits will integrate these guidelines, ensuring adherence across all levels by set deadlines.

#### [Procedure for seeking waiver or reduction of interest in respect of recovery proceedings initiated for failure to pay penalty](#)

SEBI has delegated powers to waive or reduce interest in recovery proceedings for penalty non-payment under Section 220(2A) of the Income-tax Act, 1961.

Waiver/reduction decisions are made by:

- a) Panel of Executive Directors (amount < ₹2 crores).
- b) Panel of Whole-time Members (other cases).

Waiver/reduction is not applicable for:

- a) Interest on unpaid fees by intermediaries.
- b) Interest on disgorgement/refund orders under SEBI Act Sections 11, 11B, 11(4).

Applications must:

- a) Be submitted in the prescribed format with supporting documents.
- b) Be for interest post-demand notice and only if the principal amount is fully paid.

The Recovery Officer forwards complete applications to the Competent Authority for review. Orders on applications must be passed within 12 months, ensuring a hearing opportunity for applicants. Incomplete applications will be returned.

### [Circular on Revise and Revamp Nomination Facilities in the Indian Securities Market](#)

SEBI has revised the norms for nomination in demat accounts and mutual fund folios to reduce unclaimed assets and ensure uniformity. The circular is divided into two sections:

Section A: Reiterates existing norms, including rules for survivorship in joint accounts, nomination in HUF accounts, pro-rata distribution among nominees, and requirements for online and offline nomination submissions. Nomination is mandatory for single holders but optional for joint accounts.

Section B: Introduces revamped norms, requiring personal identifiers (e.g., PAN, Aadhaar) for nominees, contact details, and specifying up to 10 nominees per account. Regulated entities must ensure compliance and maintain records for 8 years after asset transmission.

### [Disclosure of Risk adjusted Return - Information Ratio \(IR\) for Mutual Fund Schemes.](#)

SEBI has mandated daily disclosure of the Information Ratio (IR) for equity-oriented mutual fund schemes on AMCs' websites to enhance transparency and aid investor decision-making. AMCs and AMFI must educate investors about Risk Adjusted Return (RAR) and IR through mass media and investor education budgets. A standardized disclosure format has been provided, including a hyperlink to AMFI's website explaining IR, its formula, and interpretation with illustrations. These provisions will be effective within three months from the circular's issuance.

### [Timeline for Review of ESG Rating pursuant to occurrence of 'Material Events'](#)

To ease operational challenges and promote Ease of Doing Business, SEBI revised the timeline for review of ESG ratings after BRSR publication. ESG ratings must now be reviewed immediately, but not later than 45 days of BRSR publication by the rated entity. The 10-day timeline remains unchanged for all other material developments.

### [Development of Web-based portal: iSPOT\(Integrated SEBI Portal for Technical glitches\) for reporting of technical glitches](#)

SEBI has developed iSPOT (Integrated SEBI Portal for Technical Glitches) to streamline reporting and create a centralized repository for technical glitches faced by Market Infrastructure Institutions (MIIs) (Stock Exchanges, Clearing Corporations, and Depositories). iSPOT replaces the existing email-based reporting system and allows MIIs to submit preliminary and final Root Cause Analysis (RCA) reports.

### [Details/clarifications on provisions related to association of persons regulated by the Board, MIIs, and their agents with persons engaged in prohibited activities](#)

The regulations prohibit SEBI-regulated entities, Market Infrastructure Institutions (MIIs), and their agents from associating with any person who:

- (i) Provides investment advice or recommendations without SEBI registration or approval.
- (ii) Makes claims on returns or performance of securities without SEBI authorization.

The exemption applies to persons engaged solely in investor education, provided they do not indirectly or directly offer advice or make claims as per (i) or (ii).

### [Parameters for external evaluation of Performance of Statutory Committees of Market Infrastructure Institutions \(MIIs\); and Mechanism for internal evaluation of Performance of MIIs and its Statutory Committees](#)

SEBI has issued guidelines for the external and internal evaluation of the performance of Market Infrastructure Institutions (MIIs) and their statutory committees. MIIs, including stock exchanges, clearing corporations, and depositories, must appoint an independent external agency to conduct evaluations every three years, with the first report due by September 30, 2025. MIIs must obtain SEBI's prior No Objection Certificate (NOC) for appointing an external agency, ensuring no conflict of interest. Additionally, MIIs must conduct annual internal evaluations, with reports submitted within three months from the end of each financial year. The circular takes effect 30 days from issuance.

### [Framework for Monitoring and Supervision of System Audit of Stock Brokers \(SBs\) through Technology based Measures](#)

SEBI has introduced a framework to enhance the monitoring and supervision of system audits for Stock Brokers (SBs) through technology-based measures. Stock Exchanges (SEs) must develop a web-based platform to oversee the audit process, ensuring physical visits by auditors through geo-location tracking and secure OTP-based logins. SBs must provide auditor details, audit plans, and IT system coverage before the audit. Auditors must log visit details and collect evidence, while SEs may conduct surprise visits for verification. A standardized system audit report format will be implemented, covering IT infrastructure, audit scope, sample size, and compliance requirements. SBs must submit reports and Action Taken Reports (ATRs) via the web portal, with QSBs requiring board approval. SEs will empanel auditors based on qualifications, experience, and independence, with a cooling-off period after three consecutive audits.

### [Withdrawal of recognition granted to Indian Commodity Exchange Ltd.](#)

SEBI has withdrawn the recognition of the Indian Commodity Exchange Ltd. (ICEX) as a stock exchange, effective December 26, 2024.

### [Commodities Derivatives Segment](#)

SEBI has extended the suspension of trading in derivative contracts for seven commodities - Paddy (non-basmati), Wheat, Chana, Mustard seeds, Soya bean, Crude Palm Oil, and Moong until March 31, 2025. The suspension, initially imposed on December 19, 2021, has been extended multiple times, with the latest extension continuing the restriction.

### [Consultation paper on proposal to increase the size criteria \(set to guard against potential circumvention of Press Note 3 stipulations\) in the additional disclosure framework](#)

SEBI has issued a consultation paper proposing an increase in the size threshold for additional disclosure requirements for Foreign Portfolio Investors (FPIs). The current threshold of INR 25,000 crore is proposed to be raised to INR 50,000 crore, considering

the rise in market turnover and to maintain compliance with Press Note 3 stipulations.

Deadline for Comments: January 31, 2025.

### [Consultation paper on certain amendments to SEBI LODR Regulations, 2015 with the objective of encouraging dematerialization of securities and streamlining certain processes in view of current regulatory landscape](#)

The consultation paper outlines proposed amendments to the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, aiming to mandate dematerialization of securities for specific corporate actions and simplify processes in alignment with the current regulatory landscape.

Deadline for Comments: February 04, 2025.

### [Consultation Paper on draft circular for change in cut-off timings to determine applicable NAV with respect to repurchase/ redemption of units in overnight schemes of Mutual Funds](#)

SEBI has issued a draft circular proposing changes in the cut-off timings for determining the applicable NAV for repurchase (redemption) of units in Overnight Mutual Fund Schemes (MFOS).

Discussion Points:

- New Cut-off Timings: The cut-off time for repurchase in Overnight Funds is proposed to change from 3:00 PM to 7:00 PM, providing SBs/CMs time to un-pledge MFOS units and submit redemption requests after market hours.
- Rationale for Change: Since Overnight Funds invest in risk-free government securities, redemption requests will not impact the funds' valuation, ensuring smooth operations.
- Implementation Date: The provisions of this circular are set to take effect from March 2025.

Public comments on the draft circular are invited by February 10, 2025.

### [Consultation Paper on Review of Framework for Social Stock Exchange](#)

The consultation paper seeks public feedback on proposed changes to the Social Stock Exchange (SSE) framework. The key proposals include expanding the list of legal structures for Not-for-Profit Organizations (NPOs) to be recognized on SSE, modifying eligibility criteria for social enterprises, and revising disclosure requirements for NPOs. Notably, NPOs would be allowed to register for 2 years without raising funds, and cultural and environmental entities would be included in eligible activities. Other changes focus on the social impact assessment process, submission timelines, and transparency on governance and financial aspects. These revisions aim to enhance the effectiveness and accessibility of the SSE for social enterprises and NPOs.

### [Consultation paper on promoting financial inclusion through Sachetisation of Investment in Mutual Fund schemes](#)

The consultation paper seeks public feedback on promoting financial inclusion through sachetisation of Mutual Fund investments. The objective is to encourage small savings and systematic investment from low-income groups by introducing small ticket Systematic Investment Plans (SIPs) at Rs. 250. This initiative aims to extend mutual fund participation to underserved sections of society and increase its reach, with support from SEBI and industry intermediaries.

Key features of the proposal include:

- A Rs. 250 SIP option, restricted to three SIPs per investor in different Asset Management Companies (AMCs).
- Investment through modes like NACH and UPI auto-pay.
- KYC costs and small ticket SIP commissions subsidized to encourage broader participation.
- Disclosures to investors via SMS and email.
- Incentives for distributors facilitating investments.

The consultation invites comments on:

- The proposal for small ticket SIPs and their features.
- The appropriateness of providing disclosures through SMS for small ticket SIP investors.

Public comments are invited until February 6, 2025.

### [Investor Charter for Stock Brokers](#)

The Securities and Exchange Board of India (SEBI) issued the draft circular to update the Investor Charter for Stock Brokers. The updated charter aims to enhance investor awareness, financial consumer protection, financial inclusion, and literacy, particularly in light of developments like the introduction of the Online Dispute Resolution (ODR) platform and SCORES 2.0.

The draft is open for public comment until February 17, 2025, and responses can be submitted online or via email.

### [Consultation paper on draft circular for "Safe and Efficient Transfers on UPI"](#)

- Unique UPI Address: SEBI intends to introduce a distinct UPI handle for registered market intermediaries, allowing investors to verify that their payments reach only SEBI-registered participants. This would also help avoid payments to unregistered entities.
- Stakeholder Consultation: The draft circular follows discussions within SEBI's advisory committees and other stakeholders like the National Payments Corporation of India (NPCI).
- Public Comments: SEBI invites comments from investors, market participants, and other stakeholders on the proposed measures by February 21, 2025.