NEWSLETTER Weekly

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SECURITIES AND EXCHANGE BOARD OF INDIA

1. **Timeline for Review of ESG Rating pursuant to occurrence of 'Material Events'.**

   The Securities and Exchange Board of India (SEBI) has issued a circular revising the timeline for ESG Rating Providers (ERPs) to review ESG ratings following the publication of Business Responsibility and Sustainability Reporting (BRSR). Initially, ERPs were required to review ratings within 10 days of material developments, including BRSR publication. However, in response to operational challenges cited by ERPs, SEBI has extended the review period for BRSR-related updates to 45 days. Reviews for other material events must still occur within 10 days. This amendment, aimed at improving operational efficiency, is effective immediately.

   For more information, you can access the SEBI circular here: https://www.sebi.gov.in/legal/circulars/jan-2025/timeline-for-review-of-esg-rating-pursuant-to-occurrence-of-material-events-_90930.html

2. **Disclosure of Risk adjusted Return - Information Ratio (IR) for Mutual Fund Schemes.**

   Securities and Exchange Board of India (SEBI) has issued a circular mandating the disclosure of the Information Ratio (IR) for equity-oriented mutual fund schemes. This measure aims to provide a more comprehensive view of risk-adjusted returns (RAR) for investors. AMCs are required to calculate IR using a standardized formula that incorporates portfolio and benchmark returns along with the standard deviation of excess returns. Disclosures must be made daily on AMC websites and in a uniform, downloadable format on the AMFI website. The initiative also includes investor education efforts to ensure better understanding of IR and its significance. These provisions will take effect three months from the issuance of the circular.

   For more information, you can access the SEBI circular here: https://www.sebi.gov.in/legal/circulars/jan-2025/disclosure-of-risk-adjusted-return-information-ratio-ir-for-mutual-fund-schemes-_90928.html

MINISTRY OF FINANCE

1. **Financial Intelligence Unit (FIU-IND) and National Housing Bank (NHB) sign MoU for enhanced coordination and information exchange.**

   The Financial Intelligence Unit (FIU-IND) and the National Housing Bank (NHB) have signed a Memorandum of Understanding (MoU) as part of continued coordinated efforts in effective implementation of requirements of the Prevention of Money Laundering Act and Rules framed thereunder in New Delhi. The MoU was signed by Shri Vivek Aggarwal, Director, FIU-IND and Shri Sanjay Shukla, Managing Director, NHB. The MoU outlines a framework for cooperation on anti-money laundering and counter Financing of Terrorism (CFT) activities, with a focus on the housing finance sector in India. Key areas of the interest include the following:

   - Each Party to the MoU will appoint a nodal officer and an alternate nodal officer to interact with the other party.
   - Sharing of relevant intelligence and information, available in their respective databases, for the purpose outlined in this MoU.

- Laying down procedure and manner in which the supervised entities / reporting entities report to FIU-IND under the PML Rules.

- Conducting outreach and training for supervised entities /reporting entities.

- Upgradation of AML/CFT skills in the supervised entities / reporting entities.

- Assessment of AML/CFT risks and vulnerabilities in Housing Finance Companies in India.

- Identification of red flag indicators for Suspicious Transaction Reports in the Housing Finance Companies in India.

- Supervising and monitoring the compliance of supervised entities / reporting entities with their obligations under PMLA, PML Rules and the guidelines issued by the Reserve Bank of India/NHB.

- Compliance with each other's obligations under the relevant international standards.

- Conduct of quarterly meeting to discuss the above in addition to typologies/trends in AML/CFT crimes, cases where sanctions have been imposed etc.

For more information, you can access the GOI press release here:
https://pib.gov.in/PressReleasePage.aspx?PRID=2093927

2. Secretary, Department of Financial Services Shri M. Nagaraju Chairs review meeting on progress of Schemes of Financial Inclusion with Public Sector Banks (PSBs) and Private Banks.

Public Sector and Private Sector Banks should dedicatedly work towards bringing more and more people in the fold of Financial Inclusion Schemes: Stating importance of expanding banking infrastructure in unbanked villages and improving connectivity in remote areas, particularly in the North East. The review meeting also included virtual participation by senior executives from the Small Industries Development Bank of India (SIDBI), Mudra Ltd, Indian Banking Association (IBA), and National Credit Guarantee Trustee Company Limited (NCGTC). Discussions centered on flagship programme's such as the Pradhan Mantri Jan Dhan Yojana (PMJDY), Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY), and Stand-Up India.

Key features of the Meeting:

- Reviewed the progress under various Financial Inclusion schemes including Pradhan Mantri Jan Dhan Yojana (PMJDY), Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY), Pradhan Mantri Suraksha Bima Yojana (PMSBY), Atal Pension Yojana (APY), Pradhan Mantri Mudra Yojana (PMMY), Stand Up India and PM Vishwakarma.

- Reviewed the progress of opening of brick & mortar branches of banks in unbanked villages and stressed upon augmenting of Banking Infrastructure in the country with special focus on North Eastern States. Also, emphasized on the need for Banking expansion in far flung areas by resolving the issues of connectivity and infrastructure.

- Significant progress has been made in expanding social security and deepening financial inclusion in the country through various flagship schemes of the Government, and further urged the Public Sector and Private Sector Banks to dedicatedly work towards bringing more and more people in the fold of Financial Inclusion Schemes so as to further strengthen financial inclusion initiatives taken by the Government. Secretary, DFS also stressed upon extending the loans to SC/STs under Stand-Up India Scheme and achieving the allocated targets under MUDRA scheme.

For more information, you can access the GOI press release here:
https://pib.gov.in/PressReleasePage.aspx?PRID

3. **Exponential Growth in Digital Transactions.**

In recent years, India has witnessed an unparalleled rise in digital transactions, marking a significant milestone in its journey towards becoming a cashless society. At the forefront of India's digital payment revolution is UPI with a record hit of 16.73 billion transactions in December 2024. In addition to this, Immediate Payment Service (IMPS), and NETC FASTag have emerged as pivotal players, making financial transactions faster, more accessible, and secure. Unified Payments Interface (UPI) is a system that powers multiple bank accounts into a single mobile application (of any participating bank), merging several banking features, seamless fund routing & merchant payments into one hood. As of recent data from the National Payments Corporation of India (NPCI), UPI has set a new record by processing over 16.73 billion transactions, with a staggering transaction value of Rs 23.25 lakh crore. This is a notable jump from Rs 21.55 lakh crore in November. This rise underscores a broader cultural shift toward financial inclusivity, with UPI being a central pillar. Immediate Payment Service (IMPS) is a real-time, 24x7 electronic funds transfer service that facilitates quick transactions across banks and financial institutions. Its versatility in supporting transactions through multiple channels, including mobile, ATM, SMS, and the internet, has made it an essential tool for businesses and individuals alike. Recent data indicates that IMPS transactions have surged, with 441 million transactions recorded in December 2024. The transaction value also saw a notable increase, touching Rs 6.01 lakh crore in December, up from Rs 5.58 lakh crore the previous month. Another important digital payment method that has grown in significance is the NETC FASTag. National Electronic Toll Collection (NETC) FASTag offers a seamless, cashless way to pay for tolls on national highways, eliminating the need for vehicles to stop at toll plazas. By linking a FASTag to a bank account (be it savings, current, or prepaid), drivers can pay their tolls while on the move, saving both time and fuel. FASTag transactions grew in volume to 381.98 million in December, against 358.84 million in November. The value also increased to Rs 6,642 crore against Rs 6,070 crore in November. The surge in digital transactions through UPI, IMPS, and NETC FASTag is a testament to India's growing embrace of a digital-first economy. These technologies have not only made financial transactions easier but also more secure, ensuring that users can engage in commerce without the fear of fraud or theft. As India continues to expand its digital infrastructure and enhance its payment systems, the future of financial transactions looks brighter than ever.

For more information, you can access the GOI press release here:
https://pib.gov.in/PressReleasePage.aspx?PRID=2093795

RESERVE BANK OF INDIA

1. **Foreign Exchange Management (Deposit) (Fifth Amendment) Regulations, 2025.**

The Reserve Bank of India (RBI) has issued the Foreign Exchange Management (Deposit) (Fifth Amendment) Regulations, 2025, effective from January 14, 2025. This amendment allows non-residents with business interests in India to open and maintain a Special Non-Resident Rupee Account (SNRR Account) with both authorized dealers in India and their branches outside India. The updated regulations also facilitate the transfer of funds for bona fide transactions between repatriable Rupee accounts and clarify that units in International Financial Services Centres can open SNRR accounts for business transactions outside the IFSC. Additional changes include the substitution of terms in Schedule 4 regarding account tenure and clarifications on account holder residency status, enhancing the framework for permissible current and capital account transactions between residents and non-residents.

For more information, you can access the RBI notification here:
https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12766&Mode=0

2. **Foreign Exchange Management (Foreign Currency Accounts by a person resident in India) (Fifth Amendment) Regulations, 2025.**

The Reserve Bank of India (RBI) has introduced the Foreign Exchange Management (Foreign Currency Accounts by a Person Resident in India) (Fifth Amendment) Regulations, 2025, effective from January 14, 2025. This amendment permits Indian exporters to open and maintain foreign currency accounts with banks outside India specifically for the realization of full export value and advance remittances related to their exports. These funds can be utilized for import payments or must be repatriated to India by the end of the following month after receipt, adhering to the realization and repatriation requirements set forth in existing regulations. This regulatory change aims to facilitate smoother international trade operations while ensuring compliance with foreign exchange laws.

For more information, you can access the RBI notification here:
https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12767&Mode=0

3. **Foreign Exchange Management (Mode of Payment and Reporting of Non-Debt Instruments) (Third Amendment) Regulations, 2025.**

The Reserve Bank of India (RBI) has enacted the Foreign Exchange Management (Mode of Payment and Reporting of Non-Debt Instruments) (Third Amendment) Regulations, 2025, effective from January 14, 2025. This amendment revises payment methods and reporting requirements for various investment transactions by non-residents. Key updates include provisions for equity instruments, allowing payments via inward remittance or repatriable accounts, with shares to be issued within 60 days of payment receipt. Additionally, foreign portfolio investors can utilize foreign currency or Special Non-Resident Rupee accounts for investments and remittance of sale proceeds. The regulations also clarify that convertible notes issued by Indian startups must follow similar payment and remittance protocols. Overall, these changes aim to enhance the efficiency and compliance of foreign investment transactions in India while maintaining adherence to existing foreign exchange laws.

For more information, you can access the RBI notification here:
https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12768&Mode=0

4. **Coverage of customers under the nomination facility.**

The nomination facility is intended to minimise the hardship and facilitate expeditious settlement of claims of the family members on the death of depositor/s. Instructions on nomination facility for Scheduled Commercial Banks (SCBs) (Excluding RRBs), Primary (Urban) Co-operative Banks (UCBs) and Deposit taking NBFCs have been incorporated in Master Circular on “Customer Service in Banks”1, Master Circular on “Customer Service – UCBs”2 and Master Direction on “Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 2016”3, respectively. The extant instructions also mandate banks to give wide publicity and provide guidance to deposit account holders on the benefits of the nomination facility. However, on the basis of Reserve Bank’s supervisory assessment, it is observed that in a large number of deposit accounts, nomination is not available. To avoid inconvenience and undue hardship to survivors/ family members of deceased depositors, we reiterate the need to obtain nomination in case of all existing and new customers having deposit accounts, safe custody articles and safety lockers, as the case may be. The Customer Service Committee (CSC) of the Board/ Board of Directors shall review, on a periodic basis, the achievement of nomination coverage. Progress in this regard shall be reported by the SEs in Reserve Bank’s DAKSH portal on a quarterly basis starting from March 31, 2025. Further, the frontline staff in the branches may be suitably sensitised for obtaining nomination as well as appropriate handling of claims of deceased constituents and dealing with nominees/ legal heirs. The Account Opening Forms may be modified suitably (if not already done) with provision for the customers to avail or opt out of nomination facility. Apart from directly notifying the customers, SEs are advised to publicise the benefits of using the nomination facility through various media, including launching of periodical drives towards achieving a full coverage of all eligible customer accounts.

For more information, you can access the RBI notification here:
https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12769&Mode=0

5. **Prevention of financial frauds perpetrated using voice calls and SMS – Regulatory prescriptions and Institutional Safeguards.**

The proliferation of digital transactions, while offering convenience and efficiency, has also led to a surge in frauds, a pressing concern underscoring the need for concerted action. The mobile number of a customer has emerged as a ubiquitous identifier, instrumental in account authentication and verification process, receiving sensitive payment communication, such as OTPs, transaction alerts, account updates, etc. The mobile number, however, can also be misused by scamsters in multiple ways for committing various types of online and other frauds. With a view to mitigate the potential misuse of mobile numbers, Regulated Entities (REs) are advised to:

- Utilize the Mobile Number Revocation List (MNRL)1 available on the Digital Intelligence Platform (DIP) developed by Department of Telecommunications (DoT), Ministry of Communications, Government of India to monitor and clean their customer database. To enhance fraud risk monitoring and prevention, the REs are advised to develop Standard Operating Procedures (SOP) incorporating the required action to be taken including, inter alia, updating the registered mobile number (RMN) after due verification; enhanced monitoring of accounts linked to these revoked mobile numbers for preventing the linked accounts from being operated as Money Mules and / or being involved in cyber frauds, etc.

- Provide the verified details of their customer care numbers to DIP for enabling DoT to publish them on the "Sanchar Saathi" portal (https://sancharsaathi.gov.in/). The details may be shared on the DoT email adg.diu-dot@gov.in.

- Undertake transactional / service calls only using '1600xx' numbering series, when operationalized; undertake promotional voice calls only through phone numbers using '140xx' numbering series; follow the "Important Guidelines for sending commercial communication using telecom resources through Voice Calls or SMS" issued by Telecom Regulatory Authority of India (TRAI) and annexed to this circular. REs are also advised to undertake awareness measures in this regard through emails, SMS and other modes, including in vernacular languages.

All REs are advised to ensure compliance with the above instructions expeditiously, in any case not later than March 31, 2025.

For more information, you can access the RBI notification here:
https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12770&Mode=0

6. **Premature redemption under Sovereign Gold Bond (SGB) Scheme – Redemption Price for premature redemption due on January 16, 2025 (Series II of SGB 2019-20).**

In terms of GOI Notification F.No.4(7)–B(W&M)/2019 dated May 30, 2019 (SGB 2019-20 Series II - Issue date July 16, 2019) on Sovereign Gold Bond Scheme, premature redemption of Gold Bond may be permitted after fifth year from the date of issue of such Gold Bond on the date on which interest is payable. Accordingly, the next due date of premature redemption of the above tranche shall be January 16, 2025. Further, the redemption price of SGB shall be based on the simple average of closing gold price of 999 purity of previous three business days from the date of redemption, as published by the India Bullion and Jewellers Association Ltd (IBJA). Accordingly, the redemption price for premature redemption due on January 16, 2025, shall be ₹7,825/- (Rupees Seven Thousand Eight Hundred and Twenty-Five only) per unit of SGB based on the simple average of closing gold price for the three business days i.e., January 13, January 14, and January 15, 2025.

For more information, you can access the RBI press release here:
https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=59530

7. **Steps to encourage use of Indian Rupee and local / national currencies for settlement of cross border transactions – Liberalization of FEMA regulations.**

   To encourage greater use of Indian Rupee (INR) for trade transactions, in July 2022, an additional arrangement in the form of Special Rupee Vostro Account (SRVA) was introduced. Several foreign banks have since opened SRVAs with banks in India. The Reserve Bank has also signed Memorandum of Understanding (MoU) with the central banks of the United Arab Emirates, Indonesia and Maldives, to encourage cross-border transactions in local currencies. Further, in December 2023 the Foreign Exchange Management (Manner of Receipt and Payment) Regulations were revised to enable cross border transactions in all foreign currencies (including local currencies of trading partner countries) and INR. In order to promote cross border transactions in INR and local / national currencies, a further review of the existing regulations issued under FEMA, 1999 has been undertaken by the Reserve Bank in consultation with the Central Government. Accordingly, the following changes have been made in the extant FEMA regulations:

   a. Overseas branches of Authorized Dealer banks will be able to open INR accounts for a person resident outside India for settlement of all permissible current account and capital account transactions with a person resident in India.

   b. Persons resident outside India will be able to settle bona fide transactions with other persons resident outside India using the balances in their repatriable INR accounts such as Special Non-resident Rupee account and SRVA.

   c. Persons resident outside India will be able to use their balances held in repatriable INR accounts for foreign investment, including FDI, in non-debt instruments.

   d. Indian exporters will be able to open accounts in any foreign currency overseas for settlement of trade transactions, including receiving export proceeds and using these proceeds to pay for imports.

   For more information, you can access the RBI press release here:
   https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=59538

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