Swift India
CORPORATE SERVICES LLP

Swift e-Bulletin

Week – July 22nd to July 26th

Quote for the week:

"Success is the sum of small efforts, repeated day-in and day-out."

– Robert Collier *(American Author)*

Introduction

We welcome you to our weekly newsletter!

The 'Swift e-Bulletin' - weekly newsletter, covers all regulatory updates and critical judgements passed during the week. We want this newsletter to be valuable for you so, please share your feedback and suggestions to help us improve.

Further, various regulatory authorities have been proactive in bringing significant regulatory changes in recent challenging times. This week's newsletter covers various circulars/notifications issued by certain regulatory authorities such as the Reserve bank of India (**"RBI"**) and International Financial Services Authority ("**IFSCA**").

The Regulatory authorities provided various updates/relaxations, some of which being:

- **RBI vide notification dated July 25, 2024 notified regarding Small Value Loans – Primary (Urban) Co-operative Banks (UCBs).**

- **IFSCA vide circular dated July 25, 2024, issued circular on Credit Rating Agencies in IFSCA**

We have prepared a comprehensive summary for quick reference of the aforesaid updates and Judgements/ orders issued during the week of July 22nd to July 26th.

Thank you, Swift team

RESERVE BANK OF INDIA (RBI)

1. **RBI vide notification dated July 25, 2024 notified regarding Small Value Loans – Primary (Urban) Co-operative Banks (UCBs).**

   - RBI vide circular dated March 13, 2020, in terms of UCBs required inter alia to have at least 50 per cent of their aggregate loans and advances comprising of Small Value Loans, i.e., loans of value not more than ₹25 lakh or 0.2 per cent of their Tier I capital, whichever is higher, subject to a maximum of ₹1 crore, per borrower. The target date for complying with the above requirement was March 31, 2024.

   - Further taking into account the representations received by the Bank citing certain difficulties being faced by the UCBs in this regard, RBI has been decided to extend the glide path to achieve the aforementioned target by two years as given below:

Target Date	March 31, 2025	March 31, 2026
Minimum percentage of Small Value Loans in aggregate loans and advances	40%	50%

   - Further, all other provisions with regard to prudential limits prescribed in the circular dated March 13, 2020 referred to above remain unchanged.

   - The said notification shall be applicable to all Primary (Urban) Co-operative Banks.

To read the notifications in detail, please click here.

2. **RBI vide notification dated July 25, 2024 notified regarding Bank Finance against Shares and Debentures.**

   - RBI vide circular dated October 22, 2001, and January 16, 2024 advised Primary (Urban) Co-operative Banks (UCBs) that the aggregate of their all loans against the security of shares and debentures should be within the overall ceiling of 20 per cent of their owned funds.

   - On review, it has been decided that the aforementioned overall ceiling of 20 per cent shall be linked to Tier I capital of the bank as on 31st March of the previous financial year, as defined in Master Circular - Prudential Norms on Capital Adequacy - Primary (Urban) Co-operative Banks (UCBs) dated April 1, 2024, as amended from time to time.

   - The change stipulated at paragraph 2 above shall be effective from January 01, 2025. All other related provisions of the aforesaid circulars remain unchanged.

   - The said notification shall be applicable to all Primary (Urban) Co-operative Banks.

To read the notifications in detail, please click here.

3. **RBI vide notification dated July 24, 2024 issued Domestic Money Transfer – Review of Framework**

- The framework for Domestic Money Transfer (DMT) was introduced in 2011. Now users have multiple digital options for funds transfer after review, the following changes are being made:

- The Cash Pay-out Service - The remitting bank shall obtain and keep a record of the name and address of the beneficiary.

- The Cash Pay-in Service:

    - The remitter shall be registered by Remitting banks / Business Correspondents (BCs) based on a verified cell phone number and a self-certified 'Officially Valid Document (OVD).

    - Every transaction by a remitter shall be validated by an Additional Factor of Authentication (AFA).

    - The provisions of the Income Tax Act, 1961 and the rules / regulations framed thereunder pertaining to cash deposits shall be confirmed by Remitting banks and their BCs.

    - Remitter bank shall include remitter details as part of the IMPS / NEFT transaction message.

    - The transaction message shall include an identifier to identify the fund transfer as a cash-based remittance.

- The guidelines on Card-to-Card transfer are excluded from the purview of the DMT framework

- The provisions of this notification shall come into effect from November 01, 2024.

To read the notification in detail, please click here.

INTERNATIONAL FINANCIAL SERVICES CENTRES AUTHORITY (IFSCA)

1. **IFSCA vide circular dated July 23, 2024, issued FAQs on circular titled "Additional requirements for carrying out the permissible activities by Finance Company as a Lessor under 'Framework for Ship Leasing'" dated May 08, 2024.**

   - As per the FAQs the permissible transactions that an applicant or ship lessor can undertake in the IFSCA in terms of the SL circular is as below:-

     - An Indian entity seeking to expand its shipping business by undertaking global operations or by bidding for foreign contracts and intends to incorporate or set up in the IFSC, as a ship lessor.

     - An asset (ship/ ocean vessel) acquired on leasehold or on ownership basis by an IFSCA registered ship lessor from a person resident outside India / foreign market solely to serve Indian clients.

     - An applicant or an IFSCA registered ship lessor purchases a newly built ship/ ocean vessel from any ship building yard (including Indian ship building yards) and caters to either Indian or foreign clients.

   - An asset (ship /ocean vessel) which is in the ownership or leasehold right of an Indian entity and deployed for carrying out shipping business for Indian clients, and the same asset is transferred/ leased by an entity set up in IFSC solely to serve Indian clients in a single financial year is not a permissible transaction.

   - Further, the existing business or contract cannot be shifted by setting up a lessor in IFSC.

   - Post conclusion of the existing contract, new contracts which comply with the requirements may be catered to through the IFSCA registered ship lessor.

To read the FAQs in detail, please click here.

2. **IFSCA vide circular dated July 25, 2024, issued circular on Credit Rating Agencies in IFSCA.**

   - SEBI vide its circular dated July 19, 2024, on "Enabling Credit Rating Agencies (CRAs) to undertake rating activities under IFSCA"

   - Permitted credit rating agencies registered with SEBI to undertake rating activities in the IFSC in accordance with regulation 9(f) of the SEBI (Credit Rating Agencies) Regulations, 1999 ("SEBI CRA Regulations") and para 25 of the Master Circular for CRAs dated May 16, 2024.

   - SEBI CRA Regulations 9 (f) provided that "*the ratings undertaken by a credit rating agency under the respective guidelines of a financial sector regulator or authority shall be under the purview of the respective financial sector regulator or authority*"

- Accordingly, a CRA registered with SEBI, desirous of providing rating services in the IFSC, shall apply for registration with IFSCA in accordance with the requirements provided under the IFSCA (Capital Market Intermediaries) Regulations, 2021 as amended from time to time.

- The activities of the CRAs operating in the IFSC shall be subject to the requirements in the IFSCA Act, 2019, CMI Regulations and other applicable regulations and circulars notified by IFSCA from time to time.

- The circular shall come into force with immediate effect.

- The said circular shall be applicable to all credit rating agencies in the IFSC.

To read the circular in detail, please click here.

3. **IFSCA vide circular dated July 25, 2024 issued Valuation of assets of schemes under IFSCA (Fund Management) Regulations, 2022 by Credit Rating Agencies at IFSC.**

- IFSCA (Fund Management) Regulations, 2022, require the valuation of assets of the scheme by an independent third-party service provider, such as by a fund administrator or a custodian, registered with the Authority, a valuer registered with the Insolvency and Bankruptcy Board of India or such other person as may be specified by the Authority.

- IFSCA in furtherance to the abovementioned regulations, hereby specifies that a Credit Rating Agency which has obtained a certificate of registration in IFSCA under e IFSCA (Capital Market Intermediaries) Regulations, 2021 may also undertake the valuation of assets of the schemes under IFSCA (Fund Management) Regulations, 2022.

- The said circular shall come into force with immediate effect.

- The said circular shall be applicable to all CRAs in IFSCs and all fund management entities in IFSCs.

To read the circular in detail, please click here.

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About Swift

Swift India Corporate Services LLP (“Swift”) (Formerly known as SwiftIndiaInc Corporate Services Private Limited) established in the year 2005, is an affiliate entity of Nishith Desai Associates (“NDA”), a preeminent India centric law firm. We are a premier and boutique firm specialized in meeting with the global standard corporate governance aspirations of our clients operating in India.

Our team comprises of professionals with a prolific corporate, legal and secretarial compliance background. We aim to provide pragmatic and business-oriented solutions in governance and compliance matters, through a unique holistic approach that blends our expertise and decades of experience in compliance and regulatory areas.

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