RBI Regulatory Banking Insights

June 2025

Preface

As of June 2025, the Reserve Bank of India (RBI) has adopted a strategic pro-growth monetary policy stance amid a backdrop of easing inflation and persistent global uncertainties. In its 55th Monetary Policy Committee (MPC) meeting, the RBI reduced the policy repo rate by 50 basis points to 5.5%, marking the third rate cut in the year. The central bank also shifted its stance from "accommodative" to "neutral", signalling a more data-driven and flexible approach going forward. The CPI inflation fell to a six-year low of 3.2% in April, driven by declining food prices and stable core inflation, prompting the RBI to revise its inflation forecast for FY 2025–26 to 3.7%, well within its target band. On the growth front, India's economy remains resilient, with real GDP growth for FY 2024–25 at 6.5%, supported by strong private consumption, robust services activity, and improving investment sentiment. Globally, while trade tensions and geopolitical risks persist, India's macroeconomic fundamentals—buoyant agriculture, stable financial markets, and strong external sector buffers—position it as a standout performer. The RBI also announced a 100 bps phased cut in the Cash Reserve Ratio (CRR) to inject INR 2.5 lakh crore into the banking system, enhancing liquidity and credit transmission. Overall, the RBI's actions reflect a careful balancing act between supporting growth and anchoring inflation expectations, while remaining vigilant to global spillovers and domestic vulnerabilities.

On the external front, the World Bank and IMF have downgraded global growth forecasts to around 2.3% for 2025, citing persistent trade tensions, geopolitical risks, and policy uncertainty. These external headwinds have prompted central banks worldwide to tread cautiously.

As of June 2025, the average USD/INR exchange rate was approximately INR 85.93 per US dollar. This reflects a marginal appreciation of the rupee compared to earlier months in the year, supported by easing inflation, improved trade balance, and stable capital inflows. The exchange rate remained within a relatively narrow band throughout the month, indicating currency market stability despite global uncertainties.

As far as the regulatory developments are concerned, the RBI has issued the Know Your Customer (KYC)) (Amendment) Directions, 2025. In May 2025, draft directions were issued in this regard, and the same have now been adopted. Further, the Reserve Bank of India (Lending Against Gold and Silver Collateral) Directions, 2025, have been issued. These directions, effective from 1 April 2026, standardise and streamline practices across REs, covering key aspects, such as credit policy, LTV norms, valuation and assaying standards, collateral management and auction procedures.

Continuing with the efforts to promote standardised lending practices in banks, the RBI's Project Finance Directions, 2025, mark a shift toward a uniform and disciplined project finance framework across regulated entities. These guidelines aim to enhance credit discipline, transparency, and early stress detection.

This edition of the RBI Regulatory Banking Insights covers regulatory updates during June 2025, along with detailed actionable information for banks. In Section 3 of this edition, we cover our assessment on penalties imposed by the RBI on banks and NBFCs, which would serve as a guiding document for entities to understand the regulator's focus and ensure compliance.

https://website.rbi.org.in/web/rbi/notifications

01

Impact assessment of regulatory changes in June 2025

Reserve Bank of India (Lending Against Gold and Silver Collateral) Directions, 2025

RBI/2025-26/47DOR.CRE.REC.26/21.01.023/2025-26

Release date: 6 June 2025

Applicability

The RBI, on 6 June 2025, released the Lending Against Gold and Silver Collateral Directions, 2025, applicable to the following regulated entities (REs):

- Commercial banks (including small finance banks, local area banks and regional rural banks, but excluding payments banks);
- Primary (Urban) co-operative banks and rural co-operative banks, i.e., state and central co-operative banks;
- All non-banking financial companies, including HFCs.

These directions are required to be adopted by 1 April 2026. Loans sanctioned before the date of adoption will continue to be governed under the earlier applicable guidelines.

Background and objective

Erstwhile, the RBI had issued separate circulars and guidelines to different categories of lenders for granting loans against gold and silver. With evolving practices and the need to unify regulatory expectations, the RBI has now issued a single harmonised framework applicable across all REs.

The objective of this framework is to:

- Standardise lending practices across all REs
- Address issues in existing lending practices and provide necessary clarity, and
- Strengthen conduct-related aspects.

While continuing to allow loans against gold and silver jewellery, ornaments, and coins, the framework prohibits lending against primary gold or silver (bullion), or financial assets backed by such assets (e.g., ETFs or mutual funds). The intent is to support genuine credit needs of households and businesses while curbing speculative practices and ensuring robust risk management

Key changes

- **Types of loans:**
  - Income-generating loans: Loans extended for the purpose of productive economic activities, such as farm credit, loans for business or commercial purposes, loans for the creation or acquisition of productive assets, etc.
  - Consumption loans: Any permissible loan that does not fit under the definition of an income-generating loan.
- **Policy, credit practices and risk management:**
  - REs are now required to revise their credit policies to cover single borrower exposure limits, aggregate limits for loans against eligible collateral, Loan-to-Value (LTV) ratios and actions for LTV breaches, valuation standards, gold/silver purity benchmarks, and documentation norms under PSL.
  - Policy/SOP under the credit policy are required to cover assaying procedures, auction procedures and the procedure for handling loss, deterioration, or discrepancies in collateral.
  - Loans exceeding INR 2.5 lakh require detailed credit assessments based on the borrower's repayment capacity.
- **Standardised processes and documentation across branches:**
  - The procedures for valuation, documentation, collateral handling, and auctions are required to be standardised across all branches of the lenders, with clear disclosures to borrowers.
  - Loan agreements to detail the collateral description, value, auction procedures, notice periods, timelines for collateral release, refund of auction surplus, and applicable charges, including assaying and auction fees.
  - The borrower must be issued a certificate detailing the collateral's weight, purity, value, defects, deductions, and image.

  - All communication is required to be in the borrower's preferred/regional language, and for illiterate borrowers, terms are to be explained in the presence of a neutral witness.
  - The lender is to ensure the borrower's presence during assaying.
  - Lenders are required to display the valuation methodology on their website.
  - Post pledging, the lender is to promptly record and communicate any loss or discrepancy in collateral to the borrower/legal heir, along with the compensation process.
- **Limits on eligible collateral:**
  - Lending is restricted to gold and silver jewellery, ornaments, and coins, while primary gold/silver and financial products like ETFs are not eligible.
  - Weight limits have been imposed:
    - Gold ornaments: up to 1 kg
    - Silver ornaments: up to 10 kg
    - Gold coins: up to 50 g
    - Silver coins: up to 500 g
- **Collateral ownership and prohibition:**
  - Lenders cannot avail loans by re-pledging collateral already pledged by borrowers and extend loans to others using collateral pledged to them by their borrowers.
    - However, financing another lender against underlying receivables is allowed.
  - Loans cannot be extended if the collateral ownership is doubtful. Borrowers are required to provide documentation/declaration confirming ownership.
- **Loan structuring and monitoring:**
  - Consumption loans with bullet repayment are capped at a 12-month tenor.
  - Renewals and top-ups are allowed, subject to credit assessments, adherence to LTV limits and classification as standard.
  - Bullet repayment loans can be renewed only after the accrued interest is paid.
  - All renewals and top-ups are required to be clearly identifiable in the lender's core banking system or loan processing system.
  - Multiple or frequent loans against the same collateral are required to be monitored under the AML framework.
- **Valuation and assaying of gold and silver collaterals:**
  - Valuation is required to be based onGold ornaments: up to 1 kg
    - Actual purity (caratage), and
    - Lower of the average price of 30 days or the previous day's price (sourced from the India Bullion and Jewellers Association Ltd. or a SEBI-regulated commodity exchange)
  - If specific purity prices are unavailable, the nearest available purity price is to be adjusted proportionately.
  - Only the intrinsic value of the gold or silver in the collateral should be considered, excluding any additional costs like precious stones or gems.
- **LTV ratio capped based on exposure:**

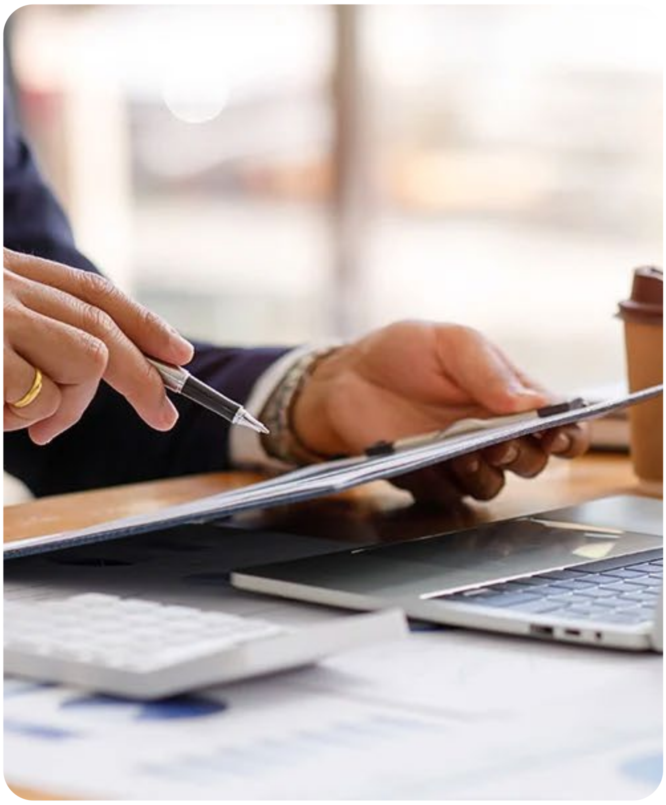
Total consumption loan amount per borrower	Maximum LTV ratio
≤ INR 2.5 lakh	85%
> INR 2.5 lakh & ≤ INR 5 lakh	80%
> INR 5 lakh	75%

  - LTV is required to be maintained throughout the loan tenor.
- **Collateral handling and storage:**
  - Necessary infrastructure and security measures must be implemented at branches where loans are sanctioned against gold or silver collateral.
  - Gold/silver to be stored at secure branches with safe deposit vaults, handled only by employees, and transported under strict conditions, such as branch closure or exceptional reasons.
  - Surprise verifications and periodic audits are mandatory, and the loan agreement is required to include a clause obtaining the borrower's consent for such surprise verifications, including in their absence, and this requirement should be clearly communicated at the time of loan sanction.

- **Transparent auction mechanism:**
  - Adequate notice to be provided to the borrower(s)/legal heir(s) before auction. If untraceable, the lender can proceed with the auction after one month of public notice. Auctions are required to be advertised in at least two newspapers (one regional, one national).
  - Auctions are required to be conducted by experienced employees or empanelled auctioneers with safeguards like surprise visits and audits. To avoid conflicts of interest, lenders and related parties are not to participate in such auctions.
  - The reserve price must be set at a minimum of 90% of the current value (85% if the auction fails twice). The first auction shall be held in the lending branch's district, and subsequent auctions may be conducted in adjoining districts or online.
  - Complete auction details are to be provided to borrower(s)/legal heir(s), and any surplus is required to be refunded within 7 working days, and shortfall, if any, can be recovered as per the loan agreement.
- **Release of collateral, compensation, borrower protection and unclaimed collateral:**
  - Collateral to be returned to the borrower(s)/legal heir(s) on the same day of full repayment, or within seven working days at most.
  - Collateral to be verified for correctness as per the details in the certificate at the time of release to the borrower's satisfaction.
  - Borrowers are entitled to compensation for delays, damage, or loss of pledged collateral. A fixed penalty of INR 5,000/day applies for delayed release of collateral post-repayment (unless attributable to the borrower).
  - Periodic reminders to be issued if borrower(s)/legal heir(s) do not claim collateral.
  - Collateral not claimed for over two years post-repayment to be treated as unclaimed, and periodical efforts to locate borrower(s)/legal heir(s) shall be made by the lender.
  - Reports on unclaimed collateral are to be reviewed by the Customer Service Committee or Board every six months.
- **Enhanced disclosures and governance:**
  - REs are required to disclose gold/silver-backed lending in their notes to accounts and ensure all activities, including sourcing and recovery, comply with relevant RBI guidelines.
  - Ensure that loan disbursals go directly to the borrower's accounts, and repayments are made directly to lender's accounts.
  - Running multiple loans to a single borrower or related group will be subject to stricter audits and supervision.

Impact assessment

This direction marks a significant shift towards uniformity and borrower-centric practices in collateralised lending. REs will be required to realign their internal policies and procedures, upgrade operational infrastructure, and standardise borrower communication and documentation. The focus on transparency, borrower rights, and fair collateral handling is likely to strengthen consumer trust and reduce regulatory arbitrage.



Reserve Bank of India (Know Your Customer (KYC)) (Amendment) Directions, 2025

RBI/2025-26/51 DOR.AML.REC.30/14.01.001/2025-26

Release date: June 12, 2025

On 23 May 2025, the Reserve Bank of India (RBI) issued a draft circular titled "Updation/Periodic Updation of KYC – Revised Instructions", and as a part of its regulatory process, the RBI has invited comments and feedback from the public and relevant stakeholders on the proposed amendments and was given a timeline of 6 June 2025, to submit the comments. Now, after considering the comments received from the stakeholders, the RBI has issued the Know Your Customer (KYC) (Amendment) Directions, 2025.

There have been no major changes from the draft guidelines issued earlier, except language modifications to provide more clarity on the amendments, and a due date of compliance has been added for the regulated entities to issue due notices for periodic updation of KYC by 1 January 2026. We have already covered the impact assessment of the earlier issued draft guidelines, which can be referred to at the link mentioned below, to understand the impact of these modifications and our point of view on the same.

Our impact assessment on the same can be read here.

Snippet on changes

Relaxation for low-risk category customers

- Periodic updation of KYC overdue – REs shall allow transactions for such low-risk category customers.
- Ensure that the periodic updation of KYC is completed maximum by 30 June 2026.

Advance intimation for periodic updation of KYC

- Before the due date – At least three advance intimation to be sent.
- Periodic updation not completed by due date – three additional reminders.
- At least one intimation has to be sent by way of a letter, through the available communication channel.

Periodic updation of KYC through business correspondents (BCs)

- In case of no change in KYC or only address change, customers can submit self-declaration through BCs.
- BCs to provide acknowledgment to customers for the same.

Considering the draft circular is now part of the KYC Master Directions, 2016, this is a welcome step towards periodic KYC updation, especially for low-risk customers. This will significantly improve customer convenience and regulatory compliance. By allowing periodic updation of KYC through BCs, the current process will be streamlined.

Reserve Bank of India (Project Finance) Directions, 2025

RBI/2025-26/59DOR.STR.REC.34/21.04.048/2025-26

Release date: June 19, 2025

Applicability

These Directions, effective from 1 October 2025, apply to project finance exposures of the following regulated entities (REs):

- All commercial banks (including small finance banks, excluding payments banks, local area banks, and RRBs)
- All NBFCs (including housing finance companies)
- All primary (urban) cooperative banks
- All India financial institutions (AIFIs)

Background and objective

The RBI has introduced a harmonised, principle-based regulatory framework for project finance across all REs, replacing the earlier fragmented guidelines. The aim is to streamline norms relating to project financing, particularly regarding restructuring of project loans and challenges surrounding the Date of Commencement of Commercial Operations (DCCO), which were previously outside the scope of the 2019 Prudential Framework.

Key changes

- **Structures phases in project lifecycle:**

  The project lifecycle is broadly divided into three phases:

  - Design phase: From genesis of the project (including designing, planning, clearances, etc.) to financial closure.
  - Construction phase: From financial closure to the day before the DCCO.
  - Operational phase: From the DCCO till full repayment.

- **Sanction requirements:**

  Lenders are required to align their credit policies with these Directions. For every financed project, lenders must ensure that:

  - Financial closure is achieved, and the original DCCO is clearly documented prior to disbursement.
  - A stage-wise disbursement schedule and a realistic post-DCCO repayment plan are documented in the loan agreement.
  - Total repayment period (including moratorium) does not exceed 85% of the project's economic life.
  - Minimum exposure thresholds for lenders:
    - Projects ≤ INR 1,500 Cr: min. 10% exposure per lender
    - Projects > INR 1,500 Cr: min. 5% or INR 150 Cr, whichever is higher

  (Post-DCCO, exposures can be freely transferred in line with the RBI's loan transfer guidelines. Pre-DCCO transfers are permitted only under syndication and within prescribed limits.)

  - All mandatory project approvals/clearances (except milestone-linked ones) are obtained before financial closure.

- **Disbursement and monitoring:**

  - Lenders are required to ensure the availability of sufficient land/right of way availability prior to disbursement:
    - 50% for infrastructure projects under the PPP model
    - 75% for all other projects
    - For transmission lines, as per the lender's discretion
  - Disbursement is required to be milestone-based (proportionate to the stage of the project/ progress in equity infusion) and certified by the lender's independent engineer/architect.
  - The Techno-Economic Viability (TEV) study is mandatory for projects with aggregate exposure ≥ INR 100 Cr where the DCCO is revised.
  - Non-fund-based facilities permitted before the appointed date under certain conditions.

- **Resolution framework for stressed project loans:**

  Lenders are required to monitor the performance of the project and the buildup of stress on an ongoing basis and initiate a resolution plan well in advance. For this, the following points are required to be taken care of:

  - Credit events (not just defaults) will trigger collective resolution under the Prudential Framework.
  - All credit events are required to be reported to the Central Repository of Information on Large Credit (CRILC) weekly and in the CRILC-Main report as applicable earlier. (Instruction on CRILC reporting will be issued later)
  - In consortium arrangements, such events are also to be communicated to other lenders.
  - A 'Review Period' of 30 days from the credit event is provided to evaluate and initiate resolution.
  - The conduct of lenders during this period will be guided by the 2019 Prudential Framework.

- **Permitted DCCO extension (without asset downgrade):**

  A standard project loan account can retain its classification if a resolution plan is implemented, subject to:

  - DCCO deferment timeline:
    - Infrastructure projects: Extension up to 3 years
    - Non-infrastructure projects: Extension up to 2 years
  - Permissible cost overrunsInfrastructure projects:
    - Overrun is ≤10% of the original cost (excluding IDC),
    - Financed via pre-approved stand-by credit facility (SBCF) at financial closure
    - If no prior SBCF exists, additional funding is to be priced at a premium (defined in the contract) and can be reassessed based on project risk

  Post-funding, key financial metrics (e.g., D/E ratio, credit rating) remains the same or improve.

  - Change in project scope:
    - Outlay increases by ≥25% due to scope/size expansion
    - Viability is re-assessed before enhancement of scope and revising DCCO
    - New rating is not below previous rating by more than one notch (if rated)
    - For unrated projects with exposure ≥ INR 100 Cr, an investment-grade external rating is required.

- **Classification and upgradation norms:**
  - If the resolution plan is not implemented within 180 days post-review, downgrade to NPA is mandatory.
  - Upgradation back to 'Standard' allowed only:
    - If the account performs satisfactorily post DCCO, or
    - On successful implementation of the resolution plan, provided there are no further DCCO changes).

- **Provisioning requirements:**

Project type	Construction phase	Operational phase
CRE	1.25%	1.00%
CRE-RH	1.00%	0.75%
Others	1.00%	0.40%

  - For DCCO-deferment (standard assets):
    - Infrastructure: Additional 0.375% per quarter
    - Non-infrastructure: Additional 0.5625% per quarter

- **Income recognition:**
  - Income to be recognised on an accrual basis for exposures classified as 'Standard'.
  - For NPAs, income recognition to follow relevant RBI instructions under the prudential norms.

- **Reporting and disclosures:**
  - Lenders are required to maintain project-specific data in a digitised, easily accessible format (as per key parameters in Annexe 3), updated within 15 days of any change.
  - Necessary systems are to be implemented by REs within three months of the effective date.
  - Disclosures related to resolution plans to be made in 'Notes to Accounts', as per the format in Annexe 4.

Impact assessment

The RBI's Project Finance Directions, 2025, mark a shift toward a uniform and disciplined project finance framework across regulated entities. By standardising the DCCO norms, provisioning, and stress resolution, the guidelines aim to enhance credit discipline, transparency, and early detection of stress. While initial implementation may pose operational challenges, the framework is expected to improve asset quality and promote sustainable lending practices in the long run.

02

Other notifications in June 2025

Other notifications: June 2025

Reserve Bank of India:

Liquidity adjustment facility - Change in rates

(Release date – 6 June 2025)

The RBI, vide its notification dated 6 June 2025, has intimated that the Monetary Policy Committee (MPC) has decided to reduce the policy repo rate under the Liquidity Adjustment Facility (LAF) by 50 basis points, bringing it down from 6.00% to 5.50%, effective immediately. Additionally, the Standing Deposit Facility (SDF) rate has been adjusted to 5.25%, and the Marginal Standing Facility (MSF) rate to 5.75%. All other terms and conditions of the existing LAF Scheme remain unchanged.

Standing liquidity facility for primary dealers

(Release date – 6 June 2025)

The RBI, vide its notification dated 6 June 2025, has intimated that the Monetary Policy Committee (MPC) has announced a reduction in the policy repo rate under the Liquidity Adjustment Facility (LAF) by 50 basis points, lowering it from 6.00% to 5.50% with immediate effect. Consequently, the Standing Liquidity Facility for primary dealers (PDs) will now be available at the revised repo rate of 5.50%.

Review of qualifying assets criteria

(Release date – 6 June 2025)

The RBI has, vide its notification dated 6 June 2025, revised the qualifying assets criteria for Non-Banking Financial Companies - Microfinance Institutions (NBFC-MFIs). The definition of 'qualifying assets' now aligns with the definition of 'microfinance loans' and requires that qualifying assets constitute at least 60% of total assets, excluding intangible assets, on an ongoing basis. If an NBFC-MFI fails to meet this requirement for four consecutive quarters, it must approach the Reserve Bank with a remediation plan. The revised provisions are effective immediately, and the Master Direction has been updated accordingly.

Penal interest on shortfall in CRR and SLR requirements - Change in bank rate

(Release date – 6 June 2025)

The RBI has, vide its notification dated 6 June 2025, revised the bank rate downwards by 50 basis points from 6.25% to 5.75%, effective immediately. Consequently, all penal interest rates on shortfalls in Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR) requirements, which are linked to the bank rate, have also been revised. The new penal interest rates are bank rate plus 3.0 percentage points (8.75%) or bank rate plus 5.0 percentage points (10.75%).

Maintenance of Cash Reserve Ratio (CRR)

(Release date – 6 June 2025)

The RBI has, vide its notification dated 6 June 2025, decided to reduce the CRR of all banks by 100 basis points in four equal tranches of 25 basis points each, bringing it down to 3.0% of net demand and time liabilities (NDTL). Banks are required to maintain the CRR at 3.75%, 3.5%, 3.25%, and 3.0% of their NDTL effective from the reporting fortnights beginning 6 September, 4 October, 1 November, and 29 November 2025, respectively.

Basel III Capital Regulations - External Credit Assessment Institution (ECAI)

(Release date – 9 June 2025)

The RBI, vide its circular dated 10 July 2024, had placed certain restrictions on banks regarding the use of credit ratings issued by Brickwork Ratings India Private Limited (BRIPL) for risk weighting their claims for capital adequacy purposes, subject to the specified limits.

Further, pursuant to the circular dated 9 June 2025, the RBI has reviewed and decided to remove the restrictions/limits placed on the use of ratings issued by BRIPL by the banks.

Inoperative Accounts/ Unclaimed Deposits in Banks - Revised Instructions (Amendment) 2025

(Release date – 12 June 2025)

As per the RBI's instructions on inoperative accounts/ unclaimed deposits in Banks dated 1 January 2024, banks are required to transfer the credit balance of any deposit account that has been inactive for 10 years or more to the DEA fund maintained by the RBI.

The RBI issued a notification on 12 June 2025, amending these instructions. As per the amended instructions, banks are encouraged to use the Video-Customer Identification Process (v-CIP) to facilitate the updating of Know Your Customer (KYC) information. Additionally, authorised business correspondents may be utilised to reactivate these inoperative accounts.

Stripping/Reconstitution in state government securities

(Release date – 12 June 2025)

The RBI, through a notification dated 12 June 2025, has introduced the Separate Trading of Registered Interest and Principal of Securities (STRIPS) in State Government Securities (SGS) in addition to the already existing stripping/reconstitution in eligible central government securities.

Eligible securities:

- Fixed coupon securities issued by state governments/union territories.
- Residual maturity of up to 14 years.
- Minimum outstanding of INR 1,000 crore.
- Eligible for Statutory Liquidity Ratio (SLR) requirements and transferable.

Placing of request

- Market participants with an SGL account can place requests directly in the RBI Core Banking Solution (e-Kuber system).
- Gilt account holders are required to place requests through their custodians.

Nomenclature:

- ISIN and nomenclature for STRIPS in SGS will be similar to those for central government securities.

RBI releases Draft Master Direction - Reserve Bank of India (Rupee Interest Rate Derivatives) Directions, 2025, under Section 45 W of the RBI Act, 1934

(Release date – 16 June 2025)

Following a comprehensive review of the Rupee Interest Rate Derivative directions issued in 2019, the RBI, through a press release dated 16 June 2025, has placed draft directions on Rupee Interest Rate Derivatives under Section 45 W of the RBI Act, 1934. These directions aim to update the regulatory framework to reflect new market developments and the participation of non-residents while streamlining reporting requirements to reduce the compliance burden and enhance market transparency through global reporting of IRD transactions.

Feedback on the draft directions can be forwarded to the Chief General Manager, Financial Markets Regulation Department, the RBI by 7 July 2025.

For more information, refer to the link.

Master Circular - Credit facilities to Scheduled Castes (SCs) and Scheduled Tribes (STs)

(Release date – 16 June 2025)

The RBI has consolidated its guidelines and circulars issued on credit facilities for scheduled castes (SCs) and scheduled tribes (STs) into a Master Circular. This document compiles all previous instructions issued to banks on this subject.

For more information, refer to the link.

Review of instructions issued vide Master Circular on Conduct of Government Business by Agency Banks - Payment of Agency Commission

(Release date – 16 June 2025)

In reference to the Master Circular on Conduct of Government Business by Agency Banks - Payment of Agency Commission dated 1 April 2025, the RBI has revised the agency commission rates for the transactions handled by agency banks, effective 1 April 2025. The updated rates are:

Sr. No.	Types of transactions	Unit	Revised Rate
a(i)	Receipts - Physical mode	Per transaction	INR 40/-
a(ii)	Receipts- e-mode	Per transaction	INR 12/-
b.	Pension payments	Per transaction	INR 80/-
c.	Payments other than pension	Per INR 100/-	7 paise per INR 100/-

Additionally, agency commission will be paid on all payment transactions, except those pre-funded or compensated by the government. All other instructions in the Master Circular remain unchanged.

Master Direction – Reserve Bank of India (Electronic Trading Platforms) Directions, 2025

(Release date – 16 June 2025)

Following a review of the regulatory framework for electronic trading platforms, the draft Master Direction - Reserve Bank of India (Electronic Trading Platforms) Directions, 2024, was published on the bank's website on 29 April 2024 to solicit stakeholder comments and feedback. Based on the feedback received, the draft Directions have now been finalised.

For more information, refer to the directions through the link.

Implementation of Section 51A of UAPA,1967: Updates to UNSC's 1267/ 1989 ISIL (Da'esh) and Al-Qaida sanctions list: Removal and addition of 01 Entry

(Release date – 16 June 2025 and 19 June 2025)

In line with Section 51A of the UAPA, 1967, and RBI Master Direction on Know Your Customer dated 25 February 2016, Regulated Entities (REs) are required to ensure they do not maintain accounts for individuals/entities listed under the UNSC's sanctions lists.

In this regard, the Ministry of External Affairs has notified amendments in two entries on the UNSC 1267/1989 ISIL (Da'esh) and Al-Qaida Sanctions List as per the UNSC Press Release SC/16082 dated 9 June 2025, and SC/16088 dated 16 June 2025. These changes are linked to asset freeze, travel ban, and arms embargo obligations under UN Security Council Resolution 2734 (2024). Further, REs are required to act as per the UAPA Order dated 2 February 2021 (amended April 22, 2024) annexed to the MD on KYC.

For further information, please refer to the official circular through the links below:

Link 1 Link 2

Review of priority sector lending norms - Small finance banks

(Release date – 20 June 2025)

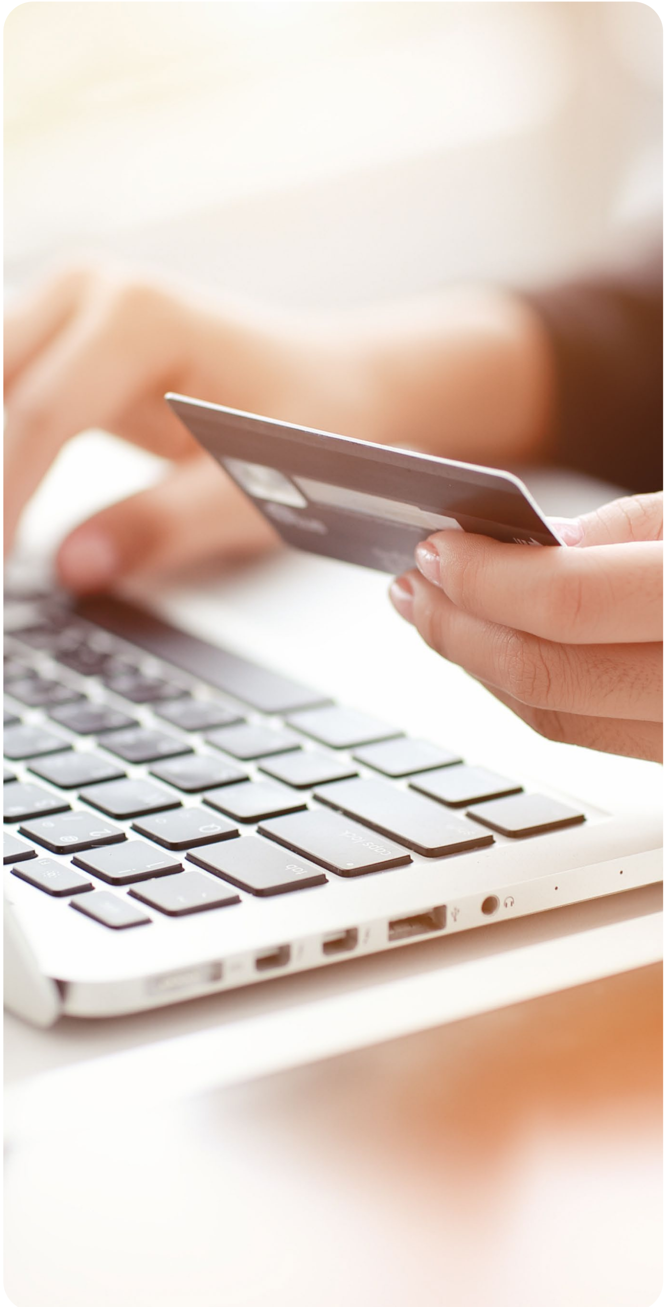
The RBI, through a notification dated 20 June 2025, has announced a revision of the priority sector lending (PSL) norms for small finance banks (SFBs), effective from Financial Year 2025-26. The overall PSL target has been reduced from 75% to 60% of the Adjusted Net Bank Credit (ANBC) or the Credit Equivalent of Off-Balance Sheet Exposures (CEOBE), whichever is higher. Additionally, SFBs are required to allocate 40% of the ANBC or CEOBE to various sub-sectors under PSL as per the existing guidelines, while the remaining 20% (earlier 35%) can be allocated to sub-sectors where the bank has a competitive advantage.

The Depositor Education and Awareness (DEA) Fund Scheme, 2014 – Revised operational guidelines

(Release date – 25 June 2025)

Following a review of the operational guidelines issued for the Depositor Education and Awareness (DEA) Fund Scheme, 2014, the RBI, through a notification dated 25 June 2025, has consolidated and rationalised the existing instructions. The revised instructions, effective from 1 October 2025, apply to all banks under the DEA Fund Scheme.

For more information, refer to the link.



RBI issues directions on Due Diligence of Aadhaar Enabled Payment System (AePS) Touchpoint Operators

(Release date – 27 June 2025)

Following a review of stakeholder feedback over the draft directions, the RBI, through a notification dated 27 June 2025, has issued final directions on the Due Diligence of Aadhaar Enabled Payment System (AePS) Touchpoint Operators (ATOs). These directions, effective from 1 January 2026, streamline the onboarding process for the ATOs by acquiring banks and include due diligence requirements and risk management instructions.

For more information, refer to the link.

Standing Deposit Facility and Marginal Standing Facility – Change in timings

(Release date – 30 June 2025)

In light of the extension of market timings for call money to 7 PM, the RBI has revised the availability of the Standing Deposit Facility (SDF) and Marginal Standing Facility (MSF). Effective 1 July 2025, both facilities will be available from 7 PM to 11:59 PM. All other terms and conditions of the current SDF and MSF schemes remain unchanged.

Other notifications: June 2025

National Payments Corporation of India:

UPI Lite Raw Data File Version 4.0

(Release date –6 June 2025)

Reference may be taken from OC 138 (B) dated 21 February 2025, advising all issuer banks on UPI LITE to maintain LRN-wise balances and perform daily reconciliation. New transaction files will follow specific naming conventions. Changes include the introduction of raw data file versions from 1.0 to 4.0 for uniformity and ease of maintenance. Banks currently live on UPI Lite must start using the new raw file version from 1 October 2025. All transactions will be provided in the new format, and existing transactions in versions 1, 2, and 3 will be moved to version 4. Versions 1 and 2 will be withdrawn.

New transaction files will follow specific naming conventions: (Read @@@ as the three-digit short code of the bank)

UPIRAWDATAACCQ@@@050352_10C.csv.pgp

UPILNRMERCHANTRAWADATAACQ@@@0503525_10C.csv.pgp

The member banks should comply with the following guidelines by 1 October 2025.

Upgradation of Nach system

(Release date –6 June 2025)

The NPCI is launching NACH 3.0, an upgraded platform with enhanced security, user experience, and operational efficiency. Key benefits include an advanced GUI, improved navigation, optimised file handling, and enhanced dashboards. Security improvements feature multi-factor authentication, role-based access controls, and real-time monitoring. Training sessions are being conducted to help member banks transition smoothly. Migration to NACH 3.0 is scheduled to start in the first week of July, with detailed instructions to follow. Banks are advised to prepare accordingly and ensure that all necessary updates are completed before the migration date.

Integration of real-time PAN and bank account validation API on Income Tax Department’s e-filing portal

(Release date – 17 June 2025)

Reference may be taken from Circular No. 009 (NPCI / 2019-20 / NACH / Circular No. 009), Circular No. 027 (NPCI / 2018-19 / NACH / Circular No. 027) and Circular No. 27 (NPCI / 2017-18 / NACH / Circular No. 027) regarding the API services for banks and government departments.

A new API service for PAN and bank account validation is now available.

Government departments will use this API to verify customer account details, including PAN validation, account status, and account holder name from their bank CBS.

Technical specifications and integration guidelines will be shared separately. For clarifications, use the CRM Tracker.

Addendum to OC-184 modification in UPI chargeback rules and procedures

(Release date – 20 June 2025)

Reference may be taken from UPI operating circular NPCI/UPI/OC No. 184 & 184A. In URCS, if the 11th chargeback (IFSC + Account number) and 6th chargeback (payer VPA + Payee VPA) gets declined with reason code CD1 and CD2, and after due diligence, the remitting bank finds customer dispute as genuine, then the bank can request the NPCI to whitelist the dispute. Once whitelisted, the bank can raise the chargeback through URCS.

To avoid NPCI intervention in whitelisting disputes, the NPCI has simplified the process by allowing the issuing/remitting bank to raise chargebacks directly that are rejected due to the negative chargeback rule. This good-faith dispute process is termed RGNB (Remitting bank raising good-faith negative chargeback).

The issuing/remitting bank should raise such a request for RGNB only when URCS declines the normal chargeback with reason codes CD1 and CD2. The RGNB option is available only through the front end and should not be used to avoid any compensation or penalties. Any deviations will be treated as non-compliance with the NPCI guidelines. This functionality will be implemented in the URCS effective from 15 July 2025. Refer to Annexure 1 for RGNB procedural guidelines and Annexure 2 for the user manual.

Initiation of self-attestation of members/participants for F.Y. 2025-26

(Release date – 26 June 2025)

Self-attestation is a process where members/participants submit their compliance status with respect to the NPCI's guidelines. The self-attestation checklist is based on documents, such as procedural guidelines, operating circulars, technical specifications documents, etc. Members/participants are required to submit the self-attestation through the NPCI's PCOMP portal, and this activity is required to be conducted periodically, such as annually or as and when required.

This is to inform all that the directives for Quarter 1 F.Y. 2025-26 are updated on the PCOMP portal for self-attestation by members/participants.

Members/participants are required to:

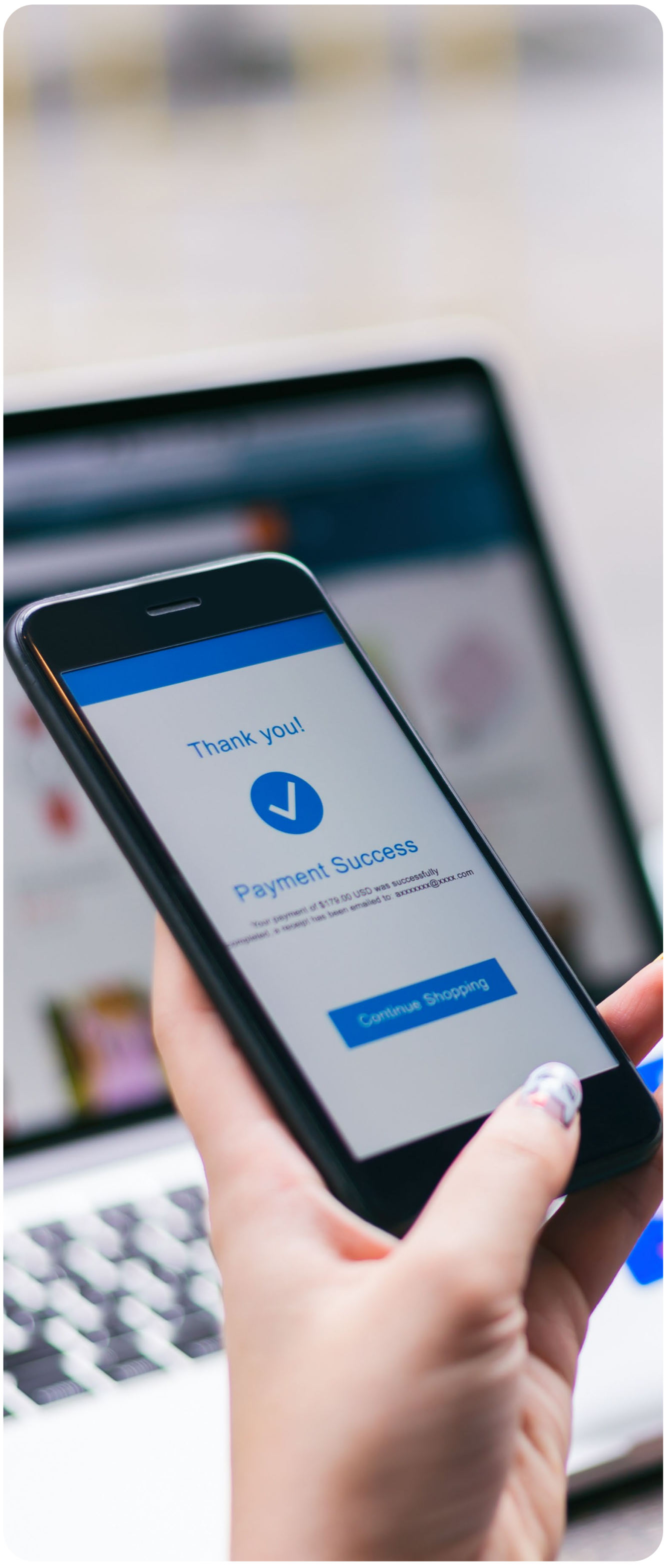
- Complete the self-attestation for Q1 F.Y. 2025-26 by 31 March 2026 for all applicable products.
- For certain directives/circulars, complete the self-attestation as per the specific date mentioned for the respective directives.

Non-adherence to the completion of self-attestation and observed non-compliance will be liable for appropriate action and may lead to penal actions by surveillance and enforcement (S&E).

UPI addendum to implementation of NRP and PRD process and arbitration guidelines

(Release date – 30 June 2025)

The NPCI has issued an addendum regarding the automation of the NRP and PRD processes in the URCS system, effective from 1 August 2025. Key updates include enabling document submission during arbitration, automated fund settlement, and NRP verdicts viewable directly in the URCS. The email-based communication for verdicts and compensation confirmations will be discontinued. The RBI customer compensation (AC/IAT) updates must now be done via the URCS. New dispute flags, reason codes, and NTSL line items have been introduced. Additional process automations are detailed in the annexures. A revised arbitration process lifecycle is also outlined.



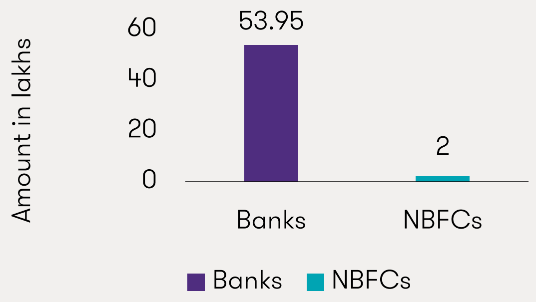
03

Penalties imposed by RBI on Financial Institutions

Penalties imposed by RBI: June 2025

The RBI has been rigorously monitoring financial institutions through periodic supervisions, such as statutory inspections for supervisory evaluation, to ensure that the entities are in compliance with the applicable regulations stipulated by the RBI from time to time. Further, the RBI has imposed strict penalties on banks and NBFCs for non-compliance. The following is a depiction of the penalties imposed on financial institutions and the broad themes of focus.

Penalties imposed by RBI during June 2025



Key themes in focus in June 2025

01 AML KYC

02 Regulatory Reporting

03 Loans and Advances

04 Banking Regulation

05 Lending practices

06 Exposure norms

Source: Reserve Bank of India - Press Releases (rbi.org.in)

Key themes	Key Regulations in focus
AML KYC	Master Direction – Know Your Customer (KYC) Direction, 2016
Regulatory reporting	• Credit information Companies Rules, 2006 (CIC Rules) • Data Format for Furnishing of Credit Information to Credit Information Companies and other Regulatory Measures, 2014 • Reserve Bank of India (Non-Banking Financial Company - Scale Based Regulation) Directions, 2023
Loans and advances	Master Circular – Loans and Advances – Statutory and Other Restrictions, 2009
Banking regulation	Banking Regulation Act, 1949
Lending practices	Non-Banking Financial Company - Peer to Peer Lending Platform (Reserve Bank) Directions, 2017
Exposure norms	Exposure Norms and Statutory / Other Restrictions – UCBs

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