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Regulatory Updates

Last updated: May 2025

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May 07, 2025 : Policy Statement: Framework for Formulation of Regulations

Tags:

RBI Regulations, Regulatory Framework, Public Consultation, Impact Analysis

Summary:

This RBI circular establishes a framework for formulating and amending regulations, mandating public consultation with a minimum 21-day comment period and impact analysis where feasible. The framework applies to various regulations issued under specified Acts, impacting all entities subject to RBI regulations, and aims to standardize the regulatory process for greater transparency. Exceptions are made for internal matters, procedural changes, and entity-specific regulations, allowing for flexibility in urgent or confidential situations.

Insights:

- RBI will provide at least 21 days for public consultation on draft regulations before their issuance, as per Section 3(3).
- The RBI will publish draft regulations and a statement of particulars (including impact analysis, if feasible) on its website (www.rbi.org.in) before finalization, as outlined in Section 3.
- All future amendments to existing regulations, if significant, will need to follow the public consultation and impact analysis process described in Sections 3 and 4.
- The RBI will periodically review existing regulations considering objectives, surveillance experience, court orders, global best practices, relevance, redundancies, and other relevant factors as stated in Section 6.
- Regulations issued under the RBI Act, 1934; Banking Regulation Act, 1949; and other Acts listed in the Annexure are subject to this new framework, with exceptions specified in Section 7.

Further details can be found on:

<https://rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=12846&Mode=0>

May 08, 2025 : Reserve Bank of India (Digital Lending) Directions, 2025

Tags:

Digital Lending, Regulated Entities (REs), Lending Service Providers (LSPs), Data Privacy, Default Loss Guarantee (DLG)

Summary:

The Reserve Bank of India (RBI) issued the Reserve Bank of India (Digital Lending) Directions, 2025, to regulate digital lending practices and protect borrowers. Key changes include enhanced due diligence requirements for Lending Service Providers (LSPs), stricter guidelines on data privacy and loan disbursement, and the mandatory reporting of Digital Lending Apps (DLAs) to the RBI. These regulations impact all commercial banks, primary cooperative banks, non-banking financial companies, and all-India financial institutions involved in digital lending.

Insights:

- Regulated Entities (REs) must comply with the Reserve Bank of India (Digital Lending) Directions, 2025, effective immediately, except for para 6 (November 1, 2025) and para 17 (June 15, 2025).
- REs must conduct enhanced due diligence on Lending Service Providers (LSPs), including assessing technical capabilities, data privacy, and borrower conduct, before entering into agreements.
- For RE-LSP arrangements involving multiple lenders, REs must ensure LSPs provide a digital view of all loan offers, including unmatched lenders, with unbiased comparisons.
- All digital loan disbursements by REs must be made directly into the borrower's bank account, except for statutorily mandated exceptions and specific end-use disbursements to end-beneficiary accounts.
- REs must report all Digital Lending Apps (DLAs) on the RBI's CIMS portal by June 15, 2025, including details in Annex I, and certify compliance with these Directions.
- Circulars DOR(NBFC)(PD) CC.No.112/03.10.001/2019-20, DOR.CRE.REC.66/21.07.001/2022-23, and DOR.CRE.REC.21/21.07.001/2023-24 are repealed with the issuance of these Directions.

Further details can be found on:

<https://rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=12848&Mode=0>

May 08, 2025 : Investments by Foreign Portfolio Investors in Corporate Debt Securities through the General Route – Relaxations

Tags:

Foreign Portfolio Investors (FPIs), Corporate Debt Securities, Investment Limits, Relaxation of Regulations, FEMA

Summary:

This RBI circular relaxes investment limits for Foreign Portfolio Investors (FPIs) in Indian corporate debt securities via the general route. The circular removes the short-term investment and concentration limits previously mandated in the Master Direction of January 7, 2025. This change impacts AD Category-I banks and their FPI clients, easing investment procedures for FPIs.

Insights:

- AD Category-I banks must immediately cease enforcing the short-term investment limit and concentration limit for FPIs investing in corporate debt securities through the General Route, as per the changes in the Master Direction.
- The requirement for FPIs to comply with the short-term investment limit and concentration limit, as previously outlined in paragraphs 4.4 (iii) and 4.4(v) of the Master Direction, is withdrawn with immediate effect.
- AD Category-I banks are required to inform their constituents about the changes in the Master Direction regarding FPI investments in corporate debt securities through the General Route.
- The move is aimed at providing greater ease of investment for FPIs, potentially making the Indian corporate debt market more attractive and accessible to foreign investors
- The updated Master Direction, referenced in this circular, supersedes previous versions regarding the short-term and concentration limits for FPI investments in corporate debt securities through the General Route.

Further details can be found on:

<https://rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=12847&Mode=0>

May 16, 2025 : Exim Bank's GOI-supported Line of Credit (LOC) for USD 700 million to the Govt. of Mongolia (GO-MNG), for financing construction of Crude Oil Refinery Plant in Mongolia

Tags:

Exim Bank, Line of Credit (LOC), Mongolia, Crude Oil Refinery, FEMA Compliance

Summary:

This RBI circular (A.P. (DIR Series) Circular No. 05/2025-26) informs Category-I Authorised Dealer banks about a USD 700 million Line of Credit (LOC) from Exim Bank to the Mongolian government for a crude oil refinery. The circular details the terms of the LOC, including eligibility criteria for Indian exporters, disbursement deadlines, and agency commission provisions. Category-I banks are instructed to disseminate this information to their exporter clients.

Insights:

- AD Category-I banks must inform their exporter constituents about the Exim Bank's USD 700 million Line of Credit (LOC) for the Mongolian Crude Oil Refinery project and direct them to Exim Bank for details.
- Exports under this LOC are permissible for eligible goods and services as defined in the agreement and adhering to India's Foreign Trade Policy; the LOC is effective from May 6, 2025, with a 48-month disbursement deadline post contract completion.
- Shipments under this LOC must be declared using the Export Declaration Form/Shipping Bill as per RBI instructions; no agency commission is payable under the LOC, but exporters can use their own resources or Exchange Earners' Foreign Currency Accounts for commission payments, subject to extant RBI guidelines and full export value realization.
- AD Category-I banks are allowed to facilitate remittance for agency commission after the full eligible export value is realized; this is subject to existing RBI regulations on agency commission payments.

Further details can be found on:

<https://rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=12849&Mode=0>

May 21, 2025 : Alteration in the name of “North East Small Finance Bank Limited” to “slice Small Finance Bank Limited” in the Second Schedule to the Reserve Bank of India Act, 1934

Tags:

Small Finance Bank, Name Change, slice Small Finance Bank

Summary:

This RBI circular announces the name change of North East Small Finance Bank Limited to slice Small Finance Bank Limited. The alteration is reflected in the Second Schedule to the Reserve Bank of India Act, 1934, effective May 14, 2025, as per notification DoR.LIC.No.S1134/16.13.216/2025-26. All banks are informed of this change.

Insights:

- All banks must update their internal records to reflect the name change of "North East Small Finance Bank Limited" to "slice Small Finance Bank Limited" in accordance with RBI Notification DoR.LIC.No.S1134/16.13.216/2025-26.
- The updated name of "slice Small Finance Bank Limited" should be used in all future communications and documentation related to the bank, effective immediately.
- This name change is effective as of May 16, 2025, as per the Gazette of India publication. Banks should ensure systems and processes are updated by this date.

Further details can be found on:

<https://rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=12850&Mode=0>

May 22, 2025 : Withdrawal of Master Circular on Deendayal Antyodaya Yojana – National Urban Livelihoods Mission (DAY-NULM) and related circulars

Tags:

DAY-NULM, Master Circular Withdrawal, Scheduled Commercial Banks, Small Finance Banks, Reporting Requirements

Summary:

This RBI circular withdraws the Master Circular on the Deendayal Antyodaya Yojana – National Urban Livelihoods Mission (DAY-NULM) and related circulars, effective October 1, 2024, due to the program's official conclusion on September 30, 2024. This impacts scheduled commercial banks and small finance banks, relieving them of reporting requirements outlined in the now-withdrawn circulars.

Insights:

- Scheduled Commercial Banks and Small Finance Banks are no longer required to submit returns related to the Deendayal Antyodaya Yojana – National Urban Livelihoods Mission (DAY-NULM) as of October 1, 2024.
- The Master Circular dated April 5, 2021, on DAY-NULM (FIDD.GSSD.CO.BC.No.03/09.16.03/2021-22) and seven other related circulars listed in the Annex are withdrawn effective October 1, 2024.
- Banks can discontinue all operational processes and reporting mechanisms previously mandated under the withdrawn DAY-NULM circulars (listed in the Annex).
- No further compliance is needed with respect to the reporting formats and guidelines specified in the withdrawn circulars, including those related to restructuring of SJSRY as NULM (RPCD.GSSD.CO.BC.NO.26/09.16.03/2014-15).

Further details can be found on:

<https://rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=12851&Mode=0>

May 23, 2025 : Reporting on FIRMS portal – Issuance of Partly Paid Units by Investment Vehicles

Tags:

FIRMS portal, Partly Paid Units, Investment Vehicles, Foreign Exchange Management, Reporting Requirements

Summary:

This RBI circular mandates Category-I Authorised Dealer banks to ensure investment vehicles report issuances of partly paid units to non-resident Indians via Form InVI. While past issuances must be reported within 180 days, future issuances require reporting within 30 days as per the Foreign Exchange Management (Mode of Payment and Reporting of Non-Debt Instruments) Regulations, 2019. The circular impacts investment vehicles and AD Category-I banks.

Insights:

- AD Category-I banks must ensure that investment vehicles report the issuance of partly paid units to persons resident outside India using Form InVI within 30 days of issuance, as per Regulation 4(10) of the Foreign Exchange Management (Mode of Payment and Reporting of Non-Debt Instruments) Regulations, 2019.
- Investment vehicles have a 180-day window from May 23, 2025, to report issuances of partly paid units made before this date via Form InVI. No late fees will apply during this period.
- Issuances of partly paid units by investment vehicles on or after May 23, 2025, must continue to be reported within 30 days in compliance with the Foreign Exchange Management (Mode of Payment and Reporting of Non-Debt Instruments) Regulations, 2019.
- AD Category-I banks are required to inform their customers/constituents about this circular and its implications for compliance with the reporting requirements of Form InVI.

Further details can be found on:

<https://rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=12852&Mode=0>

May 27, 2025 : Inclusion of “The Vishweshwar Sahakari Bank Ltd., Pune” in the Second Schedule of the Reserve Bank of India Act, 1934

Tags:

Vishweshwar Sahakari Bank, Second Schedule RBI Act 1934, Bank Inclusion, Banking Supervision

Summary:

This RBI circular announces the inclusion of The Vishweshwar Sahakari Bank Ltd., Pune, into the Second Schedule of the Reserve Bank of India Act, 1934, effective April 7, 2025. This action, formalized by notification DoR. REG./LIC.No.S75/08.27.300/2025-26 and published in the Gazette of India, impacts all banks and potentially alters the regulatory oversight of the specified bank.

Insights:

- All banks must acknowledge the inclusion of 'The Vishweshwar Sahakari Bank Ltd., Pune' in the Second Schedule of the Reserve Bank of India Act, 1934, as per RBI/2025-26/41 dated May 27, 2025.
- The inclusion is effective from April 07, 2025, as per Notification DoR. REG./LIC.No.S75/08.27.300/2025-26, published in the Gazette of India on May 09, 2025.

- Banks should review their internal processes and compliance measures to reflect the updated Second Schedule, considering the implications of this inclusion on their operations related to 'The Vishweshwar Sahakari Bank Ltd., Pune'.

Further details can be found on:

<https://rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=12853&Mode=0>