

## Regulatory Updates

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## **Aug 05, 2025: International Trade Settlement in Indian Rupees (INR)**

### **Tags:**

International Trade Settlement, Special Rupee Vostro Accounts (SRVA), Foreign Exchange Management Act (FEMA), AD Banks Compliance

### **Summary:**

The Reserve Bank of India (RBI) regulation permits Authorized Dealer (AD) Category-I banks to open Special Rupee Vostro Accounts (SRVAs) of overseas correspondent banks without needing prior approval from RBI. This change, made effective immediately, simplifies the process for AD banks while still complying with the Foreign Exchange Management Act (FEMA) regulations, impacting entities dealing with international trade settlements in Indian Rupees. The circular facilitates efficient management of international trade accounts by limiting procedural dependencies on the central bank.

### **Insights:**

- AD Category-I banks can now open Special Rupee Vostro Accounts of overseas correspondent banks without needing prior RBI approval, facilitating faster operational execution.
- This regulatory change is effective immediately, necessitating AD banks to update their internal processes to comply with the new SRVA opening guidelines.
- AD banks must communicate these new instructions to their constituents and customers, ensuring they are informed of the operational shift.
- These directions under sections 10(4) and 11(1) of FEMA, 1999, must be adhered to in conjunction with any other necessary legal permissions.

### **Further details can be found on:**

<https://rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=12887&Mode=0>

## **Aug 06, 2025 : Reserve Bank of India (Non-Fund Based Credit Facilities) Directions, 2025**

### **Tags:**

Non-Fund Based Credit, Guarantee Issuance, Letter of Credit, Exposure Norms

## Summary:

The Reserve Bank of India has issued the Reserve Bank of India (Non-Fund Based Credit Facilities) Directions, 2025, to harmonize guidelines on non-fund based facilities like guarantees and letters of credit across regulated entities, including commercial banks and NBFCs. This circular introduces key changes such as conditions for issuing guarantees, partial credit enhancement to bonds, and operational risk controls for electronic guarantees. The new guidelines will impact commercial banks, cooperative banks, AIFs, and qualifying NBFCs by imposing standardized credit assessment and approval requirements for such facilities, effective from April 1, 2026.

## Insights:

- The new guideline mandates that effective from April 1, 2026, all non-fund based facilities provided after this date must adhere strictly to the new Directions.
- Scheduled Commercial Banks are now limited to issuing unsecured guarantees up to 1.25% of their total assets, requiring affected banks to adjust their bank guarantee portfolios by April 01, 2027.
- Banks must phase out reliance on older circulars repealed by the new regulation, such as DBOD.No.Sch.BC.68/C.109-72, by the regulation's effective date, to ensure compliance with current standards.
- Integration of systems and ensuring technological compatibility for issuing electronic Guarantees is now mandatory, requiring banks to develop standard operating procedures (SOPs) as per Annex 1 by the designated effective date.
- Starting immediately, Reserve Entities must honor invoked guarantees promptly unless legally restrained, thus necessitating an adjustment in operational procedures for guarantee management and claims processing.

**Further details can be found on:**

<https://rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=12889&Mode=0>

## Aug 06, 2025 : Reserve Bank of India (Co-Lending Arrangements) Directions, 2025

## Tags:

Co-Lending Arrangements, Default Loss Guarantee, Asset Classification Norms, Priority Sector Lending

## Summary:

The Reserve Bank of India (RBI) has issued the Reserve Bank of India (Co-Lending Arrangements) Directions, 2025, providing a comprehensive framework for co-lending arrangements (CLAs) between regulated entities (REs), specifically commercial banks, all-India financial institutions, and non-banking financial companies including housing finance companies. The regulation introduces key changes including a mandatory 10% loan

retention by each RE, a blended interest rate system, and establishment of an escrow account for transactions. Existing and new CLAs must comply with these guidelines effective January 1, 2026, impacting how these entities engage in co-lending, particularly concerning priority sector lending, digital lending arrangements, and compliance with KYC and asset classification norms.

## Insights:

- By January 1, 2026, all new co-lending arrangements must comply with the CLA Directions, necessitating a review and revision of existing contracts to meet these requirements.
- Regulated Entities involved in Co-Lending Arrangements must maintain a minimum of a 10% loan share, ensuring alignment with internal credit policies and borrower segment targets.
- The repeal of circular FIDD.CO.Plan.BC.No.8/04.09.01/2020-21, dated November 5, 2020, mandates entities to adopt the new Co-Lending Arrangements Directions-2025 for priority sector lending compliance.
- Co-lending partners must ensure timely (within 15 days) reflection of their loan share in their books post-disbursement; failure requires compliance with the Transfer of Loan Exposure, 2021, guidelines.
- All active co-lending partnerships must be disclosed prominently on regulated entities' websites and financial statements, ensuring transparency and adherence to the new disclosure norms under the Directions.

**Further details can be found on:**

<https://rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=12888&Mode=0>

## Aug 12, 2025 : Investment in Government Securities by Persons Resident Outside India through Special Rupee Vostro account

## Tags:

Special Rupee Vostro Account, Government Securities Investment, Non-Resident Indian Investment

## Summary:

The Reserve Bank of India's circular allows persons resident outside India with Special Rupee Vostro Accounts (SRVA) used for international trade settlement in Indian Rupees to invest their rupee surplus in Central Government Securities, including Treasury Bills. This regulation updates operational instructions within the Master Direction and is immediately effective, impacting Authorised Dealer Category-I banks and their eligible customers. The directive, issued under the Foreign Exchange Management Act, 1999, requires banks to inform relevant stakeholders and is in line with existing permissions or approvals.

## Insights:

- AD Category-I banks must inform relevant clients about the new option for Persons Resident Outside India to invest surplus balances in Central Government Securities, effective immediately.
- Firms with a Special Rupee Vostro Account (SRVA) for trade settlement can now invest their surplus rupee balances in Government Securities and Treasury Bills.
- AD Category-I banks must immediately update their internal processes to facilitate the investment of SRVA surplus balances into eligible government securities
- Immediate effect is mandated; AD Category-I banks must promptly align operational procedures to allow SRVA holders to invest in Central Government Securities including Treasury Bills.

## Further details can be found on:

<https://rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=12890&Mode=0>

## Aug 13, 2025 : Introduction of Continuous Clearing and Settlement on Realisation in Cheque Truncation System

## Tags:

Cheque Truncation System, Continuous Clearing, Settlement on Realisation

## Summary:

The Reserve Bank of India (RBI) announces the transition of the Cheque Truncation System (CTS) from batch processing to continuous clearing and settlement upon realization in two phases starting October 4, 2025, and January 3, 2026. The regulation specifies a single presentation session for cheque scanning and immediate forwarding to clearing houses, along with continuous inward processing by banks from 10:00 AM to 7:00 PM for confirmations, with changes in cheque expiry times in phase 2. The new system impacts all banks participating in CTS, requiring them to prepare and inform customers about the revised cheque clearing processes and timelines.

## Insights:

- Banks must transition their cheque clearing operations to a continuous clearing process starting October 4, 2025, with full implementation by January 3, 2026.
- The confirmation window for cheque processing is set to close at 7:00 PM in Phase 1 until January 2, 2026, after which a T+3 hours deadline will apply in Phase 2.
- Banks need to automate inward cheque processing to provide real-time positive or negative confirmations to the clearing house to avoid cheques being deemed approved by default.

- Settlement operations will now occur every hour starting from 11:00 AM based on positive confirmations; banks must accordingly adjust their accounting and settlement workflows.
- Post-settlement, presenting banks have up to 1 hour to release payments to customers, ensuring that adjustments and reconciliations are done swiftly and accurately.

**Further details can be found on:**

<https://rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=12891&Mode=0>

## **Aug 14, 2025 : Reserve Bank of India (Know Your Customer (KYC)) (2nd Amendment) Directions, 2025**

### **Tags:**

KYC Directions, Persons with Disabilities, Aadhaar Face Authentication, Liveness Check

### **Summary:**

The Reserve Bank of India (RBI) has issued the 2nd Amendment to the Know Your Customer (KYC) Directions, 2025, aiming to enhance customer identification and verification processes and ensure inclusivity. Key updates include new provisions for KYC FAQs, explicit inclusion of Persons with Disabilities (PwDs) in onboarding processes, stipulations for large transactions, authorization of Aadhaar Face Authentication, and protection for persons with special needs during liveness checks. This regulation impacts banks, payment system operators, and entities governed under the Foreign Exchange Management Act and Prevention of Money-Laundering Rules, mandating them to update their KYC procedures to remain compliant.

### **Insights:**

- Regulated entities must ensure KYC onboarding processes are inclusive, specifically accommodating Persons with Disabilities (PwDs), by recording reasons for application rejections.
- Entities should immediately update operational procedures to implement KYC checks for transactions equal to or exceeding ₹50,000, including international money transfers.
- The implementation of Aadhaar Face Authentication necessitates system upgrades by regulated entities to incorporate this feature seamlessly into existing KYC processes.
- Entities must conduct liveness checks without excluding persons with special needs, necessitating additional training for staff on accommodating such individuals in KYC processes.
- Regulated entities should update compliance systems to reflect the new insertions in the Appendix, specifically acknowledging biannual circulars DNBS. (PD). CC. 164/03.10.042/2009-10 and DNBS. (PD). CC.No. 171/03.10.42/2009-10.

**Further details can be found on:**

<https://rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=12893&Mode=0>



## **Aug 14, 2025 : Compliance with Hon'ble Supreme Court Order dated April 30, 2025 in the matter of Pragya Prasun and Ors. vs Union of India (W.P.(C) 289 of 2024) and Amar Jain vs Union of India & Ors. (W.P.(C) 49 of 2025)**

### Tags:

Supreme Court Order Compliance, Legal Compliance Measures, Union of India Case Ruling

### Summary:

The Reserve Bank of India mandates all banks, non-banking financial companies (including housing finance companies), all India financial institutions, credit information companies, payment system providers, system participants, and authorized foreign exchange persons to ensure compliance with the Supreme Court Order dated April 30, 2025, in the cases of Pragya Prasun and Ors. vs Union of India and Amar Jain vs Union of India & Ors. The regulation emphasizes the adherence to the Court's directives without specifying the content of the order or introducing any new updates or requirements beyond this compliance. This impacts all regulated entities under these categories.

### Insights:

- All regulated entities must undertake specific measures to ensure compliance with the Supreme Court's Order dated April 30, 2025, related to the cases of Pragya Prasun vs. Union of India and Amar Jain vs. Union of India.
- Entities must review and update their legal and compliance frameworks to align with the directives of the Supreme Court Order, ensuring these updates are in place by the nearest compliance review date.
- Compliance teams within regulated entities should immediately begin analysis of the Supreme Court Order to interpret applicable operational changes needed by their respective entities.
- No specific amendments or withdrawal of previous guidelines were mentioned, but entities should evaluate existing practices to identify any potential conflicts with the new Supreme Court directives.

### Further details can be found on:

<https://rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=12892&Mode=0>

## Aug 25, 2025 : Implementation of Section 51A of UAPA, 1967: Updates to UNSC's 1267/1989 ISIL (Da'esh) & Al-Qaida Sanctions List: Amendments to 05 Entries

### Tags:

UNSC Sanctions List, Counter-Terrorism Compliance, UAPA 1967, Financial Asset Freeze

### Summary:

The Reserve Bank of India (RBI) document outlines updates to the United Nations Security Council's (UNSC) 1267/1989 ISIL and Al-Qaida Sanctions List, emphasizing the implementation of Section 51A of the UAPA, 1967. Key changes include amendments to specific entries on the sanctions list and the requirement for regulated entities to ensure compliance by verifying that they do not hold accounts for individuals or entities on the list. This affects all regulated entities, mandating strict adherence to updated UNSC communications and procedures as part of the RBI's Know Your Customer Master Direction.

### Insights:

- Regulated Entities (REs) must ensure that no accounts are held in the name of individuals or entities listed in the updated UNSC's 1267/1989 sanctions list under Section 51A of the UAPA Act, 1967.
- REs are required to take immediate action as per paragraph 51 of the MD on KYC, ensuring compliance with the UAPA Order dated February 02, 2021, as amended on April 22, 2024.
- Any delisting requests received by REs should be electronically forwarded to Joint Secretary (CTCR), MHA, in accordance with Section 8 of the guideline for expeditious consideration.
- REs must stay updated with the latest sanctions list available on the UNSC website and frequently check for amendments to ensure compliance, as suggested in paragraph 7 of the current regulations.
- For further information on the exceptions and details of sanctions, REs should refer to the URL mentioned in Section 5, maintaining adherence to these guidelines.

### Further details can be found on:

<https://rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=12894&Mode=0>