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NATIONAL LAW UNIVERSITY ODISHA

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- *Tamanna Das Patnaik*

Introduction

In the realm of financial entities, governance and customer grievance redressal have become focal points for regulatory attention. The establishment of the Office of the Internal Ombudsman (OIO) plays a pivotal role in this landscape, ensuring efficient resolution of complaints and upholding the integrity of financial services.

The Reserve Bank of India (RBI) recently issued the Master Direction on Internal Ombudsman for Regulated Entities, 2023 in a bid to fortify the Internal Grievance Redress system within various regulated entities. This initiative stems from the institutionalization of the Internal Ombudsman mechanism, as outlined in several guidelines and instructions. These include the Internal Ombudsman Scheme 2018 for banks, the Appointment of Internal Ombudsman by Non-Banking Financial Companies, and the Reserve Bank of India (Credit Information Companies - Internal Ombudsman) Direction, 2022. The overarching goal is to enhance the effectiveness of the Internal Grievance Redress system across regulated entities.

A comprehensive review of the existing Internal Ombudsman schemes was conducted by RBI, which resulted in the creation of this Master Circular, aligning with the integration of the erstwhile three RBI Ombudsman Schemes. This review is also in line with the objective of elevating customer service standards within regulated entities. The framework underscores the importance of the Internal Ombudsman mechanism operating as envisaged. It positions the Internal Ombudsman as an independent apex-level authority responsible for addressing consumer grievances within regulated entities.

All regulated entities were mandated by RBI to comply with the specified Directions with immediate effect. Regulated entities were further advised that Internal Ombudsmen appointed under previous schemes or directions will continue to hold office until the expiry of their tenure. Entities not currently falling under the Internal

Ombudsman Schemes or Direction were urged to monitor their eligibility closely for the timely appointment of Internal Ombudsman, in accordance with prescribed provisions. Additionally, regulated entities were instructed to forward the contact details of the Internal Ombudsman/Deputy Internal Ombudsman to the Consumer Education and Protection Department at the RBI's Central Office. They were also mandated to ensure prompt updates of these details in case of any changes.

The Master Direction, effective from December 29, 2023, incorporated and updated previous Internal Ombudsman Schemes issued for not just banks but also Non-Banking Financial Companies (NBFCs), Non-bank System Participants (NBSPs), and Credit Information Companies (CICs) based on specified criteria, like the number of banking outlets, asset size, and Pre-paid Payment Instruments outstanding. Entities reaching the prescribed threshold post-issuance of these Directions are required to establish an Internal Ombudsman framework within six months. Designed to strengthen the Internal Grievance Redress mechanism within regulated entities, it aims for a proper and swift resolution of customer complaints. The Master Direction's preliminary chapter outlines its suspension provisions also, which allow the RBI to suspend the operation of specific provisions for a specified period if deemed expedient.

Appointment of Internal Ombudsman

Financial entities must meticulously select Internal Ombudsmen, individuals with a minimum of seven years of experience in relevant fields such as banking, non-banking finance, regulation, and consumer protection. A retired or serving officer equivalent to the rank of a General Manager in another institution is deemed suitable. Notably, the appointee should not have prior or present employment ties with the regulated entity, ensuring impartiality. To accommodate the volume of complaints, entities can also appoint more than one Internal Ombudsman, each with a clearly defined jurisdiction. The age limit of 70 years and a fixed tenure of three to five years ensure dynamism and prevent stagnation.

Appointment of Deputy Internal Ombudsman

Deputy Internal Ombudsmen, with a minimum of five years of relevant experience, may be appointed to assist the Internal Ombudsman. The Deputy Internal Ombudsman's role is crucial, with functional reporting to the Internal Ombudsman, who remains the final decision-making authority.

Tenure and Oversight

The contractual nature of the Internal Ombudsman's appointment guarantees stability, RBI's explicit approval required for any premature removal. The oversight structure mandates reporting to the Competent Authority and functionally to the Board of the regulated entity.

Administrative Setup

To facilitate smooth functioning, regulated entities are required to provide necessary infrastructure to the Office of the Internal Ombudsman, ensuring effective discharge of responsibilities. The emoluments and benefits are determined by the Customer Service Committee/Consumer Protection Committee of the Board.

Internal Audit

Regulated entities must conduct an annual internal audit, assessing infrastructure adequacy, adherence to timelines, and actions taken by the Internal Ombudsman. The audit, however, excludes the assessment of the correctness of decisions made by the Internal Ombudsman.

Role and Responsibilities of Internal Ombudsman

The Internal Ombudsman's primary role is to handle complaints that have been partly or wholly rejected by the regulated entity. However, certain types of complaints, such as those related to corporate frauds or decisions already pending in other fora, fall outside the purview. The Internal Ombudsman is tasked with analyzing complaint patterns, proposing actions for addressing root causes, and suggesting policy-level changes. Quarterly analyses ensure proactive interventions.

Board Oversight

Regular reporting by the Internal Ombudsman to the Board's Customer Service Committee/Consumer Protection Committee helps maintain transparency. The

Audit Committee may refer relevant matters to the Internal Ombudsman for resolution.

Procedural Guidelines for Regulated Entity

A standardized procedure for complaint redressal is paramount. The regulated entity must formulate an SOP, approved by the Board, and implement an automated Complaints Management Software. The Internal Ombudsman's decision is binding, with the regulated entity having the option to disagree, subject to the Competent Authority's approval.

Regulatory and Supervisory Oversight

Regulatory oversight is integral to risk assessment. The Reserve Bank of India's Departments of Supervision and Payment and Settlement Systems undertake regular reviews, while the Consumer Education and Protection Department assesses cases where the Internal Ombudsman's decision is contested.

Reporting to Reserve Bank

Regulated entities must establish a reporting system, submitting quarterly and annual reports on the Internal Ombudsman's activities. Prompt reporting of Internal Ombudsman appointments is mandatory.

Loopholes

The Master Direction represents a significant step toward enhancing governance and grievance redressal in the financial sector. However, an analysis reveals several loopholes that might hinder its effectiveness and undermine the overall objectives.

Limited Escalation Mechanism for Consumer Complaints

The Direction focuses primarily on the Internal Ombudsman's role in handling complaints rejected by the regulated entity. However, it lacks specific provisions for escalating consumer complaints beyond the Internal Ombudsman. A more robust mechanism for unresolved disputes to be addressed by external bodies or authorities could enhance consumer confidence and ensure impartial resolution.

Inadequate Integration of Technological Advancements

In the era of rapidly evolving technology, the Master Direction falls short in integrating technological advancements into the grievance redressal process. The absence of specific guidelines on leveraging advanced complaint management systems or artificial intelligence tools may hinder the efficiency and speed of complaint resolution, especially in the context of a rapidly changing financial landscape.

Potential Conflicts of Interest in Oversight Structure

While the Master Direction emphasizes the independence of the Internal Ombudsman, potential conflicts of interest in the oversight structure should be addressed. Reporting to the Competent Authority and functionally to the Board may raise concerns about impartiality, especially when the Board is involved in setting emoluments and benefits for the Internal Ombudsman.

Lack of External Audits for Transparency

The absence of provisions for external audits is a notable gap in ensuring transparency and credibility. External audits, conducted independently of the regulated entities, could provide a comprehensive assessment of the Internal Ombudsman's functioning, including the correctness of decisions made. This additional layer of scrutiny would contribute to building trust in the redressal mechanism.

Oversight Exclusions in Internal Audit

The internal audit, as mandated by the Master Direction, excludes assessing the correctness of decisions made by the Internal Ombudsman. This exclusion may inadvertently overlook potential errors or biases in decision-making, limiting the effectiveness of the audit in ensuring fair and just resolution of complaints.

Ambiguity in Handling Certain Complaints

The delineation of certain types of complaints, such as those related to corporate frauds or decisions pending in other fora, as falling outside the purview of the Internal Ombudsman introduces ambiguity. Clearer guidelines on handling these exceptions would enhance the Master Direction's clarity and effectiveness.

Conclusion

While the Master Direction takes commendable steps in formalizing the Internal Ombudsman mechanism, addressing these identified loopholes is crucial for its long-term success. A continuous review and refinement of the framework in response to emerging challenges and stakeholder feedback will be essential to ensure that the financial sector's governance and grievance redressal mechanisms remain robust, transparent, and consumer-centric.

EXPLORING THE RIGHTS OF DISSENTING FINANCIAL CREDITORS: ENTITLEMENT TO THE MINIMUM VALUE OF SECURITY INTEREST.

- *KUSHAGRA KESHAV*

Introduction

Recently in the case of, DBS Bank Ltd Singapore v. Ruchi Soya Industries Ltd, the Supreme Court of India, in a division bench comprising Justices Sanjiv Khanna and SVN Bhatti, has referred a key issue of law to a larger bench regarding the manner in which dissenting financial creditors are treated, under the Insolvency and Bankruptcy Code, 2016.

Issue which requires referral to a larger bench

The specific issue at hand pertains to Section 30(2)(b)(ii) of the Insolvency and Bankruptcy Code, as amended in 2019, and whether it entitles a dissenting financial creditor to be paid the minimum value of its security interest. This referral stems from a disagreement with a previous judgment in the case of India Resurgence ARC Private Limited v. Amit Metaliks Limited & Another, where it was held that a dissenting secured creditor cannot challenge an approved resolution plan, claiming a higher amount based on their security interest.

Contradictions and precedents

The court observed a contradiction between the India Resurgence case and earlier decisions in, Committee of Creditors of Essar Steel India Limited and Jaypee Kensington Boulevard Apartments Welfare Association vs. NBCC (India) Ltd. The Committee of Creditors case referred to the UNCITRAL Legislative Guide, emphasizing the need to protect dissenting creditors. The court noted that Section 30(2)(b)(ii) was enacted to ensure that dissenting creditors receive payment equal to the value of their security interest.

Wringing out the reservations about the India Resurgence judgment, the court clarified that while a dissenting financial creditor cannot raise an objection to the resolution plan's enforcement, they can object to the distribution of proceeds if it is less than what they would be entitled to in a liquidation proceeding. This statutory option is crucial to safeguard the rights of dissenting financial creditors.

The court did not entertain the argument that Section 30(2)(b)(ii) is inconsistent, emphasizing that the dissenting financial creditor is required to relinquish their security interest upon the acceptance of the resolution plan. The court clarified that Section 53(1) is referred to in Section 30(2)(b)(ii) to ensure that dissenting financial creditors are not denied the amount equal to the value of their security interest.

Conclusion

Analysing the conflicting views between the present case and the India Resurgence judgment, the court deemed apposite to refer the issue to a larger bench. The dissenting financial creditor's right to receive payment equal to the value of their security interest is a crucial matter of concern that requires clarification and consistency in interpretation. The case is now set to be placed before the Chief Justice of India for further orders.

NON-FUNCTIONING ACCOUNTS: WHAT ADVANTAGES WILL CUSTOMERS GAIN FROM THE UPDATED GUIDELINES BY THE RBI?

- SUBHASHMIN MOHARANA

Have you ever forgotten about an old b use itank account you opened years ago and never used? Or have you ever missed claiming your fixed deposit after it matured? If yes, then you are not alone. According to the government, there are unclaimed deposits of Rs 42,270 crore lying with the banks as of March 2023. These are the funds that belong to the customers but have not been operated or claimed for 10 years or more. The Reserve Bank of India ("RBI") has developed new rules to help you recover your money from these dormant accounts which have been analyzed in depth in this article-

What are inoperative accounts and unclaimed deposits?

An inoperative account is a savings or current account that has had no customer-induced transactions for over two years. A customer-induced transaction can be a financial or non-financial transaction initiated by the account holder or a third party, or a KYC updation done through physical or digital mode. A bank-induced transaction, such as charges, fees, interest payments, penalties, or taxes, does not count as a customer-induced transaction.

An unclaimed deposit is a balance in a savings or current account that is not operated for 10 years or more, or a term deposit that is not claimed within 10 years from the date of maturity.

Why are these accounts and deposits a problem?

These accounts and deposits are a problem for both the banks and the customers. For the banks, they increase operational costs, compliance risks, and fraud risks. For the customers, they reduce the returns, access, and security of their funds. Moreover, these accounts and deposits are not available for productive use in the economy.

What are the new rules by the RBI?

The RBI has issued comprehensive guidelines on how to classify, review, and reactivate such accounts and deposits, and how to prevent fraud and resolve complaints related to them. These rules will be effective from April 1, 2024, and will apply to all commercial and cooperative banks. The main features of the new rules are:

- Reactivation: You can reactivate your inoperative account or claim your unclaimed deposit by submitting your KYC documents afresh at any branch of your bank, including non-home branches. You don't need to visit the branch where you opened the account or deposit.

- Review: Your bank will review your account or deposit at least once a year and communicate with you through letters, emails, or SMS to remind you of the status of your account or deposit. The bank will also inform you that your account will become inoperative or your deposit will become unclaimed if you don't operate or claim them within the stipulated time.

- Prevention: Your bank will take measures to prevent fraud in your account or deposit, such as verifying the identity and address of the claimant, obtaining indemnity bonds, and reporting suspicious transactions. Your bank will also trace you or your nominees or legal heirs and help them with the reactivation of the account or settlement of the claim or closure of the account or deposit.

- Resolution: Your bank will have a grievance redressal mechanism to expedite the resolution of complaints related to inoperative accounts and unclaimed deposits. You can approach the bank's internal ombudsman or the RBI's ombudsman scheme for redressal of your grievances.

What are the benefits and challenges of the new rules?

The new rules aim to reduce the quantum of unclaimed deposits in the banking system and return such deposits to their rightful owners or claimants. The main benefits of the new rules are:

Returns: You can earn interest on your inoperative account or unclaimed deposit once you reactivate or claim them. You can also use your funds for your personal or business needs.

Access: You can access your inoperative account or unclaimed deposit from any branch of your bank, without any hassle or delay. You can also use the digital channels of your bank to operate or claim your funds.

Security: You can protect your inoperative account or unclaimed deposit from fraud or misuse by updating your KYC documents and responding to the bank's communication. You can also nominate or assign your legal heirs for your funds.

What are the challenges of the new rules?

The new rules also pose some challenges for the banks and the customers, such as:

Costs: Banks may adopt automated software and online staff training to manage inoperative accounts efficiently.

Awareness: Customers should maintain updated KYC, be vigilant, and use secure practices like two-factor authentication.

Account Management: Banks might hire temporary staff and streamline reactivation/closure processes to handle dormant accounts effectively.

Conclusion

The RBI's new rules on inoperative accounts and unclaimed deposits are a welcome step to help customers reclaim their money from dormant bank accounts. The new rules will also help the banks to improve their customer service and compliance. However, the new rules also require the banks and the customers to work together and overcome the challenges involved in the implementation and execution of the new rules.

RBI IMPLEMENTS BAN ON INVESTMENTS IN ALTERNATIVE INVESTMENT FUNDS TO COMBAT LOAN EVERGREENING

- *DEWANSH RAJ*

Introduction

The Reserve Bank of India ("RBI") in a latest move to curb the evergreening of the stressed loan, has instructed the Regulated entities ("REs") which constitute commercial banks and other financial institutions such as NABARD and Non-Banking Financial Companies ("NBFCs") not to invest in any fund or scheme of Alternative Investment Funds ("AIFs") which has a downstream investment in the debtor company.

The RBI's move is aimed at stopping banks and NBFCs from using the AIF channel as a way to artificially sustain or extend the life of their loans.The move comes after the Securities and Exchange Board of India ("SEBI") informed the RBI about instances of non-bank financiers evergreening loans through the AIF route in November last year.

Evergreening Of Loans

Evergreening of loans refers to a practice where financial institutions extend new loans to borrowers who have defaulted on their previous loans with the expectation that these additional funds will facilitate the repayment of both existing and current debts. This strategy is employed in the hope that the injection of fresh capital will enable the defaulters to meet their outstanding financial obligations. However, evergreening of loans is a controversial and risky approach, as it could potentially lead to a cycle of dependency on continuous loan extensions.

What Are Aifs: An Understanding

The AIF refers to any fund established or incorporated in India which is a privately pooled investment vehicle which collects funds from sophisticated Indian or international investors, for the purpose of investment in accordance with a clear investment policy for the benefit of its investors which include the banks and the NBFCs.

The RBI while providing reasons for the said decision stated that the investments in the Alternative Investment funds,raise regulatory concerns as these funds make the banks more prone to stressed loans. In its notification dated 19th December 2023, the RBI stated that these transactions entail the substitution of direct loan exposure of REs to borrowers, with indirect exposure through investments in units of AIFs.

According to the notification, if an AIF scheme, where an RE is already an investor, makes a downstream investment in a debtor company, the RE must liquidate its investment in the scheme within 30 days from the date of such downstream investment. For Banks and other financial institutions already invested in such investments as of the circular's issuance, a 30-day period for liquidation has been prescribed which shall commence from the circular's date. It is mandatory for REs to promptly inform the AIFs about these requirements and liquidate the investments.

Banks holding investments in Alternative Investment Funds (AIFs) have been mandated to liquidate their holdings. Failure to comply with these requirements obligates the banks to make a 100% provision on these investments. This mandate to create a provision is aimed to serve a dual purpose firstly it helps mitigate the risks associated with AIFs as an investment option and secondly it may act as a deterrent for other financial entities from considering investments in these AIFs.

Conclusion

These measures are aimed to enhance transparency and mitigate risks associated with certain financial transactions that could compromise the integrity of the financial system. The measure is believed to reduce help reduce the hidden NPAs and ultimately mitigate the risk of banks having to deal with bad loans.

COMMERCIAL PAPER / NON-CONVERTIBLE DEBENTURES DIRECTIONS: ASSESSING RBI'S APPROACH ON MARKET REGULATION

- ***AKHIL***

The Reserve Bank of India (RBI) recently dropped a new bomb in the form of Master Directions for Commercial Papers (CPs) and Non-Convertible Debentures (NCDs) with original maturity of up to 1 year. While the aim is to regulate these money market instruments, the guidelines seem to be a mixed bag - some draw applause while others are already facing flak. On one hand, the RBI has expanded the issuer and investor base, but on the other, strict eligibility norms could shut the door for many. Additionally, the norms around transparency and governance have been lauded but operational timelines could seem impractical. So, should we pop the champagne for more structured short-term markets, or is the party going to end even before it starts? Let's take a closer look at what works and what doesn't in these new directions.

RBI in its Statement on Developmental and Regulatory Policies has noted that an effectively functioning money market plays a pivotal role in enabling monetary policy transmission, providing pricing benchmarks, and ensuring liquidity in other financial markets. To achieve these objectives, over time, the Reserve Bank has introduced regulations governing various money market instruments like call money, repo, commercial paper, certificates of deposit and other short-term debt products with original maturity under one year, etc. to develop this crucial market. Hence, in pursuance of the above-mentioned objectives, the RBI released these directions with a few notable dimensions.

Eligible issuers and investors include companies, NBFCs, InvITs, REITs, AIFIs, and other corporates with a minimum net worth of Rs 100 crore. Cooperative societies and LLPs with a minimum net worth of Rs 100 crore can additionally issue CPs. Essentially, the RBI expanded the list of eligible issuers, and certain real estate and infrastructure investment trusts that mobilize finances through bond issuances may also utilize the short-term commercial paper market as an additional channel for raising funds. The CP market is dominated by big corporate issuers who are rated higher by CRAs. These Corporates, NBFCs, and brokerage firms account for close to over 80% of CP issuances. During the fortnight that ended December 31st, 2023, Companies raised Rs 42,874 crore according to RBI reports.

The Reserve Bank of India has mandated that issuers of commercial papers and non-convertible debentures should make information about any default in payment public, and disseminate such information on their websites and various platforms. This is to ensure transparency regarding defaults.

Further, Residents and permitted non-residents can invest in CPs/NCDs. Related parties cannot invest in each other's issuances. CPs/NCDs must be issued in dematerialized form, with a minimum Rs 5 lakh denomination and be rated minimum A3 by SEBI registered CRAs. Issuances must be settled in T+4 days, have an IPA, and trade on recognized exchanges/OTC/ETPs with T+0/T+1 settlement. NCDs in addition need a Debenture Trustee.

Various guidelines are prescribed for disclosure in an offer document, credit enhancement, end use of funds, buybacks, repayments, defaults, and reporting. Furthermore, RBI can seek information, publish data, and take punitive action in case of violations.

But all coins have two sides. To enumerate, the minimum net worth requirement of Rs 100 crore for corporates to issue CPs/NCDs may be viewed as restrictive by smaller companies. Furthermore, the ban on related parties investing in each other's CPs/NCDs could restrict access to short-term funds for group entities. From an investor's perspective, allowing only residents and permitted non-residents to invest in CPs/NCDs restricts the investor base. And conversely, for the issuers as well, the restrictions on issuance structure like no options, underwriting, might minimize flexibility for issuers.

It is to be noted that at times the RBI stages idealistic targets. In the current scenario, the expeditious timelines prescribed for issuance (T+4 days) and settlement (T+0/T+1) may pose operational challenges for market participants.

However, most of these norms aim to strengthen governance, transparency, and stability in these markets and the criticisms need to be balanced with the benefits.

RBI'S SRO FRAMEWORK: THE ROAD TO RESPONSIBLE SELF-GOVERNANCE

- ***-EKTA***

The Reserve Bank of India (RBI) has released a draft framework for recognizing Self-Regulatory Organizations (SROs) intended for regulated entities under its purview. This omnibus framework aims to promote better industry standards and aid the RBI in policymaking.

SRO is a non-governmental organization that has the power to create and enforce industry regulations and standards. They are common in fields like finance, banking, and securities markets. RBI's objective behind regulating the SROs is to oversee the functioning of regulated entities. They assist entities like NBFCs, Commercial Banks, etc., that are under the supervision and regulation of RBI. SROs assist these entities in various ways be it technical expertise, compliance, easing regulatory burden, building consumer networks, etc.

The draft framework outlines the objectives, responsibilities, eligibility criteria, and governance standards for SROs.

The objectives that have been delineated for SROs include fostering innovation while ensuring high standards of compliance, appropriate governance, inspiring research and development within the sector, and promoting a culture of compliance through frameworks and implementation of a code of conduct. It further aims to aid RBI's policy-making decisions by representing the industry's concerns, addressing critical issues, consolidating, and presenting relevant sectoral information.

The responsibilities that have been given to an SRO include setting up grievance redressal frameworks, arranging skill development programs, keeping RBI updated on latest industry developments, maintaining fairness and transparency, etc.

Any non-profit institution can form an SRO that has an adequate net worth, can provide expertise in the said sector, fulfils RBI's criteria, and has a board of directors with a third of them being independent directors. It must have a holistic representation of members and attain the minimum membership prescribed by the RBI within 2 years.

These are the compliances which are given under the draft framework and by fulfilling these conditions an SRO can become a recognized SRO under the RBI.

But what are the problems associated with SROs being governed by the RBI? Certain issues may arise after the regulation is formed and SROs are regulated. Some of these include:

Lack of independence - Close RBI regulation and oversight may erode the self-regulating nature of SROs, making them quasi-governmental agencies. This may hamper their performance level.

Overregulation - Prescriptive RBI guidelines for SROs may make them adopt a rigid regulatory mindset rather than facilitate innovation and growth.

Double Monitoring – Regulated entities may face challenges as they will be monitored by both RBI and SRO and there can be clashes of power, so clear demarcation of power should be there between RBI and SROs.

Resource constraints - RBI may not have adequate resources to monitor and supervise multiple SROs across different sectors.

Regulatory gaps - Clear accountability and transparency are needed between RBI and SROs to avoid regulatory or supervisory gaps.

The RBI's draft framework for recognizing SROs is a positive step towards promoting better governance and compliance in regulated sectors. However, the success of this policy will depend on maintaining the right balance between RBI oversight and SRO autonomy. With robust governance standards and balanced regulation, SROs can play an important role in aiding the RBI's supervisory capabilities while encouraging innovation and high compliance standards.

INDUSIND BANK LAUNCHES 'E-SVARNA': INDIA'S FIRST CORPORATE CREDIT CARD ON THE RUPAY NETWORK.

\- *VVANSHIKA SINGHAL*

IndusInd Bank has formally declared the introduction of 'IndusInd Bank eSvarna,' representing India's inaugural Corporate Credit Card operating on the RuPay network. This strategic launch makes IndusInd Bank the first institution in the country to smoothly integrate UPI features into a Corporate Credit Card. The card not only improves and simplifies transaction processes at different merchant locations but also provides users with the extra benefit of flexibility in making UPI payments by linking the card to UPI-enabled applications. This innovative financial offering underscores IndusInd Bank's commitment to staying at the forefront of technological advancements in the banking sector.

The eSvarna credit card is specifically designed for business cardholders who engage in frequent travel and seek access to airport lounges. It offers eight free visits to domestic lounges and two to international lounges annually. These credit cards are intended exclusively for business-related expenses and not for personal use.

Corporate travellers can enjoy additional advantages such as extensive travel insurance coverage and an exclusive rewards program tailored specifically for corporate entities and business transactions. The lost card liability insurance for the eSvarna credit card is applicable up to a maximum limit of Rs 15 lakh.

The introduction of the 'eSvarna' corporate card on the RuPay network stands as a pivotal milestone, marking the commencement of a new era for corporate clients seeking access to distinctive corporate features, advantages, and the seamless facilitation of UPI-enabled payments. This initiative is poised to elevate the overarching experience for major corporations and their employees, ushering in an unparalleled standard of user experience distinguished by its emphasis on simplicity and efficiency. The innovative attributes and benefits associated with 'eSvarna' are expected to redefine the landscape of corporate financial solutions, providing a sophisticated platform tailored to meet the unique needs and preferences of large enterprises.

NET NON-PERFORMING ASSETS AT MULTI YEAR LOW: RBI FINANCIAL STABILITY REPORT

- *ADITYA ROY*

The Reserve Bank of India on 28th December 2023, released a Financial Stability Report (FSR) highlighting that the ratio of Gross Non-Performing Assets of Scheduled Commercial Banks declined to a multi-year low of 3.2% while the Net Non-Performing Assets have come down to 0.8%. Scheduled commercial banks are all banks which are listed in the second schedule of the Reserve Bank of India Act 1934. The FSR indicated that the domestic financial sector remained resilient, supported by macroeconomic factors.

A non performing asset (NPA) is a loan or advance for which the principal or interest payment remained overdue for a period of 90 days. These NPAs signify loans or credits that have failed to yield income or returns for the banking institution. Such stagnant assets hinder the bank's capacity to generate profits and can cause a ripple effect, leading to potential instability within the financial institution. Consequently, this instability may extend beyond the bank itself, exerting strains on the bank's lenders and depositors.

The FSR has attributed such low NPA ratios to a variety of reasons. These reasons include the constant decrease in the creation of new NPAs, write-offs of loans and an increase in recovery. The report has also stated that the quality of large borrower portfolio has significantly improved which has largely contributed to the lowering of Gross NPA ratios.

A drop in NPA ratios indicates a significant change in the way the bank lends money. Reduced non-performing assets (NPAs) show that banks have followed necessary criteria established by regulatory bodies such as the Reserve Bank of India (RBI) or other regulating institutions, indicating a more prudent approach to lending. The decline in non-performing assets (NPAs) is a result of enhanced asset quality as well as the implementation of strict compliance and due diligence procedures by banks, which has strengthened their risk management plans and has contributed significantly to the stability of the banking industry.

Lower NPA ratios strengthen banks to have a better lending capacity such that banks can lend more efficiently and to a broader demographic given the stability that lower NPAs bring. From a management perspective, lower NPAs also increase shareholder and investor confidence and thereby securing investments in the future.

THE RESHUFFLING OF D-SIBS IN INDIA: IMPLICATIONS AND THE FUTURE

- ***POOJA REDDY***

The RBI, Reserve Bank of India, recently released its latest list of D-SIBs, i.e., Domestically Systemically Important Banks on December 28th, 2023.

D-SIBs are crucial instruments that are required to maintain a country's financial stability. The RBI had issued the Framework for dealing with (D-SIBs) on July 22, 2014. This framework requires it to disclose the names of banks designated as D-SIBs starting from 2015 and place these banks in appropriate buckets depending upon their Systemic Importance Scores (SISs). All such banks are part of an interconnected network in which the failure of one will result in the complete collapse of the financial system. Therefore, these banks have been subject to maintaining an additional capital buffer which would ensure resilience in the face of financial strain.

Three major banks, SBI, HDFC and ICICI have been mentioned in the list. SBI and ICICI Bank were declared as D-SIBs way back in 2015 and 2016 respectively. Later, based on the data collected from banks as of March 31st,2017, HDFC Bank eventually was also classified as a D-SIB.

According to the new list, ICICI Bank will maintain its existing categorization, whereas SBI and HDFC Bank will move to higher buckets i.e., buckets 4 and 2 from buckets 3 and 4 respectively.

This reshuffling has significant implications for the industry. For SBI and HDFC Bank, a higher additional Common Equity requirement needs to be maintained. In case a foreign bank is a Global Systemically Important Bank (G-SIB), and has a branch presence in India, it has to maintain additional common equity tier 1 (CET1) capital surcharge in India as applicable to it as a G-SIB, proportionate to its Risk Weighted Assets (RWAs) in India, i.e., additional CET1 buffer prescribed by the home regulator (amount) multiplied by India RWA as per consolidated global Group books divided by the total consolidated global Group RWA.

ICICI Bank will continue to have the same CET1 requirement, i.e. 0.20% of its risk-weighted assets. SBI will have to maintain the additional CET requirement of 0.80% as compared to the previous 0.60%. HDFC Bank must maintain a level at 0.40% as compared to 0.20%. These changes will be effective from April 1st, 2025.

This recent update reflects the evolving dynamics in the Indian Banking Sector as it based on the data collected from banks as of March 31, 2023, and from the recent merger of HDFC Bank and HDFC Limited back on July 1st, 2023. This demonstrates that the RBI is closely monitoring the industry landscape and tweaking what it deems necessary to ensure the stability of the financial system.

In conclusion, the RBI's latest move to re-evaluate and move Banks to different buckets further highlight the robustness of the financial system. By requiring Banks to maintain such additional capital buffers, it is taking proactive steps to mitigate any chance of systematic risks and safeguard the country's economy from potential financial risks.

The list of D-SIBs is as follows:

Bucket	Banks	Additional Common Equity Tier 1 requirement as a percentage of Risk Weighted Assets (RWAs)
5	-	1%
4	State Bank of India*	0.80%
3	-	0.60%
2	HDFC Bank*	0.40%
1	ICICI Bank	0.20%

* The higher D-SIB surcharge for SBI and HDFC Bank will be applicable from April 1, 2025. Hence, up to March 31, 2025, the D-SIB surcharge applicable to SBI and HDFC Bank will be 0.60% and 0.20% respectively.

V Meleppuram v. D Thomas & Anr. - HC's stance on Presumption under Blank Cheques

- *Soumya Dubey*

In a recent judgement by the Kerala High Court, it was ruled that the leaf of a blank cheque would attract a presumption under Section 139 of the Negotiable Instruments Act, 1881 (NI Act). This was based on the premise that the cheque in question was signed voluntarily by the drawer unless certain substantial evidence proves otherwise regarding the issuance of the cheque not being for the discharge of debt.

The above-mentioned judgement relied upon the decisions of the Hon'ble Supreme Court of India, in the cases of Bir Singh v. Mukesh Kumar and Oriental Bank of Commerce v. Prabodh Kumar Tewari. The court in these cases concluded that a person filling the cheque was either inconsequential or immaterial. Even the evidence submitted by a handwriting expert on whether the check was filled by the drawer or concerning his involvement would not in any way contribute to determining the intention or the purpose for which the cheque was handed over. Further, in the case of Oriental Bank of Commerce, the court held that the accused would have the right to avail all other legitimate defences and arguments that he may need to prove that the cheque was not issued to discharge any liabilities.

The facts of the case involved the 1st respondent who claimed that the revision petitioner had issued him a cheque to discharge liabilities owed by the latter which could not be fulfilled due to insufficient funds. The revision petitioners denying the allegations contended that the previous judgment by the trial court was awarded based on oral evidence adduced by the 1st respondent and thus claimed that there was not enough evidence to prove the lawful execution of the cheque.

The court after taking into consideration the claims of the revision petitioner concluded that there was no case against the signature being that of the revision petitioner. Consequently, the presumption under Section 139 of the NI Act would come into play, assuming that the drawer is liable when he hands over the cheque unless it is proved otherwise, i.e., that the cheque was not in discharge of debt or liability.

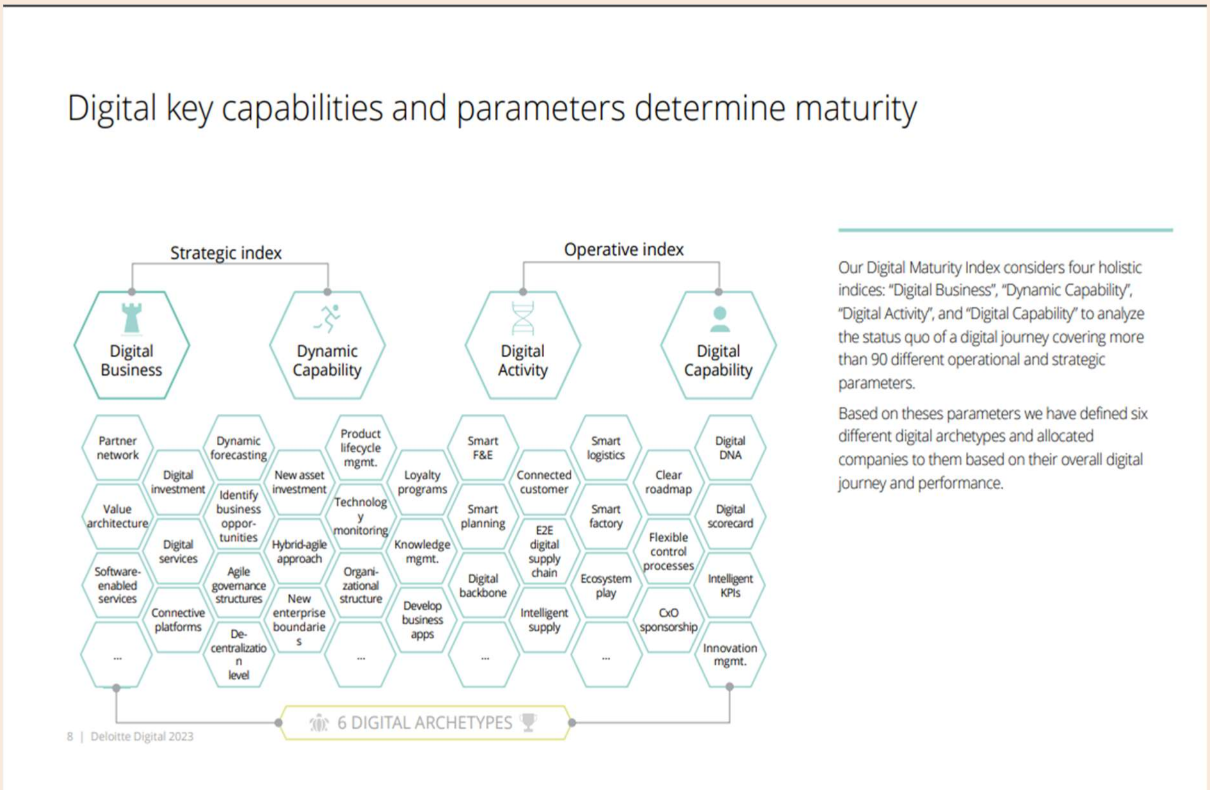
In conclusion, the consistency of handwriting is deemed inconsequential, allowing for the possibility that a third party may fill in the details on the cheque. However, this is subject to the presentation of evidence demonstrating the absence of any liability associated with the specific cheque in question.

DELOITTE SURVEY'S DIGITAL BANKING MATURITY: INDIAN BANKS OUTPERFORM GLOBAL PEERS

- *SPARSHA.S.*

Introduction

A recent study conducted by Deloitte India, titled 'Digital Banking Maturity (DBM),' delves into the digitalization landscape of banks worldwide. With a foundation grounded in over 90 operational and strategic parameters, the research categorizes institutions into six digital archetypes, ranging from Digital Laggards to Digital Champions. Building upon the inaugural survey in 2019, this year's analysis scrutinizes the overall progress of leading companies amid global crises and evaluates the impact of numerous initiatives on the health of businesses.



Indian Banks Lead in Digital Maturity

Deloitte's report highlights a significant accomplishment for Indian banks, showcasing their superior digital maturity scores compared to global counterparts. The findings reveal ample room for growth, particularly in day-to-day banking and expanding customer relationships and journeys. Positioned at the forefront of digital transformation, Indian banks have the potential to ascend further and earn the coveted title of 'Digital Champions.'

The survey indicates that Indian banks have outperformed the global average in various key customer journeys, with a particular focus on Internet banking and mobile banking features. Scoring 3% higher than the global average in mobile banking and 1% higher in Internet banking, Indian banks are recognized as 'Digital Smart Followers' and 'Digital Adopters.' This positions them as strong contenders in the digitalization race.

Opportunities for Growth for Indian Banks

While excelling in several aspects, Indian banks are presented with significant opportunities to enhance their digital maturity further. Deloitte identifies two crucial customer journeys, namely day-to-day banking and expanding relationships, where Indian banks can make substantial progress. Notably, the survey emphasizes the potential for value creation in personal financial management, beyond banking services, ecosystem and account aggregation, and account and product management.

Within these customer journeys, the report suggests that Indian banks can enhance their digital maturity by focusing on personal financial management and beyond banking services. For instance, only 25% of Indian banks currently offer customers the functionality to set financial goals, while 57% of Digital Champions provide this service. Bridging this gap could contribute significantly to elevating Indian banks to the status of 'Digital Champions.'

Digital Champions Lead the Way

The study recognizes the top 10% performers as 'Digital Champions,' showcasing their prowess in digital transformation across various customer journeys. Following them are 'Digital Smart Followers,' 'Digital Adopters,' and 'Digital Latecomers.' This tiered classification offers insights into the varying degrees of digital maturity across the 304 banks surveyed in 41 countries, including economic giants such as the US, China, India, the UK, and Brazil.

Conclusion

Deloitte India's 'Digital Banking Maturity' report underscores the commendable performance of Indian banks on the global digitalization stage. While already positioned as 'Digital Smart Followers' and 'Digital Adopters,' there exists a clear pathway for these institutions to ascend further and achieve the esteemed title of 'Digital Champions.' The identified opportunities for growth, coupled with a strategic focus on key customer journeys, provide a roadmap for Indian banks to continue their journey towards digital excellence in the ever-evolving financial landscape.

IRDAI ANNUAL REPORT 2022-23: KEY THINGS TO NOTE

\- *PRATHA BARLA*

With the end of 2023, the IRDAI (Insurance and Regulatory Development Authority of India) released their annual report for the financial year 2022-23 summarizing the quantitative data of the IRDAI and its various activities in the public domain. According to the report, India was placed as the 10th largest insurance market worldwide with a total premium of USD 131 million which contributes up to 1.9% of the total global insurance premium as sourced from Swiss Re Sigma World Insurance Report. Swiss Report is now a well-known trusted source of market information among insurance specialists. The report further states that the Life Insurance penetration in India witnessed a reduction of 0.2% but no reduction was noticed in non-life insurance. Therefore, the total penetration of insurance in India was reduced to 4% from 4.2% in 2021-22.

As per the annual report, it is stated that Life Insurance has shown consistent premium growth over the period. During this year the Life Insurance sector experienced a growth of 12.98% whereas the non-life insurance sector witnessed a 16.40% growth. Among different categories of non-life insurance, the health insurance business has seen the largest contribution followed by motor insurance and marine insurance.

Additionally, the report summarized various implementations, policies and

Table II.17: Details of the cases filed during 2022-23

S. No.	Particulars of Cases filed	Total number of cases
1.	Supreme Court	5
2.	Writ Petitions filed in various High Courts	43
3.	Securities Appellate Tribunal	5
4.	Writ Appeals ,LPAs filed in various High Courts	3
5.	Review/Restoration Petitions filed in various High Courts	-
6.	Contempt Petitions filed in High Courts	2
7.	Consumer Cases (DCF+SCDRC+NCDRC)	72
8.	Civil & Lok Adalat cases	7
9.	MACT cases	0
10.	PILs	1
11.	Criminal Petitions	-
	Total	**138**

amendments made by the IRDAI throughout the year. In the product filing process, IRDAI has changed the old "File & Use" to "Use & File" procedure to encourage general insurers to launch new and innovative products in the market to ensure increased penetration of insurance in India. The report also provided the no. of cases being filed and disposed of in the year 2022-23 as follows: Overall the report summarized the measures introduced by IRDAI to increase the accessibility and affordability of insurance to the citizens (listed from pages 23 to 26 in the report), in the hope of nearing to the goal set by IRDAI which is "Insurance for All by 2047". IRDAI attempts to ensure that such strategies which are implemented and revamped by the said body will increase and improve insurance inclusivity and will further contribute to and strengthen the economy of India.