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Statement on Developmental and Regulatory Policies

This Statement sets out various developmental and regulatory policy measures relating to (i) Regulations; and (ii) Payment Systems.

I. Regulations

1. Responsible Lending Conduct – Levy of Foreclosure Charges/ Pre-payment Penalties on Loans

In terms of extant guidelines, banks and NBFCs are not permitted to levy foreclosure charges/ pre-payment penalties on any floating rate term loan sanctioned to individual borrowers with or without co-obligant(s), for purposes other than business. With a view to safeguard customers' interest through better transparency and customer centricity by lenders, it has been decided to broaden the scope of such regulations to cover loans to Micro and Small Enterprises (MSEs) extended by the Regulated Entities of the Reserve Bank. A draft circular in this regard shall be issued for public consultation.

2. Discussion Paper on Capital Raising Avenues for Primary (Urban) Co-operative Banks

The initial set of guidelines on issue and regulation of share capital and securities for Primary (Urban) Co-operative Banks (UCBs) to ensure alignment with the Banking Regulation (Amendment) Act, 2020 were issued in 2022. However, these guidelines did not cover the newly enabled capital related provisions such as issuance of special shares, issuance of shares at a premium, etc., which are new to co-operative banking sector. The Report of the Expert Committee on Primary (Urban) Co-operative Banks chaired by Shri. N.S. Vishwanathan, former Deputy Governor, RBI, had provided broad guiding principles through its recommendations on these provisions.

A Working Group was constituted in RBI to further operationalise the broad-based recommendations of the Expert Committee on the newly enabled capital related provisions. Based on the recommendations of the Working Group, a Discussion Paper on Capital Raising Avenues for Primary (Urban) Co-operative Banks will be issued for eliciting feedback and suggestions from stakeholders.

3. Creation of Reserve Bank Climate Risk Information System (RB-CRIS)

Climate change is emerging as one of the significant risks to the financial system. It is crucial for regulated entities to undertake climate risk assessments for ensuring stability of their balance sheets and that of the financial system. Such an assessment requires, among other things, high quality data relating to local climate scenarios,

climate forecasts, and emissions. The available climate related data is characterised by various gaps such as fragmented and varied sources, differing formats, frequencies and units. To bridge these gaps, the Reserve Bank proposes to create a data repository namely, the Reserve Bank – Climate Risk Information System (RB-CRIS) comprising of two parts. The first part will be a web-based directory, listing various data sources, (meteorological, geospatial, etc.) which will be publicly accessible in the RBI website. The second part will be a data portal comprising of datasets (processed data in standardised formats). The access to this data portal will be made available only to the regulated entities in a phased manner.

II. Payment Systems

4. UPI - Enhancement of limits:

In order to encourage wider adoption of UPI, it has been decided to enhance the limits for the following products of UPI:

i) **UPI123Pay:** UPI123 was launched in March 2022, with a view to enable feature-phone users to use UPI. This facility is now available in 12 languages. Currently, the per-transaction limit in UPI123Pay is capped at ₹5000. In order to widen the use-cases, in consultation with the stakeholders, it has been decided to enhance the per-transaction limit to ₹10,000. Necessary instructions will be issued to NPCI shortly.

ii) **UPI Lite:** A limit of ₹500 per transaction and an overall limit of ₹2000 per UPI Lite wallet, is presently applicable, with the facility of auto-replenishment. To widen the scope of usage of this product, it has now been decided to increase the UPI Lite wallet limit to ₹5,000 and per-transaction limit to ₹1,000. The [Framework for facilitating small value payments in offline digital mode](#), issued by the Reserve Bank, under which UPI Lite has been enabled, will be suitably amended.

5. Introduction of beneficiary account name look-up facility

Payment Systems like UPI and IMPS provide a facility to the remitter to verify the name of the receiver (beneficiary) before initiating a payment transaction. There have been requests to introduce such a facility for Real Time Gross Settlement System (RTGS) and National Electronic Funds Transfer (NEFT) systems.

Accordingly, to enable remitters in RTGS and NEFT to verify the name of the beneficiary account holder before initiating funds transfer, it is now proposed to introduce a 'beneficiary account name look-up facility'. Remitters can input the account number and the branch IFSC code of the beneficiary, following which the name of the beneficiary will be displayed. This facility will increase customer confidence as it would reduce the possibility of wrong credits and frauds. Detailed guidelines will be issued separately.

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