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INFORM: Infrastructure Projects & Finance

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We bring you the latest updates on the dynamic intersection of infrastructure projects with banking and finance. Join us to navigate the evolving landscape of infrastructure curated to empower you with strategic intelligence.

>>> HIGHLIGHTS

CASE LAWS:

1. Dissenting creditor entitled to an amount equivalent to the security interest under Section 30(2)(b) of the Insolvency Bankruptcy Code, 2016.
2. Bank has no jurisdiction to hold a foreign passport, OCI as security beyond 15 days.
3. Banks cannot charge exorbitant interest rates without proper justification.
4. Specimen signature stored by banks can be produced as evidence for dispute in genuineness of signature on cheque.

NOTIFICATIONS/CIRCULARS:

1. Exposure norm/other restrictions for Urban Cooperative Banks (UCBs)
2. Re-appointment and appointment of statutory auditors of central and state co-operative banks
3. Norms for credit and investment concentration and credit risk transfer
4. Revision to the Master Direction on KYC
5. Enhanced bulk deposit limit for Urban Co-op banks in T3 and T4
6. Risk management and inter-bank transactions: Mitigating foreign exchange risks
7. RBI revises guidelines on inactive accounts and unclaimed deposits in banks

>>> CASE LAWS



Dissenting Financial Creditor Entitled to an Amount Equivalent to the Security Interest

In DBS Bank Limited, Singapore v. Ruchi Soya Industries Limited and Another (2024 INSC 14), decided on Jan 3, 2024, the Supreme Court held that Section 30(2)(b) of the Insolvency Bankruptcy Code, 2016 protects the rights of dissenting financial creditors in objecting to the manner of distribution of proceeds and assures them the sum equivalent to the security interest if the Corporate Debtor had gone into liquidation.

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Bank Has no Jurisdiction to Hold Foreign Passport, OCI Beyond 15 Days

In Koshy Varghese v. UOI, [Writ Petition No. 5628 OF 2022 (GM-PASS)], decided on Jan 5, 2024, the Karnataka High Court held that a bank does not have the jurisdiction to withhold a foreign passport and it cannot hold an OCI card beyond a period of 15 days, even if it was handed over voluntarily, as they are properties of the respective issuing authorities.

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Banks Cannot Arbitrarily Charge High Varying Interest Rates Without Proper Justification

In Manmeet Singh v. UOI, [2024: AHC:8624-DB], decided on Jan 18, 2024, the Allahabad High Court held that banks cannot arbitrarily charge high, varying interest rates without proper justification of the same and due intimation to and consent of the borrower.

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Specimen Signature Stored by Banks Evidence to Check Genuineness of Signature On Cheque

In Ajitsinh Chehuji Rathod v. State of Gujarat & Another [2024 INSC 63] decided on Jan 29, 2024, the Hon'ble Supreme Court held that certified copies of specimen signatures stored by the bank on its documents may be produced as evidence where the accused in a case under Section 138 of the Negotiable Instruments Act, 1881 is disputing the genuineness of the signature on the cheque.

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>>> NOTIFICATIONS/CIRCULARS



Exposure Norm/Other Restrictions for Urban Cooperative Banks (UCBs)

On Jan 16, 2024, the RBI issued guidelines on exposure norms and statutory/other restrictions for urban cooperative banks (UCBs) via circular RBI/2023-24/114,DoR.CRE.REC.71/07.10.002/2023-24 to address the issue of increasing non-performing assets and associated risks in lending.

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Appointment and Re-Appointment of Statutory Auditors of Central and State Co-Operative Banks

In light of Section 30(1A) of the Banking Regulation Act, 1949 (BR Act), the RBI has issued guidelines for the appointment or re-appointment of statutory auditors (SAs) of state and central cooperative banks via a circular bearing RBI/2023-24/113 Ref.No.DOS.ARG/SEC.8/08.91.001/2023-24 dated Jan 15, 2024.

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Norms for Credit and Investment Concentration and Credit Risk Transfer

The RBI has recently made amendments to the credit and investment concentration norms on Jan 15, 2024, with a specific focus on base and middle layer non-banking financial companies (NBFCs). The guidelines introduce significant changes to promote uniformity and consistency among NBFCs when calculating concentration norms.

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Revision to the Master Direction on KYC

The Master Direction on KYC dated Feb 25, 2016, and subsequent amendments require regulated entities (REs) to conduct customer due diligence (CDD) for their customers, following the process outlined in the directive. Amendments to the above Master Direction have been made via circular bearing reference number RBI/2023-24/107, DOR.AML.REC.66/14.01.001/2023-24, dated Jan 4, 2024.

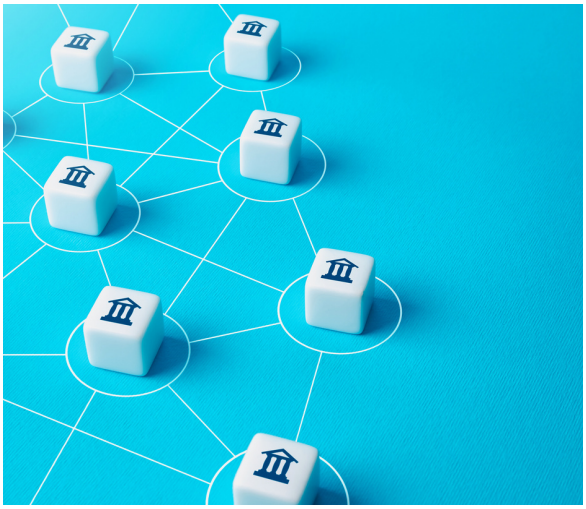
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Enhanced Bulk Deposit Limit for Urban Co-op Banks in T3 and T4

There has been a significant change in the bulk deposit limit for Scheduled Primary (Urban) Co-operative Banks classified as Tier 3 and 4 under the revised regulatory framework. The new limit has been increased to Rs. one crore and above, indicating a significant upward adjustment. For all other cooperative banks the bulk deposit limit remains at Rs. 15 lakh and above.

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Risk Management and Inter-Bank Transactions: Mitigating Foreign Exchange Risks

The RBI recently issued Master Directions on Risk Management and Inter-Bank Dealings: Hedging of Foreign Exchange Risk bearing reference number RBI/2023-24/108 A.P.(DIR Series) Circular No. 13 dated Jan 5, 2024 that bring about a significant shift in the risk management practices of banks for both domestic and international borrowers.

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RBI Revises Guidelines on Inactive Accounts and Unclaimed Deposits in Banks

Banks have been instructed by the RBI via circular on Inoperative Accounts/Unclaimed Deposits in Banks- Revised Instructions bearing reference number RBI/2023-24/105 DOR.SOG (LEG).REC/64/09.08.024/2023-24 dated Jan 1, 2024, to conduct an annual review for accounts that have had no customer transactions for over a year.

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