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CONTENTS

INDUSTRY ARTICLE IN THE MONTH

CYBER SECURITY AND DATA PRIVACY

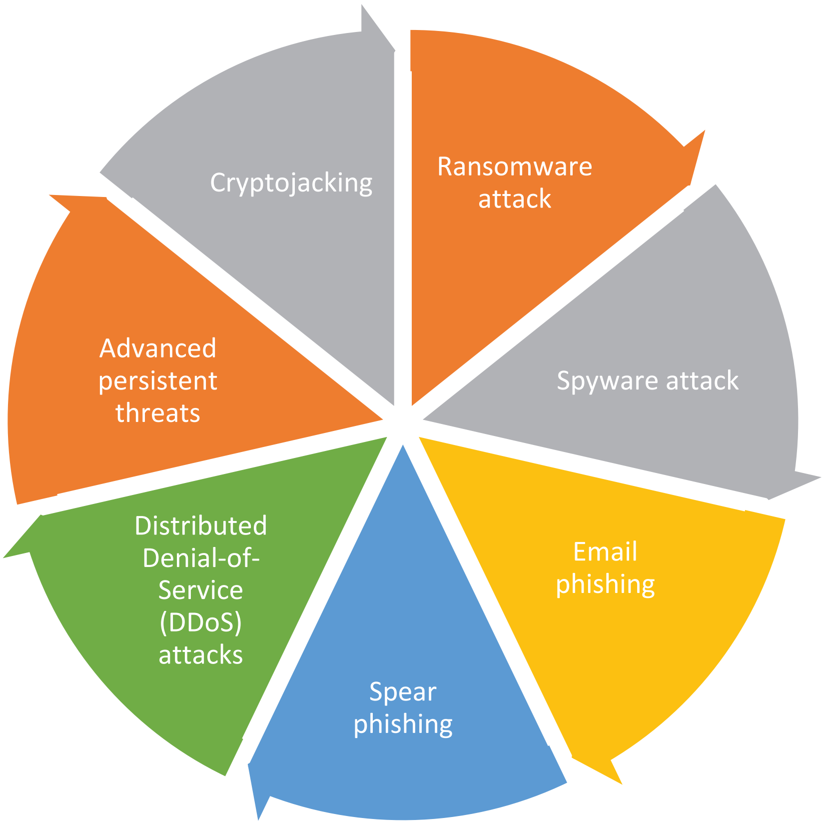
1.0 Cyber Security

Cyber Security encompasses the various elements, actors and factors that influence the security of digital systems and data. It focuses on protecting systems and data from unauthorized access or attacks. It ensures that measures and practices are in place to protect computer systems, networks, and data from unauthorized access, use, modification, destruction, and availability. Thus, the confidentiality, integrity and availability of data and IT systems remain protected.

2.0 Some common Myths and Reality about Cyber Security

Myths	Reality
Myth 1 SME businesses need not worry about cyber security as it is too small to be impacted.	**Reality 1** Cyber security impacts any kind of business irrespective of their size. Without proper security SMEs become more impacted.
Myth 2 IT department only needs to worry about cyber security.	**Reality 2** While IT department sets up the mechanism to ensure that data is secured across the organization, however it is the responsibility of the entire organization to ensure compliance.
Myth 3 Having antivirus software will ensure cyber security.	**Reality 3** While antivirus is an important tool but many threats like different types of malwares, phishing links can go undetected.
Myth 4 Cyber security threats are external to the organization.	**Reality 4** 83% of organizations reported at least one cyber threat attack in the last one year. This could emanate from disgruntled employees, accidental actions, or using malicious software.

3.0 Some major cybersecurity threats are:



Most of the above threats could be mitigated by:

- Ensuring systems are continually updated with latest patches
- Using reputable ant-virus and anti-malware software
- Using email filtering software
- Having proper information security compliance program in place
- Regular training to employees and users on security best practices
- Use of tools to ensure multi-factor authentication, data leakage prevention, security information and event management tools
- Conducting regular vulnerability and penetration audits
- Conducting regular process compliance audits by independent bodies

4.0 Regulatory Framework

There are many regulatory bodies and policy framework in India to ensure a robust cybersecurity landscape within the country.

The regulatory bodies play a crucial role in enhancing the country's cybersecurity posture by formulating policies, issuing guidelines, monitoring compliance, and responding to cyber threats. These bodies coordinate amongst themselves and also focus on certain specific sectors.

Some of them are listed below:

- Ministry of Electronics and Information Technology, MeitY
- Indian Computer Emergency Response Team, CERT-In
- National Critical Information Protection Centre, NCIIPC
- National Cyber Coordination Centre, NCCC
- Reserve Bank of India, RBI
- Telecom Regulatory Authority of India, TRAI

Frameworks are aimed at protecting the country's information infrastructure and managing the associated risks. Some of the frameworks in India are:

- National Cyber Security Policy, 2013
- Information Technology Act, 2000
- National Cyber Security Strategy, 2020

5.0 Way forward

Cyber security is supposed to ensure confidentiality, integrity and availability of data. While initially some investments (in terms of manpower, resource, technology) will be required but it is very important that proper processes are built around the above areas which is continually improved upon.

6.0 Data Privacy

Data privacy pertains to personal data (which includes details like name, address, gender) is collected and processed for various uses like healthcare, card data, mobile, banking, education, healthcare, retail, etc. The basic nature of the data being confidential, sensitive, critical requires it to be handled, processed, stored and distributed securely.

7.0 Some common myths and reality about data privacy

Myths	Reality
Myth 1 Data privacy is not applicable to India.	**Reality 1:** India's Digital Personal Data Protection Act (DPDPA),2023 regulates processing of personal data. The draft DPDPA rules 2025 are also available.
Myth 2 Only large companies are required to be compliant.	**Reality 2:** All companies dealing with digital personal data are required to comply.
Myth 3 Compliance guarantees 100% data security.	**Reality 3:** Compliance efforts help mitigate risks and enhance data protection but do not eliminate all threats and attacks. This is a continual effort to improve security posture.
Myth 4 This is a very expensive investment and time-consuming effort.	**Reality 4:** Initial investments will be required but overall, it outweighs the costs. This is a continual improvement process which ultimately enhances trust and credibility amongst customers and stakeholders.

There are some global regulations to ensure that data handling is done securely, and individual rights are protected. They include the following:

- General Data Protection Regulation, GDPR
- California Consumer Privacy Act, CCPA
- The Digital Data Protection Act, India

8.0 Way Forward

Compliance with the DPDP Act where such digital personal data is collected will be required.

9.0 Interrelation between Cyber Security and Data Privacy

Though both have a goal of protecting data, data privacy requirements are prescriptive and required to comply with local regulations while cyber security ensure mechanisms are in place to ensure data protection. Thus, without proper cyber security it is impossible to ensure data privacy.

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TOP SPEECHES

Address by Shri Sanjay Malhotra, Governor, Reserve Bank of India at the Private Sector Collaborative Forum of the Financial Action Task Force (FATF), March 26, 2025, Mumbai

It is a pleasure to be here at the Private Sector Collaborative Forum (PSCF) 2025 of the Financial Action Task Force (FATF). I am happy to note that this is the first time that the forum is being held in India. I thank FATF for giving us this opportunity. In my previous role as the Secretary in the Department of Revenue, Ministry of Finance, Government of India, I had the opportunity of being closely associated with the FATF during our mutual evaluation last year.

About FATF

FATF, the standard setting body for illicit financing has come a long way since its establishment in 1989. Over the years, it has evolved from an organisation with only 16 members to a global forum with 40 members. Through the FATF-styled regional bodies1, its reach is even wider. The standards developed by FATF are used by over 200 jurisdictions to combat money laundering (ML), terrorism financing (TF) and proliferation financing. The implementation of the standards has played an important role in strengthening the global financial system and making the world a safer place.

India's Mutual Evaluation by FATF

India accords immense importance to Anti-Money Laundering (AML) and Countering the Financing of Terrorism (CFT). Last year, India underwent the mutual evaluation by the FATF. India was placed in the 'regular follow-up' category, a distinction shared by only a few other G20 countries2. This is a recognition of our effective AML and CFT framework. It demonstrates our commitment to AML and CFT. This is a result of many years of building and continuously improving and strengthening the financial system of our country.

This was possible due to the collaborative efforts of all stakeholders, led by the Government of India including financial entities and designated non-financial businesses and professions in the private and public sector, regulators, and the state governments. The private sector plays a vital role in keeping the financial systems secure. Their role in implementing due diligence procedures, conducting robust risk assessments, monitoring transactions, and reporting suspicious activities is critical for preventing the abuse of the financial system. They identify suspicious activities and help government agencies in destroying illicit financial networks.

Strong public-private partnerships form the bedrock for safeguarding the integrity of the financial system. In India, we recognize the importance of close cooperation between public and private sector stakeholders in achieving these goals. Reserve Bank of India, as the regulator and supervisor of a large segment of the financial system in India has diligently and consistently worked towards building and ensuring implementation of a strong AML and CFT framework in this segment of the financial system, in line with FATF recommendations. The Reserve Bank has taken several initiatives to enhance cooperation and coordination with various stakeholders. Similarly, the Financial Intelligence Unit (FIU)-India has also set up FPAC3, a public-private cooperation forum for facilitating closer interaction and collaboration. It has also supported the setting up of ARIFAC4 - a cross sectoral forum for the private sector reporting entities to collaborate among themselves.

It is a result of these collaborative efforts that we have been able to build and demonstrate a robust and resilient AML and CFT framework. I compliment all the stakeholders, especially, the regulated entities in the financial sector as well as the designated non-financial businesses and professions for the successful mutual evaluation.

However, as all of you are aware, the threats from money laundering and terror financing to the national and global financial systems are continuously evolving and becoming more sophisticated. This is primarily due to technological advancements. In order to effectively counter these threats, we need to continue the close cooperation among various stakeholders - government agencies, financial entities in both the public and private sectors, civil society, and others.

The mutual evaluation process was rigorous and detailed. While providing us with valuable insights into our strengths, it has highlighted some areas of improvement in our AML-CFT framework. We are determined to further strengthen our financial system to deter and combat illicit financial activities taking into consideration the recommendations made during the evaluation. We will continue to strive for continuous improvement in this regard.

Some thoughts on the Agenda for PSCF 2025

I am told that yesterday's sessions were very engaging and produced lively discussions. Looking at the agenda for today and tomorrow, I am confident that the deliberations on contemporary topics such as evolving AML-CFT landscape, financial inclusion & humanitarian channels, risk-based approach to supervision, digitalization & information sharing, beneficial ownership and countering of proliferation financing, will also be exciting. Let me outline some of my thoughts for the forum on these areas.

First, while we all continue to make our financial systems safe and secure against money laundering and terror financing, we as policy makers need to be mindful that our measures are not over-zealous and do not stifle legitimate activities and investments. You would appreciate that multiple laws and rules, each with their own level of granularity cast a high level of burden of compliance on the regulated financial service providers. This is relevant in the context of AML-CFT too. Therefore, we need to have laws and regulations which, with surgical precision, target only the illegitimate and illicit, rather than use them as blunt tools which unintentionally hurt even the honest.

Similarly, even while implementing the legal framework and regulations, we need to keep in mind the impact on persons and businesses. Risk-based approach is recommended in this regard. But let us keep in mind that this is only a step forward in reducing compliance burden. Let us appreciate that it is not the ultimate solution, as any risk-based approach is not perfect; it would have false positives and false negatives. We need to continuously refine and improve our risk assessment models to make them robust.

To make these improvements, we need to improve the quality of our data and harness emerging technologies. This will help improve screening of transactions and detection of suspicious activities thereby reducing false positives and false negatives. Considering the evolving landscape in the area of money laundering resulting from changing customer behaviour and evolving products and services, we need to continuously augment AML risk assessment framework and make appropriate system enhancements on a regular basis after assessing the impact of ML and other risks. The focus has to also be on understanding the latest trends and developments in the financial world that can be exploited by criminals and accordingly develop tools and enabling frameworks that will allow us to detect suspicious transactions and activities early and take pre-emptive action. With the adoption of new technological tools and models, I am sure that AML-CFT risk assessments can be further fine-tuned. I would urge you all to discuss and share best practices in identification, mitigation and supervision of AML-CFT risks. This will not only help to reduce compliance burden on the Regulated Entities but also result in optimal allocation of supervisory resources.

While India has made remarkable progress in financial inclusion, we need to ensure that we continue to widen and deepen it. The discussions on FATF standards to promote financial inclusion need to find answers to the challenge of aligning financial inclusion and financial integrity, especially for the developing economies. It must be ensured that regulations do not create unintended barriers to financial inclusion. We need to be mindful of customer rights and convenience while fulfilling the due diligence requirements. I am happy to note that the amendments to Recommendation 1 and its interpretive note under the Mexican presidency intend to foster and promote financial inclusion without compromising on financial integrity. Similar approach is needed to extend access of financial channels for supporting humanitarian aid.

In recent years, digitalisation has been increasingly applied to customer onboarding and customer due diligence (CDD) processes. India has made huge strides in this regard too. The digital KYC and video KYC are shining examples of this. The Central KYC Records Registry (CKYCR) with more than one billion records is another example, which has the potential of ushering in a new era of customer onboarding by making it easier and seamless not only for customers but also for regulated entities to perform customer identification and due diligence. I am told there is a separate session to deliberate on the state of play of technical solutions in customer due diligence area. The discussions could be helpful in further enhancing the capability and utility of CKYCR manifold.

Further, during the process of CDD, reporting entities collect a large amount of data from the customers. Moreover, there are requirements of sharing of information with Financial Intelligence Units, law enforcement agencies and data registries leading to concerns regarding data protection and sharing of information without consent. India has recently enacted a law for Digital Personal Data Protection. Exchange of experiences from different jurisdictions will help us in better implementing the law in our country.

Another important area which needs discussion is the travel rule. In today's world, fast payment systems are revolutionizing financial access and deepening financial inclusion. Developing countries like India have made huge progress in making digital payments accessible, affordable, and convenient. While card networks have helped developed economies in improving payment systems, fast payment systems have assisted Emerging Market and Developing Economies (EMDEs) leapfrog in this area. We have also enabled cross border payments using fast payment systems with a few countries. We will continue to work towards fulfilling our commitment to the effective implementation of the next phase of G20 roadmap towards inclusive cross-border payments by 2027. In this context, the ongoing discussions on FATF Recommendation 16 (R.16), known as the travel rule, assume importance. To meet the G20 objective of making cross-border payments faster, cheaper, more transparent and more inclusive, while maintaining their safety and security, it would be desirable to make the travel rule technology-neutral.

Lastly, discussions regarding combating proliferation financing and sanctions evasion need to answer questions related to identification of products and services which are most vulnerable to exploitation and the mitigation of the risks related to such products. This forum can discuss the best practices as well as challenges in this regard.

Conclusion

To conclude, I would like to stress that through our collaborative efforts, we can safeguard the trust that underpins the global financial framework. Together, let us continue to collaborate and innovate in building a financial ecosystem that is not only safe and secure but also fast, convenient, accessible and affordable. Let us build financial systems that not only thwart the attempts of money laundering, terror financing and proliferation financing, but also support financial inclusion, encourage innovation, and facilitate economic growth. In the end, I wish the forum very fruitful and productive deliberations.

Thank you.

Source - https://rbi.org.in/Scripts/BS_SpeechesView.aspx?Id=1499

Speech given by Victoria Cleland at Pay 360 highlighting the Bank of England's involvement in innovation in wholesale payments. She discusses the importance of modernising infrastructure, expanding access to the Real Time Gross Settlement service, benefitting from adopting ISO 20022 enhanced data, and engaging in experimentation. Working closely with industry, these initiatives can enhance efficiency, resilience, and inclusivity in the payments landscape.

Introduction

Over the last quarter of a century, the payments landscape has changed significantly, playing a crucial role in enabling commerce, supporting financial inclusion, and driving economic growth. To meet society's evolving needs, it is imperative we innovate to enhance our payment systems. Our core infrastructure must keep pace with new demands, meet modern requirements, and remain resilient against evolving threats. Payments are central to many fintech developments, with technologies such as blockchain, cloud computing, artificial intelligence, tokenisation, and atomic settlement enabling transformation. When delivered safely, innovation in both legacy systems and new platforms offers opportunities to create tangible impacts for end-users, enhancing ease of use, expanding consumer choice, and making payments quicker and more efficient domestically and cross border. Given the crucial role of payments in the modern economy, these enhancements can reduce transactional frictions and directly contribute to economic growth.

Our role in payment innovation

The Bank of England wears multiple hats in shaping the payments landscape: operator, supervisor, policy maker, and innovator. Our focus is on financial and monetary stability. And within that context we have a role in supporting and encouraging competition and innovation in payments. Our recent 'Digital money' and 'Approach to innovation in money and payments' discussion papers highlight our wide interests in this area and underpin the importance of central bank money.

I lead the area of the Bank of England that operates our Real-Time Gross Settlement (RTGS) service and CHAPS, the UK's high value payment system. We play a pivotal role in supporting and encouraging innovation in payments. Our goal is to ensure that innovation develops in a way that supports continued resilience and broader financial stability. And we are continually exploring how our core infrastructure can enable and facilitate innovative new players that want to settle in central bank money and bring benefits to end-users.

An important step is our multi-year transformation programme to renew this core infrastructure. We have been working closely with industry to design a renewed RTGS service that will provide a more resilient, flexible, scalable infrastructure, and an open platform to help drive innovation across the financial sector. It has resilience at its core. But crucially it will also enable the development of new financial products and services, enhance operational efficiency, and support the evolving needs of the payments industry.

The first step in this journey was moving CHAPS to the ISO 20022 global messaging standard in 2023. Next is the new core ledger and settlement engine, which will provide increased resilience, capacity and a platform for further enhancements. In addition to creating a modern platform we want to enable more users to access it and to reap the benefits.

Expanding access to RTGS

In 2024, we published a discussion paper reviewing access to RTGS accounts for settlement seeking views on our policies for access to settlement in RTGS.

Expanding access to RTGS is a key enabler for promoting innovation and resilience in the payments landscape. By enabling more, and a broader range of, institutions to access RTGS, we can enhance competition, leading to more innovative payment solutions and improved services for end-users. As new players bring fresh ideas and solutions to the market it should help to drive efficiency and reduce costs. Expanding access to RTGS services globally is one of the key building blocks of the G20 roadmap to enhance cross-border paymentsOpens in a new window. It is an important step towards creating a more efficient and interconnected global payments system: and the more countries that expand access the greater the benefits.

The inclusion of non-bank payment service providers (NBPSPs) and other types of financial market infrastructures (FMIs) in our RTGS services is a significant, which demonstrates us leading the way in innovative payment solutions catering to the evolving needs of consumers and businesses. In 2017, we became the first G7 central bank to offer settlement accounts to NBPSPs. And since 2021 we have offered Omnibus Accounts to regulated payment system operators allowing them to pool participant funds in RTGS to back transactions in their own system and operate even when RTGS is closed.

Expanding access to RTGS also enhances the resilience of the payments system. By diversifying the number and range of institutions that can access central bank money settlement, we reduce tiering and concentration in the payments ecosystem. This in turn can increase the overall stability of the financial system.

Reflecting on feedback from our February 2024 discussion paper (DP) on reviewing access, we have continued to enhance access to RTGS. Before Easter we will publish a summary of the key feedback received, an update on work so far and our forward-looking policy work. In our DP we asked questions about enhancing access to RTGS. Today, I would like to provide a preview of our progress on each of four priority areas flagged in the DP. These changes are accompanied by tangible developments in the renewed RTGS to increase capacity for and the ease of onboarding new participants.

Enhancing the Bank/Financial Conduct Authority (FCA) process for consideration of NBPSPs seeking access to RTGS

As set out in our DP, we cooperate closely with the FCA to assess applications from NBPSPs to open an RTGS settlement account. To enhance the assessment process, the Bank and the FCA have made three changes to the cooperation framework:

- Requiring a firm to undertake regulated activities for at least nine months before a full assessment, recognising that very newly authorised firms are unlikely to have gathered necessary evidence to achieve a positive outcome from the supervisory assessment process;
- Undertaking a s166 assessment prior to the FCA providing an objection or non-objectionfootnote and;
- Setting an expectation that fast-growing firms will be subject to enhanced supervision when granted RTGS access.

These improvements are intended to provide a more focused and efficient process by ensuring compliance with regulatory requirements from the outset, helping to identify key risks at an earlier stage and enabling smoother on-boarding processes and management, especially during periods of growth. By streamlining these processes, we can support institutions in scaling their operations effectively and sustainably.

To enhance clarity, we are about to publish an updated version of a guide for NBPSP access to UK payment systems. This provides comprehensive information on how NBPSPs can access UK payment systems, outlining the requirements and processes involved.

Understanding demand of foreign banks for access to RTGS to support payment system settlement

We already provide RTGS access to foreign banks (i.e. UK subsidiaries or branches of banks incorporated outside the UK). Responses to our DP did not highlight the need for policy changes but did suggest more clarity is needed on the costs, benefits, and process for accessing RTGS directly. The content on the Bank's website will be updated shortly to make information about access to RTGS easier to navigate for industry stakeholders, including foreign banks. It will provide key information and include more detail on the benefits, costs, and processes involved. This aims to raise awareness among foreign banks and encourage their participation in the UK payments system.

Clarifying requirements for FMIs

We have published a revised access policy that introduces a live-proving and mobilisation stage for new and small FMIs allowing firms seeking access to RTGS, to test their access to RTGS and grow their business in a controlled way subject to restrictions to mitigate risk. This approach supports innovation and competition, while maintaining equivalent protection against risks to our objectives. It ensures that new services have been rigorously tested and sufficient controls are in place. The revised policy articulates the services we offer, how to access them, why we offer them, and how they work. We have also published new "RTGS rulesOpens in a new window" setting out our expectations for RTGS participants, including FMIs, in simple language.

CHAPS value threshold

The degree of tiering in a payment system may impact the smooth functioning of the payment system and of financial markets by increasing risk between the direct and the indirect participants. Reducing tiering in CHAPS participation could therefore mitigate financial stability risks by decreasing concentration, operational and credit risks in CHAPS.

This year we will further engage with industry to better understand the benefits and costs to, and assess any financial stability implications of further policy intervention to revise the CHAPS direct participation threshold, the level of CHAPS activity at which we have a presumption, absence mitigating factors, that an indirect participant should move to direct access. The phased approach and lessons from industry engagement will inform our further work in this area.

Further access enhancements

In light of the potential benefits of offering safeguarding facilities directly to NBPSPs, we are exploring whether and on what terms we could provide these facilities. These accounts with safeguarding functionality could provide NBPSPs with a secure means of holding funds overnight, enhancing their ability to manage liquidity and meet their payment obligations. This initiative would aim to make direct access to RTGS for NBPSPs more attractive, further levelling the payments playing field between bank and non-bank payment service providers while also reducing risk. By doing so, we can foster a more inclusive and competitive payments landscape, improving the end-user experience.

We are also supporting efforts to reform the regulatory regime for NBPSPs to identify opportunities to enhance their access to RTGS as well as mitigate risks they could pose to financial stability. This includes working with HMT and FCA to identify and address any barriers to access and developing policies that support the participation of NBPSPs in the payments system.

I encourage you to review our upcoming response and participate in our engagement, creating the next chapter in the evolution of access to RTGS.

ISO 20022

The ISO 20022 global messaging standard is another exciting key area which can bring benefits to the payments industry and to end users.

The adoption of the ISO 20022 global messaging standard marks a significant milestone in enhancing the quality of payment information. This standard provides a structured and data-rich common language that enhances the interoperability of financial messages across different systems and networks. The benefits of richer ISO 20022 data are wide ranging and include:

- **Enhanced data richness:** ISO 20022 enables the inclusion of more detailed information in payment messages, which can improve transparency and provide valuable insights for financial institutions and end-users.

- **Improved efficiency:** By supporting real-time payment processing and reducing the need for manual intervention, ISO 20022 facilitates straight-through processing, which enhances the overall efficiency of financial transactions.
- **Better customer experience:** The richness of data and improved processing capabilities can lead to a more seamless and satisfying experience for customers, with faster and more accurate payments.
- **Enhanced analytics:** The structured data provided by ISO 20022 allows for better analytics and reporting, which can help financial institutions make more informed decisions and improve their services.
- **Fraud prevention and compliance:** Standardised information about the purpose of payments and the use of Legal Entity Identifiers (LEIs) can aid in fraud prevention, sanctions screening, and compliance with regulatory requirements.

Let me try to bring it to life with a couple of potential use cases for ISO 20022 data:

- **Reference information:** Historically, retail payments have been limited by outdated communication standards, allowing only a small free text field for payment instructions. In the future, when you pay your hotel bill for a work trip, the payment could seamlessly link with the hotel's internal processes, including its address in a structured format and referencing the relevant invoice. If it is your employer picking up the tab, the purpose of your visit could be instantly populated into your employer's systems, including relevant tax information ready for your employer to share with UK tax authorities. Additionally, your employer could confirm your identity within the payment, allowing the hotel to cross-check your identity upon arrival, mitigating the risk of mistaken identity.
- **Payment prioritisation:** We are establishing a framework to prioritise property transactions and Financial Institution to Financial Institution (FI-to-FI) payments for the rollout of richer ISO 20022 enhanced data in CHAPS. A rich, high-quality real-time source of payment purpose data will boost the resilience of the CHAPS ecosystem. Banks could use these to prioritise certain CHAPS payments during outages, such as house completions where the real economy impact of disruption could be the most severe.

To unlock these benefits, and more, it is vital that the entire industry works together. Collaboration across market infrastructures, financial institutions, and technology providers is essential to fully realise the potential of ISO 20022. For instance, the Committee on Payments and Market Infrastructures (CPMI) and Payment Market Practice Group (PMPG) joint task force on harmonising the use of ISO 20022 messaging in cross-border payments Opens in a new window has brought together public and private sector expertise to ensure a harmonised global adoption of the richer ISO 20022 data to address payment system misalignment and work towards a shared vision for the future of payment data.

To promote the use of enhanced data within the UK payments sector, we will mandate the use of ISO 20022 enhanced data for certain CHAPS payments from 1 May 2025. This includes purpose codes for payments between financial institutions and property transactions, as well as the inclusion of LEIs for payments between financial institutions. Consistent and wide usage of the LEI has numerous potential benefits, including supporting improved resolution planning, increased financial crime detection and customer due diligence, and innovation in products and services. In the build up to the 1 May deadline, we are already seeing an increase in the usage of enhanced data within CHAPS payment messages, with an 80% increase in messages containing an LEI or Purpose Code over the last six months.

The industry's role in implementing ISO 20022 is crucial. Financial institutions need to integrate enhanced data into their systems and processes, and actively encourage their customers to do the same. By using the data, financial institutions can drive efficiency, improve customer experiences, and enhance the overall resilience and transparency of the financial system. It is through collective effort and collaboration that we can achieve the full benefits of ISO 20022 and pave the way for a more efficient and secure payments landscape.

The adoption of ISO 20022 can also drive innovation by enabling the development of new payment products and services. The rich data can be used to create more personalised and targeted financial products, enhancing the customer experience and driving growth in the payments industry. Innovation enabled by an abundance of richer data in areas, such as artificial intelligence and machine learning is globally at the forefront of technological progress. In the payments sector, the enhanced data opportunities of the ISO 20022 messaging standard provide a golden opportunity for the sector to leverage this incredibly valuable data resource to deliver more efficient and effective payment solutions for all payment users.

Innovation and experimentation

As part of the Bank's future roadmap for RTGS, we are driving strategic changes that enhance system resiliency and support industry innovation. We are, for example, exploring tokenisation, and the role it could play in enhancing transactions in wholesale markets. It could enable greater efficiency in transactions and post-trade processes, as well as enabling new functionality such as smart contracts. This technology is increasingly being adopted by industry and we are considering it through the lens of benefits and risks.

A current priority is developing our synchronisation capability to seamlessly connect RTGS with diverse ledgers, both domestically and internationally, through dedicated synchronisation operators. This advancement has the potential to significantly reduce settlement risks and liquidity costs, ensuring transactions are executed with certainty and efficiency.

In order to assess such innovations, we have been working internally and with partners to undertake various experiments, focusing on addressing real-world challenges. Project Meridian, conducted with the BIS Innovation Hub's London centre in 2023, demonstrated synchronised settlement between an RTGS system and a digital asset ledger in a UK housing context, yielding valuable insights. It showcased how synchronisation could be applied to house purchases using a digital housing deed.

Building on that success, Meridian FX is now exploring multi-currency settlement, showcasing the adaptability of synchronisation across various asset classes and technologies. Currently, we are working with the Eurosystem to explore the synchronisation of foreign exchange between sterling and euro. This involves connecting to the three solutions being explored as part of the Eurosystem's work on wholesale settlement, including linking an RTGS system with a DLT-based settlement system. This exploration aims to enable interoperability between existing and new technologies, potentially benefiting cross-border payments with lower liquidity costs and reduced settlement risk. We look forward to reporting our findings in collaboration with the BIS Innovation Hub in the near future.

In order to help inform future policy and design choices, we will undertake further use experiments to achieve insights, enhance our understanding and gain empirical evidence on the role that new technologies can play. In July, we set out our ambition to launch a programme of wholesale experiments. These experiments will explore the use cases, functionalities, and prospective designs of wholesale CBDC and synchronisation, and their relative merits. This is an exciting programme of work, which will benefit from strong collaboration with industry: we will provide an update soon.

Conclusion

The payments landscape is evolving rapidly, and the Bank of England is at the forefront of this transformation. As providers of core infrastructure, regulators, policymakers, and innovators, we are dedicated to fostering a supportive environment for innovation while maintaining financial system resilience. Collaboration with all stakeholders across the payments ecosystem is an important ingredient of success.

By working together and embracing changes such as ISO 20022, access to RTGS and exploring new models such as synchronisation, we can create a payments landscape that enhances efficiency, security, and develops new products and services, ultimately benefiting society as a whole. Let us shape the future of payments and enable the benefits of innovation to be realised by all.

Source: https://www.bankofengland.co.uk/speech/2025/march/victoria-cleland-speech-at-pay360

TOP BANKING NEWS

- **8 things that will end on March 31, 2025: Income tax deadline, SBI credit card changes to Mahila Samman investment and more**

As March 31, 2025, approaches, several financial deadlines and regulatory changes are set to take effect, impacting taxpayers, investors, credit card users, and digital payment customers. From the last opportunity to invest in Mahila Samman Savings Certificate to the updated UPI mobile number verification rule, individuals must take timely action to optimize their savings, investments, and compliance.

The deadline to file updated ITR is also approaching fast, with higher penalties for those filing returns after March 31. Special Fixed Deposit (FD) schemes offered by leading banks will end soon. Meanwhile, SBI Cardholders should brace for significant credit card rewards benefit changes.

1. Mahila Samman Savings Certificate investment deadline

Under the Mahila Samman Savings Certificate scheme, only women and girls are eligible to invest, and guardians can invest on the behalf of minor girls. The minimum amount required to open an account is Rs1,000, while the maximum permissible investment is Rs 2 lakh per individual.

The last date to invest in Mahila Samman Savings Certificate is March 31,

2. Changes in UPI rule

UPI apps will ask users for clear and explicit consent before assigning or updating their numeric UPI ID. By default, users should be opted out and must actively choose to opt-in if they wish to use this feature. Apps cannot ask for this consent during a transaction to avoid confusion.

3. Updated ITR deadline

A taxpayer can file an updated return within two years from the end of the relevant assessment year. However, the additional tax liability varies depending on the timing of the filing:

Before March 31, 2025: 25% of the tax and interest due if filed within the first 12 months of the extended period. After March 31, 2025: 50% of the tax and interest due if filed between 12-24 months of the extended period.

4. Small Savings Schemes - Interest rates may change

The government revises interest rates of Post Office Small Savings Scheme every quarter. In December, it kept the rates unchanged for the fourth consecutive time for January–March. The latest rates for April–June will be announced by March 31, 2025.

5. Tax saving before March 31

As the financial year draws to a close, taxpayers must ensure they have completed their tax-saving investments and declarations before March 31. Proper planning can help individuals minimize their tax liability while also securing their financial future.

It should be noted that individuals under the new regime are not eligible for tax-saving investments.

It should be noted that individuals under the new regime are not eligible for tax-saving investments.

6. SBI credit card to change its reward structure

SBI Card, the second largest credit card issuer in the country, has announced several revisions to its rewards program for credit cards, which will take effect from April 1, 2025. The upcoming changes will impact some of its popular credit cards, such as Club Vistara SBI Credit Cards, Club Vistara SBI PRIME Credit Cards, SimplyCLICK SBI Card, Air India SBI Platinum Credit Card, and Air India SBI Signature Credit Card.

7. PM Internship Scheme (PMIS) deadline

The PM Internship Scheme (PMIS) is a government initiative announced by Finance Minister Nirmala Sitharaman in the Union Budget 2024-25. The registration deadline for the scheme has been extended to March 31, 2025. To secure an internship opportunity, you must complete your application before this date. Earlier, the deadline for registration was March 12, 2025.

8. Special FD deadlines

Leading banks such as SBI, IDBI Bank, Indian Bank, HDFC Bank, and Punjab & Sind Bank have introduced special FD tenures with competitive rates. The schemes cater to general investors, senior citizens, and super senior citizens, with varying interest rates depending on the tenure and category.

Source: https://economictimes.indiatimes.com/wealth/save/8-things-that-will-end-on-march-31-2025-income-tax-deadline-sbi-credit-card-changes-to-mahila-samman-investment-and-more/articleshow/119541153.cms?from=mdr

- **Public sector banks' dividend rises 33% to Rs 27,830 crore in FY24**

Dividend payout by public sector banks (PSBs) have risen by 33 per cent to Rs 27,830 crore in FY24, indicating significant improvement in financial health of these lenders.

PSBs declared a dividend of Rs 27,830 crore to shareholders in 2023-24 as against Rs 20,964 crore in the previous fiscal, registering an increase of 32.7 per cent, according to the government data.

Of Rs 27,830 crore total dividend, nearly 65 per cent or Rs 18,013 crore was paid to the government towards their shareholding in FY24.

During 2022-23, the government received Rs 13,804 crore as dividend from the public sector banks including State Bank of India (SBI).

It is to be noted that 12 public sector banks recorded the highest ever aggregate net profit of Rs 1.41 lakh crore in 2023-24 against the net profit of Rs 1.05 lakh crore in 2022-23, and earned Rs 1.29 lakh crore in the nine months of the current financial year.

Out of the total profit of Rs 1,41,203 crore earned during FY24, market leader SBI alone contributed over 40 per cent, as per the published numbers on exchanges.

SBI earned a profit of Rs 61,077 crore, 22 per cent higher than the previous financial year (Rs 50,232 crore).

In percentage terms, Delhi-based Punjab National Bank had the highest net profit growth of 228 per cent at Rs 8,245 crore, followed by Union Bank of India with a 62 per cent rise to Rs 13,649 crore and Central Bank of India with a 61 per cent increase to Rs 2,549 crore.

Among the banks which recorded over 50 per cent jump in net profit included Bank of India with a 57 per cent growth to Rs 6,318 crore while Bank of Maharashtra with a 56 per cent rise to Rs 4,055 crore and Chennai-based Indian Bank recorded a 53 per cent improvement to Rs 8,063 crore.

PSB is a turnaround story from record losses of Rs 85,390 crore in FY18 to the record profit in FY24.

Source: https://www.business-standard.com/industry/banking/public-sector-banks-dividend-rises-33-to-rs-27-830-crore-in-fy24-125032300218_1.html

ASSOCHAM
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- **GenAI may boost banking operations' productivity by 46% by 2030: EY**

Generative AI (GenAI) is poised to improve productivity levels of Indian financial services by 34 to 38 per cent by 2030 and up to 46 per cent, specifically for banking operations, said a EY report.

The report titled 'How much productivity can GenAI unlock in India? The AIdea of India: 2025' emphasised that GenAI) is reshaping India's financial services landscape, driving significant advancements in customer engagement, operational efficiency, and risk assessment.

It said the survey canvassed more than 125 C-suite executives across India. They represent diverse sectors, including financial services, retail, healthcare, life sciences, media and entertainment, technology, automotive, industrials and energy.

According to the study, 74 per cent of financial firms have initiated proof-of-concept projects, and 11 per cent have moved to production-level deployments.

"Investment in GenAI is also increasing, with 42 per cent of organisations actively allocating budgets toward AI initiatives. They are rapidly adopting GenAI across key areas such as voice bots, email automation, business intelligence, and workflow automation," the report said.

Customer service is the top priority, with 68 per cent of firms prioritising it for GenAI implementation, followed by operations (47 per cent), underwriting (32 per cent), sales (26 per cent), and IT (21 per cent).

These investments are already delivering measurable results: 63 per cent have seen improved customer satisfaction levels, while 58 per cent of firms report cost reductions, the study said.

"The financial services industry has moved beyond innovation pilots to real-world implementation in 2024-25. Firms are integrating GenAI with core banking systems, including CRM, loan origination, card management platforms, among other areas," said Pratik Shah, Partner and National Leader Financial Services, EY India.

These efforts, Shah added, have led to a significant reduction in operational costs, with AI-driven solutions slashing the cost per unit of normal business activities to as low as 1/10th of traditional manual processes.

The EY study, which analysed over 700 roles in the sector (more than 300 in banking and 400 in insurance) projects that GenAI will drive a 34 per cent to 38 per cent productivity improvement by 2030, paving the way for growth and operational transformation in the industry.

It is poised to significantly impact banking operations, customer service, and credit and collections, the report said.

(Only the headline and picture of this report may have been reworked by the Business Standard staff; the rest of the content is auto-generated from a syndicated feed.)

Source: https://www.business-standard.com/industry/banking/genai-may-boost-banking-operations-productivity-by-46-by-2030-ey-125031300559_1.html

SELECT RBI CIRCULAR

Circular Number	Date of Issue	Department	Subject	Meant For
RBI/DOR/2024-2025/135 DOR.STR.REC.72/21.04.048/ 2024-25	29.3.2025	Department of Regulation	Revised norms for Government Guaranteed Security Receipts (SRs)	All Commercial Banks (including Small Finance Banks, Local Area Banks and Regional Rural Banks) All Primary (Urban) Co-operative Banks/ State Co-operative Banks/ Central Cooperative Banks All All-India Financial Institutions All Non-Banking Financial Companies (including Housing Finance Companies)
https://www.rbi.org.in/scripts/BS_CircularIndexDisplay.aspx?Id=12804				

RBI/2024-2025/134 CO.DPSS.RPPD.No.S1278/03-01-002/2024-2025	28.3.2025	Department of Payment and Settlement Systems	Special Clearing Operations on March 31, 2025	The Chairman and Managing Director / Chief Executive Officer All Scheduled Commercial Banks including Regional Rural Banks / Urban Co-operative Banks / State Co-operative Banks / District Central Co-operative Banks / Local Area Banks / Payment Banks / Small Finance Banks / National Payments Corporation of India
https://www.rbi.org.in/scripts/BS_CircularIndexDisplay.aspx?Id=12803				

RBI/2024-2025/133 Ref.No.ID-MD.2320/08.01.01/2024-25	27.3.2025	Internal Debt Management Department	General Notification for Sale and Issue of Government of India Securities (including Treasury Bills and Cash Management Bills)	All participants in the Government Securities market.
https://www.rbi.org.in/scripts/BS_CircularIndexDisplay.aspx?Id=12802				

RBI/2024-2025/132 DoR.AUT.REC.71/23.67.001/ 2024-25	25.3.2025	Department of Regulation	Gold Monetization Scheme (GMS), 2015 - Amendment	All Scheduled Commercial Banks (other than Regional Rural Banks)
https://www.rbi.org.in/scripts/BS_CircularIndexDisplay.aspx?Id=12801				

RBI/2024-2025/131 FIDD.CO.PSD. BC.No.12/04.09.001/2024-25	24.3.2025	Financial Inclusion and Development Department	Priority Sector Lending Certificates	The Chairman / Managing Director/ Chief Executive Officer [All Scheduled Commercial Banks (including Regional Rural Banks)/ Primary (Urban) Co-operative Banks/ Local Area Banks]
https://www.rbi.org.in/scripts/BS_CircularIndexDisplay.aspx?Id=12798				

RBI/2024-2025/130 DOR.CRE. REC.69/07.10.002/2024-25	24.3.2025	Department of Regulation	Review of Priority Sector Lending (PSL) Target – Urban Co-operative Banks (UCBs)	Primary (Urban) Co-operative Banks other than Salary Earners' Banks
https://www.rbi.org.in/scripts/BS_CircularIndexDisplay.aspx?Id=12797				

RBI/2024-2025/129 DCM (CC) No.S3811/03.51.001/2024-25	24.3.2025	Department of Currency Management	Currency Chest operations on March 31, 2025	All Currency Chest (CC) holding banks
https://www.rbi.org.in/scripts/BS_CircularIndexDisplay.aspx?Id=12796				

RBI/2024-2025/128 DOR.CAP.REC. No.68/21.01.002/2024-25	21.3.2025	Department of Regulation	Treatment of Right-of-Use (ROU) Asset for Regulatory Capital Purposes	All NBFCs (including HFCs) and Asset Reconstruction Companies implementing Companies (Indian Accounting Standards) Rules, 2015
https://www.rbi.org.in/scripts/BS_CircularIndexDisplay.aspx?Id=12795				

RBI/2024-2025/127 DOR.ACC.REC. No.67/21.04.018/2024-25	20.3.2025	Department of Regulation	Amortisation of additional pension liability - Implementation of Pension Scheme in Regional Rural Banks with effect from November 1, 1993 - Prudential Regulatory Treatment	All the Regional Rural Banks
https://www.rbi.org.in/scripts/BS_CircularIndexDisplay.aspx?Id=12794				

RBI/2024-2025/126 DOR.ACC.REC. No.66/21.04.018/2024-25	20.3.2025	Department of Regulation	Reserve Bank of India (Financial Statements - Presentation and Disclosures) Directions, 2021: Clarifications	All Commercial and Cooperative Banks
https://www.rbi.org.in/scripts/BS_CircularIndexDisplay.aspx?Id=12793				

RBI/2024-2025/125 A.P. (DIR Series) Circular No. 22	17.3.2025	Foreign Exchange Department	Asian Clearing Union (ACU) Mechanism – Indo-Maldives trade	All Category-I Authorised Dealer Banks
https://www.rbi.org.in/scripts/BS_CircularIndexDisplay.aspx?Id=12792				

RBI/2024-2025/124 CO.DGBA.GBD.No.S1003/42-01-029/2024-2025	17.3.2025	Department of Government and Bank Accounts	Annual Closing of Government Accounts – Transactions of Central / State Governments – Special Measures for the Current Financial Year (2024-25)	All Agency Banks
https://www.rbi.org.in/scripts/BS_CircularIndexDisplay.aspx?Id=12791				

RBI/2024-2025/123 DOR. AML. REC.65/14.06.001/2024-25	15.3.2025	Department of Regulation	Implementation of Section 51A of UAPA, 1967: Updates to UNSC's 1267/1989 ISIL (Da'esh) & Al-Qaida Sanctions List: Amendments in 12 Entries	The Chairpersons/ CEOs of all the Regulated Entities
https://www.rbi.org.in/scripts/BS_CircularIndexDisplay.aspx?Id=12790				

Source- https://www.rbi.org.in/scripts/bs_circularindexdisplay.aspx

STATISTICAL SUPPLEMENT – RBI

Reserve Bank of India – Bulletin Weekly Statistical Supplement – Extract

1. Reserve Bank of India - Liabilities and Assets*

(₹ Crore)

Item	2024	2025		Variation	
	Mar. 22	Mar. 14	Mar. 21	Week	Year
	1	2	3	4	5
4 Loans and Advances					
4.1 Central Government	-	-	0	0	0
4.2 State Governments	13251	23828	19192	-4636	5941

** Data are provisional; difference, if any, is due to rounding off.*

2. Foreign Exchange Reserves*

Item	As on March 21, 2025		Variation over					
			Week		End-March 2024		Year	
	₹ Cr.	US$ Mn.	₹ Cr.	US$ Mn.	₹ Cr.	US$ Mn.	₹ Cr.	US$ Mn.
	1	2	3	4	5	6	7	8
1 Total Reserves	5662867	658800	-29923	4529	271611	12381	303259	16168
1.1 Foreign Currency Assets #	4803678	558856	-44357	1669	41834	-12094	64285	-9408
1.2 Gold	664219	77275	16946	2883	224900	24600	234809	25788
1.3 SDRs	156784	18240	-2110	-22	5561	108	4838	21
1.4 Reserve Position in the IMF	38186	4429	-402	-2	-683	-233	-674	-233

** Difference, if any, is due to rounding off.*
 # Excludes (a) SDR holdings of the Reserve Bank, as they are included under the SDR holdings; (b) investment in bonds issued by IIFC (UK); and (c) amounts lent under the SAARC and ACU currency swap arrangements.

3. Scheduled Commercial Banks - Business in India

(₹ Crore)

Item	Outstanding as on Mar. 7, 2025	Variation over				
		Fortnight	Financial year so far		Year-on-Year	
			2023-24	2024-25	2024	2025
	1	2	3	4	5	6
2 Liabilities to Others						
2.1 Aggregate Deposits	22510123	225818	2376168	2034896	2461758	2090041
	(22449530)		(2265674)		(2351264)	(2139943)
2.1a Growth (Per cent)		1.0	13.2	9.9	13.7	10.2
			(12.6)		(13.1)	(10.5)
2.1.1 Demand	2541481	17386	194120	97628	255398	166931
2.1.2 Time	19968641	208432	2182049	1937268	2206360	1923109
2.2 Borrowings	939108	38133	317538	161165	311527	176240
2.3 Other Demand and Time Liabilities	1056077	34469	158030	118649	137833	108395
7 Bank Credit	18128582	138603	2638324	1696418	2764966	1815023
	(17701852)		(2106393)		(2233035)	(1920225)
7.1a Growth (Per cent)		0.8	19.3	10.3	20.4	11.1
			(15.4)		(16.5)	(12.2)
7a.1 Food Credit	42552	-4896	11798	19471	3425	10849
7a.2 Non-food Credit	18086030	143498	2626526	1676947	2761541	1804175

1. Data since July 14, 2023 include the impact of the merger of a non-bank with a bank.
2. Figures in parentheses exclude the impact of the merger.

4. Money Stock: Components and Sources

(₹ Crore)

Item	Outstanding as on		Variation over									
	2024	2025	Fortnight		Financial Year so far				Year-on-Year			
					2023-24		2024-25		2024		2025	
	Mar. 31	Mar. 07	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	1	2	3	4	5	6	7	8	9	10	11	12
M3	24831618	27107341	255262	1.0	2393451	10.7	2275723	9.2	2513490	11.3	2370130	9.6
	(24939860)	(27167933)	(253991)	(0.9)			(2228073)	(8.9)			(2320228)	(9.3)
1 Components (1.1.+1.2+1.3+1.4)												
1.1 Currency with the Public	3410276	3589568	31135	0.9	106365	3.2	179293	5.3	124708	3.8	206768	6.1
1.2 Demand Deposits with Banks	2586888	2683263	18288	0.7	198553	8.6	96375	3.7	260299	11.5	164113	6.5
1.3 Time Deposits with Banks	18739918	20725726	210367	1.0	2082743	12.5	1985808	10.6	2109193	12.7	1974017	10.5
	(18848160)	(20786318)	(209097)	(1.0)			(1938158)	(10.3)			(1924115)	(10.2)
1.4 'Other' Deposits with Reserve Bank	94536	108784	-4528	-4.0	5791	7.4	14248	15.1	19290	30.0	25232	30.2
2 Sources (2.1+2.2+2.3+2.4-2.5)												
2.1 Net Bank Credit to Government	7512016	8267354	167687	2.1	284522	4.0	755339	10.1	470058	6.7	817300	11.0
	(7603571)	(8318035)	(167485)	(2.1)			(714464)	(9.4)			(776265)	(10.3)
2.1.1 Reserve Bank	1193213	1274550	81160		-316854		81337		-157029		140278	
2.1.2 Other Banks	6318803	6992805	86527	1.3	601376	10.5	674002	10.7	627087	11.0	677022	10.7
	(6410358)	(7043485)	(86326)	(1.2)			(633127)	(9.9)			(635988)	(9.9)
2.2 Bank Credit to Commercial Sector	16672145	18511865	143481	0.8	2111949	14.6	1839720	11.0	2248053	15.7	1970280	11.9
	(17202832)	(18938595)	(137008)	(0.7)			(1735763)	(10.1)			(1865079)	(10.9)
2.2.1 Reserve Bank	14406	26944	-1650		-15148		12537		-7319		15543	
2.2.2 Other Banks	16657739	18484922	145131	0.8	2127097	14.8	1827183	11.0	2255371	15.8	1954738	11.8
	(17188426)	(18911651)	(138658)	(0.7)			(1723226)	(10.0)			(1849536)	(10.8)

Note: Figures in parentheses include the impact of merger of a non-bank with a bank.

5. Liquidity Operations By RBI										
(₹ Crore)										
Date	Liquidity Adjustment Facility						Standing Liquidity Facilities	OMO (Outright)		Net Injection (+)/ Absorption (-) (1+3+5+7+9-2-4-6-8)
	Repo	Reverse Repo	Variable Rate Repo	Variable Rate Reverse Repo	MSF	SDF		Sale	Purchase	
	1	2	3	4	5	6	7	8	9	10
Mar. 17, 2025	-	-	123778	-	490	91999	-	-	-	32269
Mar. 18, 2025	-	-	52693	-	6187	67244	-	-	10	-8354
Mar. 19, 2025	-	-	139162	-	50	144937	-	-	50000	44275
Mar. 20, 2025	-	-	124009	-	514	126407	-449	-	-	-2333
Mar. 21, 2025	-	-	142785	-	9961	138956	523	-	-	14313
Mar. 22, 2025	-	-	-	-	10754	77952	-	-	-	-67198
Mar. 23, 2025	-	-	-	-	11357	79450	-	-	-	-68093
SDF: Standing Deposit Facility; MSF: Marginal Standing Facility.										

Source: https://rbi.org.in/scripts/BS_ViewWssExtractdetails.aspx?id=60093

TOP NON-BANKING FINANCE COMPANIES & MICRO FINANCE INSTITUTIONS NEWS

- **In near term, be overweight on NBFCs; shift towards banks in H2: Suresh Ganapathy**

  Suresh Ganapathy, MD, Macquarie Capital, says it's a tale of two halves. In the immediate next quarter or so, we will see the banking system facing the impact of a falling rate cycle, because usually, the way the ALM structure is, when rates are being cut, the margins first come down and later on deposits reprice with the lag and therefore the second half tends to be a better story. Those are the benefits that the banking system will get in the second half. But the near-term impact is going to be more in terms of the NBFCs which will start seeing benefits of an easing liquidity and a falling rate cycle immediately.

  Let us talk, what do you make of the banking sector now?

  Suresh Ganapathy: This is perhaps the only sector which is less affected by what is going around the world. In a way, it is largely domestic savings and domestic consumption led in a way, both retail and corporate credit cycle. The credit cycle is still decent. Though there are some stresses in certain pockets like MFIs, but clearly the other segments of the unsecured portion which is credit cards and personal loans seem to be peaking out, less affected in a way directly by Trump's policies.

  So, clearly, notwithstanding what has happened with one particular bank here, the sector is quite stable in that sense. We believe the sector is capable of generating an 15% to 17% ROI over the next couple of years and represents a pretty good power of compounding story at reasonable valuations even now.

  Now, for banks to do well, the economy has to do well. The economic growth has come down from 8% to sub-7%, 6.5% to be precise. Banks are a proxy for the economy. So, if the economy is slowing down, which is what is bothering the markets, then why should banks do well?

  Suresh Ganapathy: You should look in this way that the economy has at least stabilised. In that sense, if we look at it, the real GDP growth this year is expected to be around 6.5% in FY2025 and next year, marginal uptick is at 6.7%. So, we are not arguing that credit growth is going to go back to levels of about 18-20%, which in a very good economic scenario, we expect that kind of an outcome.

  A lot of this lower credit growth was also driven by a lot of actions from the Reserve Bank of India, which at the margin, obviously if we look at it, the RBI's approach is a little bit more accommodative, and we are arguing for a 13-14% kind of a credit growth from the lows of about 11%. What we are arguing here is that for the kind of economic growth that we are seeing in the valuations more than adequately factor that kind of relatively subdued economic growth, contrary to what was experienced in the past and with a slight uptick in credit growth and with a possible recovery in the credit cycle in certain segments, as I said, the sector is poised for a 15-16% earnings growth and clearly it is valued appropriately for that and represents a good power of compounding story,

  Source: https://economictimes.indiatimes.com/markets/expert-view/in-near-term-be-overweight-on-nbfcs-shift-towards-banks-in-h2-suresh-ganapathy/articleshow/119108506.cms

- **NBFC sector strengthens with RBIs positive stance and rate cut support for growth: Jefferies**

The fundamentals of Non-Banking Financial Companies (NBFCs) are showing signs of improvement as macroeconomic challenges ease and the Reserve Bank of India (RBI) adopts a more supportive stance, according to Jefferies.

With stabilizing asset quality, improving liquidity, and emerging rate tailwinds, the sector is poised for steady growth. The overall macroeconomic environment is improving with increased government spending and RBI's measures to ease liquidity constraints.

The central bank's recent risk weight reduction on bank lending to NBFCs signals a constructive approach, which should enhance funding access, particularly for smaller NBFCs.

Additionally, a recent 25-basis-point interest rate cut, along with potential future cuts, is expected to support net interest margins (NIMs) across the sector.

The asset quality (AQ) of NBFCs is showing stabilization across key segments. Collections have improved in recent months, and while gross non-performing assets (GNPA) may rise slightly in Q1 FY26, the increase is expected to be lower than last year.

However, the microfinance institution (MFI) segment remains under stress, particularly in Karnataka, where a microfinance ordinance impacted collection efficiency.

Despite some improvements in other states, the transition to MFIN 2.0 regulations in April 2025 could add further pressure to the MFI segment.

However, spillover effects from unsecured MFI loans to secured loan products remain limited. NBFC exposure to MFI overlaps is highest in gold loans (9 per cent), small-ticket loans like micro LAP/PL (6-7 per cent), affordable housing (4-5 per cent), and two-wheeler loans (2 per cent), while commercial vehicle (CV) loans remain largely unaffected.

The vehicle financing sector is experiencing mixed trends. Demand for light commercial vehicles (LCVs) is improving, while medium and heavy commercial vehicles (MHCVs) continue to face muted demand and rising competition.

The affordable housing finance sector (AHFCs) is witnessing steady disbursements, though some pricing pressure is emerging due to aggressive competition from larger players.

Post-RBI's 25bps rate cut, PSU banks have lowered home loan rates to 8.1-8.2 per cent, but private banks have yet to follow suit.

Larger housing finance companies (HFCs) with fixed liabilities may experience NIM pressure, making AHFCs a preferred choice due to their better pricing power. Among AHFCs, Home First Finance remains a top pick.

While NBFC stocks have declined 3-41 per cent from their six-month peaks, top large retail and auto-focused NBFCs have outperformed the broader market.

Source: https://economictimes.indiatimes.com/news/economy/finance/nbfc-sector-strengthens-with-rbis-positive-stance-and-rate-cut-support-for-growth-jefferies/articleshow/119034071.cms

- **Tightening regulations, underwriting standards in microfinance will rein in growth plans for lenders: S&P**

Tightening regulations and stricter underwriting standards in Indian microfinance will rein in growth plans for sector lenders and defuse risk buildup for overleveraged borrowers, said S&P Global Ratings.

These same trends, however, will weigh on asset quality given many clients rely on new loans to repay old ones, per credit analyst Shinoy Varghese.

"In our view, many microfinance institutions have tightened their lending norms after the fresh guidelines laid out by the MicroFinance Institutions Network (MFIN).

"This should keep a check on asset quality strains. We expect the non-performing loan ratio to peak by the fiscal year that ends March 31, 2026," Varghese said.

Microfinance loans typically have tenors below two years and are collateral-free for borrowers with an annual income of up to ₹3 lakh ($3,468).

Financial inclusion

The agency noted that regulatory fluctuations – easing microfinance rules and tightening up again – will remain a core characteristic of the high-risk, high-reward Indian micro finance lending niche.

It observed that India's poorest borrowers have leveraged up in the past few years in response to easing microfinance rules. Now, the sector is tightening up again.

S&P emphasised that microfinance is critical to financial inclusion in India and can help low-income borrowers to participate in the country's growth trajectory.

"That's led to the easing of rules in recent years, to give such individuals more scope to participate in the post-pandemic economic rebound," said the agency.

"At the same time, loose monitoring allowed borrowers to tap multiple institutions, driving up borrower leverage," it added.

Credit boom

Moreover, the credit boom was compounded by deregulation in the microfinance lending rates in 2022, making it highly lucrative for lenders.

Such exuberance led the self-regulatory MFIN to begin rolling out tighter borrowing rules in August 2024. Lending in the sector has since contracted.

S&P assessed that a slowdown in lending will also add to asset quality stress. This is because in the microfinance lending boom that followed the pandemic, many borrowers repaid loans to one lender by borrowing from another.

This is why the MFIN began capping lenders last August, and will tighten this further starting April.

Source: https://www.thehindubusinessline.com/money-and-banking/tightening-regulations-underwriting-standards-in-microfinance-will-rein-in-growth-plans-for-lenders-sp/article69377000.ece

TOP INSURANCE NEWS

- **Cyber incidents: IRDAI asks insurers to empanel forensic experts in advance**

Regulator Irdai on Wednesday directed insurers to empanel forensic auditor in advance so that they could conduct forensics and root cause analysis of cyber incidents without any delay.

In a circular, which has come in the wake rising incidents of data breach, Insurance Regulagtory and Development Authority of India (Irdai) said that in today's digital age, any cyber incident and crisis poses significant threats to organisations.

Therefore, it is crucial to be prepared to respond effectively to prevent or minimise damage to information assets, including customer data and ensure business continuity.

In 2023, the regulator had issued Irdai Information and Cyber Security Guidelines regarding cyber incident or crisis preparedness.

"In addition..., all regulated entities are required to establish a well-defined procedure/practice to ensure that the forensic auditor/s are empanelled in advance and can be onboarded to conduct forensics and root cause analysis of cyber incident/s without any delay," Irdai's circular said.

The regulator reiterated that all regulated entities must strictly adhere to the provisions on cyber incident/crisis preparedness to ensure effective readiness.

Irdai also asked all its regulated entities, including insurance intermediaries to place compliance to the provisions in the ensuing board meeting and submit the minutes of the meeting to it for information.

Data breaches have been reported in recent times by some leading insurers.

Source https://www.business-standard.com/finance/insurance/cyber-incidents-irdai-asks-insurers-to-empanel-forensic-experts-in-advance-125032601340_1.html

- **IRDAI inducts 5 new members into insurance advisory panel**

Synopsis

India's insurance regulator has appointed five new key members to its Insurance Advisory Committee (IAC), including leaders from banking, asset management, and insurance sectors, aiming to shape future regulations. The IAC will submit its report in three months, with a new draft bill suggesting an FDI increase to 100% and a composite licence framework.

India's insurance regulator has appointed five new members to its Insurance Advisory Committee (IAC), bringing in leaders from banking, asset management, and insurance to shape future regulations.

The new members include MR Kumar, former LIC chairman and current non-executive chairman of Bank of India; Dinesh Kumar Khara, former chairman of SBI, Vishakha Mule, CEO of Aditya Birla Capital; Nilesh Shah, MD of Kotak Mahindra AMC; and Alice G Vaidyan, former CMD of GIC Re and independent director at Air India and Tata AIA Life.

The IAC, which advises the Insurance Regulatory and Development Authority of India (IRDAI) on policy and regulatory matters, will submit its report within three months. The recommendations will be forwarded to the finance ministry, with the department of financial services (DFS) expected to draft a new Bill for stakeholder consultation. The new draft bill talks about the FDI increase to 100% and composite license.

The appointments come at a time of major regulatory shifts, including discussions on a composite licence framework that could allow insurers to offer multiple types of policies under a single licence.

Source: https://economictimes.indiatimes.com/industry/banking/finance/insure/irdai-inducts-5-new-members-into-insurance-advisory-panel/articleshow/119270004.cms

- **Why is the race for your insurance premiums hotting up?**

India's insurance sector is undergoing significant changes with policy shifts and new alliances. Allianz SE has ended its JV with Bajaj Group, aiming to collaborate with Jio Financial Services. Patanjali Ayurved has entered the general insurance market with a majority stake in Magma General Insurance. LIC plans to acquire a stake in a health insurer.

India's insurance sector is witnessing many shifts as the government is intent on ramping up policy and regulation in a sector that has immense untapped potential. After ending its 24-year joint venture with Bajaj Group, German financial services powerhouse Allianz SE is trying to enter into an alliance with Mukesh Ambani-led Jio Financial Services (JFSL), ET has reported based on information for people in the know. Allianz will sell its 26% stake in Bajaj Allianz General Insurance Co and Bajaj Allianz Life Insurance Co to Bajaj for $2.8 billion. What led to parting of ways was desire for greater control by both the partners. Allianz wants to "serve not only as an investor, but also as an operator". Allianz has called the Asia-Pacific region a "strategically important growth area", and a large and influential group such as Reliance is an obvious choice.

Just as Allianz parts ways with Bajaj and seeks new opportunities, Baba Ramdev-owned Patanjali Ayurved and Dharampal Satyapal Group (DS Group) have bought a majority stake in Magma General Insurance, backed by Adar Poonawalla-owned Sanoti Properties, valuing the company at Rs 4,500 crore. The deal marks Patanjali's entry into the general insurance market and its diversification into financial services beyond ayurvedic and consumer goods. Following the transaction, Patanjali will become the promoter for Magma General Insurance, with a 98% stake, giving exit to Magma.

In another deal which is in the works, life insurance behemoth LIC is buying a stake in a health insurer this month. However, it has not named the company it will be buying a stake in, but as per some media reports, it is ManipalCigna. LIC will not buy a controlling stake. At present, life insurance companies are not allowed to offer health covers which include covering up hospitalization and other expenses for the insured. However, there is talk of allowing a composite licence for insurers.

Last month, chief executive of Niva Bupa Health Insurance, Krishnan Ramachandran, told ET that British multinational Bupa might increase its stake in the health insurance firm after the budget announcement of allowing up to 100% foreign direct investment (FDI) in the sector.

India's insurance sector is marred with low growth even though premiums have risen. Penetration has remained low. Now the government is revising policy and regulation to make the sector more nimble and capable to capture the huge growth potential the Indian market presents. This can lead to high competitiveness in the sector, entry of new players and hectic deal-making.

Removal of FDI cap

It has taken the Indian government decades to open the insurance sector fully to FDI. In her Budget 2025-26, Finance Minister Nirmala Sitharaman proposed to raise the FDI limit to

100 per cent from 74 per cent as part of new-generation financial sector reforms. Since the introduction of FDI in 2000, the insurance sector has received Rs 82,847 crore as of September 2024. This investment has supported growth, enhanced operations and increased customer reach. With the removal of FDI cap, more foreign money is likely to pour into a sector where capital is the basic raw material. More money and more insurers will mean insurance reaching new untapped territories and innovation in products as well as distribution.

Currently, many foreign insurers are present in the country through joint ventures and could seek to increase their ownership stakes in their Indian affiliates following this change in regulation. "We view foreign investment as credit positive because it increases product innovation. The presence of foreign stakeholders also brings benefits in the areas of capital adequacy, financial flexibility and governance standards," Moody's Ratings said in a statement.

However, removing the FDI cap is not the only solution to vitalize India's insurance sector and no guarantee that it will lead to entry of more players or big capital coming in. The government is looking to streamline compliance and enhance ease of doing business in the sector ahead of allowing 100% FDI. Some of these issues will be addressed in the Insurance Amendment Bill, an official had told ET. There are more than 2,236 unique annual compliance obligations imposed on insurance companies by central and state governments, according to a report by Teamlease Regtech, a compliance management software firm. A few weeks ago, the Insurance Regulatory Development Authority of India (IRDAI) constituted a seven-member committee, headed by former SBI chairman Dinesh Khara, to reassess key aspects of its regulatory framework.

"Once amended, the Insurance Act will have a lot of enabling provisions, for example, pertaining to 100 per cent FDI, composite licence, penetration, and entry of new players. The mandate of the committee is to suggest framework and rules. The committee will see how those provisions can be enabled through regulations and circulars," official sources told PTI recently.

The growth challenge

India's insurance sector offers a vast opportunity to private companies as most of it still lies untapped despite India's impressive economic growth in recent times. India's insurance penetration, which is measured as a ratio of annual premium to GDP, dipped in FY24 for the second year in a row after touching a peak of 4.2% in the wake of Covid. According to regulator Irdai's annual report released on Monday, India's insurance penetration was 3.7% in FY24 compare to 4% in 2022-23. The insurance penetration for the life insurance industry marginally declined from 3% in the previous year to 2.8% in 2023-24. The penetration for the non-life insurance industry remained unchanged at 1% during 2023-24, as in 2022-23.

While the share of insurance to GDP declined, there was an increase in per capita premium (insurance density) from $92 in FY22 to $95 in FY23. India's experience goes against the global trend, where insurance penetration in both life and non-life segments has risen, with the global average at 7% in 2023 versus 6.8% in 2022.

During 2023-24, the life insurance industry recorded a premium income of Rs 8.3 lakh crore, registering a 6.1% growth which was slower than the increase in GDP. Private sector life insurers clocked a growth of 15.1% in premium, while the public sector life insurer recorded a growth of 0.2%.

Low growth in the insurance sector is due to lack of innovation, capital and distribution depth and range; low number of insurers; low digitalisation; and disabling regulation. Insurers have been demanding streamlining of regulation to increase their reach and depth. The government has been considering cutting the GST on insurance premiums and composite licence for insurers besides several other demands of the industry.

Due to the huge untapped potential, India's insurance market is projected to be the G20's fastest-growing economy over the next five years, with total premium volumes -- life and non-life -- up 7.3 per cent in real terms on average each year aided by macroeconomic stability and the conducive regulatory environment, as per a Swiss Re report on insurance market outlook released in January. Life premiums are estimated to grow by 4.8 per cent in 2024 in real terms and by 5 per cent in 2025 (2025-29: 6.9 per cent), following a meagre 0.7 per cent growth in 2023, when the savings segment was adversely impacted by regulatory and taxation changes, it said. The non-life insurance business is forecast to expand to 7.3 per cent (up from 5.7 per cent in 2024) on the back of rising risk awareness, robust economic growth and regulatory initiatives in support of digitalisation, it said.

Source: https://economictimes.indiatimes.com/industry/banking/finance/insure/why-is-the-race-for-your-insurance-premiums-hotting-up/articleshow/119205660.cms?from=mdr

TOP CORPORATE BOND MARKET NEWS

- **Global stock markets plunge as US tariff fears trigger sell-off | S&P 500 drops, Nasdaq tumbles, Gold hits record high – What's next for investors?**

  Global stock markets are deep in the red as escalating US tariff concerns weigh on investor sentiment. S&P 500 futures are heading for a 1% decline, capping a rough quarter, while Nasdaq 100 futures fell 1.4%. Gold prices surged to a record, and US Treasuries rallied as traders sought safe-haven assets.

  Why are US tariffs hitting stocks so hard?

  Investor anxiety over impending US tariffs has intensified, pushing the S&P 500 down 5.1% this year—its worst first-quarter performance since 2022. Since late February, US equities have lost around $5 trillion in market value. Companies like Nvidia Corp., Palantir Technologies Inc., and Tesla Inc. saw premarket declines exceeding 3%. Goldman Sachs strategist David Kostin has already lowered his year-end target for the S&P 500 to 5,700, d own from 6,200, citing growing recession risks tied to tariff uncertainty.

  Key market movements

  - S&P 500 futures fell 0.6% (as of 6:12 a.m. New York time)
  - Nasdaq 100 futures dropped 0.9%
  - Dow Jones Industrial Average futures slipped 0.3%
  - Stoxx Europe 600 declined 1.7%
  - MSCI World Index fell 0.5%
  - Bitcoin dropped 1.4% to $81,345.70
  - West Texas Intermediate crude rose 0.6% to $69.43 per barrel

  Which global markets are suffering the most?

  The sell-off isn't confined to Wall Street. Europe's Stoxx 600 index fell 1.2%, while Japan's Nikkei 225 plunged 4%. Taiwan's stock index slipped into correction territory. The MSCI World Index dropped 0.5%, signaling broad-based losses. Investors worldwide are repositioning portfolios as concerns about prolonged tariff negotiations mount.

  How are currencies and commodities reacting to the turmoil?

  The Bloomberg Dollar Spot Index remained mostly unchanged, but major currencies saw movement. The euro and British pound each lost 0.2%, trading at $1.0807 and $1.2919, respectively. Meanwhile, gold prices jumped 0.9% to $3,114.42 an ounce as investors sought safer investments amid market uncertainty.

  Could tariffs trigger a US recession?

  According to Bloomberg Economics, the US economy could take a 4% hit to GDP over the next two to three years, with inflation rising by 2.5%. With President Trump's reciprocal tariff plan set to take effect on April 2, concerns about a prolonged trade dispute are growing. The president also hinted at possible restrictions on Russian oil exports, further fueling market volatility.

  Will the Federal Reserve cut interest rates to offset risks?

  Speculation is mounting that trade tensions could prompt the Federal Reserve and European Central Bank to consider interest rate cuts. US 10-year Treasury yields fell six basis points to 4.19%, while Germany's 10-year yield dropped to 2.68%. UK bond yields declined four basis points to 4.65%, signaling a flight to safer assets.

  What should investors do now?

  Markets remain highly volatile, with risks of further declines if tariff negotiations drag on. With the Federal Reserve potentially shifting policy in response to market conditions, investors should stay alert to any policy changes. Safe-haven assets like gold and Treasuries are gaining traction, and portfolio diversification may be crucial in navigating the uncertainty ahead.

Source: https://economictimes.indiatimes.com/news/international/us/global-stock-markets-plunge-as-us-tariff-fears-trigger-sell-off-sp-500-drops-nasdaq-tumbles-gold-hits-record-high-whats-next-for-investors/articleshow/119804944.cms

- **Alternative Investments in India: What's driving the demand beyond stocks and mutual funds?**

The Indian stock market has been on a rollercoaster ride over the past year, and not in a way that investors would like. After touching an all-time high of 26,277, the Nifty 50 has dropped 14.3%, standing at 22,508 as of March 18, 2025. The situation is even worse in broader indices—Nifty Small Cap has plummeted 24.1% from its peak of 19,716 to 14,968, while Nifty Mid Cap and Nifty Large-Mid Cap have seen similar declines of 20.4% and 17.4%, respectively.

For many retail investors, this sharp correction has been a wake-up call. Until recently, the markets seemed unstoppable, luring investors into an over-reliance on equities. But now, with losses mounting and mutual fund SIP inflows declining by nearly 2% in February—down to ₹25,999 crore from ₹26,400 crore in January—investors are re-evaluating their strategies. The key takeaway? Diversification is not just a theoretical concept—it's a necessity.

The Shift Towards Alternative Investments

With equities underperforming, investors are seeking stability and diversification through alternative investments. Here's where they are turning:

1. Fixed Deposits (FDs) with Small Finance Banks

Traditional bank FDs have long been a safe haven, but the current buzz is around Small Finance Banks, which are offering interest rates of up to 9%—far higher than most major banks. These banks are also DICGC insured up to ₹5,00,000 per PAN per bank, making them safer for investors looking to park their money.

2. Corporate Bonds

For those seeking higher returns without the volatility of equities, corporate bonds have become an attractive alternative. Yields for bonds rated BBB to AAA range between 8% and 12% for tenures of 12-24 months. Investors are recognizing that high-rated corporate bonds can provide steady income while offering lucrative risk-adjusted returns.

3. Gold

Gold has once again proved its value as a safe-haven asset. Its price surge has been fueled by trade disputes, a weakening dollar, and inflationary pressures.

Investors, wary of economic uncertainty, have been increasing their allocations to gold, using it as a hedge against both market downturns and currency depreciation.

4. Real Estate and REITs

The real estate sector has seen a surge in institutional investments, particularly in commercial properties. According to Forbes, the APAC real estate market witnessed an 88% annual increase in investments, reaching $3 billion in H2 2024.

In India, Mumbai accounted for nearly 50% of these investments, driven largely by office space acquisitions. Additionally, Real Estate Investment Trusts (REITs) have gained popularity, allowing retail investors to gain exposure to income-generating real estate assets without the hassle of direct ownership.

5. Unlisted Stocks

A growing segment of investors is looking beyond listed equities and venturing into pre-IPO and unlisted stocks. While riskier and less liquid, these investments offer early access to high-growth companies before they hit the public markets, often at more attractive valuations.

A Safe Asset Allocation Approach

A well-balanced portfolio should align with an investor's financial goals and risk appetite. For a low-risk strategy, an allocation of 40-50% in Fixed Deposits and Corporate Bonds can provide stability and steady income.

30-35% in Large Cap Equities ensures some growth potential without excessive risk. 10-15% in Gold offers inflation protection and diversification.

For moderate investors, a 40% allocation to Large and Mid Cap Equities balances growth and stability, while 30% in Fixed Deposits and Corporate Bonds provides steady returns. 15% in Gold acts as a hedge, and 10-15% in REITs and Alternative Investments can add exposure to real assets and new opportunities.

For those with a higher risk appetite, 50-60% in Equities (including Mid and Small Cap) can maximize growth potential. 20-25% in Alternative Investments like Unlisted Stocks allows for exposure to high-growth sectors. 10-15% in Bonds, Gold, and Real Estate provides some risk mitigation while ensuring a diversified portfolio.

Market cycles are inevitable, and every downturn carries valuable lessons. The recent correction has reinforced the importance of not putting all eggs in one basket. Investors who diversify across asset classes are better positioned to withstand volatility while still capturing growth opportunities.

Whether it's fixed income, gold, real estate, or unlisted stocks, a well-balanced portfolio ensures that investors can navigate both bull and bear markets with confidence.

Source:https://economictimes.indiatimes.com/markets/stocks/news/alternative-investments-in-india-whats-driving-the-demand-beyond-stocks-and-mutual-funds/articleshow/119371027.cms

- **$2.69 trillion and counting: How India's bond market is powering a $8T future**

As India gears up to achieve a US$7-8 trillion economy within the next five years, a significant portion of this capital formation is expected to be driven by the expanding bond markets, currently valued at $2.69 trillion, according to analysts at IndiaBonds.com.

Data compiled by IndiaBonds.com, sourced from the Clearing Corporation of India (CCIL) and the Securities and Exchange Board of India (SEBI), reveals that the Indian Bond Market stood at US$2.69 trillion at the end of December 2024, with the corporate bond market surpassing US$602 billion.

The momentum in corporate bonds has been outpacing other segments, reflecting a shift toward debt-driven financing as businesses scale up operations.

In the first nine months of FY 2024-25, the total stock of outstanding bonds grew by US$ 100 billion, factoring in a 2.7% depreciation of the Indian Rupee. In INR terms, the overall bond market expanded by 6.5%, while the corporate bond market saw a stronger growth of 9%.

However, despite this progress, India's bond markets still lag behind global peers, standing at 0.65x the equity market capitalization, compared to 1.2-2.0x in developed economies.

With recent volatility in equity markets, portfolio diversification via bonds has gained prominence, as reflected in increased investor participation this quarter. Analysts at IndiaBonds.com note that this trend underscores the growing demand for fixed-income instruments as a key capital-raising avenue for India's ambitious economic expansion.

As the nation advances toward its multi-trillion-dollar goal, corporate bonds are expected to play a defining role in financing infrastructure, industrial growth, and long-term economic stability. Investors and policymakers alike will be keenly watching how regulatory frameworks evolve to support a deeper, more liquid debt market in the years ahead.

Source:https://economictimes.indiatimes.com/markets/bonds/2-69-trillion-and-counting-how-indias-bond-market-is-powering-a-8t-future/articleshow/119401928.cms

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