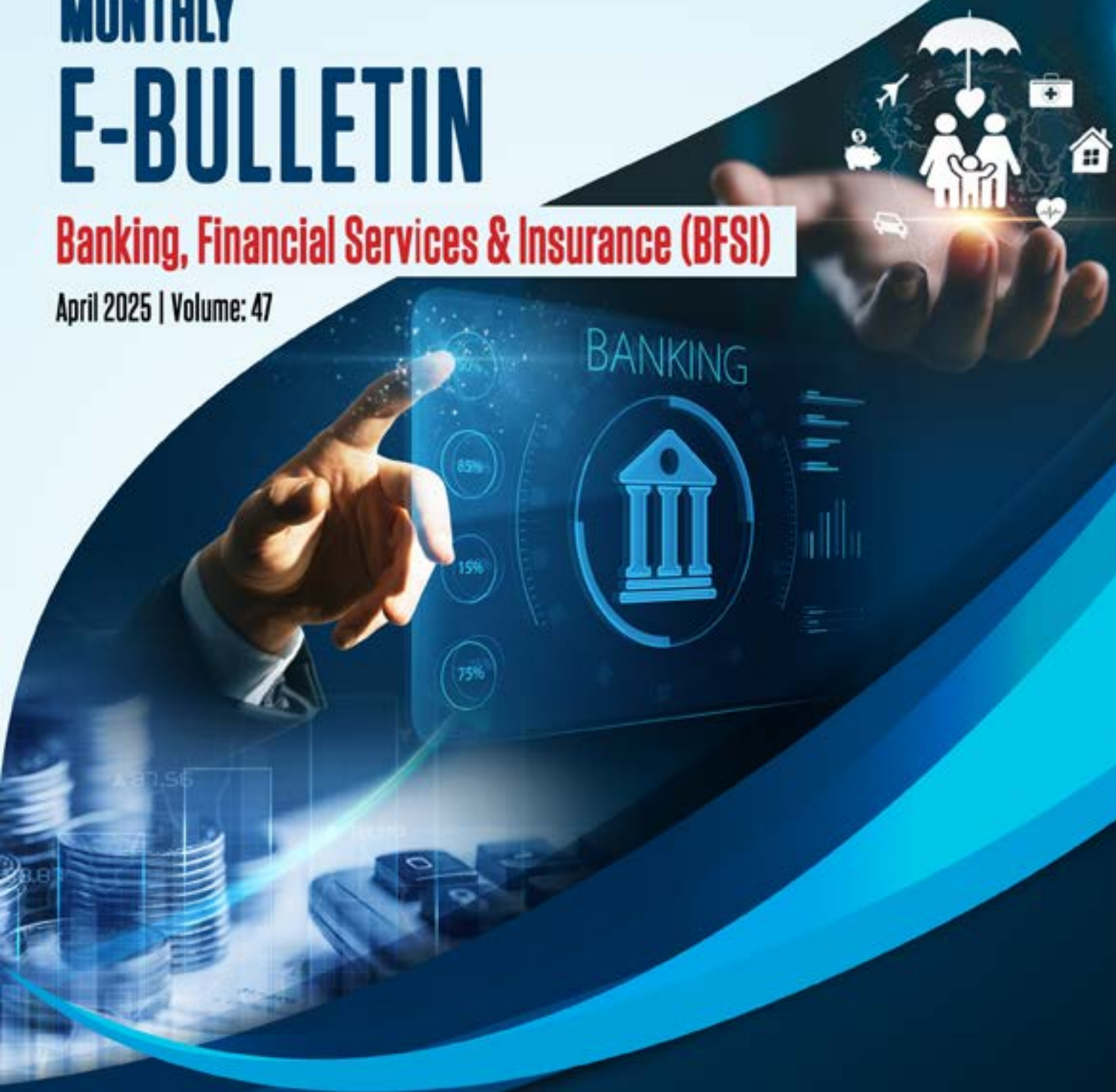
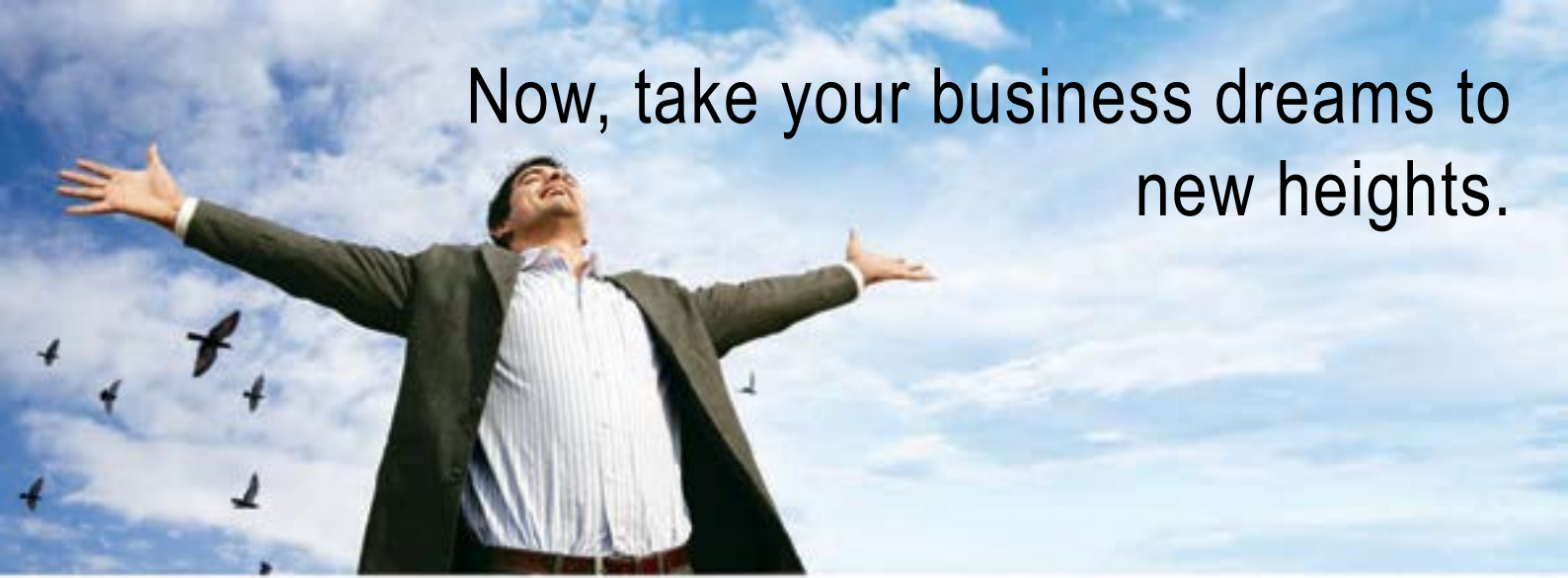


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INDUSTRY ARTICLE IN THE MONTH

US Tariffs & The New World Economic Order - India Perspective

1.0 Background

The India-United States of America (US) trade relationship has evolved significantly over the past two decades, emerging as a cornerstone of the broader strategic partnership between the two democracies. Bilateral trade in goods and services crossed USD 200 billion in 2024, making the U.S. India's largest trading partner.

The recent imposition of tariff measures by the U.S across countries and commodities is redefining the global economic landscape. The US has a total trade of US\$ 7,301 billion in 2024 comprising of imports into US of US\$ 4,110 billion and exports from US of US\$ 3,192 billion resulting in a trade deficit of US\$ 918 billion.

2.0 New Proposed Tariff Structure

On 2 April 2025, US announced a complete shift in its Tariff policy from a very low Tariff regime (average 2.5%) to a baseline tariff of 10% for all countries and all commodities (subject to certain exemptions) and Tariffs ranging from 10% to 245%. Certain countries have imposed retaliatory tariffs. In the context of India, the US proposal of imposing additional tariff of upto 26 % has raised serious concerns about the potential impact on India's export sectors, economic growth and new investments.

3.0 India's Response Strategy to the US Tariffs

India's response to the recent tariff measures proposed by the United States, particularly the impending 26% reciprocal tariff on Indian exports, has been pragmatic and strategic, reflecting its commitment to preserving economic stability while safeguarding long-term trade interests.

On 13 February 2025, President Donald J. Trump hosted Prime Minister Narendra Modi for an Official Working Visit in Washington, DC. Reaffirming the strength of the India–U.S. Comprehensive Global Strategic Partnership, the two leaders launched the U.S.-India COMPACT for the 21st Century, aimed at enhancing cooperation in commerce, technology, and defense. A key pillar of this collaboration is “Mission 500”, an ambitious initiative to double bilateral trade to USD 500 billion by 2030.

During the April 2025 visit of U.S. Vice President J.D. Vance to India, both nations finalized the terms of reference for a forthcoming Bilateral Trade Agreement (BTA). This reflects a significant shift toward structured negotiations to address tariff imbalances and secure mutual market access. The 26% tariff has been paused for 90 days until 8 July 2025, offering a critical window for concluding trade adjustments.

India has already undertaken pre-emptive tariff reductions on several U.S. imports to de-escalate tensions and encourage reciprocal access including the following key products:

- ⊙ **Auto imports:** reduced from 110% to 70%
- ⊙ **EV imports:** reduced from 110% to 15%
- ⊙ **Bourbon whisky:** reduced from 150% to 100%

These adjustments reflect India's intent to signal flexibility and secure a cooperative trade environment. India has at present ruled out immediate counter-tariffs, choosing not to escalate the situation. This restraint demonstrates India's preference for a constructive trade partnership grounded in dialogue, not confrontation.

The Indian government is actively consulting key export sectors such as textiles, pharma, auto, engineering, electronics, gems and jewellery to assess the impact of U.S. tariffs and formulate calibrated responses.

India may also leverage its lower reciprocal tariff (26%), which remains competitive compared to China (245%), Vietnam (46%), Bangladesh (37%), Botswana (37%) etc. to expand its market share in U.S.-bound exports of textiles, apparel, footwear, steel products etc.

In parallel, India is also strengthening domestic manufacturing under the Make in India initiative, aimed at reducing reliance on imports and enhancing supply chain resilience.

To safeguard its broader export interests, India is considering selective tariff reductions on U.S. imports, a calibrated strategy to avert the imposition of broader tariff barriers by US while reinforcing the cooperative spirit of bilateral trade.

4.0 Future Outlook – Navigating the Road Ahead

As India and the United States navigate a critical juncture in their trade relationship, both nations have demonstrated willingness to avoid escalation and work toward a balanced outcome. The ongoing 90-day moratorium on the imposition of a 26% reciprocal tariff offers a narrow but valuable window for India and the U.S. to finalize a comprehensive Bilateral Trade Agreement (BTA). If successful, such an agreement could serve as a framework for resolving long-standing tariff asymmetries, enhancing market access, and institutionalizing dispute resolution mechanisms.

India's calibrated response marked by pre-emptive tariff cuts, enhanced industry consultations, and restraint from retaliatory measures demonstrates a mature and forward-looking trade strategy. These efforts emphasize on the country's intent to de-escalate tensions while safeguarding export interests and reinforcing its status as a reliable economic partner.

As both countries work toward finalizing a Bilateral Trade Agreement, the next few months will be pivotal. A successful resolution will not only avert a tariff war but also unlock the potential for a redefined trade framework that fosters long-term growth, resilience, and strategic alignment in a rapidly evolving global order.

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TOP SPEECHES

Shared Vision, Shared Responsibility – Strengthening NBFCs (Speech by Shri Swaminathan J, Deputy Governor, Reserve Bank of India - March 28, 2025 - at the Conference of Non-Banking Financial Companies held at Chennai)

CA Shri Charanjot Singh Nanda, President, Institute of Chartered Accountants of India; Chairpersons of the Audit Committee of the Boards, MDs & CEOs of NBFCs, and Statutory Auditors of NBFCs, Executive Directors from RBI and my colleagues from the Reserve Bank of India, Ladies and Gentlemen. A very good morning to all of you.

1. It is an honour to address this esteemed gathering representing the key pillars of the NBFC ecosystem —CEOs entrusted with driving business responsibly, Chairpersons of Audit Committees overseeing assurance, Statutory Auditors who ensure transparency and integrity, along with regulators and supervisors committed to maintaining financial stability and fostering a sound regulatory environment. The theme of our engagement today — “Shared Vision, Shared Responsibility – Strengthening the NBFCs” — could not be more timely or relevant.
2. The evolution of the NBFC sector is indeed a story of entrepreneurial energy, innovation and social impact. However, as the sector grows in scale and systemic importance, so too must our efforts to reinforce its foundations. A resilient, customer-centric, and well-governed NBFC sector is a shared aspiration — and delivering on it our shared responsibility.
3. NBFCs have emerged as powerful engines of credit. By complementing the traditional banking system, they have significantly expanded access to credit, particularly for segments that have historically been underserved or excluded. Through innovative credit delivery models that harness technology and local insights, NBFCs have been able to design customised financial products tailored to diverse borrower needs. Their agility and close connect with customers have enabled them to play a role that is not

only complementary to the role traditionally played by banks but, in many instances, catalytic in building a financial ecosystem characterised by deeper intermediation and wider opportunity.

4. The importance of NBFCs has only grown with time. In fact, over the past decade, their growth has consistently outpaced that of banks — a trend that has become even more pronounced in the last few years. This rapid growth is a testament to the sector's relevance and resilience — but it also raises the stakes. As NBFCs become more systemically important, the standards of governance, risk management, and customer treatment must rise accordingly.

Understanding the Risks- Need for Responsible Innovation

5. The business model of NBFCs — while effective — comes with its own set of structural risks. Their funding is short-term as compared to the maturity of their lending or is directed towards higher-risk customer segments.
6. This maturity and credit transformation is at the heart of the NBFC model — but it also demands a heightened focus on risk management. If not carefully managed, it can create vulnerabilities, especially during periods of market stress or liquidity shocks.
7. Risk-taking must be intelligent and well planned, and never beyond the risk absorption capacity of the entity concerned. Liquidity and credit risks must be rigorously assessed and managed. Asset-liability mismatches, nature and tenor of the funding sources, and concentration risks all need board-level oversight which should be ably supported by robust internal controls.

Growth with Fairness: Customer-Centricity is Non-Negotiable

8. Most importantly, even as we pursue scale, speed, and profits, we must not lose sight of fairness to the customer — that is the cornerstone of a sustainable business model. The NBFC sector must live up to its promise of inclusion by treating customers with dignity, transparency, and care. This entails ensuring transparent and easy-to-understand pricing, free from hidden charges or usurious interest rates. In instances of default, recovery practices must be conducted in an empathetic and respectful manner.
9. Unfortunately, some NBFCs think they can pursue a business model where it is par for the course to resort to weak underwriting in pursuit of quick growth, coupled with excessive and unsustainable interest rates — at times masked as upfront charges or processing fees — which is followed by aggressive recovery practices upon default. Let me state unequivocally: this is not an acceptable model. Financial inclusion cannot be used as a pretext for financial exploitation. I urge each one of you to commit your institutions to upholding fairness in all your dealings.

10. This responsibility for fair conduct is shared commitment by the CEO, the Board, and assurance functions in any entity. A customer-centric culture must be driven from the top and embedded at all levels.
11. How do we ensure that our shared vision is realised, and our collective responsibilities are fulfilled? One of the most effective ways is by strengthening both internal and external assurance mechanisms.

Strengthening Oversight: the Role of Audit Committee

12. Let me begin with the Audit Committee of the Board (ACB). Far from being a routine compliance requirement, the ACB is the lynchpin of institutional oversight and long-term financial health. It plays a critical role in reinforcing governance, guiding management on assurance, and ensuring the integrity of internal control systems. When functioning effectively, it becomes a proactive forum for identifying vulnerabilities and initiating timely corrective actions.
13. The role of the Audit Committee Chairperson is particularly significant in setting the tone for effective governance. It is essential that committee meetings are held regularly, conducted with clear purpose, and thoroughly documented to ensure accountability and follow-through.
14. The effectiveness of the Committee is in the substance of its deliberations. The ACB must actively monitor the adequacy and functioning of internal control systems — not merely to confirm their presence, but to ensure they are operating effectively in practice. Similarly, audit observations should not remain confined to meeting minutes; they must translate into timely and meaningful corrective actions. A strong ACB also tracks audit findings and ensures that corrective measures are implemented without delay.
15. Equally important is the establishment of an effective whistleblower mechanism overseen by the Board or the ACB which empowers employees and grants them anonymity, to report unethical or non-compliant behaviour, without fear of reprisal.
16. CEOs too have a crucial role in upholding the integrity of financial reporting. They must actively deter any attempts—whether deliberate or cleverly disguised—to misapply accounting standards or regulatory provisions. It is equally important to foster an environment where the Chief Financial Officer and Head of Internal Audit feel empowered to engage in open, honest, and transparent dialogue with the Audit Committee of the Board.

The Crucial Role of Statutory Auditors

17. Now let me come to the role of Statutory Auditors, who are an indispensable part of the assurance ecosystem. In fact, the role of auditors has never been more critical — not merely in checking compliance, but in upholding trust. And trust, once lost, is hard to rebuild.
18. Auditors are expected to provide an independent, professional opinion on whether the financial statements present a true and fair view of the NBFC's financial position and comply with regulatory and accounting standards. However, in today's complex and dynamic environment, this is no longer enough.
19. Recent incidents — both in India and abroad — have shown that traditional financial audits must evolve. Auditors must bring technical expertise, forensic insight, and an ethical lens to their work. Red flags must not be ignored. Complex structures, derivatives, off-balance sheet items, related party transactions, and provisioning policies must be closely examined.

Facilitative Role of Regulators and Supervisors

20. As regulators and supervisors, we shoulder a dual responsibility — to safeguard stability and discipline, while also fostering an environment that encourages innovation, inclusion, and sustainable growth. Contrary to perception in certain quarters, our approach actively seeks to strike the right balance. At the Reserve Bank of India, we are acutely aware that regulation is not merely about control; it is about enabling responsible financial intermediation within a well-defined and transparent framework. Several initiatives in recent years reflect this facilitative and proportionate approach to regulation. In my previous role as a commercial banker, I had the fortuitous opportunity to be closely associated with one such initiative -the Regulations Review Authority 2.0 – which reinforced the RBI's strong commitment to easing the regulatory burden and streamlining compliance without compromising regulatory objectives.
21. The regulatory framework for NBFCs has evolved in the recent years with this understanding — gradually moving toward greater harmonisation with banks where warranted, while still preserving operational flexibility suited to the unique role NBFCs play in the financial system. The introduction of the scale-based regulatory framework explicitly recognises that the intensity of regulation and supervision must be proportionate to systemic importance. At the same time, the regulatory architecture encourages the development of responsible innovation and healthy competition in the sector.
22. Similarly, the role of the supervisor has also become more interactive and forward-looking. It is not just about identifying compliance breaches after the fact, but about engaging with entities to strengthen internal systems, enhance governance, and build resilience against emerging risks. Through onsite inspections, offsite surveillance,

thematic reviews, and structured engagements, the supervisory process aims to be a partner in the financial sector's long-term soundness — not an impediment to its progress.

Conclusion

23. Our shared vision is clear: a dynamic, inclusive, and trusted NBFC sector that complements the banking system and serves the evolving needs of the Indian economy. And the way to achieve it is through shared responsibility — in governance, in customer protection, in financial prudence, and in ethical conduct.
24. We in the regulatory community stand committed to supporting this journey. Our intent is not to stifle innovation but to ensure that growth is sustainable, risks are well-managed, and customer trust is never compromised. On behalf of the RBI, I can assure you that as regulators and supervisors we will remain committed to playing our part, not just as watchdogs, but as enablers of a robust, inclusive, and future-ready financial ecosystem.
25. This conference gives us an opportunity to reflect on how we can contribute to this shared agenda. Whether making strategic decisions, chairing audit committees, or signing off on financials, drafting regulations or conducting supervision — we are shaping the sector's future.
26. Therefore, let us work together — with clarity of purpose and unity of action — to build a stronger, fairer, and more resilient NBFC ecosystem. Wealth creation should not just be for personal or institutional gain but to support the community, reflecting a sense of shared responsibility amongst all of us, in our pursuit to achieve an inclusive growth for all and realise the vision of Viksit Bharat 2047.
27. With this I wish you all fruitful and enriching deliberations over the course of this conference and look forward to the ideas and insights that will emerge in pursuit of our shared vision. Thank you for this opportunity and wish you all good luck, Jai Hind!

Source - https://www.rbi.org.in/Scripts/BS_SpeechesView.aspx?Id=1503

Renewed RTGS: Digital public infrastructure as a platform for innovation – speech by Dave Ramsden

Given at Innovate Finance Global Summit 2025, The Guildhall, London

Thank you for inviting me to speak at the Innovate Finance Global Summit 2025.

At the Bank of England, we have challenged ourselves to continue to be ambitious in how we are supporting innovation in the wholesale payments space, both as an infrastructure

provider – with the renewed Real Time Gross Settlement (RTGS) core settlement engine – and in the context of wholesale payments more generally. We know that the opportunities are there in digitalising wholesale financial markets and realising these benefits will play an important role in supporting growth and competitiveness in the UK economy.

There are costly market frictions which could be substantially reduced through technological enhancements from both the public and private sector. There are also new possibilities such as fractionalisation of financial assets and ways to improve their abilities to be monetised which could cater for parts of the market which are currently underserved – through increasing the investor base, providing more liquidity or opening up more assets as potentially usable as collateral.

Introducing our new RTGS platform

I am very pleased to say that we are now in Day 2 of the changeover to the renewed RTGS system. This has been a multiyear project for the Bank, building a completely new platform. On the first day of operation, the new system settled payments totalling £778 billion. I want to take this opportunity to thank our technology delivery partner, Accenture, all the participants, as well as all the Bank of England staff who have worked together over many years to get us to this point.

As digital public infrastructure, the renewed RTGS system provides a leading-edge technology platform which increases resilience and improves user functionality. These are crucial benefits since RTGS is the means by which we operationalise the Bank's balance sheet, using the reserves which are the core liquid asset of the financial system, to deliver our objectives of monetary and financial stability. But importantly for today's Summit, the renewed RTGS system also expands the opportunities to innovate in the wholesale payments space, in particular enabling wider interoperability.

Our vision is for the renewed RTGS to act as an open platform to enable competition and drive innovation across the financial sector, by making central bank money accessible to new types of firms and entities. Working closely with industry as part of the Future Roadmap, we have identified a series of enhancements to RTGS to meet the evolving needs of the UK payments ecosystem. We will be consulting on whether to extend settlement hours for RTGS, perhaps in phases with the potential to enable access to settlement to near 24/7. We also want to expand further access to RTGS accounts for settlement. Earlier this month we published a response to our discussion paper on widening access to RTGS, including among non-bank payment service providers seeking access to UK payment systems, which could result in better services for end-users.

The next stage in our work is to explore the introduction of a synchronised settlement interface to allow the RTGS platform to interoperate with other ledgers, including tokenised asset ledgers, to achieve atomic settlement.⁴ In parallel, we are also embarking on a programme of wholesale experiments to test the use cases, functionalities and prospective designs of a wholesale Central Bank Digital Currency (wCBDC), the outcomes of which can be compared with synchronisation.

Greater use of digital assets

I will return to these next steps later but to set the scene it is important to view the platform for innovation that renewed RTGS will provide, in the context of the accelerating pace of change in wholesale financial markets. Many markets in the UK have been 'digitised' in some form since the mid-90s when the CREST system launched and many equities and securities were dematerialised. However, whilst most trading does take place electronically, the processes underpinning those trades continue to replicate an analogue way of doing business. For example, our technological architecture still operates on the basis of digital bond and share certificates being transferred digitally in sequence and then stored in electronic vaults, with separate ledgers needing to be separately updated and reconciled.

This approach has three key consequences for how settlement in markets operates:

- ⦿ Fragmentation – today market settlement operates through a complex patchwork of platforms, processes and procedures, each governed by distinct regulations and procedural frameworks. However, in practice different types of transactions are rarely completed in isolation (e.g. a securities purchase is often linked with a FX transaction and/or purchase of a derivative for hedging), adding complexity and risk.
- ⦿ Sequential processing – certain transactions can only take place if previous links in the chain have already executed successfully, creating complexity and delays.
- ⦿ Inefficiency – participants and central securities depositories still need to be able to support manual processes such as physical deliveries of certificates, even though the vast majority of trading and settlement occurs electronically. The myriad of reconciliation across many individual ledgers increases costs and risks too.

These lead to a range of practical challenges and obstacles which capital markets participants have had to deal with, such as increased credit and settlement risk due to lags between trade execution and settlement, fragmentation of liquidity from the need to prefund positions, and operational risks arising from manual processing.

In effect, we have digitised the paper, but we have not digitalised the process of settlement in markets. While ‘front office’ functions such as electronic trading have captured much of the attention and investment, the less visible but equally critical post-trade environment has lagged behind. This is not a new insight – in 2020 the Bank’s Future of Post-Trade Report found that up to a quarter of revenue is spent on IT, but 75% of that spend is to ‘keep the lights on’ rather than change the processes.

Emerging technologies such as shared, programmable ledgers enable new functionality – such as real-time collateral management and asset fractionalisation – broadening market access, deepening liquidity, and enhancing the utility of financial assets. But with new innovation comes a need for new safeguards. As these technologies evolve, they must be accompanied by proportionate risk management and accompanied by safe innovation in the infrastructure which supports them.

Proactive innovation – experiments and industry engagement

Alongside delivering renewed RTGS as a platform for innovation the Bank is increasingly moving towards greater use of practical experimentation to enable the future digitalisation of wholesale financial markets. In my remarks today I want to focus first on our role as regulator of the FMI, where these digital assets would be issued and traded, and second on how we are challenging ourselves in our role as provider of the core settlement infrastructure.

As regulator we are actively taking steps to foster innovation and enable the business cases for digital assets to emerge in a safe way, in particular via the Digital Securities Sandbox (DSS).

The DSS, a joint initiative between the Bank and the Financial Conduct Authority (FCA), represents a key milestone for the UK in the adoption of new technologies to trading and settlement of financial securities, and in accelerating tokenisation. The Sandbox gives the Bank the power to ‘turn off’ certain rules, to allow industry to experiment with developing technologies, including tokenisation, to issue, trade and settle digital securities in a safe and secure environment for a range of regulated asset classes. Currently the only assets used widely in activities such as repo, lending and collateralisation are cash and assets held at central securities depositories. Tokenisation has the potential to widen this perimeter to other asset classes. And more efficient post-trade processes also mean lower transaction costs for end users, and that ultimately supports deeper markets, especially those in which infrastructure is lacking or prohibitively expensive to set up today.

Since launching last September, eight firms have already been approved to enter the DSS.

Late last year also saw the announcement by HMT of the launch of a pilot Digital Gilt Instrument, or DIGIT, which will see the issuance of a digital sovereign bond with similar features to a conventional gilt, using distributed ledger technology (DLT). This pilot has two aims: (1) to explore how new technology can be applied to the lifecycle of the UK's sovereign debt issuance process, and (2) to catalyse the development of UK based DLT infrastructure and the adoption of DLT in UK financial markets.

The DIGIT will leverage the benefits of the DSS structure, enabling the Bank and FCA to provide a regulated environment where innovation in capital markets that can have long term benefits can flourish. We look forward to seeing HMT's proposed next steps for DIGIT soon.

As operator of RTGS, enabling innovative and safe cash settlement for these transactions is also essential. Through RTGS, we currently offer settlement in central bank money (the ultimate risk-free asset) for a range of payment systems. We want to ensure central bank money settlement remains available as new markets and assets emerge. As new markets develop, we may in some circumstances be comfortable with these settling in commercial bank money in the first instance (when they do not present systemic risk), as we are allowing in the DSS.

We are taking steps to enable new types of markets and innovative business models to emerge. We have already introduced an omnibus account policy and we are the first central bank to have onboarded a private DLT-based payment system (Fnality).

I said earlier that exploring synchronisation will be a priority in the next phase of RTGS. Informed by co-creation work with industry, we are considering the addition of this functionality to achieve atomic settlement, which could enable RTGS to interface with tokenised asset ledgers. In this model a 'synchronisation operator' would be responsible for orchestrating the movement of funds in RTGS with assets on external ledgers. The synchronisation operator would be an entirely new type of business, enabled to develop and deliver new types of innovative services to financial institutions, businesses and individuals. This model could improve settlement speed and reduce settlement risk across a wide range of use cases, ranging from housing transactions to complex mergers and acquisitions.

Our work to date with the BIS Innovation Hub London on the Meridian series of synchronisation experiments demonstrated that synchronisation is a viable option with tangible benefits, for example, experiments show its potential to be applied to house purchases in the UK.

Most recently, Project Meridian FX, the results of which we co-published last week, has shown how synchronisation could enable payment versus payment settlement in foreign exchange transactions. This work demonstrated the technical feasibility of interfacing RTGS with a range of external ledgers, including those based on DLT. Interest in this capability is growing – particularly among our central banking peers, who like us are exploring the potential role of synchronisation in facilitating safer, faster, and more transparent FX transactions.

We realise there is an open debate around the best ways for payment infrastructures to enable settlement of tokenised assets. One option could be recording tokenised assets and payments movements on a single ‘unified ledger’ (enabled by a wholesale central bank digital currency where that’s needed given potential financial stability risks). A further approach could be through synchronisation, making use of the coexistence of multiple ledgers, connected by a third party or a technical mechanism.

We intend to launch a ‘synchronisation lab’: a platform that would simulate the synchronisation interface that the Bank is designing, and enable prospective synchronisation operators to develop and showcase viable propositions by facilitating hands-on experimentation across multiple use cases. We anticipate reporting findings in 2026, focusing on learnings for the design and build of a future live RTGS synchronisation capability.

We are also conscious of the need to test the use cases, functionalities and prospective designs of both wCBDC and synchronisation. The Bank has proposed to do this with a programme of experiments in wholesale payments, the first of which will test synchronised settlement of a tokenised bond. We hope to report our first findings in the second half of 2026.

In the interim, we will continue to work closely with industry to gain insights to inform the scope of our experiments and the design of the synchronisation functionality in RTGS. We will also explore a further experiment later this year on how central bank money can be transacted and settled on an external programmable ledger which the Bank of England does not control.

Conclusion

The digitalisation of wholesale markets could deliver a step change in efficiency and competitiveness of the UK financial sector, for example operational efficiencies of 40% could be achieved across a bond life cycle.⁹ These innovative new ways to manage interoperability and settlement risks will be beneficial too, and aided by the separate plan to move to T+1 settlement in 2027 for the UK and European financial markets.¹⁰ The economic case for modernising capital markets is compelling. Efficient capital markets direct capital to its most productive use - lowering the cost of capital and supporting long-term economic growth.

Seizing the opportunities of new technology for the next generation of wholesale payments and settlement requires bold and clear action from authorities and industry. I hope that I have provided a clear sense of the wide range of steps, including delivered the renewed RTGS, new innovative features in RTGS, enabling innovation through the Digital Securities Sandbox, and our experimentation work, that the Bank is taking to make this a reality.

With thanks to Richard Lewis and Yi Wei Chai for their assistance in preparing these remarks, and to numerous Bank colleagues, including Andrew Bailey, Mary Bentley, Sarah Breeden, Emma Butterworth, Victoria Cleland, David Copple, Alex Gee, John Jackson and Nina Turnbull for their helpful contributions and comments.

Source: <https://www.bankofengland.co.uk/speech/2025/april/dave-ramsden-keynote-speech-at-innovate-finance-global-summit>

TOP BANKING NEWS

What RBI's proposed norms mean for co-lending, gold loans

The Reserve Bank of India (RBI) has proposed changes to harmonize lending norms across regulated entities.

Two major frameworks proposed as part of the monetary policy statement on 9 April pertain to co-lending and lending against gold ornaments and jewellery—both popular loan segments for lenders and borrowers alike.

Where are the proposed co-lending norms?

The biggest takeaway is that co-lending has now been extended to all regulated entities as against the current norm of only banks and non-banking financial services companies (NBFCs) being allowed to co-lend together. Co-lending refers to joint funding of a loan portfolio in a pre-agreed proportion, involving revenue- and risk-sharing, with or without sourcing and management arrangement.

This effectively means that two banks or two NBFCs can co-lend an advance. Given the significantly higher number of NBFCs in the country, this capital-light model is seen beneficial for small, mid-sized and digital NBFCs, which will now be able to work with larger or traditional NBFCs than waiting for a banking partner.

Lenders will also be allowed to provide a default-loss guarantee of up to 5% of loans outstanding under a co-lending or sourcing arrangement.

How will borrowers benefit?

When co-lending guidelines were introduced in 2020, they were applicable only to PSL (priority sector lending) loans. However, RBI, on a case-by-case basis, has been allowing banks to co-lend in non-PSL segments.

“As per recent studies, about 75% of the co-lending volumes handled by banks are in non-PSL loans. However, these were based on approvals granted by the RBI to specific banks that had sought permission,” said Kishore Lodha, chief financial officer at UGRO Capital. The proposed norms will “significantly broaden the scope of co-lending” and will lead to banks scaling up volumes far beyond current levels, he said.

“Though the process of forming partnerships and executing co-lending agreements remains quite lengthy and requires considerable effort, it is expected to gain momentum sooner rather than later,” he said.

This could open new avenues for lending to varied borrower segments such as retail, MSMEs (micro, small and medium enterprises) and consumption credit as banks are typically more conservative in the case of small-value loans, industry experts said.

Borrowers will also benefit from rules for tighter agreements and more transparent operational guidelines for lenders. As per the proposed norms, co-lending agreements must include and disclose detailed terms and conditions, criteria for borrower selection, specific product lines and areas of operation, fees payable for lending services, segregation of responsibilities, and customer interface and protection issues and grievance redress mechanism.

Lenders will also need to disclose the annual percentage rate—including the blended interest rate and any additional fees—charged to the borrowers in the key fact statement (KFS). All disbursements and repayments will need to be routed through an escrow bank account, and all complaints will need to be dealt within 30 days.

Lenders need to ensure KYC compliance and implement a business continuity plan to ensure uninterrupted service to borrowers in case the co-lending arrangement dissolves.

Will existing co-lending norms become defunct?

RBI has clarified that the proposed co-lending norms will be an addition to certain existing norms to address the gaps in such arrangements which currently do not cover all categories of loans. The Digital Lending Guidelines and those for peer-to-peer lending platforms will continue.

The new guidelines will also apply to lending arrangements involving sourcing of loans by one regulated entity (RE) from other REs or non-REs under an outsourcing agreement, without fund or non-fund commitments. However, loans exceeding ₹100 crore, sanctioned under multiple banking, consortium lending, or syndication arrangements, will be exempt from these norms.

Asset classification for these loans will be done at the borrower level, implying that a loan exposure will need to be classified as 'standard', 'SMA' (special mention account) or 'NPA' (non-performing asset) for both lending partners at any given time.

What do new norms on loans against gold jewellery propose?

The key changes proposed under the new norms pertain to the classification of gold and silver loans based on their end use, specifically whether the loans are being given as 'income generating'—say credit for agriculture or to small business—or as 'consumption' loans for personal fund requirements.

The same eligible gold collateral cannot be used concurrently for income-generating and consumption loans. Income generating loans will need to be classified as per the purpose for which they are being given, instead of as gold loans, on the lenders' balance sheets.

The central bank also capped the tenor of consumption gold loans with bullet or lump sum repayments at 12 months for banks. For such loans by co-operative and regional rural banks, the loan amount has been capped at ₹5 lakh per borrower.

The loan-to-value (LTV) ratio for all gold loans by NBFCs and for consumption loans by banks will be capped at 75%. Currently, for agri-based gold loans, banks follow an LTV as fixed by their internal policy, which is seen continuing for all income-generating gold loans.

"If the end use is for income generation, lenders (excluding NBFCs) can prescribe an LTV ratio as part of their policy; however additional due diligence including borrower cash flow assessment and primary security creation process could be operationally onerous," said AM Karthik, senior vice president & co-group head, financial sector ratings, ICRA.

What changes for gold financiers?

Under the new norms, RBI has explicitly barred lenders from accepting gold in its primary form—such as bullion or gold bars or even financial instruments like gold ETFs and mutual funds—or against re-pledged gold collateral where the ownership of the collateral is doubtful.

Lenders will be required to cap their gold loan portfolios as a percentage of their total loans and advances, which will need to be reviewed periodically. As such, the quantum and tenor of gold loans will need to be assessed on the basis of credit requirement and cash flows likely to be generated through the economic activity, and not the value of the collateral.

Moreover, they will only be allowed to sanction loan renewals and top-up loans, if the existing loans are classified as 'standard'. Top-ups or renewals of bullet repayment loans may be extended only after the repayment of interest accrued. All such additional loans

can be extended only on the basis of a formal borrower request and based on a fresh credit appraisal. “RBI’s decision to harmonize gold loan rules and regulations will be beneficial for all stakeholders, especially gold loan NBFCs, as there is currently no level playing field,” said V.P. Nandakumar, managing director at Manappuram Finance. NBFCs have always been at a disadvantage given that banks have access to cheaper funds, are eligible to offer gold-based agricultural loans, enjoy higher LTV ratios and benefit from favourable renewal policies, he said.

How will borrowers benefit from new gold loan guidelines?

Like in the case of the proposed co-lending norms, gold loan borrowers will benefit from tighter norms for lenders pertaining to handling and assaying of the gold collateral; a mandate for better infrastructure; facilities and safe deposit vaults for storage of the collateral; strict guidelines on the return of collateral post repayment or settlement of the loan and the auction process; and grievance redress mechanisms.

Borrowers will be able to pledge gold or silver ornaments of up to 1 kilogram. Herein, the aggregate weight will be capped at 50 gram per borrower in case of gold coins and 500 gram per borrower in case of silver coins, subject to them being specially minted coins, with a purity of 22 carats or higher, sold by banks.

In case of delays in return of the collateral, borrowers will be liable to compensation of ₹5,000 for each day of delay beyond the seven-day timeline.

If collateral is auctioned, lenders will also need to declare a reserve price for the gold collateral at the time of auction, subject to it being at least 90% of the current value of the collateral.

Source: <https://www.livemint.com/industry/banking/rbi-proposed-norms-co-lending-gold-loans-monetary-policy-statement-mannapuram-11744291426792.html>

Deposits at banks lags credit growth

Bank deposits grew 10% while credit rose 10.9% YoY as of April 4, RBI data shows. Term deposits led deposit growth amid high FD rates. Credit growth moderated from FY24’s 16% due to asset quality concerns and a high credit-deposit ratio. Deposit mobilisation may remain challenging in FY26.

Banks’ deposits grew slower than credit in the week ending April 4, according to the Reserve Bank of India data. Outstanding deposits grew 10% while outstanding credit increased by 10.9% during the fortnight.

Outstanding deposits of banks increased to Rs 236.15 lakh crore as of April 4 from Rs 214.7 lakh crore in the same week previous year. Bank credit reached Rs 188.77 lakh crore from Rs 170.2 lakh in the year-ago period.

Term deposits drove the growth in overall bank deposits, growing 10.4% to Rs 207.83 lakh crore. The double digit growth in deposits has come after banks intensified efforts to strengthen their liability franchise and have offered higher term deposit rates.

“A combination of liquidity surplus in the system, anticipated monetary easing, and aggressive deposit rate offerings by banks drove this rise in deposit inflows,” said CareEdge Ratings in a report. “Despite an evolving rate-cut environment, several banks offered high interest rates on fixed deposits to boost their deposit base before rates started falling more broadly.”

Credit growth in the banking system has moderated to nearly 11% from nearly 16% witnessed in FY24 due to concerns about asset quality in the unsecured loans segment and elevated credit-deposit (CD) ratio, which eased to 79.6%. Banks struggle for deposit mobilisation is likely to continue this year as interest rates are expected to move downwards with RBI expected to cut rates in the current financial year.

Source: <https://www.financialexpress.com/business/banking-finance-deposits-at-banks-lags-credit-growth-3822774/>

Select RBI Circulars

RBI Circulars April - 2025				
Circular Number	Date of Issue	Department	Subject	Meant For
RBI/2025-2026/34 DIT. CO.No.S-106/07.71.039 /2025-26	28.4.2025	Department of Information Technology	Processing of Regulatory Authorisations/ Licenses/ Approvals through PRAVAAH	The Chairman / Managing Director / Chief Executive Officer All Scheduled 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) All Primary Dealers All Non-bank Payment System Operators (PSOs) All Credit Information Companies (CICs)
RBI/FED/2025-2026/33 DCM.RMMT.No.S312/20-02-001/2025-2026	28.4.2025	Department of Currency Management	Dispensation of ₹100 and ₹200 denomination banknotes through ATMs	The Chairman / Managing Director/ Chief Executive Officer All Banks
RBI/FED/2025-2026/32 A.P. (DIR Series) Circular No 04	24.4.2025	Foreign Exchange Department	Amendments to Directions - Compounding of Contraventions under FEMA, 1999	All Authorised Dealer Category-I banks and Authorised banks
RBI/2025-2026/31 DCM (NPD) No.S287/18.00.014/2025-26	24.4.2025	Department of Currency Management	Note Sorting Machines: Standards issued by the Bureau of Indian Standards -Revised Timeline for Implementation	The Chairman/ Managing Director/ Chief Executive Officer All Banks

Circular Number	Date of Issue	Department	Subject	Meant For
RBI/2025-2026/30 A.P. (DIR Series) Circular No. 03	23.4.2025	Foreign Exchange Department	Exports through warehouses in 'Bharat Mart' in UAE – relaxations	All Authorised Dealer Category-I banks
RBI/FED/2025-2026/29 A.P. (DIR Series) Circular No. 02	22.4.2025	Foreign Exchange Department	Amendments to Directions - Compounding of Contraventions under FEMA, 1999	All Authorised Dealer Category-I banks and Authorised banks
RBI/2025-2026/28 CO.DIT.DCD.No.S81/01-71- 110/2025-26	22.4.2025	Department of Informa- tion Tech- nology	Circular - Migration to 'bank.in' domain	All Commercial Banks All Primary (Urban) Co-operative Banks All State Co-operative Banks and District Central Co- operative Banks
RBI/2025-2026/27 DOR.LRG. REC.18/03.10.001/2025-26	21.4.2025	Department of Regula- tion	Basel III Framework on Liquidity Standards – Liquidity Coverage Ratio (LCR) – Review of haircuts on High Quality Liquid Assets (HQLA) and review of composition and run-off rates on certain categories of deposits	All Commercial Banks (excluding Payments Banks, Regional Rural Banks and Local Area Banks)
RBI/2025-2026/26 DOR.MCS. REC.17/01.01.003/2025-26	21.4.2025	Department of Banking Regulation	Opening of and operation in deposit accounts of minors	All Commercial Banks All Primary (Urban) Co-operative Banks All State Co-operative Banks and District Central Co- operative Banks
RBI/2025-2026/25 FIDD.CO.LBS.BC. No.05/02.08.001/2025-26	11.4.2025	Financial Inclusion and Devel- opment Department	Reorganisation of Districts in the State of Rajasthan – Review of Lead Bank Responsibility	The Chairman / Managing Director & Chief Executive Officer Lead Banks concerned
RBI/2025-2026/24 REF.No.MPD. BC.399/07.01.279/2025-26	09.4.2025	Monetary Policy De- partment	Standing Liquidity Facility for Primary Dealers	All Primary Dealers

Circular Number	Date of Issue	Department	Subject	Meant For
RBI/2025-2026/23 DoR.RET. REC.16/12.01.001/2025-26	09.4.2025	Department of Regulation	Penal Interest on shortfall in CRR and SLR requirements- Change in Bank Rate	All banks,
RBI/2025-2026/22 FMOD.MAOG. No.151/01.01.001/2025-26	09.4.2025	Financial Markets Operation Department	Liquidity Adjustment Facility - Change in rates	All Liquidity Adjustment Facility (LAF) participants
RBI/2025-2026/21 DOR.CO.SOG(Leg) No.15/09.08.024/2025-26	08.4.2025	Department of Regulation	Review of Regulatory Guidelines – Withdrawal of Circulars	All Scheduled Commercial Banks All Co-operative Banks
RBI/2025-2026/20 A.P. (DIR Series) Circular No. 01	03.4.2025	Financial Markets Regulation Department	Limits for investment in debt and sale of Credit Default Swaps by Foreign Portfolio Investors (FPIs)	All Authorized Persons
RBI/2025-2026/19 DoR.CRE. REC.14/07.10.002/2025-26	01.4.2025	Department of Regulation	Master Circular- Exposure Norms and Statutory / Other Restrictions - UCBs	All Primary (Urban) Co-operative Banks
RBI/2025-2026/18 DOR.CRE.REC. No.13/07.10.002/2025-26	01.4.2025	Department of Regulation	Master Circular - Management of Advances - UCBs	All Primary (Urban) Co-operative Banks
RBI/2025-2026/17 DOR.CRE.REC. No.11/07.10.002/2025-26	01.4.2025	Department of Regulation	Master Circular - Housing Finance for UCBs	All Primary (Urban) Co-operative Banks
RBI/2025-2026/16 DOR.CRE.REC. No.12/08.12.001/2025-26	01.4.2025	Department of Regulation	Master Circular – Housing Finance	All Scheduled Commercial Banks (excluding RRBs)
RBI/2025-2026/15 DOR.CRE.REC. No.05/21.04.172/2025-26	01.4.2025	Department of Regulation	Master Circular - Bank Finance to Non-Banking Financial Companies (NBFCs)	All Scheduled Commercial Banks (excluding RRBs)

Circular Number	Date of Issue	Department	Subject	Meant For
RBI/2025-2026/14 DOR.STR. REC.10/21.04.048/2025-26	01.4.2025	Department of Regulation	Master Circular - Income Recognition, Asset Classification, Provisioning and Other Related Matters - UCBs	The Chief Executive Officers All Primary (Urban) Co-operative Banks
RBI/2025-2026/13 DOR.STR. REC.9/21.04.048/2025-26	01.4.2025	Department of Regulation	Master Circular - Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances	All Commercial Banks (excluding RRBs)
RBI/2025-2026/12 DOR.STR. REC.06/13.07.010/2025-26	01.4.2025	Department of Regulation	Master Circular - Guarantees and Co-acceptances	All Scheduled Commercial Banks (excluding Payment Banks and RRBs)
RBI/2025-2026/11 DoR.STR.REC 07/09.27.000/2025-26	01.4.2025	Department of Regulation	Master Circular - Guarantees, Co-acceptances & Letters of Credit - UCBs	The Managing Director/ Chief Executive Officers All Primary (Urban) Co-operative Banks
RBI/2025-2026/10 DOR.MRG. No.4/21.04.141/2025-26	01.4.2025	Department of Regulation	Reserve Bank of India (Classification, Valuation and Operation of the Investment Portfolio of Commercial Banks) Directions, 2023	All commercial Banks
RBI/2025-2026/09 DOR.CAP. REC.03/09.18.201/2025-26	01.4.2025	Department of Regulation	Master Circular - Prudential Norms on Capital Adequacy - Primary (Urban) Co-operative Banks (UCBs)	All Primary (Urban) Co-operative Banks
RBI/2025-2026/08 DOR.CAP. REC.2/21.06.201/2025-26	01.4.2025	Department of Regulation	Master Circular – Basel III Capital Regulations	All Scheduled Commercial Banks (Excluding Small Finance Banks, Payments Banks and Regional Rural Banks)

Circular Number	Date of Issue	Department	Subject	Meant For
RBI/2025-2026/07 DoR.HGG.GOV. No.1/18.10.010/2025-26	01.4.2025	Department of Regulation	Master Circular on Board of Directors - UCBs	The Managing Director/ Chief Executive Officer All Primary (Urban) Co-operative Banks
RBI/2025-2026/06 CO.DGBA.GBD.No.S2/31-12-010/2025-2026	01.4.2025	Department of Government and Bank Accounts	Master Circular on Conduct of Government Business by Agency Banks - Payment of Agency Commission	All Agency Banks
RBI/2025-2026/05 CO.DGBA.GBD. No.S1/31.02.007/2025-26	01.4.2025	Department of Government and Bank Accounts	Master Circular - Disbursement of Government Pension by Agency Banks	All Agency Banks
RBI/2025-2026/04 FIDD.CO.LBS.BC. No.03/02.01.001/2025-26	01.4.2025	Financial Inclusion and Development Department	Master Circular – Lead Bank Scheme	The Chairman/Managing Director/Chief Executive Officer SLBC/UTLBC Con-venor Banks/Lead Banks
RBI/2025-26/134 DOR.SOG(SPE).REC. 8/13.03.00/2025-26	01.4.2025	Department of Regulation	Master Direction - Reserve Bank of India (Interest Rate on Deposits) Directions, 2025	All banks authorised to operate in India
RBI/2025-2026/03 FIDD.CO.GSSD.BC. No.02/09.09.001/2025-26	01.4.2025	Financial Inclusion and Development Department	Master Circular - Credit facilities to Scheduled Castes (SCs) & Scheduled Tribes (STs)	The Chairman/ Managing Director / Chief Executive Officer All Scheduled Commercial Banks (including Small Finance Banks)
RBI/2025-2026/02 FIDD.GSSD.CO.BC. No.01/09.01.003/2025-26	01.4.2025	Financial Inclusion and Development Department	Master Circular – Deendayal Antyodaya Yojana - National Rural Livelihoods Mission (DAY-NRLM)	The Chairman/Managing Director & CEO Public Sector Banks, Private Sector Banks (including Small Finance Banks)
RBI/2025-2026/01 FIDD.CO.FID.BC. No.4/12.01.033/2025-26	01.4.2025	Financial Inclusion and Development Department	Master Circular on SHG-Bank Linkage Programme	The Chairman/ Managing Director/ Chief Executive Officer All Scheduled Commercial Banks

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

Statistical Supplement – RBI

Date : Apr 25, 2025					
Reserve Bank of India - Liabilities and Assets					
(₹ Crore)					
Item	2024	2025		Variation	
	Apr. 19	Apr. 11	Apr. 18	Week	Year
	1	2	3	4	5
1 Notes Issued	3533149	3743990	3750858	6867	217709
1.1 Notes in Circulation	3533137	3743978	3750841	6864	217705
1.2 Notes held in Banking Department	13	13	16	4	4
2 Deposits					
2.1 Central Government	101	100	100	0	-1
2.2 Market Stabilisation Scheme		0	0	0	0
2.3 State Governments	42	43	42	0	0
2.4 Scheduled Commercial Banks	944236	930387	909269	-21118	-34967
2.5 Scheduled State Co-operative Banks	8657	7927	7845	-82	-811
2.6 Other Banks	54282	52963	52769	-194	-1512
2.7 Others	507201	440710	463871	23161	-43330
3 Other Liabilities	1752864	2286477	2316139	29662	563275
Total Liabilities/Assets	6800531	7462597	7500894	38297	700363
1 Foreign Currency Assets	4721081	4980958	4970772	-10186	249691
2 Gold	474181	688496	721972	33476	247791
3 Rupee Securities (including Treasury Bills)	1354918	1611944	1617568	5625	262650
4 Loans and Advances					
4.1 Central Government	-	0	0	0	0
4.2 State Governments	17496	35191	36792	1600	19295
4.3 NABARD	-	0	0	0	0
4.4 Scheduled Commercial Banks	85339	5779	24763	18984	-60576
4.5 Scheduled State Co-op.Banks	0	0	0	0	0
4.6 Industrial Development Bank of India	-	-	-	-	-

(₹ Crore)					
Item	2024	2025		Variation	
	Apr. 19	Apr. 11	Apr. 18	Week	Year
	1	2	3	4	5
4.7 Export- Import Bank of India	-	-	-	-	-
4.8 Others	140139	124783	113558	-11225	-26581
5 Bills Purchased and Discounted					
5.1 Commercial	-	-	-	-	-
5.2 Treasury	-	-	-	-	-
6 Investments	2064	2064	2064	0	0
7 Other Assets	5313	13382	13405	23	8093
* Data are provisional; difference, if any, is due to rounding off.					

Source: <https://rbi.org.in/Scripts/WSSView.aspx?Id=27618>

TOP NON-BANKING FINANCE COMPANIES & MICRO FINANCE INSTITUTIONS NEWS

NBFCs poised to grow in FY26 despite challenges in microfinance & personal loans

Analysts feel that while the MFI sector has been grappling with asset quality stress, the short-term nature of these loans suggests that the worst could be over, unless macroeconomic conditions worsen.

Non-Banking Financial Companies (NBFCs), excluding microfinance institutions (MFIs), are projected to see credit expansion of 13-15 percent in FY26, with total credit crossing Rs 60 trillion by the end of the fiscal, say analysts.

In a media briefing on April 23, Alka Anbarasu, Associate Managing Director, Financial Institutions Group, Moody's Ratings, and Karthik Srinivasan, Senior Vice President and Group Head, Financial Sector Ratings, ICRA, said that while the the MFI and personal loan segments face significant asset quality stress, the broader NBFC sector is projected to maintain stable growth.

Though the NBFC sector faced headwinds in FY25, particularly in unsecured lending, "the worst may be behind them regarding asset quality," said Srinivasan. Lower credit costs, aided by two recent interest rate cuts and the possibility of additional reductions, should provide some relief to the sector, he added.

According to a report presented during the meeting, the NBFC sector is expected to see its return on assets (ROA) moderate to 2.6–2.8 percent in FY26, down from over 3 percent in prior years.

This decline is primarily attributed to elevated credit costs in the personal loan and MFI segments, which have seen significant asset quality deterioration, said Srinivasan.

“However, other NBFC segments, such as home and vehicle loans, are expected to remain resilient, supported by strong fundamentals and steady demand,” he explained.

The MFI sector, which enjoyed a stellar FY24 with high margins and low credit costs, has seen a sharp reversal in fortunes in FY25.

According to a Moneycontrol report published earlier, several large MFI players have reported losses over the past nine months, dragging the sector’s ROA to near zero.

Anbarasu projects a modest recovery in FY26, with ROA expected to rebound to 1.2–1.3 percent, well below the highs of previous years.

“While the MFI sector has been grappling with asset quality stress, the short-term nature of these loans, which is typically two to two-and-a-half years, means that much of the stressed portfolio may have already been recognised, suggesting that the worst could be over unless macroeconomic conditions worsen,” said Anbarasu.

The Microfinance Institutions Network (MFIN) has introduced stricter lending norms effective April 1, 2025, including tighter credit filters, reduced borrower loan limits, and a cap on total indebtedness.

These measures should curb over-leveraging and bolster sector resilience, but may temper loan growth in the near term, Srinivasan said.

“This quarter will be critical for MFIs, as lending typically slows and new guardrails take effect,” he added.

Source: <https://www.moneycontrol.com/banking/nbfc-paired-to-grow-in-fy26-despite-challenges-in-microfinance-personal-loans-article-13003237.html>

RBI deputy governor urges NBFCs to bolster risk controls, board oversight

Indian non-bank finance firms must step up oversight of liquidity and credit risks while strengthening board-level controls, a central bank deputy governor said, warning that weak governance could amplify vulnerabilities during market stress or liquidity shocks.

“Asset-liability mismatches, nature and tenor of the funding sources, and concentration risks all need board-level oversight which should be ably supported by robust internal controls,” Swaminathan J, said at a conference of NBFCs on March 28. The copy of the speech was uploaded on the central bank’s website on Thursday.

NBFCs should not lose sight of fairness to the customer even as they pursue scale, speed, and profits, he added.

“Financial inclusion cannot be used as a pretext for financial exploitation,” he added.

He also urged statutory auditors to closely monitor the adequacy and effectiveness of NBFCs’ internal controls.

The deputy governor’s comments come after IndusInd Bank, the fifth largest Indian private bank, said last month it expects a 2.35 per cent decline in its net worth as of December 2024 due to discrepancies in its derivative accounts found during an internal review.

IndusInd Bank’s disclosure lapses have led to questions of governance, audit oversights and risk management policies of lenders.

Audit findings must lead to timely and meaningful corrective action, not remain confined to meeting minutes, Swaminathan said, urging close scrutiny of complex structures, derivatives, off-balance sheet items, related-party transactions, and provisioning policies.

Source: https://www.business-standard.com/finance/news/rbi-deputy-governor-urges-nbfcs-to-bolster-risk-controls-board-oversight-125041000237_1.html

NBFC results may reflect lingering microfinance stress

Mumbai: Asset quality and credit costs of non-banking finance companies will take the centre stage in the March quarter earnings amid moderating growth.

Although credit trends in segments like unsecured personal loan and credit card are plateauing because a large pool of stressed loans are recognised, microfinance exposures are likely to continue experiencing stress, analysts and fund managers said.

“Credit cost for NBFCs, especially those with significant presence in unsecured personal loan/credit cards/microfinance, will be the key variable to watch out for in Q4FY25F results. We expect the credit costs to peak out in Q4FY25F for most of our coverage companies (barring MFI companies), and to normalise from H1FY26F (April-September),” Nomura said in a pre-earnings preview.

For Bajaj Finance, Nomura expects credit cost at around 2%, in line with management guidance for FY25. The Japanese brokerage firm expects credit cost to peak to 9% for SBI Cards, India’s only listed credit card company, and remain elevated around 10.4% for largest microfinance lender CreditAccess Grameen.

According to brokerage firm DRChoksey FinServ, stress persists in certain rural commercial vehicle pockets, especially among self-employed borrowers. Stage 3 assets (bad loans) may see slight uptick, especially in smaller ticket light commercial vehicles, though collection efficiency remains healthy for most top-tier players.

Microfinance collections in Karnataka, the third largest state in terms of MFI assets under management, might be hit because of the ordinance introduced by the state government against unregistered lenders and coercive loan recovery methods. In addition, there are on-ground challenges in Bihar and Tamil Nadu, which go to polls later this year and next year, respectively.

“While breathers in pockets of stress (unsecured loans and microfinance) are positive, we do not expect management commentary on the macro environment for lending to be encouraging,” Kotak Institutional Equities said. For the nine NBFCs under its coverage, IIFL Capital expects AUM growth to moderate 4.3% QoQ in the January-March quarter from 4.8% QoQ in the previous quarter.

Stocks Recommendations

Nomura expects overall disbursement growth for nine leading NBFCs and housing finance companies moderating to around 7.5% year on year in the fourth quarter compared with 10.5% in the December quarter.

The growth in overall loan disbursement is expected to slow because of challenges faced by different segments. Vehicle finance growth is seen moderating because of weak auto sales, while microfinance is hit by rising stress, analysts said.

Source: https://m.economictimes.com/markets/stocks/news/nbfc-results-may-reflect-lingering-microfinance-stress/amp_articleshow/120294170.cms

TOP INSURANCE NEWS

Insurance market shows signs of stabilization in April 2025 renewals

How is the reinsurance market adjusting to current conditions?

Property and casualty rates are moderating after years of hardening conditions, according to Gallagher Re's latest "1st View: Finding the Path" report released for April 2025 renewals.

The April 1 renewal period reveals a reinsurance market gradually finding equilibrium, with property catastrophe pricing trends indicating a slowdown in rate increases compared to previous cycles. The report highlights this as a significant shift from the volatile market conditions that have characterized the insurance landscape since 2022.

Figure 1: Property Rate Movements

Territory	Pro rata commission	Risk loss-free % change	Risk loss-hit % change	Catastrophe loss-free % change	Catastrophe loss-hit % change
India	-1% to +2.5%	-5% to -7%	N/A	-10% to -15%	N/A
Japan	0% to +2.5%	-2.5% to -7.5%	N/A	-10% to -15%	N/A
Philippines	0% to +5%	-5% to -10%	N/A	-5% to -10%	0%
Korea	+5.5% to +7.5%	-10% to -20%	N/A	-15% to -30%	NA
Latin America and Caribbean	0% to +2%	0% to -5%	+5% to +10%	0% to -7.5%	+10% to +20%
United States	-2% to +2%	-5% to 0%	+5% to +20%	-5% to -15%	0% to +15%

Note: Movements are risk adjusted.
Source: Gallagher Re

Alternative capital is playing an increasingly important role in stabilizing the market. The report highlights growth in non-life catastrophe bond capacity, with both issued and outstanding bonds showing positive trends. The weighted average discount margin and expected loss figures suggest a more balanced risk-reward ratio for investors in insurance-linked securities.

Figure 5: Non-life Catastrophe Bond Capacity Issued and Outstanding by Year



Source: Settled cat bonds in the Gallagher Securities, Inc Transaction Database as of March 21, 2025.

Aggregate data exclude agency-placed cat light ILS deals and life, accident, and health risks. All issuance amounts reported in or converted to USD on date of issuance.

Casualty lines present a more nuanced picture, with rate movements varying across different segments. Some casualty sectors continue to face upward pressure while others have reached rate adequacy, reflecting different responses to claims inflation and evolving risk profiles.

Specialty sectors including marine, aviation, and specialty property demonstrate selective rate movements based on loss experience and available capacity. These sectors exhibit continuous adaptation to changing global risk landscapes.

The year-end non-life ILS assets under management data indicates sustained investor interest in alternative risk transfer mechanisms, which helps moderate traditional reinsurance pricing through increased competition.

“With significant underwriting actions having been taken in recent years, the property risk and casualty placements proved more attractive compared with recent prior renewals and therefore required less leverage across the large cat programs in order to complete these placements,” said Tom Wakefield, CEO of Gallagher Re.

“Assuming no major unexpected events during the remainder of 2025 it is likely that the differentiated approach to risk adjusted rate reductions being taken by the global reinsurance market will not only continue but accelerate.”

Gallagher Re also highlights the challenge reinsurers face in balancing the desire to deploy increasing capital levels in an attractive market with the pressure to support less differentiated, blanket rate reductions.

Source <https://www.insurancebusinessmag.com/reinsurance/news/breaking-news/insurance-market-shows-signs-of-stabilization-in-april-2025-renewals-530695.aspx>

Non-life insurers' premium grow 6.2% to Rs 3.08 trillion in FY25

The gross direct premium underwritten by the non-life insurers grew by 6.20 per cent year-on-year (Y-o-Y) in FY25 to Rs 3.08 trillion, compared to 12.78 per cent Y-o-Y growth in FY24 at Rs 2.89 trillion.

The general insurers' premium grew by 5.20 per cent Y-o-Y to Rs 2.58 trillion at the end of FY25, while the standalone health insurers recorded nearly 16 per cent Y-o-Y growth in premium to Rs 38,413.57 crore.

Among the top insurers, New India Assurance's premium grew by 4.41 per cent Y-o-Y to Rs 38,629.21 crore, ICICI Lombard General Insurance clocked 8.30 per cent Y-o-Y growth to Rs 26,833 crore, and Bajaj Allianz General Insurance's premium grew by 4.61 per cent Y-o-Y to Rs 21,416.8 crore.

Even as the growth was broadly muted, the private sector multiline insurers continued to gain market share, while the public sector lost their market share in the financial year.

Among standalone health insurers, the largest player, Star Health & Allied Insurance, clocked 9.58 per cent growth in premiums to Rs 16,716.2 crore.

In March 2025, the premiums of the non-life insurers were flat at Rs 26,698.94 crore. The premium collected by general insurers was down by 0.1 per cent to Rs 21,319.28 crore, while the standalone health insurance companies (SAHIs) recorded 11.10 per cent growth to Rs 4,800.13 crore.

According to analysts at Nuvama, growth for SAHIs has been impacted as the base period includes full long-term premium while the current month contains premium adjusted for 1/n.

The revision in accounting norms was effective from October 1, 2024.

Source: https://www.business-standard.com/finance/insurance/non-life-insurers-premium-grow-6-2-to-rs-3-08-trillion-in-fy25-125040901367_1.html

LIC rejects USTR's claim of having unfair advantage as state-owned firm

State-owned Life Insurance Corporation (LIC) said on Friday it has never invoked the sovereign guarantee for its policies, nor used it as a marketing tool.

India's largest insurer said it operates in a fully competitive market alongside 24 private companies. It made the statement after a report by the Office of the United States Trade Representative (USTR) said India maintains an uneven playing field in insurance.

LIC is regulated by the Insurance Regulatory and Development Authority of India and Securities and Exchange Board of India and does not get any privilege. "...LIC is treated like any other insurance company by the Government and Regulators. The guarantee — provided at the time of its establishment in 1956 — is a statutory provision designed to build public confidence in the early years of nationalisation. It has never been invoked or used as a marketing tool or provided any undue advantage to LIC"

"LIC's leadership in the insurance sector is entirely due to the trust of its policyholders, its commitment to service excellence, and its financial strength and transparency. With a legacy of over 69 years, LIC continues to serve over 30 crore [300 million] customers across India with dedication and professionalism," it said.

The USTR report said that Indian state-owned insurance companies are not subject to the same law and "prudential supervision" as private firms and enjoy various government guarantees.

The Indian government maintains an explicit sovereign guarantee on every LIC policy. As a result, many customers choose to buy LIC policies over those offered by private insurers, giving LIC an unfair competitive advantage, said the report.

LIC said USTR's views are based on an incomplete understanding of Indian insurance regulation and LIC's functioning. "We urge for a more balanced and factual appreciation of LIC's role and contribution to financial inclusion and policyholder protection in India", it said.

There are 25 companies in the life insurance sector; LIC is the only one owned by the state. Despite the presence of 24 private life insurance companies, LIC has a significant portion of

the market. That's largely due to its distribution strength, which is driven by agents. LIC has over 1.4 million agents, while the 24 private sector companies combined have 1.61 million agents.

The USTR report also said that Indian regulations give the country's reinsurers a mandatory first order of preference (or right of first refusal) in the reinsurance business. This results in unequal treatment for foreign reinsurers and consolidates risk in a small number of Indian reinsurers, which is counter to global best practices of global diversification of risk.

In India, state-owned GIC Re is the only domestic reinsurer, which has been in the business since 1972. After the insurance industry was liberalised in 2001, GIC Re was designated "national reinsurer" and has the advantage of the first right to refusal and obligatory cession. There are also 13 foreign reinsurance branches, set up by global reinsurance companies, including Munich Re, Swiss Re, and Lloyd's, operating in India.

Source: https://www.business-standard.com/companies/news/lic-refutes-ustr-claims-denies-invoking-sovereign-guarantee-on-policies-125040400528_1.html

TOP CORPORATE BOND MARKET NEWS

US corporate bond markets betray caution behind recent rebound

April 29 (Reuters) - U.S. corporate bond markets are showing signs of caution about the economy and inflation despite a rebound in new issuances and credit spreads in the weeks since President Donald Trump first announced harsh tariffs and then provided temporary relief on them, bond market experts said.

Some 15 investment-grade companies, including Google's parent Alphabet (GOOGL.O), opens new tab, issued new bonds on Monday. In a sign that the administration's rollbacks on some tariffs had brought back investor appetite, the issuances that raised a total of \$18.3 billion saw \$95 billion in orders, according to Informa Global Markets data.

When corporate bond offerings usually get more orders than the amount of debt a company is willing to raise, it is seen as a sign of strong liquidity conditions in the fixed income market.

At the same time, spreads – or the premium investors demand over Treasuries – for high-grade bonds had tightened by 17 basis points from the high reached on April 9, a sign that there was more demand for these bonds. The spreads on high-yield bonds had come in by 72 basis points from the high touched on April 4.

Even so, bond market experts said the numbers betrayed persistent nervousness among investors about the economic and policy uncertainty around tariffs.

Investors, they said, were still shying away from taking on too much risk, preferring the highest-rated companies even in investment-grade and worrying about the outlook of interest rates amid inflation fears due to tariffs.

“Sentiment is still fragile,” said Zachary Griffiths, head of investment-grade and macro strategy at CreditSights.

Griffiths said the demand for bonds on Monday was still “a sign of a risk-off sentiment” that increased when Trump announced high tariffs on imports from dozens of countries. That had resulted in a preference for sovereign bonds and high-quality corporate bonds over other riskier assets.

In addition, Griffiths said, investors worried that inflationary pressures due to tariffs will make the Federal Reserve less willing to ease rates. “That just means credit spreads are biased wider,” he added.

Trump’s tariff announcement, which the administration billed as “Liberation Day,” triggered pandemonium in global markets, with investors fleeing risky assets such as stocks, while exiting U.S. assets in droves.

Investors pulled \$6.1 billion from high-grade debt funds and \$9.6 billion from high-yield debt funds in the week that followed the Liberation Day tariff announcements, Lipper U.S. Fund Flows data showed.

In the weeks since, Trump delayed the imposition of tariffs to allow countries to negotiate them and rolled back some measures, such as some duties on foreign parts in cars manufactured in the United States.

Bond fund outflows have continued but slowed. During the week ended April 23, fund outflows for high-grade funds slowed to \$1.14 billion, while high-yield stood at \$1.56 billion.

Dan Krieter, credit strategist at BMO Capital Markets, said Monday’s bond offerings in the primary market showed a preference for better quality securities even within the investment-grade bonds.

Monday’s BBB-rated borrowers, or those on the fringes of investment-grade, paid an average new-issue premium of 3 basis points compared to AA or A-rated borrowers of just below zero.

It “increases the rationale that further narrowing (of credit spreads) from here may prove difficult if investors continue to prioritize defensiveness at the current macroeconomic juncture,” Krieter said.

Edward Marrinan, credit strategist at SMBC Nikko Securities, called it a market that is still on high alert despite the pickup in primary issuance and tightening of credit spreads over the last week.

“Companies should issue bonds now rather than wait because market conditions are relatively stable at present,” Marrinan said. “Conditions could change in coming days with the release of labor market and inflation economic data and the ongoing risk of adverse headlines on trade and tariff policy.”

Griffiths at CreditSights said his firm’s probability-weighted forecasts for year-end credit spreads were at 129 basis points for investment-grade and 425 basis points for high-yield – higher than the current levels but not reflective of a crisis.

“They are capped by what we expect to be more demand if spreads widen,” Griffiths said. “So, while funding costs could rise, we do not expect it to be prohibitively expensive to issue bonds, especially for higher-rated borrowers.”

Source: <https://www.reuters.com/business/us-corporate-bond-markets-betray-caution-behind-recent-rebound-2025-04-29/>

RBI’s liquidity injection via OMO purchases to help ease bond yields

On April 28, RBI has announced OMO purchase auctions of government securities for an aggregate amount of Rs 1.25 lakh crore in four tranches

The Reserve Bank of India’s (RBI) open market operation (OMO) purchase of government securities to inject liquidity is likely to support bond yields, which have been rising since the terror attack in Kashmir, in the near term, market participants have said.

The yield on the government securities, especially the 10-year benchmark bond, has risen in the last few days after the April 22 terror strike in Pahalgam left 26 people dead and ratcheted up tensions with Pakistan.

This strike dampened the sentiments and some sell-off was witnessed in the market.

“As the bond yields are going northward due to geopolitical tensions between India and Pakistan, the RBI has announced the OMO purchase so that it can inject liquidity and help bond yields to ease,” said Mataprasad Pandey, vice-president of Arete Capital Service.

According to the Clearing Corporation of India’s (CCIL) data, the yield on the 10-year benchmark bond 6.79 percent 2034 rose around 7-8 basis points (bps) after the Pahalgam attack.

On April 28, 10-year benchmark bond yield ended at 6.396 percent.

The RBI’s decision to conduct OMO purchases was aimed at maintaining durable liquidity conditions, V Ramachandra Reddy DGM-Head Treasury, The Karur Vysya Bank, said.

Although liquidity remains in surplus, the forthcoming maturity of forward foreign exchange sales could potentially lead to a liquidity drain. To pre-emptively the shortfall, the RBI has announced OMO purchases.

On April 28, the RBI announced OMO purchase auctions of government securities for an aggregate amount of Rs 1.25 lakh crore in four tranches.

The first auction of Rs 50,000 crore will be held on May 6, Rs 25,000 each on May 9, May 15, and May 19, according to the RBI's release.

A treasury head with a state-owned bank said the move could also be attributed to central bank wanting to keep liquidity in surplus as tensions rise between the two neighbours and also support market sentiment.

The liquidity infusion would also help lower the coupon on the new benchmark bond, which would be auctioned on May 2, money market experts said.

The new bond was announced by the RBI after the old benchmark bond completed the outstanding amount of Rs 1.84 lakh crore.

Source: <https://www.moneycontrol.com/banking/rbi-s-liquidity-injection-via-omo-purchases-to-help-ease-bond-yields-article-13007588.html>

Bond Market sees demand surge as RBI's Rs 1.25 Lakh crore OMO plan spurs premium pricing

The central bank's bond purchases through open market operations (OMO) on Tuesday saw strong demand, with banks and primary dealers offering bonds double the notified amount to cash in on higher prices. Prices for the bonds were better than in previous auctions and were at a premium from the market, treasury heads said.

Bids offered for this OMO were worth Rs 39,218 crore, versus the notified amount of Rs 20,000 crore. Bonds maturing in the next four to six years saw maximum demand, Reserve Bank of India (RBI) data showed.

The prices of bonds were at a premium from the market and are a factor of demand-supply dynamics. When you don't know how much the RBI is going to buy, then people are willing to sell at a discount also," said Rajeev Pawar, head of treasury at Ujjivan Small Finance Bank. "But now the RBI has announced an OMO calendar for May, people are selling at market prices or at slightly better than market prices," he said.

The RBI announced on Monday that it will purchase Rs 1.25 lakh crore government bonds via OMO purchases in four tranches spread across May. This announcement drove down yields of government bonds by five basis points, which closed at 6.35%, CCIL data showed.

“Now with so much of OMO supply, dealers have sold from their held-to-maturity (HTM) books and now want to sell at a premium from the market prices. This sale of bonds also creates demand for government bonds in the weekly auction,” said Gopal Tripathi, head of treasury at Jana Small Finance Bank.

his Friday, on May 2, the RBI will also auction the new 10 year paper for a quantum of Rs 30,000 crore.

Source: <https://economictimes.indiatimes.com/markets/bonds/bond-market-sees-demand-surge-as-rbis-rs-1-25-lakh-crore-omo-plan-spurs-premium-pricing/articleshow/120752723.cms>



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