

Explanatory Note on Consolidation of Regulations

Background

1. Over the past few decades, under the prevailing regulatory paradigms at various points in time and following a progressive expansion of regulatory perimeter, a plethora of directions have been issued by the Reserve Bank under statutory powers conferred under multiple Acts, which were made applicable to regulated entities to varying degrees. While increase in complexity of regulatory framework over time is a natural process, fragmentation in regulatory and supervisory powers / jurisdictions over certain regulated entities and gaps in clear or formal supersession or repeal of previous directions when new directions were issued have added to the complexity of the regulatory framework.
2. The present exercise of consolidation carries forward the work carried out by the Regulations Review Authority (RRA), which was set up for reviewing the regulations, circulars, reporting systems, based on the feedback from public, banks and financial institutions, as announced in the [press release dated April 15, 2021](#). It may be recalled that the RRA had *inter alia* recommended the withdrawal of 714 circulars and discontinuation / merger / conversion to online submission of 65 returns.

Approach taken for consolidation

3. The Master Directions have been prepared separately for each type of regulated entity. For this purpose, 11 types of regulated entities have been considered: (a) Commercial Banks; (b) Small Finance Banks; (c) Payments Banks; (d) Local Area Banks; (e) Regional Rural Banks; (f) Urban Co-operative Banks; (g) Rural Co-operative Banks; (h) All India Financial Institutions; (i) Non-Banking Financial Companies; (j) Asset Reconstruction Companies; and (k) Credit Information Companies. These have been further organised around 30 functions / areas of regulatory instructions across these 11 types of Regulated Entities.
4. The consolidation involves all the regulatory instructions administered by the Department of Regulation of the Reserve Bank. Thus, the universe of consolidation includes instructions issued by the Department of Regulation (DoR) as well as the erstwhile Departments which have since been merged into DoR either partly or fully.
5. The consolidation has been done on an 'as-is' basis, with only select editorial interventions to update terminologies or to remove ambiguities in the existing language, i.e., there has been no review of instructions.

6. The extant instructions considered as obsolete or anachronistic have not been included in the consolidated Master Directions and will be repealed.

7. Regulatory instructions issued by NABARD to Regional Rural Banks, State Central Co-operative Banks and Central Co-operative Banks have also been consolidated in consultation with NABARD.

8. Circulars / instructions issued on areas such as scheduling of banks; changes in names of banks; AML / TF list updates; changes in CRR / SLR; etc. have been retained as standalone circulars, and [aggregated for ease of reference](#).

Format of the consolidated Master Directions

9. The consolidated Master Directions have been drafted in a continuous-flow approach where the major elements of a Master Direction have been included in the main body. Accordingly, the following major drafting modifications have been made as compared to the existing approach followed by the Reserve Bank:

- (i) Advisory elements have been included as a part of the main text using appropriate language conveying the advisory nature of the instructions.
- (ii) FAQs have been rationalised. The extant FAQs which included regulatory instructions have been converted into Paragraphs of a Master Direction. The FAQs, which convey regulatory clarity or illustrate applications of regulatory principles, have been brought within the text after the appropriate paragraph.
- (iii) Illustrations have also been brought within the text after the appropriate paragraph rather than included as Annexures to a Master Direction.
- (iv) Annexures to a Master Direction have been largely limited to Formats / Forms.
- (v) Instructions pertaining to the responsibilities of the Board have been aggregated at a single place in each Master Direction.

10. The regulatory instructions have been organised into separate Master Directions for each type of Regulated Entity on each regulatory area / function. In addition, residual regulatory instructions have been consolidated in a separate Miscellaneous Master Direction for each Regulated Entity.