



## PRS Capsule - May 2024

### Key Highlights of PRS

- **Polity and Governance**
  - Draft Explosive Bill, 2024 released for public feedback
- **Economy**
  - RBI notifies framework for self-regulatory organisations in the FinTech sector
  - IRDAI releases master circular for health insurance products
  - RBI invites comments on prudential framework for project finance
  - Consultation paper issued on investments by Indian mutual funds in certain overseas funds
- **Environment**
  - National Dam Safety Authority releases regulations on dam safety and surveillance

### Polity and Governance

#### **Draft Explosive Bill, 2024 Released for Public Feedback**

- The **Ministry of Commerce and Industry** has released the **Draft Explosive Bill, 2024** for public feedback.
- This bill aims to replace the **Explosives Act, 1884**, which currently regulates the manufacture, possession, use, sale, transport, import, and export of explosives for commercial purposes.
  - **Granting of Licence:**
    - The Act mandates that anyone involved in manufacturing, using, selling, exporting, or importing explosives **must apply for a licence** to the licensing authority.
    - The licensing authority, such as the Chief Controller of Explosives, grants licences **for specified periods** and **specifies the allowable quantity of explosives**.
  - **Penalties for Offences:**
    - Under the Draft Bill, The draft Bill **increases the fines for various offences**.
    - For instance, the maximum fine for illegal manufacturing, importing, or exporting explosives has been increased from five thousand rupees to one lakh rupees.

### Economy

#### **RBI Notifies Framework for Self-Regulatory Organisations in the FinTech Sector**

- The **Reserve Bank of India (RBI)** notified a framework for **self-regulatory organisations (SROs)** in the **FinTech** sector.
- Key Features of the Framework Include:
  - **Eligibility and Membership Criteria:**
    - SRO applicants must have a **minimum net worth of two crore rupees**.
    - This requirement must be met **within one year** of RBI recognition or before starting SRO operations, whichever comes earlier.
    - **Shareholding** in the SRO should be **diversified**, with no single entity holding more than 10% of shares.

- The SRO should represent the sector by including entities of all sizes, stages, and activities. Membership is voluntary, but RBI encourages FinTechs to join recognized SROs.
- **SRO Features:**
  - **Objective Functioning:** SROs operate objectively under RBI oversight.
  - **Sustainable Development:** SROs aim for sector development and may identify phased regulatory compliance paths if needed.
  - **Comprehensive Representation:** SROs represent the sector through comprehensive membership agreements.
  - **Independence:** They operate independently, free from influence by any single member or group.
  - **Dispute Resolution:** SROs act as legitimate arbiters in disputes between members.
  - **Regulatory Adherence:** Encouraging members to follow regulatory priorities is part of their role.
- **Functions:**
  - **Rule-Making:** SROs establish rules and standards through objective and consultative processes.
  - **Industry Benchmarks:** They set industry benchmarks and baseline technology standards.
  - **Surveillance:** SROs monitor the sector, detect exceptions, and highlight issues.
  - **Conduct Standards:** They define standards of conduct and impose penalties for violations.
  - **Membership Control:** SROs can bar or remove entities as members.
  - **Grievance Resolution:** Establishing a **dispute resolution framework** for members is essential.

## IRDAI Releases Master Circular for Health Insurance Products

- The [Insurance and Regulatory Development Authority of India \(IRDAI\)](#) issued a master circular on health [insurance](#) products.
- This circular supersedes 55 previous circulars and is effective immediately.
- Key Features of the Master Circular Include:
  - **Types of Insurance Products:**
    - Insurers must offer a **diverse range of products** catering to all ages, medical conditions, pre-existing and chronic conditions, various systems of medicine, and different types of hospitals and healthcare providers.
    - These products must comply with relevant laws, including the [Mental Healthcare Act, 2017](#), the [Surrogacy \(Regulation\) Act, 2021](#), and the [HIV and AIDS \(Prevention and Control\) Act, 2017](#).
  - **Claim Settlement:**
    - Insurers should strive for 100% [cashless](#) claim settlements within a specified timeframe.
    - **Decisions** on cashless settlements must occur **within one hour** of the request.
    - Necessary systems for enabling cashless requests must be in place by July 31, 2024.
    - **Final authorization** should be granted **within three hours** of hospital discharge.
    - Any additional charges due to delays must be borne by the insurer from their shareholder's fund.
  - **Customer Information Sheet (CIS):**
    - Insurers must provide customers with a CIS, **explaining policy features in simple language**.
    - The CIS covers details such as [insurance type](#), sum insured, exclusions, deductibles, and sub-limits.
  - **Board-Approved Policies:**
    - Insurers need board-approved policies for underwriting and empanelment of hospitals and healthcare providers.
    - Well-defined claims handling and settlement procedures are essential.

## RBI Invites Comments on Prudential Framework for Project Finance

- The [Reserve Bank of India \(RBI\)](#) has released draft guidelines on the “**Prudential Framework for Income Recognition, Asset Classification, and Provisioning Pertaining to Advances - Projects Under Implementation.**”
- These guidelines aim to strengthen the regulatory framework for project finance and harmonise instructions across all [regulated entities](#), including banks and non-banking financial companies.
- Key Features Include:
  - **Conditions for Project Financing:**
    - Project finance relies on **project revenue for loan repayment**, with the **project itself as collateral**.
    - Lenders must have a board-approved **stress resolution policy**.
    - Funds should be disbursed proportionally to project completion, certified by an independent architect or engineer.
  - **Exposure Limits for Consortium-Financed Projects: Adherence to specified principles:**
    - For projects with up to Rs 1,500 crore aggregate exposure, lenders must have at least 10% exposure.
    - Higher aggregate exposure projects require individual exposure of at least Rs 150 crore or 5% of the total exposure.
  - **Stress Resolution:**
    - Lenders monitor project stress and report credit events (e.g., extension of commercial operations date, additional debt needs).
    - A debtor review occurs within 30 days of a credit event, leading to potential resolution plans.
  - **Provisioning for Standard Assets:**
    - Lenders provision 5% of outstanding funds for projects under construction.
    - Once operational, this provision can reduce to 2.5% and then 1%, subject to specific conditions. These include positive net operating cash flow and debt reduction from project commencement.

## Environment

### National Dam Safety Authority Releases Regulations on Dam Safety and Surveillance

- The [National Dam Safety Authority](#) has issued the “**Surveillance, Inspection, and Hydrometeorological Station of Specified Dams Regulation, 2024.**” These regulations focus on [monitoring dams](#) and water inflow indicators for safety.
- **Key Features Include:**
  - Inspection of Dams:
    - State [Dam Safety](#) Organisations (SDSOs) continuously monitor dams under their jurisdiction.
    - Surveillance detects anomalies like cracks, seepage, or equipment issues.
    - **Specific inspection** instances include pre/post-monsoon, after floods, and following earthquakes.
  - **Hydrometeorological Station:**
    - Near each dam, a [hydrometeorological](#) station measures rainfall, water level, discharge, temperature, and wind.
    - Daily monitoring ensures safety.
    - Dam owners must also set up an **instrumentation network for inflow forecasting and flood warnings** .

