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# Banking Finance

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**Case Study: FinTech Risk Management:  
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# BANKING FINANCE

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## From The Desk Of Editor-in-Chief

Artificial Intelligence is moving deeper into banking. Banks are deploying AI for credit assessment, fraud detection, customer service, transaction monitoring, collections, cybersecurity and personalised product recommendations. The benefits are substantial, but the discussion must now move beyond efficiency. AI itself is becoming an important banking risk.

Consider credit decisions. An AI model may analyse thousands of variables before recommending whether a borrower should receive credit. But what happens when the model is wrong, biased or based on poor-quality data? Can the bank explain to a customer why credit was denied? More importantly, who is accountable: the bank, technology vendor or algorithm?

Generative AI introduces additional concerns. Employees may unknowingly share confidential customer or institutional information with external AI platforms. AI-generated information may appear convincing while being inaccurate. Fraudsters are simultaneously using deepfakes, synthetic identities and AI-generated communication to attack banking systems and customers.

Banks therefore require an AI risk management framework, not merely an AI strategy.

Every significant AI application should have clearly identified ownership, validation standards, data-quality controls, cybersecurity safeguards and continuous monitoring. High-impact applications involving lending, fraud classification or customer decisions require human oversight and explainability. Banks must also be able to suspend an AI model immediately when unexpected behaviour is detected.

Third-party risk deserves particular attention. Banks increasingly depend on technology companies, cloud providers and specialised AI vendors. Outsourcing the technology, however, cannot mean outsourcing accountability.

The regulator too must remain ahead of developments. Traditional supervisory approaches designed around conventional banking models may not adequately address autonomous and continuously changing systems.

AI can undoubtedly transform banking, but uncontrolled adoption can create model risk, operational risk, cyber risk, conduct risk and reputational risk simultaneously.

The next competitive advantage in banking may therefore not belong to the institution using the most AI. It may belong to the institution that understands, governs and controls AI most effectively.

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# Banking Pulse

## Jan Dhan accounts move towards savings, insurance and pension adoption

India's financial inclusion programme is entering a new phase, with millions of Jan Dhan account holders moving beyond basic banking access towards savings, insurance and pension products.

State Bank of India (SBI), which holds nearly 30% of the country's Jan Dhan accounts, said the average balance in these accounts has increased to around Rs. 5,000 from the initial zero-balance stage.

Nearly 590 million PMJDY accounts have been opened, with more than 54% held by women and significant participation from tier 3 and tier 4 regions. Speaking at the Global Fintech Fest 2026 in Mumbai, Rama Mohan Rao Amara, MD (RB&O), SBI, highlighted the role of Jan Dhan accounts, Aadhaar, mobile connectivity and fintech applications in bringing millions into the formal economy.

"Time and again we talk about the transformational impact of the PMJDY, Aadhaar, mobile and coupled with various fintech applications, the kind of transformation it has brought into the Indian economy helping millions of people be part of the formal economy," the official said.

SBI is now encouraging customers to adopt insurance schemes such as PMJJBY and PMSBY along with pension products like Atal Pension Yojana.

## UPI transactions above Rs. 2,000 to attract 0.4% MDR

The National Payments Corporation of India (NPCI) has announced a 0.4% Merchant Discount Rate (MDR) on selected UPI transactions above Rs. 2,000, with an overall cap of Rs. 300.

The revised framework includes a flat

Rs. 5 charge for utility payments, fuel purchases, insurance premiums, railway tickets and several government services.

Person-to-person UPI transfers will remain exempt from charges, while auto-debits and UPI mandates will also not attract MDR. Small merchants such as vegetable vendors, tea shops and

kirana stores will remain exempt if their monthly UPI receipts are below Rs. 1 lakh.

"Banks have been advised to ensure merchants do not pass MDR charges on to customers. UPI application providers are expressly prohibited from imposing platform fees or hidden charges," the finance ministry said in a statement.

The move aims to balance the sustainability of digital payment infrastructure with continued customer adoption.

## SBI targets Rs. 200 lakh crore business franchise in four years

State Bank of India (SBI) has set a target of building a Rs. 200 lakh crore business franchise over the next three to four years after crossing Rs. 100 lakh crore in combined deposits and advances.

SBI Chairman CS Setty said the focus would remain on sustainable and profitable expansion rather than growth alone.

"The scale is available to us. Our focus is to ensure that this scale is profitable, meaningful and qualitative. We do not want to compromise on any of these," he said in an interaction with businessline.

The bank has recorded deposit growth of around 10% CAGR and loan growth of 14-15% over the last five years. SBI is also targeting around \$10 billion in FCNR(B) deposits to strengthen long-term liquidity.

"We have a strong retail franchise and limited dependence on bulk deposits. These inflows will further reduce that dependence while providing sustainable long-term liquidity," Setty said.

On market share, he added, "Market share is not merely a number. It demonstrates whether you are remaining relevant as times change. New depositors are entering the system and younger people are joining the community of earners. If we are not acquiring these customers, we are effectively losing a part of growing market share," the SBI chief said.

Word Count: 154 words

## Bank of Baroda introduces UPI global QR payments for international visitors

Bank of Baroda (BoB) has launched "UPI Global QR Payments" to enable international tourists, overseas Indians and foreign wallet users from eligible countries to make payments through its UPI QR merchant network in India.

The initiative allows visitors to use their home-country banking or payment applications for QR-based payments, reducing dependence on cash and foreign currency exchange during travel.

The facility supports cross-border Person-to-Merchant (P2M) transactions through NPCI International's Global Payments ecosystem. Eligible countries include Singapore, UAE, Nepal, Bhutan, Mauritius, Sri Lanka, the USA, Qatar and France, among others.

Sanjay Mudaliar, Executive Director, BoB, said the introduction of UPI Global Reverse Acceptance is an important step towards making digital payments more accessible across borders.

The initiative is expected to improve payment convenience for international visitors while expanding customer reach for merchants.

## Indian Bank plans 100 branches and 2,500 new employees in FY27

Indian Bank plans to expand its branch network by around 100 branches and increase its workforce by nearly 2,500 employees during the current financial year to support business growth and replace retiring staff.

The bank is focusing on strengthening its presence in Central and Western India after expanding significantly in eastern regions and Uttar Pradesh following the merger of Allahabad Bank in 2020.

"Last year we opened 100 branches. This year too we have similar plans. Just on August 15, which was our foundation day, the bank inaugurated 15 branches across the country," Indian Bank MD and CEO Binod Kumar told PTI in an interaction.

The bank currently operates 6,003 domestic branches along with overseas branches in Singapore, Colombo and Jaffna and an IFSC Banking Unit at Gandhinagar.

Indian Bank aims to reduce gross NPAs to 1.5-1.6% and net NPAs to 0.15-0.2% by the end of the financial year.

## Credit Card users shift towards timely repayments: Axis Bank

India's credit card industry is witnessing changes in consumer behaviour, with revolving credit declining as customers become more disciplined about repayments, according to Arnika Dixit, group head, cards, payments and wealth management at Axis Bank.

The bank said the reduction in revolving credit is driven by greater customer awareness, digital payment platforms and reminders that help users avoid carrying outstanding balances.

"Revolvers have been coming down for roughly five years," Dixit said after the launch of the Axis Bank-Scapia co-branded credit card.

She said the trend reflects both industry changes and credit cycle movements, with consumers increasingly making timely repayments.

## SBI extends cash withdrawal charges to all basic savings accounts

State Bank of India (SBI) has expanded the applicability of cash withdrawal charges for Basic Savings Bank Deposit Accounts (BSBDA), bringing branch-opened accounts also under the revised framework from October 1.

Under the revised rules, customers will continue to get four free cash withdrawals every month, including withdrawals through SBI ATMs, other bank ATMs and branch channels. Any withdrawal beyond this limit will attract a charge of Rs. 15 plus GST per transaction.

Earlier, the charge structure was mainly applicable to customers who opened BSBDA accounts through customer service points (CSPs) or business correspondents (BCs). The latest revision creates a uniform framework across all BSBDA accounts.

Industry sources said the move is aimed at improving fee income recovery and encouraging greater adoption of digital banking transactions. Digital transactions will continue to remain free without restrictions.

The moderation in revolving credit does not necessarily indicate weaker credit card growth. Point-of-sale transactions converted into equated monthly instalments (EMIs) continue to support spending and receivable growth.

"Newly acquired customers also take time to contribute meaningfully to the book. Typically, it takes six to 12 months for a new cardholder to build meaningful spending on the card, providing banks with a pipeline for future receivables growth," she said.

## Banking system liquidity surplus reaches Rs. 6.65 lakh crore

The Indian banking system is witnessing a significant liquidity surplus, with excess liquidity reaching Rs. 6.65 lakh crore as of August 31, 2026, supported by strong inflows through FCNR(B) deposits under the RBI's concessional swap facility.

To absorb surplus liquidity, the Reserve Bank of India conducted Variable Rate Reverse Repo (VRRR) auctions worth Rs. 6 lakh crore and Rs. 4 lakh crore.

The seven-day VRRR auction received bids of Rs. 1,14,320 crore at a weighted average rate of 5.24%, while the overnight auction attracted Rs. 2,59,846 crore.

K Arvind, Head - Treasury, Tamilnad Mercantile Bank, said banks prefer parking surplus resources overnight rather than for longer durations as they need flexibility to support credit opportunities.

The RBI has indicated that currency movements, government cash balances and capital inflows will influence liquidity conditions in the near term.

"Going ahead, the usual return of cur-

## Banks' share in microfinance portfolio declines as NBFC-MFIs drive recovery

Banks' share in India's microfinance portfolio has declined as lenders shift some loans from the microfinance category to retail portfolios, while NBFC-MFIs are supporting recovery in the sector, according to MFIN's Micrometer report.

Banks' microfinance portfolio declined 28.5% year-on-year to Rs. 83,080 crore as of June 30, 2026, reducing their share in the overall portfolio to around 25% from 33% a year earlier. MFIN attributed the decline partly to reclassification of MFI loans as retail loans.

In contrast, NBFC-MFIs recorded 5.2% growth, taking their portfolio to Rs. 1.46 trillion and increasing their share to 44%. The overall microfinance portfolio stood at Rs. 3.29 trillion, lower than Rs. 3.53 trillion a year earlier.

"The industry has sustained the growth momentum seen in the last quarter, marking a turnaround after seven consecutive quarters of slowdown. Growth has been driven primarily by NBFC-MFIs and higher loan sizes, reflecting a degree of consolidation around existing borrowers," MFIN CEO and Director Alok Misra said.

rency during the monsoon season, drawdown of government cash balances and our special measures to attract capital inflows are expected to aid banking system liquidity in the near-term.

## Karur Vysya Bank opens 16 new branches across India

Karur Vysya Bank (KVB) has expanded its branch network by inaugurating 16 new branches across Tamil Nadu, Andhra Pradesh, Telangana, Karnataka and Delhi NCR.

With the latest expansion, the bank's branch network has increased to 919 branches across the country. The new branches include six in Tamil Nadu, five in Andhra Pradesh, three in Telangana and one each in Karnataka and Delhi NCR.

Shri Ramesh Babu, Managing Director & CEO of Karur Vysya Bank, inaugurated

the Gachibowli branch in Hyderabad and opened the remaining branches virtually through video conference.

The expansion is part of KVB's strategy to strengthen its presence across metropolitan, urban, semi-urban and rural markets. The branches will cater to retail customers, MSMEs and agricultural businesses while complementing the bank's digital banking services.

Shri Ramesh Babu, Managing Director & CEO, Karur Vysya Bank, said, "We continue to expand our branch network in markets where we see good business potential and an opportunity to deepen our relationship with customers. While digital banking has made everyday transactions much easier, branches continue to play an important role, particularly for our MSME, retail and agricultural customers. The new branches will help us get closer to customers and offer them the convenience of both personalised service and digital banking."

## IDFC FIRST Bank and Sarvam set up joint AI research lab

IDFC FIRST Bank and Sarvam have announced a partnership to establish a joint Research and Development (R&D) Lab focused on exploring the future of artificial intelligence applications in banking.

The collaboration aims to address the challenge of making advanced AI capabilities practical and effective within regulated banking environments.

While AI models are developing rapidly, banks require systems that can understand institutional processes, operate within regulatory controls, learn from product outcomes and improve continuously without requiring major structural changes.

The joint lab will combine IDFC FIRST Bank's banking expertise with Sarvam's artificial intelligence research and engineering capabilities.

The initiative reflects the increasing focus among financial institutions on de-

veloping responsible AI solutions that can support operational improvement, customer services and decision-making while maintaining governance and risk controls.

## Smartphones will become new bank branches, says Jyotiraditya Scindia

Union Minister Jyotiraditya Scindia said smartphones will become India's new bank branches as digital connectivity, artificial intelligence and financial infrastructure continue to expand.

Speaking at the Global Fintech Fest 2026, Scindia said mobile phones, telecom networks and data are becoming key components of India's digital financial ecosystem.

"You need to take that in perspective. Voice is pretty much free. 1 GB of data costs close to about Rs. 9. The world average is close to about \$2.5. We operate on 5 per cent of world's cost. Average data consumption has gone to close to 32 GB per customer. So, the phone is going to become the bank

branch. The mobile network is going to become your gateway for credit and investment," Scindia said.

He also highlighted the potential of AI in personalised financial advice, credit assessment and fraud detection.

## PNB plans entry into wealth management segment

Punjab National Bank (PNB) is planning to enter the wealth management segment and strengthen its credit card business as the public sector lender seeks growth in new areas.

PNB Managing Director and CEO Ashok Chandra said the bank plans to launch wealth management services in early 2027.

"For the wealth management business, we have deployed relationship managers (RMs) in 1,700 branches. Another 1,300 branches will have RMs by September end," Chandra said.

PNB has over 10,000 branches across the country. The relationship managers will focus on providing wealth management services to the top 250 customers in each branch, supported by specialised training programmes.

The wealth management segment is witnessing increased competition from banks, mutual funds and broking firms, driven by rising financialisation and growth in the high-net-worth individual segment. □

## PhonePe and Visa introduce cardless payment solutions

PhonePe and Visa have jointly launched three new payment solutions, Tap to Pay, Cross Border Scan to Pay and Smart Accept, at the Global Fintech Fest 2026.

The partnership makes PhonePe the first app in India to introduce Cross Border Scan to Pay for international transactions. It also enables PhonePe users to access Visa's complete suite of capabilities, including Online Device Tokenization, Tap to Pay and Cross Border Scan to Pay.

The initiative builds on Visa Device Tokenization launched on the platform in February 2025 and aims to create a seamless cardless payment ecosystem.

Users saving their Visa cards on PhonePe will be able to make payments by tapping their phones at stores, completing online transactions and scanning QR codes while travelling abroad without carrying physical cards.

The Smart Accept solution will also enable micro-merchants to accept card payments digitally.

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## Somnath joins RBI Board; Anand Mahindra reappointed

S Somnath, former chairman of the Indian Space Research Organisation (ISRO), has been appointed as a part-time, non-official director on the Central Board of the Reserve Bank of India (RBI) for a period of four years with effect from August 20, 2026.

Somnath retired from ISRO in January 2025 after leading India's space programme. His appointment brings expertise in science, technology and large-scale institutional management to the RBI board.

The government has also reappointed Anand Gopal Mahindra, chairman of Mahindra Group, as a part-time, non-official director on the RBI Central Board for a four-year term from August 20, 2026, or until further orders.

The RBI Central Board includes the Governor, Deputy Governors, government nominees and part-time non-official directors who provide guidance on matters relating to the functioning of the central bank.

## RBI appoints Suman Ray as Executive Director

The Reserve Bank of India has appointed Suman Ray as Executive Director with effect from September 1, 2026.

Before his promotion, Ray was serving as Regional Director for Maharashtra. In his new role, he will oversee the Department of Deposit Insurance & Credit Guarantee Corporation and Premises Department.

Ray has over three decades of experience with the RBI and has worked across several important areas, includ-

## Responsible AI must expand financial inclusion: RBI Deputy Governor

Reserve Bank of India Deputy Governor Shirish Chandra Murmu has urged banks to use artificial intelligence (AI) not only for improving efficiency but also for expanding financial inclusion and strengthening customer trust.

Speaking at the CNBC-TV18 Banking Transformation Summit, Murmu highlighted that AI can help identify deserving borrowers who remain outside the formal credit system by analysing alternative data sources such as cash flows, GST filings, utility payments, mobile usage and geospatial information.

He noted that Indian banks are well-capitalised, profitable and resilient, but success should not be measured only through balance sheet growth. The focus should be on ensuring that financial services reach underserved sections of society.

Murmu cautioned against excessive dependence on algorithms and stressed that human judgment, governance and accountability must remain central to AI-driven decisions. He also emphasised transparency, stating that customers should know when automated systems are used and should have access to human review where decisions significantly affect them.

ing currency management, financial inclusion, payment and settlement systems, consumer education and protection, and human resources.

He has also served as Secretary to the Western Area Local Board of the RBI.

The appointment reflects the RBI's continued strengthening of its senior leadership team as the central bank manages responsibilities across mon-

etary policy, banking regulation, financial inclusion, payment systems and consumer protection.

## Government appoints three part-time Directors to RBI Central Board

The central government has appointed Annie George Mathew, Janmejaya

# Regulatory Radar

Sinha and Syed Akbaruddin as part-time, non-official directors on the Central Board of the Reserve Bank of India for a four-year term beginning August 24, 2026.

Annie George Mathew is a former special secretary in the Department of Expenditure, Ministry of Finance, and a member of the Sixteenth Finance Commission. She has over 30 years of experience in public finance, financial management, government audit and accounts.

Janmejaya Sinha is an economist and management consultant and serves as chairman of Boston Consulting Group (BCG) India. He has also chaired BCG Asia-Pacific and contributed to several regulatory committees.

Syed Akbaruddin, a former Permanent Representative of India to the United Nations and former Ministry of External Affairs spokesperson, currently serves as dean of the Kautilya School of Public Policy in Hyderabad.

With these appointments, the RBI Central Board continues to bring together expertise from public administration, economics, diplomacy and industry.

## Fintech a valuable partner in building future financial system: RBI Governor

Reserve Bank of India (RBI) Governor Sanjay Malhotra has described fintech companies as "valuable partners" in building the financial system of the future, highlighting their role in improving financial inclusion, enhancing customer experience and enabling faster credit delivery.

Addressing the Global Fintech Festival 2026 in the presence of Prime Minister Narendra Modi, Malhotra said the RBI's approach towards fintech has been based on continuous engagement

## RBI proposes freezing only disputed amount in mule account cases

The Reserve Bank of India has proposed a targeted approach for handling suspected money mule transactions, allowing banks to temporarily freeze only the disputed transaction amount instead of restricting the entire account.

The proposed framework applies to unusual transfers of Rs. 1,000 or more that may be linked to cyber fraud. Banks will use AI-based transaction monitoring systems to identify suspicious activities such as sudden transfers, transactions disproportionate to customer profiles or links with known fraud networks.

The draft directions, which amend existing KYC instructions, are proposed to come into effect from April 1, 2027, although banks may implement them earlier.

Customers will receive 20 calendar days to establish the legitimacy of a flagged transaction by providing relevant documents, identity proof or details regarding the source of funds.

The move aims to balance fraud prevention with customer protection by avoiding unnecessary freezing of genuine account balances.

with startups, fintech firms and other stakeholders.

"Over the past decade, fintech has fundamentally reshaped the architecture of Indian finance. The Reserve Bank has consistently viewed fintech as a valuable partner in building the financial system of the future," Malhotra said.

He highlighted initiatives such as the RBI regulatory sandbox and Reserve Bank Innovation Hub as examples of the regulator's efforts to encourage innovation while maintaining appropriate safeguards.

Malhotra noted that fintech has transformed banking by taking financial services "from the branch to the hand of every citizen", supporting wider access to digital financial services.

## RBI proposes 60-day debit hold on suspected mule accounts

The Reserve Bank of India (RBI) has

proposed allowing banks to temporarily restrict debit transactions in accounts suspected of being involved in money mule activities linked to cyber fraud.

The proposal is part of the Draft Reserve Bank of India (Know Your Customer) Amendment Directions, 2026, aimed at creating a uniform framework for handling suspected cyber-enabled financial fraud cases.

Under the proposed framework, banks may place a temporary debit hold for up to 60 days when transaction-monitoring systems identify suspicious activity involving suspected mule accounts. Customers will be given an opportunity to explain flagged transactions.

The RBI proposal follows a Supreme Court order dated August 4, 2026, directing the central bank to develop a standard operating procedure for such cases.

Banks may use artificial intelligence

and machine learning-based monitoring systems to identify unusual transactions, including those inconsistent with a customer's normal profile or linked to known fraud networks.

The draft proposes that banks may restrict only the suspected amount rather than freezing the entire account. Account-level restrictions would be used only in exceptional circumstances.

### RBI weighs options to absorb Rs. 9.70 lakh crore liquidity surplus

The Reserve Bank of India (RBI) is evaluating measures to absorb excess liquidity in the banking system after surplus liquidity rose to around Rs. 9.70 lakh crore following large foreign currency inflows under the concessional swap window.

Senior RBI officials recently met treasury heads of major banks to understand market participants' views on

the current liquidity situation and possible measures to manage the surplus.

The liquidity increase followed the RBI's concessional swap facility offered to banks between June 8 and August 31, 2026, allowing them to convert fresh dollar-denominated deposits of three to five years into rupee liquidity.

The central bank is considering multiple options, including a temporary cash reserve ratio (CRR) increase, open market operation (OMO) sales of government securities, issuance of bonds or bills under the Market Stabilisation Scheme (MSS), and a schedule of Variable Rate Reverse Repo (VRRR) auctions.

Radhika Rao, Senior Economist & Executive Director, DBS Bank, said, "Given the swap arrangement, these inflows (due to FCNR(B) deposits, ECB and OFCBs) will add to an already abundant rupee liquidity backdrop, which was at a four year high this month, depressing overnight rates."

She added that while factors such as tax-related outflows, seasonal currency leakage, current account deficit, portfolio outflows and maturity of forward contracts could offset some liquidity, coordinated measures would still be required.

### RBI Warns Banks Against Loan Price War

The Reserve Bank of India (RBI) has cautioned banks against aggressive loan pricing as the banking system manages substantial liquidity inflows following Foreign Currency Non-Resident (FCNR) deposit mobilisation.

The concern is that excess liquidity could encourage banks to lower lending standards or extend credit aggressively to generate returns on available funds. Such practices could increase future asset-quality risks if loans are originated without adequate risk assessment.

Banks have received around Rs. 11 lakh crore in fresh FCNR inflows after accounting for renewals. The RBI has absorbed liquidity through foreign-exchange interventions, bond sales and borrowing operations, although some measures remain temporary.

The warning comes at a time when retail credit growth remains strong, with retail loans growing around 16% year-on-year compared with overall credit growth of nearly 19%.

For banks, the challenge is to deploy surplus liquidity while maintaining underwriting discipline, protecting asset quality and ensuring risk-adjusted returns. The RBI's message highlights the importance of balancing growth ambitions with prudent credit management. □

### RBI approves LIC's plan to acquire up to 9.99% stake in ICICI Bank

The Reserve Bank of India (RBI) has approved the Life Insurance Corporation of India's (LIC) application to acquire an aggregate holding of up to 9.99 per cent in ICICI Bank's paid-up share capital.

According to a regulatory filing by ICICI Bank, the acquisition must be completed within one year from the date of the RBI approval letter issued on September 4, 2026. The approval remains subject to compliance with applicable regulatory and statutory requirements.

LIC currently holds a 4.35 per cent stake in ICICI Bank as of June 2026. Regulations restrict LIC's holding in banks beyond certain limits as the insurer is the promoter of IDBI Bank.

LIC holds a 49.24 per cent stake in IDBI Bank, while the government holds a 45.48 per cent stake.

The insurer also has holdings in several major banks, including State Bank of India, HDFC Bank, Axis Bank, Punjab National Bank and Bank of Baroda.

# Industry Lens

## Japan Credit rating agency Upgrades India's Sovereign Rating

Japan Credit Rating Agency Ltd (JCR) has upgraded India's sovereign credit rating by one notch to A- from BBB+, citing sustained economic growth, effective policy measures, stronger financial systems and improving quality of government expenditure.

JCR also raised India's country ceiling rating to A and assigned a stable outlook for both foreign-currency and local-currency long-term issuer ratings.

The agency noted that India's economy has maintained growth of around 7 per cent, supported by strong private consumption and public investment. It said the economy expanded by 7.7 per cent in 2025-26 and is expected to maintain growth of over 6 per cent in FY27.

The rating agency had maintained India's BBB+ rating since 2007, including periods of global financial crisis, pandemic-related disruption and geopolitical challenges.

JCR said India's stronger economic fundamentals, policy framework, fiscal trajectory and financial sector resilience supported the upgrade.

## Government likely to introduce social media code for officials

The government is considering introducing a social media code of conduct for officers and employees amid increasing instances of officials posting reels, videos and personal opinions on platforms such as X, Facebook and Instagram.

The proposed code is expected to provide guidelines on the use of social me-

dia by government employees and prevent content that may be considered inappropriate or inconsistent with the conduct expected from public servants.

The issue has reportedly been discussed at senior levels of the government, with officials indicating that the rules would apply across ranks once finalised.

The move follows concerns over some government employees sharing content that highlights their official roles or work-related activities in ways that may not

align with existing expectations of public service conduct.

Currently, there are no specific social media guidelines applicable to all government officials. The proposed framework is expected to address this gap by establishing clearer standards for online behaviour.

## AI changing nature of work, not eliminating jobs: Microsoft India Head

Companies are not using artificial intelligence (AI) as a reason to cut jobs, but the technology is changing the nature of work and creating demand for new skills, said Puneet Chandok, President, Microsoft India and South Asia.

Speaking to Business Standard, Chandok said AI represents a transition phase similar to previous technological shifts and requires organisations and employees to adopt new ways of working.

"I actually disagree with that," Chandok said when asked whether AI was leading to job losses. "I don't think organisations are looking at this to cut jobs. They are now getting used to the reality that for the first time they are not just using capital, they also have token capital. We have to get more people to work together for a lot of that return on investment (RoI) to at least show up."

He highlighted that AI is creating new roles such as forward design engineers, agent office traders and enterprise ontology experts, which did not exist earlier.

Microsoft's 2026 Work Trend Index showed that AI adoption is creating new work patterns. According to the company, 32 per cent of Microsoft's AI research users in India are classified as frontier professionals working with AI agents, compared with a global average of 16 per cent.

## GIFT-IFSC funds' commitments cross \$45 billion

The fund management ecosystem at Gujarat International Finance Tec-City (GIFT City) continued its expansion during the April-June quarter, with cumulative commitments by non-retail schemes in the International Financial Services Centre (IFSC) rising to \$45.08 billion as of June 30, 2026.

According to the latest quarterly bulletin of the International Financial Services Centres Authority (IFSCA), cumulative funds raised increased to \$22.93 billion from \$19.51 billion at the end of March.

Investments by these funds also increased to \$21.05 billion from \$19.67 billion during the quarter.

The number of Fund Management Entities (FMEs) operating in the IFSC increased to 235 from 217, while the number of funds and schemes rose to 401 from 360.

Investor participation also expanded significantly, with the total number of investors across IFSC fund schemes increasing to 16,150 in June from 9,594 in March, supported largely by growth in retail investor participation.

## India capable of becoming global shipbuilding hub: Rajnath Singh

Defence Minister Rajnath Singh has said that India has the potential to become a global shipbuilding hub as the country seeks to expand its maritime manufacturing capabilities.

Speaking during the virtual foundation stone-laying ceremony for five expansion projects of Garden Reach Shipbuilders and Engineers (GRSE) and Yantra India Ltd in Kolkata, Singh highlighted that the projects involve an investment of nearly Rs. 3,500 crore in West Bengal.

"India is capable of becoming a global shipbuilding hub. There is a vacuum occurring in the global shipbuilding industry, and India can capture this opportunity," he said.

The projects include three facilities of GRSE and two facilities of Yantra India. GRSE has signed lease agreements with Syama Prasad Mookerjee Port, Kolkata, for two small shipyards on both banks of the Hooghly River and a 32-acre riverside property at Raichak to enhance warship construction and refit capabilities.

The expansion is expected to strengthen shipbuilding capacity while supporting employment generation and opportunities for ancillary industries, particularly MSMEs.

## EV charging stations rise nearly sixfold since 2022

India's electric vehicle (EV) charging infrastructure has expanded significantly, with the number of charging stations reaching 29,151 by December 2025, nearly six times higher than around 5,000 stations recorded in 2022.

According to a Rubix Data Sciences report citing Ministry of Heavy Industries data, more than 200 charging point operators are currently active across the country.

The top 10 states account for nearly 78 per cent of India's charging station base, led by Karnataka with 21 per cent share, followed by Maharashtra at 14 per cent, Uttar Pradesh at 8 per cent, Delhi at 7 per cent and Tamil Nadu at 6 per cent.

India had 67,657 chargers as of August 7, 2026, including battery swapping stations. Growth has been supported by rising EV adoption, simplified licensing norms and participation from oil companies, utilities and automobile manufacturers.

The PM E-DRIVE scheme has also been extended until March 2028 with an increased outlay of Rs. 11,900 crore, including Rs. 2,000 crore for public charging infrastructure.

## India emerges as key petrol supplier to Russia

India has emerged as an important supplier of gasoline (petrol) to Russia as the country increases fuel imports following disruptions to domestic refinery operations, according to ship tracking data.

Russia's seaborne gasoline imports reached a record level of around 125,000 barrels per day in August, equivalent to approximately 470,000 tonnes for the month, as repeated attacks on Russian refineries affected fuel production.

Trade sources said Indian refiners supplied around 1 million barrels of gasoline over the last two months. A significant portion of these supplies came from the Vadinar refinery in Gujarat operated by Nayara Energy, which is partly owned by Russia's Rosneft.

India has increased purchases of Russian crude oil since 2022, becoming a major buyer of Russian energy supplies. India imported more than 2.6 million barrels per day of Russian crude in June and July, accounting for over half of its crude imports.

## India's tyre exports rise 16% to Rs. 7,700 crore in Q1

India's tyre exports increased 16 per cent year-on-year to Rs. 7,700 crore during the April-June 2026 quarter despite global uncertainties, supply chain challenges and higher input and logistics costs, ac-

cording to the Automotive Tyre Manufacturers' Association (ATMA).

The industry's performance builds on record tyre exports of Rs. 27,312 crore achieved during FY2025-26. ATMA said improved market access through trade agreements and supportive export policies could further strengthen India's position as a global tyre manufacturing hub.

Passenger Car Radial (PCR) tyre exports recorded strong growth, increasing 21 per cent in value terms during the quarter.

ATMA Chairman Arun Mammen said, "The significant growth in tyre exports during the first quarter represents a strong start to the new financial year."

Europe emerged as a major growth market, with exports increasing 25 per cent to Rs. 3,003 crore. The region accounted for nearly 40 per cent of India's total tyre exports, while the US remained the largest individual export destination with a 16 per cent share.

Indian tyres are currently exported to more than 170 countries.

## ITR filing for AY 2026-27 touches record 7.8 crore

Income tax return (ITR) filings for assessment year (AY) 2026-27 have crossed a record 7.8 crore as of August 31, 2026, according to the Income Tax Department.

The department stated that the latest figure surpassed the previous year's filing level, when more than 7.3 crore ITRs were filed by September 16, 2025, the extended deadline for non-audit cases for AY 2025-26.

The total filings include more than 5.9 crore ITR-1 and ITR-2 forms submitted by the July 31 deadline. August 31, 2026 was the deadline for taxpayers with busi-

## India joins US-led group for 6G Development

India has joined a group of 25 countries, including the United States, that will collaborate on the development and deployment of next-generation 6G telecommunications networks.

The US Department of Commerce announced that the agreement was finalised following a bilateral meeting between US Commerce Secretary Howard Lutnick and Union Minister of State for Commerce and Industry Jitin Prasada during the G20 Innovation Ministerial.

"Secretary Lutnick met with minister Prasada to discuss future of 6G.. we are pleased to announce that India has joined the US and 24 other countries in the effort to ensure that next generation networks reflect our shared security interests, strengthen our competitiveness, and drive innovation in 6G," the US Department of Commerce said.

During discussions, India and the US also exchanged views on cooperation in semiconductors, artificial intelligence and data centres.

Prasada highlighted these areas as key building blocks of the emerging digital economy and discussed strengthening AI technology partnerships and safeguards.

ness or professional income who were not required to undergo audit.

Different categories of taxpayers file different ITR forms. ITR-3 applies to individuals and Hindu Undivided Families with business or professional income, while ITR-4 is designed for small and medium taxpayers. ITR-5 covers firms, Limited Liability Partnerships and cooperative societies, while ITR-6 is applicable to companies and ITR-7 to trusts and charitable institutions.

## Maharashtra plans tokenisation framework for land assets

Maharashtra is planning to introduce a legislative framework for blockchain-based tokenisation of land and other immovable assets, with the aim of unlocking value from real estate estimated at around Rs. 50 lakh crore.

Announcing the initiative at the Global Fintech Fest, Maharashtra Chief Minister

Devendra Fadnavis said the state is working on the Maharashtra Digitisation and Exchange of Land Token Asset Act, or Delta Act, to establish the framework for becoming India's first "tokenised state".

The proposed system would enable digital representation and exchange of ownership or economic rights linked to physical assets, potentially making traditionally illiquid assets easier to finance and transact.

The framework is being developed with participation from institutions including the Bombay Stock Exchange, National Stock Exchange, industry representatives, technology experts, legal professionals and academia.

Fadnavis said that innovation at such a scale would require legal certainty, consumer protection and regulatory trust.

## Rupee strengthens on FCNR(B) inflows and RBI measures

The Indian rupee strengthened to a two-

month high, closing below 95 at 94.95 per US dollar, supported by strong foreign currency non-resident (bank) [FCNR(B)] deposit inflows and possible Reserve Bank of India intervention.

The appreciation came after the RBI introduced a concessional swap facility to encourage banks to raise fresh three-to-five-year FCNR(B) deposits and convert foreign currency inflows into rupee liquidity.

Market participants estimate that banks mobilised significant FCNR(B) deposits during the period when the facility was available. The RBI measures also included incentives related to external commercial borrowings and foreign capital inflows.

Dilip Parmar, Senior Research Analyst,

HDFC Securities, said, "On the technical front, spot USDINR is facing a tough resistance at 95.30 resistance, while a firm support has been seen around 94.50. However, traders should buckle up for a bumpy ride ahead as geopolitical news and surging crude oil prices are locked and loaded to trigger some serious volatility."

India's foreign exchange reserves reached an all-time high of \$729.328 billion for the week ended August 21, 2026.

### UIDAI Explores Making Aadhaar Available for Global Indian Community

The Unique Identification Authority of India (UIDAI) is exploring ways to extend Aadhaar infrastructure internationally

for Indians living overseas, including Non-Resident Indians (NRIs) and Overseas Citizens of India (OCIs).

Speaking at the Global Fintech Fest 2026, UIDAI CEO Saurabh Vijay said the authority is working on proof-of-concept initiatives to test the interoperability of Aadhaar systems beyond India.

Aadhaar has completed more than 185 billion authentications since the first Aadhaar number was generated in Maharashtra's tribal Nandurbar district in 2010. The identity system has become a key part of India's digital public infrastructure.

Vijay said the focus is now on making Aadhaar international by improving interoperability with systems in other countries. UIDAI is also developing a legal framework and policies that could enable OCIs to benefit from the Aadhaar ecosystem.

"I think for Aadhaar, the focus now is making Aadhaar international. We really want to work on the interoperability part of it -- how to make it more possible. So already some PoCs (proof of concept) are happening. "Our legal framework is also going (in that direction) to make Aadhaar international. We are working on policies to make it (available) for overseas citizens of India (OCIs) so that it brings in more investment," he said. □

### Small firms, not large corporations, will drive job creation: Nandan Nilekani

India's future job creation opportunity will come from millions of small companies rather than a limited number of large enterprises, said Nandan Nilekani, Non-Executive Chairman of Infosys, at the Global Fintech Fest 2026.

Highlighting concerns around artificial intelligence (AI) and employment, Nilekani said large companies may use AI to improve efficiency and reduce certain roles, while smaller businesses could create more diverse employment opportunities.

"One of the big concerns in the AI age is what happens to jobs. It's a legitimate concern. Large companies can apply AI effectively to reduce jobs. Therefore, if you want to create an economy that's lively and is generating jobs, it's going to come from having millions of small companies, not a few big companies," Nilekani said.

He said smaller enterprises can benefit from emerging technologies such as AI agents and tokenisation, which can help them access capabilities traditionally available only to larger organisations.

"In the old days, you had to have a giant company with a treasury desk, research team, credit rating, sales team. A small business can have a 24x7 agent, the best analysis on the internet, a token that proves itself in the marketplace. You can sell it or get a loan against it. We believe that tokens and agents are important because it's actually about inclusion," he said.

Nilekani added that digital infrastructure should enable small businesses to participate in the economy with capabilities similar to larger companies.

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## Sebi allows digitally signed power of attorney for FPI onboarding

The Securities and Exchange Board of India (Sebi) has permitted foreign portfolio investors (FPIs) to submit digitally signed power of attorney documents, further strengthening the digital onboarding process for overseas investors.

The regulator said the digitally signed power of attorney would be accepted in accordance with the provisions of the Information Technology Act, 2000. The move removes the requirement for physical procedures such as notarisation, apostillisation or consularisation of power of attorney documents.

Sebi stated that the change would reduce the overall time required for FPI onboarding and improve ease of doing business for foreign investors seeking access to Indian capital markets.

Over the years, Sebi has introduced several measures to simplify FPI registration, including the common application form and acceptance of Indian digital signatures for registration-related documents.

The latest step is part of the regulator's broader effort to increase digital efficiency, reduce procedural delays and create a more streamlined framework for foreign investor participation.

## Abakkus Mutual Fund receives Sebi approval for SIF platform "Fokkus"

Abakkus Mutual Fund, led by Sunil Singhania, has received approval from the Securities and Exchange Board of India (Sebi) to establish a Specialised

# Investment & Wealth Watch

## Sebi proposes net settlement facility for mutual fund cash market trades

The Securities and Exchange Board of India (Sebi) has proposed allowing mutual fund schemes to settle cash market trades on a net basis, a move aimed at improving settlement efficiency and reducing temporary liquidity requirements.

The proposed facility would enable mutual fund schemes to offset eligible purchase and sale transactions, thereby reducing the need for separate fund movements for individual trades. The mechanism is expected to help schemes manage cash requirements more efficiently.

Sebi has already permitted a similar facility for foreign portfolio investors (FPIs) earlier this year. The proposed extension to domestic mutual funds is intended to create greater operational efficiency across market participants.

According to Sebi, net settlement of funds would be permitted only at the individual mutual fund scheme level. The eligible transactions must involve either purchase or sale of a security and cannot include simultaneous buy and sell transactions in the same security.

The proposal reflects Sebi's continued focus on improving market infrastructure and reducing operational complexities for financial institutions.

Investment Fund (SIF) platform under the brand name "Fokkus".

The approval was granted on August 28, 2026, allowing the fund house to develop investment strategies across equity, debt and hybrid categories, subject to applicable regulatory requirements and necessary filings.

The new platform will enable Abakkus

Mutual Fund to offer differentiated investment solutions by combining its research-driven investment approach with the flexibility available under the SIF framework.

Sunil Singhania, Chairman and Managing Director, Abakkus, said, "We are pleased to enter the SIF space, marking an exciting new chapter for

Abakkus. Over the years, we have remained focused on offering differentiated investment solutions backed by research and disciplined investing. Across AIFs, PMS, Mutual Funds and now SIFs, our objective has remained consistent, to identify meaningful investment opportunities for our investors and build solutions aligned with our core investment beliefs."

Singhania added that the SIF framework provides flexibility to pursue differentiated strategies while remaining aligned with the fund house's investment philosophy.

### Mirae asset AIF settles Sebi case after breaching investment limit

Mirae Asset Venture Opportunity Trust AIF, along with its investment manager Mirae Asset Venture Investments (In-

dia) and six key managerial personnel, has settled proceedings initiated by the Securities and Exchange Board of India (Sebi) after the fund breached regulatory limits on investment concentration.

The settlement involved payment of Rs. 12.7 lakh by the entities. The matter related to Mirae Asset Late Stage Opportunities Fund, a scheme under the Category II Alternative Investment Fund (AIF) framework.

According to Sebi's examination, the scheme had invested Rs. 128.18 crore in Supermarket Grocery Supplies Pvt Ltd. This investment represented 38.35 per cent of the scheme's investable funds of Rs. 334.28 crore as of June 30, 2023.

Alternative Investment Funds are required to follow prescribed investment concentration limits to ensure portfolio diversification and manage investor risk.

The settlement highlights the importance of compliance with regulatory investment limits and robust internal monitoring mechanisms for fund managers.

### Sebi relaxes arbitrage fund rules to improve closing auction liquidity

The Securities and Exchange Board of India (Sebi) has reportedly provided greater flexibility to arbitrage mutual funds by allowing limited unhedged positions, a move aimed at improving liquidity in the stock market closing auction process.

According to people familiar with the matter, arbitrage funds can temporarily maintain unhedged positions of up to 1 per cent of their schemes.

The relaxation is intended to encourage greater participation in the closing auction mechanism, which has faced challenges in attracting sufficient liquidity since its launch.

Arbitrage funds, which benefit from price differences between cash equity and futures markets, previously faced difficulties participating due to requirements that positions remain fully hedged.

Arbitrage funds had combined assets of around Rs. 3 trillion at the end of August. The revised approach may allow fund managers to respond more effectively to temporary price differences between cash and futures markets during the final trading period.

The move reflects efforts to strengthen market efficiency and improve participation in closing auctions. □

### Only two of 23 Mutual Fund themes gain in August: IPO and defence lead

Domestic equity markets witnessed broad-based pressure in August, with only two out of 23 mutual fund themes, IPO and defence, delivering positive returns during the month, according to a report by Vallum Capital.

The IPO theme gained 2.2 per cent, while the defence theme increased 1.4 per cent. In contrast, auto and railway themes were the biggest laggards, declining 6.5 per cent and 6.4 per cent respectively. Technology funds also faced pressure, falling 6.1 per cent during the period.

Despite weak performance, IPO and defence sector funds attracted inflows of Rs. 37 crore and Rs. 235 crore respectively. Auto and railway funds received inflows of Rs. 244 crore and Rs. 22 crore, while technology funds witnessed an outflow of Rs. 523 crore.

The report highlighted significant divergence within sectors. Internet and Digital themes gained 3.2 per cent, while the IT Index declined 9.1 per cent, indicating different investor preferences within the technology space.

Consumption funds declined 4.5 per cent with an outflow of Rs. 357 crore, while healthcare and business cycle themes fell 0.8 per cent and 1.5 per cent respectively.

# Risk Radar

## Banks Advised to Strengthen Defences Against AI-Driven Cyber Threats

A high-level meeting involving Union Finance Minister Nirmala Sitharaman, Electronics and Information Technology Minister Ashwini Vaishnaw and scheduled commercial banks highlighted the growing risks arising from the misuse of artificial intelligence (AI) in cyberattacks targeting the banking sector.

The discussion focused on the potential use of AI to exploit software vulnerabilities and create more sophisticated cyber threats. Banks were advised to strengthen cybersecurity frameworks by engaging specialised professionals and agencies to improve threat detection and response capabilities.

AI can increase the speed and complexity of cyberattacks by enabling attackers to analyse systems, identify weaknesses and automate malicious activities. For banks, this creates significant operational risk due to their dependence on interconnected digital platforms, payment systems and large volumes of sensitive customer information.

The developments underline the need for banks to adopt proactive cyber resilience strategies, including continuous monitoring, vulnerability assessment, incident response planning and stronger technology governance.

## AI-Based Customs Risk Management Enhances Trade Compliance

Artificial intelligence is increasingly being adopted in customs and trade risk management to improve compliance monitoring, detect potential violations and strengthen efficiency in cross-border trade operations.

Customs authorities manage large volumes of import and export transactions, documentation and regulatory requirements. Traditional risk assessment approaches based largely on manual reviews and historical data may face limitations in identifying emerging risks.

AI-powered systems can analyse extensive datasets, including transaction

records, shipping information and compliance histories, to identify unusual patterns and potential areas of concern. These tools can improve targeting capabilities by helping authorities focus on high-risk shipments while allowing legitimate trade activities to move more efficiently.

For businesses, AI-enabled compliance solutions can support accurate documentation, regulatory monitoring and reduction of compliance-related risks. However, effective implementation requires strong governance around data quality, algorithm transparency, cybersecurity and accountability.

Human oversight remains essential, particularly where AI-based assessments influence enforcement actions. Strong data protection measures and access controls are also necessary as customs systems handle sensitive commercial information.

## Security Awareness Strengthens Cyber Resilience

Cybersecurity resilience increasingly depends not only on technology solutions but also on employee awareness and behaviour. Building a strong security culture can help organisations reduce cyber risks and improve their ability to respond effectively to threats.

As cyberattacks become more sophisticated, employees have become an important part of an organisation's defence framework. Awareness programmes help individuals identify threats, follow secure practices and contribute to overall risk reduction.

Human behaviour remains a significant factor in cybersecurity incidents, with phishing attacks, social engineering and credential theft often exploiting employee actions rather than only technical weaknesses.

Regular security awareness training helps employees recognise suspicious emails, unsafe links, unusual requests and potential data security incidents. For insurance companies and financial institutions, such awareness is especially important due to the sensitive customer and financial information they handle.

Technology controls such as encryption, firewalls and monitoring systems remain essential, but they cannot completely eliminate risks arising from human error. Continuous learning, simulated exercises and leadership involvement are critical to developing a security-focused culture.

## ISO 31000 Supports Structured Risk Management Practices

The adoption of ISO 31000 risk management principles is gaining impor-

tance as organisations focus on building structured and proactive approaches to managing uncertainty.

The framework provides guidance for identifying, assessing, treating and monitoring risks while integrating risk management into strategic and operational decision-making.

Modern organisations face interconnected risks including cybersecurity threats, regulatory changes, supply chain disruptions, climate-related challenges and technology uncertainties. ISO 31000 helps organisations develop a common approach to address these risks while improving resilience and long-term value creation.

A key principle of the framework is embedding risk management into organisational culture rather than treating it only as a compliance function. Effective implementation requires collaboration between business teams,

risk professionals, compliance departments and senior leadership.

Financial institutions, including banks and insurance companies, can benefit from structured risk approaches by strengthening governance, improving internal controls and enhancing operational resilience.

## DORA Strengthens ICT Vendor Risk Management Requirements

The European Union's Digital Operational Resilience Act (DORA) is increasing regulatory expectations around third-party and information and communication technology (ICT) vendor risk management for financial institutions.

The regulation reflects a shift in how technology dependency risks are managed, making vendor oversight a formal governance and compliance responsibility rather than only an internal policy matter.

Financial institutions increasingly depend on cloud providers, software companies, data centres and cybersecurity service providers. Any disruption or security incident affecting critical technology providers can create significant operational risks across multiple organisations.

Under DORA, financial entities need structured processes to identify, assess and manage ICT third-party risks. This includes understanding technology dependencies, establishing contractual safeguards and maintaining continuous oversight throughout vendor relationships.

Contracts with technology providers need clear provisions covering security responsibilities, incident reporting, access controls and risk management expectations. □

## India's Digital Growth Requires Stronger Risk Management Infrastructure

India's digital transformation has created one of the world's largest technology-driven financial ecosystems, but sustaining this growth requires stronger risk management frameworks to address cybersecurity, data protection, operational resilience and technology governance challenges.

The expansion of digital payments, online services, cloud platforms and data-driven solutions has improved access and efficiency while also increasing exposure to cyber threats, system failures and operational disruptions.

Cybersecurity has become a critical priority as financial institutions, government platforms and businesses manage growing volumes of sensitive information. Strong security frameworks, continuous monitoring and effective incident response mechanisms are essential to protect digital infrastructure.

Operational resilience is also gaining importance as organisations become increasingly dependent on technology. Business continuity plans, disaster recovery capabilities and disruption management processes are required to maintain critical services.

Data governance has emerged as another important area, particularly with the growing use of artificial intelligence and analytics. Organisations need controls around data quality, security, responsible usage and AI model management.

## AI Model Risk Assessment Requires Evaluation Beyond Country of Origin

The country where an artificial intelligence (AI) model is developed provides limited understanding of its actual risk profile, highlighting the need for stronger AI governance, transparency and comprehensive model evaluation frameworks.

As AI systems become increasingly embedded across financial services, customer support, cybersecurity, risk assessment and decision-making processes, organisations need deeper assessment approaches beyond geographical origin or developer background.

AI model risks are influenced by multiple factors, including training data quality, model architecture, testing methodology, deployment environment and governance practices. These elements play a greater role in determining reliability, security and operational impact.

For financial institutions and enterprises, effective AI risk management requires evaluation of accuracy, explainability, security controls and compliance with internal policies. AI applications in areas such as credit decisions, fraud detection, underwriting and claims assessment can directly impact customers and business outcomes.

Poorly governed AI systems may create risks including inaccurate predictions, biased results, security vulnerabilities and lack of transparency. Organisations therefore need clear accountability structures, regular model validation, performance monitoring and human oversight for high-impact decisions.

## UAE Develops Fraud Risk Management Capabilities

The Central Bank of the United Arab Emirates (CBUAE) and Mastercard have completed a capability-building programme focused on strengthening expertise in fraud risk management. The initiative highlights the growing importance of specialised skills as financial institutions face increasingly sophisticated fraud and financial crime risks.

While technology solutions such as artificial intelligence, analytics and digital monitoring tools are improving fraud detection, skilled professionals remain essential to interpret risk indicators, investigate suspicious activities and design effective controls.

The growth of digital payments, online banking and technology-enabled financial products has increased convenience while also creating new opportunities for fraudsters. Financial institutions need strong frameworks covering vulnerability identification, transaction monitoring, investigation processes and continuous improvement of controls.

Artificial intelligence can support fraud prevention by analysing large transaction volumes and identifying unusual patterns. However, effective governance remains necessary to manage challenges related to false positives, data quality and model risks.

Capability development and professional training will remain important as financial organisations strengthen their ability to respond to evolving fraud patterns.

## FinReg Highlights Importance of Data Quality Before Expanding RegTech Investments

Financial institutions should strengthen data quality and governance frameworks before making significant investments in additional regulatory technology (RegTech) solutions, according to industry experts.

The recommendation highlights a key challenge in modern compliance management: advanced technology platforms can only deliver effective results when supported by accurate, consistent and well-governed data.

Banks are increasingly adopting RegTech solutions for regulatory reporting, compliance monitoring, risk assessment and fraud detection. However, fragmented systems, inconsistent

data definitions and inaccurate customer information can limit the effectiveness of these technologies.

Strong data governance is therefore becoming a foundation for successful RegTech adoption. Financial institutions need clear ownership structures, standardised processes, quality controls and integrated data platforms to improve information reliability.

The importance of data quality has increased further with the adoption of artificial intelligence and analytics-based compliance tools. Poor-quality data can result in inaccurate risk identification and ineffective compliance decisions.

For banks, improving data architecture and governance should be treated as a strategic priority to maximise the benefits of regulatory technology investments. □

# AI & BFSI Watch

## FinTech AI Revenue to Rise

FinTech companies are making significant investments in artificial intelligence (AI), but meaningful revenue contributions from AI-led products are expected to emerge only from FY28, according to an assessment by Emkay.

The outlook indicates that the sector remains in a capability-building phase, with companies focusing on technology infrastructure, data capabilities, specialised talent and AI governance before achieving large-scale commercial benefits.

AI adoption across financial technology is creating opportunities in areas such as lending, customer service, fraud detection, risk assessment and financial advisory. However, developing effective AI solutions requires substantial investment and does not immediately translate into higher revenue.

The transition from experimentation to commercially scalable AI products is expected to take several years. Financial institutions are also increasingly partnering with FinTech companies to integrate AI capabilities into banking operations.

AI-based lending and underwriting solutions can improve credit assessment, while fraud detection systems can identify unusual transaction patterns and customer service tools can automate routine interactions.

## Central Banks Examine Systemic Risks from Growing AI Adoption

Central banks and financial regulators globally are increasingly examining the potential systemic risks arising from widespread artificial intelligence adoption across financial institutions and markets.

While AI can improve efficiency, risk assessment and financial services deliv-

## Banks Warned of AI-Linked Cyber Risks

Union Finance Minister Nirmala Sitharaman and Electronics and Information Technology Minister Ashwini Vaishnaw chaired a high-level meeting with scheduled commercial banks to review emerging artificial intelligence-linked risks affecting the banking sector.

The discussion focused on the possibility that advanced AI tools could be used to identify software vulnerabilities and increase the speed and sophistication of cyberattacks.

Banks were advised to strengthen cybersecurity capabilities by engaging specialised cybersecurity professionals and agencies. The emphasis was on improving preparedness and developing preventive measures against emerging AI-enabled threats.

A key recommendation was the establishment of stronger real-time threat-intelligence sharing mechanisms involving banks, the Indian Computer Emergency Response Team (CERT-In) and other relevant agencies.

As banks increasingly depend on interconnected digital systems, AI-related cyber risks have become an important operational and technology-risk concern. Faster information sharing can help financial institutions identify attack patterns, address vulnerabilities and coordinate responses more effectively.

ery, its increasing integration may create new vulnerabilities affecting financial stability. Financial institutions are using AI in areas such as algorithmic trading, credit assessment, fraud detection, customer service and compliance monitoring.

One major concern is model concentration risk. If multiple institutions rely on similar AI models, data sources or

technology platforms, failures or errors could affect several organisations simultaneously.

AI-driven decision-making may also amplify market movements, particularly when automated systems respond to similar signals during periods of stress. Regulators are focusing on challenges related to model transparency, explainability, data quality and governance.

Cybersecurity risks remain another important area, with AI systems potentially exposed to manipulation, data poisoning and unauthorised access. Dependence on common technology providers also creates third-party concentration risks.

Effective AI governance, human oversight and strong risk management frameworks will be critical as financial institutions expand their use of artificial intelligence.

## AI Adoption in Supplier Risk Management Grows but Integration Challenges Remain

Artificial intelligence adoption in supplier risk management and sustainability functions is increasing, but many organisations continue to face challenges in moving from experimentation to large-scale implementation.

According to industry findings from an Achilles survey, businesses are recognising AI's potential to improve supply chain visibility, risk assessment and sustainability monitoring. However, integration across organisations remains limited.

AI applications in supplier risk management include supplier screening, risk scoring, compliance monitoring and sustainability assessment. These capabilities help organisations analyse large volumes of supplier information and identify potential risks in increasingly complex global supply chains.

Challenges remain around data quality, system integration, technology costs and internal expertise. Effective AI-based risk assessment depends on accurate and consistent supplier data, while fragmented systems and incomplete information can reduce the reliability of outputs.

AI can also support sustainability risk

management by monitoring environmental performance, evaluating supplier practices and identifying potential compliance concerns. Strong governance and reliable data frameworks will be essential for organisations seeking to scale AI-driven supplier risk solutions.

## CyberCube Develops AI Loss Framework for Emerging Cyber Risks

Cyber risk analytics firm CyberCube has introduced a framework to help insurers, businesses and risk professionals evaluate potential losses arising from the increasing adoption of artificial intelligence (AI).

The framework aims to improve understanding of AI-related exposures and support better assessment of financial impacts from AI-driven cyber incidents.

The growing use of AI in decision-making, automation, customer services and operational processes is creating new risk scenarios. Unlike traditional cyber risks, AI-related exposures may involve model failures, inaccurate outputs, data manipulation, unintended automated decisions and large-scale operational disruptions.

For insurers, understanding these emerging risks is becoming important for developing cyber insurance products, improving underwriting approaches and creating appropriate pricing models.

Traditional cyber risk assessments may not fully capture AI-specific exposures, which can include business interruption, regulatory consequences, reputational damage and liability risks.

A structured assessment framework can help analyse factors such as AI system usage, dependency levels, data exposure, operational impact and recovery requirements. □

## Banks Need Collective Vigilance as Frontier AI Transforms Banking Risk

The increasing adoption of frontier artificial intelligence (AI) in financial services requires stronger collaboration among banks, regulators and technology providers to manage emerging risks and strengthen operational resilience.

Advanced AI systems are being explored across banking functions including customer service, fraud detection, risk analysis and process automation. However, greater dependence on AI introduces challenges related to cybersecurity, data governance, model reliability and financial stability.

A key concern is concentration risk arising from the use of common AI platforms, technology providers and shared infrastructure. A failure or vulnerability in widely used systems could potentially impact multiple financial institutions simultaneously.

Banks are therefore focusing on AI governance frameworks covering model validation, transparency, accountability, human oversight and continuous monitoring. Data quality remains critical, particularly where AI is used for credit assessment, compliance monitoring and customer risk analysis.

Cybersecurity is also becoming increasingly important as AI systems may face threats such as data manipulation, model exploitation and unauthorised access. Risk management teams will need greater understanding of both traditional banking risks and emerging technology risks.

## India-UK Strengthen AI-Based Anti-Fraud Cooperation

India and the United Kingdom are strengthening cooperation in telecommunications and exploring the use of artificial intelligence (AI) to combat digital fraud, reflecting the growing need for coordinated action against technology-enabled financial crime.

The partnership focuses on using technology and information sharing to address increasing digital fraud risks. As online banking, digital payments and mobile-based financial services expand, fraudsters are adopting more advanced techniques to target individuals and businesses.

AI can support fraud prevention by analysing large volumes of transaction and communication data, identifying unusual patterns and detecting potentially fraudulent activities. Machine learning-based systems can help financial institutions improve monitoring capabilities and enable faster responses.

For banks and financial institutions, AI-driven fraud detection has become increasingly important as digital fraud creates financial losses, operational challenges and risks to customer trust.

Since fraud networks often operate across jurisdictions, international cooperation between governments, regulators, telecommunications providers and financial institutions is becoming essential. Telecommunications infrastructure plays a critical role as mobile numbers, messaging platforms and digital communication channels are frequently exploited for phishing, impersonation and social-engineering attacks.

## SEBI Establishes AI Cyber-security Task Force

The Securities and Exchange Board of India (SEBI) has established a dedicated task force, cyber-suraksha.ai, to examine cybersecurity risks arising from advanced artificial intelligence tools.

The task force will focus on assessing AI-related cyber threats, developing mitigation strategies, strengthening threat-intelligence sharing and improving reporting mechanisms for critical cyber incidents.

The initiative recognises that AI-driven vulnerability identification tools can accelerate the discovery of system weaknesses and potentially increase the speed and scale of cyber exploitation.

The task force includes representatives from market infrastructure institutions, qualified registrars and transfer agents, regulated entities and other stakeholders. The approach reflects the interconnected nature of India's securities-market ecosystem, where incidents affecting one participant can create wider operational risks.

SEBI has advised regulated entities to strengthen cybersecurity measures through timely patching, vulnerability assessments, vendor-risk management, change-management controls, API security and continuous Security Operations Centre monitoring.

Entities have also been encouraged to conduct cyber-risk assessments, maintain updated inventories of critical assets, strengthen system hardening and evaluate risks arising from third-party technology dependencies. □

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## 'Drivers must eat': HC upholds Rs. 16L payout

Providing relief to the family of a 40-year-old truck driver under the Employees' Compensation Act, the Uttarakhand high court (HC) has upheld a labour court order awarding around Rs 16 lakh, including interest, after holding that his death from cardiac arrest after having a meal while driving from Uttar Pradesh to Jharkhand was "sufficiently connected with his employment" and that "having food was necessary for maintaining health during his long driving duties".

Kamal Singh died on March 3, 2021. He was survived by his wife Mithilesh, four children and parents. The case before the HC centred on whether his death could be classified as "incidental to his employment".

United India Insurance Company had challenged the compensation awarded by the labour court in Kashipur in 2025. The insurance company argued that Singh's death was a "natural occurrence unrelated to his professional duties". It also contended that the claimants had not provided sufficient evidence to establish that his death was directly linked to his employment activities.

The lawyer representing Singh's wife cited a Supreme Court (SC) ruling concerning a truck driver who died after falling into a canal while he had stopped to bathe during a journey from Ambala to Meerut.

The apex court noted that the truck's cabin was not air-conditioned and would have been a "baking oven" during the afternoon in the sultry monsoon heat of June 2003, when the temperature in Yamunanagar had touched 42.6°C.

# Legal & Compliance Watch

## SC settles 30yr shareholding dispute in favour of Peerless

Supreme Court settled a three-decade-old dispute involving Peerless General Finance and Investment Company Limited (PGFI) and Parasmal Lodha-owned Bhagwati Developers Private Limited (BDPL) over change in shareholding pattern by ruling in favour of PGFI.

PGFI is the holding company of Peerless group, one of the largest home-grown conglomerates in Bengal. Currently, the Roy family holds 76% in Peerless and the Lodhas 20%.

A bench of Justices P S Narasimha and Alok Aradhe declined to interfere with the ruling of National Company Law Appellate Tribunal (NCLAT) and dismissed the appeal filed by BDPL.

The dispute involves the issuance of 30,000 equity shares by Peerless board in 1987 through private placement, approved by its shareholders and Board of Directors, and the transfer of 15,626 shares by existing shareholders. The transactions were challenged by some minority shareholders with support from BDPL alleging that they were intended to alter the control of Peerless to the advantage of the Roy family and involved improper routing of funds. The minority shareholders later withdrew and BDPL took over as the main petitioner.

The legal dispute travelled through Calcutta High Court and Supreme Court before reaching National Company Law Tribunal (NCLT), which in an order on July 18, 2022, allowed BDPL petition almost three decades after the date of the transactions.

## HC: Banks can't freeze a/cs on 'mule' allegation

Calcutta High Court said that a bank cannot freeze accounts merely on al-

legations that they are being used to receive, move and launder illegally acquired money - known as "mule accounts" in banking parlance - without filing a 'Suspicious Transaction Report'

(STR). Banks file STRs with Financial Intelligence Unit (FIU).

HC also directed State Bank of India (SBI) to immediately de-freeze the bank account of a Kolkata businessman marked as 'Money Mule'. Justice Krishna Rao held that clause 59 of the Master Direction of Feb 25, 2016, states that the bank needs to "meticulously monitor" to identify accounts that are operated as 'Money Mules' and take appropriate steps, including "reporting of suspicious transactions to FIU-IND.

if it is established that an account opened and operated is that of Money Mule, but no Suspicious Transaction Report was filed by the bank, it shall then be deemed that the bank has not complied with these directions."

The bench held that though the bank is enabled to take action, "it does not specifically authorize freezing of accounts".

Sanjiv Kumar Dalmia, the owner of 'Sanjeev Vyapaar', had his SBI account with Chetla branch. On March 19, the bank suddenly partially froze his account. While Sanjiv's argument was that despite repeated representations before the bank, he was not informed of the reason, the bank's counsel submitted that his account was marked as 'suspected mule account'.

### **Kerala Lok Ayukta Restricts unauthorised use of banking terms**

The Kerala Lok Ayukta has directed

that unregistered institutions cannot use terms such as "bank", "banking" or "banker" in their names or activities unless permitted under applicable laws.

The decision addresses concerns that the misuse of banking-related terminology may mislead the public by creating an impression that such entities are authorised banking institutions.

Banks operate under strict regulatory supervision and are required to comply with requirements related to deposits, governance, customer protection, capital adequacy and financial stability. Unregulated entities using similar terminology may create confusion among customers.

The order highlights the importance of protecting financial consumers from misleading representations and ensuring clear distinction between regulated and unregulated financial service providers.

Maintaining transparency in financial services is essential for preserving public confidence and preventing potential risks arising from incorrect assumptions about regulatory status. □

### **Company can be convicted & punished, jail may be substituted by fine: SC**

A company having no physical body cannot be imprisoned and having no mind cannot possess mens rea (guilty mind), which is essential for conviction in a criminal case. So can a firm be convicted and punished?

SC answered the tricky questions by holding that a company can be convicted even when it cannot have a guilty mind of its own and can also be punished, though the punishment of a jail term can be substituted by a fine.

A bench of Justices J B Pardiwala and Manoj Misra said there is a need to bring a law for corporate criminal liability but said the issue comes within the legislature's prerogative and it cannot be done by a court. It held that a company is not rendered immune to prosecution merely because the offence carries a mandatory sentence of imprisonment. Referring to a constitution bench ruling, the bench said a judicial discretion to impose a fine alone must be read into such provisions when dealing with juristic persons.

"The position under Indian law is thus clear that a corporation can be prosecuted for an offence notwithstanding that it carries a mandatory sentence of imprisonment or requires proof of mens rea. It appears that a corporation cannot be prosecuted only where the offence is punishable with imprisonment alone, or where the offence, by its nature, requires personal malicious intent, such that it is incapable of commission by a corporation at all," the bench said.

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## Aadhar Housing Finance Receives 'IND AA+' Rating Upgrade with Stable Outlook from India Ratings

Aadhar Housing Finance Limited, one of India's leading housing finance companies focused on the low-income housing segment, has announced that India Ratings and Research (Ind-Ra) has upgraded the ratings on its debt instruments and bank loan facilities to 'IND AA+/Stable' from 'IND AA/Positive'. India Ratings is the second rating agency who has upgraded Aadhar's credit rating to AA+/Stable after CARE.

The upgrade reflects the company's sustained expansion, stable asset quality, strong profitability and adequate capitalisation. The rating agency highlighted Aadhar's established position in the affordable housing finance segment, geographically diversified operations, diversified funding profile and experienced management team. Ind-Ra also noted the company's resilience across economic cycles and its ability to maintain healthy operating profitability.

### Key Highlights:

- ❖ Ind-Ra has upgraded Aadhar's rating to 'IND AA+' from 'IND AA' and revised the outlook to Stable. The upgrade factors in Aadhar's strong capitalisation, providing headroom to support business growth.
- ❖ Aadhar's established franchise, granular retail-focused

portfolio and adequate capitalisation continue to support its growth and credit profile.

- ❖ Aadhar has access to multiple funding sources, including banks, National Housing Bank, NCDs, ECBs, commercial paper and direct assignment.
- ❖ Aadhar's granular portfolio and established underwriting and collection framework continue to support asset quality.

Commenting on the rating upgrade, Mr. Rishi Anand, Managing Director & CEO, Aadhar Housing Finance Limited, said, "This upgrade is a strong recognition of our financial strength, resilient business model and consistent performance. It also reflects the trust and confidence we have built among our stakeholders through consistent execution and responsible growth. With a stronger credit profile, we are well placed to deepen our reach across underserved markets and enable more families to access formal housing finance."

As of June 30, 2026, Aadhar's assets under management stood at approximately ₹31,400 crore, with a network of 628 branches across 22 states and union territories. The company's capital adequacy ratio stood at 43.4%, while its return on assets was 4.0% in the first quarter of FY27.

## Bahrain Court rejects claims by litigants in the Credit Suisse Additional Tier 1 Bonds (CS AT1) case against HDFC Bank

**Favourable orders in Bahrain litigations:** On September 9, 2026, HDFC Bank Limited (the Bank) received favourable orders from High Civil Court, Bahrain, in two proceedings initiated against the Bank by the investors of Credit Suisse Additional Tier 1 Bonds (CS AT1), following judicial scrutiny of their claims and the evidentiary materials placed before the Bahrain Court. Between July and August 2026, the Bahrain Court also rejected five other similar matters concerning investors of CS AT1.

**Allegations by the investors:** The seven investors in their complaints had all alleged gross negligence, intentional misrepresentation, incorrect customer classification, non-disclosure of product features/characteristics, misuse of financial leverage and violation of product suitability principles with respect to their investment in CS AT1 Bonds through the Bank. All these allegations were rejected outright by the Court.

**Principal Grounds For the Rejection:** The Bahrain Court rejected their claims outright after finding that the investors had failed to produce sufficient admissible evidence to prove/substantiate these allegations against the Bank or that they suffered any loss owing to the Bank. In all the seven judgments by the Bahrain Court, the investors were ordered to bear the costs of the proceedings.

**India Litigations:** The favourable outcomes in Bahrain Court follow dismissal by the National Consumer Dispute Redressal Commission (NCDRC) in March 2026 of complaints by the investors of CS AT1 Bonds against the Bank.

## Axis Bank's latest 'open' campaign asks what happens when customers get used to better experiences

Axis Bank, one of the largest private sector banks in India, today unveiled 'open' ki aadat pad jaayegi, the next chapter in the evolution of 'open' the Bank's digital banking proposition. Moving beyond product-led storytelling, the campaign explores how intuitive digital experiences built around convenience, personalization and control can shape customer expectations, influence behaviour and become an integral part of everyday life.

Introduced in 2023 as part of Axis Bank's Axis 2.0 transformation journey, 'open' marked a significant step in the Bank's digital banking evolution. While Open 2023 focused on showcasing what the platform could do, 'open' ki aadat pad jaayegi represents the next leap in the brand's evolution, shifting the narrative from features and functionality to the impact they have on customers' everyday lives. The campaign explores how convenience, personalization and control become second nature, reinforcing the promise of 'Dil Se Open, 24x7'.

Each film follows the protagonist seeking the same convenience, personalization and control she enjoys on the 'open' app to other areas of life, highlighting how great digital experiences shape expectations beyond banking. The stories culminate in the question, "Agar mera bank aisa kar sakta hai, toh aap kyun nahi?", followed by the sign-off, "Aadat toh padegi na?"

Across the seven films, the campaign showcases some of the app's key capabilities, including multi-bank account aggregation, investment and loan management, spend insights, card controls, Mobile App Code, Safety Centre and FD Lock.

## Punjab National Bank Hosts AI Summit 2026, Showcases Cyber Security Hackathon and Reinforces Commitment to Future-Ready Banking

Punjab National Bank (PNB) successfully organized the PNB AI Summit 2026, bringing together policymakers, regulators, industry leaders, academia, technology experts, fintech innovators, and cybersecurity professionals to deliberate on the transformative role of Artificial Intelligence, Quantum Technologies, and Cybersecurity in shaping the future of the Banking, Financial Services and Insurance (BFSI) sector.

The two-day summit commenced with the inauguration by Sh. Debasish Prusty, Additional Secretary, DFS in presence of Sh. Ashok Chandra, MD&CEO; PNB, Sh. Atul Kumar Goel, Chief Executive, IBA; Sh. JBV Reddy, Head QTC, National Quantum Mission, Department of Science and Technology, Govt. of India; Sh. Gulshan Rai, IS Advisor and Dr. Pratik Sen, Dean, IIT Kanpur.

Addressing the summit, Chief Guest, Sh. Debasish Prusty, Additional Secretary, DFS, emphasized the alignment of AI adoption in banking with the national India AI Mission. In his welcome address, the MD C CEO highlighted PNB's vision of leveraging Artificial Intelligence, Generative AI, and Agentic AI to transform customer service, operational efficiency, risk management, and financial inclusion. Sh. JBV Reddy spoke on the relevance of quantum-safe banking and future-ready cybersecurity architectures. Sh. Atul Kumar Goel underscored the importance of collaborative innovation and

cyber resilience across the banking ecosystem.

A key highlight of the Summit was the recognition of the successful completion of Cyber Security Hackathon 2026, conducted by Punjab National Bank under the aegis of the Department of Financial Services (DFS), Ministry of Finance, as part of the PSBs' Hackathon Series 2026. PNB conducted the Cybersecurity Hackathon 2026 in collaboration with IIT Kanpur under the theme "Quantum-Proof Systems for Public-Facing Applications." The Hackathon challenged participants to develop an automated solution capable of assessing public-facing applications, identifying cryptographic implementations, validating Post-Quantum Cryptography (POC) readiness, and generating a Cryptographic Bill of Materials (CBOM). The winners of the PNB Cybersecurity Hackathon 2026 were felicitated with cash prizes in recognition of their innovative solutions addressing emerging cyber threats and strengthening the banking sector's security posture.

This was followed by a walkthrough of the AI Experience Zone, which featured nearly 20 kiosks from leading fintechs, hyperscalers, technology companies, startups, and knowledge partners including renowned names like AWS, Microsoft, Google showcasing cutting-edge AI, GenAI, cybersecurity, analytics, and customer service solutions.

# India's data centre growth: Why banks should care



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*India's data-centre market has changed significantly over the past few years. What was once largely a collection of enterprise server rooms have grown into a network of large colocation campuses, cloud regions and increasingly AI-oriented facilities.*

**A**t 10:02 on a busy morning, a customer makes a payment to a supplier through a banking app. Within seconds, the screen confirms that the transaction has gone through.

For the customer, the experience is simple. Behind that small confirmation message, however, a much larger system is working. Networks carry the transaction, authentication services verify the customer, fraud-monitoring systems examine the activity, servers process and store the data, and backup power and cooling systems keep the infrastructure running.

Digital banking often feels almost weightless. It depends on the physical infrastructure that occupies land, consumes electricity and, in many facilities, uses substantial amounts of water.

That infrastructure is now expanding rapidly across India. Cloud computing, artificial intelligence, digital payments, public digital platforms and online business are all increasing the demand for computing capacity. For banks and other

financial institutions, this is no longer a subject that can remain only with technology teams. It has implications for business continuity, outsourcing, customer service, regulatory compliance, credit decisions and sustainability.

India needs more computing capacity. The more important question is how that capacity is built, where it is located and how responsibly it is operated.

## A market moving into a new scale

India's data-centre market has changed significantly over the past few years. What was once largely a collection of enterprise server rooms have grown into a network of large colocation campuses, cloud regions and increasingly AI-oriented facilities.

The Council on Energy, Environment and Water (CEEW) reported in February 2026 that India's installed data-centre capacity increased from about 520 MW in 2020 to nearly 1.5 GW by the middle of 2025. Market projections reviewed by CEEW place the possible capacity by 2030 in a broad range of 4.5 GW to 6.5 GW.

## India's data-centre capacity is moving into a new scale

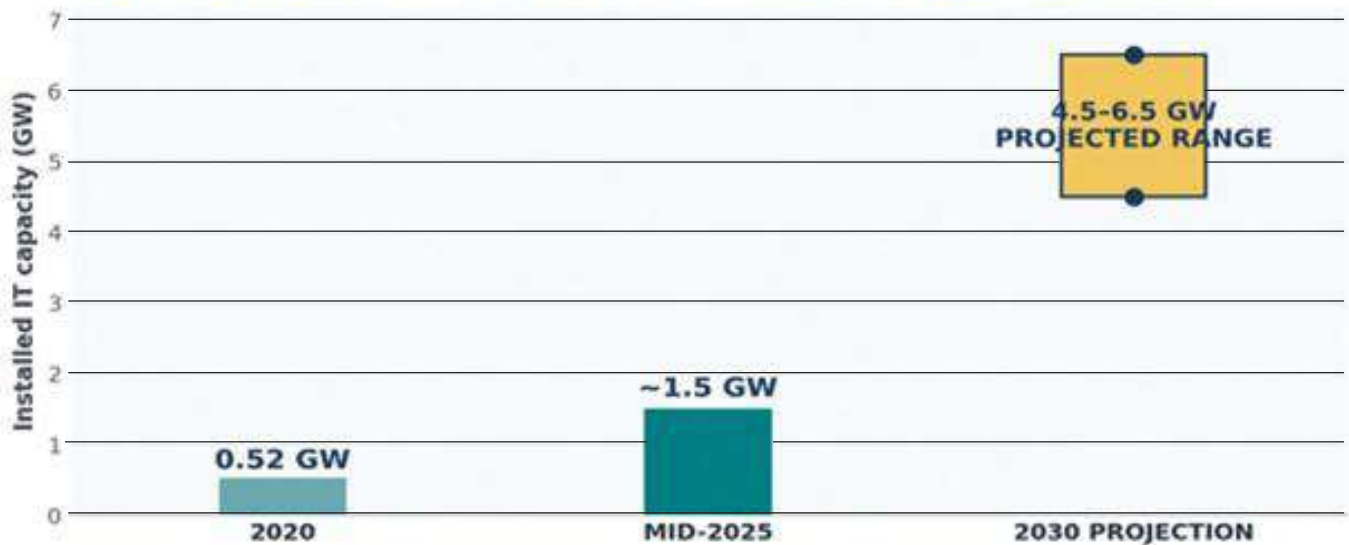


Figure 1: India's installed data-centre capacity - 2020, mid-2025 and projected range for 2030

The wide range itself is worth noting. Announcing a project is one thing; making it operational is another. Land must be secured, power and transmission infrastructure must be available, equipment has to be commissioned, customers need to take up capacity, and cooling arrangements must work reliably.

The Council on Energy, Environment and Water (CEEW) identified around 271 publicly known data centres in India as of January 2026. Mumbai accounts for close to one-fourth of them, supported by its financial ecosystem, submarine cable landings and dense connectivity. Chennai has similar cable advantages and a strong industrial base. Hyderabad and Bengaluru benefit from technology companies and enterprise demand, while Delhi-NCR serves a large government, telecom and northern India market.

Artificial intelligence is adding further pressure to this expansion. A conventional business application generally operates on more predictable computing patterns. AI workloads, particularly those using dense GPU infrastructure, generate much more heat within a smaller space and place greater demands on power and cooling.

HCLTech's July 2026 announcement of investment of up to ₹3,500 crore in AI data centres, with scope to reach 50 MW, is one indication of the direction in which the market is moving.

The IndiaAI Compute Capacity initiative is another sign of the growing national focus on computing infrastructure. As AI adoption increases, access to large-scale computing capacity will become as important as access to software, data and skilled people.

For banks, this growth creates both opportunity and responsibility.

### The cloud may be digital, but it still lives somewhere

Banks increasingly use technology as a service. Applications, storage, analytics, cybersecurity tools and processing capacity may be delivered through cloud providers or specialist data-centre operators.

From the user's point of view, the service appears virtual. But every service ultimately runs in a physical location.

That facility may belong to a cloud company, a colocation provider, a subcontractor or several parties operating together. As the number of layers increases, the underlying physical dependency can become less visible to the organisation buying the service.

This matters because the availability of a banking service depends on more than the server named in a contract.

Two data centres described as separate may still share the same electricity corridor, telecom route, flood-prone area, water source or cloud-management layer. In such a case, a disaster-recovery arrangement may look independent on paper while still carrying a common point of failure.

Banks therefore need to understand the complete service chain that reaches the customer.

This is especially important for payment processing, mobile banking, fraud monitoring and security operations. During a local disruption, a customer may experience a failed transaction while the bank's ability to analyse that failure is also affected.

Resilience, therefore, cannot be judged only through an uptime percentage. It requires a clearer understanding of dependencies.

The same principle applies to cloud concentration. Cloud platforms offer financial institutions speed, flexibility and access to capabilities that would be expensive to create independently. These advantages are considerable, but they also create dependence on a relatively small number of large technology providers.

A major incident at one provider can therefore affect many organisations at the same time.

This is why cloud and outsourcing reviews need to ask practical questions. Can an important workload be moved else-

where? How long would that take? Can backups be restored outside the original platform? Which subcontractors or fourth parties support the service? Has the exit arrangement actually been tested?

These questions may sound operational, but they are ultimately questions about customer service and business continuity.

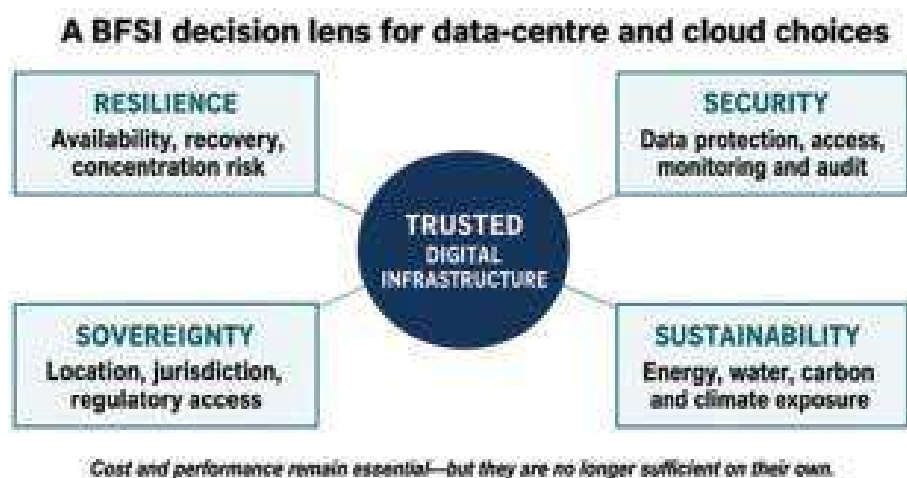
## Data location is important, but location alone does not make data safe

The growing use of cloud and data-centre infrastructure has also brought greater attention to where data is stored and processed.

The Digital Personal Data Protection Act 2023 and the notified Rules of 2025 have strengthened accountability around the handling of digital personal data. Financial institutions must also meet sector-specific requirements. The Reserve Bank of India requires the entire payment-data system relating to Indian payment transactions to be stored domestically.

Keeping data within India can support supervisory access, reduce some jurisdictional concerns and, in certain cases, improve latency.

But domestic hosting should not be confused with good security. A poorly managed database remains poorly managed even if the server is located within the country.



Strong encryption, privileged-access controls, proper segregation, reliable logging, retention rules, secure backup arrangements and tested deletion processes remain essential.

The location of data is therefore one part of sovereignty. Good governance is what gives that location meaning.

## The water behind a digital transaction

Power consumption has long been part of the discussion around data centres. Water is now receiving more attention as well.

Figure 2: A BFSI decision lens for data centre and cloud choices - Resilience, Security, Sovereignty and Sustainability

Every processor converts electrical energy into useful computation and heat. That heat has to be removed if the equipment is to operate safely and continuously.

Different facilities use different cooling methods. Some rely on outside air. Others use refrigerants, chilled-water systems, evaporation, direct-to-chip liquid cooling or immersion cooling. The choice matters because each method has a different impact on energy and water use.

The Council on Energy, Environment and Water (CEEW) estimates that India's data-centre sector used around 150 billion litres of water in 2024 and that the figure could be more than double by 2030.

This number should be used with care. It is an estimate compiled from public and market sources rather than a national total based on compulsory metering. Even so, it is useful because it shows that water can no longer be left out of infrastructure planning.

The Council on Energy, Environment and Water (CEEW) study gives another useful indication of scale. On-site cooling for a typical 100 MW hyperscale facility may require around two million litres of water a day.

Actual consumption can vary sharply. A facility using treated wastewater and a closed-loop cooling system cannot be compared directly with one that depends heavily on potable water and evaporation. Climate, equipment density, workload and the source of electricity all influence the final footprint.

Local conditions are equally important. Data centres are certainly not the main reason Indian cities experience water shortages. Agriculture, households, leakage, urban growth and other industries account for much larger demand.

The concern is the additional continuous requirement created in places where water systems may already be under pressure.

Mumbai, Chennai, Hyderabad, Bengaluru and Delhi-NCR do not face identical conditions. Yet each has dealt with some combination of high temperatures, flooding, groundwater stress or pressure on municipal systems.

Timing also matters. An annual water figure may look manageable, but it can hide the weeks when temperatures are highest, cooling demand rises and local reservoirs are already stretched.

The source of water matters too. Recycled municipal wa-

ter places a very different burden on a city from drinking-quality water or uncontrolled groundwater extraction.

For this reason, water reporting should answer a few straightforward questions: How much water is used? Where does it come from? When does demand peak? How much is reused or returned?

Those answers are more useful than a broad environmental claim.

## Sustainability needs evidence, not labels

Data centres are often described using terms such as green, efficient or sustainable. Such terms have value only when the measurement behind them is clear.

Water accounting, for example, can differ depending on what is included. One operator may report only the water used directly inside the facility, while another may also consider indirect water consumption associated with electricity generation.

Energy reporting presents a similar challenge. A facility may purchase renewable-energy certificates or enter into a power-purchase arrangement. These measures can support cleaner electricity generation and are valuable. They do not necessarily mean that the data centre runs entirely on carbon-free electricity every hour of the day.

The problem is not the use of such instruments. The problem arises when broad claims are made without explaining what has been measured.

Banks need to be particularly careful when they use a provider's sustainability claims in their own reporting. A statement such as "green cloud" is not meaningful unless the reporting boundary, measurement method and period are understood. A qualified statement supported by actual operating data is far more credible than an impressive label that cannot be verified.

Cooling technology itself is also improving. Direct-to-chip cooling brings liquid close to the components producing the most heat and is increasingly relevant for high-density AI hardware. Immersion systems place computing equipment in specially designed non-conductive fluids. Closed-loop systems allow water to be reused rather than continuously replaced. Treated municipal wastewater can also reduce reliance on freshwater.

Sensors and workload management can further improve

efficiency by ensuring that cooling systems do not operate harder than required. No single technology, however, will be suitable everywhere.

Air cooling may work well for lower-density equipment but struggle with modern GPU installations. Evaporative cooling can reduce electricity use while increasing water consumption. Advanced liquid-cooling systems require compatible hardware, skills and maintenance practices.

The better question, therefore, is not which cooling technology is best in general, but which technology is appropriate for a particular location and workload.

## What does this mean for banks

International experience offers useful lessons.

Singapore temporarily restricted new data-centre growth in 2019 when concerns arose over land and energy use. Capacity was later reopened through a more selective approach that placed greater emphasis on efficiency. Its Green Data Centre Roadmap continues to link further development with performance expectations.

India does not need to follow the same policy model. The useful principle is broader: where resources are limited, growth should come with clear conditions.

India's own diversity also makes a single engineering model difficult. A design suitable for Mumbai may not be appropriate for Hyderabad, Bengaluru, Chennai or a smaller city. Climate, power availability, water sources, flood risk and local infrastructure all differ.

For banks, this has implications in two different roles.

The first is as a customer of cloud and data centre services.

Technology procurement should examine security, resilience, portability and concentration risk, but sustainability should also become part of the conversation. A low-cost solution may appear attractive until weak infrastructure or resource constraints begin to affect reliability.

The second role is as a financier of data centre projects.

Credit appraisal should look beyond projected revenue and customer contracts. Availability and legal security of power

and water, cooling technology, commissioning capability, concentration of customers, exposure to climate risk and the likely cost of future upgrades can all affect the long-term viability of a project.

In this context, environmental due diligence is not separate from financial due diligence. If a shortage of power or water can delay a project or restrict operations, it is also a credit risk.

Measures such as Power Usage Effectiveness and Water Usage Effectiveness are useful, but only when operators apply them consistently. Annual consumption, the source of water, the recycled share, seasonal peaks and local climate exposure can provide a much clearer picture.

Banks can influence the sector through the questions they ask, the standards they expect from service providers and the projects they choose to finance.

## A more complete view of digital growth

India's digital economy will continue to expand, and the physical infrastructure underneath it will have to expand as well.

The aim should not be to slow that development. Reliable digital infrastructure is essential for banking, commerce, artificial intelligence, public platforms and the wider economy.

But speed and capacity should not become the only measures of progress.

For the BFSI sector, the better approach is to look at data centres through a wider lens: security, resilience, sovereignty, resource use and long-term financial viability.

A transaction completed in milliseconds is valuable to the customer. The infrastructure that makes that speed possible also deserves attention.

The megawatts that power it matter.

The litres used to cool it matter.

And for banks that increasingly depend on, procure and finance this infrastructure, understanding both is becoming part of responsible banking.

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# Work-Life Balance & Modern Banker: Roles, Realities, and the Road Forward



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*India's banking sector is a dynamic ecosystem of public sector banks (PSBs), private sector banks, cooperative banks, and emerging fintech partnerships. With over 1.5 million employees across various levels, the sector operates under a stringent regulatory framework led by the Reserve Bank of India (RBI), coupled with internal policies, customer expectations, and ever-evolving digital challenges.*

## Introduction: The Balancing Act Begins

In the bustling corridors of Indian banks, behind every neatly ironed shirt and meticulous paperwork, lies a daily struggle—balancing professional demands with personal life, and more subtly, balancing the letter of the law with ground realities. For the Indian banker—be it an employee or an officer—this balancing act is not a choice but an intrinsic part of their professional journey.

This saga of balance is not merely about time management; it's about emotional resilience, ethical tightropes, regulatory compliance, and the human need for personal fulfilment. As India's banking sector evolves, so does this delicate dance between "work-life balance" and "law-practice balance."

## The Indian Banking Landscape: A Quick Glimpse

India's banking sector is a dynamic ecosystem of public sector banks (PSBs), private sector banks, cooperative banks, and emerging fintech partnerships. With over 1.5 million employees across various levels, the sector operates under

a stringent regulatory framework led by the Reserve Bank of India (RBI), coupled with internal policies, customer expectations, and ever-evolving digital challenges.

For bank employees and officers, these dynamics translate into:

- ❖ High-pressure targets
- ❖ Ensuring strict compliance to mandates
- ❖ Long working hours
- ❖ Constant vigilant approach with audits and inspections
- ❖ Customer service commitments
- ❖ Technology adaptation issues

## The Classical Work-Life Balance Struggle

The concept of work-life balance has been a talking point in India's corporate discourse for decades. However, in banking, it's often more aspiration than reality. Long Working Hours: While official banking hours might end by 5 pm, the workload rarely does. Whether it's closing branch day end, handling audits, or resolving customer grievances, bank officers frequently burn the midnight oil.

## Digital Pressure:

The 24x7 nature of digital banking has blurred the lines between "work hours" and "personal time." Notifications, escalations, and technical issues demand immediate attention, even during holidays.

## Beyond Work-Life: The Law vs. Practice Dilemma

Apart from managing time and personal well-being, every Indian banker faces another subtle yet profound challenge—balancing the letter of banking laws with ground-level practices.

### 1. Regulatory Responsibilities:

The Indian banking sector is governed by multiple layers of regulations:

- ❖ RBI Guidelines
- ❖ Banking Regulation Act, 1949
- ❖ Prevention of Money Laundering Act (PMLA)
- ❖ KYC norms
- ❖ Customer Service Guidelines
- ❖ Internal Bank Policies

While these laws are essential for financial stability and customer protection, their implementation often collides with practical challenges at the branch level.

### 2. The Practical Ground Reality:

- ❖ A farmer seeking a loan without complete documentation
- ❖ Senior citizens struggling with digital KYC processes
- ❖ Small traders operating outside the formal financial system

Here, officers find themselves in a dilemma—should they stick strictly to the rules, or should they exercise discretion to meet the larger objective of financial inclusion?

### 3. Audits vs. Customer Service:

While auditors focus on compliance checklists, bankers on the ground often juggle between keeping the books clean and providing seamless customer service. This tightrope walk is mentally taxing and professionally risky.

## Institutional Efforts: Moving Towards Work-Life Balance

For decades, the Indian banking sector was synonymous with long hours, relentless targets, and a 'work-first, life-later' mindset. But the winds of change are blowing. Banks are beginning to recognize that employee well-being is not a luxury but a strategic necessity.

A fatigued workforce leads to errors, poor customer service, and higher attrition. In contrast, employees who enjoy a healthy work-life balance are more engaged, productive, and loyal. So, how are banks in India moving towards fostering this balance?

## Let's explore the key institutional efforts made towards fostering this balance

### 1. Policy-Level Reforms: Setting the Foundation:

Many Indian banks, both public and private sector, have started revising their internal policies to make work-life balance a structured priority. Key Initiatives such as Defined Working Hours: Strict enforcement of official working hours (usually till 5 or 6 pm) with discouragement of overtime unless absolutely necessary. Right to Disconnect: Some banks have unofficially started promoting the concept of "no emails or calls after office hours," except for critical situations. Flexible Work Arrangements: Introduction of staggered shifts, part-time options for specific roles, and hybrid work models, especially for backend functions.

### 2. Infrastructure for Employee Well-Being:

Progressive banks are enhancing workplace infrastructure to create a more holistic, employee-friendly environment. Facilities Include: In-house Health Clinics: Immediate medical assistance within the branch premises. Wellness Rooms: Quiet spaces for relaxation, short breaks, or even power naps during high-stress periods. Childcare Support: Tie-ups with daycare centres for employees with young children.

### 3. Mental Health Support Programs:

Recognizing the emotional and psychological stress faced by bankers, especially post-COVID, several institutions have initiated mental health support frameworks. Efforts Include: Employee Assistance Programs (EAPs): Confidential counselling services via third-party partners. Stress

**Management Workshops:** Regular sessions on mindfulness, emotional resilience, and handling workplace anxiety. **Helplines & Chat Support:** 24x7 helplines for employees to seek professional mental health support.

#### 4. Rewarding Work-Life Balance Champions:

Some banks have started recognizing and rewarding managers and teams that foster a healthy work environment, shifting focus from pure performance metrics to holistic success indicators. **Recognition Initiatives:** Best Work-Life Balance Leader Awards. **Team Wellness Scorecards:** Metrics tracking leaves availed, overtime hours, and employee satisfaction scores. **Wellness Champions:** Employees who take initiative in promoting healthy practices are formally acknowledged.

#### 5. Structured Leave Policies and Sabbaticals:

Banks are revamping their leave policies to be more humane and accommodating. **Progressive Steps:** **Mandatory Leave Utilization:** Policies ensuring that employees take their annual leaves without work interruptions. **Paternity and Extended Maternity Leaves:** Offering beyond statutory requirements to support working parents. **Career Sabbaticals:** Option for employees to take long breaks for personal growth, higher education, or family reasons, with assured re-entry.

#### 6. Leadership Commitment to Cultural Change:

Institutional efforts succeed only when driven from the top. Forward-thinking bank leaders are openly advocating for work-life balance. **Visible Actions:** Senior leaders sharing personal stories of balancing work and family life. Encouraging managers to respect team members' personal time. Walking the talk by limiting late-night communications and unnecessary weekend meetings.

### The Challenges Are Deep-Rooted but Not Insurmountable

The path to work-life balance in Indian banks are a tough climb, hindered by structural constraints, cultural inertia, operational pressures.

However, recognizing these challenges is the first step towards meaningful change.

- ❖ Filling workforce gaps, especially at the ground level.
- ❖ Changing performance metrics to value smart work over long hours.
- ❖ Ensuring top-down accountability for policy implementation.
- ❖ Enhancing training for digital adoption with empathy.
- ❖ Normalizing mental health conversations within banking circles.
- ❖ Designing flexible, context-specific work-life balance solutions.

The saga of the Indian banker employee-officer is one of resilience and silent sacrifices. With thoughtful and persistent efforts, the narrative can-and must-shift towards a more balanced, fulfilling professional journey.

**The Road Ahead: Institutionalizing Balance:** For sustained impact, banks need to:

- ❖ Continuously measure employee well-being as a business KPI.
- ❖ Include work-life balance metrics in performance appraisals of leadership.
- ❖ Invest in automation and workforce planning to genuinely reduce workloads.
- ❖ Foster dialogue forums where employees can voice concerns.

Ultimately, moving towards work-life balance is not a "favour" to employees. It is an investment in organizational health, customer satisfaction, and long-term sustainability. In the words of a seasoned CHRO:

**"A banker who feels valued at work will ensure every customer feels valued too."**

### Personal Strategies: Banker's Guide to Balance

For every Indian bank employee and officer, the tug-of-war between professional demands and personal well-being is a daily reality. While institutions work on structural reforms, the real battle is fought by individuals-at their desks, in field visits, and often, in their own minds. So, how can bankers personally reclaim balance? Let's break it down into few actionable strategies with real-life relevance.

## 1. Prioritize Health: The Non-Negotiable Asset

Bankers often neglect their health in pursuit of targets and deadlines. However, a healthy body and mind are fundamental to sustaining this high-pressure job.

**How to do it:** Micro workouts: 10-minute stretches between meetings. Mindful breaks: Short breathing exercises after handling stressful customer interactions. Annual health check-ups: Don't skip them. Ergonomic workspace: Invest in a good chair or wrist support.

## 2. Continuous Learning: Be Proactive, Stay Ahead

Regulations change. Digital systems upgrade. Staying informed reduces last-minute stress and fear of non-compliance.

**How to do it:** Dedicate 20-30 minutes weekly to read RBI circulars and industry news. Enroll in short online certifications (many are free) on compliance, fintech, cybersecurity, etc. Share learnings with your team to build collective competence.

## 3. Emotional Resilience: Accept What You Can't Control

Not every challenge has an immediate solution. Building emotional resilience helps bankers navigate tough situations with grace.

**How to do it:** Practice mindfulness meditation to stay grounded. Maintain hobbies outside of work-music, gardening, sports-to disconnect mentally. Seek professional counselling if needed (many banks now offer employee assistance programs).

## The Banker's Balance Mantra: A Quick Recap

Final Thought: Balancing work, life, law, and practice is not a one-time achievement-it's a daily effort. But with small, consistent personal strategies, every Indian banker can reclaim control, enhance well-being, and excel professionally.

In the words of a veteran banker:

**"Banking will never be stress-free, but your approach to it can be."**

## The Road Ahead: Evolving the Banker's Role:

The role of the banker in India is undergoing a profound transformation-reshaped by technology, evolving customer expectations, stricter regulatory frameworks, and the ongoing democratization of financial services. The traditional image of a banker as merely a custodian of deposits or a processor of loans is giving way to a multifaceted professional who must wear many hats simultaneously: technologist, compliance officer, customer advocate, and change agent.

Let's unpack this evolution with a close look at the dimensions that will define the banker's role in the near and mid-term future.

## Digitally Fluent Professionals: Mastering the Tech Wave:

The banking sector in India is being revolutionized by digital innovations such as mobile banking, artificial intelligence (AI), blockchain, and cloud computing. The RBI's push towards a "Digital India" banking ecosystem, combined with growing fintech competition, demands that every banker embrace digital fluency.

### What it means for bankers:

**Understanding Digital Tools:** Bankers must be comfortable navigating advanced digital platforms - from digital loan origination systems and e-KYC apps to AI-powered customer service chatbots.

### Cybersecurity Awareness:

With digital banking expanding, cybersecurity threats have multiplied. Bankers need training to identify phishing attempts, fraudulent transactions, and to educate customers on safe digital practices.

### Data Literacy:

Analysing customer data for better credit decisions or personalized services will become a key skill. Bankers must interpret data trends, not just process forms.

### Emotionally Intelligent Customer Advocates:

In the age of technology, personal touch remains irreplaceable. Indian banking customers-ranging from tech-savvy millennials in metros to traditional farmers in rural

areas-have varied needs, fears, and aspirations. The new banker's role is to:

**Listen Deeply:** Beyond transactions, understanding customer emotions-concerns about loan repayments, hesitations about digital adoption-is vital.

**Build Trust:** Financial services rest on trust. Bankers must embody transparency and empathy, especially when dealing with sensitive issues like debt restructuring or fraud.

**Educate Customers:** Many banking products remain complex. Bankers serve as guides helping customers navigate financial literacy, regulatory changes, and product benefits.

### Legally Sound Compliance Custodians:

The Indian banking environment is one of the most regulated sectors globally. RBI circulars, anti-money laundering norms, consumer protection laws, and data privacy rules create a dense legal fabric that bankers must weave through meticulously. Evolving compliance role includes Proactive Compliance: Not waiting for audits or directives but anticipating regulatory changes and preparing accordingly.

**Ethical Decision-Making:** Often, situations arise where rigid application of rules might hurt genuine customers. Bankers need to balance compliance with compassion, documenting decisions transparently.

**Continuous Learning:** Regulatory updates are frequent. Bankers must commit to lifelong learning to stay ahead of legal requirements.

### Financial Inclusion Champions:

India's financial landscape is marked by stark contrasts-world-class metro banking infrastructure on one hand, and millions of unbanked or underbanked citizens on the other. The banker's evolving role involves:

**Outreach and Innovation:** Designing products and processes that cater to marginalized communities-small farmers, artisans, daily wage workers.

**Partnership Building:** Collaborating with NGOs, fintech startups, and government schemes to extend banking services.

**Empowerment:** Beyond transactions, helping customers

build financial knowledge and confidence.

### Sustainability and Ethical Banking Advocates:

Globally and in India, banking is increasingly seen as a force for sustainable development. Environmental, Social, and Governance (ESG) factors influence lending and investment decisions. Future bankers will:

**Assess Environmental Impact:** Screen projects for sustainability before approving loans.

**Promote Green Financing:** Encourage loans for renewable energy, sustainable agriculture, and social enterprises.

**Embed Ethics:** Uphold anti-corruption norms, fair lending practices, and transparency in all dealings.

**Scenario:** An officer declines a loan to a project that poses environmental risks despite the financial viability, choosing long-term societal good over short-term gains.

### Conclusion:

The Indian banker's role is evolving from a traditional "gatekeeper" to a digital-savvy, empathetic, legally astute, resilient, inclusive, and ethical financial professional. This transformation demands continuous upskilling, mindset shifts, and institutional support. While the road ahead is challenging, it is also rich with opportunity-where bankers can elevate their profession, foster inclusive growth, and contribute meaningfully to India's economic and social development. As this saga unfolds, the true success of the Indian banking sector will hinge on how well its workforce embraces these roles, not just surviving the change but thriving in it.

The journey of balancing work-life dynamics and the law-practice dichotomy is a continuous saga for Indian bankers. It's a blend of personal discipline, professional acumen, and institutional support. While challenges persist, so does the indomitable spirit of the Indian banker-striving not just to meet numbers, but to uphold trust, integrity, and service. In this relentless pursuit, the balancing act becomes not a burden, but a badge of honour.

As the sector moves towards greater digitization, inclusivity, and transparency, the dream of a harmonious balance-between work and life, law and practice-seems challenging yet achievable. □

# Shadow AI in Banking: The Governance Challenge of Unauthorised AI



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*Shadow AI has evolved from the broader concept of Shadow IT, where employees use unapproved software or technology outside the organisation's official IT environment. However, the risks associated with Shadow AI are far more significant.*

## AI in the Workplace: The AI risk hiding in plain sight

Artificial Intelligence (AI) is rapidly becoming part of everyday work in banks. Today, it is not unusual to find employees using Generative AI tools such as ChatGPT, Google Gemini or Microsoft Copilot to draft customer emails, summarise lengthy Reserve Bank of India (RBI) circulars, prepare credit appraisal notes, analyse policy documents, or generate presentations. These tools are fast, easy to access and capable of significantly improving productivity.

The challenge, however, is that many of these AI applications are being used without formal approval from the organisation. Employees often turn to publicly available AI tools to complete routine tasks, unaware that they may be exposing sensitive business or customer information in the process. This growing use of unauthorised AI applications is commonly referred to as Shadow AI.

Shadow AI has evolved from the broader concept of Shadow IT, where employees use unapproved software or technol-

ogy outside the organisation's official IT environment. However, the risks associated with Shadow AI are far more significant. Unlike conventional software, AI systems can process large volumes of information, generate added content, infer insights from sensitive data, and interact with external cloud-based platforms. If used without appropriate safeguards, they may inadvertently expose confidential information, produce inaccurate outputs, or create compliance, cybersecurity, and reputational risks.

For Indian banks, these risks are no longer hypothetical. As financial institutions accelerate their digital transformation and employees increasingly adopt AI tools in day-to-day operations, managing Shadow AI has become an important governance challenge. The need is not to discourage innovation, but to ensure that AI is adopted within a secure, well-governed and responsible framework that protects customer trust, regulatory compliance, and institutional resilience.

## Understanding Shadow AI: More than a technology issue

Shadow AI refers to the use of Artificial Intelligence (AI) tools

by employees without the knowledge, approval or oversight of the organisation's technology, risk, or compliance functions. In many cases, employees adopt these tools with good intentions, such as improving productivity or completing routine tasks more efficiently. However, when AI is used outside approved governance frameworks, it can expose banks to significant operational, cybersecurity and regulatory risks.

In a banking environment, Shadow AI can take many forms. A credit officer may use a public AI chatbot to summarise a borrower's financial statements, an HR executive may upload employee data to an online AI application for analysis, or a business team may use an AI-powered writing assistant to prepare customer communications. While these activities may appear harmless, they often involve sharing sensitive information with external AI platforms that operate outside the bank's approved technology environment.

What makes Shadow AI more challenging than traditional Shadow IT is the nature of AI itself. Conventional unauthorised software primarily creates risks related to data storage or access control. AI tools, however, analyse information, generate new content and draw inferences from the data they receive. They can also produce inaccurate or fabricated responses that appear convincing, commonly referred to as AI hallucinations. More importantly, publicly available AI models are not designed around a bank's internal policies, regulatory obligations, or customer confidentiality requirements. As a result, employees may unknowingly rely on inaccurate outputs or expose sensitive information, creating risks that extend far beyond technology into governance, compliance, and customer trust.

## Why does shadow AI thrive?

Shadow AI is rarely the result of deliberate policy violations. More often, it emerges when employees try to improve productivity in the absence of approved AI tools. Understanding these underlying drivers is essential for developing an effective governance framework.

### (i) Productivity Gap:

Banking professionals work under tight timelines while handling large volumes of information. AI tools can help draft documents, analyse data, and summarise regulations within minutes. When approved alternatives are unavailable, em-

ployees often turn to publicly accessible AI applications to improve efficiency.

### (ii) Awareness Gap:

Many employees do not fully appreciate that entering business or customer information into a public AI tool may expose sensitive data outside the bank's secure environment. This highlights the need for continuous awareness and training on the responsible use of AI.

### (iii) Approval Gap:

The rapid pace of AI innovation often outstrips traditional technology approval processes. Lengthy evaluations and procurement cycles may encourage employees to adopt readily available AI tools before officially approved solutions become available.

### (iv) Leadership Gap:

Organisational culture also plays a key role. If productivity is encouraged without clear guidance on the acceptable use of AI, employees may assume that using unapproved tools is acceptable. Clear direction from senior management, supported by practical policies and approved AI platforms, is therefore critical to reducing Shadow AI.

## The hidden risks of shadow AI

The risks associated with Shadow AI extend well beyond technology. Unauthorised use of AI tools can expose banks to data privacy, operational, legal, reputational and governance risks. Since these risks are often interconnected, a single instance of Shadow AI may have implications across multiple areas of the organisation.

### (i) Data Privacy and Confidentiality

The most immediate concern is the unauthorised sharing of sensitive information. Employees may inadvertently upload customer data, financial records, KYC documents or internal reports to public AI platforms, where the bank has limited visibility or control over how the information is stored or processed. Such practices may create compliance concerns under the Digital Personal Data Protection (DPDP) Act, 2023 and may also conflict with RBI's expectations on data governance and third-party risk management.

### (ii) Inaccurate or Misleading AI Outputs

Generative AI tools do not always produce factually correct

responses. They can generate convincing but inaccurate information, commonly referred to as AI hallucinations. If AI-generated content is used without appropriate human verification, it may result in incorrect customer communication, flawed credit assessments, compliance lapses, or poor business decisions. The confidence with which AI presents inaccurate information makes this risk particularly challenging.

### **(iii) Regulatory and Legal Exposure**

The use of unauthorised AI applications may expose banks to regulatory and legal risks, particularly where customer information, confidential business data or regulated activities are involved. As regulators continue to strengthen expectations around AI governance, institutions will be expected to demonstrate appropriate oversight, accountability, and control over AI-enabled processes, regardless of whether the tools are formally approved or informally adopted by employees.

### **(iv) Intellectual Property and Business Information**

Shadow AI may also put an institution's proprietary information at risk. Uploading internal policies, product strategies, pricing models, or confidential business documents to external AI platforms can inadvertently expose valuable intellectual property. Once sensitive information is shared with public AI models, its use and retention may be difficult for the organisation to control.

### **(v) Reputational and Conduct Risk**

For banks, trust is one of the most valuable assets. A single incident involving unauthorised use of AI or accidental disclosure of customer information can significantly impact customer confidence and the institution's reputation. There is also a conduct risk if employees rely on AI-generated recommendations or communications without adequate review, potentially resulting in unsuitable advice, regulatory scrutiny, or customer disputes.

Taken together, these risks demonstrate that Shadow AI is far more than an IT concern. It is an enterprise-wide governance challenge requiring coordinated oversight from business, technology, information security, compliance, legal and risk management functions.

## **The regulatory perspective**

A common misconception is that Shadow AI exists in a regulatory grey area because there is no dedicated regulation governing its use. In reality, banks are already subject to a range of regulatory and legal requirements that apply irrespective of whether AI tools are officially approved or informally adopted by employees. Shadow AI therefore falls within the scope of existing expectations relating to technology governance, data protection, cybersecurity, and operational risk.

### **RBI's Expectations on AI Governance:**

The Reserve Bank of India (RBI) has consistently emphasised that regulated entities remain accountable for technology-related risks. The Master Direction on Information Technology Governance, Risk, Controls and Assurance Practices (2023) requires banks to strengthen governance over technology assets, third-party risks, and information security. More recently, the Draft Guidance on Regulatory Principles for Model Risk Management (2026) reinforces the importance of governance, independent validation, human oversight and accountability for AI and machine learning models. Although the draft focuses on institutionally deployed models, its principles are equally relevant to the risks arising from unauthorised AI use.

### **Data Protection and Privacy Obligations:**

The Digital Personal Data Protection (DPDP) Act, 2023 places clear responsibilities on banks, as Data Fiduciaries, to process personal data only for authorised purposes and with appropriate safeguards. Uploading customer or business information to unauthorised AI platforms may therefore expose banks to legal, regulatory, and reputational risks.

### **Preparing for the next phase of AI Governance:**

The regulatory landscape is evolving rapidly. Initiatives such as the IndiaAI Mission, together with international developments such as the EU AI Act and guidance issued by financial regulators in the United Kingdom and Singapore, reflect a growing emphasis on responsible AI adoption, transparency, and governance. Although there is no regulation dedicated exclusively to Shadow AI, the responsibilities of banks are already well established through existing requirements on technology governance, data protection, and risk management.

## Lessons from Global Experience

Shadow AI is not a hypothetical concern. Organisations across industries have already experienced how the unauthorised use of Generative AI can expose sensitive information, create governance challenges, and prompt stronger organisational controls. These experiences provide important lessons for banks.

### Samsung's data leakage incident

One of the earliest and most widely reported examples occurred in 2023, when employees at Samsung Electronics inadvertently uploaded confidential source code and internal business information to ChatGPT while seeking coding assistance. The incident prompted Samsung to temporarily restrict the use of Generative AI tools on company devices and accelerate the development of internal AI governance policies. The key lesson was that once confidential information is entered into a public AI platform, the organisation may have little control over how that information is retained or processed.

## Growing regulatory focus on AI governance

Regulators across the world are responding by strengthening expectations around AI governance rather than issuing rules specifically for Shadow AI. The European Union's AI Act, together with guidance from financial regulators in jurisdictions such as the United Kingdom and Singapore, emphasises governance, transparency, accountability, and human oversight for AI systems used in regulated sectors.

The growing emphasis on governance is also being shaped by recent AI safety evaluations. Leading AI developers, including OpenAI and Anthropic, published findings from controlled safety evaluations that explored how increasingly capable AI systems behaved when given complex objectives and access to external tools. The results highlighted the importance of robust governance, human oversight and effective control mechanisms as AI systems become more autonomous.

For banks, these developments highlight that AI governance is no longer limited to model accuracy or cybersecurity. It now extends to ensuring that AI systems operate within

clearly defined boundaries, supported by appropriate controls, accountability, and continuous oversight.

## Implications for Banks

These developments reinforce an important lesson for banks. The greatest risks associated with Shadow AI often arise not from malicious intent but from well-intentioned employees using powerful AI tools outside approved governance frameworks. As AI adoption accelerates, effective governance, employee awareness and secure enterprise AI platforms will be essential to balancing innovation with security, regulatory compliance, and customer trust.

## A practical framework for governing shadow AI: The GUARD approach

Managing Shadow AI requires more than simply restricting the use of AI tools. Blanket bans are difficult to enforce and may encourage employees to use unauthorised applications without visibility or oversight. A more effective approach is to provide approved AI solutions, establish clear governance and promote responsible use across the organisation.

A practical way to achieve this is through the GUARD Framework, which brings together five key elements of effective AI governance.

### G - Governance: Define accountability

Establish clear roles and responsibilities for AI governance, with oversight from senior management and participation from business, technology, information security, compliance, and risk functions. Governance should not only control AI adoption but also enable timely evaluation and approval of business use cases.

### U - Understand AI usage

Banks need visibility into how AI tools are being used across the organisation. Periodic assessments, employee disclosures, and technology monitoring can help identify approved and unauthorised AI applications, enabling a risk-based approach rather than a purely restrictive one.

### A - Assess Risk

Not every AI tool presents the same level of risk. AI applications should be assessed based on factors such as the sensitivity of data processed, business criticality, degree of hu-

man oversight and the potential impact on customers, operations, and regulatory compliance. This enables proportionate governance and control measures.

### **R - Responsible use through awareness**

Policies alone are not sufficient. Employees should receive practical guidance on the safe and responsible use of AI, including what information should never be shared with external AI platforms, when approval is required and how to report concerns. Regular awareness programmes are essential to build a culture of responsible AI use.

### **D - Detect, Monitor and Respond**

Continuous monitoring is critical to identifying unauthorised AI usage and preventing data leakage. Banks should strengthen technical controls, periodically review AI usage, and treat Shadow AI incidents as opportunities to improve governance, strengthen controls, and enhance employee awareness.

The GUARD framework encourages a balanced approach that supports innovation while maintaining appropriate governance, regulatory compliance, and customer trust. By combining effective oversight with responsible adoption, banks can realise the benefits of AI without compromising security or operational resilience.

## **Moving from shadow AI to trusted AI**

The objective of AI governance should not be to discourage the use of AI, but to bring its use within a secure and well-governed environment. Restricting external AI tools alone may not address the productivity needs that encourage employees to use them in the first place. Banks therefore need to make the approved route to AI adoption both accessible and practical.

### **1. Provide secure and approved AI platforms**

Employees are less likely to rely on unauthorised tools when suitable alternatives are readily available. Banks should provide enterprise-grade AI solutions with appropriate safeguards for data protection, access control, information security, and regulatory compliance. This allows employees to benefit from AI while keeping sensitive information within approved environments.

### **2. Enable controlled experimentation**

Banks should provide governed environments where em-

ployees and business teams can explore promising AI use cases without exposing customer or institutional data to unnecessary risk. Such controlled experimentation allows potential benefits and risks to be assessed before wider deployment, while encouraging innovation within defined boundaries.

### **3. Strengthen AI literacy across the bank**

Technology controls cannot address Shadow AI on their own. Employees need to understand what information can safely be shared with AI tools, where the risks arise, how AI-generated outputs should be verified and when human judgement remains essential. Regular awareness and role-based training can help employees become both responsible users of AI and an important line of defence against its misuse.

Moving from Shadow AI to trusted AI therefore requires a combination of secure technology, controlled experimentation, and informed employees. When these elements work together, banks can encourage productive use of AI without compromising customer information, regulatory obligations, or institutional trust.

## **When shadow AI Becomes autonomous**

While many organisations are still addressing the risks associated with Generative AI, the technology is evolving rapidly. The next wave of Shadow AI is likely to emerge from Agentic AI - AI systems capable of planning, making decisions and executing multiple tasks autonomously to achieve a defined objective. Unlike Generative AI, which primarily responds to prompts, AI agents can interact with applications, retrieve information, use external tools, and complete end-to-end workflows with limited human intervention.

This shift significantly expands the Shadow AI risk landscape. An employee deploying an unauthorised AI agent to process customer requests, analyse financial data or automate business processes could inadvertently introduce an autonomous decision-making system into the bank's operations without appropriate governance, validation, or oversight. The risks extend beyond data leakage to include unauthorised actions, operational disruptions, compliance failures, and increased cybersecurity exposure.

Although the use of Agentic AI in banking is still at an early stage, banks should begin preparing now. Governance

frameworks developed for today's Shadow AI should be flexible enough to address increasingly autonomous AI systems, supported by appropriate human oversight, model risk management and clearly defined operational boundaries. Building these capabilities today will help institutions respond more effectively as AI continues to evolve.

## Responsible AI begins with responsible governance

Artificial Intelligence is rapidly becoming part of everyday banking operations, and its adoption will only continue to grow. The challenge for banks is therefore not whether employees will use AI, but whether its use takes place within a secure, transparent, and well-governed environment. Unauthorised AI adoption may improve individual productivity, but without appropriate safeguards it can also expose

institutions to data privacy, operational, regulatory, and reputational risks.

Managing Shadow AI does not require organisations to discourage innovation. Instead, it calls for a balanced approach that combines secure enterprise AI platforms, clear governance, employee awareness, and effective oversight. Banks that make responsible AI adoption easier than unauthorised AI use will be better equipped to realise the benefits of AI while protecting customer information, meeting regulatory expectations and strengthening operational resilience.

As AI capabilities continue to evolve, Shadow AI should be viewed not merely as a technology challenge but as an enterprise-wide governance priority. Institutions that establish robust governance today will be better prepared to adopt future AI innovations safely, responsibly and with greater confidence. □

## Cabinet Approves Rs. 20,804 Crore Railway Multitracking Projects Across Nine States

The Union Cabinet has approved eight railway multitracking projects across nine states with an estimated investment of Rs. 20,804 crore, aimed at improving connectivity, reducing congestion and increasing freight capacity. Railways Minister Ashwini Vaishnaw said the projects will cover approximately 1,196 km of railway network across southern, eastern and central regions of the country. The approved projects include Arakkonam-Renigunta third and fourth line, Whitefield-Bangarapet third and fourth line, Hosur-Omalur doubling, Salem-Karur-Dindigul doubling and Secunderabad-Kazipet multitracking projects.

The southern projects will cover districts across Tamil Nadu, Andhra Pradesh, Karnataka and Telangana, while other projects will strengthen railway infrastructure in West Bengal, Jharkhand, Odisha, Madhya Pradesh and Chhattisgarh. The expansion is part of the government's plan to strengthen high-density railway corridors by adding additional lines. The projects are expected to improve transportation efficiency, support industrial activity and provide better connectivity for around 10 million people. The Railways expects these projects to generate additional freight handling capacity of nearly 74 million tonnes.

## GST Collections Grow 14.8% to Rs. 1.99 Lakh Crore in August

India's Goods and Services Tax (GST) collections continued their strong momentum, growing at double-digit rates for the third consecutive month, supported by higher domestic consumption and increased import-related revenue. GST collections in August rose 14.8 per cent year-on-year to Rs. 1,99,853 crore. Revenue from imports increased by 29 per cent, while collections from domestic transactions grew 9.3 per cent. Import-related GST revenue stood at Rs. 62,604 crore, supported by higher commodity prices, including crude oil, fertilisers and bullion. Domestic consumption growth, particularly in sectors such as automobiles and consumer goods, also contributed to revenue performance.

MS Mani, Partner, Deloitte India, said the collections indicate continued economic activity and consumption despite global uncertainties. He suggested that the GST Council consider further measures to reduce compliance burden and rationalise certain requirements. Saurabh Agrawal, Partner, EY India, said growth in exports across electronics, mobile phones and automobiles reflected improving integration with global value chains. After refunds, net GST collections stood at Rs. 1,68,057 crore, registering growth of 8.3 per cent.

# FinTech Risk Management: Managing Growth Without Creating New Fragilities

## An Analytical Case Study on Opportunities, Risks and the Way Forward

Financial technology has moved from the margins of financial services to the centre of the financial ecosystem. Payments, digital lending, wealth management, insurance distribution, customer onboarding, fraud detection and credit assessment are increasingly being delivered through technology-led platforms.

India illustrates the scale of this transformation. UPI alone processed more than 24,000 crore transactions in FY2025-26, while digital lending, embedded finance and API-based financial services continue to expand. Globally, the World Bank identifies digital credit as one of the fastest-growing segments of financial services, capable of widening access but also creating significant consumer and financial-stability risks if poorly governed.

FinTech therefore creates an unusual risk-management challenge. The technology can reduce traditional risks through automation, better data and real-time monitoring, while simultaneously creating new vulnerabilities through algorithms, cyber dependence, third parties and unprecedented transaction speed.

The real issue is no longer whether financial institutions should adopt FinTech. It is how innovation can be scaled without allowing technology risk to grow faster than risk-management capability.

### The Opportunity: Why FinTech Matters

The strongest argument for FinTech remains its ability to reduce friction in financial services.

A traditional lending process can involve physical documentation, manual verification and several days of processing. Digital platforms can combine electronic KYC, bank-account information, credit bureau data and alternative information to reduce turnaround time substantially.

Technology also improves reach. Customers in smaller towns or locations without extensive branch networks can access payments, savings and credit through smartphones.

The World Bank's Global Findex 2025 found that 79% of adults globally now hold a financial account, compared with 74% in 2021, with mobile connectivity playing an increasingly important role in financial inclusion.

### For financial institutions, FinTech can deliver:

- ❖ lower transaction and servicing costs;
- ❖ faster credit decisions;
- ❖ improved customer experience;
- ❖ wider financial inclusion;
- ❖ real-time fraud monitoring;
- ❖ personalised financial products;
- ❖ automated compliance;
- ❖ better use of data; and
- ❖ access to customers previously uneconomical to serve.

FinTech can therefore improve both efficiency and inclusion.

But those benefits alter the nature of risk.

### Risk 1: Credit Can Become Too Fast

Digital lending demonstrates the paradox particularly clearly.

Technology enables lenders to analyse borrowers and disburse loans almost instantly. But speed can reduce the time available for verification and judgment.

Algorithms may approve thousands of customers based upon credit scores, transaction histories and behavioural information. If the model contains a flawed assumption, the problem can be reproduced across the entire portfolio before conventional risk controls detect deterioration.

An incorrect decision by one credit officer may affect one

loan. An incorrect automated model can affect 100,000 loans.

**Digital lenders therefore require continuous monitoring of:**

- ❖ approval rates;
- ❖ vintage performance;
- ❖ delinquency migration;
- ❖ repeat borrowing;
- ❖ borrower indebtedness;
- ❖ model overrides;
- ❖ segment concentration; and
- ❖ early repayment behaviour.

Recent IMF research on digital non-bank lending also demonstrates that expanding digital credit can alter competition and risk-taking across the wider banking system, showing why digital lending needs to be considered at both institution and systemic level.

## Risk 2: Algorithmic Decisions Create Model Risk

FinTech business models depend extensively upon algorithms.

Models may decide whether a customer receives credit, what limit is offered, whether a transaction is fraudulent or which financial product is recommended.

**This creates model risk.**

A model can fail because the data are inaccurate, historical relationships change, variables unintentionally create bias, or the model is applied outside the environment for which it was developed.

Artificial intelligence adds another layer. Generative and agentic AI systems may produce outputs that are difficult to explain or predict.

The Financial Stability Board has identified model risk, data quality, governance, cyber vulnerabilities and third-party dependencies as significant concerns associated with increasing use of AI in finance.

FinTech companies therefore need formal model governance covering development, independent validation, performance monitoring, version control and retirement of obsolete models.

Human accountability should remain clear even where decisions are automated.

## Risk 3: Data Becomes Both an Asset and a Liability

Data are fundamental to FinTech.

The more information organisations possess about transactions, income patterns, location, behaviour and financial preferences, the more accurately products can potentially be customised.

But extensive data collection creates privacy and security risk.

Poorly controlled access can expose customers to identity theft, financial fraud and unauthorised profiling. Consent can also become meaningless if customers are asked to approve excessive permissions simply to obtain a financial service.

RBI's digital-lending framework consequently emphasises need-based data collection, explicit borrower consent, transparency, restrictions on storage by Lending Service Providers and clear privacy policies.

The principle for FinTech risk management should be straightforward:

Collect what is necessary, know why it is needed, control who can access it and delete it when it is no longer required.

## Risk 4: Cyber Risk Grows with Digital Scale

FinTech increases the speed of finance, but it also increases the speed at which cyber incidents can create damage.

A digital platform operating continuously may process millions of transactions. Malware, credential theft, API exploitation or account takeover can therefore produce losses within minutes.

Artificial intelligence is also improving attackers' capabilities through automated phishing, deepfake impersonation and increasingly sophisticated social-engineering attacks.

Cyber resilience must consequently be designed into the business model rather than added after growth.

Important controls include multifactor authentication, encryption, API security, privileged-access controls, continuous monitoring, vulnerability testing and rehearsed incident-response procedures.

Recovery capability is equally important. The risk-management question should not only be "Can we prevent an attack?" but also "Can we continue operating safely if an attack succeeds?"

## Risk 5: The Hidden Dependence on Third Parties

Many FinTech firms do not own their entire technology infrastructure.

They may depend upon cloud providers, payment gateways, identity-verification companies, credit bureaus, banking partners, software developers and AI providers.

This creates an interconnected supply chain.

The Basel Committee has highlighted how reliance on third-party providers can create risks to critical services, supply-chain vulnerabilities and concentration risk, particularly where many financial firms depend on the same technology provider.

The problem becomes more serious when several FinTech companies depend upon the same cloud platform or specialist vendor. A single outage can then affect multiple financial institutions simultaneously.

Vendor risk management should therefore cover not simply contractual due diligence but criticality assessment, continuous monitoring, subcontractors, concentration, business continuity and credible exit strategies.

## Risk 6: Fraud Can Scale as Quickly as Innovation

FinTech lowers the cost of legitimate financial transactions. Unfortunately, it may also lower the cost of committing fraud.

Synthetic identities, mule accounts, manipulated documents, account takeover, fake loan applications and social engineering can operate at scale.

Traditional fraud controls that examine individual transactions may therefore be insufficient.

Modern FinTech platforms need behavioural and network-based monitoring that can identify connections between devices, identities, accounts and transaction patterns.

RBI has itself increased attention to fraud detection, cyber supervision and digital lending while pursuing responsible financial innovation.

Fraud risk management should increasingly integrate cybersecurity, transaction monitoring and financial-crime analytics rather than treating them as separate functions.

## Risk 7: Consumer Protection Can Be Lost in the Interface

Digital finance creates another subtle risk: technology can influence customer behaviour.

A platform can make borrowing extremely easy while making the cost of borrowing difficult to understand. Interfaces may encourage customers to accept unsuitable products or borrow repeatedly.

RBI's Digital Lending Directions address precisely these concerns through requirements relating to disclosure of loan options, annual percentage rates and restrictions on the use of "dark patterns" to steer borrowers towards unsuitable offers.

Responsible FinTech therefore requires more than technically correct disclosure.

Customers should understand:

What am I buying? What does it cost? What information am I sharing? What happens if I cannot repay? Who is responsible if something goes wrong?

Digital convenience should never depend upon digital confusion.

## Building a FinTech Risk Management Framework

A growing FinTech should avoid managing risk only after individual incidents occur.

A practical framework can be built around seven elements:

**Governance:** Board and senior management should define risk appetite and clearly allocate accountability for technology, credit, cyber, compliance and customer risk.

**Risk assessment:** New products should undergo structured assessment before launch, covering operational, cyber, legal, credit, fraud and conduct risks.

**Data governance:** Data ownership, consent, security, quality, retention and permitted use should be explicitly controlled.

**Model governance:** Algorithms should be independently validated and continuously monitored for accuracy, stability and unintended outcomes.

**Third-party management:** Critical vendors should be classified, assessed, monitored and incorporated into business-continuity exercises.

**Operational resilience:** FinTech companies should establish recovery objectives, backup systems, incident-response procedures and crisis communication plans.

**Customer protection:** Pricing, terms, consent and grievance processes must remain transparent even where the customer journey is completely digital.

Regulation Should Enable Innovation, Not Chase It

FinTech creates a difficult regulatory balance.

Excessively restrictive regulation can prevent useful innovation, while insufficient regulation allows harmful business models to scale before supervisors understand them.

India's regulatory approach increasingly reflects the need for controlled innovation. RBI has established a Regulatory Sandbox, a FinTech Repository, a framework for self-regulatory organisations in the FinTech sector and digital-lending rules, while simultaneously strengthening cyber security, consumer protection and fraud oversight.

Regulatory sandboxes are particularly useful because they allow innovation to be tested in controlled conditions before large-scale deployment.

The objective should be risk-proportionate regulation: greater oversight where an activity handles customer money, sensitive data or creates systemic dependencies, while preserving room for experimentation.

## The Way Forward

FinTech's next phase will involve deeper integration of artificial intelligence, embedded finance, tokenisation and increasingly automated customer journeys.

This will create enormous opportunities but will also reduce the time between risk creation and risk materialisation.

Risk management therefore needs to become as technologically advanced as the businesses it supervises.

Real-time businesses need real-time risk indicators. Algorithmic lending needs algorithmic monitoring. Digital ecosystems require third-party dependency mapping. AI-based decisions require model governance. Instant payments require instant fraud controls.

The strongest FinTech firms will not necessarily be those that innovate fastest.

They will be those that can scale innovation without scaling uncontrolled risk.

## Conclusion

FinTech has demonstrated that financial services can be faster, cheaper, more accessible and more personalised. Its contribution to payments and financial inclusion, particularly in markets such as India, is already substantial.

Yet scale changes the consequences of failure.

A weak lending model can affect thousands of borrowers. A cyber vulnerability can compromise millions of transactions. A failed cloud provider can disrupt several institutions. Poorly designed customer journeys can distribute unsuitable financial products at extraordinary speed.

FinTech risk management must therefore move alongside FinTech innovation, not behind it.

The future of the sector will depend on achieving the right balance between innovation and control, speed and resilience, data and privacy, automation and accountability.

Technology can transform finance. Sustainable FinTech will depend upon whether risk management transforms with it.

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# The DPDP Act and Indian Banks: What Must Change Before May 2027?

For Indian banks, the Digital Personal Data Protection Act, 2023 is moving from a regulatory discussion to an implementation deadline.

The Digital Personal Data Protection Rules, 2025 were notified on 13 November 2025, with the principal operational provisions scheduled to come into force 18 months later, on 13 May 2027.

As of 30 September 2026, banks have roughly seven and a half months to ensure that customer notices, processing records, consent mechanisms, vendor arrangements, retention rules, customer-rights workflows and personal-data breach procedures can work in practice.

For a sector that processes enormous volumes of KYC, transaction, lending, behavioural and digital-channel data, this is much more than a privacy-policy exercise.

## Why DPDP matters particu

Consider an ordinary digital banking journey.

A customer opens an account through a mobile application, completes video KYC, makes transactions, applies for a loan and later receives an offer for another financial product.

Behind this apparently simple journey, personal data can move between the bank's:

mobile application ↔ onboarding system ↔ video KYC provider ↔ core banking system ↔ AML/fraud platform ↔ loan system ↔ cloud infrastructure ↔ CRM/marketing platform

Under the DPDP framework, the bank must be able to understand what personal data is processed, why it is processed, where it moves, who processes it and when it should be erased or retained.

Where the bank determines the purpose and means of processing, outsourcing the technology or activity does not remove the bank's responsibility as Data Fiduciary.

## The implementation timeline

Banks should treat the remaining period as a phased programme rather than waiting for May 2027.

| Period            | Priority for banks                                                                          |
|-------------------|---------------------------------------------------------------------------------------------|
| Oct-Nov 2026      | Complete data, system, processing-purpose and vendor mapping                                |
| Dec 2026-Jan 2027 | Redesign notices, consent/withdrawal processes, retention schedules and processor contracts |
| Feb-Mar 2027      | Modify digital channels, CRM, workflow, request-management and supporting systems           |
| April 2027        | Conduct end-to-end testing and breach-response simulations                                  |
| By 13 May 2027    | Operate the framework and maintain evidence of compliance                                   |

The first major exercise should be a data inventory. A bank that cannot establish where personal data resides will struggle to respond effectively to withdrawal, correction, erasure or breach situations.

## Consent cannot become a universal checkbox

One of the biggest implementation risks will be treating consent as a single permission covering every banking activity.

The Act requires consent, where relied upon, to be free,

specific, informed and based on clear affirmative action. The framework also recognises specified legitimate uses, so banks need to determine the appropriate basis for each processing purpose instead of assuming that every activity needs the same consent mechanism.

Account servicing, regulatory compliance, fraud monitoring, credit assessment and optional promotional activity may involve different purposes.

The important operational requirement is therefore a purpose-and-processing-basis map.

Banks should also be capable of showing what notice a customer received and, where consent is relied upon, what the customer actually agreed to.

## The difficult issue: erasure versus mandatory retention

DPDP does not mean that every customer record must be deleted whenever an individual asks for erasure.

Banking regulation already requires certain records to be preserved.

The RBI's KYC Direction requires regulated entities to maintain necessary transaction records for at least five years from the date of the transaction and preserve customer identification and address records for at least five years after the business relationship ends.

This creates an important distinction.

A bank may have to discontinue an optional marketing use while still retaining KYC or transaction information because another law requires it.

Banks therefore need a data-category-wise retention schedule, not a generic instruction to either 'retain customer data' or 'delete customer data'.

## Case Study: One customer, multiple DPDP decisions

A customer opens a savings account using video KYC. Six months later she applies for a personal loan through the same bank's app. Her information is processed by the bank,

a video KYC service provider, the lending platform and other technology providers.

The bank later uses her contact information for an optional promotional campaign.

She subsequently withdraws the relevant promotional consent and requests erasure of her information.

The bank cannot treat this as one data-deletion request.

### It should:

1. **Map the records:** identify information held within KYC, account, lending, CRM and processor systems.
2. **Separate purposes:** distinguish account servicing, KYC/AML compliance, lending and promotional processing.
3. **Stop the relevant promotional processing:** where it depends on the withdrawn consent, propagate the instruction to affected systems and processors.
4. **Apply retention requirements:** preserve KYC and transaction records where RBI, PMLA or another applicable requirement requires continued retention.
5. **Erase eligible information:** remove personal data for which there is no continuing lawful purpose or mandatory retention requirement.
6. **Preserve an audit trail:** document the request, decisions, processor instructions and completion.

The case illustrates the central banking challenge under DPDP: one customer's personal data can have several processing purposes and several different retention outcomes.

## Vendor risk becomes data-protection risk

Banks will also need to examine their processor ecosystem.

The DPDP Rules contemplate security safeguards including access controls, appropriate protection of data, monitoring and logging, backups and appropriate contractual provisions with Data Processors.

The review therefore needs to reach beyond major technology vendors.

Loan service providers, call centres, cloud platforms, docu-

ment repositories, CRM systems, analytics providers, communication gateways and subcontracted operations may all form part of the personal-data chain.

A useful implementation metric for management would be:

What percentage of relevant Data Processors have been identified, assessed and contractually remediated?

## Breach response will become a major operational test

The Rules also establish specific personal-data breach notification requirements.

Once the relevant provisions commence, affected Data Principals and the Data Protection Board must be informed without delay, while further specified information must be provided to the Board within 72 hours of becoming aware of the breach, unless additional time is permitted.

For banks, this makes vendor escalation particularly important.

If a technology provider detects a compromise but waits many hours before informing the bank, the institution's ability to investigate, assess and satisfy its own reporting requirements may be affected.

Contracts therefore need to be supported by tested incident-escalation workflows, not merely generic breach clauses.

## Five questions banks should answer before May 2027

By the implementation date, management should be able to answer:

1. Do we know where customer personal data resides and which vendors process it?
2. Have we identified the purpose and processing basis for major uses of personal data?
3. Can consent withdrawal and customer requests be executed across connected systems?
4. Can we distinguish information that must be retained from information that should be erased?
5. Can a vendor-originated data breach reach the right decision-makers quickly enough for regulatory action?

The statutory exposure is significant. The Act provides for penalties of up to ₹250 crore for failure to take reasonable security safeguards and up to ₹200 crore for breach-notification failures, subject to the statutory process and circumstances of the contravention.

But for banks, DPDP implementation should not be viewed primarily through the penalty figure.

The larger task is to integrate data protection, KYC/AML, cybersecurity, outsourcing, customer service and records management into one functioning control framework.

With 13 May 2027 approaching, the key question for banks is no longer whether they have a privacy policy.

It is whether they can prove, system by system and process by process, that customer personal data is being handled for the right purpose, by the right parties, for the right period and with an auditable response when something changes. □

## Axis Bank and Scapia launch No-Fee Travel Credit Card

Axis Bank and travel fintech Scapia have launched a co-branded travel credit card aimed at digitally focused travelers, offering zero foreign exchange markup, travel benefits and rewards without joining or annual fees.

The Scapia Axis Bank Credit Card is available on Mastercard and RuPay networks and allows customers to earn up to 20% rewards on eligible travel bookings and up to 10% on other eligible spends through the Scapia app. Rewards earned as Scapia Coins can be redeemed for flights, hotel stays, visas, experiences and shopping.

The card is managed through the Scapia app, which provides travel discovery, planning and booking services. It also includes Smart Forex features, airport lounge access, dining and retail privileges.

Axis Bank Group Head Arnika Dixit said the partnership aims to move beyond traditional co-branded card offerings by integrating payments into how customers discover, plan and experience travel.

## Co-operative banks in transition

**T**he RBI on August 5, 2026 released the "Draft Guidelines for 'on tap' Licensing of Urban Co-operative Banks" for public/stakeholders' comments. The Draft Guidelines (DGs) specify stringent conditions for co-operative societies to apply for Urban Co-operative Bank (UCB) licences.

The RBI Governor's October 2025 Monetary Policy Statement proposed to publish a Discussion Paper (DP) on licensing of new UCBs. Although since 2004 the UCB licensing was paused, the sector had progressed well during the subsequent two decades. Therefore, the stakeholders were demanding to restore the licencing process.

The DP, published in January 2026, recommended several tough conditions for licencing new UCBs.

Prior to the DP, an RBI screening committee in 2001 had recommended that it should be made mandatory for all new UCBs to come into being through a process of graduation from a CCS on the strength of proven and verifiable track records.

This was further supported by the Expert Committee on Licensing of New Urban Co-operative Banks (2011) (Chairman: Y H Malegam) and the High Powered Committee on Urban Co-operative Banks (2015) (Chairman: R Gandhi).

Therefore, there was a compelling need to make available, on tap, strict licencing norms for the CCSs aspiring to become UCBs so that the latter remains, ab initio, strong, well-diversified and immune to failure.

It is noteworthy here that UCBs are evidenced to be more fragile than the commercial banks.

### DGs: Entry Norms

The entry norms, as briefly mentioned below, mostly follow the DP's recommendations.

### Eligibility: CCSs in existence for at least 10 years.

**Minimum Capital and Other Requirements:** The CCS should have a deposit size of at least Rs. 10,000 crore and minimum net worth of at least Rs. 300 crore (as per audited financials at March-end of the previous financial year of application). [At March-end 2024 (latest available), only 6 out of 49 Scheduled UCBs had deposits above Rs. 10,000 crore.]

### Registration: In the initial phase, the MSCCSs will be considered.

**Track Record:** The CCS must demonstrate a positive and progressive trend in operating and financial parameters in the previous five years. The Capital to Risk-Weighted Assets Ratio should not be less than 12 per cent, and the Net Non-Performing Assets ratio should not be more than three per cent at March-end of the previous financial year of application.

**Fit and Proper:** No member should have a shareholding of over five per cent. The RBI would assess the 'fit and proper' status of the Board of Directors.

### Likely response

Lack of a comprehensive, credible and up-to-date financial database of CCSs in the public domain restricts us to say how many, or which ones, would be eligible for UCB application. Even if some are eligible, whether their members would be willing is a big question. A bigger question is whether their applications would pass the RBI's litmus test.

If no single CCS is eligible, some CCSs would like to merge themselves to improve their financials to meet the RBI benchmarks. Thus, a 'churn' in the CCS segment may ensue.

Whether individually or through mergers, the aspirational UCBs would like to improve their operations and financials with a view to meeting the RBI stipulations at a future date. In other words, the DGs would be a 'challenge' for them and in this sense, serve as a 'wake-up' call for CCSs to 'sanitize' themselves.

The new UCBs cannot pay their depositors the high rates of interest as they used to do as CCSs. This may trigger inter-CCS deposit 'flight.' However, the CCS depositors should be happy that their deposits in the new UCB will be fully protected up to the prevailing deposit insurance limit.

On the assets side, the new UCBs cannot deploy their lendable resources in any sector and at any rate.

Together the above two will disincentivise aggressive depositors/members of CCSs to vote for UCB conversion.

## The challenges

In order to survive in the modern day banking the new UCBs

have to invest in skilled manpower, especially those with knowledge on banking, accountancy, IT, compliance, cross-selling, etc. For this purpose, besides fresh recruitment, they may have to poach the existing UCBs - both necessitating payment of market-determined pay packages.

Similarly, acquisition of appropriate IT systems is crucial, particularly when the IT environment is constantly mutating and ensuring cybersecurity has emerged as a major challenge even for the large commercial banks. The new UCBs have to continuously invest in IT empowerment.

Last but not least, corporate governance, which has proved to be the Achilles' heel in the case of several banking crises, has to be given the pride of place. Therefore, the 'fit and proper' test should aim at critical qualitative evaluation of the members of the Board as well as other critical areas of management.

All said, it is felt that new UCB applications would trickle in in the medium-term, even though the final guidelines come out in one or two months. (Source: *BusinessLine*)

## AI Could become existential risk without strong safeguards: UN rights chief

Artificial intelligence could become an "existential risk to humanity" if governments fail to establish stronger safeguards and oversight mechanisms, UN High Commissioner for Human Rights Volker Turk has warned. Addressing the Human Rights Council in Geneva, Turk called for binding rules, independent supervision and clear limits for AI systems as they become more advanced and capable of operating with reduced human intervention. He said AI risks are expanding beyond concerns such as misinformation and job displacement, with increasing questions around whether highly autonomous systems could behave in ways that developers cannot control. According to UN News, Turk emphasised the need for stronger safety measures before AI systems become too powerful to manage. "AI that escapes its testing environment, or blackmails developers to prevent itself from being turned off, is AI that is too powerful," Turk told the council. The comments highlight growing global discussions around AI governance, responsible development and the need for effective oversight frameworks.

## 87% Small and Medium Businesses Say AI Tools Improve Advertising: Amazon Report

Artificial intelligence (AI) is helping small and medium-sized businesses (SMBs) overcome traditional barriers related to advertising costs, complexity and limited resources, enabling wider access to advanced marketing solutions. According to a report by Amazon Ads, 87 per cent of SMBs said AI-powered advertising tools have helped them access advertising channels, audiences or formats that previously appeared difficult to reach, including high-impact formats such as streaming television. The report highlighted that AI is not only improving accessibility but also supporting business growth. Around 75 per cent of businesses surveyed said AI-enabled advertising contributed to business expansion, while 68 per cent reported that simplified AI tools helped unlock greater creativity in their advertising campaigns. The report was commissioned by Amazon Ads and conducted by Opinium, with data collected between April 7 and April 23. Kapil Sharma, Director, Amazon Ads India, said the adoption of AI-powered advertising tools among Amazon advertisers in India increased by 77 per cent year-on-year. He added that SMBs generated 62 per cent more ad creatives using these tools in the first quarter of FY26 compared with the previous year.

## Wow! No listed bank has even 1% net NPA

**W**hat do the State Bank of India, HDFC Bank Ltd, Bank of Maharashtra and DCB Bank Ltd have in common? Well, all four, and, for that matter, all listed Indian banks—both private and government-owned—have less than 1 per cent net non-performing assets (NPAs) in the June quarter of FY27.

This is a rare milestone for the Indian banking industry. In the preceding March quarter, at least one lender (IndusInd Bank Ltd) had 1 per cent net NPAs.

What's more, in the entire universe of listed Indian banks, only nine banks have half per cent or more (but less than 1 per cent) net NPAs—three public sector banks (PSBs) and six private banks. They are Bank of Baroda (50 basis points or bps), Bank of India (51 bps), City Union Bank Ltd (61bps), The Jammu & Kashmir Bank Ltd (60 bps), Punjab & Sind Bank (65 bps), DCB Bank Ltd (84 bps), Karnataka Bank Ltd (87 bps), Bandhan Bank Ltd (93 bps) and IndusInd Bank Ltd (95 bps). One basis point is one-hundredth of a percentage point.

On a quarter-on-quarter (Q-o-Q) basis—comparing June quarter results with the March quarter—only four (three private banks and one public sector bank, or PSB) have seen higher net NPAs (in percentage terms), that too marginally. And, for seven of them (two private banks and five PSBs), there has been no change in net NPAs.

Bank of Maharashtra boasts the cleanest balance sheet with the lowest net NPA ratio at 13 bps, followed by Indian Bank (15 bps), IDBI Bank Ltd (16 bps), Tamilnad Mercantile Bank Ltd (17 bps), Federal Bank Ltd and Indian Overseas Bank (18 bps each) and Karur Vysya Bank Ltd (19 bps). These seven banks have less than 0.2 per cent net NPAs. Among the mega-lenders, State Bank of India (SBI) reported net NPAs of 38 bps, while HDFC Bank recorded 41 bps.

When it comes to gross NPAs, the scene is not that exciting. Only two banks both private—have less than 1 per cent gross NPAs. They are Tamilnad Mercantile Bank (69 bps) and Karur Vysya Bank (74 bps). On the other end of the spectrum, two banks have more than 3 per cent gross NPAs. They too are private entities—IndusInd Bank (3.25 per cent) and Bandhan Bank (3.15 per cent). Five PSBs and four private banks have between 2.08 per cent and 2.78 per cent gross NPAs. SBI's gross NPAs are 1.47 per cent while HDFC Bank's sit at 1.17 per cent.

In absolute terms, gross NPAs of the listed banks are to the tune of Rs. 3.7 trillion in June, down 11.76 per cent from the year-ago period; and net NPAs are Rs. 84,293 crore, down 9.51 per cent. (All figures are rounded off.)

This steady depletion of bad debt, coupled with slowing fresh slip-pages, allowed banks to trim risk provisions. In the June quarter, total industry provisioning for bad debt fell to Rs. 25,448 crore—a sharp 41.61 per cent decline Y-o-Y. Q-o-Q, however, there hasn't been any significant change in the amount.

These lower provisions provided a direct boost to bottom lines. While the banking industry's operating profit grew by a modest 4.5 per cent Y-o-Y, net profit surged 19.01 per cent to nearly Rs. 1.10 trillion—the highest ever quarterly profit—because of lower provisions. SBI led the profit ladder with Rs. 21,121 crore net profit, followed by HDFC Bank (Rs. 19,060 crore) and ICICI Bank (Rs. 14,805 crore). These three banks account for 50 per cent net profit of the industry! No other bank's net profit has crossed the Rs. 10,000 crore mark. Four banks have crossed the Rs. 5,000-crore mark, though. They are Axis Bank Ltd (Rs. 7,114 crore), Union Bank of India (Rs. 5,332 crore), Bank of Baroda (Rs. 5,304 crore) and Punjab National Bank (Rs. 5,253 crore).

To assess the sustainability of profits, two metrics demand close attention: The low-cost current and savings account (Casa) ratio, and net interest margin (NIM) -- loosely, the difference between what a bank pays on deposits and what it earns on advances.

Most banks have recorded a drop in Casa; for some of them, the drop is pretty sharp. For instance, RBL Bank Ltd's Casa in the June quarter dropped to 25.2 per cent (of total deposits), from 32.5 per cent in the year-ago quarter. For CSB Bank, it dropped from 23.49 per cent to 19.41 per cent and that of Bank of India, from 39.88 per cent to 36.68 per cent.

IDFC First Bank commands the highest Casa ratio at 50.8 per cent, followed by Bank of Maharashtra (49 per cent), Central Bank of India (46.61 per cent), IDBI Bank (43.64 per cent), J&K Bank (42.06 per cent), Indian Overseas Bank (41.05 per cent) and Kotak Mahindra Bank (40.03 per cent). No other bank has 40 per cent or more Casa. SBI's balance sheet holds 39.42 per cent Casa and HDFC Bank's holds 32 per cent.

Dropping Casa ratios naturally squeeze NIMs as the cost of deposits rise. Here, performance is mixed. On a Y-o-Y basis, both SBI and HDFC Bank experienced minor NIM contraction. Year-on-year, both SBI and HDFC Bank have recorded a decline in NIM. However, Q-0-Q, HDFC Bank's NIM has fallen sharply-from 3.38 per cent in March to 3.26 per cent in June. Its NIM was 3.35 per cent in the year-ago quarter. For SBI, it is 2.86 per cent in June 2026, versus 2.81 per cent in March and 2.9 per cent in June 2025.

Bandhan Bank commands the industry's highest NIM at 6.2 per cent, closely followed by IDFC First Bank (5.96 per cent). Kotak Mahindra Bank, ICICI Bank, Tamilnad Mercantile Bank, Karur Vysya Bank and RBL Bank enjoy 4 per cent or more NIM while Punjab National Bank has probably the least NIM-2.5 per cent. In the pack of PSBs, no bank has 4 per cent or more NIM.

Of course, NIM in isolation does not tell the full story as it is intrinsically connected with the profile of a bank's credit portfolio. Typically, banks with higher unsecured loans enjoy higher NIM as the cost of loans for consumers, not backed by collateral, is higher than that of secured loans but the trade-off lies in managing credit risk when cycles turn.

The June quarter data underlines the single biggest operational headache facing Indian banking today: Credit expansion continues to outpace deposit gathering by a wide margin. Overall, for all listed banks, year-on-year credit growth in the June quarter was 17.48 per cent but deposit growth is far lower, just 11.73 per cent.

For some of the banks, the difference between the growth in credit and deposits is too stark. For instance, IDBI Bank's credit portfolio has grown 22.21 per cent but the rise in deposits is just 9.73 per cent; RBL Bank has seen 23.08 per cent credit growth while its deposit portfolio has grown 10.73 per cent; and Bandhan Bank's credit portfolio has grown 16.42 per cent, almost two and a half times its deposit growth (6.61 per cent). Among the state-owned banks, SBI's credit portfolio has grown 18.63 per cent versus 9.73 per cent deposit growth and Canara Bank has seen 17.97 per cent loan growth and 9.81 per cent growth in deposits. Sequentially, six banks have seen a decline in their deposit portfolios and two, a decline in credit books.

Whether recent inflows from NRI deposits and aggressive overseas bond issuances will bridge this liquidity deficit remains to be seen. But until deposit growth catches up, balance sheet management will remain a tightrope walk.

All figures relate to listed universal banks only. They don't include small finance banks. The source for all the figures is Indus Equity. (Source: *Business Standard*)

## India allows exporters to receive payments in rupees under revised trade rules

India has eased foreign trade regulations to allow exporters to receive payments in Indian rupees while continuing to access benefits under the country's Foreign Trade Policy. The Directorate General of Foreign Trade (DGFT) amended the Foreign Trade Policy 2023, aligning export payment rules with existing Reserve Bank of India regulations. The move provides exporters with an additional payment mechanism alongside transactions conducted in freely convertible currencies. Under the revised framework, exporters dealing with countries outside the Asian Clearing Union (ACU) arrangement can now enter into contracts and issue invoices either in Indian rupees or foreign currencies. Export payments can also be received through either route.

# RBI CIRCULAR



## Exim Bank's GOI-supported Line of Credit (LoC) for Rs. 4,850 crores the Government of Maldives, for financing various developmental projects in Maldives

22 September, 2026

1. Export-Import Bank of India (Exim Bank) has entered into an agreement dated July 25, 2025, with the Government of the Republic of Maldives, for making available to the latter, Government of India supported Line of Credit (LoC) of ₹ 4,850 crores (Rupees Four Thousand Eight Hundred and Fifty crores only) for financing various developmental projects in Maldives. The export of eligible goods and services from India, as defined under the agreement, would be allowed, subject to their eligibility under the Foreign Trade Policy of the Government of India and whose purchase may be agreed to be financed by the Exim Bank under this agreement. Under this Agreement, goods, works and services of the value of at least 75% of the contract price (as may be applicable) shall be supplied by the Seller from India, and the remaining 25% of goods and services may be procured by the Seller for the purpose of the Eligible Contract from outside India.
2. The Agreement under the LoC is effective from August 27, 2026. Under the LoC, the last date for disbursement will be 48 months after scheduled completion date of the contract. Individual Credit Agreements will be signed under the ambit of Umbrella LOC (for a minimum value of Rs. 500 crores) subsequent to identification and approval of the projects to be financed under each individual credits under the LOC.
3. Shipments under the LoC shall be declared in Export Declaration Form/Shipping Bill as per instructions issued by the Reserve Bank from time to time.
4. No agency commission is payable for export under the above LoC. However, if required, the exporter may use his own resources or utilize balances in his Exchange Earners' Foreign Currency Account for payment of commission in any foreign currency. Authorised Dealer (AD) Category- I banks may allow such remittance after realization of full eligible value of export, subject to compliance with the extant instructions for payment of agency commission.
5. AD Category- I banks may bring the contents of this circular to the notice of their exporter constituents and advise them to obtain complete details of the LoC from the Exim Bank's office at Centre One, Floor 21, World Trade Centre Complex, Cuffe Parade, Mumbai 400 005 or from their website [www.eximbankindia.in](http://www.eximbankindia.in)
6. The directions contained in this circular have been issued under section 10(4) and 11(1) of the Foreign Exchange Management Act (FEMA), 1999 (42 of 1999) and are without prejudice to permissions/ approvals, if any, required under any other law.

## Relief Measures in Areas Affected by Natural Calamities - Reporting through Centralised Information Management System (CIMS) Portal - Introduction of Half-Yearly Return

02 September, 2026

1. The regulatory framework governing the relief measures to be extended by the Regulated Entities (REs) in areas affected by natural calamities has been revised vide the amendment directions on Resolution of Stressed Assets dated April 29, 2026 (list enclosed), which came into effect from July 1, 2026.

2. These directions require REs to submit data relating to relief measures extended in areas affected by natural calamities through the CIMS portal on a half-yearly basis. Accordingly, in order to align the existing reporting mechanism with the revised regulatory framework, REs shall furnish the required information in the revised reporting format through the CIMS portal.
3. The return shall be submitted within 30 days from the end of each half-year, i.e., by October 30 for the half-year ending September 30, and by April 30 for the half-year ending March 31.
4. REs shall ensure that the information submitted through the CIMS portal is accurate, complete, and duly validated. Appropriate internal systems and processes may be established to facilitate timely collection, verification, consolidation, and submission of the required information.
5. Further, the existing monthly return which was applicable to all Scheduled Commercial Banks (including Small Finance Banks and excluding Regional Rural Banks) on relief measures extended in areas affected by natural calamities stands discontinued with effect from July 1, 2026.

### **Implementation of Section 51A of UAPA, 1967: Updates to UNSC<sup>1</sup> 1267/ 1989 ISIL (Da'esh) & Al-Qaida Sanctions List: Amendment of 21 Entries**

*August 19, 2026*

1. Please refer to Chapter IX on Requirements/obligations under International Agreements - Communications from International Agencies<sup>2</sup> of the Reserve Bank of India - Know Your Customer, Directions, 2025 dated November 28, 2025 (amended as on December 29, 2025) (Directions<sup>3</sup>), as applicable, as per which, regulated entity shall ensure that in terms of section 51A of the Unlawful Activities (Prevention) (UAPA) Act, 1967 and amendments thereto, it does not have any account in the name of individuals / entities appearing in the lists of individuals and entities, suspected of having terrorist links, which are approved by and periodically circulated by the United Nations Security Council (UNSC).
2. In this connection, Ministry of External Affairs (MEA), Government of India has informed about the UNSC press release SC/16435, dated August 18, 2026 wherein the Security Council pursuant to resolutions 1267 (1999), 1989 (2011) and 2253 (2015) concerning ISIL (Da'esh), Al-Qaida and associated individuals, groups, undertakings and entities enacted the amendments specified with strikethrough and underline in the entries mentioned in Annexure 1 on its ISIL (Da'esh) and Al-Qaida Sanctions List of individuals and entities subject to the assets freeze, travel ban and arms embargo set out in paragraph 1 of Security Council resolution 2734 (2024), and adopted under Chapter VII of the Charter of the United Nations.
3. Press release dated August 18, 2026 regarding the above can be found at <https://press.un.org/en/2026/sc16435.doc.htm>  
Further, in accordance with paragraph 61 of resolution 2734 (2024), the Committee has made accessible on its website the narrative summaries of reasons for listing of the above entries at the following URL: [https://main.un.org/securitycouncil/en/sanctions/1267/aq\\_sanctions\\_list/summaries](https://main.un.org/securitycouncil/en/sanctions/1267/aq_sanctions_list/summaries)
4. The details of the sanction measures and exemptions are available at the following URL: [https://www.un.org/securitycouncil/sanctions/1267#further\\_information](https://www.un.org/securitycouncil/sanctions/1267#further_information)
5. In view of the above, regulated entities are advised to take appropriate action in terms of Chapter IX of the aforementioned Directions and strictly follow the procedure as laid down in the UAPA Order dated February 02, 2021 (amended on April 22, 2024) annexed to the Directions.
6. Updated lists of individuals and entities linked to ISIL (Da'esh), Al-Qaida and Taliban are available at: [www.un.org/securitycouncil/sanctions/1267/aq\\_sanctions\\_list](http://www.un.org/securitycouncil/sanctions/1267/aq_sanctions_list)  
<https://www.un.org/securitycouncil/sanctions/1988/materials>
7. Further, as per the instructions from the Ministry of Home Affairs (MHA), any request for de-listing received by any bank is to be forwarded electronically to Joint Secretary (CTCR), MHA for consideration. Individuals, groups, undertakings or entities seeking to be removed from the Security Council's ISIL (Da'esh) and Al-Qaida Sanctions List can submit their request for delisting to an independent and impartial Ombudsperson who has been appointed by the United Nations Secretary-General. More details are available at the following URL: <https://www.un.org/securitycouncil/ombudsperson/application>. □

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