



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA
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January 31, 2024

The Chairman/Managing Director/Chief Executive Officer
Scheduled Commercial Banks (excluding Regional Rural Banks);
Small Finance Banks; Payments Banks;
Primary (Urban) Co-operative Banks (Tier III and IV);
Upper- and Middle-Layer Non-Banking Financial Companies
(including Housing Finance Companies);
Credit Information Companies and
All India Financial Institutions (EXIM Bank, NABARD, NaBFID, NHB and SIDBI)

Madam/ Dear Sir,

Streamlining of Internal Compliance monitoring function – leveraging use of technology

RBI had recently carried out an assessment in select Supervised Entities (SEs) of the prevailing system in place for internal monitoring of compliance with regulatory instructions and the extent of usage of technological solutions to support this function. It is seen that SEs have adopted varying levels of automation to support this function, ranging from use of macro-enabled spreadsheets to workflow-based software solutions. The review brought out that automation of the compliance monitoring process in SEs remains a work in progress with various aspects of this function being carried out with significant manual intervention. There is, thus, a need to implement comprehensive, integrated, enterprise-wide and workflow-based solutions/ tools to enhance the effectiveness of this function.

2. Such a solution/ tool should, among other things, provide for effective communication and collaboration among all the stakeholders (by bringing business, compliance and IT teams, Senior Management, etc. on one platform); have processes for identifying, assessing, monitoring and managing compliance requirements; escalate issues of non-compliance, if any; require recording approval of competent authority for deviations/ delay in compliance submission; and have a unified dashboard view to Senior Management on compliance position of the Regulated Entity



(RE) as a whole. The RE, based on the size and complexity of its operations, may decide on the tools/ mechanism it would prefer to deploy for monitoring of compliance and development of the unified dashboard.

3. Accordingly, REs are advised to carry out a comprehensive review of the existing internal compliance tracking and monitoring processes and institute necessary changes to existing systems or implement new systems latest by June 30, 2024.

4. An appropriate monitoring mechanism may also be put in place to review the progress of its implementation.

5. Please acknowledge receipt.

Yours sincerely,

(T K Rajan)
Chief General Manager