



April 2024

Omnibus Framework for SROs in RBI Regulated Entities

The regulatory landscape governing financial entities witnessed a significant evolution on March 21, 2024, with the Reserve Bank of India (“RBI”) introducing the [Omnibus Framework for recognising Self-Regulatory Organisations \(“SROs”\) for Regulated Entities \(“REs”\) of the RBI](#) (“Omnibus Framework”). This comprehensive framework marks a crucial milestone in the industry, offering a structured approach towards recognizing SROs and enhancing regulatory oversight within the financial sector. Encompassing a wide array of parameters such as objectives, responsibilities, eligibility criteria, and governance standards, the Omnibus Framework is designed to foster collaboration, transparency, and growth while addressing critical industry concerns. The Omnibus Framework is broadly based on the [draft framework](#) issued for public feedback in December 2023 accommodating the industry feedback.

Salient Features:

1. **Objectives of an SRO:** The Omnibus Framework mandates that SROs establish overarching objectives aimed at enhancing the sector they represent, fostering progress and addressing critical industry concerns within the broader financial system. It outlines specific objectives for SROs, including promoting a culture of compliance among members, supporting smaller entities within the sector, serving as the collective voice of members in engagements with regulatory authorities, sharing sectoral information with the RBI to aid policymaking and promoting a culture of research and development within the sector to encourage innovation.
2. **Members and membership:** The Omnibus Framework emphasizes the importance of a diverse membership base for SROs to holistically represent the sector. The RBI also reserves the right to prescribe membership criteria for SROs when inviting applications for SROs for each category or class of REs. Additionally, SRO applicants falling short of the minimum membership threshold will have a grace period of up to 2 (two) years from the date of recognition to meet the requirement. Membership in SROs will always remain voluntary and regulated through membership agreements.
3. **Responsibility towards members and the RBI:** The Omnibus Framework imposes several responsibilities on SROs, vis-à-vis its members and the RBI. Some notable ones include developing a uniform, reasonable and non-discriminatory membership fee structure, disseminating sector-specific information from publicly available data, promoting knowledge of statutory or regulatory provisions and arranging skill development and awareness programs on contemporary issues (towards members), and submitting annual reports within 3 (three) months from completion of accounting year, providing necessary data sought by the RBI, and engaging in periodic interactions and providing its views on the larger picture of the industry and providing its books of accounts (towards the RBI).

4. **Eligibility criteria:** The Omnibus Framework outlines eligibility criteria for SRO recognition, including incorporation as a not-for-profit company (under Section 8 of the Companies Act, 2013), meeting prescribed net worth and membership requirements, demonstrating professional competence and a reputation of fairness and integrity (to the satisfaction of the RBI) and non-involvement in any legal proceedings that may have an adverse impact on the interest of the sector. Notably, the Omnibus Framework also clarifies that the shareholding of the SRO should be sufficiently diversified such that no entity holds more than 10% of its paid-up share capital.
5. **Code of conduct, grievance redressal, and consequences for violation of rules:** The Omnibus Framework mandates SROs to have in place objective and consultative processes for formulating conduct rules and overseeing members' activities. Notably, while the Omnibus Framework provides that an SRO should specify consequences for violation of agreed rules and/or codes (which may include counselling, cautioning, reprimanding, and expelling members) it expressly clarifies that such consequences must not, in any case, entail imposition of monetary penalties. Further, it requires SROs to establish a grievance redressal framework for its members and offer counselling on restrictive or unhealthy practices which may be detrimental to growth of the sector.

Additionally, while the Omnibus Framework sets out overarching requirements for all RBI-REs, the RBI retains the authority to prescribe sector-specific additional conditions within the broad contours of the Omnibus Framework.

Conclusion

In our view, the Omnibus Framework is poised to enhance communication channels among industry players, stakeholders, and regulators, thereby fostering greater transparency and collaboration. Moreover, the framework will also offer vital support to small industry participants as it mandates SROs to provide them with guidance and assistance, thereby promoting their growth and development. Overall, we believe this framework sets a commendable precedent and holds the potential to positively impact the industry landscape, providing a more cohesive and structured framework for regulatory oversight and industry development.

In our view, Omnibus Framework represents a significant milestone for the industry, especially considering the previous regulatory uncertainties and overnight changes. It will also enable the extension of regulatory recognition to existing SROs such as the Digital Lenders Association of India, Merchant Payments Alliance of India, and Fintech Association for Consumer Empowerment, thereby solidifying their role in upholding industry standards and best practices.

Finance Practice

JSA has a widely recognised market leading banking & finance practice in India. Our practice is partner led and is committed to providing quality professional service combining domain knowledge with a constructive, consistent, comprehensive and commercial approach to issues. Clients trust our banking lawyers to take a practical and business-oriented approach to achieving their objectives. Our lawyers have a clear understanding of the expectations and requirements of both sides to a financing transaction and provide tailored advice to each client's needs. The practice is especially praised for its accessibility and responsiveness and its ability to work well with international firms and clients. We represent a variety of clients including domestic and global banks, non-banking finance companies, institutional lenders, multi-lateral, developmental finance and export credit institutions, asset managers, funds, arrangers and corporate borrowers in different sectors on a wide range of financing transactions.

Our full spectrum of services includes advising clients on corporate debt transactions (including term and working capital debt), acquisition finance, structured finance, project finance, asset finance, real estate finance, trade finance, securitisation, debt capital markets and restructuring and insolvency assignments.

Our practice has been consistently ranked in the top-tier for many years, and several of our partners are regarded highly, by international publications such as Chambers and Partners, IFLR, Asia Law, Legal 500, Asia Legal Business, IBLJ and Leaders League.

This Prism has been prepared by:



Probir Roy Chowdhury
Partner



Yajas Setlur
Partner



Moushami Nayak
Associate

		
<p>18 Practices and 25 Ranked Lawyers</p>	<p>13 Practices and 38 Ranked Lawyers</p>	<p>Recognised in World's 100 best competition practices of 2024</p>
		
<p>19 Practices and 19 Ranked Lawyers</p>	<p>12 Practices and 42 Ranked Partners IFLR1000 APAC Rankings 2023 ----- Banking & Finance Team of the Year ----- Fintech Team of the Year ----- Restructuring & Insolvency Team of the Year</p>	<p>Among Top 7 Best Overall Law Firms in India and 9 Ranked Practices ----- 11 winning Deals in IBLJ Deals of the Year ----- 12 A List Lawyers in IBLJ Top 100 Lawyer List</p>
		
<p>Innovative Technologies Law Firm of the Year 2023 ----- Banking & Financial Services Law Firm of the Year 2022 ----- Dispute Resolution Law Firm of the Year 2022 ----- Equity Market Deal of the Year (Premium) 2022 ----- Energy Law Firm of the Year 2021 ----- Employer of Choice 2021</p>	<p>7 Ranked Practices, 16 Ranked Lawyers ----- Elite – Band 1 - Corporate/ M&A Practice ----- 3 Band 1 Practices ----- 4 Band 1 Lawyers, 1 Eminent Practitioner</p>	<p>Ranked #1 The Vahura Best Law Firms to Work Report, 2022 ----- Top 10 Best Law Firms for Women in 2022</p>  <p>7 Practices and 2 Ranked Lawyers</p>

For more details, please contact km@jsalaw.com

www.jsalaw.com



Ahmedabad | Bengaluru | Chennai | Gurugram | Hyderabad | Mumbai | New Delhi

This prism is not an advertisement or any form of solicitation and should not be construed as such. This prism has been prepared for general information purposes only. Nothing in this prism constitutes professional advice or a legal opinion. You should obtain appropriate professional advice before making any business, legal or other decisions. JSA and the authors of this prism disclaim all and any liability to any person who takes any decision based on this publication.