

Topic	<b>RBI issues Framework for Acceptance of Green Deposits</b>
Notification Date	April 11, 2023
Effective Date	June 1, 2023
Legal Framework	Reserve Bank of India Act, 1934
Government Authority	Reserve Bank of India
Legal Update	<p>To foster and develop a green finance ecosystem in India and to protect the interest of the depositors, RBI has issued the Framework for Acceptance of Green Deposits for the Regulated Entities.</p> <ul style="list-style-type: none"> <li>• <b>Applicability and Important Terms Defined</b> <ul style="list-style-type: none"> <li>○ Scheduled Commercial Banks including Small Finance Banks (excluding Regional Rural Banks, Local Area Banks and Payments Banks), and</li> <li>○ All Deposits taking NBFCs (Non-Banking Financial Companies), including Housing Finance Companies (HFCs).</li> </ul> </li> <li>• “green deposit” means an interest-bearing deposit, received by the REs (Regulated Entities) for a fixed period and the proceeds of which are earmarked for being allocated towards green finance.</li> <li>• “green finance” means lending to and / or investing in the activities / projects meeting the prescribed requirements that contribute to climate risk mitigation, climate adaptation and resilience, and other climate-related or environmental objectives - including biodiversity management and nature-based solutions.</li> </ul>
Green Deposit Framework	<ul style="list-style-type: none"> <li>• <b>Denomination, Interest Rates and Tenor of Deposits</b> <ul style="list-style-type: none"> <li>○ REs shall issue green deposits as cumulative / non-cumulative deposits; and upon maturity, it would be renewed / withdrawn at the option of the depositor.</li> <li>○ The green deposits shall be denominated in <b>Indian Rupees</b> only.</li> <li>○ The tenor, size, interest rate and other terms and conditions shall be as per the RBI Master Directions on <i>Interest Rate on Deposits</i> Directions, 2016; <i>Acceptance of Public Deposits</i> Directions, 2016; and <i>NBFC-Housing Finance Company</i> Directions, 2021.</li> </ul> </li> <li>• <b>Policy</b> <ul style="list-style-type: none"> <li>○ A comprehensive Board-approved policy shall be put in place on green deposits providing all the aspects related to issuance and allocation.</li> <li>○ A copy of the Policy on green deposits shall also be made available on the REs website.</li> </ul> </li> </ul>
Financing Framework	<ul style="list-style-type: none"> <li>• <b>Board-approved Financing Framework (FF) shall cover:</b> <ul style="list-style-type: none"> <li>○ the eligible green activities / projects that could be financed out of proceeds raised through the green deposits;</li> <li>○ the process for project evaluation and selection by the RE (i.e., climate-related or environmental objectives);</li> <li>○ the allocation of proceeds of green deposits and its reporting, third-party verification / assurance of the allocation of proceeds and the impact assessment; and</li> <li>○ the particulars of the temporary allocation of green deposit proceeds, pending their allocation to the eligible activities / projects.</li> </ul> </li> <li>• A copy of the ‘Financing Framework’ shall also be made available on the website of the RE.</li> </ul>

	<ul style="list-style-type: none"> <li>The RE shall also arrange to carry out an external review of its Financing Framework and the same shall be made available on its website before implementation of the Framework.</li> </ul>
Use of Proceeds	<ul style="list-style-type: none"> <li>The allocation of proceeds raised from green deposits shall be based on the official Indian green taxonomy.</li> <li>REs shall be required to allocate the proceeds raised through green deposits towards the list as provided in the Framework of green activities / projects which encourage energy efficiency in resource utilisation, reduce carbon emissions and greenhouse gases, promote climate resilience and / or adaptation and value and improve natural ecosystems and biodiversity.</li> </ul>
Third-Party Verification/Assurance and Impact Assessment	<ul style="list-style-type: none"> <li>The allocation of funds raised through green deposits by REs during a financial year shall be subject to an annual independent Third-Party Verification / Assurance.</li> <li>The third-party assessment would not absolve the RE of its responsibility regarding the end-use of funds.</li> <li>The Third-Party Verification / Assurance Report shall cover: <ul style="list-style-type: none"> <li>Use of the proceeds to be in accordance with the eligible green activities / projects.</li> <li>The REs shall monitor the end-use of funds allocated against the deposits raised.</li> <li>Policies and Internal Controls, such as project evaluation and selection, management of proceeds, and validation of the sustainability information provided by the borrower to the REs and Reporting and Disclosures.</li> </ul> </li> <li>REs, with the assistance of external firms, shall annually assess the impact associated with the funds lent for or invested in green finance activities / projects through an Impact Assessment Report.</li> <li>It shall be undertaken voluntarily for FY 2023-24 and from FY 2024-25 onwards it shall be a mandatory requirement.</li> <li>The Report of the Third-Party Verification / Assurance and Impact Assessment Report shall be placed on REs website.</li> </ul>
Reporting and Disclosures	<ul style="list-style-type: none"> <li>A review report shall be placed before the Board within three months of the end of the FY, covering: <ul style="list-style-type: none"> <li>the amount raised under green deposits during the previous FY;</li> <li>list of green activities / projects to which proceeds have been allocated, along with a brief description of the projects;</li> <li>the amounts allocated to the eligible green activities / projects;</li> <li>a copy of the Third-Party Verification / Assurance Report and the Impact Assessment Report.</li> </ul> </li> <li>REs shall make appropriate disclosures in their Annual Financial Statements on the portfolio-level information regarding the use of the green deposit funds as per the prescribed proforma.</li> </ul>
Weblink	<a href="#">Framework for Acceptance of Green Deposits</a>