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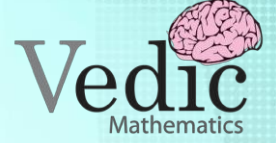
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## RBI & Banking sector

### Regulatory and Policy News

**RBI's FREE-AI Framework:** The Reserve Bank of India (RBI) introduced a new framework for artificial intelligence (AI) in banking called FREE-AI, which stands for Fairness, Robustness, Efficiency, and Explainability. This new rulebook sets a higher bar for banks, mandating that they establish structured governance, maintain high-quality data sets, and ensure all AI-driven decisions are transparent and traceable. This move shifts the focus from purely innovation-driven AI deployment to a more principle-led, regulated approach, with a strong emphasis on consumer protection.

**Bank Holidays:** Banks in several states were closed due to the Ganesh Chaturthi festival. These states included Gujarat, Maharashtra, Karnataka, Odisha, Tamil Nadu, Telangana, Goa, and Andhra Pradesh. While physical banking services like check issuance were unavailable, customers were still able to use online services, including internet banking and UPI payments.

**Opposition to Privatization:** The All India Bank Officers' Confederation (AIBOC) publicly opposed the government's plan to privatize IDBI Bank. The union warned that the move endangers public trust and social justice while risking financial exclusion.

### Sector Performance and Key Events

**Small Finance Banks (SFBs):** SFBs reported a challenging Q1, with a 76% slump in net profit due to rising credit costs and a weakening of net interest income. Gross non-performing assets

(NPAs) also saw a significant jump of nearly 70% year-on-year.

**Response to U.S. Tariffs:** Senior bankers are working on plans to help Indian exporters navigate the new 50% tariffs imposed by the U.S. This includes proposals to extend the loan default period for MSMEs from 90 to 180 days to help them manage the financial impact.

**Yes Bank Stake Acquisition:** The RBI greenlit a proposal by the Japanese giant Sumitomo Mitsui Banking Corporation (SMBC) to acquire up to a 24.99% stake in Yes Bank.

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- B) A public holiday for Independence Day  
C) The Ganesh Chaturthi festival  
D) A decision by the RBI to close physical branches

**Answer:** C) The Ganesh Chaturthi festival  
The text indicates that banks were closed "due to the Ganesh Chaturthi festival" in several states.

**3:What percentage slump in net profit did Small Finance Banks (SFBs) report in their Q1 performance?**

- A) 50%  
B) 60%  
C) 70%  
D) 76%

**Answer:** D) 76%  
The news states that SFBs reported a "76% slump in net profit" during their Q1.

**4:Which Japanese banking corporation received RBI's approval to acquire a stake in Yes Bank?**

- A) Mitsubishi UFJ Financial Group  
B) Mizuho Financial Group  
C) Sumitomo Mitsui Banking Corporation (SMBC)  
D) Nomura Holdings

**Answer:** C) Sumitomo Mitsui Banking Corporation (SMBC)  
The text mentions that the "RBI greenlit a proposal by the Japanese giant Sumitomo Mitsui Banking Corporation (SMBC) to acquire up to a 24.99% stake in Yes Bank."

**5:What is one of the proposals being considered by senior bankers to help Indian exporters manage the impact of U.S. tariffs?**

- A) Lowering interest rates on all loans  
B) Extending the loan default period for MSMEs from 90 to 180 days

## MCQS

**1:What does the "FREE-AI" framework introduced by the Reserve Bank of India (RBI) stand for?**

- A) Financial, Regulatory, and Economic-AI  
B) Fairness, Robustness, Efficiency, and Explainability  
C) Fund, Retail, and Emerging-AI  
D) Foreign, Risk, and Equity-AI

**Answer:** B) Fairness, Robustness, Efficiency, and Explainability

The news states that FREE-AI stands for "Fairness, Robustness, Efficiency, and Explainability."

**2:What was the primary reason for banks being closed in several states on August 27, 2025?**

- A) A national bank strike







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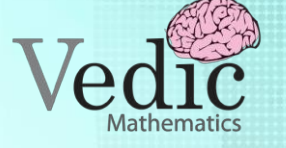
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- C) Providing free credit to all exporters  
D) Removing the need for any collateral for loans

**Answer:** B) Extending the loan default period for MSMEs from 90 to 180 days  
The news states that a plan to "extend the loan default period for MSMEs from 90 to 180 days" is being worked on to help exporters.

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