

### **Rationalisation of Overseas Investment Regulations under FEMA, 1999 – Draft rules/regulations for Comments**

Overseas Investment and acquisition of Immovable Properties outside India by a person resident in India is presently governed by the provisions contained in Notification No. FEMA 120/RB-2004 dated July 07, 2004 [Foreign Exchange Management (Transfer or Issue of any Foreign Security) Regulations, 2004] and Notification No. FEMA 7 (R)/2015-RB dated January 21, 2016 [Foreign Exchange Management (Acquisition and Transfer of Immovable Property Outside India) Regulations 2015] respectively.

With a view to further liberalize regulatory framework and also to promote ease of doing business, it has been decided to rationalize the existing provisions governing overseas investment. The Rules and Regulations will be finalized after public consultations.

Accordingly, the Reserve Bank of India (RBI) on 9th August 2021 placed on its website two documents viz draft Foreign Exchange Management (Non-debt Instruments - Overseas Investment) Rules, 2021 and draft Foreign Exchange Management (Overseas Investment) Regulations, 2021. Comments/feedback on the draft rules/regulations are invited from all stakeholders. Comments/feedback may be forwarded through email by August 23, 2021 with the subject line “Feedback on draft Overseas Investment rules & regulations”.

Summary Information on few Compounding Orders issued after 1st March 2020

Sr. No.	Party Name	Nature of Contravention	Date of Order	Compounding Fees (Rs.)
1.	Sanjay Kumar Jain Partner of PSS Marmi Granites LLP	Section 42(1) of FEMA 1999 – Director/Partner are held responsible for contravention committed by respective entity	26-07-2021	5,856

### **RBI Notification No. RBI/2021-22/72 DOR.CRE.REC.No.33/13.03.00/2021-22 Dated July 23, 2021**

Loans and Advances – Regulatory Restrictions

In references to paragraphs 2.2.1.2, 2.2.1.4 and paragraph 2.2.1.5 of Master Circular on Loans and Advances - Statutory and Other Restrictions dated July 01, 2015.

2. On a review, it has been decided that

- i) For personal loans granted to any director of other banks, the threshold of Rupees twenty-five lakh, as mentioned in para 2.2.1.2, stands revised to Rupees five crore.
- ii) Paragraph 2.2.1.4 has been revised as under –

Unless sanctioned by the Board of Directors/Management Committee, banks should not grant loans and advances aggregating Rupees five crore and above to -

- (a) any relative other than spouse (spouse as specified in para 2.2.1.3 above) and minor / dependent children of their own Chairmen/Managing Directors or other Directors;

(b) any relative other than spouse (spouse as specified in para 2.2.1.3 above) and minor / dependent children of the Chairman/Managing Director or other directors of other banks\*;

(c) any firm in which any of the relatives other than spouse (spouse as specified in para 2.2.1.3 above) and minor / dependent children as mentioned in (a) & (b) above is interested as a partner or guarantor; and

(d) any company in which any of the relatives other than spouse (spouse as specified in para 2.2.1.3 above) and minor / dependent children as mentioned in (a) & (b) above is interested as a major shareholder or as a director or as a guarantor or is in control.

Provided that a relative of a director shall also be deemed to be interested in a company, being the subsidiary or holding company, if he/she is a major shareholder or is in control of the respective holding or subsidiary company.

\*including directors of Scheduled Co-operative Banks, directors of subsidiaries/trustees of mutual funds/venture capital funds.

iii) Paragraph 2.2.1.5 has been revised as under -

The proposals for credit facilities of an amount less than Rupees twenty-five lakh or Rupees five crores (as the case may be) to these borrowers may be sanctioned by the appropriate authority in the financing bank under powers vested in such authority, but the matter should be reported to the Board.

Explanation : For the purpose of this circular:

i) The term "personal loan" shall have the meaning assigned to it in the circular DBR.No.BP.BC.99/08.13.100/2017-18 dated January 04, 2018 on XBRL Returns – Harmonization of Banking Statistics.

ii) The term "major shareholder" shall mean a person holding 10% or more of the paid-up share capital or five crore rupees in paid-up shares, whichever is less.

iii) The term "control" shall include the right to appoint majority of the directors or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholders agreements or voting agreements or in another manner.

**RBI Notification No. RBI/2021-22/74 DOR.FIN.REC.No.34/03.10.136/2021-22 Dated July 29, 2021**

Rating of Deposits of HFCs – Approved Credit Rating Agencies and Minimum Investment Grade Credit Rating

A reference is invited to Para 25.2 of Master Direction – Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021, wherein the names of five approved credit rating agencies and their minimum investment grade credit rating for the purpose of accepting public deposits have been listed.

2. On a review, it has been decided to align the aforesaid provisions for HFCs with provisions on the subject prescribed for NBFCs which are contained in Para 9 of Master Direction - Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 2016. Accordingly, the names of credit rating agencies and their minimum investment grade ratings for the purpose of accepting public deposits by HFCs are listed in the Annex.

3. The Master Direction – Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021 is being modified accordingly.

Annex

List of Credit Rating Agencies and their respective minimum investment grade ratings

Sl. No.	Name of the rating agency	Minimum investment grade credit rating
1	The Credit Rating Information Services of India Limited (CRISIL)	FA- (FA Minus)
2	ICRA Limited	MA- (MA Minus)

3	Credit Analysis & Research Limited (CARE)	CARE BBB (FD)
4	Fitch Ratings India Private Limited	tA– (ind)(FD)
5	Brickwork Ratings India Private Limited (Brickwork) *	BWR FBBB
6	Acuite Ratings & Research Limited **	ACUITE A
7	Infomerics Valuation and Rating Private Limited (IVRPL) **	IVR BBB
* Rating changed from BWR FA to BWR FBBB for deposits of HFCs, to align with NBFCs.		
** New credit rating agencies along with ratings for deposits of HFCs, to align with NBFCs.		

**RBI Notification No. RBI/2021-22/77 DOR.CRE.REC.35/21.04.048/2021-22 Dated August 04, 2021**

Guidelines for Implementation of the circular on Opening of Current Accounts by Banks

- a. In case of borrowers who have not availed of CC/OD facility from any bank, there is no restriction on opening of current accounts by any bank if exposure of the banking system to such borrowers is less than ₹ 5 crore.
- b. In case of borrowers who have not availed of CC/OD facility from any bank and the exposure of the banking system is ₹ 5 crore or more but less than ₹ 50 crore, there is no restriction on lending banks to such borrowers from opening a current account. Even non-lending banks can open current accounts for such borrowers though only for collection purposes.
- c. The restriction applies to borrowers in case they avail of CC/OD facility since all operations that can be carried out from a current account can also be carried out from a CC/OD account as banks in a CBS environment follow a one-bank-one-customer model as against a one-branch-one-customer model.
- d. Banks will be permitted time till October 31, 2021 to implement the provisions of the circular. This extended time line shall be utilised by banks to engage with their borrowers to arrive at mutually satisfactory resolutions within the ambit of the circular. Such issues which banks are unable to resolve themselves shall be escalated to Indian Banks' Association (IBA) for appropriate guidance.

Residual issues, if any, requiring regulatory consideration shall be flagged by IBA to the Reserve Bank for examination by September 30, 2021.

e. In terms of para 1(vii) of circular DOR.No.BP.BC.30/21.04.048/2020-21 dated December 14, 2020, accounts of White Label ATM operators and their agents are exempt from the provisions of the Current Account circular dated August 6, 2020. Since Cash-in-Transit (CIT) Companies/ Cash Replenishment Agencies (CRAs) essentially carry out a similar activity, the exemption would be applicable to these entities as well.

f. Banks shall put in place a monitoring mechanism, both at head office and regional/zonal office levels to monitor non-disruptive implementation of the circular and to ensure that customers are not put to undue inconvenience during the implementation process.

g. As has already been indicated in FAQ no 6 of circular DOR.No.BP.BC.30/21.04.048/2020-21 dated December 14, 2020, banks are not permitted to open current accounts for borrowers who have availed agricultural/ personal Overdraft (OD) or OD against deposits.

**RBI Notification No. RBI/2021-2022/79 DOR.DIR.REC.37/04.02.002/2021-22 Dated August 6, 2021**

**Export Credit in Foreign Currency – Benchmark Rate**

Please refer to Master Circular DBR.No.DIR.BC.14/04.02.002/2015-16 dated July 1, 2015 on Rupee / Foreign Currency Export Credit and Customer Service to Exporters.

2. As per the extant guidelines, authorized dealers are permitted to extend Pre-shipment Credit in Foreign Currency (PCFC) to exporters for financing the purchase, processing, manufacturing or packing of goods prior to shipment at LIBOR/EURO LIBOR/EURIBOR related rates of interest.

3. In view of the impending discontinuance of LIBOR as a benchmark rate, it has been decided to permit banks to extend export credit using any other widely accepted Alternative Reference Rate in the currency concerned. All other instructions in this regard shall remain unchanged.

**RBI Notification No. RBI/2021-22/80 DOR.STR.REC.38/21.04.048/2021-22 Dated August 6, 2021**

**Resolution Framework for COVID-19-related Stress – Financial Parameters – Revised timelines for compliance**

Please refer to the circular DOR.No.BP.BC/13/21.04.048/2020-21 dated September 7, 2020 inter alia advising the key ratios and their sector specific thresholds to be considered by lending institutions while finalising the resolution plans in respect of eligible borrowers under Part B of the Annex to the Resolution Framework for Covid-19 related stress issued on August 6, 2020.

2. The key ratios consisted of four operational ratios, viz., Total Debt / EBITDA, Current Ratio, Debt Service Coverage Ratio (DSCR) and Average Debt Service Coverage Ratio (ADSCR), along with the ratio Total Outside Liabilities / Adjusted Tangible Net Worth (TOL/ATNW) representing the debt-equity mix of the borrower post implementation of the resolution plan.

3. In view of the resurgence of the Covid-19 pandemic in 2021 and recognising the difficulties it may pose for the borrowers in meeting the operational parameters, it has been decided to defer the target date for meeting the specified thresholds in respect of the four operational parameters, viz. Total Debt / EBITDA, Current Ratio, DSCR and ADSCR, to October 1, 2022.

4. The target date for achieving the ratio TOL/ATNW, as crystallised in terms of the resolution plan, shall remain unchanged as March 31, 2022.

**RBI Notification No. RBI/2021-22/81 DOR.MRG.39/21.04.157/2021-22 Dated August 06, 2021**

**Prudential Norms for Off-Balance Sheet Exposures of Banks – Restructuring of derivative contracts**

Please refer to paragraph 2.2 of our circular DBOD.No.BP.BC.57/21.04.157/2008-09 dated October 13, 2008, in terms of which any change in any of the parameters of the original derivative contract would be treated as a restructuring.

2. In this context, it is clarified that change in the terms of a derivative contract on account of change in reference rate necessitated due to transition from LIBOR to an alternative reference rate shall not be treated as restructuring of the derivative contract provided all other parameters of the original contract remain unchanged.

**RBI Notification No. RBI/2021-22/82 DOR.RET.REC.36/12.01.001/2021-22 Dated August 09, 2021**

**Section 24 of the Banking Regulation Act, 1949 – Maintenance of Statutory Liquidity**

**Ratio (SLR) – Marginal Standing Facility (MSF) - Extension of Relaxation**

Please refer to circular DOR.No.Ret.BC.36/12.01.001/2020-21 dated February 05, 2021, on Marginal Standing Facility (MSF), wherein the banks were allowed to avail of funds under the MSF by dipping into the Statutory Liquidity Ratio (SLR) up to an additional one per cent of their net demand and time liabilities (NDTL), i.e., cumulatively up to three per cent of NDTL. This facility, which was initially available up to June 30, 2020, was later extended in phases up to September 30, 2021, providing comfort to banks on their liquidity requirements and also to enable them to meet their Liquidity Coverage Ratio (LCR) requirements.

2. As announced in the Statement on Developmental and Regulatory Policies of August 06, 2021, with a view to providing comfort to banks on their liquidity requirements, banks are allowed to continue with the MSF relaxation for a further period of three months, i.e., up to December 31, 2021.

**RBI Notification No. RBI/2021-22/83 FIDD.GSSD.CO.BC.No.09/09.01.003/2021-22 Dated August 9, 2021**

Enhancement of collateral free loans to Self Help Groups (SHGs) under DAY-NRLM from ₹ 10 lakh to ₹ 20 Lakh

Paragraph 7.4 of RBI Master Circular FIDD.GSSD.CO.BC.No.04/09.01.01/2021-22 (on DAY-NRLM) dated April 01, 2021 stands modified as under:

**7.4 Security and Margin:**

7.4.1 For loans to SHGs up to ₹ 10.00 lakh, no collateral and no margin will be charged. No lien should be marked against savings bank account of SHGs and no deposits should be insisted upon while sanctioning loans.

7.4.2 For loans to SHGs above ₹ 10 lakh and up to ₹ 20 lakh, no collateral should be charged and no lien should be marked against savings bank account of SHGs. However, the entire loan (irrespective of the loan outstanding, even if it subsequently goes below ₹ 10 lakh) would be eligible for coverage under Credit Guarantee Fund for Micro Units (CGFMU)."

All other provisions of the Master Circular remain unchanged.