

**5th Amendment) FEMA 23(R) - Foreign Exchange Management Export of Goods and Services (Amendment) Regulation 2021**

In Regulation 15(1) for clause (ii) following shall be substituted:

"(ii) the rate of interest, if any, payable on the advance payment shall not exceed 100 basis points above the London Inter-Bank Offered Rate (LIBOR) or other applicable benchmark as may be directed by the Reserve Bank, as the case may be; and".

As per the above amendment now in addition to LIBOR plus 100 basis points, interest can also be paid as per any other applicable benchmark as directed by Reserve Bank.

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.	M/s. Dillinger Middle East FZE	Contravention under Regulation 4(d)(I) of FEMA Notification 22R in relation to extension of period of liaison office beyond prescribed period of years without making an prior application.	18-01-2021	6,46,644
2.	M/s. Kuwait Airways Company	Contravention under Regulation 4(e) of FEMA Notification 22R in relation to submission of fresh form FNC for establishment of additional branch office or liaison office along with justification for need for additional office/s.	17-05-2021	2,81,93,277
3.	Mr. Akash Mahajan	Contraventions under Regulation 5(1), para A(6), para C(3), para D(3) and para D(4) of Sch V read with regulation 20A and Regulation 15(iii) of FEMA Notification No. 120 relating to making overseas investment without prior approval of RBI, investment by resident individual in overseas entity which is not an operating entity, disinvestment proceeds not repatriated back to India within 60 days from date of disinvestment, obligations as prescribed in Reg 15 like receiving share certificate within 6 months from date of investment or repatriation of dues within 60 days of becoming due, filing of APR every year etc. no done, delay in reporting of disinvestment in Part III of Form ODI.	02-09-2021	84,521

### **1. RBI Notification No. RBI/DOR/2021-22/86 DOR.STR.REC.51/21.04.048/2021-22 Dated September 24, 2021**

Master Direction – Reserve Bank of India (Transfer of Loan Exposures) Directions, 2021

Loan transfers are resorted to by lending institutions for multitude of reasons ranging from liquidity management, rebalancing their exposures or strategic sales. A robust secondary market in loans can be an important mechanism for management of credit exposures by lending institutions and also create additional avenues for raising liquidity. It is therefore necessary to lay down a comprehensive, self-contained set of regulatory guidelines governing transfer of loan exposures.

Accordingly, in exercise of the powers conferred by the Sections 21 and 35A of the Banking Regulation Act, 1949 read with Section 56 of the Banking Regulation Act, 1949; Chapter IIIB of the Reserve Bank of India Act, 1934; and Sections 30A, 32 and 33 of the National Housing Bank Act, 1987, the Reserve Bank, being satisfied that it is necessary and expedient in the public interest so to do, had issued the said directions.

Details of the Directions can be accessed at <https://www.rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=12166&Mode=0>

### **2. RBI Notification No. RBI/DOR/2021-22/85 DOR.STR.REC.53/21.04.177/2021-22 Dated September 24, 2021**

Master Direction – Reserve Bank of India (Securitisation of Standard Assets) Directions, 2021

Securitisation involves transactions where credit risk in assets are redistributed by repackaging them into tradeable securities with different risk profiles which may give investors of various classes access to exposures which they otherwise might be unable to access directly. While complicated and opaque securitisation structures could be undesirable from the point of view of financial stability, prudentially structured securitisation transactions can be an important facilitator in a well-functioning financial market in that it improves risk distribution and liquidity of lenders in originating fresh loan exposures.

Given the above, in exercise of the powers conferred by the Sections 21 and 35A of the Banking Regulation Act, 1949; Chapter IIIB of the Reserve Bank of India Act, 1934; and Sections 30A, 32 and 33 of the National Housing Bank Act, 1987, the Reserve Bank, being satisfied that it is necessary and expedient in the public interest so to do, had issued the said directions.

Details of the Directions can be accessed at <https://www.rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=12165&Mode=0>

### **3. RBI Notification No. RBI/2021-2022/101 A.P. (DIR Series) Circular No.13 Dated September 28, 2021**

Use of any Alternative reference rate in place of LIBOR for interest payable in respect of export / import transactions

In view of the impending cessation of LIBOR as a benchmark rate, it has been decided to permit AD banks to use any other widely accepted/Alternative reference rate in the currency concerned for such transactions. All other instructions in this regard shall remain unchanged. The necessary enabling amendment to FEMA 23(R)/2015-RB has since been notified vide Notification No. FEMA 23(R)/(5)/2021-RB dated September 08, 2021

### **4. RBI Notification No. RBI/2021-2022/104 DOR.No.STR.REC.55/21.04.048/2021-22 Dated October 1, 2021**

Master Circular - Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances

This Master Circular consolidates instructions on the above matters issued as on date. The details of the Master Circular can be accessed at <https://www.rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=12171&Mode=0>

### **5. RBI Notification No. RBI/2021-22/106 DOR.CAP.REC.No.56/21.06.201/2021-22 Dated October 4, 2021**

Basel III Capital Regulations - Perpetual Debt Instruments (PDI) in Additional Tier 1 Capital – Eligible Limit for Instruments Denominated in Foreign Currency/Rupee Denominated Bonds Overseas

- Amendment to sub para (ii) of paragraph 1.16 of Annex 4 to Master Circular DBR.No.BP.BC.1/21.06.201/2015-16 dated July 1, 2015 on 'Basel III Capital Regulations'

1.16 (ii) Not more than 49% of the eligible amount can be issued in foreign currency\* and/or in rupee denominated bonds overseas.

"Eligible amount" in this context shall mean the higher of:

- (a) 1.5% of RWA and
- (b) Total Additional Tier 1 capital

as on March 31 of the previous financial year.

\*Not applicable to foreign banks' branches

Illustration on the "eligible amount" that can be raised as per Paragraph 1.16 (ii) of Annex 4 to Master Circular DBR.No.BP.BC.1/21.06.201/2015-16 dated July 1, 2015 on 'Basel III Capital Regulations'

We consider the RWAs of the bank as on March 31 of previous financial year as ₹ 1000 crore.

	Scenario	Maximum amount of AT1 bonds that can be raised overseas (in foreign currency and/or in rupee denominated bonds overseas)
Case I	The bank had AT1 capital of less than or equal to 1.5% of RWAs as on March 31 of the previous financial year. Illustratively, the bank did not have any AT1 capital as on March 31 of the previous financial year.	Equals ₹ 7.35 crore (49% of 1.5% of RWAs).
Case II	The bank had AT1 capital more than 1.5% of RWAs as on March 31 of previous financial year. Illustratively, the bank had AT1 capital of ₹ 50 crore as on March 31 of the previous financial year.	Equals 49% of ₹ 50 crore i.e. ₹ 24.5 crore (49% of total AT1 capital as it is more than 1.5% of RWAs).

Note: The amount of AT1 capital recognised for inclusion in Tier 1 capital will be subject to the limits mentioned in para 4.2.2 of the Basel III Master Circular dated July 1, 2015 and para 1.3 of Annex 4 to the Master Circular ibid.

#### **6. RBI Notification No. RBI/2021-22/108 IDMD.CDD.No.S930/11.22.003/2021-22 Dated October 5, 2021**

Value Free Transfer (VFT) of Government Securities – Guidelines

A reference is invited to Notification No.78 dated November 16, 2018 on Value Free Transfer (VFT) of Government Securities – Guidelines under which separate guidelines for VFT were issued to enable more efficient operations in the Government securities market. On a review, it has been decided to issue revised Value Free Transfer Guidelines to further streamline VFT of government securities.

2. VFT of the government securities shall mean transfer of securities from one SGL/CSGL to another SGL/CSGL account, without corresponding payment leg in the books of RBI.

Details of the guidelines can be accessed at <https://www.rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=12175&Mode=0>

**7. RBI Notification No. RBI/2021-22/110 FIDD.CO.Plan.BC.No.15/04.09.01/2021-22 Dated October 8, 2021**

Priority Sector Lending- Banks' lending to NBFCs for on-lending – Extension of facility

Please refer to para 22 of Master Directions (MD) on PSL dated September 04, 2020 (updated as on June 11, 2021) wherein the facility of bank lending to NBFCs (other than MFIs) for on-lending was allowed to be classified as PSL up to September 30, 2021.

2. As announced in the 'Statement on Developmental and Regulatory Policies' dated October 8, 2021, the facility has been extended till March 31, 2022 keeping in view the increased traction observed in delivering credit to the underserved/unserved segments of the economy. Loans disbursed under the on-lending model will continue to be classified under Priority Sector till the date of repayment/maturity whichever is earlier. Further, bank loans to HFCs for on-lending for the purpose of housing, as prescribed in para 23 of our MD on PSL dated September 4, 2020, will continue as hitherto.