**Risk in Financial Services**

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| --- | --- |
| **S.No.** | **RBI Notification** |
|  | Reserve Bank of India (Financial Statements - Presentation and Disclosures) Directions, 2021 - Reporting of reverse repos with Reserve Bank on the bank’s balance sheet |
|  | Scale Based Regulation (SBR) for NBFCs: Capital requirements for Non-Banking Finance Companies – Upper Layer (NBFC-UL) |
|  | Limits for investment in debt and sale of Credit Default Swaps by Foreign Portfolio Investors (FPIs) |
|  | Loans and Advances – Regulatory Restrictions – NBFCs |
|  | Disclosures in Financial Statements- Notes to Accounts of NBFCs |
|  | Basel III Framework on Liquidity Standards – Liquidity Coverage Ratio (LCR) |
|  | Master Circular - Management of Advances – UCBs |
|  | Review of SLR holdings in HTM category |
|  | Individual Housing Loans – Rationalisation of Risk Weights |
|  | Master Circular – Basel III Capital Regulations |
|  | Master Direction - Classification, Valuation and Operation of Investment Portfolio of Commercial Banks (Directions), 2021 – Amendment |
|  | Bilateral Netting of Qualified Financial Contracts - Amendments to Prudential Guidelines |
|  | Master Direction - Classification, Valuation and Operation of Investment Portfolio of Commercial Banks (Directions), 2021 – Amendment |
|  | ‘Voluntary Retention Route’ (VRR) for Foreign Portfolio Investors (FPIs) investment in debt |
|  | Transactions in Credit Default Swap (CDS) by Foreign Portfolio Investors – Operational Instructions |
|  | Master Direction – Reserve Bank of India (Credit Derivatives) Directions, 2022 |
|  | Retail Direct Scheme – Market Making |

**Reserve Bank of India (Financial Statements - Presentation and Disclosures) Directions, 2021 - Reporting of reverse repos with Reserve Bank on the bank’s balance sheet**

RBI/2022-23/55
DOR.ACC.REC.No.37/21.04.018/2022-23

May 19, 2022

Dear Sir/ Madam,

**Reserve Bank of India (Financial Statements - Presentation and Disclosures) Directions, 2021 - Reporting of reverse repos with Reserve Bank on the bank’s balance sheet**

Please refer to the ‘Notes and Instructions for Compilation’ given in Part A of Annexure II to the [Reserve Bank of India (Financial Statements - Presentation and Disclosures) Directions, 2021](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12158&Mode=0), regarding the reporting of reverse repo transactions by the banks on their balance sheet.

2. In order to bring more clarity on the presentation of reverse repo on the balance sheet, it has now been decided as under:

(a) All type of reverse repos with the Reserve Bank including those under Liquidity Adjustment Facility shall be presented under sub-item (ii) ‘In Other Accounts’ of item (II) ‘Balances with Reserve Bank of India’ under Schedule 6 ‘Cash and balances with Reserve Bank of India’.

(b) Reverse repos with banks and other institutions having original tenors up to and inclusive of 14 days shall be classified under item (ii) ‘Money at call and short notice’ under Schedule 7 ‘Balances with banks and money at call and short notice’.

(c) Reverse repos with banks and other institutions having original tenors more than 14 days shall be classified under Schedule 9 – ‘Advances’ under the following heads:

1. A.(ii) ‘Cash credits, overdrafts and loans repayable on demand’
2. B.(i) ‘Secured by tangible assets’
3. C.(I).(iii) Banks (iv) ‘Others’ (as the case may be)

3. In addition, certain sections in the said Directions are being updated for editorial corrections as given in the [Annex](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12322&Mode=0#A_1).

**Applicability**

4. This circular is applicable to all commercial banks. The [Reserve Bank of India (Financial Statements - Presentation and Disclosures) Directions, 2021](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12158&Mode=0), stands updated to reflect these changes.

Yours faithfully,

(Usha Janakiraman)
Chief General Manager

Reference Link: <https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12322&Mode=0>

**Scale Based Regulation (SBR) for NBFCs: Capital requirements for Non-Banking Finance Companies – Upper Layer (NBFC-UL)**

RBI/2022-23/30
DOR.CAP.REC.No.21/21.06.201/2022-23

April 19, 2022

Dear Sir/ Madam,

**Scale Based Regulation (SBR) for NBFCs: Capital requirements for Non-Banking Finance Companies – Upper Layer (NBFC-UL)**

Please refer to the [circular DOR.CRE.REC.No.60/03.10.001/2021-22 dated October 22, 2021](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12179&Mode=0) on Scale Based Regulation (SBR): A Revised Regulatory Framework for NBFCs.

2. In terms of paragraph 3.2.1 (b) of the circular ibid, NBFC-UL shall maintain Common Equity Tier 1 capital of at least 9 per cent of Risk Weighted Assets. The detailed guidelines in this regard are provided below:

3.1. NBFC-UL shall maintain, on an on-going basis, Common Equity Tier 1 (CET1) ratio of at least 9 per cent, where,



For more details, the link to the notification is placed below.

Reference Link: <https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12296&Mode=0>

**Limits for investment in debt and sale of Credit Default Swaps by Foreign Portfolio Investors (FPIs)**

RBI/2022-23/28
A.P. (DIR Series) Circular No. 01 (revised number)

April 19, 2022

To,

All Authorized Persons

Madam / Sir

**Limits for investment in debt and sale of Credit Default Swaps by Foreign Portfolio Investors (FPIs)**

Attention of Authorised Dealer Category-I (AD Category-I) banks is invited to Schedule 1 to the Foreign Exchange Management (Debt Instruments) Regulations, 2019 notified, vide [Notification No. FEMA. 396/2019-RB dated October 17, 2019](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12099&Mode=0), as amended from time to time and the relevant Directions issued thereunder.

2. A reference is also invited to the following directions issued by the Reserve Bank:

1. [A.P. (DIR Series) Circular No. 25 dated March 30, 2020](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11849&Mode=0);
2. [Circular No. FMRD.FMSD.No.25/14.01.006/2019-20 dated March 30, 2020](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11850&Mode=0);
3. [A.P. (DIR Series) Circular No. 05 dated May 31, 2021](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12102&Mode=0); and
4. [A.P. (DIR Series) Circular No. 23 dated February 10, 2022](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12227&Mode=0).

**3. Investment Limits for the financial year (FY) 2022-23:**

1. The limits for FPI investment in Government securities (G-secs), State Development Loans (SDLs) and corporate bonds shall remain unchanged at 6%, 2% and 15% respectively, of outstanding stocks of securities for FY 2022-23.
2. As hitherto, all investments by eligible investors in the ‘specified securities’ shall be reckoned under the Fully Accessible Route (FAR) in terms of [A.P. (DIR Series) Circular No. 25 dated March 30, 2020](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11849&Mode=0).
3. The allocation of incremental changes in the G-sec limit (in absolute terms) over the two sub-categories – ‘General’ and ‘Long-term’ – shall be retained at 50:50 for FY 2022-23.
4. The entire increase in limits for SDLs (in absolute terms) has been added to the ‘General’ sub-category of SDLs.

For the revised limits (in absolute terms) for the different categories and other details, refer to the link provided below.

Reference Link: <https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12295&Mode=0>

**Loans and Advances – Regulatory Restrictions – NBFCs**

RBI/2022-23/29
DOR.CRE.REC.No.25/03.10.001/2022-23

April 19, 2022

All Non-Banking Financial Companies

Madam/ Dear Sir,

**Loans and Advances – Regulatory Restrictions - NBFCs**

In terms of para 3.2.2 (c) and para 3.2.3 (b) & (c) of the [circular on Scale Based Regulation (SBR): A Revised Regulatory Framework for NBFCs issued on October 22, 2021](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12179&Mode=0), certain regulatory restrictions on lending were introduced in respect of NBFCs placed in different layers. Detailed guidelines in this regard are placed as [Annex](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12294&Mode=0#AN) to this circular.

2. These guidelines shall be effective from October 01, 2022.

Yours faithfully,

(Manoranjan Mishra)
Chief General Manager

Reference Link: <https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12294&Mode=0>

**Disclosures in Financial Statements- Notes to Accounts of NBFCs**

RBI/2022-23/26
DOR.ACC.REC.No.20/21.04.018/2022-23

April 19, 2022

Dear Sir/ Madam,

**Disclosures in Financial Statements- Notes to Accounts of NBFCs**

Please refer to our [circular DOR.CRE.REC.No.60/03.10.001/2021-22 dated October 22, 2021](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12179&Mode=0) on ‘Scale Based Regulation (SBR): A Revised Regulatory Framework’ for NBFCs, which inter-alia envisages certain specific disclosures.

2. Non-Banking Finance Companies (NBFCs) are required to make disclosures in their financial statements in accordance with existing prudential guidelines, applicable accounting standards, laws, and regulations. The additional disclosure requirements for NBFCs in accordance with the SBR framework are outlined in the [Annex](https://rbidocs.rbi.org.in/rdocs/content/pdfs/NOTI26_AN.pdf).

3. These disclosures are in addition to and not in substitution of the disclosure requirements specified under other laws, regulations, or accounting and financial reporting standards. More comprehensive disclosures than the minimum required are encouraged, especially if such disclosures significantly aid in the understanding of the financial position and performance.

**Applicability**

4. This circular is applicable to all NBFCs. The Annex specifies the applicability of specific disclosure requirements to specific NBFC layers as per Scale Based Regulation. It may be noted that disclosure requirements applicable to lower layers of NBFCs will be applicable to NBFCs in higher layers. These guidelines shall be effective for annual financial statements for year ending March 31, 2023, and onwards.

(Usha Janakiraman)
Chief General Manager

Reference Links: <https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12292&Mode=0>

**Basel III Framework on Liquidity Standards – Liquidity Coverage Ratio (LCR)**

RBI/2022-23/25
DOR.LRG.REC.19/21.04.098/2022-23

April 18, 2022

Dear Sir/Madam,

**Basel III Framework on Liquidity Standards – Liquidity Coverage Ratio (LCR)**

Please refer to our [circular DOR.BP.BC.No.65/21.04.098/2019-20 dated April 17, 2020](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11870&Mode=0) on Basel III Framework on Liquidity Standards – Liquidity Coverage Ratio (LCR).

2. In terms of the circular ibid, the assets allowed as Level 1 High Quality Liquid Assets (HQLAs) for the purpose of computing the LCR, inter alia, include (a) Government securities in excess of the mandatory SLR requirement and (b) within the mandatory SLR requirement, Government securities to the extent allowed under (i) Marginal Standing Facility (MSF) and (ii) Facility to Avail Liquidity for Liquidity Coverage Ratio (FALLCR) [15 per cent of the banks’ Net Demand and Time Liabilities (NDTL)].

3. Since MSF has been reduced to 2 per cent from 3 per cent of NDTL from January 1, 2022, the total HQLA carve out from the mandatory SLR, which can be reckoned for meeting LCR requirement, has reduced to 17 per cent of NDTL (2 per cent MSF plus 15 per cent FALLCR) from 18 percent.

4. On a review, it has been decided to permit banks to reckon Government securities as Level 1 HQLA under FALLCR within the mandatory SLR requirement up to 16 per cent of their NDTL. Accordingly, the total HQLA carve out from the mandatory SLR, which can be reckoned for meeting LCR requirement will be 18 per cent of NDTL (2 per cent MSF plus 16 per cent FALLCR).

**Applicability:**

5. This circular is applicable to all Commercial Banks other than Regional Rural Banks, Local Area Banks and Payments Banks.

6. These instructions shall come into force with immediate effect.

Yours faithfully

(Usha Janakiraman)
Chief General Manager

Reference Link: <https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12291&Mode=0>

**Master Circular - Management of Advances – UCBs**

RBI/2022-23/22
DOR.CRE.REC.No.17/13.05.000/2022-23

April 8, 2022

All Primary (Urban) Co-operative Banks

Dear Sir/ Madam,

**Master Circular - Management of Advances - UCBs**

Please refer to our [Master Circular DCBR.BPD.(PCB) MC No.14/13.05.000/2015-16 dated July 1, 2015](https://rbi.org.in/Scripts/BS_ViewMasCirculardetails.aspx?id=9880) on the captioned subject. The enclosed [Master Circular](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12288&Mode=0#MC) consolidates and updates all the instructions / guidelines issued on the subject up to April 7, 2022 as listed in the [Appendix](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12288&Mode=0#AP).

Yours faithfully

(Manoranjan Mishra)
Chief General Manager

Encl: as above

**Master Circular on Management of Advances – UCBs**

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| --- |
| Contents |
| Sl No. | Particulars |
| 1 | [Introduction](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12288&Mode=0#1) |
| 2 | [Working Capital Requirements](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12288&Mode=0#2) |
| 3 | [Loan System for delivery of bank credit](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12288&Mode=0#3) |
| 4 | [Credit Administration](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12288&Mode=0#4) |
| 5 | [Exchange of credit information](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12288&Mode=0#5) |
| 6 | [Prudential Guidelines on Restructuring of Advances](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12288&Mode=0#6) |
| 7 | [Specific Lending Activities](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12288&Mode=0#7) |
| 8 | [Discounting/Rediscounting of Bills by Banks](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12288&Mode=0#8) |
| 9 | [Loans to Self Help Groups (SHGs) / Joint Liability Groups (JLGs)](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12288&Mode=0#9) |
| 10 | [Revival of Interest Tax Act, 1974](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12288&Mode=0#10) |
| 11 | [Relief measures to be extended in areas affected by natural calamities](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12288&Mode=0#11) |
| [Annex - 1 Guidelines on Valuation of Properties – Empanelment of Valuers](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12288&Mode=0#AN1) |
| [Annex - 2 Guidelines for Relief Measures by Banks in Areas Affected by Natural Calamities](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12288&Mode=0#AN2) |
| [Annex - 3 Format for reporting of borrowal accounts classified as doubtful, loss for suit filed with outstanding of Rs.1crore and above & Format for reporting of information on cases of wilful default of ₹ 25.00 lakh and above](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12288&Mode=0#AN3) |
| [Annex - 4 Definition of Micro, Small and Medium Enterprises](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12288&Mode=0#AN4) |
| [Annex - 5 Safeguards-Advances against pledge of Gold/Silver ornaments](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12288&Mode=0#AN5) |
| [Annex - 6 Recommendations of the Committee to Recommended Data Format of Credit Information to CICs](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12288&Mode=0#AN6) |
| [Annex - 7 Credit information reporting in respect of Self Help Group (SHG) members](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12288&Mode=0#AN7) |
| [Appendix List of circulars consolidated in the Master Circular](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12288&Mode=0#AP) |

For details under the above mentioned headings, refer to the link below.

Reference Link: <https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12288&Mode=0>

**Review of SLR holdings in HTM category**

RBI/2022-23/21
DOR.MRG.REC.14/21.04.141/2022-23

April 08, 2022

Dear Sir / Madam,

**Review of SLR holdings in HTM category**

Please refer to paragraph 4 of [Statement on Development and Regulatory Policies](https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=53536) of the [Monetary Policy Statement, 2022-23 dated April 08, 2022](https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=53537) and Section 6(iv)(a) of [Master Direction - Classification, Valuation and Operation of Investment Portfolio of Commercial Banks (Directions), 2021 dated August 25, 2021](https://www.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=12153).

2. At present, banks have been granted a special dispensation of enhanced Held to Maturity (HTM) limit of 22 per cent of Net Demand and Time Liabilities (NDTL), for Statutory Liquidity Ratio (SLR) eligible securities acquired between September 1, 2020 and March 31, 2022, until March 31, 2023.

3. On a review, it has now been decided to further enhance the existing HTM limit of 22 per cent of NDTL to 23 per cent of NDTL and allow banks to include securities acquired between April 1, 2022 and March 31, 2023 under the enhanced limit of 23 per cent.

4. The enhanced HTM limit of 23 per cent shall be restored to 19.5 percent in a phased manner, beginning from the quarter ending June 30, 2023, i.e. the excess SLR securities acquired by banks during the period September 1, 2020 to March 31, 2023 shall be progressively reduced such that the total SLR securities held in the HTM category as a percentage of the NDTL do not exceed:

1. 22.00 per cent as on June 30, 2023
2. 21.00 per cent as on September 30, 2023
3. 20.00 per cent as on December 31, 2023
4. 19.50 per cent as on March 31, 2024

All other instructions shall remain unchanged.

5. The relevant sections of the Master Direction are being amended to reflect the aforementioned changes.

**Applicability**

6. This circular is applicable to all Commercial Banks.

7. These instructions shall come into force with immediate effect.

Yours faithfully,

(Usha Janakiraman)
Chief General Manager

Reference Link: <https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12287&Mode=0>

**Individual Housing Loans – Rationalisation of Risk Weights**

RBI/2022-23/20
DOR.CRE.REC.13/08.12.015/2022-23

April 8, 2022

All Scheduled Commercial Banks
(Excluding Local Area Banks and Regional Rural Banks)

Madam/ Dear Sir,

**Individual Housing Loans – Rationalisation of Risk Weights**

Please refer to [circular DOR.No.BP.BC.24/08.12.015/2020-21 dated October 16, 2020](https://rbi.org.in/Scripts/NotificationUser.aspx?Id=11984&Mode=0) on rationalization of risk weights on Individual Housing Loans in terms of which risk weights were rationalised irrespective of the amount, for all new housing loans sanctioned from October 16, 2020 and up to March 31, 2022.

2. On review, it has been decided to continue with the risk weights contained in the circular ibid for all new individual housing loans sanctioned up to March 31, 2023. All other instructions applicable in terms of the [circular dated October 16, 2020](https://rbi.org.in/Scripts/NotificationUser.aspx?Id=11984&Mode=0) remain unchanged.

Yours faithfully,

(Manoranjan Mishra)
Chief General Manager

Reference Link: <https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12286&Mode=0>

**Master Circular – Basel III Capital Regulations**

RBI/2022-23/12
DOR.CAP.REC.3/21.06.201/2022-23

April 1, 2022

All Scheduled Commercial Banks
(Excluding Small Finance Banks, Payments Banks
and Regional Rural Banks)

Madam / Dear Sir,

**Master Circular – Basel III Capital Regulations**

Please refer to the [Master Circular No. DBR.No.BP.BC.1/21.06.201/2015-16 dated July 1, 2015](https://www.rbi.org.in/Scripts/BS_ViewMasCirculardetails.aspx?id=9859), consolidating therein the prudential guidelines on Basel III capital adequacy issued to banks till June 30, 2015.

2. This [Master Circular](https://rbidocs.rbi.org.in/rdocs/content/pdfs/12MCBaselIII05042022_A.pdf) consolidates instructions on the above matters issued as on date. A list of circulars consolidated in this Master Circular is contained in Annex 27.

3. Small Finance Banks and Payments Banks may refer to their respective licensing guidelines and operating guidelines issued by Reserve Bank, for prudential guidelines on capital adequacy.

Yours faithfully,

(Usha Janakiraman)
Chief General Manager

Encl.: As above

Reference Link: <https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12278&Mode=0>

**Master Direction - Classification, Valuation and Operation of Investment Portfolio of Commercial Banks (Directions), 2021 – Amendment**

RBI/2021-22/191
DOR.MRG.REC.98/21.04.141/2021-22

March 31, 2022

Dear Sir / Madam,

**Master Direction - Classification, Valuation and Operation of Investment Portfolio of Commercial Banks (Directions), 2021 - Amendment**

Please refer to the [Master Direction DOR.MRG.42/21.04.141/2021-22 dated August 25, 2021](https://www.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=12153) – ‘Classification, Valuation and Operation of Investment Portfolio of Commercial Banks (Directions), 2021’ (hereinafter referred as ‘Master Direction’).

2. In terms of Section 9 of the Master Direction ibid, investments classified under HTM shall be carried at acquisition cost, with the premium over the face value being amortised over the tenor of the instrument. It is expected that the acquisition of such instruments shall be at the fair value of the security at the time of its acquisition. This instruction also applies to re-capitalisation bonds received from the Government of India towards banks’ recapitalisation requirement and held in the investment portfolio (cf. Section 6 of the Master Direction ibid).

3. It is clarified that investments in special securities received from the Government of India towards bank’s recapitalisation requirement from FY 2021-22 onwards shall be recognised at fair value / market value on initial recognition in HTM. The fair value / market value of these securities shall be arrived on the basis of the prices / YTM of similar tenor Central Government securities put out by Financial Benchmarks India Pvt. Ltd. (FBIL). Any difference between the acquisition cost and fair value arrived as above shall be immediately recognized in the Profit and Loss Account.

**Applicability**

4. This circular is applicable to all Commercial Banks (excluding Regional Rural Banks).

5. The relevant sections of the Master Direction are being amended to reflect the aforementioned changes. These instructions come into force with immediate effect.

Yours faithfully,

(Usha Janakiraman)
Chief General Manager

Reference Link: <https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12264&Mode=0>

**Bilateral Netting of Qualified Financial Contracts - Amendments to Prudential Guidelines**

RBI/2021-22/189
DOR.CAP.REC.No.97/21.06.201/2021-22

March 31, 2022

Dear Sir/ Madam,

**Bilateral Netting of Qualified Financial Contracts - Amendments to Prudential Guidelines**

The Bilateral Netting of Qualified Financial Contracts Act, 2020 (hereafter referred to as “the Act”), has been notified by the Government of India vide Gazette Notification No. S.O. 3463(E) dated October 1, 2020. The Act provides a legal framework for enforceability of bilateral netting of qualified financial contracts (QFC).

2. In exercise of the powers conferred by section 4(a) of the Act, the Reserve Bank, vide Notification no. FMRD.DIRD.2/14.03.043/2020-21 dated March 9, 2021, has since notified (a) “derivatives”; and (b) “repo” and “reverse repo” transactions as defined under Section 45(U) of Chapter III-D of the Reserve Bank of India Act, 1934 as a QFC.

For more details, the reference link is provided below.

Reference Link: <https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12262&Mode=0>

**Master Direction - Classification, Valuation and Operation of Investment Portfolio of Commercial Banks (Directions), 2021 – Amendment**

RBI/2021-22/185
DOR.MRG.REC.96/21.04.141/2021-22

March 23, 2022

Dear Sir / Madam,

**Master Direction - Classification, Valuation and Operation of Investment Portfolio of Commercial Banks (Directions), 2021 - Amendment**

Please refer to the [Master Direction DOR.MRG.42/21.04.141/2021-22 dated August 25, 2021](https://rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=12153) – ‘Classification, Valuation and Operation of Investment Portfolio of Commercial Banks (Directions), 2021’ (hereinafter referred as ‘Master Direction’).

2. The Master Direction outlines the prudential treatment for investment in Venture Capital Funds (VCFs). We have received queries from banks regarding the applicability of these instructions for investment in Alternative Investment Funds (AIFs).

3. Accordingly, on a review, it has been decided that the investment in Category I and Category II AlFs, which includes VCFs, shall receive the same prudential treatment as applicable for investment in VCFs.

4. In addition, based on feedback from banks, clarifications / updates have been provided regarding section 4(a)(vii), 10(c)(ix), 12(ii)(b), 12(ii)(d)(ix), 13(iv)(b), 16(i), 16(ii), 18(ii)(e)(ii) and Annex II of the Master Direction.

5. The relevant sections of the Master Direction have been amended to reflect the aforementioned changes.

**Applicability**

6. This circular is applicable to all Commercial Banks (excluding Regional Rural Banks).

7. These instructions shall come into force with immediate effect.

Yours faithfully,

(Usha Janakiraman)
Chief General Manager

Reference Link: <https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12258&Mode=0>

**‘Voluntary Retention Route’ (VRR) for Foreign Portfolio Investors (FPIs) investment in debt**

RBI/2021-22/156
A.P. (DIR Series) Circular No. 22

February 10, 2022

To

All Authorized Persons

Madam / Sir

**‘Voluntary Retention Route’ (VRR) for Foreign Portfolio Investors (FPIs) investment in debt**

Please refer to paragraph 3 of the [Statement on Developmental and Regulatory Policies dated February 10, 2022](https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=53248) regarding enhancement of the investment limit under the Voluntary Retention Route (VRR).

2. Attention of Authorised Dealer Category-I (AD Category-I) banks is invited to the following regulations, as amended from time to time, and the relevant Directions issued under these regulations.

1. Foreign Exchange Management (Permissible Capital Accounts Transactions) Regulations, 2000 notified vide [Notification No. FEMA 1/2000-RB dated May 03, 2000](https://www.rbi.org.in/Scripts/BS_FemaNotifications.aspx?Id=155);
2. Foreign Exchange Management (Borrowing and Lending) Regulations, 2018 notified vide [Notification No. FEMA 3(R)/2018-RB dated December 17, 2018](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11441&Mode=0);
3. Foreign Exchange Management (Debt Instruments) Regulations, 2019 notified vide [Notification No. FEMA. 396/2019-RB dated October 17, 2019](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12099&Mode=0); and
4. Foreign Exchange Management (Foreign Exchange Derivative Contracts) Regulations, 2000 notified vide [Notification No. FEMA 25/RB – 2000 dated May 03, 2000](https://www.rbi.org.in/Scripts/BS_FemaNotifications.aspx?Id=179).

3. AD Category – I banks may also refer to [A.P. (DIR Series) Circular No. 34 dated May 24, 2019](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11561&Mode=0), on ‘Voluntary Retention Route’ for Foreign Portfolio Investors investment in debt, read with[A.P. (DIR Series) Circular No. 19 dated January 23, 2020](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11798&Mode=0).

4. The investment limit under the VRR is increased to ₹2,50,000 crore from ₹1,50,000 crore. The updated Directions are as given in the [Annex](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12228&Mode=0#AN1).

5. These Directions shall be applicable with effect from April 1, 2022.

6. The directions contained in this circular have been issued under sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and are without prejudice to permissions/ approvals, if any, required under any other law.

Yours faithfully

(Dimple Bhandia)
Chief General Manager

Reference Link: <https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12228&Mode=0>

**Transactions in Credit Default Swap (CDS) by Foreign Portfolio Investors – Operational Instructions**

RBI/2021-22/155
A.P. (DIR Series) Circular No. 23

February 10, 2022

To,

All Authorised Persons

Madam / Sir

**Transactions in Credit Default Swap (CDS) by Foreign Portfolio Investors – Operational Instructions**

Attention of Authorised Persons is invited to the Foreign Exchange Management (Debt Instruments) Regulations, 2019 [[Notification No. FEMA. 396/2019-RB dated October 17, 2019](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12099&Mode=0)], as amended from time to time. A reference is also invited to [A.P. (DIR Series) Circular No.31 dated June 15, 2018](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11303&Mode=0), [A.P. (DIR Series) Circular No. 05 dated May 31, 2021](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12102&Mode=0) and [Master Direction – Reserve Bank of India (Credit Derivatives) Directions, 2022 dated February 10, 2022](https://www.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=12226), as amended from time to time (hereinafter, Credit Derivatives Directions).

2. Foreign Portfolio Investors (FPIs) are eligible to be categorised as non-retail users and have been allowed to buy and sell CDS protection under the Credit Derivatives Directions. Necessary Directions to Authorised Persons that are eligible to deal with FPIs for transacting in Credit Derivatives in terms of the Credit Derivatives Directions are being issued hereunder.

3. Selling of CDS protection by all FPIs shall be subject to a limit specified by the Reserve Bank from time to time (hereinafter, aggregate limit). The aggregate limit of the notional amount of CDS sold by FPIs shall be 5% of the outstanding stock of corporate bonds. Clearing Corporation of India Ltd. (CCIL) shall disseminate the utilisation of aggregate limit based on the reporting by the market makers for transactions in OTC market and reporting by stock exchanges for transactions on exchanges. FPIs shall not sell any CDS protection once aggregate limit is utilised. The limit utilised for CDS protection sold by the FPI shall be released upon the exit of the CDS position by the FPIs.

For more details, refer to the link placed below.

Reference Link: <https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12227&Mode=0>

**Master Direction – Reserve Bank of India (Credit Derivatives) Directions, 2022**

RBI/2021-22/88
FMRD.DIRD.10/14.03.004/2021-22

February 10, 2022

To,
All Eligible Market Participants

Madam/Sir,

**Master Direction – Reserve Bank of India (Credit Derivatives) Directions, 2022**

Please refer to Paragraph 4 of the [Statement on Developmental and Regulatory Policies](https://rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=53248) announced as a part of the [Bi-monthly Monetary Policy Statement for 2021-22 dated February 10, 2022](https://rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=53247), regarding review of the Credit Default Swaps (CDS) Guidelines.

2. The draft Reserve Bank of India (Credit Derivatives) Directions, 2021 were released for public comments on [February 16, 2021](https://rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=51138). Based on the feedback received from the market participants, the draft Directions were reviewed and have since been finalised. The Master Direction – Reserve Bank of India (Credit Derivatives) Directions, 2022 are [enclosed](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12226&Mode=0#MD) herewith.

Yours faithfully,

(Dimple Bhandia)
Chief General Manager

For the detailed Master Direction, refer to the link below.

Reference Link: <https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12226&Mode=0>

**Basel III Framework on Liquidity Standards – Liquidity Coverage Ratio (LCR), Liquidity Risk Monitoring Tools and LCR Disclosure Standards and Net Stable Funding ratio – Small Business Customers**

RBI/2021-22/151
DOR.No.PRD.LRG.79/21.04.098/2021-22

January 06, 2022

Dear Sir/Madam,

**Basel III Framework on Liquidity Standards – Liquidity Coverage Ratio (LCR), Liquidity Risk Monitoring Tools and LCR Disclosure Standards and Net Stable Funding ratio – Small Business Customers**

Please refer to the following instructions:

1. [Circular DBOD.BP.BC.No.120/21.04.098/2013-14 dated June 09, 2014](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=8934&Mode=0) on ‘Basel III Framework on Liquidity Standards – Liquidity Coverage Ratio (LCR), Liquidity Risk Monitoring Tools and LCR Disclosure Standards’;
2. [Circular DBR.BP.BC.No.106/21.04.098/2017-18 dated May 17, 2018](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11278&Mode=0) on ‘Standards – Net Stable Funding Ratio (NSFR) – Final Guidelines’;
3. [Circular DBR.No.BP.BC.80/21.06.201/2014-15 dated March 31, 2015](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=9631&Mode=0) on ‘Prudential Guidelines on Capital Adequacy and Liquidity Standards – Amendments’; and,
4. [Circular DOR.No.BP.BC.23/21.06.201/2020-21 dated October 12, 2020](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11981&Mode=0) on ‘Regulatory Retail Portfolio – Revised Limit for Risk Weight’.

2. With the objective to better align our guidelines with the BCBS standard and enable banks to manage liquidity risk more effectively, it has been decided to increase the threshold limit for deposits and other extensions of funds made by non-financial Small Business Customers from ₹ 5 crore to ₹ 7.5 crore for the purpose of maintenance of Liquidity Coverage Ratio (LCR).

3. The above modification is also applicable to deposits and other extensions of funds received from Small Business Customers referred to in the [circular DBR.BP.BC.No.106/21.04.098/2017-18 dated May 17, 2018](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11278&Mode=0) on ‘Basel III Framework on Liquidity Standards – Net Stable Funding Ratio (NSFR) – Final Guidelines’.

4. The revised paragraphs after incorporating the above changes in the relevant circulars is given in [Annex](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12220&Mode=0#AN1).

For more information on ‘Applicability’, refer to the link below.

Reference Link: <https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12220&Mode=0>