**Certified Treasury Professionals**

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**Investment by Foreign Portfolio Investors (FPI) in Debt - Relaxations**

RBI/2022-23/87
A.P. (DIR Series) Circular No.07

July 07, 2022

To
All Authorised Persons

Madam/Sir,

**Investment by Foreign Portfolio Investors (FPI) in Debt - Relaxations**

Attention of Authorised Dealer Category-I (AD Category-I) banks is invited to the paragraph 3 of the [press release on “Liberalisation of Forex Flows” dated July 06, 2022](https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=53979) regarding relaxations in the regulatory regime under the Medium-Term Framework. A reference is also invited to:

1. 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; and
2. the [A.P. (DIR Series) Circular No. 31 dated June 15, 2018](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11303&Mode=0) (hereinafter, Directions), as amended from time to time.

2. In terms of paragraphs 4(b)(i) and 4(b)(ii) of the Directions, short-term investments by an FPI in government securities (Central Government securities, including Treasury Bills and State Development Loans) and corporate bonds shall not exceed 30% of the total investment of that FPI in any category. It has been decided that investments by FPIs in government securities and corporate bonds made between July 08, 2022 and October 31, 2022 (both dates included) shall be exempted from the limit on short-term investments till maturity or sale of such investments.

3. In terms of paragraph 4(b)(ii) of the Directions, FPI investments in corporate bonds were subject to a minimum residual maturity requirement of one year. It has been decided to allow FPIs to invest in commercial papers and non-convertible debentures with an original maturity of up to one year, during the period between July 08, 2022 and October 31, 2022 (both dates included). These investments shall be exempted from the limit on short-term investments till maturity or sale of such investments.

4. AD Category – I banks may bring the contents of this circular to the notice of their constituents and customers concerned.

5. 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/approval, if any, required under any other law.

6. These Directions shall be applicable with immediate effect.

Yours faithfully,

(Dimple Bhandia)

Chief General Manager

More details can be referred to in the below link.

Reference Link <https://rbi.org.in/scripts/FS_Notification.aspx?Id=12355&fn=6&Mode=0>

**Foreign Exchange Management (Borrowing and Lending) (Amendment) Regulations, 2022**

Reserve Bank of India

Foreign Exchange Department

Central Office

Mumbai

Notification No. FEMA.3(R)(3)/2022-RB

July 28, 2022

**Foreign Exchange Management (Borrowing and Lending) (Amendment) Regulations, 2022**

In exercise of the powers conferred by sub-section (2) of Section 6 and Section 47 of the Foreign Exchange Management Act, 1999 (42 of 1999), the Reserve Bank of India hereby makes the following amendments to the Foreign Exchange Management (Borrowing and Lending) Regulations, 2018 (Notification No. FEMA.3(R)/2018-RB dated December 17, 2018) (hereinafter referred to as 'the Principal Regulations'), namely:

1. Short Title & Commencement:

(i) These Regulations may be called the Foreign Exchange Management (Borrowing and Lending) (Third Amendment) Regulations, 2022.

(ii) They shall come into force from the date of notification in the official gazette.

2. Amendment to Paragraph 2 of Schedule 1:

After Paragraph 8 of Schedule 1 to the Principal Regulations, the following shall be added;

“8A: The limit of USD 750 million or equivalent per financial year is temporarily increased to USD 1500 million or equivalent. This dispensation will be available for ECBs raised till December 31, 2022.”

(Ajay Kumar Misra)

Chief General Manager-in-charge

More details can be referred to in the below link.

Reference Link: <https://www.rbi.org.in/scripts/FS_Notification.aspx?Id=12377&fn=5&Mode=0#:~:text=%E2%80%9C8A%3A%20The%20limit%20of%20USD,till%20December%2031%2C%202022.%E2%80%9D&text=Foot%20Note%3A%20%2D%20The%20Principal%20Regulations,No>.

**External Commercial Borrowings (ECB) Policy – Liberalisation Measures**

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| --- |
| RBI/2022-23/98A.P. (DIR Series) Circular No. 11August 1, 2022ToAll Category-I Authorised Dealer BanksMadam / Sir,**External Commercial Borrowings (ECB) Policy – Liberalisation Measures**Attention is invited to paragraph 2.2 of [FED Master Direction No.5 on External Commercial Borrowings, Trade Credits and Structured Obligations, dated March 26, 2019](https://rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=11510) (as amended from time to time), in terms of which eligible ECB borrowers are allowed to raise ECB up to USD 750 million or equivalent per financial year under the automatic route, and paragraph 2.1.vi. ibid, wherein the all-in-cost ceiling for ECBs has been specified.2. As announced in paragraph five of the [press release on “Liberalisation of Forex Flows” dated July 06, 2022](https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=53979), it has been decided, in consultation with the Central Government, to:i) increase the automatic route limit from USD 750 million or equivalent to USD 1.5 billion or equivalent.ii) increase the all-in-cost ceiling for ECBs, by 100 bps. The enhanced all-in-cost ceiling shall be available only to eligible borrowers of investment grade rating from Indian Credit Rating Agencies (CRAs). Other eligible borrowers may raise ECB within the existing all-in-cost ceiling, as hitherto.The above relaxations would be available for ECBs to be raised till December 31, 2022.3. AD Category-I banks may bring the contents of this circular to the notice of their constituents and customers.4. The aforesaid Master Direction No. 5, is being updated to reflect these changes.5. Necessary amendments to the relevant regulations have been made through the Foreign Exchange Management (Borrowing and Lending) (Amendment) Regulations, 2022, notified vide [notification No. FEMA.3(R)(3)/2022-RB dated July 29, 2022](https://rbidocs.rbi.org.in/rdocs/content/pdfs/GN3RFEMA01082022.pdf).6. The directions contained in this circular have been issued under section 10(4) and 11(2) 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,(Ajay Kumar Misra)Chief General Manager-in-Charge |

More details can be referred to in the below link.

Reference Link: <https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12366&Mode=0>

**Rupee Interest Rate Derivatives (Reserve Bank) Directions – Review**

RBI/2022-23/105
FMRD.DIRD.05/14.03.046/2022-23

August 08, 2022

To,

All Eligible Market Participants

Madam / Sir,

**Rupee Interest Rate Derivatives (Reserve Bank) Directions - Review**

Please refer to Paragraph 4 of the [Statement on Developmental and Regulatory Policies](https://m.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=54149), issued as a part of the [Bi-monthly Monetary Policy Statement for 2022-23 dated August 05, 2022](https://m.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=54148) regarding permitting stand-alone primary dealers (SPDs) in India to deal in Foreign Currency Settled Overnight Indexed Swaps (FCS-OIS). Attention is also invited to the [Rupee Interest Rate Derivatives (Reserve Bank) Directions, 2019 dated June 26, 2019](https://m.rbi.org.in/Scripts/NotificationUser.aspx?Id=11602&Mode=0), as amended from time to time (hereinafter, Directions).

2. Banks in India having Authorised Dealer Category-I (AD Cat-I) license under FEMA, 1999 have been permitted under the above Directions to offer FCS-OIS to persons not resident in India as well as to other AD Cat-I banks vide [circular FMRD.DIRD.12/14.03.046/2021-22 dated February 10, 2022](https://m.rbi.org.in/Scripts/NotificationUser.aspx?Id=12229&Mode=0). On a review, it has been decided that SPDs, authorized under section 10(1) of FEMA, 1999 shall also be eligible to offer FCS-OIS to persons not resident in India as well as to other AD Cat-I banks and eligible SPDs.

3. The instructions shall be applicable with immediate effect. The [updated Directions](https://m.rbi.org.in/Scripts/NotificationUser.aspx?Id=11602&Mode=0) are attached.

4. The instructions contained in this circular have been issued in exercise of the powers conferred under section 45W of the Reserve Bank of India Act, 1934 read with section 45U of the Act and of all the powers enabling it in this behalf.

Yours faithfully,

(Dimple Bhandia)
Chief General Manager

More details can be referred to in the below link.

Reference Link: <https://m.rbi.org.in/scripts/FS_Notification.aspx?Id=12374&fn=6&Mode=0>

**Master Directions on Interest Rate on Deposits**

RBI/2022-2023/117
DOR.SOG (SPE).REC.No 68/13.03.00/2022-23

September 16, 2022

All Scheduled Commercial Banks (including Regional Rural Banks)
All Small Finance Banks
All Payment Banks
All Local Area Banks
All Primary (Urban) Co-operative Banks/ DCCBs /State Cooperative Banks

Sir / Madam,

**Master Directions on Interest Rate on Deposits**

Please refer to the instructions on the Foreign Currency (Non-resident) Accounts (Banks) Scheme contained in Section 19 (h) of the [Master Direction - Reserve Bank of India (Interest Rate on Deposits) Directions, 2016 dated March 03, 2016](https://rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=10296) and Section 18 (h) of the [Master Direction – Reserve Bank of India (Co-operative Banks – Interest Rate on Deposits) Directions, 2016 dated May 12, 2016](https://rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=10394) in terms of which, reference rates for arriving at the interest rates on FCNR (B) deposits shall be quoted / displayed by Foreign Exchange Dealers Association of India (FEDAI).

2. In terms of the guidance provided by RBI, the reference rates mentioned above are being quoted / displayed by Financial Benchmarks India Pvt. Ltd. (FBIL) with effect from January 31, 2022. In this regard, the relevant sections of both the Master Directions on Interest Rate on Deposits have been suitably modified.

3. Further, the instructions regarding eligibility for opening of savings account contained in Section 28 (h) and Section 27 (h) of the above-mentioned [Master Directions (MDs) dated March 03, 2016](https://rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=10296) and [May 12, 2016](https://rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=10394), respectively, and item No. 6 in Schedule I of the two MDs have been modified to make them more explicit.

4. The relevant sections of the Master Directions as amended are indicated in the [Annex](https://rbi.org.in/Scripts/NotificationUser.aspx?Id=12388&Mode=0#A_N).

5. All other instructions in this regard shall remain unchanged.

Yours faithfully,

(Santosh Kumar Panigrahy)
Chief General Manager

More details can be referred to in the below link.

Reference Link: <https://rbi.org.in/Scripts/NotificationUser.aspx?Id=12388&Mode=0>

**Diversification of activities by SPDs – Review of permissible non-core activities**

RBI/2022-23/126
DOR.FIN.REC.No.72/03.10.117/2022-23

October 11, 2022

All Standalone Primary Dealers (SPDs)

Dear Sir/ Madam,

**Diversification of activities by SPDs – Review of permissible non-core activities**

A reference is invited to [circular DNBR (PD) CC.No.094/03.10.001/2018-19 dated July 27, 2018](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11347&Mode=0) in terms of which SPDs, as part of their non-core activities, are permitted to offer foreign exchange products, as allowed from time to time, to their Foreign Portfolio Investor (FPI) clients.

2. As announced in the Statement on Developmental and Regulatory Policies ([Para 3 annexed](https://www.rbi.org.in/scripts/NotificationUser.aspx?Id=12397&Mode=0#AN1)) dated August 05, 2022, it has been decided to allow SPDs to offer all foreign exchange market-making facilities to users, as currently permitted to Category-I Authorized Dealers, subject to adherence to the prudential regulations and other guidelines to be issued separately in this regard.

3. Further, with effect from January 01, 2023 all financial transactions involving the Rupee undertaken globally by related entities of the SPD shall be reported to CCIL’s Trade Repository before 12:00 noon of the business day following the date of transaction.

4. SPDs shall comply with other regulations contained in the aforementioned [circular dated July 27, 2018](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11347&Mode=0) and prudential regulations issued by Reserve Bank from time to time. Further, all the instructions contained in the [Master Direction – Reserve Bank of India (Market-makers in OTC Derivatives) Directions, 2021 (FMRD.FMD.07/02.03.247/2021-22) dated September 16, 2021](https://www.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=12163) shall also apply, mutatis-mutandis, to SPDs.

5. The [Master Direction – Standalone Primary Dealers (Reserve Bank) Directions, 2016](https://www.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=10567), is being modified accordingly.

Yours faithfully,

(J.P. Sharma)
Chief General Manager

More details can be referred to in the below link.

Reference Link: <https://www.rbi.org.in/scripts/NotificationUser.aspx?Id=12397&Mode=0>

**Diversification of activities by SPDs – Review of permissible non-core activities – Prudential regulations and other instructions**

RBI/2022-23/127
DOR.FIN.REC.No.73/03.10.117/2022-23

October 11, 2022

All Standalone Primary Dealers (SPDs)

Dear Sir/ Madam,

**Diversification of activities by SPDs – Review of permissible non-core activities – Prudential regulations and other instructions**

Please refer to the [circular DOR.FIN.REC.No.72/03.10.117/2022-23 dated October 11, 2022](https://m.rbi.org.in/Scripts/NotificationUser.aspx?Id=12397&Mode=0) allowing SPDs to undertake foreign exchange activities as part of their non-core activities. In this connection, SPDs shall adhere to the prudential regulations and other instructions contained in this circular and other associated guidelines applicable to SPDs.

2. The foreign exchange activities permitted to SPDs shall continue to be part of their non-core activity. SPDs desirous of undertaking this activity may approach the Reserve Bank of India, Foreign Exchange Department, Central Office, Mumbai for necessary authorization. It may be noted that in case of failure of SPDs to meet the obligations of Primary Dealership (PD) business in the Government securities market or any other violations on regulations on conducting the PD business, the Reserve Bank reserves the right to impose restrictions or withdraw permission to undertake the foreign exchange business.

3. The SPDs shall adhere to the following prudential regulations:

1. As prescribed in the existing capital adequacy guidelines for SPDs, the capital charge for market risk in foreign exchange exposures shall be higher of the charges worked out by the standardised approach and the internal risk management framework-based Value at Risk (VaR) model. Further, under the standardised approach, SPDs shall maintain a market risk capital charge of 15% for net open positions (limits or actual, whichever is higher) arising out of forex business with a risk weight of 100%. The net open position for foreign exchange exposures shall be calculated as per the methodology prescribed in para 8.5 of [Master Circular – Basel III Capital Regulations dated April 01, 2022](https://m.rbi.org.in/Scripts/BS_ViewMasCirculardetails.aspx?id=12278) (as amended from time to time) to the extent applicable to SPDs. Capital charge for market risk shall be over & above the capital charge for credit risk of 15% as per directions prescribed in [Master Directions – Standalone Primary Dealers (Reserve Bank) Directions, 2016 dated August 23, 2016](https://m.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=10567) (as amended from time to time).
2. In addition to the foreign exchange exposure limits prescribed under [Master Direction – Risk Management & Inter-Bank Dealings dated July 05, 2016](https://m.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=10485) (as amended from time to time), the capital charge for market risk (calculated as per provisions of [Master Direction – Standalone Primary Dealers (Reserve Bank) Directions, 2016](https://m.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=10567)) for all the permissible non-core activities, including foreign exchange activities, shall not be more than 20% of the Net Owned Fund of the SPD as per last audited balance sheet.

Yours faithfully,

(J.P. Sharma)
Chief General Manager

More details can be referred to in the below link.

Reference Link: <https://m.rbi.org.in/scripts/FS_Notification.aspx?Id=12398&fn=6&Mode=0>

**Reserve Bank of India (Unhedged Foreign Currency Exposure) Directions, 2022**

RBI/2022-23/131
DOR.MRG.REC.76/00-00-007/2022-23

October 11, 2022

Dear Sir / Madam,

**Reserve Bank of India (Unhedged Foreign Currency Exposure) Directions, 2022**

The Reserve Bank of India has, from time to time, issued several guidelines / instructions / directives to the banks on Unhedged Foreign Currency Exposure (UFCE) of the entities which have borrowed from banks.

2. We have received references from banks seeking clarification on various aspects including inter-alia clarity in the definition of ‘entities’ for which banks shall assess UFCE, exempted exposures / entities, alternative method for smaller entities, assessment of UFCE of entities incorporated outside India by overseas subsidiaries / branches of Indian banks etc.

3. Accordingly, a comprehensive review of the extant guidelines has been undertaken and all the existing instructions on the subject including the revisions / clarifications on the issues stated above have been consolidated in the [Directions enclosed](https://rbi.org.in/Scripts/NotificationUser.aspx?Id=12402&Mode=0#DI77) herewith. An [Explanatory Note](https://rbi.org.in/Scripts/NotificationUser.aspx?Id=12402&Mode=0#EN) providing the background for these Directions is also enclosed.

**Applicability**

4. This circular is applicable to all commercial banks (excluding Payments Banks and Regional Rural Banks).

5. These instructions shall come into force from January 1, 2023.

Yours faithfully,

(Usha Janakiraman)
Chief General Manager

More details can be referred to in the below link.

Reference Link: <https://rbi.org.in/Scripts/NotificationUser.aspx?Id=12402&Mode=0>

**Notification of Significant Benchmark**

RBI/2022-23/142
FMRD.FMSD.06/03.07.25/2022-23

December 01, 2022

To

All the Financial Benchmark Administrators

Madam/Sir

**Notification of Significant Benchmark**

Please refer to the [Financial Benchmark Administrators (Reserve Bank) Directions, 2019 (hereinafter referred to as ‘the Directions’), dated June 26, 2019](https://m.rbi.org.in/Scripts/NotificationUser.aspx?Id=11601&Mode=0)and [RBI circular dated January 01, 2020](https://m.rbi.org.in/Scripts/NotificationUser.aspx?Id=11777&Mode=0), notifying six financial benchmarks administered by Financial Benchmarks India Pvt. Ltd. (FBIL) as ‘significant benchmark’.

2. In terms of paragraph 3(i) of the Directions, the Reserve Bank hereby notifies Modified Mumbai Interbank Forward Outright Rate (MMIFOR) administered by Financial Benchmarks India Pvt. Ltd. (FBIL) as a ‘significant benchmark’.

3. The updated list of ‘significant benchmarks’ administered by FBIL is given below:

(i) Overnight Mumbai Interbank Outright Rate (MIBOR)

(ii) Mumbai Interbank Forward Outright Rate (MIFOR)

(iii) USD/INR Reference Rate

(iv) Treasury Bill Rates

(v) Valuation of Government Securities

(vi) Valuation of State Development Loans (SDL)

(vii) Modified Mumbai Interbank Forward Outright Rate (MMIFOR)

4. Further, in terms of paragraph 3(ii) of the Directions, the person administering the ‘significant benchmark’, shall make an application to the Reserve Bank within a period of three months from the date of this notification for authorization to continue administering MMIFOR.

5. The MIFOR, administered by FBIL, shall continue to remain a ‘significant benchmark’ till further notice.

6. This notification has been issued by the Reserve Bank as required under the [Financial Benchmark Administrators (Reserve Bank) Directions, 2019, dated June 26, 2019](https://m.rbi.org.in/Scripts/NotificationUser.aspx?Id=11601&Mode=0).

Yours faithfully,

(Dimple Bhandia)
Chief General Manager

More details can be referred to in the below link.

Reference Link: <https://m.rbi.org.in/scripts/FS_Notification.aspx?Id=12414&fn=6&Mode=0#:~:text=(FBIL)%20as%20a%20'significant%20benchmark'.&text=4.,authorization%20to%20continue%20administering%20MMIFOR>.

**Review of SLR holdings in HTM category**

RBI/2022-23/150
DOR.MRG.REC.89/21.04.141/2022-23

December 8, 2022

**Review of SLR holdings in HTM category**

Please refer to paragraph 1 of [Statement on Development and Regulatory Policies](https://rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=54819) of the [Monetary Policy Statement, 2022-23 dated December 7, 2022](https://rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=54818) 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://rbi.org.in/Scripts/NotificationUser.aspx?Id=12153&Mode=0).

2. At present, banks have been granted a special dispensation of enhanced Held to Maturity (HTM) limit of 23 per cent of Net Demand and Time Liabilities (NDTL), for Statutory Liquidity Ratio (SLR) eligible securities acquired between September 1, 2020 and March 31, 2023, until March 31, 2023.

3. On a review, it has been decided to further extend the dispensation of enhanced HTM limit of 23 per cent of NDTL upto March 31, 2024 and allow banks to include securities acquired between September 1, 2020 and March 31, 2024 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, 2024, i.e., the excess SLR securities acquired by banks during the period September 1, 2020 to March 31, 2024 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, 2024
2. 21.00 per cent as on September 30, 2024
3. 20.00 per cent as on December 31, 2024
4. 19.50 per cent as on March 31, 2025

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

More details can be referred to in the below link.

Reference Link: <https://www.rbi.org.in/scripts/FS_Notification.aspx?Id=12422&fn=2&Mode=0#:~:text=Review%20of%20SLR%20holdings%20in%20HTM%20category&text=3.,4>