**CAIIB- Bank Financial Management**

**RBI and FEDAI Notifications during the period 1st January 2020 to 30th June 2020**

**Reporting of OTC Currency Derivative transactions to trade repository**

RBI/2019-20/132 FMRD.FMID No.23/02.05.002/2019-20 January 01, 2020

All Category-I Authorised Dealer Banks

Please refer to our circular FMD.MSRG.No.94/02.05.002/2013-14 dated December 04, 2013 on the captioned subject, wherein a threshold of USD 1 million, and equivalent thereof in other currencies, was stipulated for reporting client transactions in currency derivatives (currency swaps and FCY FRA/IRS) to the Trade Repository (TR).

2. It has now been decided that all client transactions in currency derivatives, including those with notional amount of below USD 1 mn, shall now be reported to the TR, with effect from January 06, 2020.

3. As a one-time measure, in order to update the transactions in the Trade Repository, AD Category – I banks shall report all outstanding client transactions with notional amount below USD 1 mn to the TR by January 31, 2020.

4. These directions are issued under section 45W of RBI Act and shall come into force with effect from the date of these directions.

**Risk Management and Inter-bank Dealings- Permitting AD Cat-I banks to voluntarily undertake user and Inter-Bank transactions beyond onshore market hours**

RBI/2019-20/136 A.P. (DIR Series) Circular No. 15 January 6, 2020

All Authorised Dealers Category-I

Attention of Authorised Dealers (ADs) is invited to the Foreign Exchange Management (Foreign Exchange Derivative Contracts) Regulations, 2000 notified vide Notification No. FEMA.25/RB-2000 dated May 3, 2000) issued under clause (h) of sub-section (2) of Section 47 of FEMA, 1999 (Act 42 of 1999), as amended from time to time and the Master Direction- Risk Management and Inter-bank Dealing dated July 05, 2016, as amended from time to time.

2. As announced in the Statement of Developmental and Regulatory Policies dated October 04, 2019 it has been decided to accept the recommendation of the Task Force on Offshore Rupee Market to permit AD Cat-I banks to offer foreign exchange prices to users at all times, out of their Indian books, either by a domestic sales team or through their overseas branches.

3. Accordingly, the following section is being added in Part C (Inter-Bank Foreign Exchange Dealings) of the Master Direction- Risk Management and Inter-Bank Dealings:

**“6. Customer and inter-bank transactions beyond onshore market hours**

Authorised dealers may undertake customer (persons resident in India and persons resident outside India) and inter-bank transactions beyond onshore market hours. Transactions with persons resident outside India, through their foreign branches and subsidiaries may also be undertaken beyond onshore market hours.”

4. 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.

**Incentivising Bank Credit to Specific Sectors – Exemption from CRR Maintenance**

RBI/2019-20/159 DOR.No.Ret.BC.30/12.01.001/2019-20 February 10, 2020

All Scheduled Commercial Banks

It has been announced in paragraph 3 of the Statement on Developmental and Regulatory Policies of February 6, 2020, that the Reserve Bank is actively engaged in revitalising the flow of bank credit to productive sectors having multiplier effects to support growth impulses. Accordingly, banks are allowed to deduct the equivalent amount of incremental credit disbursed by them as retail loans to automobiles, residential housing, and loans to micro, small and medium enterprises (MSMEs), over and above the outstanding level of credit to these segments as at the end of the fortnight ended January 31, 2020 from their net demand and time liabilities (NDTL) for maintenance of the cash reserve ratio (CRR).

Banks are advised that they can claim the first such deduction from the NDTL of February 14, 2020 for the amount equivalent to the incremental credit extended to the sectors indicated above over the outstanding level of credit as at the end of the fortnight ended January 31, 2020.

An amount equivalent to the incremental credit outstanding from the fortnight beginning January 31, 2020 and up to the fortnight ending July 31, 2020 will be eligible for deduction from NDTL for the purpose of computing the CRR for a period of five years from the date of origination of the loan or the tenure of the loan, whichever is earlier.

Banks are required to report the exemption availed at the end of a fortnight under “exemptions/others” in the Section-42 return, prescribed in Annex A to Form A as per Master Circular on Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR) dated July 1, 2015. Proper fortnightly records of net incremental credit extended to the select sectors/NDTL exemption claimed, duly certified by the Chief Financial Officer (CFO) or an equivalent level officer, must be maintained by banks for supervisory review.

**Section 42(1) of the Reserve Bank of India Act, 1934 - Change in Daily Minimum Cash Reserve Maintenance Requirement**

RBI/2019-20/192 DOR.No.Ret.BC.51/12.01.001/2019-20 March 27, 2020

All Scheduled Banks

Please refer to our Circular DBR.No.Ret.BC.91/12.01.001/2015-16 dated April 05, 2016 on the captioned subject.

2. As announced in the Seventh Bi-monthly Monetary Policy Statement, 2019-20, March 27, 2020, it has been decided to reduce the minimum daily maintenance of the Cash Reserve Ratio from 90 per cent of the requirement to 80 per cent effective from the fortnight beginning March 28, 2020. This is a one-time dispensation available up to June 26, 2020.

**Maintenance of Cash Reserve Ratio (CRR)**

RBI/2019-20/191 DOR.No.Ret.BC.49/12.01.001/2019-20 March 27, 2020

All Banks

Please refer to our Circular DBOD.No.Ret.BC.76/12.01.001/2012-13 dated January 29, 2013 and Circular RPCD.CO.RCB.RRB.BC.No.61/03.05.33/2012-13 dated January 29, 2013 on the captioned subject.

2. As announced in the Seventh Bi-monthly Monetary Policy Statement, 2019-20, March 27, 2020, it has been decided to reduce the Cash Reserve Ratio (CRR) of all banks by 100 basis points from 4.00 per cent to 3.00 per cent of their Net Demand and Time Liabilities (NDTL) with effect from the reporting fortnight beginning March 28, 2020 for a period of one year, ending on March 26, 2021.

3. A copy of the relative notification DOR.No.Ret.BC.50/12.01.001/2019-20 dated March 27, 2020 is enclosed.

**Risk Management and Inter-bank Dealings- Participation of Banks in Offshore Non-deliverable Rupee Derivative Markets**

RBI/2019-20/193 A.P. (DIR Series) Circular No.23 March 27, 2020

All Authorised Dealer Category-I Banks

Attention is invited to the Foreign Exchange Management (Foreign Exchange Derivative Contracts) Regulations, 2000 (Notification no. FEMA.25/RB-2000 dated May 3, 2000), as amended from time to time, and Master Direction- Risk Management and Inter-bank Dealings dated July 06, 2016, as updated from time to time (Master Direction)

2. As stated in paragraph 10 of the Statement on Developmental and Regulatory Policies dated March 27, 2020, banks in India having an Authorised Dealer Category-1 license under Foreign Exchange Management Act (FEMA), 1999, and operating International Financial Services Centre (IFSC) Banking Units (IBUs), shall be eligible to offer non-deliverable derivative contracts involving the Rupee, or otherwise, to persons not resident in India. Banks can undertake such transactions through their branches in India, through their IBUs or through their foreign branches (in case of foreign banks operating in India, through any branch of the parent bank).

3. Accordingly, the following amendments are being made to the Master Direction. The amendments shall come into effect from June 1, 2020.

(a) In Part-A (Section II) of the Master Direction, a new paragraph (9A) is added as follows:

“9A. Non-deliverable derivative contracts (NDDC)

i. Non-deliverable derivative contract (NDDC) means a foreign exchange derivative contract involving the Rupee, entered into with a person not resident in India and which is settled without involving delivery of Rupee.

ii. Banks in India having an Authorised Dealer Category-1 license under FEMA, 1999, and operating International Financial Services Centre (IFSC) Banking Units (IBUs) (as specified in circular no. RBI/2014-15/533.DBR.IBD.BC.14570/ 23.13.004/2014-15 dated April 1, 2015 (as amended from time to time)), shall be eligible to offer non-deliverable derivative contracts involving the Rupee, or otherwise, to persons not resident in India. Banks can undertake such transactions through their IBUs or through their branches in India or through their foreign branches (in case of foreign banks operating in India, through any branch of the parent bank).

(b). In Part C of the Master Direction, a new paragraph is added as follows:

“3A. Transaction in Non-deliverable derivative contracts (NDDC)

Authorised dealers having an IFSC Banking Unit (IBU) (as specified in circular no.RBI/2014-15/533.DBR.IBD.BC.14570/23.13.004/2014-15 dated April 1, 2015 (as amended from time to time)) may transact in Non-deliverable derivative contracts (NDDCs) with other AD Category 1 banks having IBUs and banks overseas. Banks can undertake such transactions through their IBUs or through their branches in India or through their foreign branches (in case of foreign banks operating in India, through any branch of the parent bank).”

4. 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.

**Risk Management and Inter-bank Dealings – Hedging of foreign exchange risk**

RBI/2019-20/210 A.P.(DIR Series) Circular No. 29 April 7, 2020

To,

Authorised Dealers Category – I

Attention of Authorised Dealers Category – I (AD Category – I) banks is invited to the Foreign Exchange Management (Foreign Exchange Derivative Contracts) Regulations, 2000 dated May 3, 2000 (Notification No.FEMA.25/RB-2000 dated May 3, 2000), as amended from time to time and Master Directions on Risk Management and Inter-Bank Dealings dated July 5, 2016, as amended from time to time.

2. As announced in the Statement on Developmental and Regulatory Policies dated December 5, 2019, the existing facilities for non-residents and residents to hedge their foreign exchange risk on account of transactions permitted under Foreign Exchange Management Act (FEMA), 1999 have been revised. The revised directions are provided at Annex–I to this circular. All previous operational guidelines, terms and conditions in this regard shall stand withdrawn from the date that these directions come into effect.

3. Necessary amendments (Notification No.FEMA.398/RB-2020 dated February 18, 2020) to Foreign Exchange Management (Foreign Exchange Derivatives Contracts) Regulations, 2000 (Notification No.FEMA.25/RB-2000 dated May 3, 2000) (Regulations) have been notified in the Official Gazette vide Gazette Id no. CG-MH-E-06032020-216549 dated March 3, 2020, a copy of which is annexed to this circular. These regulations have been issued under clause (h) of sub-Section (2) of Section 47 of FEMA, 1999 (42 of 1999).

4. The directions shall come into effect from June 1, 2020 and replace the existing directions in Part A - Section I and II and Part D of the Master Direction on Risk Management and Interbank Dealings dated July 5, 2016, as amended from time to time.

5. The following reports prescribed in Part E of the Master Directions on Risk Management and Inter-Bank Dealings dated July 5, 2016, as amended from time to time, shall stand withdrawn from the date that these directions come into effect.

1. Cross Currency Derivative Transactions (Half yearly) – Annex IV
2. Report on Booking of Forward Contracts on Past Performance Basis (Monthly) – Annex X
3. Details of Forward cover undertaken by FPI clients (Monthly) – Annex XIII
4. Details of Forward Contracts/Options booked and cancelled by SMEs and Resident Individuals, Firms and Companies within the first week of the following month (Quarterly) – Annex XIV
5. Derivative Transactions undertaken by Non-Resident Importer/Exporter (Quarterly) – Annex XIX

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.

**Reporting Platform for OTC Derivatives – Transactions undertaken by IFSC Banking Units (IBUs) and non-deliverable derivative contracts (involving Rupee or otherwise)**

RBI/2019-20/233 FMRD.FMID.26/02.05.002/2019-20 May 18, 2020

All Authorised Dealer Category-I Banks

In terms of A.P. (DIR Series) circular no.23 dated March 27, 2020, banks in India having an Authorised Dealer Category-1 license under FEMA, 1999, and operating IBUs have been permitted, with effect from June 1, 2020, to offer non-deliverable derivative contracts (NDDCs) involving the Rupee, or otherwise, to persons not resident in India. Banks can undertake such transactions through their IBUs or through their branches in India or through their foreign branches (in case of foreign banks operating in India, through any branch of the parent bank).

2. All foreign exchange non-deliverable derivative contracts (involving Rupee or otherwise) undertaken by banks in India through their IBUs or through their branches in India or through their foreign branches (in case of foreign banks operating in India, through any branch of the parent bank), shall be reported to CCIL’s reporting platform with effect from June 1, 2020.

3. Further, in terms of circular no. DBR.IBD.BC.14570/23.13.004/2014-15 dated April 01, 2015, as amended from time to time, IBUs were permitted to undertake derivative transactions including structured products that the banks operating in India have been allowed to undertake as per the extant RBI directions. For undertaking any other derivative product, IBUs are required to obtain the prior approval of the RBI.

4. RBI has mandated that all OTC foreign exchange, interest rate and credit derivative transactions, both inter-bank and client, will be reported to CCIL’s trade reporting platform. The matter has been further discussed with banks operating IBUs and CCIL. Accordingly, it has been decided that IBUs shall report all OTC foreign exchange, interest rate and credit derivative transactions - both interbank and client transactions - undertaken by them to CCIL’s reporting platform with effect from June 1, 2020. Additionally, as a one-time measure to ensure completeness of data, all matured and outstanding transactions as on May 31, 2020, shall be reported by July 31, 2020.

5. The Clearing Corporation of India (CCIL) shall communicate the methodology of such reporting to its members.

6. These directions are issued under the powers vested in the Reserve Bank of India under Section 45W of the Reserve Bank of India Act, 1934 and is without prejudice to permissions/ approvals, if any, required under any other law.

**Section 42(1) of the Reserve Bank of India Act, 1934 - Change in Minimum Daily Maintenance of the Cash Reserve Requirement**

RBI/2019-20/260 DOR.No.Ret.BC.78/12.01.001/2019-20 June 26, 2020

All Scheduled Banks

Please refer to our circular DOR.No.Ret.BC.51/12.01.001/2019-20 dated March 27, 2020 on the captioned subject.

2. As announced in the Statement of Developmental and Regulatory Policies of March 27, 2020, the minimum daily maintenance of the Cash Reserve Ratio (CRR) was reduced from 90 per cent of the prescribed CRR to 80 per cent effective the fortnight beginning March 28, 2020 till June 26, 2020.

3. Keeping in view the continuing of hardships faced by banks in terms of social distancing of staff and consequent strains on reporting requirements, it has now been decided to extend the relaxation of the minimum daily maintenance of the Cash Reserve Ratio of 80 per cent for a further period of three months, i.e., up to September 25, 2020.

**Section 24 of the Banking Regulation Act, 1949 – Maintenance of Statutory Liquidity Ratio (SLR) – Marginal Standing Facility (MSF)**

RBI/2019-20/259 DOR.No.Ret.BC.77/12.02.001/2019-20 June 26, 2020

All Scheduled Banks (excluding Regional Rural Banks)

Please refer to our circular DOR.No.Ret.BC.52/12.01.001/2019-20 dated March 27, 2020 on Marginal Standing Facility (MSF) Scheme.

2. As announced in the Statement of Developmental and Regulatory Policies dated March 27, 2020, the borrowing limit of scheduled banks under the MSF scheme, by dipping into the prescribed SLR, was increased from 2 per cent to 3 per cent of their Net Demand and Time Liabilities (NDTL) outstanding at the end of the second preceding fortnight with immediate effect. This relaxation was available up to June 30, 2020.

3. On a review, it has now been decided to extend this enhanced limit till September 30, 2020.

4. Banks may continue to access overnight funds under the MSF against their excess SLR holding as advised in our circular FMD.No.65/01.18.001/11-12 dated December 21, 2011.

**Financial Benchmark Administrators (Reserve Bank) Directions, 2019**

RBI/2019-20/133 FMRD.FMSD.22/03.07.035/2019-20 January 01, 2020

To

All the Financial Benchmark Administrators

Please refer to the Financial Benchmark Administrators (Reserve Bank) Directions, 2019, dated June 26, 2019.

2. As provided in paragraph 3(i) of the above directions, the Reserve Bank hereby notifies the following benchmarks administered by Financial Benchmarks India Pvt. Ltd. (FBIL) as a ‘significant benchmark’:

* Overnight Mumbai Interbank Outright Rate (MIBOR)
* Mumbai Interbank Forward Outright Rate (MIFOR)
* USD/INR Reference Rate
* Treasury Bill Rates
* Valuation of Government Securities
* Valuation of State Development Loans (SDL)

3. Further, in terms of paragraph 3(ii) of the above 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 these benchmarks.

4. This notification has been issued by the Reserve Bank as required under the Financial Benchmark Administrators (Reserve Bank) Directions, 2019, dated June 26, 2019.

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

RBI/2019-20/150 A.P. (DIR Series) Circular No.18 January 23, 2020

To

All Authorised persons

Attention of Authorised Dealer Category-I (AD Category-I) banks is invited to Foreign Exchange Management (Debt Instruments) Regulations, 2019 notified vide Notification No. FEMA. 396/2019-RB dated October 17, 2019, as amended from time to time, and the relevant directions issued thereunder. A reference is also invited to the A.P. (DIR Series) Circular No. 31 dated June 15, 2018 (hereinafter, Directions) read with A.P. (DIR Series) Circular No. 19 dated February 15, 2019.

2. On a review, the following changes are made to the Directions: -

a) In terms of paragraph 4(b) (i) of the Directions, short-term investments by an FPI shall not exceed 20% of the total investment of that FPI in either Central Government Securities (including Treasury Bills) or State Development Loans. This short-term investment limit is hereby increased from 20% to 30%.

b) In terms of paragraph 4(b) (ii) of the Directions, short-term investments by an FPI shall not exceed 20% of the total investment of that FPI in corporate bonds. This short-term investment limit is hereby increased from 20% to 30%.

c) FPI investments in Security Receipts are currently exempted from the short-term investment limit (paragraph 4 (b)(ii)) and the issue limit (paragraph 4(f)(iii)). These exemptions shall also extend to FPI investments in the following securities:

1. Debt instruments issued by Asset Reconstruction Companies; and
2. Debt instruments issued by an entity under the Corporate Insolvency Resolution Process as per the resolution plan approved by the National Company Law Tribunal under the Insolvency and Bankruptcy Code, 2016

3. The updated Directions are attached.

4. These directions are 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.

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

RBI/2019-20/151 A.P. (DIR Series) Circular No.19 January 23, 2020

To

All Authorised persons

Attention of Authorised Dealer Category-I (AD Category-I) banks is invited to the Foreign Exchange Management (Debt Instruments) Regulations, 2019 notified vide Notification No. FEMA. 396/2019-RB dated October 17, 2019, as amended from time to time, and relevant directions issued thereunder. Attention is also invited to A.P. (DIR Series) Circular No. 34 dated May 24, 2019 (hereinafter Directions).

2. On a review, the following changes are made to the Directions governing investment through the Voluntary Retention Route (VRR).

1. The investment cap is increased to Rs. 1,50,000 crores from Rs. 75,000 crores.
2. FPIs that have been allotted investment limits under VRR may, at their discretion, transfer their investments made under the General Investment Limit to VRR.
3. FPIs are also allowed to invest in Exchange Traded Funds that invest only in debt instruments.

3. The updated Directions are attached.

4. These directions are 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.

**Merchanting Trade Transactions (MTT) – Revised Guidelines**

RBI/2019-20/152 A.P. (DIR Series) Circular No.20 January 23, 2020

To

All Category – I Authorised Dealer Banks

Attention of Authorised Dealer Category-I banks (AD banks) is invited to A.P. (DIR Series) Circular No.115 dated March 28, 2014 containing directions relating to merchanting trade transactions.

2. With a view to further facilitate merchanting trade transactions, the existing guidelines have been reviewed and the revised guidelines as under, are being issued in supersession of the A.P. (DIR Series) Circular ibid:

1. For a trade to be classified as merchanting trade, goods acquired shall not enter the Domestic Tariff Area.
2. Considering that in some cases, the goods acquired may require certain specific processing/ value-addition, the state of goods so acquired may be allowed transformation subject to the AD bank being satisfied with the documentary evidence and bonafides of the transaction.
3. The MTT shall be undertaken for the goods that are permitted for exports / imports under the prevailing Foreign Trade Policy (FTP) of India as on the date of shipment. All rules, regulations and directions applicable to exports (except Export Declaration Form) and imports (except Bill of Entry) shall be complied with for the export leg and import leg respectively.
4. AD bank shall satisfy itself with the bonafides of the transactions. Further, KYC and AML guidelines shall be scrupulously adhered to by the AD bank while handling such transactions.
5. The entire merchanting trade is to be routed through the same AD bank. The AD bank shall verify the documents like invoice, packing list, transport documents and insurance documents (if originals are not available, Non-negotiable copies duly authenticated by the bank handling documents may be taken) and satisfy itself about the genuineness of the trade. The AD bank may, if satisfied, rely on online verification of Bill of Lading/ Airway Bill on the website of International Maritime Bureau or Airline web check facilities. However, the AD bank shall ensure that the requisite details are made available /retrievable at the time of Inspection/Audit/investigation of the transactions.
6. The entire MTT shall be completed within an overall period of nine months and there shall not be any outlay of foreign exchange beyond four months. The commencement date of merchanting trade shall be the date of shipment / export leg receipt or import leg payment, whichever is first. The completion date shall be the date of shipment / export leg receipt or import leg payment, whichever is the last.
7. Short-term credit either by way of suppliers' credit or buyers' credit may be extended for MTT to the extent not backed by advance remittance for the export leg, including the discounting of export leg LC by the AD bank, as in the case of import transactions. However, Letter of Undertaking (LoU)/ Letter of Comfort (LoC) shall not be issued for supplier’s/ buyer’s credit.
8. Any receipts for the export leg, prior to the payment for import leg, may be parked either in Exchange Earners Foreign Currency (EEFC) account or in an interest-bearing INR account till the import leg liability arises. It shall be strictly earmarked/ lien-marked for the payment of import leg and the liability of the import leg, as soon as it arises, shall be extinguished out of these funds without any delay. If such receipts are kept in interest-bearing INR account, hedging thereof may be allowed by the AD bank at the request of its customer, as per extant regulations. No fund/non-fund-based facilities shall be extended against these balances.
9. In case of discounting of export leg LC where payment for import leg is still to be made (even if partially), the proceeds shall be utilized in the manner prescribed at point no. 2 (viii) above.
10. Payment for import leg may also be allowed to be made out of the balances in EEFC account of the merchant trader.
11. Merchanting traders may be allowed to make advance payment for the import leg on demand made by the overseas supplier. In case where inward remittance from the overseas buyer is not received before the outward remittance to the overseas supplier, AD bank may handle such transactions based on its commercial judgement. It may, however, be ensured that any such advance payment for an import leg beyond USD 500,000/- per transaction, shall be made against Bank Guarantee / an unconditional, irrevocable standby Letter of Credit from an international bank of repute. Overall prudential limits on allowing such advance payments by a customer may be fixed by the AD bank.
12. Letter of Credit to the supplier for the import leg is permitted against confirmed export order, keeping in view the foreign exchange outlay of four months and completion of the MTT within nine months and subject to compliance with the instructions issued by Department of Banking Regulation on “Guarantees and Co-acceptances”, as amended from time to time.
13. AD bank shall ensure one-to-one matching in case of each MTT and report defaults in any leg by the traders to the concerned Regional Office of the Reserve Bank, on half yearly basis in the format as annexed, within 15 days from the close of each half year, i.e. June and December;
14. Merchant traders with outstanding of 5% or more of their annual export earnings shall be liable for caution listing.

3. The merchanting traders shall be genuine traders of goods and not mere financial intermediaries. Confirmed orders must be received by them from the overseas buyers. AD banks shall satisfy themselves about the capabilities of the merchanting trader to perform the obligations under the order. The merchanting trade shall result in profit which shall be determined by subtracting import payments and related expenses from export proceeds for the specific MTT.

4. Write-off of unrealized amount of export leg:

i. AD bank may write-off the unrealized amount of export leg, without any ceiling, on the request made by the Merchanting trader, in the following circumstances:

1. The MTT buyer has been declared insolvent and a certificate from the official liquidator specifying that there is no possibility of recovery of export proceeds has been produced.
2. The goods exported have been auctioned or destroyed by the Port / Customs / Health authorities in the importing country and a certificate to that effect has been produced.
3. The unrealized amount of the export leg represents the balance due in a case settled through the intervention of the Indian Embassy, Foreign Chamber of Commerce or similar Organization;

provided, the MTT is in adherence to all other provisions except the delays in timelines (either for outlay or completion period of MTT or both) attributed to reasons mentioned at a, b and c above.

ii. In addition to above, write-off as at (i) shall be subject to following conditions:

1. AD bank shall satisfy itself with the bonafides of the transactions and ensure that there are no KYC/AML concerns.
2. The transaction shall not be under investigation under FEMA by any of the investigating agency/ies.
3. The counterparty to the merchant trader is not from a country or jurisdiction in the updated FATF Public Statement on High Risk & Non-Co-operative Jurisdictions on which FATF has called for counter measures.

5. Third party payments for export and import legs of the MTT are not allowed.

6. Agency commission is not allowed in MTTs. However, AD banks may allow payment of agency commission up to a reasonable extent by way of outward remittance under exceptional circumstances, subject to the following conditions:

1. MTT has been completed in all respects.
2. The payment of agency commission shall not result in the MTT ending into a loss.
3. The Merchanting trader shall make a specific request to the AD bank in this regard.

7. AD bank may approach Regional Office (RO) concerned of the Reserve Bank for regularization of the MTT for deviation, if any, from the prescribed guidelines and the MTT shall be closed only after receiving approval from the RO concerned of the Reserve Bank.

8. Reporting for merchanting trade transactions under FETERS shall be done on gross basis, against the undermentioned codes:

|  |  |  |
| --- | --- | --- |
| **Trade** | **Purpose Code under FETERS** | **Description** |
| Export | P0108 | Goods sold under merchanting /receipt against export leg of merchanting trade |
| Import | S0108 | Goods acquired under merchanting /payment against import leg of merchanting trade |

9. AD banks shall bring the contents of this circular to the notice of their constituents concerned for strict compliance.

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

**Foreign Exchange Management (Manner of Receipt and Payment) (Second Amendment) Regulations, 2020**

Notification No. FEMA 14(R)/(2)/2020-RB March 04, 2020

In exercise of the powers conferred by Section 47 of the Foreign Exchange Management Act, 1999 (42 of 1999), the Reserve Bank of India makes the following amendments in the Foreign Exchange Management (Manner of Receipt and Payment) Regulations, 2016 [Notification No. FEMA 14(R)/2016- RB dated May 02, 2016] (hereinafter referred to as 'the Principal Regulations'), namely:

1. Short title and commencement: -

1. These Regulations may be called the Foreign Exchange Management (Manner of Receipt and Payment) (Second Amendment) Regulations, 2020.
2. They shall come into force from the date of their publication in the official Gazette.

2. In the Principal Regulations,

(i) in sub-Regulation 1 (A) of Regulation 3, the following shall be substituted, namely:

“Members of Asian Clearing Union (ACU)”

(ii) in sub-Clause (a) of Clause (i) of sub-Regulation (1)(A) of Regulation 3, the following shall be substituted, namely:

“Receipt for export of eligible goods and services by debit to the ACU Dollar account and / or ACU Euro account and / or ACU Japnese Yen account in India of a bank of the member country in which the other party to the transaction is resident or by credit to the ACU Dollar account and / or ACU Euro Account and / or ACU Japnese Yen account of the authorized dealer maintained with the correspondent bank in that member country;”

(iii) in sub-regulation 1(A) of Regulation 5, the following shall be substituted, namely:

“Members of Asian Clearing Union (ACU)”

(iv) in sub-Clause (a) of Clause (i) of sub-Regulation (1)(A) of Regulation 5, the following shall be substituted, namely:

“Payment for import of eligible goods and services by credit to ACU Dollar account and / or ACU Euro account and / or ACU Japnese Yen account in India of a bank of the member country in which the other party to the transaction is resident or by debit to the ACU Dollar account and / or ACU Euro account and / or ACU Japnese Yen account of the authorized dealer maintained with the correspondent bank in that member country:”

**Settlement system under Asian Clearing Union (ACU) Mechanism**

RBI/2019-20/177 A. P. (DIR Series) Circular No. 22 March 17, 2020

To,

All Authorised Dealer Category - I Banks

The Board of Directors of ACU have decided to permit Japanese Yen for settling payments among the ACU member countries. Accordingly, clause (a) and (b) of Article IV of the General Provisions of Agreement establishing the Asian Clearing Union have been revised and the Asian Monetary Unit is now denominated as "ACU Dollar", “ACU Euro” and “ACU Yen” which shall be equivalent in value to one US Dollar, one Euro and one Japanese Yen respectively.

2. Attention of Authorised Dealer Category - I banks (AD banks) is invited to Regulations 3 and 5 of Notification No. FEMA 14(R)/2016-RB [Foreign Exchange Management (Manner of Receipt and Payment) Regulations, 2016] dated May 02, 2016 and the necessary amendments reflecting the above, which have been notified in the Gazette of India on March 06, 2020.

3. In order to facilitate transactions / settlements, effective March 06, 2020, participants in the Asian Clearing Union will have the option to settle their transactions either in ACU Dollar or ACU Euro or in ACU Japanese Yen.

4. Further, AD banks are allowed to open and maintain ACU Dollar, ACU Euro and ACU Japanese Yen accounts with their correspondent banks in other participating countries. All eligible payments are required to be settled by the concerned banks through these accounts.

5. The amended Memorandum of Procedure for Channelling Transactions through Asian Clearing Union (ACU) [Memorandum ACM] is enclosed.

6. Notwithstanding the above, it may be noted that as per circular RBI/2015-16/441 A.P. (DIR Series) Circular No. 81 dated June 30, 2016, operations in ‘ACU Euro’ has been temporarily suspended with effect from July 01, 2016.

7. AD banks may bring the contents of this circular to the notice of their constituents concerned.

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

**Foreign Exchange Management (Export of Goods and Services) (Amendment) Regulations, 2020**

Notification No. FEMA 23(R)/(3)/2020-RB March 31, 2020

In exercise of the powers conferred by clause (a) of sub-section (1), sub-section (3) of section 7 and clause (b) of sub-section (2) of section 47 of the Foreign Exchange Management Act, 1999 (42 of 1999), the Reserve Bank of India makes the following amendments in the Foreign Exchange Management (Export of Goods & Services) Regulations, 2015 [Notification No. FEMA 23(R)/2015-RB dated January 12, 2016] (hereinafter referred to as 'the Principal Regulations'), namely:

1. Short title and commencement: -

These Regulations may be called the Foreign Exchange Management (Export of Goods and Services) (Amendment) Regulations, 2020.

2. In the Principal Regulations, in regulation 9, in sub-regulation (1) and sub-regulation (2)(a), for the words “nine months”, the words “nine months or within such period as may be specified by the Reserve Bank, in consultation with the Government, from time to time” shall be substituted. Similarly, in sub-regulation (1) (a), for the words “fifteen months”, the words “fifteen months or within such period as may be specified by the Reserve Bank, in consultation with the Government, from time to time “shall be substituted.

3. In Regulation 9 (1)(b), for the words “period of nine months or fifteen months, as the case may be”, the words “said period” shall be substituted.

4. In proviso to Regulation 9 (2)(a), for the words “period of nine months”, the words “said period” shall be substituted.

**Export of Goods and Services- Realisation and Repatriation of Export Proceeds-Relaxation**

RBI/2019-20/206 A. P. (DIR Series) Circular No. 27 April 01, 2020

To,

All Authorised Dealer Category – I Banks

The Government of India as well as the Reserve Bank has been receiving representations from Exporters Trade bodies to extend the period of realisation of export proceeds in view of the outbreak of pandemic COVID- 19. It has, therefore, been decided, in consultation with Government of India, to increase the present period of realization and repatriation to India of the amount representing the full export value of goods or software or services exported, from nine months to fifteen months from the date of export, for the exports made up to or on July 31, 2020.

2. The provisions in regard to period of realization and repatriation to India of the full export value of goods exported to warehouses established outside India remain unchanged.

3. AD Category - I banks may please bring the contents of this Circular to the notice of their constituents concerned.

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

**Interest Equalisation Scheme on Pre and Post Shipment Rupee Export Credit- Extension**

RBI/2019-20/231 DOR.Dir.BC.No.69/04.02.001/2019-20 May 13, 2020

All Scheduled Commercial Banks (excluding RRBs)/ Small Finance Banks, Primary (Urban) Cooperative Banks/ and EXIM Bank

Please refer to the operational instructions for the captioned Scheme contained in RBI circular on Interest Equalisation Scheme on Pre and Post Shipment Rupee Export Credit issued vide DBR.Dir.BC.No.62/04.02.001/2015-16 dated December 4, 2015; DCBR.CO.SCB.Cir.No.1/13.05.000/2015-16 dated February 11, 2016, DBR.Dir.BC.No.09/04.02.001/2018-19 dated November 29, 2018 and DBR.Dir.BC.No.22/04.02.001/2018-19 dated January 11, 2019.

2. In this connection, Government of India has approved the extension of Interest Equalization Scheme for pre and post shipment Rupee export credit, with same scope and coverage, for one more year i.e. upto March 31, 2021. The extension shall take effect from April 01, 2020 and end on March 31, 2021 covering a period of one year.

3. Consequently, the extant operational instructions issued by the RBI under the captioned Scheme shall continue to remain in force upto March 31, 2021.

**Risk Management and Inter-bank Dealings – Hedging of Foreign Exchange Risk-Date of Implementation**

RBI/2019-20/232 A.P.(DIR Series) Circular No.31 May 18, 2020

To

Authorised Dealers Category – I

A reference is invited to the Directions on Hedging of Foreign Exchange Risk issued vide A.P. (DIR Series) Circular No. 29 dated April 7, 2020. The Directions were to come into effect from June 1, 2020.

2. Based on the requests received from market participants and in the context of the difficulties arising from the outbreak of novel coronavirus disease (COVID-19), it has been decided that the Directions will now come into effect from September 1, 2020.

3. Directions on the participation of Banks in Offshore Non-deliverable Rupee Derivative Markets issued vide A.P. (DIR Series) Circular No. 23 dated March 27, 2020 will come into effect from June 1, 2020, as hitherto.

4. 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.

**Import of goods and services- Extension of time limits for Settlement of import payment**

RBI/2019-20/242 A.P. (DIR Series) Circular No.33 May 22, 2020

To

All Category - I Authorised Dealer Banks

Please refer to para 5 of Statement on Developmental and Regulatory Policies issued today. In this connection the attention of Authorised Dealer Category -I banks is invited to para B.5.1 (i) of the ‘Master Direction on Import of Goods and Services’ dated January 01, 2016 (as amended from time to time), in terms of which remittances against normal imports (i.e. excluding import of gold/diamonds and precious stones/ jewellery) should be completed not later than six months from the date of shipment, except in cases where amounts are withheld towards guarantee of performance etc.

2. In view of the disruptions due to outbreak of COVID- 19 pandemic, it has been decided to extend the time period for completion of remittances against such normal imports (except in cases where amounts are withheld towards guarantee of performance etc.) from six months to twelve months from the date of shipment for such imports made on or before July 31, 2020.

3. AD banks may bring the contents of this circular to the notice of their constituents concerned.

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

**Pre-shipment and Post-shipment Export Credit – Extension of Period of Advance**

RBI/2019-20/246 DOR.DIR.BC.No.73/04.02.002/2019-20 May 23, 2020

All Scheduled Commercial Banks (excluding RRBs)/ All Primary Urban Co-operative Banks/All Small Finance Banks

Please refer to the Master Circular on ‘Rupee / Foreign Currency Export Credit and Customer Service to Exporters’ issued vide DBR.No.DIR.BC.14/04.02.002/2015-16 dated July 1, 2015 and other associated circulars on the subject.

2. In view of the outbreak of Covid-19 pandemic, the exporters have been facing genuine difficulties such as delay / postponement of orders, delay in realisation of bills, etc. In this regard, RBI has already permitted the period of realisation and repatriation of the export proceeds to India to be increased from nine months to 15 months from the date of export in respect of exports made upto July 31, 2020. In line with this relaxation, it has been decided to increase the maximum permissible period of pre-shipment and post-shipment export credit sanctioned by banks from one year to 15 months, for disbursements made upto July 31, 2020.

Date 23rd January 2020

All Members of FEDAI

Dear Sir/Madam,

The Managing Committee in its meeting dated 21st January 2020 approved following amendment to FEDAI Rules No.1

|  |  |
| --- | --- |
| EXISTING RULE | REVISED RULE |
| **Rule No.1.1**The exchange trading hours for INR/FCY transactions in Inter-bank forex market in India would be from 9.00 a.m. to 5.00 p.m. No customer transaction for INR/FCY should be undertaken by the Authorised Dealers after 4.30 p.m. on all working days. | The normal market hours for FCY/INR transactions in Inter-bank forex market as well as client transactions in India would be from 9.00 a.m. to 5.00 p.m. IST on all working days |
| **Rule No.1.2**A) Cut-off time limit stated above for Interbank/Customers is not applicable for cross currency transactions.(B) Cut-off time limit stated above in Rule 1.1, is not applicable to FCY/INR transaction for individual person (including joint account or proprietary firm). Any transaction undertaken beyond the market hours prescribed under Rule 1.1, bank must ensure that:i. Charges including exchange rate for conversion be confirmed from customer prior to undertaking the transaction ii. NOOP Limit is maintained all the times. In terms of paragraph 7.1 of Internal Control Guidelines on Foreign Exchange Business of Reserve Bank of India (February 2011), Authorised Dealers are permitted to undertake cross currency transactions during extended hours, provided the Managements lay down the policy for extended dealing hours. | (A) Authorised dealers may undertake customer (persons resident in India and persons resident outside India) and inter-bank transactions on all working days beyond normal market hours.(B) Transactions with persons resident outside India, through their foreign branches and subsidiaries may also be undertaken on all working days beyond normal market hours.(C) However, value Cash transactions may be undertaken only upto 5.00 pm IST, except in case of individual person (including joint account or proprietary firm)(D) Transactions, including value cash transactions, for individual persons (including joint account or proprietary firm) can be undertaken even on Saturdays, Sundays and holidays as per banks internal policy.(E) Any transaction undertaken beyond the market hours prescribed under Rule 1.1, bank must ensure that:NOOP Limit is maintained all the times. [including transactions executed from EOD to 9.00 am IST (market opening time) next working day]Spot date Roll over for FCY/INR transactions will take place at 12.00 midnight IST |

Member banks are requested to make a note of the above amendments and be guided accordingly.

**SPL No 2/BV/2020 19th March 2020**

All Members of FEDAI

Dear Sir/Madam,

**Sub - Novel Coronavirus (COVID 19) – Temporary relaxations in Forex regulations**

The spread of Novel Coronavirus has brought about an unprecedented global crisis. To combat this unprecedented situation many of the business entities have implemented a number of measures including moving to a remote work environment or where ever possible operating from home and are facing difficulties in fulfilling some of the regulatory requirements while managing the Foreign Exchange Risk. To provide some relief to the corporate in their forex risk management, based on FEDAI’s recommendation, RBI has permitted following relaxations.

**1) Submission of underlying documents - Current Fx hedging guidelines**

Quote ‘while details of the underlying have to be recorded at the time of booking the contract, in the view of logistic issues, a maximum period of 15 days may be allowed for production of the documents. If the documents are not submitted by the customer within 15 days, the contract may be cancelled, and the exchange gain, if any, should not be passed on to the customer’. Unquote.

In the present circumstances it may be difficult for corporates to adhere to the requirement of 15-day period and submission of certified true copies (hard copies) of the underlying documents.

**Relaxation**–Considering the difficulty faced by corporate AD Banks may allow time of upto 60 days or date of maturity of contract whichever is earlier, for production of underlying documents by corporates. This would be applicable for the contracts booked between February 15, 2020 to April 15, 2020. This period may be reviewed/extended based on evolving situation.

Online submission of documents evidencing exposure instead of physical production of documents, subject to due diligence by AD Banks on the authenticity of underlying documents, is permitted. This would be applicable for the contracts booked between February 15, 2020 to April 15, 2020. AD Banks shall ensure that all documents are obtained once normalcy is restored.

**2) FEDAI Rules** - Presently FEDAI Rule No. 6.4 (iv) requires that if a customer desires to cancel the contract he must advise the bank accordingly before or latest on the date of maturity of the contract. If there are no instructions from the customer, banks shall cancel the overdue contract within 3 working days after the maturity date. However, when a contract is cancelled after the maturity date, the customer shall not be entitled to the exchange difference, if any, in his favour, since the contract is cancelled on account of his default. He shall, however, be liable to pay the exchange difference, against him.

**Relaxation–**The FEDAI Rule No. 6.4 (iv) is being put in abeyance, AD Banks may permit the corporate to take delivery of the overdue contract or cancel the contract and pass the gains if any, during the period (upto 3 days post maturity). This relaxation would be applicable to all the live contracts (as on date) and the prospective contracts maturing till April 15,2020.

**3)Submission of Documents** -Submission of all monthly/ quarterly returns related to forex hedging is also being kept in abeyance till April 30, 2020 and the same may be submitted with delay thereafter.

Member banks are requested to take note of the same.

**SPL-09/COVID19 Relaxations/2020**

11th June 2020

To

All Member Banks

**Novel Coronavirus COVID-19 – Temporary Relaxations in forex regulations – Extension**

Dear Sir/ Madam,

We request reference to our Special Circulars No.SPL-02/BV/2020 dated 19th March 2020,

No.SPL-04/COVID19 Relaxations/2020 dated 15th April 2020 and SPL-08/COVID19

Relaxations/2020 dated 19th May 2020.

In the light of opening up of economy in phased manner starting with Unlock 1.0, the situation was reviewed and it has been decided to continue the relaxations, with some modifications, for the period starting from 1st June 2020 to 30th June 2020.

**1) Submission of underlying documents**

**Relaxation –**

Considering the difficulties faced by corporates AD Banks may allow time of upto 30 days or

date of maturity of contract whichever is earlier, for physical production of underlying

documents by corporates.

AD Banks should ensure online submission of documents within 15 days of booking of the

contract.

**2) FEDAI Rule No.6.4 (iv)**

**Relaxation** –The FEDAI Rule No. 6.4 (iv) is being put in abeyance, AD Banks may permit the

corporate to take delivery of the overdue contract or cancel the contract and pass the gains if

any, during the period (upto 3 days post maturity as per banks internal policy).

Banks are advised to be cautious while extending these relaxations. All attempts should be made to restrict extending these relaxations in areas/to clients where lockdown restrictions have been relaxed/normalcy is getting restored.

Member banks are requested to be guided accordingly

**Basel III Framework on Liquidity Standards – Net Stable Funding Ratio (NSFR)**

RBI/2019-20/187 DOR.BP.BC.No.46/21.04.098/2019-20 March 27, 2020

All Scheduled Commercial Banks (excluding RRBs)

Please refer to paragraph 8 of Statement on Developmental and Regulatory Policies of Seventh Bi-monthly Monetary Policy Statement, 2019-20 dated March 27, 2020 and our circular DBR.BP.BC.No.08/21.04.098/2018-19 dated November 29, 2018 on final Net Stable Funding Ratio (NSFR) guidelines.

2. On a review, it has now been decided to defer the implementation of NSFR guidelines by six months. These guidelines will now come into effect from October 1, 2020 as against April 1, 2020.

**Basel III Capital Regulations - Review of transitional arrangements**

RBI/2019-20/188 DOR.BP.BC.No.45/21.06.201/2019-20 March 27, 2020

All Scheduled Commercial Banks (Excluding RRBs and LABs)

As announced in para 9 of the Statement on Developmental and Regulatory Policies issued along with the Seventh Bi-monthly Monetary Policy Statement 2019-20, the implementation of the last tranche of 0.625% of Capital Conservation Buffer (CCB) shall stand deferred from March 31, 2020 to September 30, 2020.

2. Accordingly, minimum capital conservation ratios in para 15.2.2 of Part D ‘Capital Conservation Buffer Framework’ of Master Circular, DBR.No.BP.BC.1/21.06.201/2015-16 dated July 1, 2015 on ‘Basel III Capital Regulations’, as applicable from March 31, 2018, will also apply for a further period of six months from March 31, 2020 till the CCB attains the level of 2.5% on September 30, 2020.

3. Further, the pre-specified trigger for loss absorption through conversion / write-down of Additional Tier 1 instruments (PNCPS and PDI) shall remain at 5.5% of RWAs and will rise to 6.125% of RWAs on September 30, 2020.

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

RBI/2019-20/217 DOR.BP.BC.No.65/21.04.098/2019-20 April 17, 2020

All Commercial Banks

(excluding Regional Rural Banks, Local Area Banks and Payments Banks)

Please refer to our circular DBOD.BP.BC.No.120/21.04.098/2013-14 dated June 9, 2014 and associated circulars thereon.

2. As part of post Global Financial Crisis (GFC) reforms, Basel Committee on Banking Supervision (BCBS) had introduced Liquidity Coverage Ratio (LCR), which requires banks to maintain High Quality Liquid Assets (HQLAs) to meet 30 days net outgo under stressed conditions. Further, as per Banking Regulation Act, 1949, the banks in India are required to hold liquid assets to maintain Statutory Liquidity Ratio (SLR). In view of the fact that liquid assets under SLR and HQLAs under LCR are largely the same, we have been allowing banks to use a progressively increasing proportion of the SLR securities for being considered as HQLAs for LCR so that the need to maintain liquid assets for both the requirements is optimised.

3. At present the assets allowed as Level 1 High Quality Liquid Assets (HQLAs), inter alia, includes among others within the mandatory SLR requirement, Government securities to the extent allowed by RBI under (i) Marginal Standing Facility (MSF) and (ii) Facility to Avail Liquidity for Liquidity Coverage Ratio (FALLCR) [15 per cent of the bank's NDTL with effect from April 1, 2020]. Given that SLR has now been reduced to 18 per cent of NDTL from April 11, 2020, and with increase in MSF from 2 per cent to 3 per cent of the banks’ NDTL (with effect from March 27, 2020 and applicable upto June 30, 2020), entire SLR-eligible assets held by banks are now permitted to be reckoned as HQLAs for meeting LCR.

4. Further, banks1 are required to maintain LCR of 100 per cent with effect from January 1, 2019. In order to accommodate the burden on banks’ cash flows on account of the Covid19 pandemic, banks are permitted to maintain LCR as under:

|  |  |
| --- | --- |
| From date of circular to September 30, 2020 - | 80 per cent |
| Oct 1, 2020 to March 31, 2021 - | 90 per cent |
| April 1, 2021 onwards - | 100 per cent |

Banks shall prepare LCR restoration plans upon breach of the aforesaid prescribed LCR requirement, for scrutiny by the Department of Supervision, Reserve Bank of India.