**Treasury Investment and Risk Management**

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| **S.No.** | **RBI Notification** |
|  | Master Direction – Reserve Bank of India (Variation Margin) Directions, 2022 |
|  | Limits for investment in debt and sale of Credit Default Swaps by Foreign Portfolio Investors (FPIs) |
|  | Review of SLR holdings in HTM category |
|  | Master Circular on Investments by Primary (Urban) Co-operative Banks |
|  | 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 |
|  | Rupee Interest Rate Derivatives (Reserve Bank) Directions – Review |
|  | ‘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 |
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**Master Direction – Reserve Bank of India (Variation Margin) Directions, 2022**

RBI/2022-23/93
FMRD.DIRD.02/14.01.023/2022-23

June 01, 2022

To

All Eligible Market Participants

Madam/Sir

**Master Direction – Reserve Bank of India (Variation Margin) Directions, 2022**

Please refer to Paragraph 10 of the [Statement on Developmental and Regulatory Policies](https://rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=49343) announced as a part of the [Bi-monthly Monetary Policy Statement for 2019-20 dated February 06, 2020](https://rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=49342), on issuance of the Directions regarding exchange of variation margin (VM) for non-centrally cleared derivatives (NCCDs).

2. Accordingly, the draft Variation Margin (Reserve Bank) Directions, 2020 were released for public comments on [September 07, 2020](https://rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=50322). 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 (Variation Margin) Directions, 2022 are [enclosed](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12328&Mode=0#enclosed) herewith.

Yours faithfully,

(Dimple Bhandia)
Chief General Manager

For the detailed Master Direction - Reserve Bank of India (Variation Margin) Directions, 2022, please refer to the link below.

Reference Link: <https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12328&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>

**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>

**Master Circular on Investments by Primary (Urban) Co-operative Banks**

RBI/2022-23/05
DOR.MRG.REC.10/21.04.141/2022-23

April 01, 2022

All Primary (Urban) Co-operative Banks

Dear Sir / Madam,

**Master Circular on Investments by Primary (Urban) Co-operative Banks**

Please refer to our [Master Circular DOR.MRG.REC.50/21.04.141/2021-22 dated September 20, 2021](https://www.rbi.org.in/Scripts/BS_ViewMasCirculardetails.aspx?id=12164) on the captioned subject. The enclosed [Master Circular](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12271&Mode=0#MC1) consolidates and updates all the instructions/guidelines on the subject issued as on date.

Yours faithfully,

(Usha Janakiraman)
Chief General Manager

For the detailed ‘MASTER CIRCULAR ON INVESTMENTS BY PRIMARY (URBAN) CO-OPERATIVE BANKS’ refer to the link below.

Reference Link: <https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12271&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>

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

RBI/2021-22/157
FMRD.DIRD.12/14.03.046/2021-22

February 10, 2022

To,

All Eligible Market Participants

Madam / Sir,

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

Please refer to Paragraph 5 of the [Statement on Developmental and Regulatory Policies](https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=53248), issued as a part of the [sixth Bi-monthly Monetary Policy Statement for 2021-22 dated February 10, 2022](https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=53247) regarding permitting banks in India to deal in foreign currency settled Overnight Indexed Swaps (OIS). Attention is also invited to the [Rupee Interest Rate Derivatives (Reserve Bank) Directions, 2019 dated June 26, 2019](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11602&Mode=0) (hereinafter, Directions).

2. Banks in India having Authorised Dealer Category-I (AD Cat-I) license under FEMA, 1999, shall be eligible to offer Foreign Currency Settled OIS (FCS-OIS) based on the Overnight Mumbai Interbank Outright Rate (MIBOR) benchmark published by Financial Benchmarks India Pvt. Ltd. (FBIL) to persons not resident in India as well as to other AD Cat-I banks. Banks can undertake these transactions through their branches in India, through their International Financial Services Centre (IFSC) Banking Units (IBUs) or through their foreign branches (in case of foreign banks operating in India, through any branch of the parent bank). Banks may undertake FCS-OIS transactions beyond onshore market hours.

3. The instructions shall be applicable with immediate effect. The [updated Directions](https://www.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. A reference is also invited to the Foreign Exchange Management (Permissible Capital Account Transactions) Regulations, 2000 ([Notification No. FEMA 1/2000-RB dated May 03, 2000](https://rbi.org.in/Scripts/BS_FemaNotifications.aspx?Id=155)) and 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.

Yours faithfully,

(Dimple Bhandia)
Chief General Manager

Reference Link: <https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12229&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>

**Retail Direct Scheme – Market Making**

RBI/2021-22/147
IDMD.PDRD.No.S1617/03.64.023/2021-22

January 04, 2022

All Primary Dealers

Dear Sir/Madam

**Retail Direct Scheme – Market Making**

[RBI Retail Direct Scheme has been launched on November 12, 2021](https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=52548) for providing one-stop access to facilitate investment in Government Securities by retail investors. In this connection, to provide liquidity in the secondary market, a market making arrangement, wherein the Primary Dealers shall be present on the NDS-OM platform (odd-lot and Request for Quotes segments) throughout market hours and respond to buy/sell requests from Retail Direct Gilt Account Holders (RDGAHs), is enclosed as [Annex](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12216&Mode=0#AN).

Yours faithfully

(Latha Vishwanath)
General Manager

Encl: as above

For more details, refer to the link below.

Reference Link: <https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12216&Mode=0>