**Bank Financial Management**

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**1. Reserve Bank of India (Call, Notice and Term Money Markets) Directions, 2021**

**RBI/2021-22/61FMRD.DIRD.06/14.01.001/2021-22 June 25, 2021**

*All Eligible Market Participants*

Please refer to the Master Direction – Reserve Bank of India (Call, Notice and Term Money Markets) Directions, 2021 dated April 01, 2021 (hereinafter referred as ‘Master Directions’).

2. On a review based on representations received, the prudential borrowing limits for transactions in Call, Notice and Term Money Markets have been revised. Accordingly, in Part 4 (b) of the Master Directions, Table 1 is being revised as under:

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| --- | --- | --- |
| **Table 1: Prudential limits for outstanding borrowing transactions in Call, Notice and Term Money Markets** | | |
| **Sr. No.** | **Participant Category** | **Prudential Limit** |
| 1 | Scheduled Commercial Banks (including Small Finance Banks) | **Call and Notice Money:**  (i) 100% of capital funds, on a daily average basis in a reporting fortnight, and  (ii) 125% of capital funds on any given day.  **Term Money:**  (i) Internal board approved limit within the prudential limits for inter-bank liabilities. |
| 2 | Payment Banks and Regional Rural Banks | **Call, Notice and Term Money:**  (i) 100% of capital funds, on a daily average basis in a reporting fortnight, and  (ii) 125% of capital funds on any given day. |
| 3 | Co-operative Banks | **Call, Notice and Term Money:**  (i) 2.0% of aggregate deposits as at the end of the previous financial year. |
| 4 | Primary Dealers | **Call and Notice Money:**  (i) 225% of Net Owned Fund (NOF) as at the end of the previous financial year on a daily average basis in a reporting fortnight.  **Term Money:**  (i) 225% of Net Owned Fund (NOF) as at the end of the previous financial year. |

3. These Directions have been issued by RBI in exercise of the powers conferred under section 45W of the Reserve Bank of India Act, 1934 and of all the powers enabling it in this behalf.

4. These changes shall be applicable with immediate effect.

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12120&Mode=0>

**2. Liberalised Remittance Scheme for Resident Individuals – Reporting**

**RBI/2021-22/56 A. P. (DIR Series) Circular No. 07 June 17, 2021**

*All Category - I Authorised Dealer Banks*

Attention of all Authorised Dealer Category - I (AD Category - I) banks is invited to [A. P. (DIR Series) Circular No. 106 dated May 23, 2013](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=7992&Mode=0), in terms of which, AD Category -I banks were required to upload the data in respect of number of applications received and the total amount remitted under the Liberalised Remittance Scheme (the Scheme) on Online Return Filing System (ORFS).

2. It has now been decided to collect this information through XBRL system instead of the ORFS.

3. Accordingly, AD Category – I banks shall upload the requisite information on XBRL system on or before the fifth of the succeeding month from July 01, 2021 onwards. The XBRL site can be accessed through URL <https://xbrl.rbi.org.in/orfsxbrl>. User ids are being issued separately. In case no data is to be furnished, AD banks shall upload ‘nil’ figures.

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.

**3. Investment in Entities from FATF Non-compliant Jurisdictions**

**RBI/2021-22/55CO.DPSS.AUTH.No.S190/02.27.005/2021-22 June 14, 2021**

*All entities authorised to operate Payment Systems in India*

A reference is invited to the circular DOR.CO.LIC.CC No.119/03.10.001/2020-21 dated February 12, 2021 issued by the Department of Regulation, Reserve Bank of India (RBI) on investment in NBFCs from FATF non-compliant jurisdictions. With a view to maintaining consistency, the corresponding regulations for investments in Payment Systems Operators (PSOs) are as follows.

2. The Financial Action Task Force (FATF) periodically identifies jurisdictions with weak measures to combat money laundering and terrorist financing (AML / CFT) in its following publications: i) High-Risk Jurisdictions subject to a Call for Action, and ii) Jurisdictions under Increased Monitoring. A jurisdiction whose name does not appear in these two lists is referred to as a FATF compliant jurisdiction. Investments in PSOs from FATF non-compliant jurisdictions shall not be treated at par with that from compliant jurisdictions.

3. Investors in existing PSOs holding their investments prior to the classification of the source or intermediate jurisdiction/s as FATF non-compliant, may continue with the investments or bring in additional investments as per extant regulations so as to support continuity of business in India.

4. New investors from or through non-compliant FATF jurisdictions, whether in existing PSOs or in entities seeking authorisation as PSOs, are not permitted to acquire, directly or indirectly, ‘significant influence’ as defined in the applicable accounting standards in the concerned PSO. In other words, fresh investments (directly or indirectly) from such jurisdictions, in aggregate, should account for less than 20 per cent of the voting power (including potential1 voting power) of the PSO.

5. The above instructions, as amended from time to time, shall also apply to any entity that has applied for or that intends to apply for authorisation as a PSO under the Payment and Settlement Systems Act, 2007.

6. This directive is issued under Section 18 read with Section 10(2) of the Payment and Settlement Systems Act, 2007.

\**Potential voting power could arise from instruments that are convertible into equity, other instruments with contingent voting rights, contractual arrangements, etc., that grant investors voting rights (including contingent voting rights) in the future. In such cases, it should be ensured that new investments from FATF non-compliant jurisdictions are less than both (i) 20 per cent of the existing voting powers, and (ii) 20 per cent of existing and potential voting powers assuming those potential voting rights have materialised.*

**4. Risk Based Internal Audit (RBIA) Framework – Strengthening Governance arrangements**

**RBI/2020-21/83 Ref.No.DoS.CO.PPG./SEC.04/11.01.005/2020-21 January 07, 2021**

*The Chairman / Managing Director / Chief Executive Officer, All Scheduled Commercial Banks (Excluding RRBs), All Local Area Banks, All Small Finance Banks and All Payments Banks*

In terms of the Guidance Note on Risk-Based Internal Audit issued by RBI vide [circular DBS.CO.PP.BC.10/11.01.005/2002-03 dated December 27, 2002](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=1020&Mode=0), banks, inter alia, are required to put in place a risk based internal audit (RBIA) system as part of their internal control framework that relies on a well-defined policy for internal audit, functional independence with sufficient standing and authority within the bank, effective channels of communication, adequate audit resources with sufficient professional competence, among others.

2. While the aforesaid Guidance Note lays out the basic approach for risk based internal audit functions, banks are expected to re-orient their approach, in line with the evolving best practices, as a part of their overall Governance and Internal Control framework. Banks are encouraged to adopt the International Internal Audit standards, like those issued by the Basel Committee on Banking Supervision (BCBS) and the Institute of Internal Auditors (IIA).

3. To bring uniformity in approach followed by the banks, as also to align the expectations on Internal Audit Function with the best practices, banks are advised as under:

1. Authority, Stature and Independence - The internal audit function must have sufficient authority, stature, independence and resources within the bank, thereby enabling internal auditors to carry out their assignments with objectivity. Accordingly, the Head of Internal Audit (HIA) shall be a senior executive of the bank who shall have the ability to exercise independent judgement. The HIA as well as the internal audit function shall have the authority to communicate with any staff member and have access to all records or files that are necessary to carry out the entrusted responsibilities.
2. Competence - Requisite professional competence, knowledge and experience of each internal auditor is essential for the effectiveness of the bank's internal audit function. The desired areas of knowledge and experience may include banking operations, accounting, information technology, data analytics and forensic investigation, among others. Banks should ensure that internal audit function has the requisite skills to audit all areas of the bank.
3. Staff Rotation - Except for the entities where the internal audit function is a specialised function and managed by career internal auditors, the Board should prescribe a minimum period of service for staff in the Internal Audit function. The Board may also examine the feasibility of prescribing at least one stint of service in the internal audit function for those staff possessing specialized knowledge useful for the audit function, but who are posted in other departments, so as to have adequate skills for the staff in the Internal Audit function.
4. Tenor for appointment of Head of Internal Audit - Except for the entities where the internal audit function is a specialised function and managed by career internal auditors, the HIA shall be appointed for a reasonably long period, preferably for a minimum of three years.
5. Reporting Line - The HIA shall directly report to either the Audit Committee of the Board (ACB) / MD & CEO or Whole Time Director (WTD). Should the Board of Directors decide to allow the MD & CEO or a WTD to be the ‘reporting authority’ of the HIA, then the ‘reviewing authority’ shall be with the ACB and the ‘accepting authority’ shall be with the Board in matters of performance appraisal of the HIA. Further, in such cases, the ACB shall meet the HIA at least once in a quarter, without the presence of the senior management, including the MD & CEO/WTD. The HIA shall not have any reporting relationship with the business verticals of the bank and shall not be given any business targets. In foreign banks operating in India as branches, the HIA shall report to the internal audit function in the controlling office / head office.
6. Remuneration - The independence and objectivity of the internal audit function could be undermined if the remuneration of internal audit staff is linked to the financial performance of the business lines for which they exercise audit responsibilities. Thus, the remuneration policies should be structured in a way that it avoids creating conflict of interest and compromising audit’s independence and objectivity.

4. The internal audit function shall not be outsourced. However, where required, experts, including former employees, could be hired on contractual basis subject to the ACB being assured that such expertise does not exist within the audit function of the bank. Any conflict of interest in such matters shall be recognised and effectively addressed. Ownership of audit reports in all cases shall rest with regular functionaries of the internal audit function.

5. Banks must ensure and demonstrate through proper documentation that their risk-based internal audit framework captures all the significant criteria / principles suited for their organisational structure, the business model and the risks.

6. The instructions contained in this circular shall come into effect immediately from the date of this circular.

7. This circular supplement the guidelines issued by Reserve Bank of India on [December 27, 2002](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=1020&Mode=0) on Risk-based internal audit along with other circulars/instruction on the subject issued from time-to time and for any common areas of guidance, the prescription of this circular shall be followed.

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12011&Mode=0>

**5. Transactions in Government securities by Foreign Portfolio Investors: Reporting**

**RBI/2021-22/50 FMRD.FMID.No.05/14.01.006/2021-22 June 7, 2021**

*All participants in Government securities market*

Over the counter (OTC) transactions in Government securities (including State Development Loans and Treasury Bills) undertaken by market participants other than on the Negotiated Dealing System – Order Matching (NDS-OM) platform are required to be reported to the ‘NDS-OM’ platform for settlement.

2. Based on the feedback received, it has been decided to provide operational flexibility for reporting of such transactions undertaken by the Foreign Portfolio Investors (FPIs) in Government securities, as under.

1. FPIs/custodian banks shall report their transactions to the NDS-OM platform within three hours after the close of trading hours for the Government securities market.
2. Information about trades undertaken by domestic counterparties with FPIs shall be disseminated by the Clearcorp Dealing Systems (India) Ltd. (CDSL) after one leg of the trade is reported on the NDS-OM platform by the domestic counterparty with a suitable qualifier to indicate that the trade is awaiting counterparty confirmation.
3. Domestic market participants, including domestic counterparties to transactions with FPIs, shall continue to report transactions to the NDS-OM platform as per extant practice.

3. Necessary operational guidance in this regard shall be issued by CDSL.

4. 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 are without prejudice to permissions/ approvals, if any, required under any other law.

5. The Directions shall come into effect from June 14, 2021

**6. Master Direction – Reserve Bank of India (Certificate of Deposit) Directions, 2021**

**RBI/2021-22/79 FMRD.DIRD.03/14.01.003/2021-22 June 4, 2021**

*All Eligible Market Participants*

Please refer to Paragraph 6 of the [Statement on Developmental and Regulatory Policies](https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=47226), announced as a part of the [second Bi-monthly Monetary Policy Statement for 2019-20 dated June 06, 2019](https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=47225) regarding Comprehensive Review of Money Market Directions. A reference is also invited to Paragraph 5 of the [Statement on Developmental and Regulatory Policies](https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=51684), announced as a part of the [second Bi-monthly Monetary Policy Statement for 2021-22 dated June 04, 2021](https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=51683) on ‘Facilitating Flexibility in Liquidity Management by issuers of Certificates of Deposit’.

2. The draft Directions on Certificate of Deposits were released for public comments on [December 04, 2020](https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=50761). Based on the feedback received from the market participants, the Reserve Bank of India (Certificate of Deposit) Directions, 2021 were reviewed and have since been finalised.

In exercise of the powers conferred under section 45W of the Reserve Bank of India Act, 1934 (hereinafter called the Act) read with section 45U of the Act and of all the powers enabling it in this behalf and in supersession of Section III of [FMRD.Master Direction No. 2/2016-17 dated July 07, 2016](https://www.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=10495), the Reserve Bank of India (hereinafter called the Reserve Bank) hereby issues the following Directions to all persons and agencies eligible to deal in Certificate of Deposit.

**Master Direction**

**1. Short title, scope and commencement**

**(a)** These Directions shall be called the Master Direction – Reserve Bank of India (Certificate of Deposit) Directions, 2021.

**(b)** These Directions shall come into force with effect from June 07, 2021.

**2. Definitions**

**(a)** For the purpose of these Directions, unless the context otherwise requires:

1. **“Bank”** means a banking company (including a Payment Bank and a Small Finance Bank) as defined in clause (c) of section 5 of the Banking Regulation Act, 1949 or a “regional rural bank”, a “corresponding new bank” or “State Bank of India” as defined in clauses (ja), (da) and (nc), of section 5 respectively thereof, or a “cooperative bank” as defined in clause (cci) of section 5 read with section 56 of the said Act;
2. **“Benchmark Interest Rates”** means interest rates administered by Financial Benchmark Administrators;
3. **“Certificate of Deposit” or “CD”** is a negotiable, unsecured money market instrument issued by a bank as a Usance Promissory Note against funds deposited at the bank for a maturity period upto one year;
4. **“Delivery versus Payment” or “DvP”** means a settlement mechanism which stipulates that transfer of funds from the buyer of securities is made simultaneously with the transfer of securities by the seller of securities;
5. **“Depository”** shall have the meaning assigned in section 2 (e) of the Depositories Act, 1996 (22 of 1996);
6. **“Electronic Trading Platform” or “ETP”** shall have the meaning assigned in paragraph 2 (1) (iii) of the Electronic Trading Platform (Reserve Bank) Directions, 2018 dated October 05, 2018 as modified from time to time;
7. **“Financial Benchmark Administrator” or “FBA”** means a person who controls the creation, operation and administration of financial benchmark(s) authorized under [Financial Benchmark Administrators (Reserve Bank) Directions, dated June 26, 2019](https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=47408);
8. **“Over-the-Counter markets” or “OTC markets”** refers to markets where transactions are undertaken in any manner other than on exchanges and shall include those executed on electronic trading platforms;
9. **“Person resident in India”** shall have the same meaning assigned to it in section 2 (v) of the Foreign Exchange Management Act, 1999;
10. **“Recognised stock exchanges”** shall have the meaning assigned in section 2 (f) of the Securities Contract Regulation Act, 1956;
11. **“Small Finance Bank”** means a bank licensed under section 22 of the Banking Regulation Act, 1949 and governed by the terms of the “Reserve Bank [Guidelines for Licensing of Small Finance Banks” dated November 27, 2014](https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=32614), as amended from time to time.

**(b)** Words and expressions used but not defined in these Directions shall have the meaning assigned to them in the Reserve Bank of India Act, 1934.

**3. Eligible issuers**

**(a)** Certificate of Deposits (CDs) may be issued by:

1. Scheduled Commercial Banks;
2. Regional Rural Banks; and
3. Small Finance Banks.

**(b)** CDs issued by the All India Financial Institution shall be guided by the Directions contained in [Master Circular No. FID.FIC.1/01.02.00/2015-16 issued by the Reserve Bank on Resource Raising Norms for Financial Institutions dated July 01, 2015](https://www.rbi.org.in/Scripts/BS_ViewMasCirculardetails.aspx?id=9874), as amended from time to time.

**4. Eligible investors**

CDs may be issued to all persons resident in India.

**5. General guidelines**

**(a) Primary issuance**

1. CDs shall be issued only in dematerialised form and held with a depository registered with Securities and Exchange Board of India.
2. CDs shall be issued in minimum denomination of ₹5 lakh and in multiples of ₹5 lakh thereafter.
3. The tenor of a CD at issuance shall not be less than seven days and shall not exceed one year.
4. CDs shall be issued on a T+1 basis where T represents the date of closure of the offer period for issuance of the CDs.

**(b) Discount/coupon rate**

CDs may be issued at a discount to the face value. CDs may also be issued on a fixed / floating rate basis provided the interest rate on the floating rate CD is reset at periodic rests agreed to at the time of issue and is linked to a benchmark published by a Financial Benchmark Administrator or approved by the Fixed Income Money Market and Derivatives Association of India (FIMMDA) for this purpose. FIMMDA shall ensure that any floating rate approved by them for this purpose is determined transparently, objectively and in arm’s length transactions.

**(c) Secondary market - trading venues and settlement**

1. CDs shall be traded either in Over-the-Counter (OTC) markets, including on Electronic Trading Platforms, or on recognised stock exchanges with the approval of the Reserve Bank.
2. The settlement cycle for OTC trades in CDs shall be T+0 or T+1.
3. All secondary market transactions in CDs shall be settled on a DvP basis through the clearing corporation of any recognized stock exchange or any other mechanism approved by the Reserve Bank.

**(d) Loans against CDs**

Banks are not allowed to grant loans against CDs, unless specifically permitted by the Reserve Bank.

**(e) Buyback of CDs**

Issuing banks are permitted to buyback CDs before maturity. Buyback of CDs shall be subject to the following conditions:

1. Buyback of CDs can be made only 7 days after the date of issue of the CD;
2. The buyback offer shall be made to all investors in a particular CD issue on identical terms and conditions. The investors shall have the option to accept or reject the buyback offer;
3. Buyback of CDs shall be at the prevailing market price; and
4. CDs bought back, partially or in full, shall be extinguished.

**(f) Market timings**

Primary issuance and secondary market trading hours shall be between 9:00 AM and 5:00 PM on a business day or as specified by the Reserve Bank from time to time.

**(g) Repayment of CD**

There will be no grace period for repayment of CDs.

**(h) Market practices and documentation**

Eligible participants and agencies in the CD market shall follow the standardised procedures and documentation which may be prescribed by FIMMDA, in consultation with the Reserve Bank, for operational flexibility and smooth functioning of the markets.

**(i) Reserve requirements**

Reserve requirements in respect of the CDs issued by banks shall be governed by relevant regulations of the Reserve Bank.

**(j) Accounting**

Accounting for CD transactions shall be as per the applicable accounting standards prescribed by the Institute of Chartered Accountants of India (ICAI) or other standard setting organisations or as specified by the relevant regulations of the Reserve Bank.

**6. Reporting requirements**

**(a) Primary issuance**

Details of primary issuance of a CD shall be reported by the issuer to the Trade Repository (TR), i.e., Financial Market Trade Reporting and Confirmation Platform (“F-TRAC”) of the Clearing Corporation of India Ltd. (CCIL) by 5.30 PM on the day of issuance or as decided by the Reserve Bank from time to time.

**(b) Secondary market transactions**

All secondary market transactions executed in OTC market and/or on the recognised stock exchanges in CDs shall be reported, with time stamp, within 15 minutes of execution (the time when price is agreed) on the F-TRAC platform by each counterparty to the transaction.

**(c) Buyback transactions**

Details of the buyback of a CD shall be reported by the issuer on the F-TRAC platform by 5.30 PM on the day of buyback.

**(d) Reporting by depositories**

The depositories shall report to the Reserve Bank, the details of the CDs held with them in the dematerialised form, in the prescribed format furnished in [Annex I](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12108&Mode=0#AN_1), at fortnightly intervals (on the 15th day and on the last day of the month) and as and when called upon to do so by the Reserve Bank.

**7. Obligation to provide information sought by the Reserve Bank**

The Reserve Bank may call for any information or statement or seek any clarification, which in the opinion of the Reserve Bank is relevant, from persons or agencies dealing in the CDs, including eligible issuers/ investors and such persons, agencies and participants shall furnish the information, statement or clarification.

**8. Dissemination of data**

The Reserve Bank or any other person authorised by the Reserve Bank, may publish any anonymised data related to transactions in primary and secondary markets in CDs.

**9. Violation of Directions**

In the event of any person or agency violating any provision of these Directions or the provisions of any other applicable law, the Reserve Bank may, in addition to taking any penal or regulatory action in accordance with law, disallow that person or agency from dealing in the CD market for a period not exceeding one month at a time, after providing reasonable opportunity to the person or agency to defend its actions, and such action will be made public by the Reserve Bank.

**10. Applicability of other laws, directions, regulations or guidelines**

Participants in CD market shall abide by the provisions of any directions, regulations or guidelines issued by any regulator or any other authority that may be applicable, in respect of issue of or investment in CDs provided that such directions, regulations or guidelines do not conflict with these Directions. In case of any conflicts, the provisions of these Directions shall prevail.

**11.** These Directions shall apply to the transactions in Certificate of Deposit entered into from the date these Directions come into force. Provisions of Section III of [FMRD.Master Direction No. 2/2016-17 dated July 07, 2016](https://www.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=10495) shall continue to be applicable to the CDs issued in accordance with the said Directions till the maturity of those CDs.

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12108&Mode=0>

**7. Payment of margins for transactions in Government Securities by Foreign Portfolio Investors**

**RBI/2021-22/48 A.P. (DIR Series) Circular No.06 June 4, 2021**

*All Authorised Persons*

Please refer to Paragraph 4 of the [Statement on Developmental and Regulatory Policies](https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=51684), issued as a part of the [second Bi-monthly Monetary Policy Statement for 2021-22 dated June 04, 2021](https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=51683) regarding placement of margins for Government securities transactions on behalf of Foreign Portfolio Investors (FPIs). Attention is also invited to the 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), as amended from time to time, and the relevant directions issued thereunder.

2. All transactions in government securities concluded outside the recognized stock exchanges are settled on a guaranteed basis by the Clearing Corporation of India Ltd. (CCIL) which acts as the central counter party. Based on requests received, it has been decided to allow banks in India having an Authorised Dealer Category-1 licence under FEMA, 1999 to lend to FPIs in accordance with their credit risk management frameworks for the purpose of placing margins with CCIL in respect of settlement of transactions involving Government Securities (including Treasury Bills and State Development Loans) by the FPIs.

3. Necessary amendments to Foreign Exchange Management (Borrowing and Lending) Regulations, 2018 have been carried out, vide [Notification No. FEMA 3(R)2/2021-RB dated May 24, 2021](https://rbidocs.rbi.org.in/rdocs/content/pdfs/FEMA3(R)224052021.pdf).

4. These Directions shall be applicable with immediate effect.

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/ approvals, if any, required under any other law.

**8. Investment by Foreign Portfolio Investors (FPI) in Government Securities: Medium Term Framework (MTF)**

RBI/2021-22/44  
A.P. (DIR Series) Circular No. 05

May 31, 2021

To,  
All Authorized Persons

Madam / Sir

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:

a) [A.P. (DIR Series) Circular No. 25 dated March 30, 2020](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11849&Mode=0);

b) [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);

c) [A.P. (DIR Series) Circular No. 30 dated April 15, 2020](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11866&Mode=0); and

d) [A.P. (DIR Series) Circular No. 14 dated March 31, 2021](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12049&Mode=0).

**3. Investment Limits for FY 2021-22**

1. The limits for FPI investment in Government securities (G-secs) and State Development Loans (SDLs) shall remain unchanged at 6% and 2% respectively, of outstanding stocks of securities for FY 2021-22.
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 2021-22.
4. The entire increase in limits for SDLs (in absolute terms) has been added to the ‘General’ sub-category of SDLs.

4. Accordingly, the revised limits (in absolute terms) for the different categories, including the limits for corporate bonds announced, vide [A.P. (DIR Series) Circular No. 14 dated March 31, 2021](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12049&Mode=0), shall be as under (Table 1):

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Table - 1: Investment limits for FY 2021-22** | | | | | | |
| all figures in ₹ Crore | | | | | | |
|  | **G-Sec General** | **G-Sec Long Term** | **SDL General** | **SDL Long Term** | **Corporate Bonds** | **Total Debt** |
| Current FPI limits ^ | 2,34,531 | 1,03,531 | 67,630 | 7,100 | 5,41,488 | 9,54,280 |
| Revised limit for the HY Apr 2021-Sept 2021 | 2,43,914 | 1,12,914 | 76,766 | 7,100 | 5,74,263 | 10,14,957 |
| Revised limit for the HY Oct 2021-Mar 2022 | 2,53,298 | 1,22,298 | 85,902 | 7,100 | 6,07,039 | 10,75,637 |
| ^ as on March 31, 2021 | | | | | | |

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

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

Yours faithfully

(Dimple Bhandia)  
Chief General Manager

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**9. Sponsor Contribution to an AIF set up in Overseas Jurisdiction, including IFSCs**

**RBI/2021-22/38 A.P.(DIR Series) Circular No. 04 May 12, 2021**

*All Category-I Authorised Dealer Banks*

Attention of AD Category - I banks is invited to paragraph A.3.(e) and B.6 of [Master Direction No.15 dated January 1, 2016](https://www.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=10637), on “Direct Investment by Residents in Joint Venture (JV) / Wholly Owned Subsidiary (WOS) Abroad”, as amended from time to time and Regulation 7 of the [Notification FEMA 120/2004-RB](https://www.rbi.org.in/Scripts/BS_FemaNotifications.aspx?Id=2126), pertaining to provisions for an Indian Party (IP) making investment/ financial commitment in an entity engaged in the financial services sector.

2. It has been decided that any sponsor contribution from a sponsor IP to an Alternative Investment Fund (AIF) set up in an overseas jurisdiction, including International Financial Services Centres (IFSCs) in India, as per the laws of the host jurisdiction, will be treated as Overseas Direct Investment (ODI). Accordingly, IP, as defined in regulation 2(k) of the Notification ibid. can set up AIF in overseas jurisdictions, including IFSCs, under the automatic route provided it complies with Regulation 7 of the [Notification FEMA 120/2004-RB](https://www.rbi.org.in/Scripts/BS_FemaNotifications.aspx?Id=2126).

3. All the other provisions under the Notification ibid. shall remain unchanged. AD Category - I banks may bring the contents of this circular to the notice of their constituents and customers concerned.

4. The [Master Direction No. 15 dated January 01, 2016](https://www.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=10637), is being updated to reflect the changes.

5. The directions contained in this circular have been issued under section 10 (4) and 11(1) of the FEMA and are without prejudice to permissions/approvals, if any, required under any other law.

**10. Utilisation of Floating Provisions/Counter Cyclical Provisioning Buffer**

**RBI/2021-22/28 DOR.STR.REC.10/21.04.048/2021-22 May 5, 2021**

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

Please refer to our [circular DBOD.No.BP.BC.89/21.04.048/2005-06 dated June 22, 2006](https://www.rbi.org.in/scripts/NotificationUser.aspx?Id=2918&Mode=0) and [DBOD.No.BP.BC.68/21.04.048/2006-07 dated March 13, 2007](https://www.rbi.org.in/scripts/NotificationUser.aspx?Id=3334&Mode=0) on creation, accounting, disclosures and utilisation of floating provisions by banks. Banks may also refer to our [circular DBOD.No.BP.BC.87/21.04.048/2010-11 dated April 21, 2011](https://www.rbi.org.in/scripts/NotificationUser.aspx?Id=6357&Mode=0) on creation and utilisation of ‘countercyclical provisioning buffer’, wherein we had advised that the buffer will be allowed to be used by banks for making specific provisions for non-performing assets, inter alia, during periods of system wide downturn, with the prior approval of RBI.

2. Accordingly, in terms of our circulars [DBOD.No.BP.95/21.04.048/2013-14 dated February 7, 2014](https://www.rbi.org.in/scripts/NotificationUser.aspx?Id=8737&Mode=0) and [DBR.No.BP.BC.79/21.04.048/2014-15 dated March 30, 2015](https://www.rbi.org.in/scripts/NotificationUser.aspx?Id=9624&Mode=0), banks were allowed to utilise upto 33 per cent and 50 per cent of floating provisions/ countercyclical provisioning buffer held by them as on March 31, 2013 and December 31, 2014 respectively, for making specific provisions for non-performing assets, as per their Board approved policy.

3. In order to mitigate the adverse impact of COVID 19 related stress on banks, as a measure to enable capital conservation, it has been decided to allow banks to utilise 100 per cent of floating provisions/ countercyclical provisioning buffer held by them as on December 31, 2020 for making specific provisions for non-performing assets with prior approval of their Boards. Such utilisation is permitted with immediate effect and upto March 31, 2022.

**11. Interest Equalization Scheme on Pre and Post Shipment Rupee Export Credit- Extension**

**RBI/2021-22/21 DOR.CRE.REC.06/04.02.001/2021-22 April 12, 2021**

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

Please refer to the instructions issued vide [DBR.Dir.BC.No.69/04.02.001/2019-20 dated May 13, 2020](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11887&Mode=0).

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 three more months i.e., upto June 30, 2021. The extension takes effect from April 01, 2021 and ends on June 30, 2021 covering a period of three months.

3. Consequently, the extant operational instructions issued by the Reserve Bank under the captioned Scheme shall continue to remain in force upto June 30, 2021.

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12075&Mode=0>

**12. External Commercial Borrowings (ECB) Policy – Relaxation in the period of parking of unutilised ECB proceeds in term deposits**

R**BI/2021-22/16 A.P. (DIR Series) Circular No. 01 April 07, 2021**

*All Category-I Authorised Dealer Banks*

Please refer to paragraph 12 of the Governor’s Statement on Developmental and Regulatory Policies dated April 07, 2021. In this connection, attention of Authorized Dealer Category-I (AD Category-I) banks is invited to paragraph 4.2 of the of Master Direction No.5 dated March 26, 2019, on “External Commercial Borrowings, Trade Credits and Structured Obligations”, in terms of which ECB borrowers are allowed to park ECB proceeds in term deposits with AD Category-I banks in India for a maximum period of 12 months cumulatively.

2. Based on requests from stakeholders, including Industry associations, and with a view to providing relief to the ECB borrowers affected by the Covid-19 pandemic, it has been decided to relax the above stipulation as a one-time measure. Accordingly, unutilised ECB proceeds drawn down on or before March 01, 2020 can be parked in term deposits with AD Category-I banks in India prospectively for an additional period up to March 01, 2022.

3. All other provisions of the ECB policy remain unchanged. AD Category-I banks should bring the contents of this circular to the notice of their constituents/ customers.

4. The aforesaid Master Direction No. 5 dated March 26, 2019, is being updated to reflect the changes.

5. 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.

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12070&Mode=0>

**13. Master Direction - Reserve Bank of India (Call, Notice and Term Money Markets) Directions, 2021**

**RBI/2021-22/78 FMRD.DIRD.01/14.01.001/2021-22 April 01, 2021**

*All Eligible Market Participants*

Please refer to Paragraph 6 of the [Statement on Developmental and Regulatory Policies, Reserve Bank of India](https://rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=47226), issued as part of the [second Bi-monthly Monetary Policy Statement for 2019-20 dated June 06, 2019](https://rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=47225) regarding Comprehensive Review of Money Market Directions.

The draft Directions were released for public comments on December 04, 2020. Based on the feedback received from the market participants, the Reserve Bank of India (Call, Notice and Term Money Markets) Directions, 2021 were reviewed and have since been finalised. The [Directions](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12061&Mode=0#ANN) are enclosed herewith.

In exercise of the powers conferred under section 45W of the Reserve Bank of India Act, 1934 (hereinafter called the Act) read with section 45U of the Act and of all the powers enabling it in this behalf and in supersession of Section I of the [FMRD Master Direction No. 2/2016-17 dated July 07, 2016](https://rbi.org.in/Scripts/NotificationUser.aspx?Id=10495&Mode=0), Direction No. [FMRD.DIRD.09/14.01.001/2018-19 dated October 29, 2018](https://rbi.org.in/Scripts/NotificationUser.aspx?Id=11405&Mode=0) and Direction No. [FMRD.DIRD.01/14.01.001/2020-21 dated December 04, 2020](https://rbi.org.in/Scripts/NotificationUser.aspx?Id=12006&Mode=0), the Reserve Bank of India (hereinafter called the Reserve Bank), hereby issues the following Directions to all persons and agencies eligible to deal in Call, Notice and Term Money Markets.

**1. Short title and commencement**

**(a)** These Directions shall be called the Master Direction- Reserve Bank of India (Call, Notice and Term Money Markets) Directions, 2021.

**(b)** These Directions shall come into force with effect from April 05, 2021.

**2. Definitions**

**(a)** For the purpose of these Directions, unless the context otherwise requires:

1. **“Bank”** means a banking company (including a Payment Bank and a Small Finance Bank) as defined in clause (c) of section 5 of the Banking Regulation Act, 1949 or a “regional rural bank”, a “corresponding new bank” or “State Bank of India” as defined in clauses (ja), (da) and (nc), of section 5 respectively thereof, or a “cooperative bank” as defined in clause (cci) of section 5 read with section 56 of the said Act;
2. **“Call Money”** means borrowing or lending in unsecured funds on overnight basis;
3. **“Capital Funds”** shall have the meaning assigned in the applicable capital regulations issued by the Department of Regulation of the Reserve Bank as amended from time to time and shall be calculated as per the latest audited balance sheet;
4. **“Electronic Trading Platform” or “ETP”** shall have the meaning assigned in paragraph 2 (1) (iii) of [the Electronic Trading Platform (Reserve Bank) Directions, 2018 dated October 05, 2018](https://rbi.org.in/Scripts/NotificationUser.aspx?Id=11385&Mode=0), as modified from time to time;
5. **“Exchange”** shall mean ‘recognised stock exchange’ and shall have the same meaning as assigned to in Section 2 (f) of the Securities Contract Regulation Act, 1956.
6. **“Fortnight”** shall have the meaning assigned to it under section 42 of the Reserve Bank of India Act, 1934;
7. **“Negotiated Dealing System-CALL” or “NDS-CALL”** is the electronic trading platform for execution and reporting of transactions in Call, Notice and Term Money Markets;
8. **“Net Owned Fund”** shall have the meaning assigned to it under the Explanation to section 45-IA of the Reserve Bank of India Act, 1934;
9. **“Notice Money”** means borrowing or lending in unsecured funds for tenors up to and inclusive of 14 days excluding overnight borrowing or lending;
10. **“Over-the-Counter markets” or “OTC markets”** refers to markets where transactions are undertaken in any manner other than on exchanges and shall include those executed on electronic trading platforms;
11. **“Payment Bank”** means a bank licensed under section 22 of the Banking Regulation Act, 1949 and governed by the terms of the “Reserve Bank [Guidelines for Licensing of Payments Banks” dated November 27, 2014](https://rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=32615), as amended from time to time;
12. **“Primary Dealer”** means a Non-Banking Financial Company that holds a letter of authorisation issued by the Reserve Bank to act as a Primary Dealer, in terms of the "Guidelines for Primary Dealer in Government Securities Market" dated March 29, 1995, as amended from time to time;
13. **“Small Finance Bank”** means a bank licensed under section 22 of the Banking Regulation Act, 1949 and governed by the terms of the “Reserve Bank [Guidelines for Licensing of Small Finance Banks” dated November 27, 2014](https://rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=32614), as amended from time to time;
14. **“Term Money”** means borrowing or lending in unsecured funds for periods exceeding 14 days and up to one year.

**(b)** Words and expressions used but not defined in these Directions shall have the meaning assigned to them in the Reserve Bank of India Act, 1934.

**3. Participants**

The following entities shall be eligible to participate in the Call, Notice and Term Money Markets, both as borrowers and lenders:

1. Scheduled Commercial Banks (excluding Local Area Banks);
2. Payment Banks;
3. Small Finance Banks;
4. Regional Rural Banks;
5. State Co-operative Banks, District Central Co-operative Banks and Urban Co-operative Banks (hereinafter Co-operative Banks); and
6. Primary Dealers.

**4. Prudential limits**

**(a)** Prudential limits in respect of outstanding lending transactions in the Call, Notice and Term Money Markets shall be decided by the participants with the approval of their Board within the regulatory framework of the exposure norms prescribed by the Department of Regulation of the Reserve Bank for the eligible participant concerned.

**(b)** Prudential limits for outstanding borrowing transactions in the Call, Notice and Term Money Markets are set out in [Table 1](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12061&Mode=0#T1).

|  |  |  |
| --- | --- | --- |
| **Table 1: Prudential limits for outstanding borrowing transactions in Call, Notice and Term Money Markets** | | |
| **Sr. No.** | **Participant category** | **Prudential limit** |
| 1. | Scheduled Commercial Banks, Payment Banks, Small Finance Banks and Regional Rural Banks | (i) 100% of capital funds, on a daily average basis in a reporting fortnight, and  (ii) 125% of capital funds on any given day. |
| 2. | Co-operative Banks | (i) 2.0% of aggregate deposits as at the end of the previous financial year. |
| 3. | Primary Dealers | (i) 225% of Net Owned Fund (NOF) as at the end of previous financial year. |

**(c)** Eligible participants may, with the approval of their respective Board of Directors (or equivalent bodies), fix separate internal limits within the prudential limits for borrowing and lending in the Call, Notice and Term Money Markets. The internal limits so arrived at by the eligible participants shall be conveyed to the Clearcorp Dealing System Ltd., or any other NDS-CALL system operator authorised by the Reserve Bank for setting of limits in the NDS-CALL platform, under advice to the Financial Markets Regulation Department (FMRD) of the Reserve Bank through [e-mail](mailto:reportfmd@rbi.org.in).

**5. General guidelines**

**(a) Interest rates:** Eligible participants are free to decide on interest rates in the Call, Notice and Term Money Markets.

**(b) Trading venues:** Call, Notice and Term Money transactions shall be executed in Over-the-Counter markets, including on the NDS-CALL platform or any other Electronic Trading Platform authorised for the purpose by the Reserve Bank.

**(c) Market timings:** The market timings for Call, Notice and Term Money transactions shall be from 9:00 AM to 5:00 PM on each business day or as specified by the Reserve Bank from time to time.

**(d) Market practices and documentation:** Eligible participants shall follow the standard market practices, methodologies and documentation prescribed by Fixed Income Money Market and Derivatives Association of India (FIMMDA), in consultation with the Reserve Bank, from time to time.

**6. Cancellation and termination**

**(a)** A Call, Notice or Term Money transaction shall, normally, not be cancelled.

**(b)** A Notice or Term Money transaction can be terminated before maturity at a mutually agreed price.

**(c)** Any cancellation or termination of a Call, Notice or Term Money transaction shall be reported as set out in paragraph 7 of these Directions.

**7. Reporting requirements**

**(a)** All Call, Notice or Term Money transactions, other than those executed on NDS-CALL platform, shall be reported to the NDS-CALL platform within 15 minutes of execution (the time when interest rate is agreed), by both counterparties to the transaction or by the Electronic Trading Platform concerned, as the case may be. For this purpose, all eligible participants in the Call, Notice and Term Money Markets shall obtain membership of NDS-CALL platform. Eligible participants who are not members of NDS-CALL platform shall obtain such membership within a period of six months from the date of these Directions.

**(b)** A Call, Notice or Term Money transaction executed on the NDS-CALL platform need not be reported separately.

**(c)** Any cancellation or termination of a Call, Notice and Term Money transaction shall be reported on the NDS-CALL platform within 15 minutes of cancellation by each counterparty to the transaction or by the Electronic Trading Platform concerned, as the case may be.

**(d)** Any misreporting or multiple reporting of the same OTC markets deal by a counterparty shall be immediately brought to the notice of the Clearcorp Dealing System Ltd., or any other NDS-CALL system operator authorised by the Reserve Bank and also to the Financial Markets Regulation Department, Reserve Bank of India, Central Office, Fort, Mumbai, through [email](mailto:reportfmd@rbi.org.in).

**8. Obligation to provide information sought by the Reserve Bank:** The Reserve Bank may call for any information or statement or seek any clarification, which in the opinion of the Reserve Bank is relevant, from persons or agencies dealing in the Call, Notice and Term Money Markets, including eligible participants, and such persons, agencies and participants shall furnish such information, statement or clarification.

**9. Dissemination of data:** The Reserve Bank or any other person authorised by the Reserve Bank, may publish any anonymised data related to transactions in Call, Notice and Term Money Markets.

**10. Violation of Directions:** In the event of any person or agency violating any provision of these Directions or the provisions of any other applicable law, the Reserve Bank may, in addition to taking any penal or regulatory action in accordance with law, disallow that person or agency from dealing in the Call, Notice and Term Money Markets for a period not exceeding one month at a time, after providing reasonable opportunity to the person or agency to defend its actions, and such action may be made public by the Reserve Bank.

**11.** These Directions shall apply to Call, Notice and Term Money transactions entered into from the date these Directions come into force. Provisions of Section I of the [FMRD Master Direction No. 2/2016-17 dated July 07, 2016](https://rbi.org.in/Scripts/NotificationUser.aspx?Id=10495&Mode=0); Direction No. [FMRD.DIRD.09/14.01.001/2018-19 dated October 29, 2018](https://rbi.org.in/Scripts/NotificationUser.aspx?Id=11405&Mode=0) and Direction No. [FMRD.DIRD.01/14.01.001/2020-21 dated December 04, 2020](https://rbi.org.in/Scripts/NotificationUser.aspx?Id=12006&Mode=0), shall continue to be applicable to transactions undertaken in accordance with the said Directions till the expiry of those contracts.

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12061&Mode=0>

**14. Investment by Foreign Portfolio Investors (FPI): Investment limits**

**RBI/2020-21/116 A.P. (DIR Series) Circular No. 14 March 31, 2021**

*All Authorized Persons*

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://rbidocs.rbi.org.in/rdocs/content/pdfs/396FEMA17102019.pdf), as amended from time to time and the relevant Directions issued thereunder. A reference is also invited to [A.P. (DIR Series) Circular No. 30 dated April 15, 2020](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11866&Mode=0) on the captioned subject.

**2. Investment Limits for FY 2021-22**

a. The limits for FPI investment in Corporate bonds shall remain unchanged at 15% of outstanding stock of securities for FY 2021-22. Accordingly, the revised limits for FPI investment in corporate bonds, after rounding off, shall be as under ([Table - 1](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12049&Mode=0#TA1))

|  |  |
| --- | --- |
| **Table - 1: Limits for FPI investment in Corporate bonds for FY 2021-22** | |
| (₹ Crore) | |
| Current FPI limit | 5,41,488 |
| Revised limit for HY Apr 2021-Sep 2021 | 5,74,263 |
| Revised limit for HY Oct 2021-Mar 2022 | 6,07,039 |

b. The revised limits for FPI investment in Central Government securities (G-secs) and State Development Loans (SDLs) for FY 2021-22 will be advised separately. Till such announcement, the current limits (as in [Table - 2](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12049&Mode=0#TA2)), shall continue to be applicable.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Table - 2: Limits for FPI investments in G-Sec and SDL** | | | | |
| (₹ Crore) | | | | |
|  | **G-Sec General** | **G-Sec Long Term** | **SDL General** | **SDL Long Term** |
| FPI investment limits | 2,34,531 | 1,03,531 | 67,630 | 7,100 |

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

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

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

**RBI/2020-21/115 DOR.CAP.51/21.06.201/2020-21 March 30, 2021**

*All Scheduled Commercial Banks (excluding Regional Rural Banks)*

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.

3. Accordingly, select instructions contained in the following circulars have been modified/ amended appropriately:

a) [Master Circular DBR.No.BP.BC.1/21.06.201/2015-16 dated July 1, 2015](https://www.rbi.org.in/Scripts/BS_ViewMasCirculardetails.aspx?id=9859) on ‘Basel III Capital Regulations’ as provided in [Annex 1](https://rbidocs.rbi.org.in/rdocs/content/pdfs/BILA30032021_A1.pdf);

b) [Circular DBR.BP.BC.No.106/21.04.098/2017-18 dated May 17, 2018](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11278&Mode=0) on ‘Basel III Framework on Liquidity Standards – Net Stable Funding Ratio (NSFR) – Final Guidelines’ as provided in [Annex 2](https://rbidocs.rbi.org.in/rdocs/content/pdfs/BILA30032021_A2.pdf);

c) [Master Circular DBR.No.BP.BC.2/21.04.048/2015-16 dated July 1, 2015](https://www.rbi.org.in/Scripts/BS_ViewMasCirculardetails.aspx?id=9908) on ‘Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances’ as provided in [Annex 3](https://rbidocs.rbi.org.in/rdocs/content/pdfs/BILA30032021_A3.pdf); and

d) [Master Circular DBR.No.BP.BC.4./21.06.001/2015-16 dated July 1, 2015](https://www.rbi.org.in/Scripts/BS_ViewMasCirculardetails.aspx?id=9893) on Prudential Guidelines on Capital Adequacy and Market Discipline-New Capital Adequacy Framework (NCAF) as provided in [Annex 4](https://rbidocs.rbi.org.in/rdocs/content/pdfs/BILA30032021_A4.pdf).

The revised instructions come into force with immediate effect.

**16. FETERS – Cards: Monthly Reporting**

**RBI/2020-21/113 A.P. (DIR Series) Circular No.13 March 25, 2021**

*All Category-I Authorised Dealer Banks*

Attention of Authorised Dealers (Category I) is invited to [A.P. (DIR Series) Circular No. 50 dated February 11, 2016](https://rbi.org.in/Scripts/NotificationUser.aspx?Id=10276&Mode=0) on compilation of R-Returns for reporting under the Foreign Exchange Transactions Electronic Reporting System (FETERS). It has been decided to collect more details of international transactions using credit card / debit card / unified payment interface (UPI) along with their economic classification (merchant category code – MCC) through a new return called ‘FETERS-Cards’, using the same web-portal ([https://bop.rbi.org.in](https://bop.rbi.org.in/)).

2. Nodal offices of Authorised Dealers (ADs) may submit FETERS-Cards details on the web-portal in the following manner:

A. For transactions through credit card / debit card / UPI:

1. Sale of forex by AD towards international transaction made by Indian resident (to be reported by the card issuing / transaction originating AD); and
2. Purchase of forex by AD under transaction by foreign resident with Indian resident (to be reported by merchant acquirer AD).

B. The information shall be submitted in the following fixed format (details given in [Annex](https://rbidocs.rbi.org.in/rdocs/content/pdfs/NT113_25032021.pdf)):

1. For transactions using credit/debit card:  
     
   MCC X Country X Currency X Amount (Payment/Refund) X Card Status (Present /Not present)
2. For transactions through UPI:  
     
   MCC X Country X Currency X Amount (Payment/Refund) X QR Code Scan (Yes/No)

3. AD Banks need to report all card transactions (e.g., through PoS terminals / e-commerce (online purchase) / for transferring funds to bank accounts).

4. Data submission by ADs:

1. ADs shall submit the FETERS-Cards data on the web-portal ([https://bop.rbi.org.in](https://bop.rbi.org.in/)) by using the RBI-provided login-name and password, within seven working days from the last date of the month for which data are being reported. The web-portal provides detailed guidance and help material.
2. FETERS-Cards reporting will be implemented for the transactions taking place from April 1, 2021. Hence, details of the transactions in April 2021 may be reported in the first week of May 2021.
3. In case of any clarifications, banks may send their queries through [e-mail](mailto:bkccard@rbi.org.in) or contact by phone at 022-26578416 or 022-26571154 (direct).

5. The directions contained in this circular have been issued under Sections 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.

**Large Exposures Framework – Deferment of applicability of limits on non-centrally cleared derivatives exposures**

**RBI/2020-21/109 DOR.No.CRE.BC.47/21.01.003/2020-21 March 23, 2021**

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

Please refer to [circular No.DOR.No.BP.BC.43/21.01.003/2019-20 dated March 23, 2020](https://rbi.org.in/Scripts/NotificationUser.aspx?Id=11827&Mode=0) on Large Exposures Framework (LEF).

2. On a review it has been decided that non-centrally cleared derivatives exposures will continue to be outside the purview of exposure limits till September 30, 2021.

**18. Data Format for Furnishing of Credit Information to Credit Information Companies and other Regulatory Measures**

**RBI/2020-21/106 DoR.FIN.REC.46/20.16.056/2020-21 March 12, 2021**

*All Commercial Banks (including Small Finance Banks, Local Area Banks and Regional Rural Banks) excluding Payment Banks, All Primary (Urban) Co-operative Banks/State Co-operative Banks/ District Central Co-operative Banks, All-India Financial Institutions (Exim Bank, NABARD, NHB and SIDBI), All Non-Banking Financial Companies (including Housing Finance Companies) All Credit Information Companies*

Please refer to our [circular DBOD.No.CID.BC.127/20.16.056/2013-14 dated June 27, 2014](https://rbi.org.in/Scripts/NotificationUser.aspx?Id=8968&Mode=0) inter alia setting out a Uniform Credit Reporting Format for the purpose of reporting credit information to the Credit Information Companies (CICs).

2. The Uniform Credit Reporting Format has two Annexes. The Annex-I contains two formats for credit reporting, viz., Consumer Bureau and Commercial Bureau, whereas Annex-II contains credit reporting format for Micro Finance Institution (MFI) segment.

3. It has now been decided to modify the aforesaid three formats as under:

(i) **Consumer Bureau:** The label of the field ‘Written off and Settled status’ is modified as ‘Credit Facility Status’ and it will also have a new catalogue value, viz., ‘Restructured due to COVID-19’.

(ii) **Commercial Bureau:** The existing field ‘Major reasons for restructuring’ will have a new catalogue value, viz., ‘Restructured due to COVID-19’.

(iii) **MFI Bureau:** The existing field ‘Account status’ will have a new catalogue value, viz., ‘Restructured due to COVID-19’.

4. The modifications are being made to enable banks/AIFIs/NBFCs to report the information relating to restructured loans to CICs as envisaged in [circular DOR.No.BP.BC.3/21.04.048/2020-21 dated August 6, 2020](https://rbi.org.in/Scripts/NotificationUser.aspx?Id=11941&Mode=0), on the Resolution Framework for COVID-19 related stress.

5. Banks/AIFIs/NBFCs should make necessary modification to their systems and commence reporting the above information to CICs within two months from the date of this circular. CICs shall make necessary modifications to their system to reflect the above changes.

**19. Investment by Foreign Portfolio Investors (FPI) in Defaulted Bonds - Relaxations**

RBI/2020-21/105  
A.P. (DIR Series) Circular No. 12

February 26, 2021

To

All Authorised persons

Madam / Sir,

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

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](https://rbidocs.rbi.org.in/rdocs/content/pdfs/396FEMA17102019.pdf), as amended from time to time, and the relevant directions issued thereunder. A reference is also invited to [A.P. (DIR Series) Circular No. 31 dated November 26, 2015](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=10147&Mode=0) wherein FPIs were permitted to acquire NCDs/bonds, which are under default, either fully or partly, in the repayment of principal on maturity or principal instalment in the case of amortising bond, and to [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. Attention of AD Category-I banks is also invited to para 12 of [Statement on Developmental and Regulatory Policies dated February 05, 2021](https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=51078), wherein it was announced that FPI investment in defaulted corporate bonds will be exempted from the short-term limit and the minimum residual maturity requirement under the MTF.

3. Currently, FPI investments in corporate bonds are subject to a minimum residual maturity requirement, short-term investment limit (paragraph 4 (b)(ii)) and the investor limit (paragraph 4(f)(i)) in terms of the Directions. However, FPI investments in security receipts and debt instruments issued by Asset Reconstruction Companies and 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 are exempt from these requirements. It has now been decided to exempt investments by FPI in NCDs/bonds which are under default, either fully or partly, in the repayment of principal on maturity or principal instalment in the case of amortising bond from the aforesaid requirements.

4. The updated [Directions](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11303&Mode=0) are attached.

5. 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.

**20. Capital and provisioning requirements for exposures to entities with Unhedged Foreign Currency Exposure**

**RBI/2020-21/100 DOR.No.MRG.BC.41/21.06.200/2020-21 February 17, 2021**

*All Scheduled Commercial Banks (Excluding RRBs)*

Please refer to our [circular DBOD.No.BP.BC.116/21.06.200/2013-14 dated June 3, 2014](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=8914&Mode=0) on capital and provisioning requirements for exposures to entities with Unhedged Foreign Currency Exposure (UFCE).

2. The guidelines mandate that information on UFCE may be obtained by banks from entities on a quarterly basis, on self-certification basis, and preferably should be internally audited by the entity concerned. We have received representation from banks expressing their inability in obtaining UFCE certificates from listed entities for the latest quarter due to restrictions on disclosure of such information prior to finalisation of accounts.

3. In view of this, it has been decided that in such cases, banks may use data pertaining to the immediate preceding quarter for computing capital and provisioning requirements in case of Unhedged Foreign Currency Exposures.

4. All other instructions remain unchanged.

**21. Remittances to International Financial Services Centres (IFSCs) in India under the Liberalised Remittance Scheme (LRS)**

**RBI/2020-21/99 A.P. (DIR Series) Circular No. 11 February 16, 2021**

*All Category-I Authorised Dealer Banks*

Please refer to the [Statement on Development and Regulatory Polices](https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=51078) announced as part of the [Bi-monthly Monetary Policy Statement dated February 05, 2021](https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=51077) on the above subject.

2. With a view to deepen the financial markets in International Financial Services Centres (IFSCs) and provide an opportunity to resident individuals to diversify their portfolio, the extant guidelines on Liberalised Remittance Scheme (LRS) have been reviewed and it has been decided to permit resident individuals to make remittances under LRS to IFSCs set up in India under the Special Economic Zone Act, 2005, as amended from time to time. Accordingly, AD Category - I banks may allow resident individuals to make remittances under LRS to IFSCs in India, subject to the following conditions:

1. The remittance shall be made only for making investments in IFSCs in securities, other than those issued by entities/companies resident (outside IFSC) in India.
2. Resident Individuals may also open a non interest bearing Foreign Currency Account (FCA) in IFSCs, for making the above permissible investments under LRS. Any funds lying idle in the account for a period upto 15 days from the date of its receipt into the account shall be immediately repatriated to domestic INR account of the investor in India.
3. Resident Individuals shall not settle any domestic transactions with other residents through these FCAs held in IFSC.

3. AD Category - I banks, while allowing such remittances, shall ensure compliance with all other terms and conditions, including reporting requirements prescribed under the Scheme. It may be noted that any person resident in India (outside IFSC) entering into any transaction with a person/entity in IFSC shall only be governed by regulations/directions and rules issued/notified by the Reserve Bank of India and the Government of India respectively under Foreign Exchange Management Act (FEMA), 1999. Further, compounding of any contravention of FEMA provision by such person resident in India shall be dealt by the Reserve Bank of India in accordance with the extant instructions/provisions on compounding of contraventions under FEMA.

4. [Master Direction No.7 (Master Direction – Liberalised Remittance Scheme)](https://www.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=10192) is being updated to reflect the above changes. AD Category - I banks should bring the contents of this circular to the notice of their constituents and customers.

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/approvals, if any, required under any other law.

**22. Margin for Derivative Contracts**

**RBI/2020-21/98 A. P. (DIR Series) Circular No. 10 February 15, 2021**

*All Authorised Dealer Category-I Banks*

Attention of Authorised Dealer Category-I (AD Cat-I) banks is invited to the Foreign Exchange Management (Margin for Derivative Contracts) Regulations, 2020 notified in the Gazette of India vide notification no. FEMA.399/RB-2020 dated October 23, 2020 ([Annex I](https://rbidocs.rbi.org.in/rdocs/content/pdfs/AnnexI_15022021.pdf)). Accordingly, directions are being issued to allow posting and collection of margin for permitted derivative contracts between a person resident in India and a person resident outside India.

2. AD Cat-I banks may post and collect margin in India, on their own account or on behalf of their customers, for a permitted derivative contract entered into with a person resident outside India in the form of:

1. Indian currency;
2. Freely convertible foreign currency;
3. Debt securities issued by Indian Central Government and State Governments;
4. Rupee bonds issued by persons resident in India which are:
5. Listed on a recognized stock exchange in India; and
6. Assigned a credit rating of AAA issued by a rating agency registered with the Securities and Exchange Board of India. If different ratings are accorded by two or more credit rating agencies, then the lowest rating shall be reckoned.

**Explanation:** Permitted derivative contract shall have the same meaning as assigned to it in the Foreign Exchange Management (Margin for Derivative Contracts) Regulations, 2020 [Notification no. FEMA.399/RB-2020 dated October 23, 2020].

3. AD Cat-I banks may post and collect such margin outside India in the form of:

1. Freely convertible foreign currency; and
2. Debt securities issued by foreign sovereigns with a credit rating of AA- and above issued by S&P Global Ratings / Fitch Ratings or Aa3 and above issued by Moody’s Investors Service. If different ratings are accorded by two or more credit rating agencies, then the lowest rating shall be reckoned.

4. AD Cat-I banks may receive and pay interest on margin posted and collected on their own account or on behalf of their customers for a permitted derivative contract entered into with a person resident outside India.

5. AD Cat-I banks shall maintain a separate account in the name of persons resident outside India for the purpose of posting and collecting cash margin in India, and transactions incidental thereto.

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.

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

**RBI/2020-21/95 DOR.No.LRG.BC.40/21.04.098/2020-21 February 05, 2021**

*All Commercial Banks (excluding Regional Rural Banks,Local Area Banks and Payments Banks)*

Please refer to our [circular DBR.BP.BC.No.106/21.04.098/2017-18 dated May 17, 2018](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11278&Mode=0) on Basel III Framework on Liquidity Standards - Net Stable Funding Ratio (NSFR)-Final Guidelines (‘NSFR Guidelines’) and [circular DOR.BP.BC.No.16/21.04.098/2020-21 dated September 29, 2020](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11971&Mode=0) deferring the implementation of the said guidelines till April 1, 2021.

2. In view of the ongoing stress on account of COVID-19, it has been decided to defer the implementation of NSFR guidelines by a further period of six months. Accordingly, the NSFR Guidelines shall come into effect from October 1, 2021.

**24. SLR holdings in HTM category**

**RBI/2020-21/94 DOR.No.MRG.BC.39/21.04.141/2020-21 February 5, 2021**

*All Commercial Banks*

Please refer to paragraph 4 of [Statement on Developmental and Regulatory Policies dated February 5, 2021](https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=51078) and our [circular DoR.No.BP.BC.22/21.04.141/2020-21 dated October 12, 2020](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11982&Mode=0) on the above subject.

2. Banks are permitted to exceed the limit of 25 per cent of the total investments under Held to Maturity (HTM) category provided:

1. the excess comprises only of SLR securities; and
2. total SLR securities held under HTM category is not more than 19.5 per cent of Net Demand and Time Liabilities (NDTL) as on the last Friday of the second preceding fortnight.

3. With respect to the limit stated in paragraph 2(b) above, banks have been granted a special dispensation of enhanced HTM limit of 22 per cent of NDTL, for SLR securities acquired between September 1, 2020 and March 31, 2021, until March 31, 2022. The enhanced limit was required to be restored in a phased manner over three quarters beginning with the quarter ending June 30, 2022.

4. It has now been decided to extend the dispensation of enhanced HTM of 22 per cent to March 31, 2023 to include SLR securities acquired between April 1, 2021 and March 31, 2022. Thus, banks may exceed the limit specified in paragraph 2(b) above upto 22 per cent of NDTL (instead of 19.5 per cent of NDTL) till March 31, 2023, provided such excess is on account of SLR securities acquired between September 1, 2020 and March 31, 2022.

5. The schedule for restoring the enhanced HTM limit to 19.5 per cent of NDTL specified in paragraph 3 of the [circular dated October 12, 2020](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11982&Mode=0) referred to above is accordingly modified. The enhanced HTM limit 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, 2022 shall be progressively reduced from the HTM category such that the total SLR securities under the HTM category as a percentage of the NDTL does not exceed:

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

6. As per extant instructions, banks may shift investments to/from HTM with the approval of the Board of Directors once a year and such shifting will normally be allowed at the beginning of the accounting year. However, in order to enable banks to shift their excess SLR securities from the HTM category to available for sale (AFS)/ held for trading (HFT) to comply with the instructions as indicated in paragraph 5 above, it has been decided to allow such shifting of the excess securities during the quarter in which the HTM ceiling is brought down. This would be in addition to the shifting permitted at the beginning of the accounting year.

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

**RBI/2020-21/93 DOR.CAP.BC.No.34/21.06.201/2020-21 February 5, 2021**

*All Commercial Banks (Excluding Small Finance Banks, Payments Banks, RRBs and LABs)*

Please refer to [circular DOR.BP.BC.No.15/21.06.201/2020-21 dated September 29, 2020](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11970&Mode=0) on ‘Basel III Capital Regulations- Review of transitional arrangements’.

2. In view of the continuing stress on account of COVID-19 and in order to aid in the recovery process, it has been decided to defer the implementation of the last tranche of 0.625 per cent of the Capital Conservation Buffer (CCB) from April 1, 2021 to October 1, 2021. Accordingly, the 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](https://www.rbi.org.in/Scripts/BS_ViewMasCirculardetails.aspx?id=9859) on ‘Basel III Capital Regulations’, shall continue to apply till the CCB attains the level of 2.5 per cent on October 1, 2021.

3. The pre-specified trigger for loss absorption through conversion / write-down of Additional Tier 1 instruments (Perpetual Non-Convertible Preference Shares and Perpetual Debt Instruments), shall remain at 5.5 per cent of risk weighted assets (RWAs) and will rise to 6.125 per cent of RWAs from October 1, 2021.

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

**RBI/2020-21/91 DOR.No.Ret.BC.36/12.01.001/2020-21 February 05, 2021**

*All Scheduled Banks*

Please refer to our [circulars DOR.No.Ret.BC.52/12.01.001/2019-20 dated March 27, 2020](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11838&Mode=0), [DOR.RRB.No.28/31.01.001/2020-21 dated December 4, 2020](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12004&Mode=0) and [Press Release No.2020-2021/401 dated September 28, 2020](https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=50427) on Marginal Standing Facility (MSF), wherein the banks were allowed to avail of funds under the MSF by dipping into the Statutory Liquidity Ratio (SLR) up to an additional one per cent of their net demand and time liabilities (NDTL), i.e., cumulatively up to three per cent of NDTL. This facility, which was initially available up to June 30, 2020 was later extended in phases up to March 31, 2021 providing comfort to banks on their liquidity requirements and also to enable them to meet their Liquidity Coverage Ratio (LCR) requirements.

2. As announced in the [Statement of Developmental and Regulatory Policies of February 05, 2021](https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=51078), with a view to providing comfort to banks on their liquidity requirements, banks are allowed to continue with the MSF relaxation for a further period of six months, i.e., up to September 30, 2021.

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

**RBI/2020-21/90 DOR.No.Ret.BC.35/12.01.001/2020-21 February 5, 2021**

*All Banks*

Please refer to our [Circular DOR.No.Ret.BC.49/12.01.001/2019-20 dated March 27, 2020](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11841&Mode=0), on the captioned subject. The cash reserve ratio (CRR) of all banks was reduced by 100 basis points to 3.00 per cent of their Net Demand and Time liabilities (NDTL) effective from the reporting fortnight beginning March 28, 2020. The dispensation was available for a period of one year ending March 26, 2021.

2. As announced in paragraph 2 of the [Statement on Developmental and Regulatory Policies dated February 05, 2021](https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=51078), it has been decided to gradually restore the CRR in two phases in a non-disruptive manner. Accordingly, banks are required to maintain the CRR at 3.50 per cent of their NDTL effective from the reporting fortnight beginning March 27, 2021 and 4.00 per cent of their NDTL effective from fortnight beginning May 22, 2021.

**28. Risk-Based Internal Audit (RBIA)**

**RBI/2020-21/88 Ref.No.DoS.CO.PPG./SEC.05/11.01.005/2020-21 February 03, 2021**

*The Chairman / Managing Director / Chief Executive Officer, All deposit taking Non-Banking Financial Companies (NBFCs), All non-deposit taking NBFCs (including Core Investment Companies) with asset size of ₹5,000 crore and above, All Primary (Urban) Co-operative Banks (UCBs) with asset size of ₹500 crore and above*

An independent and effective internal audit function in a financial entity provides vital assurance to the Board and its senior management regarding the quality and effectiveness of the entity’s internal control, risk management and governance framework. The essential requirements for a robust internal audit function include, inter alia, sufficient authority, proper stature, independence, adequate resources and professional competence.

2. The range and commonality of risks faced by Supervised Entities (SEs) would warrant effective and harmonized systems and processes for the internal audit function across the SEs based on certain common guiding principles.

3. The introduction of Risk-Based Internal Audit (RBIA) system was mandated for all Scheduled Commercial Banks (except Regional Rural Banks) vide our [circular DBS.CO.PP.BC.10/11.01.005/2002-03 dated December 27, 2002](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=1020&Mode=0), which was further supplemented vide [circular DoS.CO.PPG./SEC.04/11.01.005/2020-21 dated January 07, 2021](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12011&Mode=0). It has now been decided to mandate RBIA framework for the following Non-Banking Financial Companies (NBFCs) and Primary (Urban) Co-operative Banks (UCBs):

1. All deposit taking NBFCs, irrespective of their size;
2. All Non-deposit taking NBFCs (including Core Investment Companies) with asset size of ₹5,000 crore and above; and
3. All UCBs having asset size of ₹500 crore and above[1](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12018&Mode=0#F1).

4. The Supervised Entities as indicated in Para 3 above shall implement the RBIA framework by March 31, 2022 in accordance with the Guidelines on Risk-Based Internal Audit provided in the enclosed [Annex](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12018&Mode=0#ANN). The Guidelines are intended to enhance the efficacy of internal audit systems and processes followed by the NBFCs and UCBs.

5. Further, in order to ensure smooth transition from the existing system of internal audit to RBIA, the concerned NBFCs and UCBs may constitute a committee of senior executives with the responsibility of formulating a suitable action plan. The committee may address transitional and change management issues and should report progress periodically to the Board and senior management.

6. This circular should be placed before the Board in its next meeting. The implementation of these guidelines as per timeline specified should be done under the oversight of the Board.

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12018&Mode=0>

**29. Prudential Guidelines on Capital Adequacy and Market Discipline - New Capital Adequacy Framework (NCAF) - Eligible Credit Rating Agencies – CRISIL Ratings Limited**

**RBI/2020-21/86 DOR.No.CRE.BC.33/21.06.007/2020-21 January 27, 2021**

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

Please refer to the [Master Circular DBR.No.BP.BC.4./21.06.001/2015-16 dated July 1, 2015](https://www.rbi.org.in/Scripts/BS_ViewMasCirculardetails.aspx?id=9893) on 'Prudential Guidelines on Capital Adequacy and Market Discipline - New Capital Adequacy Framework (NCAF)’ and [Master Circular DBR.No.BP.BC.1/21.06.201/2015-16 dated July 1, 2015](https://www.rbi.org.in/Scripts/BS_ViewMasCirculardetails.aspx?id=9859) on Basel III Capital Regulations.

2. In terms of paragraph 6 of the above circulars, CRISIL Limited has been accredited for the purpose of risk weighting the banks' claims for capital adequacy purposes along with other credit rating agencies (CRAs) registered with Securities and Exchange Board of India (SEBI). The rating business of CRISIL Limited has since been transferred to CRISIL Ratings Limited, a wholly owned subsidiary of CRISIL Limited in compliance with SEBI’s notification dated September 11, 2018 read with SEBI’s circular dated September 19, 2018. Banks may therefore, use the ratings of the CRISIL Ratings Limited for the purpose of risk weighting their claims for capital adequacy purposes. The rating-risk weight mapping for the long term and short-term ratings assigned by CRISIL Ratings Limited will be the same as was in the case of CRISIL Limited and there is no change in the rating symbols earlier assigned by CRISIL Limited.

3. All other provisions regarding external credit ratings stipulated in the aforementioned Master Circulars remain unchanged.

**30. Foreign Exchange Management (Export of Goods and Services) (Amendment) Regulations, 2021**

**Notification No. FEMA 23(R)/(4)/2021-RB January 08, 2021**

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](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=10256&Mode=0)] (hereinafter referred to as 'the Principal Regulations'), namely:

**1. Short title and commencement: -**

1. These Regulations may be called the Foreign Exchange Management (Export of Goods and Services) (Amendment) Regulations, 2021.
2. They shall come into force from the date of their publication in the [official Gazette](https://rbidocs.rbi.org.in/rdocs/content/pdfs/GazetteN21012021.pdf).

2. In the Principal Regulations, in regulation 4, for sub-regulation (ea), the following shall be substituted, namely:-

“(ea) re-export of leased aircraft/helicopter and/or engines/auxiliary power units (APUs), either completely or in partially knocked down condition re-possessed by overseas lessor and duly de-registered by the Directorate General of Civil Aviation (DGCA) on the request of Irrevocable Deregistration and Export Request Authorisation (IDERA) holder under ‘Cape Town Convention’ or any other termination or cancellation of the lease agreement between the lessor and lessee subject to permission by DGCA/Ministry of Civil Aviation for such export/s.”

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12014&Mode=0>

**31. Interpretation of term ‘Outstanding’, ‘Export Outstanding’ or ‘Import Outstanding’ used in directives issued by the Reserve Bank of India March 09, 2021**

*All Members of FEDAI*

Directives issued by Reserve Bank of India for export and import of goods & services have used the term ‘Outstanding’, ‘Export Outstanding’ or ‘Import Outstanding’ at various places. In course of our interaction with member banks we observed that these terms;

* were not being interpreted uniformly by all practitioners;
* at times caused incomplete or inconsistent interpretation of directives if such term is inferred verbatim at all the places;
* need to be inferred in the context of the content of the paragraph wherever the term was used in the respective Master Direction.

In view of above, FEDAI approached Reserve Bank of India for guidance in the matter.

The RBI vide their letter FED.CO.Trade/1875/05.31.077/2020-21 dated March 05, 2021 have clarified these terms as used in various guidelines, which is enclosed herewith for your record and compliance.

Annexure to FEDAI Circular SPL-01/Exp-imp/2021 dated 09th March2021: <https://www.fedai.org.in/DocumentUploadFiles/SpecialCircular/SPL-01.2021dt.09March2021.pdf>