

Foreign Exchange Management Act, 1999 (FEMA)

Guidelines on import of gold by Qualified Jewelers as notified by – The International Financial Services Centers Authority (IFSCA)

[RBI/2022-2023/57 dated 25th May 2022](#)

As per this Circular, the RBI has notified banks that may allow Qualified Jewelers to remit advance payments for 11 days for import of gold through IIBX* in compliance to the extant Foreign Trade Policy and regulations issued under International Financial Services Centers Authority (IFSC) Act.

AD bank should create Outward Remittance Message (ORM) for all such outward remittances in IDPMS** and ensure that all documents are maintained.

Addition of specified securities under 'Fully Accessible Route' for Investment by Non-residents in Government Securities

[RBI/2022-23/86 dated 7th July 2022](#)

Overnight the RBI vide this Circular has announced, two more Central Government (CG) securities namely having ISIN IN0020220011 (India, Bonds 7.1%) and IN0020220029 (7.54%

Govt. Securities 2036) as 'specified securities' under the FAR***. As a result, these securities are now fully opened for non-resident investors for making investments, apart from being available to domestic investors.

Investment by Foreign Portfolio Investors (FPI) in Debt – Relaxations

[RBI/2022-23/87 dated 7th July 2022](#)

The FPIs are allowed to make short-term investments in government securities (CG securities, including Treasury Bills and State Development Loans) and corporate bonds up to 30% of the total investment of that FPI in any category. The RBI vide this circular has decided to allow FPIs to invest in commercial papers and non-convertible debentures with an original maturity of up to one year, during the period between 8th July 2022 and 31st October 2022 (both dates included). These investments will be exempted from the said limit on short-term investments till maturity or sale of such investments.

**India International Bullion Exchange IFSC Ltd*

***Import Data Processing and Monitoring System*

**** Fully Accessible Route*

Snippets

The RBI has decided to permit authorized card payment networks to offer card tokenization services to any token requestor subject to a few conditions. Tokenization refers to replacement of actual card details with an alternate code called the "token", which will be unique for a combination of card, token requestor.

Reserve Bank of India (RBI)

Disclosures in Financial Statements- Notes to Accounts of NBFCs

[RBI/2022-23/26 dated 19th April 2022](#)

Non-Banking Finance Companies (NBFCs) are required to make disclosures in their financial statements (FS) in accordance with existing prudential guidelines, applicable accounting standards, laws, and regulations. The additional disclosure requirements for NBFCs in accordance with the Scale Based Regulation (SBR) framework are outlined in the Annexure to this Circular.

This Circular is applicable to all NBFCs. It specifies the applicability of specific disclosure requirements to specific NBFC layers as per SBR. The disclosure requirements applicable to lower layers of NBFCs will be applicable to NBFCs in higher layers. These guidelines will be **effective for annual FSs for year ending 31st March 2023 and onwards.**

Loans and Advances – Regulatory Restrictions - NBFCs

[RBI/2022-23/29 dated 19th April 2022](#)

Vide Circular on [SBR: A Revised Regulatory Framework for NBFCs issued on 22nd October 2021](#), certain regulatory restrictions on lending were introduced in respect of NBFCs placed in different layers. Detailed guidelines in this regard are given in this Circular. These guidelines will be **effective from 1st October 2022.**

Guidelines applicable to NBFC - Middle Layer (ML) and NBFC - Upper Layer (UL) - Regulatory Restrictions on Loans and Advances

■ Loans and advances to Directors

Only if sanctioned by the Board of Directors/

Committee of Directors, NBFCs can grant loans and advances aggregating Rs. 5 crores and above to -

- their directors (including the Chairman/ Managing Director or relatives of directors.
- any firm in which any of their directors or their relatives is interested as a partner, manager, employee or guarantor.
- any company in which any of their directors, or their relatives is interested as a major shareholder, director, manager, employee or guarantor.

■ Loans and advances to Senior Officers of the NBFC

NBFCs should abide by the following-

- Loans and advances sanctioned to senior officers of the NBFC should be reported to the Board.
- No senior officer or any Committee comprising of a senior officer should sanction any credit facility to a relative of that senior officer. Such a facility should be sanctioned by the next higher sanctioning authority under the delegation of powers.

■ Loans and advances to Real Estate Sector

While appraising loan proposals involving real estate, NBFCs should ensure that the borrowers have obtained prior permission from government/ local government/ other statutory authorities for the project, wherever required. The disbursements should be made only after the borrower has obtained requisite clearances from the government / other statutory authorities.

■ Guidelines applicable to NBFC - Base Layer (BL)

NBFCs should have a Board approved policy on grant of loans to directors, senior officers and relatives of directors and to entities where directors or their relatives have major shareholding. The Board approved policy should include a threshold beyond which loans to above mentioned persons should be reported to the Board. Further, NBFCs, should disclose in their Annual FS, aggregate amount of such sanctioned loans and advances.

Clarification with respect to Scale Based Regulation (SBR) for NBFCs

The RBI had issued a [Circular dated 22nd October 2021](#) stating the revised SBR framework for NBFCs which provided a holistic view of the SBR structure, set of fresh regulations being introduced and respective timelines. Subsequently the following clarifications have been issued –

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

[RBI/2022-23/30 dated 19th April 2022](#)

NBFC-UL should maintain Common Equity Tier 1 (CET1) capital of at least 9% of Risk Weighted Assets. The above Circular, *inter alia*, provides a formulae for calculation of CET 1. Elements of CET 1 capital will comprise of paid-up equity share capital issued by the NBFC, share premium resulting from the issue of equity shares, capital reserves representing surplus arising out of sale proceeds of assets, statutory reserves, revaluation reserves, subject to meeting the prescribed conditions etc.

This Circular is applicable to all NBFCs identified as NBFC-UL, except Core Investment Companies (CICs).

- **Large Exposures Framework for NBFC - Upper Layer (NBFC-UL)**

[RBI/2022-23/32 dated 19th April 2022](#)

This Circular sets out prudential guidelines on exposure norms which aim at addressing credit risk concentration in NBFCs. These instructions set out to identify large exposures, refine the criteria for grouping of connected counterparties and put in place reporting norms for large exposures.

These instructions are applicable from 1st October 2022.

Change in Bank Rate

- [RBI/2022-23/45 dated 4th May 2022](#)

The RBI revised the Bank Rate upwards by 40 basis points from 4.25% to 4.65% with

immediate effect as announced in the [Monetary Policy Statement 2022-23](#) dated 4th May 2022.

- [RBI/2022-23/65 dated 8th June 2022](#)

As announced in the [Monetary Policy Statement 2022-23](#) dated June 8th June 2022, the Bank Rate has been revised upwards by 50 basis points from 4.65% to 5.15% with **immediate effect**.

All penal interest rates on shortfall in reserve requirements, which are specifically linked to the Bank Rate, also stand revised as given in the table below.

Item	Existing Rate		Revised Rate	
Penal interest rates on shortfalls in reserve requirements (depending on duration of shortfalls)	Bank Rate plus 3% (7.65%)	or	Bank Rate plus 3% (8.15%)	or
	Bank Rate plus 5% (9.65%)		Bank Rate plus 5% (10.15%)	

Maintenance of Cash Reserve Ratio (CRR)

[RBI/2022-23/46 dated 4th May 2022](#)

As announced in the [Governor's Statement dated 4th May 2022](#), the RBI has decided to increase the CRR of all banks by 50 basis points from 4% to 4.50% of their Net Demand and Time Liabilities (NDTL), **effective from the reporting fortnight beginning 21st May 2022**.

RBI (Financial Statements - Presentation and Disclosures) Directions, 2021 - Reporting of reverse repos with RBI on the bank's Balance Sheet

[RBI/2022-23/55 dated 19th May 2022](#)

In order to bring more clarity on the presentation of reverse repo on the Balance Sheet, the RBI has decided the following-

- All type of reverse repos with the RBI including those under Liquidity Adjustment Facility should be presented under sub-item

July 2022

(ii) 'In Other Accounts' of item (II) 'Balances with RBI' under Schedule 6 'Cash and balances with RBI'.

- Reverse repos with banks and other institutions having original tenors up to and inclusive of 14 days should be classified under item (ii) 'Money at call and short notice' under Schedule 7 'Balances with banks and money at call and short notice'.
- Reverse repos with banks and other institutions having original tenors more than 14 days shall be classified under Schedule 9 – 'Advances' under the following heads:-
 - A.(ii) 'Cash credits, overdrafts and loans repayable on demand'
 - B.(i) 'Secured by tangible assets'
 - C.(I).(iii) Banks (iv) 'Others' (as the case may be)

This circular is applicable to all commercial banks.

Provisioning for Standard assets by Non-Banking Financial Company – Upper Layer

[RBI/2022-23/61 dated 6th June 2022](#)

In [Circular dated 22nd October 2021](#) on *Scale Based Regulation (SBR): A Revised Regulatory Framework for NBFCs*, it was *inter alia* mentioned that RBI would issue guidelines on differential provisioning to be held by NBFCs classified as NBFC-Upper Layer (**NBFC-UL**) towards different classes of standard assets. Accordingly, it has been decided that NBFCs classified as NBFC-UL shall maintain provisions in respect of 'standard' assets at the following rates for the funded amount outstanding-

Category of Assets	Rate of Provision
Individual housing loans and loans to Small and Micro Enterprises(SMEs)	0.25%
Housing loans extended at teaser rates	2% which will decrease to 0.40% after 1 year from the date on which the rates are reset at higher rates (if the

Category of Assets	Rate of Provision
	accounts remain 'standard')
Advances to Commercial Real Estate – Residential Housing (CRE - RH) Sector	0.75%
Advances to Commercial Real Estate (CRE) Sector (other than CRE-RH)	1%
Restructured advances	As stipulated in the applicable prudential norms for restructuring of advances
All other loans and advances not included above, including loans to Medium Enterprises	0.40 %

Current credit exposures arising on account of the permitted derivative transactions will also attract provisioning requirement as applicable to the loan assets in the 'standard' category, of the concerned counterparties.

Since NBFCs with net worth of Rs. 250 crore or above are required to comply with Indian Accounting Standards (Ind AS) for the preparation of their financial statements, they should continue to hold impairment allowances as required under Ind AS, subject to the prudential floor as prescribed in the [Circular dated 13th March 2020](#).

These guidelines are effective from 1st October 2022.

KEY TAKE AWAY

- The present amendments are to give relaxation to FPIs investing in debt. Further, the RBI has also added certain government securities in FAR and provided guidelines to Qualified jewellers on import of Gold.
- What has changed in the new Circular on regulatory restrictions on lending by NBFCs is that the scope of application is applicable both at the solo level and consolidated level and exposure will comprise both on and off-balance sheet exposures.



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