This issue

In brief

The period of realization and repatriation of export sale proceeds has been extended to 15 months from the date of export and the period for completion of remittances against normal imports to 12 months from the date of shipment

Receipt of foreign inward remittances permitted from non-residents through non-resident exchange houses in favour of the PM-CARES Fund, subject to the certain conditions

Foreign Exchange Management Act, 1999 (FEMA)

Export and Import of Goods and Services - Extension and Relaxation of time limits

RBI/2019-20/206 A. P. (DIR Series) Circular No. 27 dated 1st April 2020 and *RBI/2019-20/242 A.P. (DIR Series) Circular No.33 dated 22nd May 2020*

Due to the COVID-19 pandemic, the period of realization and repatriation of the export sale proceeds has been extended from 9 months to 15 months from the date of export and the period for completion of remittances against normal imports (except in cases where amounts are withheld towards guarantee of performance etc.) from 6 months to 12 months from the date of shipment for exports and imports made on or before 31st July 2020.

However, the provisions in regard to period of realization and repatriation of the export sale proceeds of goods exported to warehouses established outside India remain unchanged i.e. within 15 months.

Remittance to the Prime Minister's Citizen Assistance and Relief in Emergency Situations (PM-CARES) Fund by Non-Residents

RBI/2019-20/208 A. P. (DIR Series) Circular No. 28 dated 3rd April 2020

In light of the COVID-19 pandemic, the Reserve Bank of India has permitted receipt of foreign inward remittances from non-residents through non-resident exchange houses in favour of the PM-CARES Fund, subject to certain conditions.

In Brief

FPIs that have been allotted investment limits, between 24th January 2020 and 30th April 2020 are now allowed an additional time of 3 months to invest 75% of their CPS.

Voluntary Retention Route for Foreign Portfolio Investors (FPIs) investments in Debt – Relaxation

RBI/2019-20/239 A.P. (DIR Series) Circular No.32 dated 22nd May 2020

In view of the disruptions caused by COVID-19, it has been decided to allow FPIs that have been allotted investment limits between 24th January 2020 and 30th April 2020, three additional months to invest 75% of their Committed Portfolio Size (CPS). The retention period for the investments would be reset to commence from the date that the FPI invests 75% of CPS.

Return

In brief

Temporary breather to lenders on the Review Period as well as timeline for resolution of stressed assets under its COVID-19 regulatory package.

Relief measures in view of the widespread impact of the Covid-19 pandemic and the subsequent nationwide lockdown.

Reserve Bank of India (RBI)

COVID19 Regulatory Package – Review of Resolution Timelines under the Prudential Framework on Resolution of Stressed Assets

RBI/2019-20/219 dated 17th April 2020

In terms of paragraph 11 of the Prudential Framework, lenders are required to implement a resolution plan in respect of entities in default within 180 days from the end of Review Period of 30 days. RBI has decided that-

- In respect of accounts, which were within the Review Period as on 1st March 2020, the RBI said the period from 1st March 2020 to 31st May 2020 will be excluded from the calculation of the 30-day timeline for the Review Period. In respect of all such accounts, the residual Review Period will resume 1st June 2020, upon expiry of which the lenders will have the usual 180 days for resolution.
- In respect of accounts where the Review Period was over, but the 180-day resolution period had not expired as on 1st March 2020, the timeline for resolution will get extended by 90 days from the date on which the 180-day period was originally set to expire.

The lending institutions should make relevant disclosures in respect of accounts where the resolution period was extended in the 'Notes to Accounts' while preparing their financial statements **(FS)** for the half year ending 30th September 2020 as well as for financial year **(FY)** 2019-2020 and FY 2020-2021.

COVID-19 Regulatory Package - Asset Classification and Provisioning

RBI/2019-20/220 dated 17th April 2020

The RBI provides for the freezing of classification of non-performing assets for 3 months starting 1st March in view of the impact of the COVID-19 pandemic. Additionally, it requires the lending institutions to suitably disclose the following in the 'Notes to Accounts' while preparing their FS for the half year ending 30th September 2020 as well as the FYs 2019-20 and 2020-2021:

- Respective amounts in special mention accounts (SMA)/overdue categories, where the moratorium/deferment was extended
- Respective amount where asset classification benefits is extended
- Provisions made during the Q4 FY 2020 and Q1 FY 2021
- Provisions adjusted during the respective accounting periods against slippages and the residual provisions.

In brief

Regulatory package announced in view of the extension of lockdown and continuing disruption on account of COVID-19

COVID-19 – Regulatory Package

RBI/2019-20/244 dated 23rd May 2020

As announced in the Governor's Statement of 22nd May 2020, the intensification of COVID-19 disruptions has imparted priority to relaxing repayment pressures and improving access to working capital by mitigating the burden of debt servicing, prevent the transmission of financial stress to the real economy, and ensure the continuity of viable businesses and households. Consequently, the detailed instructions, *inter alia*, in this regard are as follows-

- **Rescheduling of Payments – Term Loans and Working Capital Facilities**

  All commercial banks (including regional rural banks, small finance banks and local area banks), co-operative banks, All-India Financial Institutions, and Non-banking Financial Companies (including housing finance companies) (lending institutions) are permitted to **extend the moratorium by another 3 months i.e. from 1st June 2020 to 31st August 2020** on payment of all instalments in respect of term loans (including agricultural term loans, retail and crop loans). Accordingly, the repayment schedule for such loans as also the residual tenor, will be shifted across the board. Interest will continue to accrue on the outstanding portion of the term loans during the moratorium period.

  In respect of working capital facilities sanctioned in the form of cash credit/overdraft **(CC/OD)**, lending institutions are permitted to allow a deferment of another 3 months, from 1st June 2020 to 31st August 2020, on recovery of interest applied in respect of all such facilities. Lending institutions are permitted, at their discretion, to convert the accumulated interest for the deferment period up to 31st August 2020, into a funded interest term loan **(FITL)** which should be repayable latest by 31st March 2021.

- **Easing of Working Capital Financing**

  In respect of working capital facilities sanctioned in the form of CC/OD to borrowers facing stress on account of the economic fallout of the pandemic, lending institutions may, as a one-time measure-(i) recalculate the 'drawing power' by reducing the margins till 31st August 2020; and/or, (ii) review the working capital sanctioned limits up to 31st March 2021, based on a reassessment of the working capital cycle.

- **Asset Classification**

  The conversion of accumulated interest into FITL and the changes in the credit terms permitted to the borrowers to specifically tide over economic fallout from COVID-19 will not be treated as concessions granted due to financial difficulty of the borrower as per the RBI (Prudential Framework for Resolution of Stressed Assets) Directions, 2019 dated 7th June 2019 (Prudential Framework), and consequently, will not result in asset classification downgrade.

In brief

Regulatory package announced in view of the extension of lockdown and continuing disruption on account of COVID-19

In respect of accounts classified as standard as on 29th February 2020, even if overdue, the moratorium period, wherever granted in respect of term loans, will be excluded by the lending institutions from the number of days past-due for the purpose of asset classification under the IRAC norms. The asset classification for such accounts shall be determined on the basis of revised due dates and the revised repayment schedule.

In respect of working capital facilities sanctioned in the form of CC/OD, where the account is classified as standard, including Special Mention Account (SMA), as on 29th February 2020, the deferment period, wherever granted will be excluded for the determination of out of order status.

Submission of regulatory returns - Extension of timelines

RBI/2019-20/228 dated 29th April 2020

In order to mitigate the difficulties in timely submission of various regulatory returns, in view of disruptions on account of COVID-19 pandemic, it has been decided to extend the timelines for their submission. Accordingly, all regulatory returns required to be submitted by-

- the All Scheduled Commercial Banks (including RRBs and Small Finance Banks),
- Payments Banks and Local Area Banks,
- All India Financial Institutions,
- All Co-operative Banks to the Department of Regulation

can be **submitted with a delay of up to 30 days from the due date**. The extension will be **applicable to regulatory returns required to be submitted up to 30th June 2020**.

Inter alia, the list of regulatory returns which can be submitted with a delay of a maximum of 30 days from the due date include -

Name of the Return	Frequency of the Return	Current Timeline
Ind AS proforma	Quarterly	Within 60 days
Proforma Ind AS Financial Statement for AIFIs	Half-yearly (ended on 31st March and 30th September)	Within 60 days

In brief

Regulatory package announced in view of the extension of lockdown and continuing disruption on account of COVID-19

Period of pre-shipment and post-shipment export credit extended to 15 months

Timeline for finalisaion of audit accounts of NBFC extended

Regulatory Package – Review of Resolution Timelines under the Prudential Framework on Resolution of Stressed Assets

RBI/2019-20/245 dated 23rd May 2020

Timelines given in circular dated 17th April 2020 have been extended as follows-

- **Accounts which were within the Review Period as on 1st March 2020**
  The period from 1st March 2020 to 31st August 2020 will be excluded from the calculation of the 30-day timeline for the Review Period. In respect of all such accounts, the residual Review Period will resume from 1st September 2020, upon expiry of which the lenders will have the usual 180 days for resolution.
- **Accounts where the Review Period was over, but the 180-day resolution period had not expired as on 1st March 2020**
  The timeline for resolution will get extended by 180 days from the date on which the 180-day period was originally set to expire.

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

RBI/2019-20/246 dated 23rd May 2020

The RBI has decided to increase the maximum permissible period of pre-shipment and post-shipment export credit sanctioned by banks from 1 year to 15 months, for disbursements made up to 31st July 2020.

Extension of timeline for finalization of audited accounts

RBI/2020-21/11 dated 6th July 2020

RBI has decided that every applicable NBFC will finalise its Balance Sheet within a period of 3 months from the date to which it pertains or any date (i.e. 31st July 2020) as notified by SEBI for submission of financial results by listed entities.

Return

Key Take Away

- In wake of the COVID-19 pandemic, the Reserve Bank in consultation with the Government of India have extended the period of realization and repatriation of export sale proceeds to 15 months and the period for completion of remittances against normal imports to 12 months. Similarly, FPIs have also been granted an extension of 3 months to invest 75% of their CPS.
- Further, the receipt of foreign inward remittances is also permitted from non-residents in favour of the PM-CARES Fund, subject to the certain conditions.
- Various RBI relief package is a welcome move which will help to sustain businesses and difficult situations faced during coronavirus resulting in fall of demand and cash flows.

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