

In brief



This issue

FEMA **P.1**RBI **P.3**

Foreign Exchange Management Act, 1999 (FEMA)

Opening of Foreign Currency Accounts by Re-insurance and Composite Insurance brokers, vide RBI/2018-19/167 A.P. (DIR Series) Circular No.29 dated 11th April 2019.

The RBI vide its above notification has now allowed re-insurance and composite insurance **brokers** (composite insurance broker is a person who arranges insurance and/or reinsurance in India and abroad for its client) registered with the IRDA to open and maintain non-interest bearing foreign currency accounts with an AD bank in India for undertaking transactions in the ordinary course of their business, subject to the directions issued by the RBI.

Investment by FPI in municipal bonds, vide RBI/2018-19/176 A.P. (DIR Series) Circular No. 33 dated 25th April 2019

The RBI has liberalised the investment for FPI's by allowing them to invest in municipal bonds subject to the limits set for FPI investment in State Development Loans (SDLs).

Opening of non-interest bearing foreign currency accounts by re-insurance and composite brokers

To broaden access of non-resident investors to debt instruments in India

In brief

'VRR-Combined' i.e. Voluntary Retention Route for FPI investment in instruments eligible under both VRR-Govt. and VRR-Corp.

Email-based reporting system for submission of the FLA return now replaced by the web-based system online reporting portal

Amendments in Voluntary Retention Route ('VRR') for FPIs investment in debt, vide RBI/2018-19/187 A.P. (DIR Series) Circular No.34 dated 24th May 2019

The FPI were earlier allowed to make investment in Government and corporate debt instruments i.e. VRR-Govt. and VRR-Corp respectively. The RBI vide the above circular has introduced a combine category, viz. VRR-Combined, consisting of VRR-Govt. and VRR-Corp. The RBI in order to further streamline the process provides the following relaxation:

- The requirement to invest at least 25% of the Committed Portfolio Size within one month of allotment has been removed
- FPI are provided with an additional option at the end of the retention period, viz., continue to hold their investment until the date of maturity or the date of sale, whichever is earlier.

Annual Return on Foreign Liabilities and Assets Reporting by Indian Companies, vide RBI/2018-19/226 A.P. (DIR Series) Circular No. 37 dated 28th June 2019

All Indian companies having FDI and/or made overseas direct investment abroad, were earlier required to file the Form FLA via email using excel utility provided by the RBI.

Now, with the objective to enhance the security-level in data submission and to further improve the data quality, the present email-based reporting system for submission of the FLA return has been replaced by the web-based system online reporting portal.

Please refer to web-portal interface <https://flair.rbi.org.in> for further details

In brief

Prudential Framework for Resolution of Stressed Assets provide a framework for early recognition, reporting and time bound resolution of stressed assets

Reserve Bank of India (RBI)

Reserve Bank of India (Prudential Framework for Resolution of Stressed Assets) Directions 2019 vide RBI/2018-19/203 dated 7th June 2019.

The RBI, being satisfied that it is necessary and expedient in the public interest so to do, has issued the above directions. These directions **will come into force with immediate effect** (i.e. 7th June 2019) and will apply to the following entities:

- ♦ Scheduled Commercial Banks (excluding Regional Rural Banks)
- ♦ All India Term Financial Institutions (NABARD, NHB, EXIM Bank and SIDBI)
- ♦ Small Finance Banks
- ♦ Systemically Important Non-Deposit taking Non-Banking Financial Companies (NBFC-ND-SI) and Deposit taking Non-Banking Financial Companies (NBFC-D)

These directions are issued without prejudice to issuance of specific directions, from time to time, by the RBI, in terms of the provisions of Section 35AA of the Banking Regulation Act, 1949, for initiation of insolvency proceedings against specific borrowers under the Insolvency and Bankruptcy Code, 2016.



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Key Take Away

- The RBI in line with the government's objective to digitize India has shifted the annual reporting to online reporting using RBI portal. It has further liberalised its FPI policy for debt instruments.
- Prudential Framework for Resolution of Stressed Assets will help in early recognition and reporting of default in respect of large borrowers by banks, FIs and NBFCs

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