

<b>FEMA</b> <b>CA. Manoj Shah, CA. Atal Bhanja</b>	
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### Summary Information on few Compounding Orders issued after 1st March 2020

Sr. No.	Party Name	Nature of Contravention	Date of Order	Compounding Fees (Rs.)
1.	Sunseries Travel Technology Private Limited	Contravention under Regulation 3.1(I)(A) of FEMA 395 for mode of payment other than those permitted in the regulation.	03-06-2021	50,500
2.	Aijal Handicrafts Private Limited	Contravention under Regulation 15 and Regulation 9 of FEMA Notification 23R for non realization of export proceeds within prescribed time period and receiving advance against exports and not making export within 1 year of receipt of such advance.	24-06-2021	5,65,569
3.	TV2Z India Development and Support Pvt. Ltd.	Contravention under Rule 4 of FEM NDI Rules 2019 whereby unless otherwise permitted an Indian entity shall not receive foreign investment from person resident outside India or record such investment in its books.	01-06-2021	51,343

### UPDATION ON RBI / FEMA NOTIFICATIONS ( FROM 20th June 2021 TO 20th July 2021)

#### 1. RBI Notification No. RBI/2021-22/60 DOR.GOV.REC.25/12.10.000/2021-22 Dated June 25, 2021

Appointment of Managing Director (MD) / Whole-Time Director (WTD) in Primary (Urban) Co-operative Banks

Graduates with Professional degrees like CAs/CMAs/MBAs/CAIIBs and Post Graduates are now mandated to be appointed as MD / WTD in Primary Urban Cooperative Banks under this circular. Detailed guidelines can be accessed at the link <https://www.rbi.org.in/scriptS/NotificationUser.aspx?Id=12119&Mode=0>

#### 2. RBI Notification No. RBI/2021-22/61 FMRD.DIRD.06/14.01.001/2021-22 Dated June 25, 2021

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

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:

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. RBI Notification No. RBI/2021-2022/63 FIDD.MSME & NFS.BC.No.12/06.02.31/2021-22 Dated June 25, 2021**

New Definition of Micro, Small and Medium Enterprises

Paragraph 2.2 (i) of RBI circular dated August 21, 2020 stands modified as under:

“The existing Entrepreneurs Memorandum (EM) Part II and Udyog Aadhaar Memorandum (UAMs) of the MSMEs obtained till June 30, 2020 shall remain valid till December 31, 2021”.

### **4. RBI Notification No. RBI/2021-22/64 DOR.ORG.REC.27/21.04.158/2021-22 Dated June 28, 2021**

Guidelines for Managing Risk in Outsourcing of Financial Services by Co-operative Banks

To enable the co-operative banks to put in place necessary safeguards for addressing the risks inherent in outsourcing of activities, guidelines on managing risks in outsourcing are given in Annex. Details on Annex can be accessed at <https://www.rbi.org.in/scriptS/NotificationUser.aspx?Id=12123&Mode=0>

### **5. RBI Notification No. RBI/2021-22/65 DOR.CRE(DIR).REC.28/04.02.001/2021-22 Dated July 1, 2021**

Interest Equalization Scheme on Pre and Post Shipment Rupee Export Credit – Extension

Government of India has approved the extension of Interest Equalization Scheme for Pre and Post Shipment Rupee Export Credit, with the same scope and coverage, for a further period of three months, i.e., up to September 30, 2021. The extension takes effect from July 01, 2021 and ends on September 30, 2021 covering a period of three months.

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

### **6. RBI Notification No. RBI/2021-22/66 DoR.SPE.REC.29/13.03.00/2021-2022 Dated July 02, 2021**

Review of Instructions on Interest on overdue domestic deposits

Please refer to Section 9 (b) of Master Direction - Reserve Bank of India (Interest Rate on Deposits) Directions, 2016 dated March 3, 2016, and the Master Direction - Reserve Bank of India (Co-operative Banks - Interest Rate on Deposits) Directions, 2016 dated May 12, 2016 in terms of which if a Term Deposit matures and proceeds are unpaid, the amount left unclaimed with the bank shall attract rate of interest as applicable to savings deposits.

On a review of these instructions, it has been decided that if a Term Deposit (TD) matures and proceeds are unpaid, the amount left unclaimed with the bank shall attract rate of interest as applicable to savings account or the contracted rate of interest on the matured TD, whichever is lower.

**7. RBI Notification No. RBI/2021-2022/67 FIDD.MSME & NFS.BC.No.13/06.02.31/2021-22 Dated July 7, 2021**

New Definition of Micro, Small and Medium Enterprises - Addition of Retail and Wholesale Trade

Ministry of Micro, Small and Medium Enterprises vide Office Memorandum (OM) No. 5/2(2)/2021-E/P & G/Policy dated July 2, 2021, has decided to include Retail and Wholesale trade as MSMEs for the limited purpose of Priority Sector Lending and they would be allowed to be registered on Udyam Registration Portal for the following NIC Codes and activities mentioned against them:

45 Wholesale and retail trade and repair of motor vehicles and motorcycles

46 Wholesale trade except of motor vehicles and motorcycles

47 Retail trade except of motor vehicles and motorcycles

The Enterprises having Udyog Aadhaar Memorandum (UAM) under above three NIC Codes are now allowed to migrate to Udyam Registration Portal or file Udyam Registration afresh.

**8. RBI Notification No. RBI/2021-22/68 DoR.RET.REC.30/12.07.150/2021-22 Dated July 07, 2021**

"Shivalik Small Finance Bank Limited" has been included in the Second Schedule to the Reserve Bank of India Act, 1934 vide Notification DoR.LIC.(Shivalik SFB).No.S159/16.13.223/2021-22 dated June 15, 2021 and published in the Gazette of India (Part III - Section 4) dated July 03-July 09, 2021.

**9. RBI Notification No. RBI/2021-22/69 CO.FMRD.DIRD.S39/14.02.001/2021-22 Dated July 08, 2021**

Roadmap for LIBOR Transition

The Reserve Bank of India had, in August 2020, requested banks to frame a Board-approved plan, outlining an assessment of exposures linked to the London Interbank Offered Rate (LIBOR) and the steps to be taken to address risks arising from the cessation of LIBOR, including preparation for the adoption of the Alternative Reference Rates (ARR). The Financial Conduct Authority (FCA), UK has announced on March 05, 2021 that LIBOR will either cease to be provided by any administrator or no longer be a representative rate:

(a) Immediately after December 31, 2021, in the case of all Pound sterling, Euro, Swiss franc and Japanese yen settings, and the 1-week and 2-month US dollar settings; and

(b) Immediately after June 30, 2023, in the case of the remaining US dollar settings.

With the objective of orderly, safe and sound LIBOR transition and considering customer protection, reputational and litigation risks involved, banks / financial institutions are encouraged to cease, and also encourage their customers to cease, entering into new financial contracts that reference LIBOR as a benchmark and instead use any widely accepted ARR, as soon as practicable and in any case by December 31, 2021. While certain US dollar LIBOR settings will continue to be published till June 30, 2023, the extension of the timeline for cessation is primarily aimed at ensuring roll-off of USD LIBOR-linked legacy contracts, and not to encourage continued reliance on LIBOR. It is, therefore, expected that contracts referencing LIBOR may generally be undertaken after December 31, 2021, only for the purpose of managing risks arising out of LIBOR contracts (e.g. hedging contracts, novation, market-making in support of client activity, etc.), contracted on or before December 31, 2021.

Banks/financial institutions are urged to incorporate robust fallback clauses, preferably well before the respective cessation dates, in all financial contracts that reference LIBOR and the maturity of which is after the announced cessation date of the respective LIBOR settings. Banks/financial institutions are encouraged to ensure that new contracts entered into before December 31, 2021 that reference LIBOR and maturity of which is after the date on which LIBOR ceases or become non-representative include fallback clauses. Banks/financial institutions may refer to the standard fallback clauses developed for this purpose by various agencies such as International Swaps and Derivatives Association, Indian Banks' Association, Loan Markets' Association, Asia Pacific Loan Markets Association and Bankers Association for Finance & Trade.

Banks are also encouraged to cease using the Mumbai Interbank Forward Outright Rate (MIFOR), published by the Financial Benchmarks India Pvt Ltd (FBIL), which references the LIBOR as soon as practicable and in any event by December 31, 2021. FBIL has started publishing daily adjusted MIFOR rates from June 15, 2021 and modified MIFOR rates from June 30, 2021 which can be used for legacy contracts and fresh contracts respectively. Banks may trade in MIFOR after December 31, 2021 only for certain specific purposes

such as transactions executed to support risk management activities such as hedging, required participation in central counterparty procedures (including transactions for hedging the consequent MIFOR exposure), market-making in support of client activities or novation of MIFOR transactions in respect of transactions executed on or before December 31, 2021.

Banks / financial institutions must undertake a comprehensive review of all direct and indirect LIBOR exposures and put in place a framework to mitigate risks arising from such exposures on account of transitional issues including valuation and contractual clauses. They may also put in place the necessary infrastructure to be able to offer products referencing the ARR. Continued efforts to sensitise clients about the transition as well as the methodology and convention changes involved in the alternatives to LIBOR will be critical in this context.

The Reserve Bank will continue to monitor the evolving global and domestic situation with regard to the transition away from LIBOR and proactively take steps, as necessary, to mitigate associated risks in order to ensure a smooth transition.

**10. RBI Notification No. RBI/DOR/2021-22/80 DOR.No.RET.REC.32/12.01.001/2021-22 Dated July 20, 2021**

RBI Has released Master Direction - Reserve Bank of India [Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR)] Directions – 2021 circular. Detailed Circular can be accessed at

<https://rbidocs.rbi.org.in/rdocs/notification/PDFs/80MD21389A0318704E99835FC3013AA49E9A.PDF>