

Voluntary Retention Route (VRR) for Foreign Portfolio Investors (FPIs) investment in debt

A.P. (DIR Series) Circular No. 22 dated February 10, 2022

Please refer to paragraph 3 of the Statement on Developmental and Regulatory Policies dated February 10, 2022 regarding enhancement of the investment limit under the Voluntary Retention Route (VRR). The investment limit under the VRR is increased to Rs. 2,50,000 crore from Rs. 1,50,000 crore.

These directions shall be applicable with effect from April 1, 2022.

Regulations Review Authority (RRA 2.0) – Interim Recommendations – Discontinuation / Merger / Online Submission of Returns

A.P. (DIR Series) Circular No. 26 dated February 18, 2022

As part of the implementation of the interim recommendations of the RRA 2.0, it is proposed to discontinue/merge the returns listed below:

Sr. No.	Return Name	Return Description
1.	Details of guarantee availed and invoked from non-resident entities	Non-resident guarantee for fund based and non-fund based facilities (such as Letters of Credit/guarantees/Letter of Undertaking (LoU) /Letter of Comfort (LoC) entered into between two persons resident in India

Further, it is also proposed to convert, the paper based/ e-mail-based returns listed below into online filing:

Sr. No.	Return Name	Return Description
1.	FII Weekly	All AD banks advised to report inflow/ of outflow of foreign funds on account of investment by FIIs/FPIs in the Indian capital market in a format which consists of two parts: Part A: Inflow/outflow- Fund Position and Part B: Residual Maturity Pattern.
2.	MTSS	Statement showing details of remittances received through Money Transfer Service Scheme during the quarter ended, within 15 days from the

		close of the quarter to which it relates.
3.	Statement of default in MTT	Statement on default in Merchanting Trade Transactions (MTT)
4.	Details of remittances made by NRO account	Remittances made out of NRO accounts up to 1 million USD per calendar year - Facilities to NRIs/PIOs and foreign nationals – liberalisation
5.	Overseas Principal-wise list of Sub Agents	Overseas principal-wise list of sub-agents of MTSS Indian Agents
6	Declaration confirming the veracity of the list placed on RBI website	Confirmation of veracity of the list of sub-agents
7	List of additional locations	List of additional locations of MTSS Agents
8	Statement of Foreign Currency Account/s maintained in India in their names with AD Category-I Banks out of export proceeds of Foreign Currency Notes/ encashed Travelers' Cheques	Statement of Foreign Currency Account/s maintained in India in their names with AD Category-I Banks out of export proceeds of Foreign Currency Notes/ encashed Travelers' Cheques
9	Statement of the amount of foreign currency written off	Statement of the amount of foreign currency written off during a financial year

	during a financial year	
10	Form RMC-F	RMC- Restricted Money Changing
11	Statement of the collateral held by MTSS Indian Agents	Statement of the collateral held by MTSS Indian Agents
12	Details of Online Payment Gateway Service Providers (OPGSP) arrangements	Details of Online Payment Gateway Service Providers (OPGSP) arrangements
13.	Extension of time in respect of clean credit for import of rough, cut and polished diamonds	Extension of time in respect of clean credit for import of rough, cut and polished diamonds
14.	Advance remittances made for import of rough diamonds without a bank guarantee or standby letter of credit, where the amount of advance payment is equivalent to or exceeds USD 5,000,000/-	Advance remittances made for import of rough diamonds without a bank guarantee or standby letter of credit, where the amount of advance payment is equivalent to or exceeds USD 5,000,000/-
15.	ESP reporting	"Statement of shares repurchased by

		the issuing foreign company from Indian employees/ Directors under ESOP Schemes for the year ended March 31, (Year)
		(to be submitted on the letterhead of the Indian Company / Office / Branch through their AD bank)"
16.	FLM8 – (Sale and Purchase of Foreign Currency)	Summary statement of purchases and sale of foreign currency notes during the month reported by FFMCs and AD-Category II.
17.	LO/BO/PO	Consolidated list of all the Branch Office (BO)/ Liaison Office (LO) / Project Office (PO) opened and closed by them during a month
18.	Reporting of Long term Advance	Reporting of Long term Advance of USD 100 million & more along with Progress Report to be submitted by Authorised Dealer Bank on utilization of Long term export Advances
19.	Form ECB	Application and Reporting of loan agreement details
20.	Form ECB 2	Reporting of actual ECB transactions through AD Category -1 banks
21.	Form TC	Compilation of short-term credit extended for imports and payments thereof

1. RBI NOTIFICATION NO. DOR.FIN.081/CGM(JPS) – 2022 DATED JANUARY 14, 2022

Registration of Assignment of Receivables (Reserve Bank) Regulations, 2022

In exercise of the powers conferred by section 19 (1A) read with Section 31A of the Factoring Regulation Act, 2011 (12 of 2012), the Reserve Bank of India, hereby makes the following regulations pertaining to the manner of filing of particulars of transactions with the Central Registry by a Trade Receivable Discounting System (TReDS) on behalf of Factors.

1. Short title and commencement

(1) These regulations may be called the Registration of Assignment of Receivables (Reserve Bank) Regulations, 2022.

(2) These regulations shall come into force on the date of their publication in the Official Gazette.

2. Definitions

For the purpose of these regulations, unless the context otherwise requires:

(1) "Act" means the Factoring Regulation Act, 2011 (12 of 2012);

(2) "Central Registrar" means a person appointed as such under subsection (1) of section 21 of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (54 of 2002);

(3) "Central Registry" means the Central Registry set up under section 20 of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (54 of 2002).

3. Registration of assignments of receivables transactions

(1) Where any trade receivables are financed through a Trade Receivables Discounting System (TReDS); the concerned TReDS on behalf of the Factor shall, within a period of ten days, from the date of such assignment or satisfaction thereof, as the case may be, file with the Central Registry the particulars of

(a) Assignment of receivables in favour of a Factor in Form I, which shall be authenticated by the authorized person using a valid electronic signature.

(b) Satisfaction of any assignment of receivables on full realization of the receivables in Form II, which shall be authenticated by the authorized person using a valid electronic signature.

(2) If the particulars referred in the sub-regulation (1) are not filed within the period specified therein, the Central Registrar may, on being satisfied on an application made in this behalf stating the reasons for the delay, allow the said particulars to be filed within such additional time not exceeding ten days as he may specify, upon payment of the fee as prescribed by GoI in Registration of Assignment of Receivables Rules, 2012, as amended from time to time.

(3) Every Form for registration of any transaction relating to assignment of receivables or satisfaction of receivables on realisation shall be accompanied by the fee, as prescribed by GoI in Registration of Assignment of Receivables Rules, 2012, as amended from time to time, to be paid to the Central Registrar in the manner as may be specified by the Central Registrar from time to time.

2. RBI NOTIFICATION NO. DOR.FIN.080/CGM(JPS) – 2022 DATED JANUARY 14, 2022

Registration of Factors (Reserve Bank) Regulations, 2022

In exercise of the powers conferred by section 3 read with Section 31A of the Factoring Regulation Act, 2011 (12 of 2012), the Reserve Bank of India, hereby makes the following regulations pertaining to the manner of granting Certificate of Registration to companies which propose to do factoring business.

1. Short title and commencement

(1) These regulations may be called the Registration of Factors (Reserve Bank) Regulations, 2022.

(2) These regulations shall come into force on the date of their publication in the Official Gazette.

2. Definitions

For the purpose of these regulations, unless the context otherwise requires:

(1) "Act" means the Factoring Regulation Act, 2011 (12 of 2012);

(2) "Reserve Bank" means the Reserve Bank of India constituted under Section 3 of the Reserve Bank of India Act, 1934 (2 of 1934);

- (3) "Company" means a company as defined in clause (20) of section 3 of Companies Act, 2013 (18 of 2013);
- (4) "Non-Banking Financial Company – Factor (NBFC-Factor)" means a non - banking financial company as defined in clause (f) of section 45-I of the Reserve Bank of India Act, 1934, which has its principal business as per Regulation 4 of these regulations and has been granted a Certificate of Registration (CoR) under section 3 of the Act;
- (5) "Non-Banking Financial Company – Investment and Credit Company (NBFC-ICC)" means any company which is a financial institution carrying on as its principal business – asset finance, the providing of finance whether by making loans or advances or otherwise for any activity other than its own and the acquisition of securities, and granted a CoR under Section 45IA of the Reserve Bank of India Act, 1934 (2 of 1934); and is not any other category of NBFCs as defined by the Reserve Bank in any of its Master Directions.

3. Net Owned Fund (NOF)

Every company seeking registration as NBFC-Factor shall have a minimum Net Owned Fund (NOF) of ₹ 5 crore, or as specified by the Reserve Bank from time to time.

4. Principal Business Criteria (PBC)

An NBFC-Factor shall ensure that its financial assets in the factoring business constitute at least fifty per cent of its total assets and its income derived from factoring business is not less than fifty per cent of its gross income.

5. Registration and matters incidental thereto

- (1) Every company intending to undertake factoring business shall make an application to the Reserve Bank for grant of certificate of registration (CoR) as NBFC-Factor under the Act and shall ensure compliance with PBC as stipulated in regulation 4 of these regulations.
- (2) Any existing NBFC-ICC, intending to undertake factoring business, shall make an application to the Reserve Bank for grant of CoR under the Act if it satisfies the following eligibility criteria:
 - (a) not accepting or holding public deposits;
 - (b) total assets of ₹ 1,000 crore and above, as per the last audited balance sheet;
 - (c) meeting the NOF requirement as prescribed in regulation 3 of these regulations;
 - (d) regulatory compliance.
- (3) Any existing NBFC-ICC, which does not satisfy the above conditions but intends to undertake factoring business, shall approach the Reserve Bank for conversion from NBFC-ICC to NBFC-Factor. Such NBFC-ICCs shall comply with the PBC as specified in regulation 4 of these regulations.
- (4) Application for such conversion shall be submitted with all supporting documents meant for new registration as NBFC-Factor, together with surrender of original CoR issued by the Reserve Bank to the NBFC-ICC under Section 45IA of the Reserve Bank of India Act, 1934.
- (5) An entity not registered with the Reserve Bank under the Act, may conduct the business of factoring, if it is an entity mentioned in Section 5 of the Factoring Regulation Act, 2011 i.e. a bank or a body corporate established under an Act of Parliament or State Legislature, or a Government Company.
- (6) NBFC-Factor or eligible NBFC-ICC which has been granted CoR by the Reserve Bank under these regulations, shall commence factoring business within six months from the date of grant of CoR.

6. Conduct of business and prudential regulations

NBFC-Factors or eligible NBFC-ICCs which have been granted CoR under the Act shall conduct the factoring business in accordance with the Act and rules and regulations framed under the Act or the directions and guidelines issued by the Reserve Bank from time to time.

3. RBI NOTIFICATION NO. RBI/2021-2022/158 DOR.STR.REC.85/21.04.048/2021-22 DATED February 15, 2022
Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances – Clarifications
- Please refer to the clarifications issued in respect of Prudential norms on Income Recognition, Asset Classification and Provisioning vide circular DOR.STR.REC.68/21.04.048/2021-22 dated November 12, 2021 ('Circular').
2. In view of several queries received seeking certain clarifications, it is advised as under:
- The definition of 'out of order', as clarified in the Circular, shall be applicable to all loan products being offered as an overdraft facility, including those not meant for business purposes and/or which entail interest repayments as the only credits.
 - The 'previous 90 days period' for determination of 'out of order' status of a CC/OD account shall be inclusive of the day for which the day-end process is being run.
 - In case of borrowers having more than one credit facility from a lending institution, loan accounts shall be upgraded from NPA to standard asset category only upon repayment of entire arrears of interest and principal pertaining to all the credit facilities.
 - The circular does not make any changes to the requirements related to reporting of information to CRILC, which will continue to be governed in terms of extant instructions for respective entities¹.
 - The circular does not, in any way, interfere with the extant guidelines on implementation of Ind-AS by NBFCs.
3. Paragraph 10 of the Circular stipulates that loan accounts classified as NPAs may be upgraded as 'standard' asset only if entire arrears of interest and principal are paid by the borrower. NBFCs shall have time till September 30, 2022 to put in place the necessary systems to implement this provision. All other instructions of the Circular shall continue to be applicable as per the timelines specified therein.
4. A summary of the important notifications issued by Reserve Bank of India till 17th Feb 2022 are stated below;

Notification Details	Particulars	Webpage Link
RBI/2021-22/154 DOR.SIG.FIN.REC 84/26.03.001/2021-22 dated February 10, 2022	Master Circular - Asset Reconstruction Companies	https://www.rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?id=12225&Mode=0
RBI/2021-22/88 FMRD.DIRD.10/14.03.004/2 021-22 dated February 10, 2022	Master Direction – Reserve Bank of India (Credit Derivatives) Directions, 2022	https://www.rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?id=12226&Mode=0
RBI/2021-22/155 A.P. (DIR Series) Circular No. 23 dated February 10, 2022	Transactions in Credit Default Swap (CDS) by Foreign Portfolio Investors – Operational Instructions	https://www.rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?id=12227&Mode=0
RBI/2021-22/156 A.P. (DIR Series) Circular No. 22 dated February 10, 2022	Voluntary Retention Route' (VRR) for Foreign Portfolio Investors (FPIs) investment in debt	https://www.rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?id=12228&Mode=0
RBI/2021-22/157 FMRD.DIRD.12/14.03.046/2 021-22 dated February 10, 2022	Rupee Interest Rate Derivatives (Reserve Bank) Directions - Review	https://www.rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?id=12229&Mode=0