

Remittances to International Financial Services Centres (IFSCs) in India under Liberalized Remittance Scheme (LRS)

A.P. (DIR Series) Circular No. 11 dated February 16, 2021

With a view to deepen the financial markets in IFSCs and provide opportunities to resident individuals to diversify their portfolio, it has been decided to allow resident individuals to make remittances under LRS to IFSCs in India, subject to following conditions:

- i. The remittance shall be made only for making investments in IFSCs in securities, other than those issued by entities/companies resident (outside IFSC) in India.
- ii. Resident individuals may also open a non interest bearing Foreign Currency Account (FCA) in IFSCs, for making above permissible investments under LRS. Any funds lying idle in the account for a period up to 15 days from date of its receipt into account shall be immediately repatriated to domestic INR account of investor in India.
- iii. Resident individuals shall not settle any domestic transactions with other residents through these FCAs held in IFSCs. AD Banks shall ensure compliance including reporting requirements under the scheme.

If any person resident in India (PRI) outside IFSC, enters into any transaction with any person / entity in IFSC shall only be governed by rules/ regulation notified by RBI or GoI under FEMA, 1999. Further, compounding of any contravention of FEMA provision by such PRI shall be dealt with by RBI in accordance with the extant instructions/provisions on compounding of contraventions under FEMA.

Investment by Foreign Portfolio Investors (FPIs) in Defaulted Bonds - Relaxations

A.P. (DIR Series) Circular No. 12 dated February 26, 2021

Currently, FPI investments in corporate bonds are subject to a minimum residual maturity requirement provided under paragraph 4(b)(ii) of A. P. (DIR Series) Circular No. 31 dated 15th June 2018. Also, investor- wise limit has been prescribed under paragraph 4(f)(i) of the said circular.

However, FPI investments in security receipts and debt instruments issued by Asset Reconstruction Companies and debt instruments issued by an entity under the Corporate Insolvency Resolution Process as per the resolution plan approved by the National Company Law Tribunal under the Insolvency and Bankruptcy Code, 2016 are exempt from these requirements.

It has now been decided to exempt investments by FPI in NCDs/bonds which are under default, either fully or partly, in the repayment of principal on maturity or principal instalment in the case of amortising bond from the aforesaid requirements.

FAQs on Compounding of Contraventions

The FAQs for Compounding of Contraventions under FEMA 1999 have been updated recently by Reserve Bank of India.

Following FAQs have been deleted –

Question No. 9 - What action is taken by the Reserve Bank on receipt of the application?

Question No. 11 - Who should classify the contravention as technical, material or sensitive?

Question No. 12 - When can a contravention be classified as technical?

Question No. 16 - Are Compounding orders made public?

Answers of following FAQs have been amended –

Question – Where should one apply for Compounding?

Question – What is criteria for calculation of Compounding amount?

The link for latest FAQs is –

https://rbi.org.in/scripts/FS_FAQs.aspx?Id=80&fn=5

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.	RICS India Private Limited	Contravention u/s 10(6) of FEMA for use of foreign exchange for purpose other than for which it was acquired or non surrender of foreign exchange or using it for purposes which is not permissible.	05-02-2021	6,89,838
2.	Accumetric Asia Pacific Limited	Regulation 6(i) of FEMA Notification 22 – undertaking activity by branch or a liaison office in India which are not permitted by RBI or not prescribed in Schedule I or Schedule II.	13-08-2020	6,19,256