

FEMA

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Settlement system under Asian Clearing Union (ACU) Mechanism

A.P. (DIR Series) Circular No.22 dated March 17, 2020

The Board of Directors of ACU have decided to permit Japanese Yen for settling payments among the ACU member countries. Accordingly, clause (a) and (b) of Article IV of the General Provisions of Agreement establishing the Asian Clearing Union have been revised and the Asian Monetary Unit is now denominated as “ACU Dollar”, “ACU Euro” and “ACU Yen” which shall be equivalent in value to one US Dollar, one Euro and one Japanese Yen respectively.

In order to facilitate transactions / settlements, effective March 06, 2020, participants in the Asian Clearing Union will have the option to settle their transactions either in ACU Dollar or ACU Euro or in ACU Japanese Yen.

AD banks are also allowed to open and maintain ACU Dollar, ACU Euro and ACU Japanese Yen accounts with their correspondent banks in other participating countries. All eligible payments are required to be settled by the concerned banks through these accounts.

To give effect of the above amendment, necessary amendments are made to Foreign Exchange Management (Manner of Receipt and Payment) Regulations, 2016 by issue of Foreign Exchange Management (Manner of Receipt and Payment) (Second Amendment) Regulations, 2020 vide Notification No. FEMA 14(R)/(2)/2020-RB dated March 4, 2020.

Review of Foreign Direct Investment (FDI) Policy in Insurance Sector

Press Note No. 1 (2020 Series) dated February 21, 2020 issued by Department for Promotion of Industry and Internal Trade (DPIIT)

Finance Minister had announced that the FDI limit in insurance intermediaries will be increased from 49% to 100%. Consequently, the Indian Insurance Companies (Foreign Investment) Rules 2015 was amended on September 2, 2019 to increase the limit on FDI in insurance intermediaries to 100%.

DPIIT has now amended the Consolidated Foreign Direct Investment Policy of 2017 vide Press Note No. 1 (2020 Series) to increase the limit on FDI in insurance intermediaries to 100% and align the same with the aforesaid rules. These amendments will take effect from the date of FEMA notification.

For detailed conditions and amendments, Press Note No. 1 available at https://dipp.gov.in/sites/default/files/pn2_2020.pdf may be referred.

Review of Foreign Direct Investment (FDI) Policy in Civil Aviation

Press Note No. 2 (2020 Series) dated March 19, 2020 issued by Department for Promotion of Industry and Internal Trade (DPIIT)

DPIIT has amended the Consolidated Foreign Direct Investment Policy of 2017 to liberalised and simplify FDI policy relating to Civil Aviation sector; to attract NRI investment in civil aviation sector and to permit foreign investment in M/s. Air India Ltd. at par with other scheduled operators. The said amendments will take effect from the date of FEMA notification.

For detailed conditions and amendments, Press Note No. 1 available at https://dipp.gov.in/sites/default/files/pn1_2020.pdf may be referred.