



## **Foreign Investment in India – Rationalization of reporting in Single Master Form (SMF) on FIRMS Portal.**

### **A.P. (DIR Series) Circular No. 22 dated January 04, 2023**

Reserve Bank of India has brought in changes in reporting with respect to Foreign Investment in SMF on FIRMS PORTAL. The changes brought in by the Reserve Bank of India in relation to reporting of Foreign Investment on FIRMS Portal are welcome one and much awaited.

- RBI has delegated powers to approve the Forms (filings in connection with FDI) to AD. ADs are now authorized to approve the forms including delayed filings up to 3 years from the due date.
- For delayed filings, system driven calculation of Late Submission Fee (LSF) is introduced with a discretion to AD bank to either levy LSF or advise for compounding. This will expedite the process of filings and recording of transactions on RBI Portal, which was getting unnecessarily delayed due to coordination issues between applicant (companies/LLPs) and ADs.
- Further, ADs are now under obligation to approve the forms within 5 days from the date of filing. This will surely ensure timely compliance with certainty to applicants.

The said changes are only with relation to forms for reporting of foreign investment in India. There is need to even bring Overseas Direct Investment reporting forms on FIRMS portal the facility of which is at present not available.

For all the changes brought in by RBI refer circular at–

<https://rbidocs.rbi.org.in/rdocs/Notification/PDFs/NT160575FE246EFF9474197DB1369010F8F57.PDF>

## **1. RBI NOTIFICATION NO. RBI/2022-23/158 CO.DPSS.OVRST.No.S1619/06-08-005/2022-2023 DATED December 26, 2022**

### **Central Payments Fraud Information Registry – Migration of Reporting to DAKSH**

- As announced in the Monetary Policy Statement 2019-20 on August 07, 2019, the Reserve Bank of India (RBI) had operationalised the Central Payments Fraud Information Registry (CPFIR) in March 2020 with reporting of payment frauds by scheduled commercial banks and non-bank Prepaid Payment Instrument (PPI) issuers.
- To streamline reporting, enhance efficiency and automate the payments fraud management process, the fraud reporting module is being migrated to DAKSH – Reserve Bank's Advanced Supervisory Monitoring System. The migration will be effective from January 01, 2023, i.e., entities shall commence reporting of payment frauds in DAKSH from this date. In addition to the existing bulk upload facility to report payment frauds, DAKSH provides additional functionalities, viz. maker-checker facility, online screen-based reporting, option for requesting additional information, facility to issue alerts / advisories, generation of dashboards and reports, etc. The reporting guidelines are mentioned in the Annex
- These directions are issued under Section 10 (2) read with Section 18 of Payment and settlement Systems Act, 2007 (Act 51 of 2007).

**(Annex to Circular CO.DPSS.OVRST.No.S1619/06-08-005/2022-2023 dated December 26, 2022)**

### **CPFIR – Reporting Guidelines**

- All RBI authorised Payment System Operators (PSOs) / providers and payment system participants operating in India are required to report all payment frauds, including attempted incidents, irrespective of value, either reported by their customers or detected by the entities themselves. This reporting was earlier facilitated through Electronic Data Submission Portal (EDSP) and is being migrated to DAKSH.

- The responsibility to submit the reported payment fraud transactions shall be of the issuer bank / PPI issuer / credit card issuing NBFCs, whose issued payment instrument has been used in the fraud.
- Entities are required to validate the payment fraud information reported by the customer in their own systems to ensure the authenticity and completeness, before reporting the same to RBI on individual transaction basis.
- Entities are required to report payment frauds (domestic and international) to CPFIR as per the specified timelines (currently within 7 calendar days from date of reporting by customer / date of detection by the entity).
- Entities may continue to report payment frauds as per the extant reporting format using the bulk upload facility in DAKSH or report individual payment frauds online using the screen-based facility under the Incident Module of the DAKSH platform.
- After go-live of payment fraud reporting in DAKSH effective January 01, 2023, entities shall not be able to report any payment frauds in EDSP. Entities may, however, continue to update and close payment frauds that were reported in EDSP until December 31, 2022. Reserve Bank shall subsequently migrate the historical data from EDSP to DAKSH.
- The reporting format remains unchanged (Appendix).
- Though some elements / fields of the Reporting Format are indicated as 'Optional', entities shall strive to include them as part of initial reporting itself and only in exceptional cases be reported as updates

## **2. RBI NOTIFICATION NO. RBI/2022-23/159 DOR.CRE.REC.92/07.10.002/2022-23 DATED December 30, 2022**

### **Individual Housing loans – Revised limits under four-tiered regulatory framework**

#### **(For All Primary (Urban) Co-operative Banks)**

- Please refer to circular DOR.REG.No.84/07.01.000/2022-23 dated December 1, 2022, in terms of which UCBs have been categorised into four tiers for regulatory purposes.
- In terms of the circular DOR.CRE.REC.42/09.22.010/2022-23 dated June 8, 2022, ceilings on housing loans to individuals are prescribed as ₹60 lakh for Tier-I UCBs and ₹140 lakh for Tier-II UCBs. Consequent upon classification of UCBs into four tiers under the revised regulatory framework, it has been decided to specify the limits on housing loans sanctioned by UCBs to an individual borrower as ₹60 lakh for Tier-1 UCBs and ₹140 lakh for UCBs categorised in Tier-2 to 4. Other terms and conditions of the circular ibid, remain unchanged.
- The limits prescribed under this circular are effective from the date of this circular. However, existing housing loans sanctioned prior to the date of this circular, which may be in breach of the ceiling, will be allowed to run off till maturity.

## **3. RBI NOTIFICATION NO. RBI/2022-23/160 A.P. (DIR Series) Circular No. 22 DATED January 04, 2023**

### **Foreign Investment in India - Rationalisation of reporting in Single Master Form (SMF) on FIRMS Portal**

- Attention of Authorised Dealer Category-I banks (AD banks) is invited to A.P. (DIR Series) Circular No. 30 dated June 07, 2018
- It is advised that the following changes are being implemented with respect to the reporting of foreign investment in SMF on FIRMS portal:
  - ❖ The forms submitted on the portal will be auto-acknowledged. The AD banks shall verify the same within five working days based on the uploaded documents, as specified.
  - ❖ In cases of delayed reporting, the AD banks shall either advise the Late Submission Fee (LSF) to the applicants, which will be computed by the system or advise for compounding of contravention, as the case may be.
  - ❖ The salient features of the changes made in the system are given in Annex for ready reference. For detailed guidelines, the FIRMS manual available at <https://firms.rbi.org.in> may be referred to, and the version of manual available at the portal will have the finality in case of any mismatch+
- The directions contained in this circular have been issued under sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and are without prejudice to permissions/approvals, if any, required under any other law.

### **Auto-acknowledgement of SMF in FIRMS and online calculation of LSF**

The forms submitted in FIRMS will now be processed as detailed below:

All forms submitted with the requisite documents will be auto-acknowledged on the FIRMS portal with a time stamp and an auto-generated e-mail will be sent to the applicant.

- i. The forms submitted within prescribed timelines, will be verified by the AD banks based on the uploaded mandatory documents and ensure that the same are in compliance with the extant guidelines.
- ii. The system would identify the delay in reporting, if any.
- iii. For forms filed with a delay less than or equal to three years, the AD banks will approve the same, subject to payment of LSF.
- iv. The LSF will be computed by the system and an e-mail will be sent to the applicant and the concerned Regional Office (RO) of RBI specifying the amount and the timeline within which it is to be paid to the concerned RO of RBI.
- v. Once the LSF amount is realised, the concerned RO will update the status in the FIRMS portal and the updated status will be communicated to the applicant through a system generated e-mail, which can also be viewed in the FIRMS portal.
- vi. The AD bank will approve the forms filed with a delay greater than three years, subject to compounding of contravention. The applicant may thereafter approach RBI with their application for compounding.
- vii. The remarks of the AD Bank for rejection of forms, if any, will be communicated to the applicant through a system generated e-mail and the same can also be viewed in the FIRMS portal.

#### **4. RBI NOTIFICATION NO. RBI/2022-23/162 DOR.STR.REC.94/21.06.008/2022-23 DATED January 09, 2023**

##### **Basel III Capital Regulations - Eligible Credit Rating Agencies**

**{For All Scheduled Commercial Banks (including Small Finance Banks but excluding Local Area Banks, Payments Banks and Regional Rural Banks)}**

- Please refer to paragraph 6.1.2 of the Master Circular DOR.CAP.REC.3/21.06.201/2022-23 dated April 01, 2022 on Basel III Capital Regulations, wherein the list of domestic credit rating agencies accredited for the purpose of risk weighting banks' claims for capital adequacy purposes has been prescribed.
- On a review, banks are advised to use the ratings of the following domestic credit rating agencies (arranged in alphabetical order) for risk weighting their claims for capital adequacy purposes
  - Acuite Ratings & Research Limited (Acuite)
  - Credit Analysis and Research Limited (CARE);
  - CRISIL Ratings Limited;
  - ICRA Limited;
  - India Ratings and Research Private Limited (India Ratings); and
  - INFOMERICS Valuation and Rating Pvt Ltd. (INFOMERICS)
- A reference is also invited to the Press Release: 2022-2023/1033 dated October 12, 2022 in terms of which, Regulated Entities/ Market Participants were advised that in respect of ratings/credit evaluations required in terms of any guidelines issued by the Reserve Bank, no such fresh ratings/evaluations shall be obtained from Brickwork Ratings India Private Limited. Banks shall continue to be guided by the press release ibid till further review.
- All other provisions regarding external credit ratings stipulated in the Master Circular ibid remain unchanged.

#### **5. RBI NOTIFICATION NO. RBI/2022-23/163 IDMD.No.S2800/08.02.032/2022-23 DATED January 11, 2023**

##### **Operational Risk Management: Price / Yield range setting in e-Kuber**

- Please refer to our circular IDMD/1615/08.02.032/2019-20 dated December 12, 2019 advising the participants in the Government Securities (G-Sec) market about the "Price / Yield range setting" facility provided on the e-Kuber platform as a risk management measure. The facility allows a market participant to define a range i.e., a maximum and a minimum value for bids they intend to submit in an auction. The range can be set in either price or yield terms, for each security in every auction, which can be set before the auction and can also be modified during the auction. Once the limits are set by the participating entity, the bids in the auction are automatically validated against the set limits. This is expected to eliminate instances of Fat-finger / Big-figure error by the bidders in the G-Sec auctions.

- As there have been a few instances of Fat-finger / Big-figure error by the bidders in the G-Sec auctions conducted by Reserve Bank, it suggests that some of the market participants are yet to put in place the "Price / Yield range setting" facility in their system.
- All the market participants are, therefore, advised to utilize the "Price / Yield range setting" facility provided on the e-Kuber platform before placing bids in the Primary Market auctions. It may be noted that no request for cancellation of bids will be entertained after the close of auction window

#### **6. RBI NOTIFICATION NO. RBI/DOR/2022-23/95 DOR.HOL.No.95/16.13.100/2022-23 DATED January 16, 2023**

##### **Master Direction – Reserve Bank of India (Acquisition and Holding of Shares or Voting Rights in Banking Companies) Directions, 2023**

- In exercise of the powers conferred by Sections 12, 12B, and 35A of the Banking Regulation Act, 1949, the Reserve Bank of India being satisfied that it is necessary and expedient in the public interest so to do, had issued the above Directions.
- These directions may be read along with the 'Guidelines on Acquisition and Holding of Shares or Voting Rights in Banking Companies' issued by the Reserve Bank of India (the Guidelines).
- Objective: These directions are issued with the intent of ensuring that the ultimate ownership and control of banking companies are well diversified and the major shareholders of banking companies are 'fit and proper' on a continuing basis.

Detailed guidelines can be accessed at <https://www.rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=12439&Mode=0>

#### **7. RBI NOTIFICATION DATED January 16, 2023**

The detailed guidelines on " Acquisition and Holding of Shares or Voting Rights in Banking Companies" have been issued and can be accessed at <https://www.rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=12440&Mode=0>