Amendment to Foreign Exchange Management (Current Account Transaction) Rules, 2000

(Notification No. G.S.R 369(E) [F.No.1/5/2023-EM] dated 16th May 2023 by Ministry of Finance in the Official Gazette)

The Central Government ("CG") in consultation with RBI amended the Current Account Transaction Rules, 2000 to omit/delete Rule 7 of the said rules:

Rule 7 prior to its omission excluded the use of International Credit Card ("ICC") for making payment by a person towards meeting expenses while such person is on a visit outside India from LRS limits listed under Schedule III of Current Account Transactions Rules, 2000.

Comments:

Changes that will happen due to this amendment:

a. Use of ICC while outside India will be included in LRS Limits of USD 2,50,000

b. One of main reason for this amendment is to bring at par the use of ICCs and IDCs. High Networth Individuals who had multiple credit cards and large credit limits on each of them, in many cases exceeded the LRS limits.

c. Due to this amendment, Tax Collected at Source ("TCS") will be applicable under Section 206C(1G) of Income Tax Act, 1961 on all credit card transactions.

Ministry has also issued FAQs of LTRS and TCS on its twitter handle on 18th May 2023 wherein it was clarified that the amendment does not affect any changes in the use of ICCs by residents while in India (as it was already covered under LRS) and provided background and reasoning behind the need for the amendment and applicability of TCS on LRS transactions undertaken with the use of IDCs while outside India.

Press Release was issued by Ministry of Finance on 19th May 2023 wherein it was further clarified that "Payments by resident individuals using ICC and IDC upto Rs. 7,00,000/- shall be excluded from LRS limits and therefore TCS will not be attracted".

The necessary changes to Foreign Exchange Management (Current Account Transaction) Rules, 2000 will be issued separately to implement the change under the press release.

1. RBI NOTIFICATION NO. RBI/2023-24/33 DCM(PLG) NO. S-239/10.27.00/2023-24 DATED MAY 22, 2023

₹2000 Denomination Banknotes – Withdrawal from Circulation; Will continue as Legal Tender

- In continuation to RBI's circular DCM(Plg) No.S-236/10.27.00/2023-24 dated May 19, 2023 on the captioned subject, it is advised as follows:
- The facility of exchange of ₹2000 banknotes across the counter shall be provided to the public in the usual manner, that is, as was being provided earlier.
- Banks are advised to provide appropriate infrastructure at the branches such as shaded waiting space, drinking water facilities, etc. considering the summer season.
- Banks shall maintain daily data on deposit and exchange of ₹2000 banknotes in the format given below and submit the same as and when called for.

Bank Name	Date	Amount of ₹2000 banknotes Exchanged	Amount of ₹2000 banknotes Deposited	Total Amount

2. RBI NOTIFICATION NO. RBI/2023-24/36 A.P.(DIR SERIES) CIRCULAR NO. 05 DATED JUNE 6, 2023

Risk Management and Inter-Bank Dealings - Non-deliverable derivative contracts (NDDCs)

- Please refer to Paragraph 1 of the Statement on Developmental and Regulatory Policies announced as a part of the first Bi-monthly Monetary Policy Statement for 2023-24 dated April 06, 2023 regarding development of the onshore non-deliverable derivative market. Attention of Authorised Dealers Category – I (AD Cat-I) banks is invited to the Foreign Exchange Management (Foreign Exchange Derivative Contracts) Regulations, 2000 dated May 3, 2000 (Notification No. FEMA.25/RB-2000 dated May 3, 2000), as amended from time to time, and Master Direction – Risk Management and Inter-Bank Dealings dated July 5, 2016, as amended from time to time.
- As per the extant regulatory framework, AD Cat-I banks operating International Financial Services Centre (IFSC) Banking Units (IBUs) are permitted to offer non-deliverable derivative contracts (NDDCs) to persons resident outside India. Such derivatives are cash-settled in foreign currency. With a view to developing the onshore INR NDDC market and providing residents the flexibility to efficiently design their hedging programmes, it has been decided to permit:
  - (a) AD Cat-I banks operating IBUs to offer NDDCs involving INR to resident non-retail users for the purpose of hedging. Such transactions shall be cash settled in INR; and
  - (b) The flexibility of cash settlement of NDDCs transactions between two AD Cat-I banks, and between an AD Cat-I bank and a person resident outside India in INR or any foreign currency.
- Accordingly, the amendments being made to the Master Direction – Risk Management and Inter-Bank Dealings dated July 5, 2016, as amended from time to time, are placed at Annex herewith.
- 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.

3. RBI NOTIFICATION NO. RBI/2023-24/37 CO.DPSS.POLC.No.S-258/02-01-010/2023-24 DATED JUNE 7, 2023

Expanding the Scope of Trade Receivables Discounting System

- To ease constraints faced by Micro, Small and Medium Enterprises (MSMEs) in converting their trade receivables to liquid funds, the Reserve Bank of India (RBI) had issued the 'Guidelines for the Trade Receivables Discounting System (TReDS)' (updated as on July 2, 2018). The guidelines allow financing / discounting of MSME receivables on "without recourse" basis by permitted financiers. Currently, three entities operate TReDS platforms in the country; one more entity has also been given in-principle authorisation to operate such platform.
- Based on the experience gained, and as announced in the Statement on Developmental and Regulatory Policies dated February 8, 2023, it has been decided to make the following enhancements to the TReDS guidelines :
- Facilitate insurance for transactions : Financiers place their bids on the TReDS platforms keeping in view the credit rating of buyers. They are generally not inclined to bid for payables of low rated buyers. To overcome this, insurance facility is being permitted for TReDS transactions, which would aid financiers to hedge default risks, subject to the following:
- Apart from MSME sellers, buyers and financiers, insurance companies are permitted to participate as "fourth participant" in TReDS.
- In their business / operational rules, the TReDS platform operators may specify the stage at which insurance facility can be availed.
- Premium for insurance shall not be levied on the MSME seller.
- Collection of premium and related activities could be enabled through National Automated Clearing House (NACH) system used for settlement of TReDS transactions.
- Based on consent received from financiers and insurance companies, TReDS platforms could facilitate automated processing of insurance claims and specify timelines for their settlement through the NACH system.
- As of now, the credit insurance shall not be treated as a Credit Risk Mitigant (CRM) to avail any prudential benefits.

- Expand the pool of financiers: TReDS transactions fall under the ambit of "factoring business", and banks, NBFC-Factors, and other financial institutions (as permitted by RBI) can presently participate as financiers in TReDS. The Factoring Regulation Act, 2011 (FRA) allows certain other entities / institutions to undertake factoring transactions. Accordingly, all entities / institutions allowed to undertake factoring business under FRA and the rules / regulations made thereunder, are now permitted to participate as financiers in TReDS. This would augment availability of financiers on TReDS platforms.
- Enable secondary market for Factoring Units (FUs): TReDS guidelines provide for the discounted / financed FUs to have a secondary market, which is, however, not introduced yet. Given the experience gained, TReDS platform operators may, at their discretion, enable a secondary market for transfer of FUs within the same TReDS platform. Such transfers shall, however, be subject to the applicable provisions of RBI's 'Master Direction – Reserve Bank of India (Transfer of Loan Exposures) Directions, 2021' dated September 24, 2021 (as updated from time to time), including the eligibility of transferor / transferee as specified in paragraph 3 of the said Master Direction.
- Settlement of FUs not discounted / financed: On an average, 17% of FUs uploaded on TReDS platforms are not discounted / financed; for such FUs, TReDS guidelines require buyers to pay MSME sellers outside the system. To overcome the inconvenience caused to MSME sellers and buyers as well as for better reconciliation, TReDS platform operators shall now be permitted to undertake settlement of all FUs – financed / discounted or otherwise – using the NACH mechanism used for TReDS. Timeline for funds settlement shall be subject to the provisions of TReDS guidelines (under reference) as well as other relevant statutes like the Micro, Small and Medium Enterprises Development Act, 2006.
- Display of bids: TReDS platforms facilitate transparent and competitive bidding by the financiers. To make the process more transparent, the platforms may display details of bids placed for an FU to other bidders; name of the bidder shall, however, not be revealed.
- This directive is issued under Section 10 (2) read with Section 18 of the Payment and Settlement Systems Act, 2007 (Act 51 of 2007)

4. RBI NOTIFICATION NO. RBI/2022-23/38 FMRD.DIRD.02/14.01.001/2023-24 DATED JUNE 8, 2023

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

- Please refer to Paragraph 1 of the Statement on Developmental and Regulatory Policies, announced as a part of the Bi-monthly Monetary Policy Statement for 2023-24 dated June 08, 2023, regarding Borrowing in Call and Notice Money Markets by Scheduled Commercial Banks. Attention is also invited to the Master Direction – Reserve Bank of India (Call, Notice and Term Money Markets) Directions, 2021 dated April 01, 2021, as amended from time to time (hereinafter referred as 'Master Direction').
- On a review, it has been decided that henceforth, Scheduled Commercial Banks (excluding small finance banks and payment banks) may set their own limits for borrowing in Call and Notice Money Markets. As in the case of Term Money Market borrowing, Scheduled Commercial Banks shall put in place internal board approved limits for borrowing through Call and Notice Money Markets within the prudential limits for inter-bank liabilities prescribed by Department of Regulation.
- The instruction shall be applicable with immediate effect. The Master Direction has been accordingly updated.

5. RBI NOTIFICATION NO. RBI/2023-24/39 DOR.REG.No.19/07.01.000/2023-24 DATED JUNE 8, 2023

Rationalization of Branch Authorisation Policy for Urban Co-operative Banks (UCBs)

- A reference is made to the circular on the revised criteria for classifying a UCB as Financially Sound and Well Managed (FSWM) issued by RBI vide circular DOR.REG.No.85/07.01.000/2022-23 dated December 01, 2022 on "Review of norms for classification of Urban Co-operative Banks (UCBs) as Financially Sound and Well Managed (FSWM)".
- To rationalise the process of branch opening and to enable the UCBs to tap growth opportunities in the sector, it has been decided to grant general permission for branch expansion in the approved area of operation to financially strong UCBs. This is as per the Revised Regulatory Framework for Urban Co-operative Banks (UCBs) released by RBI on July 19, 2022 based on the recommendation of the Expert Committee on Primary (Urban) Co-operative Banks. The details of the scheme are provided in Annex-I.
- In addition to the general permission, the branch expansion under the prior approval route as per the existing framework will also continue, as hitherto, for other eligible UCBs. However, the process has been simplified to reduce the time taken for granting approvals for opening new branches, the details of which are provided in Annex-II.
- The revised instructions shall come into force with immediate effect.

- This circular is applicable to all Primary (Urban) Co-operative Banks (except Salary Earners' Banks).
- Annex-I, II & III can be found at the link: https://www.rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=12512&Mode=0

6. RBI NOTIFICATION NO. RBI/2023-24/40 DOR.STR.REC.20/21.04.048/2023-24 DATED JUNE 8, 2023

Framework for Compromise Settlements and Technical Write-offs

- The Reserve Bank of India has issued various instructions to regulated entities (REs) regarding compromise settlements in respect of stressed accounts from time to time, including the Prudential Framework for Resolution of Stressed Assets dated June 7, 2019 ("Prudential Framework"), which recognises compromise settlements as a valid resolution plan. With a view to provide further impetus to resolution of stressed assets in the system as well as to rationalise and harmonise the instructions across all REs, as announced in the Statement on Developmental and Regulatory Policies released on June 8, 2023, it has been decided to issue a comprehensive regulatory framework governing compromise settlements and technical write-offs covering all the REs, as detailed in the Annex.
- The provisions of this framework shall be applicable to all REs to which this circular is addressed and shall be without prejudice to the provisions of the Prudential Framework, or any other guidelines applicable to the REs on resolution of stressed assets.
- These instructions on operationalising the framework have been issued in exercise of the powers conferred by the Sections 21 and 35A of the Banking Regulation Act, 1949 read with Section 56 of the Banking Regulation Act, 1949; Chapter IIIB of the Reserve Bank of India Act, 1934 and Sections 30A, 32 and 33 of the National Housing Bank Act, 1987. They shall come into force with immediate effect and REs shall take necessary steps to ensure compliance with these instructions.
- Annex to the Notification can be found at link: https://www.rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=12513&Mode=0

7. RBI NOTIFICATION NO. RBI/2023-24/41 DOR.CRE.REC.21/21.07.001/2023-24 DATED JUNE 8, 2023

Guidelines on Default Loss Guarantee (DLG) in Digital Lending

- A reference is invited to Para (3.4.3.1) of Section C of Annex-II to the RBI Press Release "Recommendations of the Working group on Digital Lending – Implementation" dated August 10, 2022 in terms of which it was stated that the recommendation pertaining to First Loss Default Guarantee (FLDG) was under examination with the Reserve Bank.
- Arrangements between Regulated Entities (REs) and Lending Service Providers (LSPs) or between two REs involving default loss guarantee (DLG), commonly known as FLDG, has since been examined by the Bank and it has been decided to permit such arrangements subject to the guidelines laid down in the Annex to this circular. DLG arrangements conforming to these guidelines shall not be treated as 'synthetic securitisation'1 and/or shall also not attract the provisions of 'loan participation'2.
- The guidelines shall come into effect from the date of this Circular.
- These directions are issued under sections 21, 35A and 56 of the Banking Regulation Act, 1949, sections 45JA, 45L and 45M of the Reserve Bank of India Act, 1934, section 30A of the National Housing Bank Act, 1987 and section 6 of the Factoring Regulation Act.
- The guidelines can be found in detail in: https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12514&Mode=0

8. RBI NOTIFICATION NO. RBI/2023-24/42 DOR.CRE.REC.18/07.10.002/2023-24 DATED JUNE 8, 2023

Priority Sector Lending (PSL) targets / sub-targets and contribution against shortfall in achievement of PSL targets – Primary (Urban) Co-operative Banks (UCBs) - Extension of time

- Please refer to para 3 of the circular DOR (PCB).BPD.Cir No.10/13.05.000/2019-201 dated March 13, 2020, and para 5 of Master Direction on Priority Sector Lending (PSL) - Targets and Classification dated September 4, 2020, in terms of which, a glide path for achieving overall PSL target and sub-target for advances to weaker sections was prescribed till March 31, 2024.
- As announced in the Statement on Developmental and Regulatory Policies (para no. 4 Annexed), in order to address implementational challenges faced by the UCBs and to make the transition non-disruptive, it has been decided to extend the glide path for these PSL targets by an additional period of two years as under:

Financial Year ended	March 31, 2024	March 31, 2025	March 31, 2026

Overall PSL Target@	60% of ANBC or CEOBSE, whichever is higher	65% of ANBC or CEOBSE, whichever is higher	75% of ANBC or CEOBSE, whichever is higher
Sub-target for advances to weaker sections#,	11.50% of ANBC or CEOBSE, whichever is higher	11.75% of ANBC or CEOBSE, whichever is higher	12.00% of ANBC or CEOBSE, whichever is higher
@ The targets for March 31, 2023 (at 60 %) shall continue till March 31, 2024. # The sub-target set for March 31, 2023 (at 11.50%) shall continue till March 31, 2024.			

- In terms of para 28 of Master Direction on Priority Sector Lending (PSL) - Targets and Classification dated September 4, 2020 and para 2 of the circular DOR (PCB).BPD.Cir.No.12/09.09.002/2019-205 dated April 24, 2020, all UCBs (excluding those under all-inclusive directions), were advised to contribute to Rural Infrastructure Development Fund (RIDF) established with NABARD and other Funds with NABARD / NHB / SIDBI / MUDRA Ltd., against their PSL shortfall vis-à-vis the prescribed target/ sub-targets, with effect from March 31, 2021.
- In view of the implementation challenges observed, it has been decided that:

  a) UCBs would not be required to contribute to RIDF or other eligible funds for shortfall in PSL target/ sub-targets during Financial Year (FY) 2020-21 and FY 2021-22.

  b) UCBs shall contribute to RIDF and other eligible funds against their shortfall in PSL target/ sub-targets vis-à-vis the prescribed targets with effect from March 31, 2023.

  c) Also, in case contribution has been made by any UCB towards the above PSL shortfall during the FY 2020-21 and/ or FY 2021-22, that contribution can be used to offset any shortfall that may have occurred during FY 2022-23. Excess deposit, if any, after offsetting the PSL shortfall during FY 2022-23 will be refunded.
- Incentives to UCBs meeting the PSL targets shall be announced separately.
- Annex- Extract from Statement on Developmental and Regulatory Policies June 8, 2023

  4. Priority Sector Lending (PSL) targets for Primary (Urban) Cooperative Banks (UCBs)

  The PSL targets for UCBs were revised in 2020. In order to ensure a non-disruptive transition, a glide path was provided till March 31, 2024 to achieve the revised targets. With a view to ease the implementation challenges faced by the UCBs, it has been decided to extend the phase-in time for achievement of the said targets by two years, i.e. upto March 31, 2026. Further, suitable incentives shall be provided to UCBs that have met the prescribed targets as on March 31, 2023. Detailed circular on the matter will be issued separately.

9. RBI NOTIFICATION NO. RBI/2023-24/44 IDMD.CDD.No.S650/14.04.050/2023-24 DATED JUNE 15, 2023

Sovereign Gold Bond (SGB) Scheme 2023-24

- Government of India, vide its Notification No F.No 4.(6) - B(W&M)/2023 dated June 14, 2023, has announced Sovereign Gold Bond Scheme 2023-24. Under the Scheme, there will be a distinct series (starting from series I) which will be indicated on the Bond issued to the investor. The terms and conditions of the issuance of the Bonds shall be as per the above notification.
- The bonds shall be issued as per the details given below:

S. No.	Tranche	Date of Subscription	Date of Issuance
1.	2023-24 Series I	June 19 – June 23, 2023	June 27, 2023
2.	2023-24 Series II	September 11 – September 15, 2023	September 20, 2023

- Subscription for the Gold Bonds under the Scheme shall be open (Monday to Friday) on the dates specified above, provided that the Central Government may, with prior notice, close the Scheme at any time before the period specified above.
- Subscription for the Bonds may be made in the prescribed application form Form A or in any other form as near as thereto, stating clearly the units (in grams) of gold and the full name and address of the applicant. Every application must be accompanied by valid 'PAN details' issued by the Income Tax Department to the investor(s). Designated Scheduled Commercial Banks, Designated Post Offices, Stock Holding Corporation of India Ltd., Clearing Corporation of India Ltd. and recognized stock exchanges, viz. National Stock Exchange of India Ltd. and Bombay Stock Exchange Ltd. are the Receiving Offices authorized to receive applications for the Bonds either directly or through agents and render all services to the customers. The Receiving Office shall issue an acknowledgment receipt in Form B to the applicant.
- All online applications should be accompanied by email Id of the investor/s which should be uploaded on the Ekuber portal of the Reserve Bank of India along with the subscription details.
- In addition to receipt of application, the Receiving Offices are also entrusted with the responsibility of providing service to the investors and are required to be guided by the instructions issued by the Reserve Bank of India in this regard from time to time. With a view to facilitate availability of all current operative instructions regarding servicing of these bonds at one place, Reserve Bank of India has issued Consolidated Procedural Guidelines vide circular IDMD.CDD.1100/14.04.050/2021-22 dated October 22, 2021 (updated as on October 4, 2022), and the same is available on RBI website. The Receiving Offices shall be guided by these instructions while dealing with all the procedural aspects and providing service to the investors.
- All other terms and conditions specified in the notification of the Government of India, Ministry of Finance (Department of Economic Affairs) F.No.4(2)-W&M/2018 dated March 27, 2018 shall apply to the Bonds.