

Remittances to International Financial Services Centres (IFSCs) under Liberalised Remittance Scheme (LRS)

A.P. (DIR Series) Circular No. 03 dated April 26, 2023

With an objective to align the LRS to IFSCs set up under the International Financial Services Centres Authority Act, 2019 vis-à-vis other foreign jurisdictions, it has been decided to amend the directions under para 2(ii) of A.P. (DIR Series) Circular No. 11 dated February 06, 2021 as –

“Resident Individuals may also open a Foreign Currency Account (FCA) in IFSCs, for making the above permissible investments under LRS” the condition of repatriating any funds lying idle in the account for a period up to 15 days from the date of its receipt is withdrawn with immediate effect, which shall now be governed by the provisions of the scheme as contained in the aforesaid Master Direction on LRS.

With this change now if a resident individual opens a FCA in IFSC, he or she will not be required to withdraw the funds which remained idle in the account for a period upto 15 days from date of its receipt. Now the prevalent LRS provisions will be applicable for repatriation of unutilized or idle funds.

The Master Direction No. 7 is being updated to reflect these changes.

Levy of charges on forex prepaid cards/store value cards/travel cards, etc.

A.P. (DIR Series) Circular No. 04 dated May 09, 2023

International Debit Cards/Store Value Cards/Charge Cards/Smart Cards or any other instrument that can be used to create a financial liability, as ‘currency. In this regard, a few Authorized Persons are levying certain fees/charges, which are payable in India on such instruments, in foreign currency. Such fees / charges payable in India will now have to be denominated and settled in Rupees only.

1. RBI NOTIFICATION NO. RBI/2023-24/20 FIDD.GSSD.CO.BC.No.07/09.01.003/2023-24 DATED April 26, 2023

Master Circular – Deendayal Antyodaya Yojana - National Rural Livelihoods Mission (DAY-NRLM)

The Master Circular FIDD.GSSD.CO.BC.No.09/09.01.003/2022-23 dated July 20, 2022 on Deendayal Antyodaya Yojana - National Rural Livelihoods Mission (DAY-NRLM) is updated vide this Circular. The latest Master Circular can be found at <https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12493&Mode=0>.

2. RBI NOTIFICATION NO. RBI/2023-24/21 A.P. (DIR Series) Circular No.03 DATED April 26, 2023

Remittances to International Financial Services Centres (IFSCs) under the Liberalised Remittance Scheme (LRS)

- On a review and with an objective to align the LRS for IFSCs set up under the International Financial Services Centres Authority Act, 2019 vis-à-vis other foreign jurisdictions, it has been decided to amend the directions under para 2 (ii) of the aforementioned A.P. (DIR Series) Circular dated February 16, 2021, as – “Resident Individuals may also open a Foreign Currency Account (FCA) in IFSCs, for making the above permissible investments under LRS.” Thus, the condition of repatriating any funds lying idle in the account for a period up to 15 days from the date of its receipt is withdrawn with immediate effect, which shall now be governed by the provisions of the scheme as contained in the aforesaid Master Direction on LRS.
- The Master Direction No. 7 is being updated to reflect these changes.
- AD Category - I banks should bring the contents of this circular to the notice of their constituents and customers.
- 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/2023-24/24 DOR.AML.REC.111/14.01.001/2023-24 DATED April 28, 2023

Amendment to the Master Direction (MD) on KYC

- Please refer to the Master Direction (MD) on KYC dated February 25, 2016, as amended from time to time, in terms of which Regulated Entities (REs) have to undertake Customer Due Diligence (CDD), as per the process laid out therein, for their customers.
- In this regard, on a review, it has been decided to amend the MD on KYC to (a) align the instructions with the recent amendments carried out in the Prevention of Money Laundering (Maintenance of Records) Rules, 2005, (b) incorporate instructions in terms of the Government Order dated January 30, 2023, titled "Procedure for Implementation of Section 12A of the Weapons of Mass Destruction (WMD) and their Delivery Systems (Prohibition of Unlawful Activities) Act, 2005 (WMD Act, 2005)"; (c) update certain instructions in accordance with FATF Recommendations; and (d) refine certain extant instructions post review. The changes carried out in the MD in this regard are provided in Annexure.
- Accordingly, the relevant Sections of the MD on KYC are hereby amended to reflect the changes furnished in Annexure. The amended provisions in the MD shall come into force with immediate effect.

4. RBI NOTIFICATION NO. RBI/2023-24/25 DOR.AML.REC.13/14.01.001/2023-24 DATED May 4, 2023

Amendment to the Master Direction (MD) on KYC – Instructions on Wire Transfer

- Please refer to the Master Direction (MD) on KYC dated February 25, 2016, as amended from time to time, in terms of which Regulated Entities (REs), inter alia, have to undertake certain measures while dealing with the Wire Transfer.
- In this regard, on a review, it has been decided to amend the MD on KYC to update the instructions on Wire Transfer (Section 64 of the MD), also aligning the same with the relevant FATF Recommendation. The amended instructions of Section 64 of the MD on KYC are provided in the annexure for reference. Further, definitions of the relevant terms used in the amended Wire Transfer instructions are being added in Section 2 ("Definitions") of the MD on KYC.
- The amended provisions shall come into force with immediate effect.

5. RBI NOTIFICATION NO. RBI/2023-24/26 DOR.STR.REC.14/21.04.048/2023-24 DATED May 08, 2023

Master Circular - Income Recognition, Asset Classification, Provisioning and Other Related Matters - UCBS

Please refer to our Master Circular DOR.STR.REC.5/21.04.048/2022-23 dated April 1, 2022 on the captioned subject. The enclosed Master Circular consolidates and updates all the instructions / guidelines on the subject issued till date as listed in the Annex 9. Details can be found at this link <https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12499&Mode=0>.

6. RBI NOTIFICATION NO. RBI/2023-24/27 FIDD.MSME & NFS.BC.No.09/06.02.31/2023-24 DATED May 09, 2023

Formalisation of Informal Micro Enterprises on Udyam Assist Platform

- Please refer to the Circular FIDD.MSME & NFS.BC.No.4/06.02.31/2020-21 dated August 21, 2020 on 'New Definition of Micro, Small and Medium Enterprises – clarifications' wherein all lenders were advised to obtain 'Udyam Registration Certificate' for classification of entities as MSME.
- The Ministry of Micro, Small and Medium Enterprises ('MSME'), Government of India has launched the Udyam Assist Platform (UAP) to facilitate formalisation of Informal Micro Enterprises (IMEs) through online generation of Udyam Assist Certificate. Registration on the platform is done with the assistance of Designated Agencies which are RBI regulated entities (including scheduled commercial banks, non-banking financial companies, etc.).
- The Government of India, vide Gazette Notification S.O. 1296(E) dated March 20, 2023, has specified that the certificate issued on the UAP to IMEs shall be treated at par with Udyam Registration Certificate for the purpose of availing Priority Sector Lending (PSL) benefits.
- Government of India has clarified to RBI that IMEs are those enterprises which are unable to get registered on the Udyam Registration Portal (URP) due to lack of mandatory required documents such as Permanent Account Number (PAN) or Goods and Services Tax Identification Number (GSTIN). Hence such enterprises are unable to avail the benefits of Government schemes or programmes. Further, it has been clarified that the turnover of enterprises exempted from filing returns under the provisions of the Central Goods and Services Tax Act, 2017 shall be the sole criterion to be defined as IMEs for the purpose of UAP. Accordingly, IMEs are those enterprises that are not covered in the Goods and Services Tax regime.
- An interface has been created between the UAP and Udyam Registration Portal (URP) to enable the transition and migration of the IMEs from UAP to URP, once IMEs obtain the mandatorily required documents.

- In view of the aforementioned notification and clarification, IMEs with an Udyam Assist Certificate shall be treated as Micro Enterprises under MSME for the purposes of PSL classification.

7. RBI NOTIFICATION NO. RBI/2023-24/30 CO.FMRD.DIRD.01/14.02.001/2023-24 DATED May 12, 2023

LIBOR Transition

- Attention of banks/financial institutions (FIs) is drawn to the Reserve Bank advisory on “Roadmap for LIBOR Transition” dated July 08, 2021 wherein banks/FIs, inter-alia, were (i) encouraged to cease, and also encourage their customers to cease, entering into new financial contracts that reference London Interbank Offered Rate (LIBOR) as a benchmark and instead use any widely accepted Alternative Reference Rate (ARR), as soon as practicable and in any case by December 31, 2021 and (ii) urged to incorporate robust fallback clauses in all financial contracts that reference LIBOR and the maturity of which was after the announced cessation date of the LIBOR settings.
- With the concerted efforts of banks/FIs as well as industry associations like the Indian Banks’ Association, a smooth transition with respect to LIBOR settings that have ceased to be published/become non-representative after December 31, 2021 has been achieved. The transition away from LIBOR was also facilitated by the continuing publication of US\$ LIBOR settings in five tenors which provided a longer transition period particularly for the insertion of the fallback clauses in legacy financial contracts that reference LIBOR. New transactions are now predominantly undertaken using ARR such as the Secured Overnight Financing Rate (SOFR) and the Modified Mumbai Interbank Forward Outright Rate (MMIFOR). At the same time, there have been instances of a few US\$ LIBOR linked financial contracts undertaken/facilitated by banks/FIs after January 1, 2022. Also, while banks have reported that substantial progress has been made towards insertion of fallback clauses, the process is yet to be completed for all contracts where such fallbacks are required to be inserted.
- After June 30, 2023, the publication of the remaining five US\$ LIBOR settings will cease permanently. While certain synthetic LIBOR settings will continue to be published after June 30, 2023, the Financial Conduct Authority (FCA), UK, which regulates the LIBOR, has made it clear that these settings are not meant to be used in new financial contracts. The MIFOR, a domestic interest rate benchmark reliant on US\$ LIBOR, will also cease to be published by Financial Benchmarks India Pvt. Ltd. (FBIL) after June 30, 2023.
- Banks/FIs are advised to ensure that no new transaction undertaken by them or their customers rely on or are priced using the US\$ LIBOR or the MIFOR. Banks/FIs are also advised to take all necessary steps to ensure insertion of fallbacks in all remaining legacy financial contracts that reference US\$ LIBOR (including transactions that reference MIFOR). Fallbacks in such contracts should be inserted at the earliest so as to ensure that transition of any remaining US\$ LIBOR-linked contracts is completed well before the deadline of end June 2023 and any disruptions due to a last-minute rush to insert fallbacks is avoided. Banks/FIs are advised not to rely on the availability of synthetic LIBOR rates as a substitute for fallbacks in legacy contracts.
- Banks/FIs are expected to have developed the systems and processes to manage the complete transition away from LIBOR from July 1, 2023. Continued efforts in sensitising customers on the steps to be taken to manage the associated risks will enable a smooth completion of the final leg of the transition.
- The Reserve Bank will continue to monitor the efforts of banks/FIs for ensuring a smooth transition from LIBOR.

8. RBI NOTIFICATION NO. RBI/2023-24/31 DOR.CAP.REC.15/21.06.201/2023-24 DATED May 12, 2023

Master Circular – Basel III Capital Regulations

- Please refer to the Master Circular No. DOR.CAP.REC.3/21.06.201/2022-23 dated April 1, 2022, consolidating therein the prudential guidelines on Basel III capital adequacy issued to banks till that date.
- The instructions contained in the aforesaid Master Circular have been suitably updated / amended by incorporating relevant guidelines, issued as on date. A list of circulars consolidated in this Master Circular is contained in Annex 26. (<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12504&Mode=0>)
- Small Finance Banks and Payments Banks may refer to their respective licensing guidelines and operating guidelines issued by Reserve Bank, for prudential guidelines on capital adequacy.

9. RBI NOTIFICATION NO. RBI/2023-24/32 DCM(Plg) No.S-236/10.27.00/2023-24 DATED May 19, 2023

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

₹2000 denomination banknote was introduced in November 2016 under Section 24(1) of RBI Act, 1934 primarily to meet the immediate currency requirement of the economy after withdrawal of the legal tender status of all ₹500 and ₹1000 banknotes in circulation at that time. With fulfilment of the objective of introduction of ₹2000 denomination and availability of banknotes in other denominations in adequate quantity, printing of ₹2000 banknotes was stopped in 2018-19.

2. Further, majority of the ₹2000 denomination notes were issued prior to March 2017, have completed their estimated lifespan and are not observed to be commonly used for transactions anymore. Therefore, it has been decided that, in pursuance of the "Clean Note Policy" of the Reserve Bank of India, the ₹2000 denomination banknotes shall be withdrawn from circulation. The ₹2000 banknotes will continue to be legal tender.

3. Accordingly, to implement the decision stated above, the following plan of action has been formulated which, the banks shall follow meticulously:

A. Handling of existing stock and receipts

- i. All banks shall discontinue issue of ₹2000 denomination banknotes with immediate effect. ATMs/Cash Recyclers may also be reconfigured accordingly.
- ii. Banks holding Currency Chests (CCs) shall ensure that no withdrawal of ₹2000 denomination is allowed from the CCs. All balances held in the CCs shall be classified as unfit and kept ready for dispatch to respective RBI offices.
- iii. All banknotes in this denomination received by the banks shall be sorted immediately through Note Sorting Machines (NSMs) for accuracy and genuineness and deposited in the currency chests under the Linkage Scheme or kept ready for dispatch to the nearest Issue Office of RBI.
- iv. The instructions contained in our Master Direction dated April 03, 2023 on detection, reporting and monitoring of counterfeit notes shall be meticulously followed.

B. Facility for Deposit and Exchange

- v. The facility for deposit and/or exchange of ₹2000 banknotes shall be available for members of the public up to September 30, 2023.
- vi. Deposit of ₹2000 banknotes into accounts maintained with all banks can be made in the usual manner, that is, without restrictions and subject to compliance with extant Know Your Customer (KYC) norms and other applicable Statutory requirements. The banks shall also be required to comply with Cash Transaction Reporting (CTR) and Suspicious Transaction Reporting (STR) requirements, where applicable.
- vii. The facility for exchange of ₹2000 banknotes shall be provided to all members of the public by all banks through their branches.
- viii. With a view to minimise inconvenience to the public, to ensure operational convenience and avoid disruption of the regular activities of bank branches, all banks may exchange ₹2000 banknotes upto a limit of ₹20,000/- at a time.
- ix. Business Correspondents (BCs) may also be allowed to exchange ₹2000 banknotes upto a limit of ₹4000/- per day for an account holder. For this purpose, banks may, at their discretion, enhance the cash holding limits of BCs.
- x. To give time to the banks for preparatory arrangements, members of the public have been requested to approach the banks/branches from May 23, 2023 for availing exchange facility. Deposit of ₹2000 banknotes may continue as per the normal banking practice.
- xi. For providing deposit / exchange facility to people residing in remote/ unbanked areas, banks may consider using mobile vans, if necessary.
- xii. While crediting the value of ₹2000 notes to Jan Dhan Yojna Accounts / Basic Savings Bank Deposit (BSBD) Accounts, the usual limits will apply mutatis mutandis.
- xiii. The banks shall to the extent feasible make special arrangements to reduce inconvenience to the senior citizens, persons with disabilities and women seeking to exchange/deposit ₹2000 notes.

C. Replenishment of Stock of Other Denominations for Exchange

- xiv. Branches / CCs should estimate their cash requirement and obtain banknotes of other denominations from the linked / nearby currency chest / RBI well in time.

xv. CC holding branches shall extend required support to the linked / non-linked branches in accepting ₹2000 notes and distribution of banknotes in other denominations. In case of any difficulty in obtaining cash, the banks may contact the concerned Issue Office of RBI.

D. Dissemination of Information

xvi. The banknotes in ₹2000 denomination will continue to be legal tender.

xvii. A document on Frequently Asked Questions (FAQs) in the matter has been prepared and given in the Annex. A copy of the same may be provided to the staff manning the exchange counters as well as displayed in the banking hall, ATM kiosks, etc.

xviii. A Press Release informing the public of the exercise and soliciting their co-operation is being issued separately. A copy of the same is enclosed for ready reference which may also be displayed in the banking hall, ATM kiosks, etc.

xix. Banks may also consider advising their customers suitably in the matter.

4. The above instructions will be effective until September 30, 2023.