

FEMA
CA. Manoj Shah, CA. Atal Bhanja

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.	Hussain Herbal Ltd.	Regulation 15(iii) of FEMA 120 – Delay in filing for APR with respect to overseas investment. Regulation 6(2)v) of FEMA 120 – Not routing all transactions relating to investment in JV/WOS through only one branch of authorised dealer.	22-01-2021	2,05,246
2.	Dina Manoj Thacker	Regulation 3 of Schedule 3 of FEMA 5(R) – Credits and Debits to NRO Accounts are specified at Regulation 3 of Schedule 3 of FEMA 5(R). Any debit/credit other than those specified will be treated as Contravention.	23-11-2020	65,000
3.	Ajay Virchand Dharamshi	Regulation 3 of FEMA 7(R)/2015-RB dated January 21, 2016 – Restriction on acquisition or transfer of immovable property outside India without general or special permission of RBI.	29-06-2020	2,65,786
4.	M/s ETF Noida Project Office (CT-19A)	Regulation 4(f) read with Annex D of Regulation 4(l) of Notification No. FEMA 22(R)/RB-2016 – Contravention in relation to delayed/non submission of Annual Activity certificate for Project office	04-06-2020	2,02,284

1. RBI Notification No. RBI/2020-21/86, DOR.No.CRE.BC.33/21.06.007/2020-21 Dated January 27, 2021

The rating business of CRISIL Limited has since been transferred to CRISIL Ratings Limited, a wholly owned subsidiary of CRISIL Limited in compliance with SEBI's notification dated September 11, 2018 read with SEBI's circular dated September 19, 2018. Banks may therefore, use the ratings of the CRISIL Ratings Limited for the purpose of risk weighting their claims for capital adequacy purposes. The rating-risk weight mapping for the long term and short-term ratings assigned by CRISIL Ratings Limited will be the same as was in the case of CRISIL Limited and there is no change in the rating symbols earlier assigned by CRISIL Limited.

2. RBI Notification No. RBI/2020-21/88, Ref.No.DoS.CO.PPG./SEC.05/11.01.005/2020-21 Dated February 03, 2021

It has now been decided to mandate RBIA (Risk-Based Internal Audit) framework for the following Non-Banking Financial Companies (NBFCs) and Primary (Urban) Co-operative Banks (UCBs):

- a. All deposit taking NBFCs, irrespective of their size;
- b. All Non-deposit taking NBFCs (including Core Investment Companies) with asset size of Rs. 5,000 crore and above; and
- c. All UCBs having asset size of Rs. 500 crore and above¹.

The Supervised Entities as indicated in above shall implement the RBIA framework by March 31, 2022 in accordance with the Guidelines on Risk-Based Internal Audit provided in the enclosed Annex. The Guidelines are intended to enhance the efficacy of internal audit systems and processes followed by the NBFCs and UCBs.

Further, in order to ensure smooth transition from the existing system of internal audit to RBIA, the concerned NBFCs and UCBs may constitute a committee of senior executives with the responsibility of formulating a suitable action plan. The committee may address transitional and change management issues and should report progress periodically to the Board and senior management.

3. RBI/2020-21/89, DOR.CRG.CRS.Cir.No.5/13.05.000/2020-21 Dated February 5, 2021

UCBs shall not make, provide or renew any loans and advances or extend any other financial accommodation to or on behalf of their directors or their relatives, or to the firms / companies / concerns in which the directors or their relatives are interested (collectively called as "director-related loans"). Further, the directors or their relatives or the firms / companies / concerns in which the directors or their relatives are interested shall also not stand as surety/guarantor to the loans and advances or any other financial accommodation sanctioned by UCBs. 'Advances' for the purpose shall include all types of funded / working capital limits such as cash credits, overdrafts, credit cards, etc.

4. RBI/2020-21/92 DOR.No.Ret.BC.37/12.01.001/2020-21 Dated February 5, 2021

Scheduled Commercial Banks will be allowed to deduct the amount equivalent to credit disbursed to 'New MSME borrowers' from their Net Demand and Time Liabilities (NDTL) for calculation of the Cash Reserve Ratio (CRR). For the purpose of this exemption, 'New MSME borrowers' shall be defined as those MSME borrowers who have not availed any credit facilities from the banking system as on January 1, 2021. This exemption will be available only up to ₹ 25 lakh per borrower disbursed up to the fortnight ending October 1, 2021, for a period of one year from the date of origination of the loan or the tenure of the loan, whichever is earlier.

5. RBI/2020-21/99 A.P. (DIR Series) Circular No. 11 Dated February 16, 2021

It has been decided to permit resident individuals to make remittances under LRS to IFSCs set up in India under the Special Economic Zone Act, 2005, as amended from time to time. Accordingly, AD Category - I banks may allow resident individuals to make remittances under LRS to IFSCs in India, subject to the 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 the above permissible investments under LRS. Any funds lying idle in the account for a period upto 15 days from the date of its receipt into the account shall be immediately repatriated to domestic INR account of the investor in India.

Resident Individuals shall not settle any domestic transactions with other residents through these FCAs held in IFSC.

6. RBI/2020-21/74 DoS.CO.CSITE.SEC.No.1852/31.01.015/2020-21 Dated February 18, 2021

"Master Direction on Digital Payment Security Controls" issued for All Scheduled Commercial Banks excluding RRBs/ Small Finance Banks/Payments Banks/ Credit Card issuing NBFCs.