

FEMA CA. Manoj Shah, CA Atal Bhanja	
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External Commercial Borrowings (ECB) Policy – Liberalization Measures

A.P. (DIR Series) Circular No. 11 dated August 1, 2022

As announced in paragraph five of the press release on “Liberalisation of Forex Flows” dated July 06, 2022, it has been decided, in consultation with the Central Government, to:

- i) increase the automatic route limit from USD 750 million or equivalent to USD 1.5 billion or equivalent.
- ii) increase the all-in-cost ceiling for ECBs, by 100 bps. The enhanced all-in-cost ceiling shall be available only to eligible borrowers of investment grade rating from Indian Credit Rating Agencies (CRAs). Other eligible borrowers may raise ECB within the existing all-in-cost ceiling, as hitherto.

The above relaxations would be available for ECBs to be raised till December 31, 2022.

AD Category-I banks may bring the contents of this circular to the notice of their constituents and customers. The Master Direction No. 5, is being updated to reflect these changes.

1. RBI NOTIFICATION NO. RBI/2022-23/93 DOR.CRE.REC.56/13.05.000/2022-23 DATED JULY 26, 2022.

Board approved Loan Policy – Management of Advances - UCBs

1. Please refer to para 1 of the Master Circular DOR.CRE.REC.No.17/13.05.000/2022-23 dated April 8, 2022 on Management of Advances – UCBs in terms of which, UCBs are required to lay down, with the approval of their boards, transparent policies and guidelines for credit dispensation, in respect of each broad category of economic activity, keeping in view the credit exposure norms and various other guidelines issued by Reserve Bank from time to time.
2. It has been observed in several UCBs that these policies not only lack comprehensive coverage, but also do not require a periodic review. In order to ensure that the loan policy reflects approved internal risk appetite and remains in alignment with the extant regulations, it is advised that the loan policy of the bank shall be reviewed by the Board at least once in a financial year.
3. The above instructions will come into effect immediately.

2. RBI NOTIFICATION NO. RBI/2022-23/94 CO.DPSS.POLC.No.S-761/02-14-008/2022-23 DATED JULY 28, 2022.

Regulation of Payment Aggregators – Timeline for submission of applications for authorisation – Review

1. Reference is invited to Reserve Bank of India (RBI) circulars DPSS.CO.PD.No.1810/02.14.008/2019-20 dated March 17, 2020 and CO.DPSS.POLC.No.S33/02-14-008/2020-2021 dated March 31, 2021 on "Guidelines on Regulation of Payment Aggregators and Payment Gateways". In terms of these circulars, online non-bank Payment Aggregators (PAs) – existing as on March 17, 2020 – were required to apply to RBI by September 30, 2021 for seeking authorisation under the Payment and Settlement Systems Act, 2007 (PSS Act).
2. It is observed that applications received from some PAs had to be returned as they had not complied with eligibility criteria, including the minimum net worth criterion of ₹15 crore by March 31, 2021. This also implied that they have to discontinue their operations within a period of six months from the date of return of application. Though they have the option to apply afresh on meeting the prescribed criteria, ceasing operations may lead to disruption in payment systems. It is also possible that some PAs had not applied to RBI due to non-fulfilment of eligibility criteria.
3. Keeping in view the disruption caused by the COVID-19 pandemic, and to ensure smooth functioning of the payments ecosystem, it has since been decided to allow another window to all such PAs (existing as on March 17, 2020) to apply to RBI. They can apply by September 30, 2022 and shall have a net worth of ₹15 crore as on March 31, 2022. They shall be permitted to continue their operations till they receive communication from RBI regarding the fate of their application. The timeline of March 31, 2023 for achieving the net worth of ₹25 crore shall, however, remain.
4. All other provisions of the circulars referred to above, shall continue to be applicable.
5. This directive is issued under Section 10 (2) read with Section 18 of the PSS Act, 2007 (Act 51 of 2007).

3. RBI NOTIFICATION NO. RBI/2022-2023/95 CO.DPSS.POLC.No.S-760/02-14-003/2022-23 DATED JULY 28, 2022.

Restriction on Storage of Actual Card Data [i.e. Card-on-File (CoF)]

1. Reference is invited to Reserve Bank of India (RBI) circulars DPSS.CO.PD.No.1810/02.14.008/2019-20 dated March 17, 2020 and CO.DPSS.POLC.No.S33/02-14-008/2020-2021 dated March 31, 2021 on "Guidelines on

Regulation of Payment Aggregators and Payment Gateways”, circular CO.DPSS.POLC.No.S-516/02-14-003/2021-22 dated September 07, 2021 on “Tokenisation – Card Transactions: Permitting Card-on-File Tokenisation (CoFT) Services” and, circulars CO.DPSS.POLC.No.S-1211/02-14-003/2021-22 dated December 23, 2021 and CO.DPSS.POLC.No.S-567/02-14-003/2022-23 dated June 24, 2022 on “Restriction on Storage of Actual Card Data [i.e. Card-on-File (CoF)]”.

2. In terms of the above circulars, with effect from October 1, 2022, no entity in the card transaction / payment chain, other than the card issuers and / or card networks, shall store CoF data, and any such data stored previously shall be purged.
3. On a review of the issues involved and after detailed discussions thereon with all stakeholders, as also keeping in view that sufficient time has elapsed since the requirements were specified, the following are advised –
 - a) There shall be no change in the effective date of implementation of the requirements – all entities, except card issuers and card networks, shall purge the CoF data before October 1, 2022.
 - b) For ease of transition to an alternate system in respect of transactions where cardholders decide to enter the card details manually at the time of undertaking the transaction (commonly referred to as “guest checkout transactions”), the following are being permitted as an interim measure –
 - i. Other than the card issuer and the card network, the merchant or its Payment Aggregator (PA) involved in settlement of such transactions, can save the CoF data for a maximum period of T+4 days (“T” being the transaction date) or till the settlement date, whichever is earlier. This data shall be used only for settlement of such transactions, and must be purged thereafter.
 - ii. For handling other post-transaction activities, acquiring banks can continue to store CoF data until January 31, 2023.
4. Appropriate penal action, including imposition of business restrictions, shall be considered by the RBI in case of any non-compliance.
5. 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. FEMA.3(R)(3)/2022-RB DATED JULY 28, 2022.

Foreign Exchange Management (Borrowing and Lending) (Amendment) Regulations, 2022

In exercise of the powers conferred by sub-section (2) of Section 6 and Section 47 of the Foreign Exchange Management Act, 1999 (42 of 1999), the Reserve Bank of India hereby makes the following amendments to the Foreign Exchange Management (Borrowing and Lending) Regulations, 2018 (Notification No. FEMA.3(R)/2018-RB dated December 17, 2018) (hereinafter referred to as ‘the Principal Regulations’), namely:

1. Short Title & Commencement:

- (i) These Regulations may be called the Foreign Exchange Management (Borrowing and Lending) (Third Amendment) Regulations, 2022.
- (ii) They shall come into force from the date of notification in the official gazette.

2. Amendment to Paragraph 2 of Schedule 1:

After Paragraph 8 of Schedule 1 to the Principal Regulations, the following shall be added;

“8A: The limit of USD 750 million or equivalent per financial year is temporarily increased to USD 1500 million or equivalent. This dispensation will be available for ECBs raised till December 31, 2022.”

Published in the Official Gazette of Government of India Extraordinary Part III, Section 4, dated July 29, 2022

3. The Principal Regulations were published in the Official Gazette vide G.S.R.No.1213(E) dated December 17, 2018, in Part II, Section 3, sub-Section (i) and subsequently amended as under:

- i. Notification No. G.S.R No. 163(E) published in the official gazette on February 26, 2019.
- ii. Notification No. FEMA. 3(R)2/2021-RB published in the official gazette on May 24, 2021.

5. RBI NOTIFICATION NO. RBI/2022-2023/97 FIDD.CO.GSSD.BC.No.10/09.09.001/2022-23 DATED AUGUST 01, 2022

Master Circular - Credit facilities to Scheduled Castes (SCs) & Scheduled Tribes (STs)

The Reserve Bank of India has, from time to time, issued a number of guidelines/instructions to banks on credit facilities to Scheduled Castes (SCs) & Scheduled Tribes (STs). The enclosed Master Circular consolidates the circulars issued by Reserve Bank on the subject till date, as listed in the Appendix. (<https://www.rbi.org.in/scripts/NotificationUser.aspx?Id=12365&Mode=0>).

6. RBI NOTIFICATION NO. RBI/2022-23/98 A.P. (DIR Series) Circular No. 11 DATED AUGUST 01, 2022

External Commercial Borrowings (ECB) Policy – Liberalisation Measures

1. Attention is invited to paragraph 2.2 of FED Master Direction No.5 on External Commercial Borrowings, Trade Credits and Structured Obligations, dated March 26, 2019 (as amended from time to time), in terms of which eligible ECB borrowers are allowed to raise ECB up to USD 750 million or equivalent per financial year under the automatic route, and paragraph 2.1.vi. *ibid*, wherein the all-in-cost ceiling for ECBs has been specified.
2. As announced in paragraph five of the press release on “Liberalisation of Forex Flows” dated July 06, 2022, it has been decided, in consultation with the Central Government, to:
 - i) increase the automatic route limit from USD 750 million or equivalent to USD 1.5 billion or equivalent.
 - ii) increase the all-in-cost ceiling for ECBs, by 100 bps. The enhanced all-in-cost ceiling shall be available only to eligible borrowers of investment grade rating from Indian Credit Rating Agencies (CRAs). Other eligible borrowers may raise ECB within the existing all-in-cost ceiling, as hitherto.

The above relaxations would be available for ECBs to be raised till December 31, 2022.

3. AD Category-I banks may bring the contents of this circular to the notice of their constituents and customers.
4. The aforesaid Master Direction No. 5, is being updated to reflect these changes.
5. Necessary amendments to the relevant regulations have been made through the Foreign Exchange Management (Borrowing and Lending) (Amendment) Regulations, 2022, notified vide notification No. FEMA.3(R)(3)/2022-RB dated July 29, 2022.
6. The directions contained in this circular have been issued under section 10(4) and 11(2) of the Foreign Exchange Management Act, 1999 (42 of 1999) and are without prejudice to permissions/ approvals, if any, required under any other law.

7. RBI NOTIFICATION NO. RBI/2022-23/99 FIDD.GSSD.BC.No.11/09.10.001/2022-23 DATED AUGUST 02, 2022.

Master Circular on Credit Facilities to Minority Communities

The Reserve Bank of India has periodically issued guidelines/instructions/directives to banks with regard to providing credit facilities to Minority Communities. The Master Circular enclosed consolidates the circulars issued by Reserve Bank on the subject till date, as listed in the Appendix. (<https://www.rbi.org.in/scripts/NotificationUser.aspx?Id=12367&Mode=0>).

8. RBI NOTIFICATION NO. RBI/2022-23/100 DoR.AUT.REC.58/23.67.001/2022-23 DATED AUGUST 04, 2022.

Gold Monetization Scheme (GMS), 2015.

1. In exercise of the powers conferred on the Reserve Bank of India under Section 35A of the Banking Regulation Act, 1949, the RBI makes the following amendments in the Reserve Bank of India (Gold Monetization Scheme, 2015) Master Direction No.DBR.IBD.No.45/23.67.003/2015-16 dated October 22, 2015, with immediate effect.
2. The existing sub-para 2.2.2.(v) stands deleted (and hence the existing sub-paras 2.2.2.(vi) to 2.2.2.(viii) have accordingly been renumbered). The corresponding provisions have been suitably incorporated in sub-para 2.4.i.(a) and 2.4.i.(b).
3. The sub-para 2.2.2.(vii) has been amended to read as follows:
 “Central Government has decided that with effect from November 5, 2016, designated banks will be paid handling charges (including gold purity testing, refining, transportation, storage and any other relevant costs) for a new MLTGD at a flat rate of 1.5% and commission at the rate of 1% of the rupee equivalent of the amount of gold mobilized under the scheme until further notice. In case of renewal of deposits, as banks will not incur any expenses on purity testing, refining, transportation, storage and insurance etc., the banks will only be given a fixed commission of 1% of the rupee equivalent of the amount of gold on the date of renewal towards their administrative and account maintenance cost.”
4. A new sub-para 2.4 has been inserted (and hence the existing sub-paras 2.4 to 2.10 have accordingly been renumbered) (<https://www.rbi.org.in/scripts/NotificationUser.aspx?Id=12368&Mode=0>).
5. The Reserve Bank of India Master Direction No.DBR.IBD.45/23.67.003/2015-16 dated October 22, 2015 on Gold Monetization Scheme, 2015 has been updated incorporating the above changes.

9. RBI NOTIFICATION NO. RBI/2022-23/101 FMOD.MAOG.No.146/01.01.001/2022-23 DATED AUGUST 05, 2022

Liquidity Adjustment Facility- Change in rates

1. As announced in the Monetary Policy Statement dated August 05, 2022, it has been decided by the Monetary Policy Committee (MPC) to increase the policy Repo rate under the Liquidity Adjustment Facility (LAF) by 50 basis points from 4.90 per cent to 5.40 per cent with immediate effect.
2. Consequently, the standing deposit facility (SDF) rate and marginal standing facility (MSF) rate stand adjusted to 5.15 per cent and 5.65 per cent respectively, with immediate effect.
3. All other terms and conditions of the extant LAF Scheme will remain unchanged.

10. RBI NOTIFICATION NO. RBI/2022-23/102 REF.No.MPD.BC.394/07.01.279/2022-23 DATED AUGUST 05, 2022

Standing Liquidity Facility for Primary Dealers.

1. As announced in the Monetary Policy Statement 2022-23 today, it has been decided by the Monetary Policy Committee (MPC) to increase the policy repo rate under the Liquidity Adjustment Facility (LAF) by 50 basis points from 4.90 per cent to 5.40 per cent with immediate effect.
2. Accordingly, the Standing Liquidity Facility provided to Primary Dealers (PDs) (collateralised liquidity support) from the Reserve Bank would be available at the revised repo rate of 5.40 per cent with immediate effect.

11. RBI NOTIFICATION (Ref. CEPD.PRD.No.S544/13.01.001/2022-23) DATED AUGUST 05, 2022

Reserve Bank - Integrated Ombudsman Scheme, 2021 (RBIOS, 2021)

1. In exercise of the powers conferred by sub section (1) of Section 11 of the Credit Information Companies (Regulation) Act, 2005, and in partial modification of its notification CEPD. PRD. No. S873/13.01.001/2021-22 dated November 12, 2021, the Reserve Bank of India, being satisfied that it is in public interest to do so, and to provide an avenue for cost free alternate grievance redress to customers of regulated entities covered under the RBIOS 2021 (the Scheme) for grievances against Credit Information Companies, hereby directs that the

'Credit Information Company' as defined in the Credit Information Companies (Regulation) Act, 2005, shall also be treated as a 'Regulated Entity' for the purpose of the Scheme.

2. As a result, the Scheme shall also be applicable to Credit Information Companies to the extent not specifically excluded under the Scheme.
3. The amendment in the Scheme shall come into force w.e.f. September 1, 2022.
4. An updated version of the Scheme is annexed.

12. RBI NOTIFICATION NO. RBI/2022-23/103 DOR.RET.REC.59/12.01.001/2022-23 DATED AUGUST 05, 2022.

Change in Bank Rate

1. Please refer to RBI circular DOR.RET.REC.44/12.01.001/2022-23 dated June 08, 2022 on the captioned subject.
2. As announced in the Monetary Policy Statement 2022-23 dated August 05, 2022, the Bank Rate is revised upwards by 50 basis points from 5.15 per cent to 5.65 per cent with immediate effect.
3. All penal interest rates on shortfall in reserve requirements, which are specifically linked to the Bank Rate, also stand revised as indicated in the Annex.

Annex

Penal Interest Rates which are linked to the Bank Rate

Item	Existing Rate	Revised Rate (With immediate effect)
Penal interest rates on shortfalls in reserve requirements (depending on duration of shortfalls).	Bank Rate plus 3.0 percentage points (8.15 per cent) or Bank Rate plus 5.0 percentage points (10.15 per cent).	Bank Rate plus 3.0 percentage points (8.65 per cent) or Bank Rate plus 5.0 percentage points (10.65 per cent).

13. RBI NOTIFICATION NO. RBI/2022-23/104 DOR.LIC.REC.60/16.13.218/2022-23 DATED AUGUST 08, 2022.

Authorised Dealer Category-I License eligibility for Small Finance Banks.

1. Please refer to the 'Guidelines for Licensing of Small Finance Banks in Private Sector' dated November 27, 2014 and the 'Guidelines for 'on-tap' Licensing of Small Finance Banks in Private Sector' released by Reserve Bank on December 5, 2019.
2. In terms of paragraph 4 of the aforesaid Licensing Guidelines, a small finance bank (SFB) can also become Authorised Dealer Category-II in foreign exchange business for its clients' requirements.
3. With the objective of giving more flexibility to SFBs to meet their customers' foreign exchange business requirement, it has been decided that all the scheduled SFBs, after completion of at least two years of operations as Authorised Dealer Category-II, will be eligible for Authorised Dealer Category-I license, subject to compliance with the eligibility norms given in the Annex-I. The eligible SFBs may approach Foreign Exchange Department, Central Office, Reserve Bank of India with their applications along with the supporting documents with regard to their eligibility and requisite documents as specified in Annex-II for grant of Authorised Dealer Category-I license.
4. The other terms and conditions of the Licensing Guidelines remain unchanged.

Annex-I

Eligibility norms for Small Finance Banks for Authorised Dealer Category-I

- i. The bank should have completed at least two years of operations as Authorised Dealer Category-II.
- ii. The bank should have been included in the Second Schedule to RBI Act 1934.
- iii. It should have a minimum net worth of ₹500 crore.
- iv. Its CRAR should not be less than 15%.
- v. The net NPAs of the bank should not exceed 6%, during previous four quarters.
- vi. It should have made profit in the preceding two years.
- vii. It should not have defaulted in maintenance of CRR/ SLR during previous two years.
- viii. It should have sound internal control systems.
- ix. It should not have any major regulatory and supervisory concerns.

Annex-II

List of documents to be furnished along with the application to Foreign Exchange Department, Central Office, Reserve Bank of India

- i. A copy of applicant's banking license issued by Department of Regulation, Reserve Bank of India; and
- ii. Necessary Board resolution for conducting the activities permitted to an Authorised Dealer Category-I and for obtaining necessary authorisation from the Reserve Bank under section 10(1) of FEMA 1999.

14. RBI NOTIFICATION NO. RBI/2022-23/105 FMRD.DIRD.05/14.03.046/2022-23 DATED AUGUST 08, 2022.

Rupee Interest Rate Derivatives (Reserve Bank) Directions – Review

1. Please refer to Paragraph 4 of the Statement on Developmental and Regulatory Policies, issued as a part of the Bi-monthly Monetary Policy Statement for 2022-23 dated August 05, 2022 regarding permitting stand-alone primary dealers (SPDs) in India to deal in Foreign Currency Settled Overnight Indexed Swaps (FCS-OIS). Attention is also invited to the Rupee Interest Rate Derivatives (Reserve Bank) Directions, 2019 dated June 26, 2019, as amended from time to time (hereinafter, Directions).
2. Banks in India having Authorised Dealer Category-I (AD Cat-I) license under FEMA, 1999 have been permitted under the above Directions to offer FCS-OIS to persons not resident in India as well as to other AD Cat-I banks vide circular FMRD.DIRD.12/14.03.046/2021-22 dated February 10, 2022. On a review, it has been decided that SPDs, authorized under section 10(1) of FEMA, 1999 shall also be eligible to offer FCS-OIS to persons not resident in India as well as to other AD Cat-I banks and eligible SPDs.
3. The instructions shall be applicable with immediate effect. The updated Directions are attached.
4. The instructions contained in this circular have been issued in exercise of the powers conferred under section 45W of the Reserve Bank of India Act, 1934 read with section 45U of the Act and of all the powers enabling it in this behalf.

15. RBI NOTIFICATION NO. RBI/2022-23/106 DOR.REG.No.63/19.51.052/2022-23 DATED AUGUST 11, 2022

Section 23 of the Banking Regulation Act, 1949 (As Applicable to Co-operative Societies) – Opening of new place of business by District Central Co-operative Banks (DCCBs)

1. Pursuant to the amendment to the Banking Regulation Act (No.39 of 2020) dated September 29, 2020, District Central Co-operative Banks (DCCBs) are permitted to open new place of business/install ATMs or shift the location of such offices only after obtaining prior approval of the Reserve Bank of India (RBI). Accordingly, it has been decided to issue guidelines with details of the criteria and procedure for submission of application by DCCBs for opening new place of business/installation of ATMs.

2. The criteria for opening of branches/extension counters/specialized branches/regional offices/zonal offices/administrative offices/shifting of branches/upgradation of extension counters into full-fledged branches by a DCCB are as follows:
 - a. A licensed DCCB should have completed at least three years of operation
 - b. CRAR not being less than 9 per cent
 - c. No default in maintenance of CRR/SLR during the preceding financial year
 - d. Net NPA being less than 5 per cent
 - e. The bank should have made a net profit during the preceding two financial years
 - f. The bank should have a good track record of regulatory compliance and no monetary penalty should have been imposed on the bank for violation of Reserve Bank of India directives/guidelines during last two financial years
 - g. The bank should not have been placed under any specific direction issued by Reserve Bank of India during the preceding two financial years

The above parameters will be considered as they appear in the latest inspection report of NABARD.

3. In order to expedite the regulatory approvals under Section 23 of the Banking Regulation Act 1949 (AACS), it has been decided that DCCBs satisfying the criteria as mentioned at para 2 above, may submit their application in the format prescribed in the Banking Regulation (Co-operative Societies) Rules, 1966 to concerned Regional Office (RO) of the Reserve Bank of India for prior approval for opening of branches/extension counters/specialized branches/regional offices/zonal offices/administrative offices/shifting of branches/upgradation of extension counters into full-fledged branches. The banks shall also forward a copy of the application to NABARD which, in turn, shall forward their recommendation in the matter to concerned RO of the Reserve Bank of India.
4. DCCBs shall be allowed to install on-site ATMs without seeking prior approval of the Reserve Bank of India. They may also install off-site/mobile ATMs as per their need and potential in their area of operation without prior permission from the Reserve Bank of India subject to satisfying the criteria as mentioned at para 2 above. Further, DCCBs shall ensure that the proposal for installation of off-site/mobile ATMs is duly approved by their Board of Directors. The conditions subject to which off-site/mobile ATMs can be operationalized by DCCBs are furnished in Annex I. The formats for reporting on-site/off-site/mobile ATMs by DCCBs are furnished in Annex II and Annex III. The reporting requirements are listed in Annex IV.
5. DCCBs shall report to concerned Regional Office of the Reserve Bank under whose jurisdiction the Head Office of the DCCB is functioning, immediately after operationalization of the off-site/mobile ATMs and in any case not later than 15 days, as per the format enclosed in Annex II and Annex III and obtain authorization under Section 23 of the Banking Regulation Act, 1949 (AACS) from the concerned Regional Office of the Reserve Bank.
6. DCCBs are advised to adhere to the guidelines relating to the security measures at ATMs issued by RBI vide circulars DCM(Plg.)No.3641/10.25.007/2017-18 dated April 12, 2018 and DCM(Plg.)No.2968/10.25.007/2018-19 dated June 14, 2019 and any subsequent instructions issued by RBI relating to security aspects at ATMs.
7. These guidelines will come into effect from the date of issue of the circular. (<https://www.rbi.org.in/scripts/NotificationUser.aspx?Id=12375&Mode=0>).

16. RBI NOTIFICATION NO. RBI/2022-23/107 DOR.MRG.REC.64/00-00-005/2022-23 DATED AUGUST 11, 2022.

Bilateral Netting of Qualified Financial Contracts - Amendments to Prudential Guidelines

1. Please refer to the circular DOR.CAP.51/21.06.201/2020-21 dated March 30, 2021 and circular DOR.CAP.REC.No.97/21.06.201/2021-22 dated March 31, 2022 on the captioned subject.

2. At present, while computing capital requirements for counterparty credit risk, the following exposures, wherever allowed to be undertaken, are exempted or capped:
 - a. foreign exchange (except gold) contracts which have an original maturity of 14 calendar days or less are excluded from capital requirements for counterparty credit risk.
 - b. 'sold options', provided the entire premium / fee or any other form of income is received / realised, are excluded from capital requirements for counterparty credit risk.
 - c. For Credit Default Swap transaction where bank is protection seller, the exposure is capped at the amount of premium unpaid by the protection buyer.
3. We have received queries from regulated entities (REs) regarding the applicability of the above exemptions / caps under the Bilateral Netting framework. In this connection, it is clarified that:
 - a. the exemption for foreign exchange (except gold) contracts which have an original maturity of 14 calendar days or less shall be applicable to entities calculating the counterparty credit risk under Original Exposure Method without taking the benefit of bilateral netting. Accordingly, the exemption would be applicable only to Regional Rural Banks, Local Area Banks and Co-operative Banks, where the bank has not adopted the bilateral netting framework. For other entities, the exemption shall stand withdrawn.
 - b. 'sold options', provided the entire premium / fee or any other form of income is received / realised, can be excluded only when such 'sold options' are outside the netting and margin agreements.
 - c. For Credit Default Swaps where the bank is the protection seller and that are outside netting and margin agreements, the exposure may be capped to the amount of premium unpaid. Banks have the option to remove such credit derivatives from their legal netting sets in order to apply the cap.
4. Accordingly, the select instructions have been modified/ amended as detailed in Annex.

Applicability

5. This circular is applicable to all Commercial Banks, Co-operative Banks, Standalone Primary Dealers, Systemically Important Non-Deposit taking Non-Banking Financial Companies (NBFC-ND-SIs), Deposit taking Non-Banking Financial Companies (NBFC-Ds) and Housing Finance Companies (HFCs).
6. These instructions shall come into force with immediate effect.

17. RBI NOTIFICATION NO. RBI/2022-23/108 DOR.ORG.REC.65/21.04.158/2022-23 DATED AUGUST 12, 2022

Outsourcing of Financial Services - Responsibilities of regulated entities employing Recovery Agents

1. The Reserve Bank of India has from time to time advised regulated entities (REs) that the ultimate responsibility for their outsourced activities vests with them and they are, therefore, responsible for the actions of their service providers including Recovery Agents (hereafter referred to as 'agents').
2. It has been observed that the agents employed by REs have been deviating from the extant instructions governing the outsourcing of financial services. In view of concerns arising from the activities of these agents, it is advised that the REs shall strictly ensure that they or their agents do not resort to intimidation or harassment of any kind, either verbal or physical, against any person in their debt collection efforts, including acts intended to humiliate publicly or intrude upon the privacy of the debtors' family members, referees and friends, sending inappropriate messages either on mobile or through social media, making threatening and/ or anonymous calls, persistently¹ calling the borrower and/ or calling the borrower before 8:00 a.m. and after 7:00 p.m. for recovery of overdue loans, making false and misleading representations, etc.
3. The instructions contained in para 2 above shall supplement and be read in conjunction with the existing guidelines/directions issued by the Reserve Bank of India, as amended from time to time, including those tabulated in Annex.

4. Any violation in this regard by REs will be viewed seriously.

Applicability

5. This circular shall apply to the following REs:

- a. All Commercial Banks (including Local Area Banks, Regional Rural Banks, and Small Finance Banks) excluding Payments Banks;
- b. All All-India Financial Institutions (viz. Exim Bank, NABARD, NHB, SIDBI, and NaBFID);
- c. All Non-Banking Financial Companies including Housing Finance Companies;
- d. All Primary (Urban) Co-operative Banks, State Co-operative Banks, and District Central Co-operative Banks; and
- e. All Asset Reconstruction Companies.

6. This circular shall not apply to microfinance loans covered under 'Master Direction – Reserve Bank of India (Regulatory Framework for Microfinance Loans) Directions, 2022', dated March 14, 2022.

(<https://www.rbi.org.in/Scripts/NotificationUser.aspx/NotificationUser.aspx?Id=12378&Mode=0>)