**Certificate Course in Foreign Exchange**

RBI Notifications during the period 1st Jan 2019 to 30th June 2019

RBI/2018-19/217FMRD.FMD.16/02.03.225/2018-19 June 20, 2019

All Eligible Market Participants

**Rollout of the foreign exchange trading platform for retail participants – FX-Retail**

Please refer to the Statement on Developmental and Regulatory Policies dated June 06, 2019, announcing the introduction of an electronic trading platform for buying/selling foreign exchange by retail customers of banks. The platform, FX-Retail, is ready for rollout by the Clearing Corporation of India Limited (CCIL) on August 05, 2019.

2. The issue of transparent and fair pricing for retail users (individuals and Micro, Small and Medium Enterprises) in the foreign exchange market has been raised in various fora and in public interactions. Such a mechanism will provide transparency while enhancing competition and lead to better pricing for retail customers. Banks may charge their retail customers a pre-agreed flat fee towards administrative expenses, which should be publicly declared. Overall, this would bring down the total cost faced by the retail customer in the foreign exchange market. Facilitating direct access of retail customers to the market, rather than through price-setting by their banks, would also bring down the risk that banks face in warehousing transactions.

3.The FX-Retail platform can be accessed by any customer of a bank (through the website https://www.fxretail.co.in) who has a need to purchase or sell US Dollar against the Rupee for delivery on cash basis (same day), tom basis (next day) or spot basis (two days after date of transaction), subject to the following:

1. There is no cap on the number of transactions per customer during a day. The total amount of transactions of a customer shall be subject to the limit assigned by its bank.
2. The size of a single transaction is not allowed to exceed $5 million.
3. As a further facility for retail clients, no transaction charges shall be levied by the CCIL on transactions of customers if such transactions do not exceed USD 50,000 per day.
4. A transaction charge of 0.0004% shall be charged by the CCIL for transactions in excess of USD 50,000 per day.

4. Fees charged by banks, if any, shall be indicated on the FX-Retail platform. Banks may recover from customers transaction and settlement charges levied by the CCIL.

5. In view of the advantages of transparency and pricing to retail customers, as well as the systemic advantage of improved price discovery, banks shall facilitate on-boarding of retail customers to the platform expeditiously. A quarterly return shall be submitted by all banks on the distribution of customer transactions (across FX-Retail, other electronic trading platforms and other channels) and the fees charged by them as per the format given in the annexure.

6. Detailed guidelines regarding the operation of the platform, including the process of customer registration, shall be issued by the CCIL. Customers can obtain further details about the platform on the CCIL website (https://www.ccilindia.com)

7. The customer registration process on the platform shall commence on July 01, 2019 and the platform shall be available for transactions from August 05, 2019.

8. The directions contained in this circular have been issued under section 45W of the Reserve Bank of India Act, 1934 and are without prejudice to permissions/ approvals, if any, required under any other law.

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RBI/2018-19/155 A.P.(DIR Series) Circular No.28 March 28, 2019

All Category - I Authorised Dealers and Authorised Banks

**Foreign Exchange Management (Deposit) Regulations, 2016 - Opening of NRO Accounts by Long Term Visa (LTV) holders, changes related to Special Non-Resident Rupee (SNRR) Account and Escrow Account**

Attention of Authorised Dealers (ADs) is invited to the Foreign Exchange Management (Deposit) Regulations, 2016 notified vide Notification No. FEMA 5(R)/2016-RB dated April 1, 2016 and A.P.(DIR Series) Circular No.67/2015-16[(1)/5(R)] dated May 5, 2016. The FEM (Deposit) (Amendment) Regulations 2018 i.e FEMA 5(R)(1) have since been notified by the Government of India vide GSR No 1093(E) dated November 9, 2018 necessitating following changes to the extant instructions.

Authorized Dealers may allow a Foreign Portfolio Investor (FPI) and a Foreign Venture Capital Investor (FVCI), registered with the Securities and Exchange Board of India (SEBI) to open and maintain a non-interest bearing foreign currency account for the purpose of making investment in accordance with the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2017, as amended from time to time.

Authorized Dealers may open only one Non-Resident Ordinary (NRO) Account for a citizen of Bangladesh or Pakistan, belonging to minority communities in those countries, namely Hindus, Sikhs, Buddhists, Jains, Parsis and Christians, residing in India and who has been granted a Long Term Visa (LTV) by the Central Government. The account will be converted to a resident account once such a person becomes a citizen of India within the meaning of the Citizenship Act, 1955. This account can also be opened if such person has applied for LTV which is under consideration of the Central Government, in which case, the account will be opened for a period of six months and may be renewed at six monthly intervals subject to the condition that the individual holds a valid visa and valid residential permit issued by Foreigner Registration Office (FRO)/ Foreigner Regional Registration Office (FRRO) concerned. The opening of such NRO accounts will be subject to reporting of the details of the accounts opened by the concerned Authorised bank, to the Ministry of Home Affairs (MHA) on a quarterly basis. The report shall contain details of (i) name/s of the individual/s; (ii) date of arrival in India; (iii) Passport No. and place/country of issue; (iv) Residential Permit/Long Term Visa reference and date & place of issue; (v) name of the FRO/FRRO concerned; (vi) complete address and contact number of the branch where the bank account is being maintained. The Head Office of the AD bank shall furnish the above details on a quarterly basis to the Under Secretary (Foreigners), Ministry of Home Affairs, NDCC-II Building, Jai Singh Road, New Delhi – 110 001. AD banks are advised to ensure strict compliance to these instructions.

In terms of extant instructions, SNRR accounts cannot be held for more than seven years. It has now been decided that SNRR accounts opened by persons resident outside India may remain operative beyond the stipulated period of seven years with RBI approval. Further, the restriction of seven years will not be applicable to SNRR accounts opened by persons resident outside India who are registered with SEBI and wish to make investment in India in accordance with Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2017, as amended from time to time.

The extant Schedule 5 of the Foreign Exchange Management (Deposit Regulations) 2016 pertaining to Escrow Accounts has been replaced to align the same with the provisions of Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2017, in terms of which, Escrow Accounts can be opened by residents and non-residents for acquisition/transfer of capital instruments/convertible notes and can also be funded by guarantee(s).

2. AD Category – I banks may bring the contents of this circular to the notice of their constituents and customers concerned.

3. 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.

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RBI/2018-19/151 FMRD.DIRD.13/14.03.041/2018-19 March 27, 2019

All participants in rupee interest rate derivative markets

**Non-resident Participation in Rupee Interest Rate Derivatives Markets (Reserve Bank) Directions, 2019**

Please refer to the Bi-monthly Monetary Policy Statement in April 2018 wherein it was announced that non-residents shall be given access to the Rupee Interest Rate Derivative (IRD) market in India.

2. The draft directions were released for public comments on December 05, 2018. Based on the feedback received from market participants, the Non-resident Participation in Rupee Interest Rate Derivatives Markets (Reserve Bank) Directions, 2019 have since been finalized. The Directions are enclosed herewith.

3. These Directions have been issued by RBI in exercise of the powers conferred under section 45W of the Reserve Bank of India Act, 1934 and of all the powers enabling it in this behalf.

**Notification No. FMRD.DIRD.14/2019 dated March 27, 2019**

**Non-resident Participation in Rupee Interest Rate Derivatives Markets (Reserve Bank) Directions, 2019**

The Reserve Bank of India (hereinafter called “the Reserve Bank”) having considered it necessary in public interest and to regulate the financial system of the country to its advantage, in exercise of the powers conferred by section 45W of the Reserve Bank of India Act, 1934, (herein after called ‘the Act’) read with section 45U of the Act and of all the powers enabling it in this behalf, hereby issues the following Directions to all entities including the non-residents, eligible to participate or transact in interest rate derivatives in India.

**1. Short title and commencement of the Directions**

(1) These Directions shall be called the ‘Non-resident Participation in Rupee Interest Rate Derivatives Markets (Reserve Bank) Directions, 2019’.

(2) These Directions shall be applicable to Rupee interest rate derivative transactions in India, undertaken on recognized stock exchanges, electronic trading platforms (ETP) and Over-the-Counter (OTC) markets to the extent stated herein.

(3) These Directions shall come into force with immediate effect.

**2. Definitions**

For the purpose of these directions, unless the context otherwise requires,

1. **Hedging** is the activity of undertaking a derivative transaction to reduce an identifiable and measurable risk. For the purpose of these directions, the relevant risk is Rupee interest rate risk.
2. An **interest rate swap** is a financial contract between two parties exchanging or swapping a stream of interest payments for a ‘notional principal’ amount on regular occasions during a specified period.
3. A **market-maker** is an entity regulated by the Reserve Bank that provides bid and offer prices to non-residents.
4. **Related entities** are entities as defined under Para-9 of International Accounting Standards -24 (IAS-24).
5. **Non-resident** is a person resident outside India as defined in section 2 (w) of Foreign Exchange Management Act, 1999 (42 of 1999).
6. **Overnight Indexed Swap** (OIS) is an interest rate swap based on the Overnight Mumbai Interbank Outright Rate (MIBOR) benchmark published by Financial Benchmarks India Pvt. Ltd (FBIL).
7. **Recognized stock exchanges** have the meaning assigned under Section 2 (f) of the Securities Contract Regulation Act, 1956.
8. **Users** refer to all non-resident participants in Rupee interest rate derivative markets.

**3.** A non-resident can undertake transactions in the Rupee interest rate derivatives markets for the following purposes:

1. To hedge an exposure to Rupee interest rate risk as stipulated in para 4; and,
2. For purposes other than hedging, to the extent stipulated in para 5.

**4. Transactions for the purpose of hedging interest rate risk**

1. A non-resident may undertake Rupee interest rate derivatives in India to hedge its interest rate risk using any permitted interest rate derivative product transacted on recognized stock exchanges, ETPs or OTC markets.
2. A non-resident shall ensure that its interest rate derivative transactions conform to the provisions of Section 45(V) of the RBI Act, 1934, as well as applicable provisions of Foreign Exchange Management Act, 1999 and the rules, regulations and directions issued thereunder.
3. Market-makers shall ensure that transactions by a non-resident are being carried out for the purpose of hedging. For this purpose, market-makers may call for any relevant information from the non-resident, who, in turn, is obliged to provide such information.

**5. Transactions for purposes other than hedging interest rate risk**

i. Non-residents, other than individuals, may undertake Overnight Indexed Swaps (OIS) transactions for purposes other than hedging interest rate risk in terms of the following arrangements:-

(a) These transactions may be undertaken directly with a market-maker in India, or by way of a ‘back-to-back’ arrangement through a foreign branch/parent/group entity (foreign counterpart) of the market- maker.

Explanation – For the purpose of these directions, a ‘back-to-back’ arrangement means that the non-resident undertakes the transaction with a foreign counterpart of the market-maker and the foreign counterpart, in turn, immediately enters into an off-setting transaction with the market-maker in India.

(b) A market-maker shall enter into a ‘back-to-back’ arrangement referred to in (a) above provided that:

1. All rupee interest rate derivatives transactions, globally, of related entities of the market-maker are accounted for in the books of the market-maker. In other words, no related entity of the market-maker shall undertake transactions in Rupee interest rate derivatives other than under the ‘back-to-back’ arrangement.
2. Rupee interest rate derivatives transactions of FPIs related to the market-maker covered under para 4 above shall be exempted from the requirement in para 5(i)(b)(i) above.

(c) OIS transactions by non-residents for purposes other than hedging interest rate risk shall be subject to an overall limit, as specified below :

1. The Price Value of a Basis Point (PVBP) of all outstanding OIS positions undertaken by all non-residents shall not exceed the amount of INR 3.50 billion (PVBP cap).

Explanation – PVBP cap shall be calculated by making a gross addition, ignoring mathematical signs, of the PVBP of each non-resident.
2. Non-residents shall not undertake any further OIS transactions for purposes other than hedging after the PVBP cap is reached.
3. The PVBP of all outstanding OIS positions for any non-resident (including related entities) shall not exceed 10% of the PVBP cap.
4. Clearing Corporation of India Ltd. (CCIL) shall publish the methodology for calculation of the PVBP and monitor as well as publish utilization of the PVBP limit on a daily basis.

ii. Foreign Portfolio Investors (FPIs), collectively, may also transact in interest rate futures (IRF) up to a limit of net long position of INR 50 billion in terms of [RBI circular No. FMRD.DIRD.6/14.03.001/2017-18 dated March 01, 2018](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11225&Mode=0).

**6. Remittance/Payments**

All payments related to interest rate derivative transactions of a non-resident may be routed through a Rupee account of the non-resident or, where the non-resident doesn’t have a Rupee account in India, through a vostro account maintained with an Authorised Dealer bank in India. The market-maker shall maintain complete details of such transactions.

**7. KYC for the non-resident**

Market-maker shall ensure that non-resident clients are from an FATF compliant country. Market-makers shall also ensure that non-resident clients comply with the KYC requirements as prescribed under [Master Direction – Know your Customer Direction, 2016 (DBR.AML.BC.No.81/14.01.001/2015-16) dated February 25, 2016](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11261&Mode=0) as amended from time to time.

**8. Reporting**

1. All OTC rupee interest rate derivative transactions shall be reported by market-makers and ETPs to the trade repository of CCIL, clearly indicating whether the trade is for hedging or other purposes.
2. Market-makers shall report trade details, including particulars of the non–resident client for OIS transactions under the ‘back-to-back’ arrangement, to the trade repository of CCIL.
3. Cross-border remittances arising out of transactions in Rupee interest rate derivatives shall be reported by banks to the Reserve Bank at monthly interval in the prescribed format as furnished in [Annex](https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11512&Mode=0#AN1).

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RBI/2018-19/144 A.P. (DIR Series) Circular No. 24 March 20, 2019

All Authorised Persons

**Export and Import of Indian Currency**

Attention of Authorised Persons is invited to Regulation 8 of Foreign Exchange Management (Export and import of currency) Regulations, 2015, in terms of which a person may take or send out of India to Nepal or Bhutan and bring into India from Nepal or Bhutan, currency notes of Government of India and Reserve Bank of India for any amount in denominations up to ₹100/-. Further, an individual may carry to Nepal or Bhutan, currency notes of Reserve Bank of India denominations above ₹100/-, i.e. currency notes of ₹500/- and/or ₹1000/- denominations, subject to a limit of ₹25,000/-.

2. It has now been decided that an individual travelling from India to Nepal or Bhutan may carry Reserve Bank of India currency notes in Mahatma Gandhi (New) Series of denominations ₹200/- and/or ₹500/- subject to a total limit of ₹25,000/- Instructions regarding currency notes of Government of India and Reserve Bank of India for any amount in denominations up to ₹100/- shall continue as hitherto.

3. Authorised Persons may bring the contents of this circular to the notice of their constituents and customers.

4. Necessary amendments to Foreign Exchange Management (Export and import of currency) Regulations, 2015 (Notification No. FEMA 6(R) /RB-2015 dated December 29, 2015) have been notified as Foreign Exchange Management (Export and import of Currency) (Amendment) Regulations, 2019 [Notification 6(R)/(1)/2019-RB dated February 26, 2019] in the Official Gazette vide G.S.R. No.151(E) dated February 26, 2019, a copy of which is annexed.

5. 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.

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**Notification No. FEMA 6(R)/(1)/2019-RB February 26, 2019**

**Foreign Exchange Management (Export and import of Currency) (Amendment) Regulations, 2019**

In exercise of the powers conferred by clause (g) of sub-section (3) 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 (Export and import of Currency) Regulations, 2015 ([Notification No. FEMA 6(R)/RB-2015 dated December 29, 2015](https://rbi.org.in/Scripts/NotificationUser.aspx?Id=10255&Mode=0)) (hereinafter referred to as 'the Principal Regulations'), namely:-

**1. Short Title & Commencement**

(i) These Regulations may be called the Foreign Exchange Management (Export and import of Currency) (Amendment) Regulations, 2019

(ii) They shall come into force from the date of their publication in the [Official Gazette](https://rbidocs.rbi.org.in/rdocs/content/pdfs/GazetteFEMA6R26022019.pdf).

**2. Amendment to Regulation 8**

(i) The existing sub-Regulation (1) of Regulation 8 shall be substituted with the following, namely;

(1) take or send out of India to Nepal or Bhutan, currency notes of Government of India and Reserve Bank of India notes (other than notes of denominations of above Rs.100 in either case), provided that an individual travelling from India to Nepal or Bhutan can carry Reserve Bank of India notes of Mahatma Gandhi (new) Series of denominations Rs. 200/- and/or Rs. 500/- up to a total limit of Rs. 25,000;

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RBI/2018-19/107 DBR.Dir.BC.No.22/04.02.001/2018-19 January 11, 2019

All Scheduled Commercial Banks (excluding RRBs) Small Finance Banks and Primary (Urban) Cooperative Banks

**Interest Equalisation Scheme on Pre and Post Shipment Rupee Export Credit**

Please refer to the operational instructions for the captioned scheme contained in RBI circular on Interest Equalisation Scheme on Pre and Post Shipment Rupee Export Credit issued vide DBR.Dir.BC.No.62/04.02.001/2015-16 dated December 4, 2015; DCBR.CO.SCB.Cir.No.1/13.05.000/2015-16 dated February 11, 2016 and DBR.Dir.BC.No.09/04.02.001/2018-19 dated November 29, 2018.

2. In this regard, it has been decided by the Government of India to include merchant exporters also, w.e.f. January 2, 2019, under the ongoing Interest Equalisation Scheme for Pre and Post Shipment Rupee Export Credit and allow them interest equalisation at the rate of 3% on credit for export of products covered under 416 tariff lines identified under the Scheme.

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