

# Info Capsule

24<sup>th</sup> December, 2019



THE INSTITUTE OF  
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भारतीय कम्पनी सचिव संस्थान

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## **1. SECURITIES AND EXCHANGE BOARD OF INDIA (FOREIGN PORTFOLIO INVESTORS) (AMENDMENT) REGULATIONS, 2019 (Dated 19<sup>th</sup> December, 2019)**

SEBI has issued the Securities and Exchange Board of India(Foreign Portfolio Investors) (Amendment) Regulations, 2019 in exercise of the powers conferred by sub-section (1) of Section 30 read with sub section (1) of Section 11, clause (ba) of sub-section (2) of Section 11 and sub-sections (1) and (1A) of Section 12 of the Securities and Exchange Board of India Act, 1992, and under Section 25 of the Depositories Act, 1996.

In the Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2019 –

- I. in regulation 2, in sub-regulation (1), in clause (n), the words and symbols “regulation 2 of the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2017” shall be substituted with the words and symbols “rule 2 of the Foreign Exchange Management (Non-debt Instruments) Rules, 2019”.
- II. in regulation 20, in sub-regulation (8), the words and symbols “Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) 2 Regulations, 2017 made under the Foreign Exchange Management Act, 1999” shall be substituted with the words and symbols “the Foreign Exchange Management Act, 1999, rules and regulations made thereunder”
- III. in regulation 20, sub-regulation (9) shall be omitted.

Amended Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2019 is available at: <https://www.sebi.gov.in/legal/regulations/sep-2019/securities-and-exchange-board-of-india-foreign-portfolio-investors-regulations-2019-last-amended-on-december-19-2019-44436.html>

## **2. Review of Master Directions - Non-Banking Financial Company – Peer to Peer Lending Platform (Reserve Bank) Directions, 2017 (Dated 23<sup>rd</sup> December, 2019)**

This has reference to paragraphs 7 - Prudential Norms and 9 - Fund Transfer Mechanism of Master Directions - Non-Banking Financial Company – Peer to Peer Lending Platform (Reserve Bank) Directions, 2017, dated October 04, 2017 available at [https://www.rbi.org.in/Scripts/BS\\_ViewMasDirections.aspx?id=11137](https://www.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=11137)

Master Directions - Non-Banking Financial Company – Peer to Peer Lending Platform (Reserve Bank) Directions, 2017 have been updated as follows:

- i. The aggregate exposure of a lender to all borrowers at any point of time, across all P2P platforms, shall be subject to a cap of ₹ 50,00,000 provided that such investments of the lenders on P2P platforms are consistent with their net-worth.  
The lender investing more than ₹ 10,00,000 across P2P platforms shall produce a certificate to P2P platforms from a practicing Chartered Accountant certifying minimum net-worth of ₹ 50,00,000. Further, all the lenders shall submit declaration to P2P platforms that they have understood all the risks associated with lending transactions and that P2P platform does not assure return of principal/payment of interest.
- ii. Escrow accounts to be operated by bank promoted trustee for transfer of funds need not be mandatorily maintained with the bank which has promoted the trustee.

The notification is available at: <https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11764&Mode=0>

### **3. *Setting up of IFSC Banking Units (IBUs) – Permissible activities (Dated 23<sup>rd</sup> December, 2019)***

This has reference to RBI circular DBR.IBD.BC.14570/23.13.004/2014-15 dated April 01, 2015 available at <https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=9636&Mode=0>, as modified from time to time, setting out RBI directions relating to IFSC Banking Units (IBUs). In response to suggestions and queries from the stakeholders regarding operations of the IBUs and financial institutions in IFSCs, it has been announced that necessary instructions will be issued shortly. Accordingly, the directions stand further modified as follows:

2. The existing paragraph No.2.6 (iv) of Annex I and II of the aforesaid circular dated April 1, 2015 is amended to read as follows:  
“RBI will not prescribe any limit for raising short-term liabilities from banks. However, the IBUs must maintain LCR as applicable to Indian banks on a stand-alone basis and strictly follow the liquidity risk management guidelines issued by RBI to banks. Further, NSFR will also be applicable to IBUs as and when it is applied to Indian banks.”
3. The existing paragraph No.2.6 (v) of Annex I and II of the aforesaid circular dated April 1, 2015 is amended to read as follows:  
“IBUs are not allowed to open savings accounts. They can open foreign currency current accounts of units operating in IFSC and of non-resident institutional investors to facilitate their investment transactions. They can also open foreign currency current accounts (including escrow accounts) of their corporate borrowers subject to the provisions of FEMA 1999 and regulations issued thereunder, wherever applicable in addition to provisions of para 2.5 above. However, IBUs cannot raise liabilities from retail customers including high net worth individuals (HNIs). Also, no cheque facility will be available for holders of current accounts in the IBUs. All transactions through these accounts must be undertaken via bank transfers”.
4. The existing paragraph No.2.6 (x) of Annex I and II of the aforesaid circular dated April 1, 2015 is amended to read as follows  
“Subject to para 2.5 above, the IBUs can accept fixed deposits in foreign currency of tenor less than one year from non-bank entities and can also repay fixed deposits prematurely without any time restrictions.
5. The existing paragraph No.2.8 of Annex I of the aforesaid circular dated April 1, 2015 is amended on the lines of para 2.8 of Annex II to read as follows  
“The IBUs will be required to scrupulously follow "Know Your Customer (KYC)", Combating of Financing of Terrorism (CFT) and other anti-money laundering instructions issued by RBI from time to time, including the reporting thereof, as prescribed by the Reserve Bank /other agencies in India. IBUs are prohibited from undertaking cash transactions.”
6. All other terms and conditions contained in the aforementioned circular remain unchanged.

The notification is available at: <https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11765&Mode=0>

