



PHD Research Bureau
PHD Chamber of Commerce and Industry



Key Notifications by RBI

- **Rationalisation of Overseas Investment Regulations under FEMA, 1999**

Overseas Investments and acquisition of immovable properties outside India by persons resident in India is presently governed by the provisions contained in Notification No. FEMA 120/RB-2004 dated July 07, 2004 [Foreign Exchange Management (Transfer or Issue of any Foreign Security) Regulations, 2004] and Notification No. FEMA 7 (R)/2015-RB dated January 21, 2016 [Foreign Exchange Management (Acquisition and Transfer of Immovable Property Outside India) Regulations 2015] respectively.

With a view to further liberalize regulatory framework and also to promote ease of doing business, it has been decided to rationalize the existing provisions governing overseas investment. The Rules and Regulations will be finalized after public consultations.

Accordingly, the Reserve Bank of India (RBI) has placed two documents on its website viz draft Foreign Exchange Management (Non-debt Instruments - Overseas Investment) Rules, 2021 (**enclosed**) and draft Foreign Exchange Management (Overseas Investment) Regulations, 2021 (**enclosed**).

Members are requested to kindly share their comments/inputs on the draft rules at research@phdcci.in or kritika.bhasin@phdcci.in by Monday, 16th August 2021.

- **Enhancement of collateral free loans to Self Help Groups (SHGs) under DAY-NRLM from ₹10 lakh to ₹20 Lakh**

This is in reference to the [Master Circular FIDD.GSSD.CO.BC.No.04/09.01.01/2021-22 dated April 1, 2021](#), on Deendayal Antyodaya Yojana - National Rural Livelihoods Mission (DAY-NRLM).

In this regard, the Government of India, vide their Gazette Notification S.O. 2668(E) dated July 1, 2021, has notified amendments in the Credit Guarantee Fund for Micro Units (CGFMU) scheme in paragraph (2) sub-paragraph (xii) of the notification of the Government of India, Ministry of Finance (Department of Financial Services), number S.O. 1443(E), dated the April 8, 2016, published in the Gazette of India.

In view of the above amendment, paragraph 7.4 of RBI Master Circular FIDD.GSSD.CO.BC.No.04/09.01.01/2021-22 (on DAY-NRLM) dated April 01, 2021 stands modified as under:

7.4 Security and Margin:

7.4.1 For loans to SHGs up to ₹10.00 lakh, no collateral and no margin will be charged. No lien

ould be marked against savings bank account of SHGs and no deposits should be insisted upon while sanctioning loans.

4.2 For loans to SHGs above ₹10 lakh and up to ₹20 lakh, no collateral should be charged and no lien should be marked against savings bank account of SHGs. However, the entire loan (irrespective of the loan outstanding, even if it subsequently goes below ₹10 lakh) would be eligible for coverage under Credit Guarantee Fund for Micro Units (CGFMU)."

All other provisions of the Master Circular remain unchanged.

- **Section 24 of the Banking Regulation Act, 1949 – Maintenance of Statutory Liquidity Ratio (SLR) – Marginal Standing Facility (MSF) - Extension of Relaxation**

This is in reference to the circular [DOR.No.Ret.BC.36/12.01.001/2020-21 dated February 05, 2021](#), on Marginal Standing Facility (MSF), wherein the banks were allowed to avail of funds under the MSF by dipping into the Statutory Liquidity Ratio (SLR) up to an additional one per cent of their net demand and time liabilities (NDTL), i.e., cumulatively up to three per cent of NDTL. This facility, which was initially available up to June 30, 2020, was later extended in phases up to September 30, 2021, providing comfort to banks on their liquidity requirements and also to enable them to meet their Liquidity Coverage Ratio (LCR) requirements.

As announced in the Statement on Developmental and Regulatory Policies of August 06, 2021, with a view to providing comfort to banks on their liquidity requirements, banks are allowed to continue with the MSF relaxation for a further period of three months, i.e., up to December 31, 2021.

Please contact for any query related to this mail to Mr Rishabh, Research Associate at rishabh@phdcci.in, with a cc to Dr S P Sharma, Chief Economist | DSG at spsharma@phdcci.in and Ms Kritika Bhasin, Research Officer at kritika.bhasin@phdcci.in, PHD Chamber of Commerce & Industry.

Warm Regards,

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