

## RBI announces regulations for setting up of IFSC Banking Units (IBUs)

With reference to RBI circular DBR.IBD.BC.14570/23.13.004/2014-15 dated April 01, 2015, setting out RBI directions relating to International Financial Services Centres (IFSC) Banking Units (IBUs), the directions stand modified 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.
- 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. 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”.
- 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, 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.
- 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.

- All other terms and conditions contained in the aforementioned circular remain unchanged.

An updated copy of the RBI circular on IBUs dated April 01, 2015 incorporating the amendments is enclosed for your ready reference.

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