

RECENT UPDATES FROM THE RESERVE BANK OF INDIA

1. COVID Regulatory Package:

The Reserve Bank of India (“RBI”) has issued various relief measures in response to the COVID-19 pandemic on May 23, 2020.

The latest measures (*inter alia*) allow lending institutions to extend the moratorium on term loan installments and defer interest on working capital facilities for a period of 3 months, from June 1, 2020 to August 31, 2020. In order to ease working capital financing, lending institutions have been permitted to recalculate the ‘drawing power’ by reducing the margins till August 31, 2020 and reassess the working capital cycle of a borrowing entity up to an extended period till 31 March 2021.

Similar measures were previously released on March 27, 2020, April 17, 2020.

These measures can be viewed here:

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11902&Mode=0>

What this means for you: These measures can be used by borrowers to meet their operational requirements. You should check if any of these would be useful for your organization.

2. Extension of Timelines:

The RBI issued the following timeline extensions for compliance with various payment system requirements. The RBI’s notification can be accessed here:

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11910&Mode=0>

No.	Instruction / Circular	Present Timeline	Revised Timeline
1	(i) All existing non-bank Prepaid Payment Instruments (“PPI”) issuers (at the time of issuance of PPI-Master Direction dated October 11, 2017) to comply with the minimum positive net-worth requirement of Rs. 15 crore for the financial position as on March 31, 2020 (audited balance sheet).	Financial position as on June 30, 2020	Financial position as on September 30, 2020
	(ii) Authorised non-bank entities shall submit the System Audit Report, including cyber security audit conducted by CERT-IN empanelled auditors, within two months of the close of their financial year to the respective Regional Office of DPSS, RBI.	By August 31, 2020	By October 31, 2020
2	Implementing provisions of circular on “Enhancing Security of Card Transactions”.	With effect from June 16, 2020	By September 30, 2020
3	“Harmonisation of Turn Around Time (TAT) and customer compensation for failed transactions using authorised Payment Systems”, “calendar days” to be read as “working days”.	With effect from March 24, 2020	Until December 31, 2020
4	“Guidelines on Regulation of Payment Aggregators and Payment Gateways”, the activities for which specific timelines are not mentioned and were supposed to come into effect from April 1, 2020.	With effect from June 01, 2020	By September 30, 2020

What this means for you: If you face an RBI compliance filing deadline in the coming months, you may be eligible for an extension. Do check if your filing falls within any of these categories.

3. Import of goods and services - Extension of time limits for Settlement of import payment

Due to disruptions caused by the COVID-19 pandemic, the RBI has extended the time period for completion of remittances against normal imports (except in cases where amounts are withheld towards guarantee of performance, etc.) to 12 months from the date of shipment, made on or before July 31, 2020. The is available here: <https://www.rbi.org.in/scripts/NotificationUser.aspx?Id=11900&Mode=0>

Previously, the 'Master Direction on Import of Goods and Services' dated January 01, 2016, provided that remittances against *normal* imports (i.e., excluding import of gold/diamonds and precious stones/jewelry) should be completed not later than 6 months from the date of shipment, except in cases where amounts are withheld towards guarantee of performance, etc.

What this means for you: You have 6 additional months from the date of shipment to clear payments towards import dues against purchases made before July 31, 2020.

4. Amendment to Master Direction on KYC

The RBI has updated its Master Direction - Know Your Customer (KYC) Direction, 2016 ("KYC Directions"), in line with Rule 9(13) of the Prevention of Money Laundering Rules 2005, to provide that 'Regulated Entities' ("RE", as defined under the Prevention of Money-Laundering Act, 2002) should carry out a 'Money Laundering (MF) and Terrorist Financing (TF) Risk Assessment' exercise periodically to identify, assess and take effective measures to mitigate its money laundering and terrorist financing risk for clients, countries or geographic areas, products, services, transactions or delivery channels, etc. The notification is available here - <https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11873&Mode=0>.

While assessing the ML/TF risk, the REs are required to take cognizance of the overall sector-specific vulnerabilities, if any, that the regulator/supervisor may share with REs from time to time. Also, the internal risk assessment carried out by the Regulated Entities should be commensurate to its size, geographical presence, complexity of activities/structure, etc.

The first internal risk assessment is to be completed by June 30, 2020 and thereafter reviewed periodically.

What this means for you: If your organization is an RE and subject to the KYC Directions, you will be required to undertake an MF and TF Risk Assessment of its clients prior to June 30, 2020.

Please contact us at practicemanager@btg-legal.com if you have any specific questions that we can help you with.

[BTG maintains all material on the ongoing COVID-19 crisis and legal implications here. Please click to access.](#)