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CHARTERED ACCOUNTANTS

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SEBI Updates



Levy of Goods & Services Tax (GST) on the fees payable to SEBI

The GST Council in its meeting held on June 28 and 29, 2022, recommended inter alia to withdraw the exemption granted to services by SEBI and the same has been notified vide Notification No. 4/2022 dated July 13, 2022.→

RBI Updates



RBI announces measures to increase foreign exchange inflows

The Reserve Bank of India announced various measures to increase forex inflows including temporarily permitting banks to raise fresh FCNR(B) and NRE deposits without reference to the extant regulations on interest rates. Indian Rupee had hit new lows last month amid a broad rally in US dollar, which had risen to 20-year highs against a basket of major currencies. The measures announced by the RBI also included letting foreign investors invest in short-term corporate debt and allowing the purchase of more government securities under the fully accessible route. The RBI moves came just days after the Central Government raised import duties on gold, apart from increasing levies on exports of petrol and diesel in an attempt to control a fast-widening current account gap.→

International Trade Settlement in Indian Rupees (INR)

In order to promote growth of global trade with emphasis on exports from India and to support the increasing interest of global trading community in INR, an

arrangement for invoicing, payment, and settlement of exports / imports in INR has been introduced.→

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Levy Of Goods & Services Tax (GST) On The Fees Payable To SEBI

The GST Council in its meeting held on June 28 and 29, 2022, recommended inter alia to withdraw the exemption granted to services by SEBI and the same has been notified vide Notification No. 4/2022 dated July 13, 2022.

Accordingly, all the Market Infrastructure Institutions, Companies who have listed / are intending to list their securities, other intermediaries and persons who are dealing in the securities market, are hereby informed that the fees and other charges payable to SEBI shall be subject to GST at the rate of 18% with effect from July 18, 2022.



RBI Announces Measures To Increase Foreign Exchange Inflows

The Reserve Bank of India announced various measures to increase forex inflows including temporarily permitting banks to raise fresh FCNR(B) and NRE deposits without reference to the extant regulations on interest rates. Indian Rupee had hit new lows last month amid a broad rally in US dollar, which had risen to 20-year highs against a basket of major currencies. The measures announced by the RBI also included letting foreign investors invest in short-term corporate debt and allowing the purchase of more government securities under the fully accessible route. The RBI moves came just days after the Central Government raised import duties on gold, apart from increasing levies on exports of petrol and diesel in an attempt to control a fast-widening current account gap.

1. FCNR (B)/NRE Term Deposits: Exemption From CRR/SLR Maintenance

Currently, banks are required to include all Foreign Currency Non-Resident (Bank) [FCNR(B)] and Non-Resident (External) Rupee (NRE) deposit liabilities for computation of Net Demand and Time Liabilities (NDTL) for maintenance of statutory requirements such as CRR and SLR. From the reporting fortnight beginning July 30, 2022, incremental FCNR(B) and NRE deposits with reference base date of July 1, 2022 will be exempt from the maintenance of CRR and SLR. This relaxation will be available for deposits mobilised up to November 4, 2022. Transfers from Non-Resident (Ordinary) (NRO) accounts to NRE accounts shall not qualify for the relaxation.

The above exemptions are valid for deposits raised till November 4, 2022. The exemption on maintenance of reserves will be available for the original deposit amounts till such time the deposits are held in the bank books.



2. Interest Rates On FCNR(B) And NRE Deposits

In order to augment shoring up of the forex resources, the RBI has temporarily permitted banks to raise fresh Foreign Currency Non-Resident (Bank) [FCNR(B)] and NRE deposits without reference to the extant regulations on interest rates, with effect from July 7, 2022. This relaxation will be available for the period up to October 31, 2022.

3. FPI (Foreign Portfolio Investment) In Debt

Currently, all Central Government Securities (G-Secs) with 5-year, 10-year and 30-year tenures are categorised as “specified securities” under the Fully Accessible Route (FAR). To increase the choice of G-Secs available for investment by non-resident investors under the FAR as also to augment liquidity across the sovereign yield curve, the RBI has decided that all new issuances of G-Secs of 7-year and 14-year tenures, including the current issuances of 7.10% GS 2029 and 7.54% GS 2036, will be designated as specified securities under the FAR. At present, FPI investment in government and corporate debt under the MTF (Medium Term Framework) is subject to a macro prudential short-term limit viz., not more than 30 per cent of investments each in government securities and corporate bonds can have a residual maturity of less than one year. FPIs in government securities and corporate debt made till October 31, 2022 will be exempted from this short-term limit. These investments will not be reckoned for the short-term limit till maturity or sale of such investments.

4. Foreign Currency Lending By Authorised Dealer Category I (AD Cat-I) Banks

At present, AD Category-I banks can undertake Overseas Foreign Currency Borrowing (OFCB) up to a limit of 100 per cent of their unimpaired Tier 1 capital or US \$ 10 million, whichever is higher. The funds so borrowed cannot be used for lending in foreign currency except for the purpose of export finance. It has now been decided that AD Category-I banks can utilise OFCBs for lending in foreign currency to entities for a wider set of end-use purposes, subject to the negative list set out for External Commercial Borrowings (ECBs). The measure is



expected to facilitate foreign currency borrowing by a larger set of borrowers who may find it difficult to directly access overseas markets. This dispensation for raising such borrowings is available till October 31, 2022.



International Trade Settlement In Indian Rupees (INR)

In order to promote growth of global trade with emphasis on exports from India and to support the increasing interest of global trading community in INR, an arrangement for invoicing, payment, and settlement of exports / imports in INR has been introduced.

The proposed broad framework for cross border trade transactions in INR under Foreign Exchange Management Act, 1999 (FEMA) is as follows.

- (a) Invoicing: All exports and imports under this arrangement may be denominated and invoiced in Rupee (INR).
- (b) Exchange Rate: Exchange rate between the currencies of the two trading partner countries may be market determined.
- (c) Settlement: The settlement of trade transactions under this arrangement shall take place in INR in accordance with the procedure laid down in this Circular.

In terms of Regulation 7(1) of Foreign Exchange Management (Deposit) Regulations, 2016, AD banks in India have been permitted to open Rupee Vostro Accounts for settlement of trade transactions with any country. AD bank in India may open Special Rupee Vostro Accounts of correspondent bank/s of the partner trading country.



The proposed system would flourish if –

- (i) Indian exporters start accepting payments in INR.
- (ii) Create atmosphere for other countries to accumulate INR.
- (iii) Foreign Direct Investments in India further increases.

The above settlement system would –

- (i) Boost/globalise the Rupee
- (ii) Safeguard Forex Reserves
- (iii) Enable easier trade with regimes outside SWIFT