



**RBI Notifies for Compliance with Statutory or
Regulatory Norms for Operations of Subsidiaries
and Branches of Indian Banks, and AIFs in Foreign
Jurisdictions and IFSCs**

On 1st December 2022, the Reserve Bank of India (RBI) issued a Notification in regard to the compliance of statutory or regulatory norms for the operations of subsidiaries and the branches of Indian banks, All India Financial Institutions (AIFIs) in foreign jurisdictions and International Financial Services Centers (IFSCs).

The RBI through the Circular - DBOD.No.BP.BC.89/21.04.141/2008-09 issued on 1st December 2008 and Circular - DBOD.No.BP.BC.111/21.04.157/2013-14 issued on 12th May 2014 had stated notifications to Indian banks and AIFIs in regard to the issue of dealing in financial products of their branches or subsidiaries that operate outside India. Upon review, it was taken into consideration that a framework was required to be established for allowing them in undertaking activities that are not specifically permitted in the Indian domestic market, along with specifying the applicability of these instructions to International Financial Services Centers (IFSCs) in India including Gujarat International Finance Tec-City (GIFT City).

1. The Applicability and Commencement

1. These directions are applicable for all banks that are regulated by the RBI (excluding Co-Operative banks, Regional Rural Banks and Local Area Banks) and All India Financial Institutions (AIFIs).
2. These directions are deemed to be effective immediately.

2. Dealing with Financial Products

1. The foreign branches or foreign subsidiaries of Indian banks or AIFIs are now permitted to deal in financial products, which includes structured financial products, that are not available or are not permitted by the RBI in the domestic Indian market without prior approval of RBI, subject to compliance measures are maintained along with conditions which are specified in paragraph 3 of the particular directions and those prescribed by the host regulator.

2. The branches or subsidiaries of Indian banks or AIFIs operating in IFSCs, including those operating out of GIFT City, are also now permitted for dealing in financial products, which includes structured financial products, that are not available or are not permitted by the RBI in the domestic Indian market subject to compliance with all applicable laws and regulations along with the conditions stipulated in paragraph 3 below and those prescribed by the host regulator.

3. Conditions for Dealing in Financial Products

While allowing branches or subsidiaries in foreign jurisdictions and in IFSCs to deal in such products, the parent Indian bank or AIFI needs to ensure that the following conditions are being complied with -

(a) To deal with such products is permitted with prior approval from their Board and, if required, the appropriate authority in the concerned jurisdictions.

(b) Having adequate knowledge, understanding, and risk management capability for handling such products is required.

(c) The branches or subsidiaries in foreign jurisdictions and in IFSCs are permitted to act as market makers for products only if they have the ability to price or value such products and the pricing of such products is demonstrable at all times.

(d) The exposure and Mark-To-Market (MTM) on such products are appropriately captured and reported in the returns furnished to the RBI, along with providing information about dealing in such financial products as specified by the RBI in the manner and format and within the time frame as prescribed by the RBI.

(e) They are not permitted to deal in products linked to Indian Rupee unless specifically permitted by the RBI.

(f) They are not permitted to accept structured deposits from any Indian resident.

(g) They are mandated to adhere to the suitability and appropriateness policies as mandated by the RBI and the host regulators, as deemed applicable.

4. Compliance with Prudential Norms

1. The financial products that are dealt with by the foreign branches and subsidiaries and the IFSCs are to attract prudential norms such as capital adequacy, periodical valuation, exposure norms (including Large Exposure Framework), and all other applicable norms. Parent banks are mandated to be more stringent among the host and home regulations in accordance with the prudential norms.
2. If the current norms of RBI don't specify the prudential treatment of any financial product, the parent bank or AIFI is directed to seek specific guidance from the RBI.

5. Activities Subject to Indian laws

The activities of branches or subsidiaries in foreign jurisdictions and IFSCs are to be in accordance with the laws applicable in India unless any specific exemptions are provided by law.

6. Repeal of Earlier Instructions

Due to the issuance of the directions mentioned above, the following circulars are henceforth repealed -

- (a) Circular DBOD.No.BP.BC.89 /21.04.141/2008-09 issued on 1st December 2008
- (b) Circular DBOD.No.BP.BC.111/21.04.157/2013-14 dated issued on 12th May 2014

Official Notification Attached - [here](#)



Sushree Dash
Legal Researcher