

RBI notifies permissible activities under setting up of IFSC Banking Units (IBUs)

This is in reference to Reserve Bank of India (RBI) circular DBR.IBD.BC.14570/23.13.004/2014-15 dated April 01, 2015, as modified from time to time, setting out RBI directions relating to IFSC Banking Units (IBUs). In terms of para 2.3 of the circular, the parent bank will be required to provide a minimum capital of USD 20 million or equivalent in any foreign currency to start their IBU operations and the IBU should maintain the minimum prescribed regulatory capital on an on-going basis as per regulations amended from time to time.

In this regard, RBI has received suggestions from the stakeholders to consider minimum prescribed regulatory capital at the parent level rather than at the IBU level have been received by the Reserve Bank of India. The existing paragraph No.2.3 of Annex I of the aforesaid circular dated April 1, 2015 is amended to read as follows:

With a view to enabling IBUs to start their operations, the parent bank will be required to provide a minimum capital of USD 20 million or equivalent in any foreign currency to its IBU which should be maintained at all times. However, the minimum prescribed regulatory capital, including for the exposures of the IBU, shall be maintained on an on-going basis at the parent level.

The existing paragraph No.2.3 of Annex II of the aforesaid circular dated April 1, 2015 is amended to read as follows:

With a view to enabling IBUs to start their operations, the parent bank will be required to provide a minimum capital of USD 20 million or equivalent in any foreign currency to its IBU which should be maintained at all times. However, the minimum prescribed regulatory capital, including for the exposures of the IBU, shall be maintained on an on-going basis at the parent

level as per regulations in the home country and the IBU shall submit a certificate to this effect obtained from the parent on a half-yearly basis to RBI (International Banking Division, DBR, CO, RBI). The parent bank will be required to provide a Letter of Comfort for extending financial assistance, as and when required, in the form of capital / liquidity support to IBU. All other terms and conditions contained in the aforementioned circular remain unchanged.

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Warm regards,

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