



RBI/2019-20/122

DOR.IBD.BC.26/23.13.004/2019-20

December 23, 2019

All Scheduled Commercial Banks
(excluding Regional Rural Banks)

Dear Sir/Madam

Setting up of IFSC Banking Units (IBUs) – Permissible activities

Please refer to [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). We have received a few suggestions and queries from the stakeholders regarding operations of the IBUs and financial institutions in IFSCs. These issues have been examined and in the [Fifth Bi-Monthly Monetary Policy Statement 2019-20 dated December 05, 2019](#), it has been announced that necessary instructions will be issued shortly. Accordingly, the directions stand further modified as follows:

2. The existing paragraph No.2.6 (iv) of Annex I and II of the aforesaid [circular dated April 1, 2015](#) is amended to read 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.”

3. The existing paragraph No.2.6 (v) of Annex I and II of the aforesaid [circular dated April 1, 2015](#) is amended to read as follows:

“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, wherever applicable in

addition to provisions of para 2.5 above. 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”.

4. *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 above, 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.

5. *The existing paragraph No.2.8 of Annex I of the aforesaid [circular dated April 1, 2015](#) is amended on the lines of para 2.8 of Annex II to read as follows*

“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.”

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

7. An updated copy of the [RBI circular on IBU dated April 01, 2015](#) incorporating the amendments made hitherto is available on RBI's website.

Yours faithfully

(Saurav Sinha)
Chief General Manager-in-Charge