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RBI

Circulars & Notification

October 2026





RBI Notifications and Circulars September 2026

1. RBI Releases I. S. N. Prasad Committee Report on Ways and Means Advances for State Governments

- Committee: The Reserve Bank of India (RBI) released the report of the Advisory Committee on Ways and Means Advances (WMA) to State Governments, chaired by Shri I. S. N. Prasad, former Additional Chief Secretary, Government of Karnataka.
- Objective: The committee was constituted to review state-wise WMA limits and other liquidity support facilities available to state governments.
- Liquidity Support: The RBI provides temporary liquidity assistance to states to manage cash-flow mismatches through three facilities in the following sequence:
  - Special Drawing Facility (SDF)
  - Ways and Means Advances (WMA)
  - Overdraft (OD)
- Increase in WMA Limit: The committee recommended increasing the aggregate WMA limit for states by 11.2%, from ₹61,008 crore to ₹67,839 crore.
- New Calculation Basis: It recommended using States' Revenue Receipts instead of Total Expenditure to determine state-wise WMA limits.
- Annual Revision: State-wise WMA limits should be revised annually, with an upward revision capped at 4%. However, no state's revised limit should be lower than its existing limit.
- CSF Investment: The committee recommended increasing the eligible Consolidated Sinking Fund (CSF) investment limit for accessing SDF from 50% to 75%.
- Additional Liquidity Support: States with CSF and Guarantee Redemption Fund (GRF) balances exceeding 5% of their outstanding marketable debt or guarantees may receive liquidity support against the excess amount at an interest rate higher than the normal SDF rate.
- Overdraft Restrictions: To strengthen fiscal discipline, the committee recommended:
  - Reducing the maximum continuous overdraft period from 14 days to 10 days.
  - Reducing the maximum overdraft period in a calendar quarter from 36 days to 30 days.
- Fiscal Discipline: States were encouraged to strengthen their CSF and GRF balances and improve their debt-management practices.

2. RBI Reports India's Net FDI at a Five-Year High of USD 7.35 Billion in July 2026

- Reported By: The Reserve Bank of India (RBI), through its September 2026 Monthly Bulletin.
- Net FDI: India's net Foreign Direct Investment (FDI) increased to USD 7.35 billion in July 2026, the highest level since May 2021, when it stood at USD 8.80 billion.
- Year-on-Year Growth: Net FDI increased by 64% compared with July 2025.
- Gross FDI Inflows: Gross FDI inflows reached USD 14.58 billion, making it the third-highest monthly gross inflow in the last six years.
- Major Sectors: Communication, financial services and computer services were the leading sectors, together accounting for more than 80% of equity FDI inflows.
- Major Source Countries: Mauritius, the UAE and the United States collectively contributed around 70% of equity FDI inflows.

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- April–July Performance: India's net FDI increased to USD 13.4 billion during April–July 2026, compared with USD 9.7 billion in the corresponding period of the previous year, registering a growth of 38%.
- Gross FDI Growth: Gross FDI inflows increased by 12.6% during April–July 2026.
- Outward FDI: Overseas investments increased in July 2026 after declining for two consecutive months.
- Major Destinations: Singapore, the United Kingdom and the UAE received more than two-thirds of India's outward FDI flows.
- Major Outward Investment Sectors: Financial, insurance and business services, along with manufacturing, accounted for around two-thirds of outward FDI flows.

3. RBI Grants Certificate of Registration to Indiabulls as a Core Investment Company

- Approval: The Reserve Bank of India (RBI) granted Indiabulls Limited a Certificate of Registration (CoR) as a Core Investment Company (CIC).
- Announcement: Indiabulls disclosed the RBI approval through a regulatory filing dated 2 October 2026.
- About CIC: A Core Investment Company is a category of Non-Banking Financial Company (NBFC) that primarily holds investments in and provides funding to group companies rather than undertaking conventional lending activities.
- Eligibility Criteria: Under RBI regulations, a CIC generally:
  - Must have total assets of ₹100 crore or more.
  - Must invest at least 90% of its net assets in group companies through investments or loans.
  - Must maintain at least 60% of its net assets in equity investments in group companies.
- Regulatory Coverage: The registration brings Indiabulls Limited under the RBI's regulatory framework applicable to CICs.
- Company Background: Indiabulls was formerly known as Yaari Digital Integrated Services Limited and was established in 2000.
- Headquarters: Gurugram, Haryana.
- CEO: Divyesh B. Shah.
- Important Clarification: The registration represents a regulatory classification of the company's investment-holding business. It does not amount to approval for starting a new consumer-facing banking or lending operation.
- Further Development: Indiabulls stated that the Certificate of Registration could subsequently be surrendered if the CIC regulatory framework is found not to be applicable to the company.

4. RBI Issues Consolidated Master Direction on Note Sorting Machines

- Regulator: The Reserve Bank of India (RBI) issued revised guidelines for Note Sorting Machines (NSMs) under Sections 35A and 56 of the Banking Regulation Act, 1949.
- Objective: The revised framework aims to strengthen banknote authentication, fitness sorting and the proper recycling of currency notes.
- Fit Note: A genuine banknote that is sufficiently clean and physically suitable for circulation and reissue.
- Unfit Note: A banknote that cannot be reissued because of physical deterioration or because it belongs to a banknote series withdrawn from circulation by the RBI.
- Applicability: The guidelines cover Note Sorting Machines and Note Processing Machines operated by banks, either directly through their employees or indirectly through agents.
- Machine Classification:
  - Note Processing Machines/Note Sorting Machines check both the authenticity and physical fitness of banknotes.

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- Note Authentication Machines determine whether individual banknotes are genuine or suspected counterfeit.
- Denomination-wise Standards: The RBI prescribed soiling standards for banknotes ranging from ₹5 to ₹500, including maximum density difference and minimum reflectance parameters.
- Unfit Notes: Banknotes exceeding the prescribed soiling limits must be classified as unfit and cannot be reissued.
- BIS Standard: The Bureau of Indian Standards (BIS) published IS 18663:2024 for Note Sorting Machines in the Gazette of India on 19 March 2024.
- Expected Outcome: The revised framework will help ensure that only genuine and physically fit banknotes are recycled or reissued, while counterfeit, damaged and phased-out notes are segregated.

5. RBI Allows Bank Boards to Delegate Monitoring of ATM Cassette-Swap Implementation

- Circular Date: The RBI's Department of Currency Management issued a circular on 1 October 2026, modifying its earlier instructions on ATM cassette swaps dated 31 March 2022.
- Major Change: Bank boards are now permitted to delegate the responsibility of monitoring ATM cassette-swap implementation to a Committee of Executives.
- Effective Date: The revised instructions came into effect on 1 October 2026.
- Applicable Banks: The change follows amendments to governance directions applicable to:
  - Commercial Banks
  - Small Finance Banks
  - Payments Banks
  - Local Area Banks
- Meaning of Cassette Swap: It refers to replacing filled, lockable cash cassettes in ATMs with other pre-filled cassettes during cash replenishment.
- Benefits: The cassette-swap mechanism improves cash-handling security, operational efficiency and ATM cash-management processes.

6. RBI Removes Paytm Payments Bank from the Second Schedule of the RBI Act, 1934

- Decision: The Reserve Bank of India (RBI) removed Paytm Payments Bank Limited (PPBL) from the Second Schedule of the RBI Act, 1934.
- Notification: The RBI notification was dated 31 July 2026, published in the Gazette of India in September 2026, and the exclusion was announced on 7 October 2026.
- Reason: The exclusion followed the cancellation of PPBL's banking licence and the court-directed winding-up process.
- Second Schedule: It contains the list of scheduled banks recognised under the RBI Act, 1934, which receive certain operational privileges.
- Delhi High Court: The court ordered the winding-up of PPBL through orders dated 8 July and 22 July 2026.
- Official Liquidator: The court appointed Girikumar M. Nair, former Chief General Manager of the State Bank of India (SBI), as the Official Liquidator to oversee the winding-up process.
- Licence Cancellation: The RBI cancelled PPBL's banking licence with effect from the close of business on 24 April 2026.
- Reason for Cancellation: The RBI cited serious regulatory violations and non-compliance with licence conditions, stating that the bank's affairs were conducted in a manner detrimental to its own interests and those of its depositors.

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- Earlier Restrictions:
  - On 11 March 2022, the RBI prohibited PPBL from onboarding new customers due to material supervisory concerns.
  - On 31 January and 16 February 2024, the RBI imposed further business restrictions, including restrictions on additional deposits, credits and top-ups in existing customer accounts, prepaid instruments and wallets.
- Company Background: PPBL is an associate company of Paytm, the fintech firm promoted by Vijay Shekhar Sharma.
- Outcome: The exclusion formally removes Paytm Payments Bank from the list of scheduled banks following the cancellation of its banking licence.

7. RBI Introduces a New Services Export Reporting Framework from 1 October 2026

- Introduction: The Reserve Bank of India (RBI) introduced a new foreign exchange reporting framework, effective 1 October 2026, to improve monitoring of India's non-software services exports.
- Regulatory Framework: The new requirements have been introduced under the Foreign Exchange Management Act (FEMA) Regulations.
- Export Declaration Form (EDF): Service exporters must submit an Export Declaration Form to their Authorised Dealer (AD) bank.
- Software Exporters: Software exporters are required to submit the EDF through the Software Technology Parks of India (STPI).
- Filing Deadline: Exporters must file the EDF within 30 days from the end of the invoice month.
- Meaning of EDF: An Export Declaration Form is a mandatory document used to declare the value of exported services for foreign exchange reporting to the RBI.
- Reporting Transition: The new framework replaces the earlier SOFTEX form with the EDF for software exporters.
- Simplified Compliance: The RBI introduced a ₹10 lakh threshold per bill for eligible small service enterprises and firms that do not qualify as individuals. These entities can opt for a simplified self-declaration route along with the invoice.
- Affected Groups: Freelancers, consultants and small service firms are among those affected by the new documentation and filing requirements.
- Objective: The framework aims to improve foreign exchange monitoring and provide policymakers with better data on India's growing services exports.
- Implementation: The effectiveness of the framework will depend on the consistent implementation of Standard Operating Procedures (SOPs) by Authorised Dealer banks.

8. RBI Enhances Interoperability Among Account Aggregators to Simplify Financial Data Sharing

- Announcement Date: The Reserve Bank of India (RBI) announced interoperability among Non-Banking Financial Companies–Account Aggregators (NBFC-AAs) on 7 October 2026.
- Objective: To improve customer convenience and enable seamless sharing of financial information across different Account Aggregator platforms.
- About Account Aggregators: Account Aggregators are RBI-regulated entities that facilitate the digital sharing of customers' financial information between Financial Information Providers (FIPs) and Financial Information Users (FIUs), based on customer consent.
- Interoperability: Customers will be able to use any NBFC-Account Aggregator of their choice, even when their bank or financial institution is connected to a different aggregator.

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- Benefits:
  - Reduces platform-related restrictions.
  - Simplifies financial data sharing.
  - Improves credit assessment.
  - Helps accelerate loan approvals.
  - Supports financial inclusion, particularly for self-employed individuals and underserved borrowers.
- Consolidated Account Statement (CAS): The RBI also announced that SEBI-regulated depositories will be facilitated to include bank deposit account information in Consolidated Account Statements.
- Customer Convenience: Demat account holders will be able to view their securities holdings and bank deposit information in one place.
- Implementation Deadline: Both initiatives are expected to be implemented by 31 December 2026.
- Account Aggregator Network: Around 17 Account Aggregators are registered under the RBI's NBFC-AA category.

9. RBI Sells Government Securities Worth ₹50,000 Crore Through OMO Auction to Absorb Surplus Liquidity

- Action: The Reserve Bank of India (RBI) conducted an Open Market Operation (OMO) sale auction worth ₹50,000 crore to absorb surplus liquidity from the banking system.
- OMO Strategy: The ₹50,000 crore auction was the first of three planned OMO sale tranches, with the RBI aiming to absorb a total of ₹1 lakh crore through OMO sales in September.
- Government Bond Yield: The 10-year benchmark government bond yield settled at 7.05%, unchanged from the previous close.
- Banking System Liquidity: Net liquidity surplus in the banking system stood at ₹7.37 trillion, compared with ₹9.85 trillion on the previous day.
- Weighted Average Call Rate (WACR): The WACR, which serves as the operating target of monetary policy, settled at 5.05%, compared with 5.02% previously.
- RBI's Objective: The central bank aimed to bring the WACR closer to the policy repo rate of 5.25% by absorbing excess liquidity.
- VRRR Auctions: Longer-tenure Variable Rate Reverse Repo (VRRR) auctions received muted demand as banks were reluctant to park funds for 30 days.
- Durable Liquidity: According to RBI data, the durable liquidity surplus stood at ₹10.66 trillion as of 31 August 2026 and was estimated to have increased to ₹14 trillion by mid-September.
- Further Action: The RBI was expected to conduct additional OMO sale auctions in October to absorb surplus durable liquidity.

10. RBI Opens Special Forex Window for Three Public Sector Oil Marketing Companies

- Announcement: The Reserve Bank of India (RBI) opened a special foreign exchange (forex) window to meet the entire daily US dollar requirements of three public sector Oil Marketing Companies (OMCs).
- Effective Date: The facility became operational on 12 October 2026 and will remain in force until further notice.
- Beneficiary Companies:
  1. Indian Oil Corporation Limited (IOC)
  2. Hindustan Petroleum Corporation Limited (HPCL)
  3. Bharat Petroleum Corporation Limited (BPCL)
- Mode of Operation: The RBI will supply US dollars to these three companies through designated banks to support their daily foreign exchange requirements and ensure orderly functioning of the forex market.
- Objective: The special facility aims to address the foreign exchange requirements of state-run oil companies amid evolving forex market conditions.

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11. RBI Expands Benchmark Issuance Strategy Framework to Seven More States and Jammu & Kashmir

- Expansion: The Reserve Bank of India (RBI) extended its Benchmark Issuance Strategy (BIS) framework to seven additional states and the Union Territory of Jammu and Kashmir.
- Total Coverage: The expansion increased the framework's coverage to 26 States and Union Territories.
- Newly Included States/UT:
  - Assam
  - Goa
  - Haryana
  - Mizoram
  - Nagaland
  - Tripura
  - Jammu and Kashmir (UT)
- Effective Period: The expansion will take effect from the October–December quarter of FY2026–27 (Q3 FY27).
- Objective: The Benchmark Issuance Strategy aims to improve transparency in state government borrowing and provide investors with greater clarity regarding the issuance of State Development Loans (SDLs).
- Initial Phase: The RBI introduced the framework on a pilot basis in Q1 FY27 for nine states: Andhra Pradesh, Bihar, Chhattisgarh, Kerala, Madhya Pradesh, Maharashtra, Rajasthan, Telangana and Uttar Pradesh.
- Second Phase: In Q2 FY27, the framework was extended to nine additional states and the National Capital Territory of Delhi, taking the coverage to 19 states and Union Territories.
- Estimated Borrowing: The RBI estimated that state governments and Union Territories would undertake market borrowings of approximately ₹3.61 lakh crore during October–December 2026.
- Auction Schedule: Actual borrowing amounts and participating states/UTs will be announced two to three days before the respective auctions, depending on government requirements, Central Government approval and prevailing market conditions.
- RBI's Approach: The RBI will endeavour to distribute state borrowings evenly throughout the quarter while retaining flexibility to modify auction dates and amounts in consultation with the respective governments.

12. RBI Records All-Time High Net Dollar Purchases of USD 18.65 Billion in July 2026

- Record Purchase: The Reserve Bank of India (RBI) recorded its highest-ever monthly net purchase of US dollars at USD 18.65 billion in July 2026, according to its Monthly Bulletin.
- Previous Record: The July 2026 purchase surpassed the previous record of USD 18.63 billion recorded in June 2021.
- Forex Market Transactions: During July 2026, the RBI purchased USD 38.42 billion and sold USD 19.77 billion.
- June Comparison: Net dollar purchases stood at USD 561 million in June 2026.
- Concessional Swap Facility: The RBI's concessional swap facility, launched in early June 2026, attracted USD 40.82 billion in inflows by the end of July, mainly through FCNR(B) deposits, External Commercial Borrowings (ECBs) and overseas foreign currency borrowings.
- FY27 Position: The RBI's cumulative net dollar purchases reached USD 4.17 billion in FY2026–27 up to July, reversing the net selling trend recorded in FY26.

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- Forex Reserves: India's foreign exchange reserves increased to USD 692.87 billion at the end of July 2026, compared with USD 666.93 billion at the end of June 2026.
- September Update: India's forex reserves stood at USD 765.9 billion in the week ended 18 September 2026, according to the cited RBI data.
- Forward Market Position: The RBI's outstanding net short dollar position in the forward market reached a record USD 136.77 billion at the end of July 2026, compared with USD 103.33 billion at the end of June.
- Maturity-wise Position:
  - USD 91.54 billion in contracts maturing after more than one year.
  - USD 47.66 billion in positions maturing within one year.
- Real Effective Exchange Rate (REER): The Indian rupee's REER stood at 88.92 in August 2026, compared with 88.69 in July 2026.
- About REER: The Real Effective Exchange Rate adjusts the Nominal Effective Exchange Rate (NEER) for inflation differences between India and its major trading partners. A value above 100 indicates appreciation relative to the base year, which can make Indian exports less competitive.

13. RBI Bulletin Projects Private Sector Capital Expenditure to Reach ₹3.2 Trillion in FY27

- Projection: According to the RBI's September 2026 Bulletin, private-sector capital expenditure (capex) is projected to increase to ₹3.2 trillion in FY2026–27 (FY27).
- Previous Year: Private-sector capex stood at ₹2.6 trillion in FY2025–26 (FY26).
- Project Cost: The aggregate cost of private-sector projects reached a record ₹4.4 trillion in FY26, compared with ₹3.7 trillion in FY25.
- Leading Sector: Infrastructure remained the largest contributor to private-sector investment, accounting for 54.2% of total project cost in FY26.
- Infrastructure Investment: The power sector was the primary driver, followed by roads and bridges.
- Other Major Sectors: Construction, chemicals and pesticides, metal and metal products, and cement also accounted for significant shares of project costs.
- Leading State: Maharashtra ranked first in attracting capital expenditure projects in FY26, followed by Gujarat, Rajasthan, Karnataka, Andhra Pradesh and Tamil Nadu.
- Combined Contribution: These six states collectively accounted for 67.1% of the total project cost in FY26.
- Financing Trends: Financing through External Commercial Borrowings (ECBs) strengthened, while funds mobilised through Initial Public Offerings (IPOs) declined.
- Bank Financing: Banks and financial institutions sanctioned 12 mega projects and 100 large projects in FY26.
- Project Distribution:
  - Mega projects accounted for 17.0% of the total sanctioned project cost.
  - Large projects accounted for 51.3%.
- Greenfield Projects: New projects, also known as Greenfield projects, accounted for 89.2% of the total project cost reported by banks and financial institutions.
- Alternative Financing: ECBs, Foreign Direct Investment (FDI) and private placements have broadened the financing base for corporate investment.
- Corporate Financial Position: Indian companies have strengthened their financial position through deleveraging and robust internal accruals.
- Report Authors: Purnendu Kumar, Snigdha Yogindran, Sukti Khandekar and Bhavyashree K of the RBI's Department of Statistics and Information Management.

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14. RBI Data Shows NRI Deposit Inflows Surge by 678.2% to USD 36.24 Billion in April–July FY27

- Growth: According to RBI data, inflows into Non-Resident Indian (NRI) deposit schemes surged by 678.2% to USD 36.24 billion during April–July FY2026–27.
- Previous Year: The inflows stood at USD 4.66 billion during the corresponding period of FY2025–26.
- Major Contributor: The sharp increase was primarily driven by strong inflows into Foreign Currency Non-Resident (Bank) [FCNR(B)] deposits.
- Concessional Swap Facility: The RBI introduced a concessional swap facility in June 2026, which led to the mobilisation of USD 133 billion by 31 August 2026.
- Total Outstanding NRI Deposits: These reached USD 200.89 billion at the end of July 2026, compared with USD 167.86 billion in July 2025 and USD 168.51 billion in June 2026.

Category-wise NRI Deposit Details:

- FCNR(B) Deposits:
  - Inflows reached USD 34.53 billion during April–July FY27, compared with USD 772 million in the corresponding period of FY26.
  - Outstanding FCNR(B) deposits increased to USD 68.28 billion in July 2026.
- Non-Resident External (NRE) Deposits:
  - Inflows stood at USD 207 million during April–July FY27, compared with USD 2.42 billion in the corresponding period of FY26.
  - Outstanding NRE deposits stood at USD 98.02 billion in July 2026, down from USD 102.03 billion in July 2025.
- Non-Resident Ordinary (NRO) Deposits:
  - Inflows reached USD 1.51 billion during April–July FY27, compared with USD 1.47 billion in the corresponding period of FY26.
  - Outstanding NRO deposits totalled USD 34.59 billion in July 2026.

Liberalised Remittance Scheme (LRS) Details:

- Total Outward Remittances: Remittances under the Liberalised Remittance Scheme (LRS) increased by 4.7% year-on-year to USD 9.37 billion during April–July FY27.
- Overseas Investments: Remittances for investment in equity and debt instruments doubled to USD 1.4 billion.
- Deposit-related Remittances: Increased by 39.3% to USD 330.32 million.
- Property Purchases: Remittances for purchasing immovable property increased by 13.34% to USD 185.33 million.
- Foreign Travel: Travel-related remittances declined by 1.31% to USD 5.27 billion.
- Overseas Education: Remittances for education declined by 30.6% to USD 472.66 million.
- July 2026: Outward remittances under LRS increased by 5.3% year-on-year to USD 2.45 billion.

15. RBI Issues Clarifications on Novation Rules for OTC Derivative Contracts

- Regulatory Update: The Reserve Bank of India (RBI) issued clarifications on the novation of Over-the-Counter (OTC) derivative contracts following feedback received on its draft directions.
- Mark-to-Market (MTM): The MTM value of an OTC derivative contract must be exchanged upfront between the transferor and transferee at the time of novation.

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- Applicability: The directions apply to novations undertaken after their issuance and cover both existing outstanding contracts and subsequently entered contracts.
- Central Counterparty Exemption: Novation undertaken by a Central Counterparty (CCP) for settlement purposes is excluded from the directions. However, any subsequent novation of a contract already accepted for settlement by a CCP must follow the revised rules.
- Remaining Party: The definition of a remaining party has been expanded to include a market maker or a Central Counterparty.
- CCP Procedure: If a CCP acts as the remaining party, the novation must follow the procedure specified by that CCP.
- Restriction: The RBI rejected the proposal to permit novation when both the transferor and transferee are users, including transfers to a company's central treasury or group entity.
- Mandatory Requirement: At least one party to an OTC derivative transaction must be an RBI-authorised market maker or Central Counterparty.
- Corporate Restructuring: For novations arising from mergers, demergers or amalgamations, the existing RBI framework under the circular dated 9 December 2013, titled Novation of OTC Derivative Contracts, will continue to apply.
- Market Maker Definition: The definition will be linked to the relevant governing directions for the specific OTC derivative contract rather than using a common definition for all contracts.

16. RBI Raises Minimum Daily CRR Maintenance Requirement for Banks from 90% to 99%

- Decision: The Reserve Bank of India (RBI) increased the minimum daily Cash Reserve Ratio (CRR) maintenance requirement for scheduled banks from 90% to 99%.
- Effective Date: The revised requirement came into effect from the reporting fortnight beginning 16 October 2026.
- About CRR: Cash Reserve Ratio is the percentage of a bank's Net Demand and Time Liabilities (NDTL) that it must maintain as cash with the RBI.
- CRR Rate: The prescribed CRR rate remained unchanged at 3%.
- New Requirement: Banks must maintain at least 99% of their prescribed CRR requirement on each day of the reporting fortnight, compared with the earlier minimum of 90%.
- Average Maintenance: Banks must continue to maintain the full prescribed CRR requirement on an average daily basis over the reporting fortnight.
- Interest: Banks do not earn interest on CRR balances maintained with the RBI.
- OMO Sale: The RBI also announced an Open Market Operation bond sale worth ₹25,000 crore, scheduled for 13 October 2026, to absorb excess liquidity.
- Securities: The OMO sale comprised six Government of India securities maturing between 2030 and 2034.
- Auction Method: The sale was scheduled to be conducted through the multiple-price auction method.
- Historical Background: The last time the RBI imposed a 99% minimum daily CRR maintenance requirement was in July 2013, amid foreign exchange market volatility following the US Federal Reserve's tapering signals.
- Subsequent Changes: The minimum daily CRR maintenance requirement was reduced to 95% in September 2013 and further to 90% in April 2016.
- RBI Official: The notification was signed by Manoranjan Padhy, Chief General Manager in the RBI's Department of Regulation.

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17. RBI Introduces Stricter Forex Derivative Regulations to Curb Speculation and Support the Rupee

- Announcement Date: The Reserve Bank of India (RBI) announced stricter foreign exchange derivative regulations on 10 October 2026.
- Objective: The measures aim to curb excessive speculation, prevent duplicate hedging and ensure orderly functioning of the forex market amid pressure on the Indian rupee.
- Restriction on Rebooking: Authorised Dealer (AD) banks are prohibited from allowing users to rebook cancelled foreign exchange derivative contracts involving the Indian rupee after the issuance of the directions.
- Reduction in Threshold: The threshold for undertaking forex derivative transactions without establishing underlying exposure was reduced from USD 100 million to USD 5 million across all Authorised Dealers.
- Exchange-Traded Derivatives: The corresponding threshold for exchange-traded INR currency derivatives was also reduced from USD 100 million to USD 5 million, collectively across all recognised stock exchanges.
- Foreign Exchange Risk Reserve (FERR): The RBI introduced a mandatory reserve requirement to discourage excessive speculation and contain volatility in the forex market.
- FERR Requirement: Authorised Dealers must maintain a cash reserve with the RBI equal to 20% of the rupee equivalent of the notional amount of eligible INR-involving forex derivative contracts exceeding USD 2 million.
- Documentation: The RBI introduced additional documentation requirements to verify the underlying exposure of forex derivative transactions.
- Duplicate Hedging: Authorised Dealers must obtain and retain an undertaking from users confirming that the same underlying exposure has not been hedged through another Authorised Dealer.
- Special Dollar Supply Window: The RBI also opened a special US dollar supply facility for three public sector oil marketing companies:
  1. Indian Oil Corporation (IOC)
  2. Hindustan Petroleum Corporation (HPCL)
  3. Bharat Petroleum Corporation (BPCL)
- Supply Mechanism: The RBI will sell US dollars to these companies through designated banks to meet their daily foreign exchange requirements.
- Industry Feedback: The RBI sought feedback from four leading banks regarding the impact of the newly announced forex market measures.

18. RBI Approves NovaFusion Capital to Commence NBFC Operations

- Approval: The Reserve Bank of India (RBI) granted approval to NovaFusion Capital, the lending subsidiary of Astranova Mobility, to operate as a Non-Banking Financial Company (NBFC).
- Announcement: Astranova Mobility announced the development on 14 October 2026.
- Approval Timeline: NovaFusion Capital received RBI approval within 90 days.
- Business Focus: The company will establish a dedicated lending platform focusing on electric mobility and climate-positive assets.
- AUM Target: NovaFusion Capital aims to achieve ₹5,000 crore in Assets Under Management (AUM) over the next five years.
- Initial Capital: The company has secured ₹200 crore for the initial deployment of its lending operations.

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- Major Lending Segment: Its financing activities will primarily focus on commercial electric vehicles (EVs) and other climate-positive assets.
- Target Customers: The initiative will support commercial EV operators, including individuals who use vehicles to earn their livelihoods.
- CEO: Shraddha Srimal is the CEO of NovaFusion Capital.

Important Facts About NBFCs:

- Meaning: A Non-Banking Financial Company is a financial institution engaged in activities such as lending, leasing and investment, but it is not a bank.
- Regulator: NBFCs are regulated by the Reserve Bank of India under the Reserve Bank of India Act, 1934.
- Registration: Under Section 45-IA of the RBI Act, 1934, an NBFC must obtain a Certificate of Registration (CoR) from the RBI before commencing or carrying on NBFC business.
- Incorporation: An NBFC must be incorporated under the Companies Act, 1956 or the Companies Act, 2013.
- Net Owned Fund: The general minimum Net Owned Fund (NOF) requirement for an NBFC is ₹10 crore, subject to category-specific regulatory requirements.
- Restrictions: NBFCs cannot accept demand deposits like banks, issue cheques drawn on themselves or form part of the payment and settlement system.
- Deposit-taking: Only eligible NBFCs meeting RBI conditions are permitted to accept deposits.

19. RBI Directs Banks to Maintain 20% Foreign Exchange Risk Reserve in Addition to CRR

- Regulatory Clarification: The Reserve Bank of India (RBI) clarified the requirements for maintaining a Foreign Exchange Risk Reserve (FERR) against eligible foreign exchange derivative contracts.
- Reserve Requirement: Banks must maintain a FERR equal to 20% of the rupee value of eligible foreign exchange derivative contracts in their CRR accounts, over and above the mandatory CRR balance.
- Applicability: The requirement applies to specified rupee-linked foreign exchange derivative contracts used to hedge current account transactions where the notional value exceeds USD 2 million.
- Bank-Level Exposure: The reserve requirement also covers eligible foreign exchange derivative contracts undertaken by banks to hedge currency risks on their own assets and liabilities.
- Interest: Funds maintained as FERR do not earn interest, increasing the cost of foreign exchange hedging for banks.
- Maintenance Period: Banks must maintain FERR daily for each eligible transaction until one day after the derivative contract terminates.
- Fresh and Existing Positions: The revised rules apply to transactions undertaken from the effective date, covering fresh contracts and rollovers of existing derivative positions.
- Rebooking Restrictions: The RBI has also restricted the rebooking of cancelled foreign exchange derivative contracts.
- Compliance: Banks must maintain appropriate records to enable the RBI to verify compliance during audits.
- Impact on Hedging Costs: The new reserve requirement has increased foreign exchange hedging costs and contributed to higher forward premiums.
- Forward Premium: It refers to the difference between the forward exchange rate and the spot exchange rate of a currency.

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- Impact on Importers: Some banks have advised customers, particularly importers, to consider shorter-dated forward contracts of two to three months instead of hedging their entire foreign exchange exposure over longer periods.
- Market Expectations: Some market participants expect the Indian rupee could weaken over the longer term despite its recent recovery. This is a market expectation and not an RBI forecast.
- FCNR(B) Deposits: Banks that have raised Foreign Currency Non-Resident (Bank) deposits are assessing ways to hedge the US dollar exposure associated with their interest components.
- Overall Impact: The interest-free reserve requirement increases the cost of maintaining eligible derivative positions and may influence banks' hedging strategies and the pricing of forward contracts.

20. RBI Fixes Final Redemption Price of Sovereign Gold Bonds 2018–19 Series II at ₹14,425 per Gram

- Redemption Price: The Reserve Bank of India (RBI) fixed the final redemption price of Sovereign Gold Bonds (SGB) 2018–19 Series II at ₹14,425 per gram.
- Maturity Date: The bonds matured on 23 October 2026.
- Issue Date: The SGB 2018–19 Series II bonds were issued on 23 October 2018 under the Government of India's Sovereign Gold Bond Scheme.
- Maturity Period: The bonds completed their eight-year maturity period in October 2026.
- Price Calculation: The final redemption price was calculated using the simple average of the closing prices of 999-purity gold for the three preceding business days.
- Price Source: The gold prices were published by the India Bullion and Jewellers Association Ltd. (IBJA).

Important Facts About Sovereign Gold Bonds:

- Issuer: Sovereign Gold Bonds are government securities denominated in grams of gold and issued by the RBI on behalf of the Government of India.
- Investment Benefit: They allow investors to benefit from gold price movements without physically holding gold.
- Interest Rate: SGBs carry a fixed interest rate of 2.5% per annum on the initial nominal investment.
- Interest Payment: Interest is payable half-yearly.
- Tenure: The total maturity period is 8 years.
- Premature Redemption: Investors can opt for premature redemption after the fifth year on interest payment dates.
- Minimum Investment: 1 gram of gold.
- Maximum Investment Limit:
  - Individuals and Hindu Undivided Families (HUFs): 4 kg per financial year.
  - Trusts and similar institutions: 20 kg per financial year.
- New Issuance: The Government of India has paused/discontinued the issuance of new primary tranches under the Sovereign Gold Bond Scheme.

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