

# Framework for banks' foreign business issued

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The Reserve Bank of India (RBI) has put in place a framework to allow overseas subsidiaries and branches of Indian banks and financial institutions to undertake activities not specifically permitted in the Indian domestic market. The framework also specifies the applicability of these instructions to International Financial Services Centres in India, including Gujarat International Finance Tec-City (GIFT City).

While these activities may not need prior approval, they are subject to compliance with all applicable laws/regulations and conditions stipulated by the RBI and those prescribed by the host regulator. The parent Indian bank and financial Institution shall ensure that dealing in such products is done with the prior approval from their board and, if required, the

appropriate authority in the jurisdictions concerned.

They must have adequate knowledge, understanding, and risk management capability for handling such products, added the RBI.

These entities can act as market makers for products only if they have the ability to price/value such products and the pricing of such products is demonstrable at all times. Their exposure and mark-to-market on these products are appropriately captured and reported in the returns furnished to the central bank.

They have to provide information about dealing in such financial products in the manner, format, and within the time frame as prescribed by the RBI. They are barred from dealing in products linked to the rupee unless specifically permitted by the RBI. Also, they are not allowed to accept structured deposits from any Indian residents.