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FEMA Bulletin

January – June 2026

Key Foreign Exchange Management Act, 1999 (FEMA) developments

The first half of 2026 marked an active phase for India's exchange control framework, with reforms aimed at improving flexibility, simplifying compliance, and strengthening regulatory oversight. From ECB and trade regulations to FDI, portfolio investment and cross-border guarantees, this edition highlights the key FEMA developments and their practical implications for businesses navigating cross-border transactions.

In this bulletin

Foreign Direct Investment Policy – Land-border liberalisation and insurance sector opening

Press Note 3 of 2020 eased for non-controlling investments from land border-sharing countries, and the insurance sectoral cap raised to 100% under the Automatic Route

Overview

India's foreign investment regime has been liberalised[1] through targeted relaxations for investments[2] involving land-border jurisdictions, coupled with greater clarity regarding the determination of beneficial ownership[3].

The insurance sector has witnessed a landmark liberalisation, with the foreign investment limit increased from **74% to 100%** under the Automatic Route, subject to regulatory conditions.

Relaxation for investment from land-border sharing countries - Key developments

- Beneficial ownership now has a formal definition aligned with the Prevention of Money-Laundering Rules, 2005 **(>10% ownership threshold),** replacing the earlier reliance on the Significant Beneficial Owner concept applied through SOPs; beneficial ownership is evaluated at the level of the investor entity.
- Earlier, investments where the beneficial owner of the investor was situated in, or was a citizen of, a country sharing land borders with India required government approval. Under the revised framework, the approval requirement is triggered only when the beneficial owner is a citizen or resident of a land-bordering country.
- An investor **merely situated in such a country**, without land-border-country citizenship or beneficial ownership, can now invest without prior approval.
- Non-controlling investments with beneficial ownership **up to 10% from land-border countries** are now permitted under the Automatic Route, subject to applicable sectoral caps, entry routes, and conditions. However, such investments shall be subject to the investee entity reporting relevant information and details to the DPIIT.
- Proposals for investments from countries sharing a land border with India in specified sectors/activities of manufacturing in capital goods, electronic capital goods, electronic components, polysilicon and ingot-wafer, may now get approved within 60 days, provided the majority ownership and control remain with resident Indian citizens or Indian-owned-and-controlled entities.

Key insights

- Greater clarity around the approval requirement is expected to reduce uncertainty and simplify transaction structuring for many foreign investors.
- Businesses receiving overseas investment should identify the ultimate beneficial owners early in the transaction to avoid regulatory delays.

100% FDI in the insurance sector – Key amendments

- Following the DPIIT's press note[4], the Ministry of Finance has given statutory effect to a major liberalisation of insurance-sector FDI[5].
- Insurance companies: the foreign investment cap is **increased from 74% to 100% under the Automatic Route**, subject to approval and verification by the Insurance Regulatory and Development Authority of India (IRDAI).
- Insurance intermediaries: **100% FDI under the Automatic Route** continues, subject to applicable regulations; managing general agents and insurance repositories are now specifically named as intermediaries.
- Life Insurance Corporation of India: foreign investment remains **capped at 20%** under the Automatic Route, in line with the LIC Act, 1956.
- At least one of the Chairperson, Managing Director or Chief Executive Officer of an Indian insurer with foreign investment must be a resident Indian citizen; any incremental foreign investment remains subject to the FEMA pricing guidelines and applicable disclosures.

Key insights

- Allowing 100% foreign ownership is expected to attract additional long-term capital, global expertise and innovation into India's insurance market.
- Foreign investors may now have greater flexibility in structuring investments without the need for Indian joint venture partners.

[1] Press Release of the Union Cabinet dated 10 March 2026.

[2] DPIIT Press Note No. 2 (2026 Series) dated 15 March 2026.

[3] FEMA (Non-Debt Instruments) (Amendment) Rules, 2026, effective 1 May 2026.

[4] DPIIT Press Note No. 1 (2026 Series) dated 9 February 2026

[5] FEMA (Non-Debt Instruments) (Second Amendment) Rules, 2026, effective 2 May 2026.

Business takeaways

Investment from land-border sharing countries

Businesses planning to raise capital should reassess investor shareholding structures of prospective investors, as certain investments from countries sharing land borders with India may now qualify for investments without prior government approval under the revised framework.

Companies operating in eligible manufacturing sectors could benefit from streamlined approval processes, enabling faster execution of strategic capital infusion and expansion plans.

Investment documentation, due diligence procedures, and onboarding protocols should be updated to verify citizenship, residency, beneficial ownership, and ultimate investors in line with the revised regulatory requirements.

While some investments may no longer require prior government approval, businesses should continue to evaluate ownership reporting, compliance, and post-investment obligations, and factor these into transaction planning.

Insurance sector

The liberalisation is expected to attract increased foreign investment, provide insurers with greater flexibility in structuring their operations in India, and accelerate the growth and modernisation of the insurance sector through enhanced global participation and expertise.

External Commercial Borrowings (ECB) regulations

Key relaxations under the ECB framework — wider borrower/lender base, market-linked pricing, and tighter reporting discipline

Overview

The RBI has revised the ECB framework through the Foreign Exchange Management (Borrowing and Lending) amendment to (First Amendment) Regulations, 2026[6], effective from 16 February 2026.

The revised framework liberalises overseas borrowing through wider eligibility, currency flexibility, net-worth-linked limits, market-linked pricing, and transaction-based reporting.

Businesses now have broader access to overseas funding; however, end-use monitoring, AD bank documentation, LRN compliance and monthly reporting continue to remain critical.

Significant developments

- Eligible borrowers now include Indian entities other than individuals, including companies, LLPs and other entities incorporated, established, or registered under central or state law, where borrowing is permitted under their governing law.
- Entities under restructuring or insolvency may raise ECB only if permitted under the approved restructuring or resolution plan; borrowers with a pending FEMA investigation, adjudication or appeal may still raise ECB.
- Recognised lenders now include non-residents, foreign branches of RBI-regulated lenders, and IFSC-based financial institutions or branches.

Maturity, cost and pricing

- The automatic-route ECB limit is now linked to the borrower's financial strength, up to **USD 1 billion or 300% of the latest audited net worth**, whichever is higher, subject to applicable conditions.
- A uniform **minimum average maturity period of three years** applies to all types of ECBs; manufacturing companies may raise ECB with a maturity between one and three years, **up to USD 150 million**.
- ECB pricing is now market-linked as against the erstwhile mandatory all-in cost ceiling, with related-party ECBs required to be benchmarked on an arm's-length basis.

End use, drawdown and security

- ECB proceeds cannot be used for restricted activities, such as chit funds, Nidhi companies, prohibited real estate business, farmhouses, TDR trading, or securities trading (except for permitted corporate actions), and cannot be used to repay domestic Rupee loans taken for a restricted end-use or classified as NPA.
- The restricted end-use list is now codified. ECB cannot be used for prohibited real estate business, farmhouses, TDR trading, securities trading, or repayment of restricted domestic Rupee loans.

[6]Notification No. FEMA 3(R)(5)/2026-RB dated 9 February 2026.

- Permitted real estate/construction-development activities and strategic corporate actions may be funded, subject to conditions.
- ECB funds can be drawn only after obtaining an LRN from the AD bank. ECB proceeds intended for expenditure in India must be credited to the borrower's rupee account by the end of the month following the month of receipt. Pending utilisation, the funds may be parked in unencumbered fixed deposits for up to one year.
- ECB proceeds meant for foreign-currency expenditure may be held in permitted FCY accounts in India or overseas and parked in eligible short-term deposits or debt instruments.
- ECB may be secured by a charge on assets or a guarantee, subject to conditions.

Reporting and transition

- Form ECB 1 is required for the LRN, Revised Form ECB 1 for changes in ECB terms, and Form ECB 2 for drawdown and debt-servicing reporting; changes and monthly transactions must be reported within seven calendar days from month-end. Continued non-compliance may result in an "untraceable" classification and escalation to the RBI and the Directorate of Enforcement.
- ECBs raised prior to this amendment will continue under the earlier regulations, except that reporting must follow the amended framework. To simplify the regulatory framework, the RBI has consolidated the existing ECB provisions into a single set of directions.

Key insights

- Review borrower eligibility and confirm end-use before structuring or drawing down any ECB.
- Map proposed borrowings against the net-worth-linked limit and benchmark related-party pricing.
- Maintain a monthly reporting calendar and engage the AD bank early on documentation and the LRN.

Business takeaways

More companies, LLPs and registered entities can now evaluate ECB as a funding option, with access to a wider lender base, including offshore group entities and IFSC platforms.

Before availing a new ECB facility, borrowers should ensure that the proposed borrowing is within the applicable USD 1 billion or 300% of net worth limit and that pricing for related-party loans complies with the ECB regulations. Businesses should also obtain the LRN before drawing down funds and monitor the end use and holding period for each drawdown.

Overall, it is a significant liberalisation of India's ECB framework, offering broader access to overseas funding and greater flexibility for lenders, currencies, and market-linked pricing, as against the erstwhile arbitrary pricing and borrowing limits.

Despite greater flexibility, ECBs require strict compliance with end-use requirements, reporting, and AD bank monitoring. Effective documentation and robust internal controls are essential.

Export regulations

A consolidated 2026 framework for exporters, paired with a sharper interim realisation timeline

Overview

The RBI has revamped the FEMA framework for export transactions through the Foreign Exchange Management (Export and Import of Goods and Services) Regulations, 2026[7], effective from 1 October 2026. Alongside this, another amendment dated 5 June 2026[8] has tightened the interim timeline for export realisation.

Businesses should proactively review their export collection cycles, service-export reporting processes, and bank documentation to ensure readiness before the revised framework becomes fully operational.

Important developments

- Under the FEMA Export and Import of Goods and Services Regulations, 2026, a single Export Declaration Form (EDF) has been introduced for **goods, services, and software exports**, to be submitted to the specified authority within the prescribed timelines.
- Export proceeds must generally be realised within 15 months from shipment or invoice under the 2026 framework once effective (18 months for exports invoiced or settled in rupees), with project exports following the relevant contractual timeline.
- Set-off of export receivables against import payables is permitted with the same overseas party, or its overseas group or associate company, subject to the applicable realisation timeline.
- Third-party export receipts may be allowed where the AD bank is satisfied with the genuineness of the arrangement.
- If export proceeds remain unrealised for more than one year after the due date or extended due date, future exports may be permitted only against full advance payment or an irrevocable letter of credit.
- For export entries up to INR 10 lakh per shipping bill or invoice, EDPMS closure may be based on the exporter's own declaration, including quarterly consolidated declarations for bulk closure.

Export realisation period – Reduced from 15 to 9 months

- On 5 June 2026, the RBI amended the export regulations and reduced the export realisation period from 15 months to 9 months.
- Until 1 October 2026, exporters must adhere to the shorter 9-month collection timeline, subject to permitted extensions, if any.
- The revised timelines would apply to exports made on or after 5 June 2026.

Key insights

- Review all open export receivables against the 9-month interim timeline.
- Map service exports and assign ownership for EDF preparation, invoice consolidation, and timely filing.
- Reassess set-off, third-party payment and merchanting-trade protocols ahead of 1 October 2026.
- Additional administrative burden for routing services exports through the EDMPS systems; and will require a closer watch.

Business takeaways

Starting October 2026, service exporters should prepare for regular EDF filings, proper invoice tracking, greater monitoring by the AD bank, and clear internal ownership for submissions to the AD bank or the specified authority.

Companies relying on group-level or cross-transaction settlements should clearly document the linkage and obtain AD bank concurrence wherever applicable. Exporters using third-party receipt arrangements should keep contracts, correspondence, and commercial rationale for validation by the AD Bank.

Timely realisation of export proceeds remains important, as delays can affect future export flexibility. Although small-value transaction closures have been simplified, supporting documentation should be maintained.

The time until October 2026 has been provided to help exporters gear up and ensure compliance with the new framework.

[7] Notification No. FEMA 23(R)/2026-RB dated 13 January 2026, effective 1 October 2026.

[8] Notification No. FEMA 23(R)/(8)/2026-RB dated 5 June 2026.

Import regulations

Contract-linked payment timelines and a stronger monitoring role for AD banks under the 2026 framework

Overview

Alongside the export changes, the Foreign Exchange Management (Export and Import of Goods and Services) Regulations, 2026[9], recast the framework for import transactions, effective from 1 October 2026, with AD banks playing a larger monitoring role over import payments and advances.

Important developments

- Import payment timelines are now aligned to the underlying contract terms. AD banks may allow payments beyond the contractual timeline upon a reasoned request.
- Advance remittance for imports may be permitted once the AD bank is satisfied about the genuineness of the requirement; AD banks may prescribe thresholds beyond which a Standby Letter of Credit (SBLC) or guarantee is required.
- Advance remittance for the import of gold or silver is not permitted unless specifically allowed under the applicable FEMA framework.
- If imports do not materialise and the advance is not repatriated or adjusted within the permitted period, future import advances may require an unconditional, irrevocable SBLC or guarantee from a reputed international bank, or an equivalent AD-backed arrangement.
- For import entries up to INR 10 lakh per bill of entry, IDPMS closure may be based on the importer's own declaration, including quarterly consolidated declarations for bulk closure.
- Interest on delayed import payments, and on advance export receipts, must remain within the all-in-cost ceiling applicable to trade credit under the FEMA Borrowing and Lending Regulations, 2018.

Key insights

- Ensure import payment terms are in line with the prevailing market practice.
- Review advance-payment protocols for gold, silver, and other sensitive import categories.
- Review whether set-off, third-party payments, advances and merchanting trade require changes to internal protocols before 1 October 2026.

Business takeaways

Import contracts should carry realistic payment terms that are supportable before the AD bank, and importers planning advance payments should keep vendor documents, purchase terms, and business justification ready, noting that advance remittance for gold or silver imports is not permitted unless specifically allowed.

Frequent non-materialisation of imports may lead to stricter documentation for future advance remittances. Interest on delayed payments or advance receipts should also comply with the prescribed trade credit cost limits.

Overall, the consolidated 2026 framework gives AD banks materially more discretion and monitoring responsibility over import payment timelines and advances. Businesses with strong contract documentation and clear escalation routes with their AD bank will find the added flexibility genuinely useful; those without may face closer scrutiny on delayed payments and unadjusted advances.

[9] Notification No. FEMA 23(R)/2026-RB dated 13 January 2026, effective 1 October 2026.

Non-resident investment in debt instruments

NRI debt investment clarified, Foreign Portfolio Investors (FPI) collateral flexibility added, and government securities investment ceilings eased

Overview

Investment avenues for non-resident Indians and foreign portfolio investors (FPI) have been further streamlined through greater clarity on debt investments[10] and relaxation of norms for investment restrictions in government securities[11]. The changes are intended to facilitate foreign participation in India's debt markets while improving investment flexibility and market efficiency.

Amendments relating to NRIs and FPIs

- "Non-resident Indian" is now expressly defined as an individual resident outside India who is a citizen of India.
- **NRIs are permitted to invest in debt instruments freely, without any cap**.
- FPIs may now offer government securities and non-convertible debentures or bonds as collateral to recognised stock exchanges for exchange-traded derivative transactions.
- The mode of payment for investments and remittance of sale or maturity proceeds continues to be governed by the applicable regulations.

FPI investment in government securities

- Short-term investment limits (earlier capped at 30% of portfolio), security-wise limits (earlier capped at 30% of outstanding stock) and concentration limits (10%/15% based on FPI category) under the General Route have been withdrawn.
- The earlier distinction between 'General' and 'Long-term' categories has been removed; a single consolidated investment limit now applies for central government securities (CGS) and state government securities (SGS).
- The limits for investment in CGS and SGS for FY 2026-27 have been revised as under:

Investment limit	CGS (INR crore)	SGS (INR crore)
Apr–Sep 2026	4.62 lakh	1.53 lakh
Oct–Mar 2027	4.77 lakh	1.64 lakh

- The Fully Accessible Route (FAR) has been expanded to include new long-tenor in G-Secs (15-year, 30-year and 40-year), Sovereign Green Bonds across 5, 7, 10, 15, 30 and 40-year tenors, and certain existing securities.

Key insights

- With NRI limits clarified and FPI ceilings eased, Indian companies and the government may see stronger foreign inflows into debt markets.
- The expanded range of eligible tenures, including green bonds, opens the possibilities for long-term or sustainability-linked investment strategies.

Business takeaways

NRI debt investments were already permitted; however, further clarity makes the investment process smoother.

FPIs investing in government securities under the General Route no longer need to comply with certain investment restrictions, such as security-wise, short-term and concentration limits. This provides greater flexibility in managing debt portfolios.

Government securities and eligible corporate bonds can now be used as collateral for transactions on recognised stock exchanges. This enables investors to utilise their existing investments more efficiently without requiring additional cash collateral.

The relaxation of investment restrictions and the expansion of the Fully Accessible Route to cover additional long-term and green government securities demonstrate the RBI's continued focus on encouraging foreign investment in India's debt market.

[10] A.P. (DIR Series) Circular No. 06 dated 10 April 2026.

[11] A.P. (DIR Series) Circular No.11 dated 5 June 2026.

Portfolio investment regime for non-resident individuals

Investor base widened for portfolio investment beyond NRIs/OCIs, investment limits raised, and a new Repatriable Rupee Account route introduced

Overview

The portfolio investment framework has been significantly broadened by extending eligibility beyond NRIs and OCIs to all individuals resident outside India for investments in listed Indian companies[12]. This broadens the investor base, increases investment limits and simplifies the investment process[13], making it easier for overseas individuals to invest in India's capital markets.

Key developments

- The investor base has been expanded from NRIs/OCIs alone to all individuals who are residents outside India, enabling direct participation in equity instruments of the listed Indian companies.
- The total holding of the individual shall be **<10%** (earlier 5%) of paid-up equity capital on a fully diluted basis. Together, all such foreign individual investors in a company can now hold **up to 24%** (up from 10% earlier).
- Any breach of the individual limit must be rectified within 5 trading days, failing which the investment would be reclassified as FDI, with restrictions on further portfolio investment.
- Government approval would be required where an investment results in the transfer of ownership or control of a listed Indian entity to entities/citizens of countries sharing a land border with India, or where beneficial ownership lies in such jurisdictions.
- Transfer provisions now extend to all non-resident individuals, permitting sale or gift to another non-resident, subject to approval where applicable.
- A new "Investor Group" concept has also been introduced, which means the entities registered as FPI and directly or indirectly having common ownership of more than 50% or common control shall be treated as part of the same investor group, and their investments shall be clubbed within the limit applicable to a single FPI.
- Investments must now be routed through a Repatriable Rupee Account, replacing the earlier NRE (PIS) Account route, with payments permitted via inward remittance or funds held in repatriable deposit accounts. Furthermore, sale and maturity proceeds may be repatriated or credited to a designated Rupee account.
- AD banks must report the purchase or transfer of equity instruments by non-resident individuals through the new Form LEC (Individual Foreign Investors), replacing Form LEC (NRI), and must monitor for reclassification from FPI to FDI, where applicable.

Key insights

- The reforms are expected to improve liquidity in Indian capital markets by allowing participation from a larger base of overseas individual investors.
- Higher investment limits provide greater flexibility for overseas investors while enabling Indian companies to diversify their investor base.
- Although the framework has been liberalised, safeguards continue for investments involving sensitive ownership or control considerations.

Business takeaways

The reforms will significantly liberalise India's capital markets by allowing direct participation by global individual investors, widening the investor base, and supporting liquidity in Indian equities.

Higher limits, simplified access, and potential savings in fund-management expenses are expected to attract global retail and high-net-worth investors, improving market depth and capital inflows, in addition to the extant FPI route.

At the same time, the framework balances ease with safeguards through investment limits, reclassification rules, and approval requirements. However, opening a bank account in India may continue to pose a challenge, as stringent KYC norms require in-person verification and notarised documentation from the foreign individual, making the process time-consuming.

Overall, the reforms align India with global practices and strengthen its position as a more accessible and attractive destination for long-term foreign capital.

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[12] Foreign Exchange Management (Non-Debt Instruments) (Third Amendment) Rules, 2026.

[13] FEMA (Mode of Payment and Reporting of Non-Debt Instruments) Regulations, 2019.

Guarantees regulations

A new framework for cross-border guarantees, supported by a refreshed quarterly reporting regime

Overview

A new framework[14] governing cross-border guarantees has replaced the earlier regime[15], providing greater clarity regarding permitted guarantee structures, reporting obligations and stakeholder responsibilities. The revised framework also introduces a structured reporting mechanism[16] designed to strengthen regulatory oversight and improve compliance monitoring.

What's new

- Core terms - Creditor, principal debtor, surety, guarantee (including counter-guarantee), and IFSC are now formally defined, removing earlier ambiguity.
- Generally, residents cannot be party to a guarantee involving a non-resident, except in specified cases, such as guarantees issued by an overseas or IFSC branch of an AD bank, irrevocable payment commitments by custodian banks for FPIs, and guarantees permitted under the overseas investment framework.
- Residents may act as surety or principal debtor where the underlying transaction is permitted, and borrowing or lending eligibility is met; a resident creditor may obtain a guarantee from a non-resident for any permitted underlying transaction.
- Reporting responsibility is now clearly allocated to the resident surety, or to the principal debtor where the surety is a non-resident, or to the creditor where both are non-residents or where the creditor arranged the guarantee.
- Guarantees issued, modified, or invoked must be reported quarterly in Form GRN to the **AD bank within 15 days of quarter-end**. The AD bank, in turn, reports to the RBI within 30 days of the quarter-end.
- Separate forms are required to be filed for issuance, modification and invocation of guarantee - Form GRN Issue, GRN Modification and GRN Invocation. For each guarantee issuance reported through Form GRN Issue, the AD bank shall generate and allot a unique Guarantee Transaction Number.
- For delay in reporting of guarantee, a **late submission fee** shall be determined as INR 7,500 + 0.025% (x) amount involved in delayed reporting (x) number of years. For this purpose, the amount involved in delayed reporting for GRN Issue and GRN Modification shall be treated as nil, as these do not capture fund flows. In case of delayed reporting of GRN Invocation, the amount shall be treated as the liability created on the date of invocation.
- Quarterly reporting of trade-credit guarantees has been discontinued from the quarter ended March 2026.

Key insights

- Map every live cross-border guarantee and counter-guarantee to confirm that it falls within a permitted category.
- Assign a named owner for quarterly GRN reporting and reconcile with the AD bank before each deadline.
- Since delays in reporting may result in late submission fees, businesses should strengthen internal monitoring and governance around cross-border guarantees..

Business takeaways

Review all existing cross-border guarantees and prepare an inventory of guarantees provided to overseas lenders, group companies, and business partners to confirm compliance with the new framework.

Any subsequent modification, amendment or invocation of existing guarantees may trigger reporting obligations under the new framework and should be carefully monitored.

Cross-border guarantees should be tracked throughout their lifecycle from issuance to amendment and invocation to ensure timely reporting and avoid regulatory issues.

Internal processes should be updated so that guarantees are reported to the AD bank within the prescribed timelines.

Delays in reporting, particularly when a guarantee has been invoked, may result in late submission fees. Timely reporting can help avoid additional compliance costs.

Businesses should coordinate with their AD bank before issuing or modifying guarantees to ensure that documentation and reporting requirements are understood upfront.

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[14]Notification No. FEMA 8(R)/2026-RB dated 06 January 2026 (published 12 January 2026).
[15]A.P. (DIR Series) Circular No. 19 dated 12 January 2026.
[16]A.P. (DIR Series) Circular No. 01 dated 1 April 2026.

Cross-border merger framework

"Competent Authority" replaces the NCLT-specific reference across the merger framework

Overview

The framework governing cross-border mergers has been updated[17] to better align with the approval process under the Companies Act.

Key developments

- A new definition of **"Competent Authority"** has been introduced to mean any authority empowered under the Companies Act, 2013, to approve a scheme of merger or amalgamation.
- The erstwhile reference to the NCLT has been removed across the principal regulations and has been replaced with the "Competent Authority."

Key insights

- References to the NCLT have been replaced with the term "Competent Authority", allowing the rules to accommodate any authority authorised to approve a merger under company law.
- The amendment removes regulatory ambiguity for fast-track cross-border mergers by extending the FEMA deemed-approval framework to merger schemes approved by any "Competent Authority" under the Companies Act, and not just the NCLT.

Business takeaways

Businesses will benefit from a wider approved framework under the Companies Act, significantly minimising potential regulatory interpretation issues during the implementation of the transaction. This provides greater certainty in implementing complex corporate actions, including intra-group reorganisation and other strategic restructuring initiatives.

By aligning FEMA with all approving mechanisms recognised under the Companies Act, the amendment creates a future-ready regulatory framework that can readily accommodate evolving legal and policy developments without requiring corresponding FEMA amendments.

Currency declaration form under the FEMA currency regulations

New declaration thresholds for foreign currency physically brought into India

Overview

A standardised declaration mechanism[18] has been introduced for individuals carrying foreign currency into India above the prescribed thresholds. The framework formalises declaration requirements and establishes a uniform process for currency conversion and repatriation of unspent foreign exchange.

Key changes

- Passengers must declare foreign exchange in the CDF where the aggregate of currency notes, bank notes and travellers' cheques exceeds USD 10,000 or its equivalent, and/or where foreign currency notes alone exceed USD 5,000 or its equivalent.
- The CDF must be presented to a bank authorised to deal in foreign exchange or money changers when converting foreign currency into rupees, or when reconverting rupees back into foreign currency.
- Visitors who do not fully use the declared foreign exchange must retain the CDF and present it to customs on departure, to carry the unspent amount out of India.

Key insights

- The change primarily affects foreign business travellers, expatriates, overseas employees and international visitors carrying significant amounts of foreign currency.
- Retain the CDF for any partially used foreign exchange to preserve the ability to repatriate it on departure.

[17] Notification No. FEMA 389(1)/2026-RB dated 29 May 2026.

[18] Notification No. FEMA 6(R)(5)/2026-RB, effective 24 February 2026.

Business takeaways

Although the amendment does not introduce new monetary thresholds, it formalises the documentation process and therefore requires better traveller awareness.

Companies with frequent inbound travel should update employee travel guidance, expatriate onboarding packs and mobility policies to include the new CDF requirements.

Companies should ensure that employees carrying foreign currency are aware that the CDF may be required during currency exchange and should therefore retain it until they leave India.

Liberalisation of framework for Special Non-Resident Rupee (SNRR) accounts

The SNRR framework has been liberalised by expanding account-opening avenues, an expanded transaction scope and fewer restrictive conditions

Overview

The regulatory framework governing Special Non-Resident Rupee (SNRR) accounts has been significantly liberalised[19] to make rupee-denominated transactions easier for non-residents. The changes broaden the circumstances under which SNRR accounts can be opened and used, permit account opening through IFSC banking units, remove several account-specific conditions, and allow additional fund transfers.

What's changed

- A definition of the 'International Financial Services Centre' has been inserted in the Deposit Regulations, carrying the same meaning as assigned under the International Financial Services Centres Authority Act, 2019.
- A person resident outside India may now open, hold and maintain an SNRR account with a branch located in an IFSC in India. Earlier, the framework did not specifically permit SNRR accounts with AD bank branches operating in an IFSC.
- Transfers from an NRO account to an NRE account or an SNRR account are now expressly permitted, subject to the applicable remittance limits.
- An SNRR account can now be **maintained for any permitted current or capital account transaction** with residents, as well as for undertaking bonafide transactions with persons resident outside India, **without any condition of having a business interest in India**.
- Earlier operational conditions linking the account to a specific business activity, account nomenclature and tenure have been removed, making account management more flexible.
- AD banks are now permitted to effect transactions between persons resident outside India involving SNRR accounts, based on the account holder's instructions or mandate indicating the underlying purpose of transfer.

Key insights

- Companies and individuals that were earlier denied SNRR access due to a lack of an India business interest should reassess their eligibility now.
- The changes provide greater flexibility for multinational groups, foreign investors, overseas entities and treasury centres using rupee accounts for cross-border transactions.
- Removing business-specific restrictions reduces documentation requirements and simplifies account administration.

Business takeaways

Non-residents and IFSC-based AD bank branches can now structure the SNRR arrangements directly within an IFSC, widening the account-opening options previously confined to domestic AD bank branches.

Non-residents without an existing India-linked business interest can now access SNRR accounts, and NRO balances can flow into SNRR accounts within prescribed limits.

The amendment marks a significant liberalisation of the SNRR framework, moving it from a narrowly business-linked account to a broader vehicle for rupee-denominated dealings by non-residents. Removing the business-interest and nomenclature conditions reduces documentation friction, while enabling IFSC-based account opening and NRO-to-SNRR transfers gives corporates and non-resident individuals meaningfully wider structuring flexibility.

[19] Notification No. FEMA 5(R)(6)/2026-RB dated 18 June 2026, published 29 June 2026.

Withdrawal of obsolete FEMA circulars

A housekeeping exercise to retire circulars superseded by later amendments

Overview

Keeping track of which FEMA circulars are still valid has long been a challenge, since many older circulars had effectively been overtaken by newer regulations without being formally withdrawn. To fix this, a large-scale review has been carried out covering all FEMA circulars issued since June 2000, and 732 of them have now been formally withdrawn[20] because they are outdated, redundant, or have been superseded by later rules.

Highlights

- The withdrawal exercise is part of the RBI's ongoing initiative to rationalise and streamline the FEMA regulatory framework.
- The withdrawn circulars are listed in the annexure to the circular.

Business takeaways

This is primarily a regulatory clean-up exercise rather than a policy change. However, companies should use it as an opportunity to update internal compliance manuals, FEMA trackers, standard templates and board documentation to reflect the current regulatory framework. Ensuring that only valid and operative regulatory references are used improves documentation quality, supports audit readiness and minimises avoidable compliance queries.

[20] A.P. (DIR Series) Circular No. 18 dated 24 June 2026.

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