

Customer FAQs / Frequently Asked Questions

FEMA 8R – Foreign Exchange Management (Guarantees) Regulations, 2026

1. What is FEMA 8R?

FEMA 8R refers to the *Foreign Exchange Management (Guarantees) Regulations, 2026*, issued by the Reserve Bank of India on 6 January 2026. It replaces the earlier FEMA 8/2000-RB regulations, except for actions taken or omitted before the supersession.

2. Why has RBI introduced new guarantee regulations?

The revised regulations modernize and harmonize FEMA's treatment of cross-border guarantees, strengthen transparency, and introduce standardized quarterly reporting to ensure accurate monitoring of offshore guarantee exposures.

3. When do these regulations come into effect?

The regulations came into force from the date of publication in the Official Gazette, i.e., 6 January 2026.

4. What types of guarantees are covered?

Any guarantee (including counter-guarantees) involving:

- A principal debtor,
 - A surety, and/or
 - A creditor,
- where any one of these parties is a *person resident outside India*.

This includes financial guarantees, performance guarantees, corporate guarantees, personal guarantees (issued by resident Indian) and standby letters of credit if structured as guarantees.

5. Who is permitted to act as a surety or principal debtor under FEMA 8R?

A person resident in India may act as a surety or principal debtor subject to:

- The underlying transaction being permitted under FEMA; and
- The surety and principal debtor being eligible to lend/borrow under the *Borrowing and Lending Regulations, 2018*.

6. Are any transactions exempt from these regulations?

Yes. Exemptions under Regulation 4 include:

- Guarantees issued by an AD bank branch outside India or in an IFSC (provided all parties outside India).
- Irrevocable Payment Commitments (IPC) issued for FPIs.

- Guarantees permitted under the *Overseas Investment Regulations, 2022*.

7. What is the biggest change introduced by FEMA 8R?

Quarterly Reporting of Guarantees is the most significant change. Under Regulation 7, reporting must include:

- Issuance of guarantees
- Any modification (amount, tenor, pre-closure)
- Invocation of guarantees

8. Who has the reporting responsibility?

Reporting must be done by:

- The surety, if resident in India
- The principal debtor, if they arrange the guarantee and the surety is non-resident
- The creditor, if both surety and principal debtor are non-residents

Customers must determine which category they fall under to ensure compliance.

9. What is the deadline for reporting?

Reports must be submitted to the Authorised Dealer (AD) bank:

- Within 15 calendar days from the end of each quarter

10. What happens if reporting is delayed?

A Late Submission Fee (LSF) applies under Regulation 8:

Formula: ₹7,500 + 0.025% × A × n

- A = amount involved
- n = years of delay (rounded up)

11. What details need to be reported?

Reporting must follow the prescribed GRN Form and include:

- Party details (surety, principal debtor, creditor)
- Guarantee amount, type, dates
- Underlying transaction details
- Details of modifications, if any
- Invocation details, if any

12. Does the bank report on behalf of customers?

The bank will forward reports to RBI, but the reporting responsibility rests with the party defined under Regulation 7 (surety/principal debtor/creditor).

13. What should customers do now?

- Identify all guarantees involving non-resident parties
- Determine reporting responsibility
- Maintain records required for quarterly filings
- Provide required information to your Relationship Manager promptly
- Avoid delays to prevent LSF

14. Whom can customers contact for help?

Customers may reach out to their Relationship Manager or Branch for clarity, support on reporting requirements, or assistance with GRN Form submission.