

REGULATORY UPDATE

**Foreign Exchange
Management (Guarantee)
Regulations, 2026**



FOREIGN EXCHANGE MANAGEMENT **(GUARANTEE), REGULATIONS 2026**

BACKGROUND

The Reserve Bank of India (RBI) has notified the Foreign Exchange Management (Guarantee) Regulations, 2026 (hereinafter referred to as “2026 Regulations”) dated 6 January 2026, in supersession of the Foreign Exchange Management (Guarantee) Regulations, 2000 (hereinafter referred to as “2000 Regulations”).

The 2026 Regulations provide a comprehensive framework for the issuance, receipt, modifications and management of guarantee involving foreign exchange by a person resident in India and person resident outside India.

OVERVIEW OF KEY PROVISIONS UNDER THE 2026 REGULATIONS

1. Exemptions:-

The 2026 Regulation shall not apply on the following guarantees:-

- Guarantees undertaken by branches of authorised dealer banks **outside India or in an IFSC**, provided no other party to the guarantee is a person resident in India.
- **Irrevocable Payment Commitments** issued by authorised dealers acting as custodian banks-
 - a. where the principal debtor is a registered Foreign Portfolio Investor
 - b. the creditor is an authorized central counterparty in India.
- Guarantees issued in accordance with the **Foreign Exchange Management (Overseas Investment) Regulations, 2022**.

2. Permission to act as surety or principal debtor

The 2026 Regulations permit a resident to act as a surety or principal debtor provided the **underlying transaction is not prohibited under FEMA** and the parties are eligible to lend and borrow under the FEMA (Borrowing and Lending) Regulations, 2018.

However, the lending and borrowing eligibility requirement does not apply to-

- i. guarantees issued by an authorized dealer bank and is **backed by a counter-guarantee or is secured by 100% collateral** in the form of a deposit from a person resident outside India;
- ii. issued by an agent in India of a shipping company or an airline company incorporated outside India, on behalf of such company, in connection with **its obligations or liabilities**

towards any statutory or Government authority in India; or

iii. where both the surety and the principal debtor are persons resident in India.

3. Permission to obtain a guarantee as a creditor:-

A person resident in India, acting as a creditor, may arrange or obtain a guarantee in its favour subject to the following residency-based condition:

4. Reporting Requirements

Where both the principal debtor and the surety are persons resident outside India, the resident creditor shall ensure that the underlying transaction for which the guarantee is obtained is not prohibited under the FEMA regulatory framework.

The 2026 Regulations read with Master Direction-Reporting under Foreign Exchange Management Act, 1999 **has clearly allocated reporting responsibility among the surety, principal debtor or creditor**, requiring reporting of issuance, changes and invocation of guarantees and mandating quarterly reporting in **Form GRN** through authorised dealer banks **within fifteen calendar days from the end of the respective quarter**.

Form GRN is structured into four parts:

- ✓ Part A covers the details of the reporting party;
- ✓ Part B relates to the reporting of guarantees issued;
- ✓ Part C captures details of modification or pre-closure; and
- ✓ Part D provides details of invocation of guarantees.

5. Late submission fee for delayed reporting

The 2026 Regulations introduce a **clear and quantified** late submission fee mechanism for delayed reporting.

CONCLUSION

The 2026 Regulations replace the restrictive and approval-based 2000 Regulations with a clearer framework.

While the 2026 Regulations provide greater operational flexibility under the automatic route, they also place strong emphasis on timely and accurate reporting. Entities involved in cross-border guarantee transactions should review their internal policies, systems, and controls to ensure full compliance with the 2026 Regulations.

For more details, please refer notification dated 12th January, 2026

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=13269&Mode=0>

For more details related to the GRN Form reporting requirements, please refer the updated Master Directions

<https://rbidocs.rbi.org.in/rdocs/content/pdfs/13MDR291215.pdf>

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