

Regulatory alert: RBI introduces new mechanism for reporting annual return on Foreign Liabilities and Assets

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Summary

An Indian company that has received foreign investment or a Limited Liability Partnership (LLP) which has received investment by way of capital contribution in the preceding year(s) including the current year, is required to submit form Foreign Liabilities and Assets (FLA) on or before the 15th day of July of each financial year. The Reserve Bank of India (RBI)¹ has now operationalised a web-based online reporting portal 'Foreign Liabilities and Assets Information Reporting (FLAIR) system', for submission of the aforesaid return. The portal aims to enhance the security-level in data submission and improve data quality.

The new system has been made effective immediately and would be applicable for reporting of information for the year 2018-19 latest by 15 July 2019.

Key highlights

- **Introduction of online portal:** A new web-portal interface for reporting of FLA return has been introduced replacing the current email based system.
- **User registration form:** The new web-portal² shall be used by all FLA reporting entities for submitting the 'User Registration Form'. It may be noted here that under the new system, LLPs and Alternative Investment Funds will no longer be required to use a dummy Corporate Identification Number.
- **One-time password:** A new reporting system shall be authenticated through a one-time password which will be sent on the registered email id of the authorised person.
- **Reporting on FATS:** All reporting entities are now required to provide information on Foreign Affiliate Trade Statistics (FATS) related variables. This information was earlier required to be reported only by subsidiary companies.
- **Tracking since inception:** The new system seeks information on the first year of foreign direct investment or overseas direct investment and disinvestment. This was not required to be submitted under the earlier framework.
- **Others:**
 - Reporting entities will get a system generated acknowledgement receipt upon successful submission of the form.
 - Entities are allowed to revise the data, if required, and view/ download the information submitted on the portal.

¹ vide notification dated 28th June 2019

² <https://flair.rbi.org.in/fla/>

- Entities can submit FLA information for earlier year/s after obtaining RBI confirmation.
- The existing e-mail based submission will be discontinued immediately.

Our comments

The above stated changes would help the entities and authorities in easy tracking of data through the online gateway. Further, confirming first year of investment, OTP verification and reporting on FATS should enable the stakeholders to comply with the reporting requirements both in letter and spirit.

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