

## FEMA (GUARANTEES) REGULATIONS, 2026



**Notification no.: F. No. FEMA 8(R)/2026-RB.**

**Date of Issue: January 06, 2026**

The RBI notified the Foreign Exchange Management (Guarantees) Regulations, 2026, on January 6, 2026. This update overhauls how guarantees involving non-residents are issued, managed, and reported. It shifts from a restrictive "approval-based" system to a "principle-based" permissions system, significantly expanding the Automatic Route for Indian residents.

### The Shift: Old vs. New

- **Permission Framework:** Previously, most cross-border guarantees required specific RBI approvals. The New Framework allows residents to act as a surety or principal debtor automatically, provided the underlying transaction is not prohibited under FEMA.
- **Reporting Frequency:** Reporting has been streamlined into a Combined Quarterly Framework. Consequently, the old quarterly reporting specifically for "Trade Credit" guarantees is being discontinued from the quarter ending March 2026.
- **Penalty Structure:** The update introduces a formal Late Submission Fee (LSF) for reporting delays, standardizing the cost of non-compliance: ₹7,500 + 0.025% of the amount involved per year of delay.

### Affected Regulations

- **Superseded:** Foreign Exchange Management (Guarantees) Regulations, 2000 (Notification No. FEMA 8/2000-RB).
- **Amended Master Directions:** Updates have been made to Master Directions on ECB (External Commercial Borrowings), Trade Credits, and Reporting under FEMA to align with these new rules.

### Key Compliance Action Points

- **New Form GRN:** All guarantees (issuance, modification, or invocation) must now be reported using the newly introduced Form GRN.
- **Timeline:** Reports must be submitted to the Authorised Dealer (AD) Bank within 15 calendar days from the end of each quarter.
- **Underlying Legality:** Before arranging a guarantee where both the debtor and surety are non-residents, an Indian creditor must ensure the underlying transaction is FEMA-compliant.

### Regulatory Impact

By expanding the automatic route, the RBI is reducing the administrative burden on Indian companies and banks. However, this comes with "tightened disclosure requirements." The broad definition of a guarantee now explicitly includes counter-guarantees, ensuring the RBI has full visibility of potential liabilities that could impact India's foreign exchange reserves.

[Click Here](#)

### KNOWLEDGE DESK

~**Abutalib Syed**  
(Knowledge Executive)

~**Dipika Bisawa**  
(Director, Compliance & Learning Innovation)