

## LEGAL UPDATES

### **SC REJECTED THE APPLICATION QUESTIONING RBI'S MTT GUIDELINES UNDER FEMA FOR PPE PRODUCTS AND DECLARES STATE INTEREST PARAMOUNT**

The Supreme Court upheld the Madhya Pradesh High Court's ruling that the RBI's 2020 Merchant Trade Transactions (MTT) Guidelines, which were issued in the course of exercising its FEMA authority, were a proportionate measure to ensure that there was a sufficient domestic supply of PPE products in India and was not disproportionate to any law or constitution of India

The Hon'ble Supreme Court was of the opinion that preventing MTTs from being used in PPE items was essential for preventing the use of Indian foreign exchange reserves to promote the stockpiling of PPE products with more affluent countries.

Noting that FEMA had granted RBI authority to manage, control, and oversee India's foreign exchange and that it is an established legal precedent that courts may not intervene with the government's economic, regulatory, or policy decisions, the Hon'ble Apex Court noted that *"A casual invalidation of regulatory action in the garb of upholding fundamental rights and freedoms, without a careful evaluation of its objective of social and economic control, would harm the general interests of the public."*

As a result, the court determined that RBI had shown that there is a reasonable connection between the ban on MTTs for PPE items and the public health of Indian residents. As it concluded that *"RBI's policy to align MTT permissibility with the FTP restrictions on import and export of PPE products cannot be questioned."*, and dismissed the appeal.