



October 2020

FEDAI NEWS LETTER

Monetary Policy Statement dated October 7th-9th, 2020

https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=50479

https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=50480

On the basis of an assessment of the current and evolving macroeconomic situation, the newly constituted Monetary Policy Committee (MPC) kept the policy repo rate under the liquidity adjustment facility (LAF) unchanged at 4.0 per cent. Consequently, the reverse repo rate under the LAF remains unchanged at 3.35 per cent and the marginal standing facility (MSF) rate and the Bank Rate at 4.25 per cent. The committee also agreed to continue with the accommodative stance, to drive short term rates towards Reverse Repo Rate instead of Repo Rate. Other important announcements made in the policy statement are;

- Focusing on liquidity measures, RBI decided to conduct on tap Targeted Long Term Repo Ops (TLTRO) with tenors of up to three years for a total amount of up to Rs. 1,00,000 crore at a floating rate linked to the policy repo rate. The scheme will be available up to March 31, 2021
- After NEFT which was made available 24*7*365 basis in December 2019, the RTGS system will also be made available round the clock on all days effective December 2020.

EDPMS Module for 'Caution/De-caution Listing of Exporters' – Review

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11978&Mode=0>

RBI discontinued the Automatic Caution-listing of exporters on ground of overdue export shipping bill in EDPMS. The RBI advised vide A.P. (DIR Series) Circular No.03 dated October 09, 2020 that henceforth exporter would be caution-listed based on the recommendations of banks.

Grant of ex-gratia payment of difference between compound and simple interest

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11989&Mode=0>

The Government of India announced on October 23rd, 2020 the Scheme for grant of ex-gratia payment of difference between compound interest and simple interest for 6 months to borrowers in specified loan accounts. The scheme mandates ex-gratia payment of amount of the difference between simple interest and compound interest for the period between March 1, 2020 to August 31, 2020 by respective lending institutions, who can claim the reimbursement latest by Dec. 15th 2020.

Fx execution algorithms and market functioning

<https://www.bis.org/publ/mktc13.pdf>

On the back of increased fragmentation and automation in the FX market, the use of Execution Algorithms (EAs) which came into use in Fx Spot market 10 years ago has been on the rise for quite some time. Markets Committee study group of Bank for International Settlement published a report on 30th October 2020 examining the role of EAs in the FX market. This report highlights key trends with regard to their increasing usage, and outlines the implications for market functioning and associated policy challenges. The report finds that the use of EAs is widespread but not dominant in the FX market.

Designated FCRA Account

https://fcraonline.nic.in/home/PDF_Doc/fc_notice_13102020.pdf

As provided under recent amendment in FCRA, every person who has been granted certificate or prior permission under the Act shall receive foreign contribution only in an account designated as FCRA Account, which shall be opened for the purpose of remittances of foreign contribution in the State Bank of India. The Central Government has now vide a notification on 13th October 2020, specified New Delhi Main Branch (NDMB) of SBI for receiving foreign contribution.

FEDAI Circular

In consideration of pandemic and relaxation extended for holding AGM by GoI, FEDAI in consultation with RBI advised that AD Category-I Bank may allow their customers time extension, for submission of Annual Statutory Auditors Certificate required as per RBI Master Direction on Risk Management and Inter-Bank Dealings, for the year 2019-20, up to December 31st 2020.

ICC News

International experts from the banking industry came together to discuss key topics affecting the trade finance industry on 28th October 2020 at the virtually held Annual Technical Meeting of ICC's Banking Commission. Key issues taken up by various committees during the meeting were Digitalisation of trade finance, Sustainable trade finance, Global Supply Chain Finance Forum (GSCFF), Regulatory advocacy and Update on ICC Rules.

FEDAI workshops & training activities

Market interactions Event

- **29th October 2020**, FEDAI Board held discussion with FMRD, RBI on market developments. Key points which came up during the discussions were – New initiatives undertaken by FEDAI to address the difficulties faced by members because of Covid-19, Slow pace of adaption of Fx Retail platform, Learnings and experience from revised Fx hedging guidelines.

Online workshop/Trainings

- **21st October 2020** Online Training Program on Retail Fx Products

Upcoming Market Events

- RBI MPC Meeting 02-04th December 2020
- FOMC Meeting 04-05th November 2020
- ECB Monetary Policy Meeting 10th December 2020

Market News

- Sh. M. Rajeshwar Rao, Executive Director, RBI took over as the Dy. Governor of RBI on Oct 9, 2020. As Deputy Governor, Sh. Rao will look after Department of Regulation, Department of Communication, Enforcement Department, Inspection Department, Legal Department and Risk Monitoring Department.

- Sh. Biswa Ketan Das, ex GM, Global Markets, SBI, joined Indian Institute of Banking and Finance (IIBF) as Chief Executive Officer on 1st October 2020

- The managing committee of Indian Banks' Association at its meeting held on October 16th, 2020 elected Rajkiran Rai G, Managing Director and CEO, Union Bank of India as the chairman, IBA for the term 2020-21

- Prof. Ashima Goyal, Prof. Jayanth R Varma and Dr. Shashanka Bhide all economists have been appointed as members of the six-member rate-setting Monetary Policy Committee of the RBI.

- The Banks Board Bureau recommended name of Sh. Swaminthan Janakiraman and Sh. Ashwini Kumar Tewari for vacant positions of Managing Director in State Bank of India.

- RBI has deferred implementation of provisions of net stable funding ratio (NSFR) made under Basel III capital due to uncertainty related to COVID crisis by six months i.e. April 1, 2021.

- RBI imposed monetary penalty of Rs.4.50 crs on IndusInd Bank Limited for non-compliance with certain regulatory directions. The RBI also levied penalty of Rs. 22 lakhs on DCB Bank Ltd. for non-compliance with certain provisions of directions on "Marketing/distribution of mutual fund/insurance etc., products by banks".

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Bank for International Settlement



The Mission of BIS is to serve central banks in their pursuit of monetary and financial stability, to foster international cooperation and to act as a bank for central banks.

BIS having its Head Office in Switzerland, was established in 1930 and is owned by 63 central banks (RBI is one of them), representing countries that together account for about 95% of world GDP.

The BIS seeks to make monetary policy more predictable and transparent among its 63 members central banks, except in the case of Eurozone countries which forfeited the right to conduct monetary policy in order to implement the Euro. Two aspects of monetary policy have proven to be particularly sensitive, and the BIS therefore has two specific goals: to regulate capital adequacy and make reserve requirements transparent.

To regulate capital adequacy Basel standards require the capital/asset ratio of internationally active commercial banks to be above a prescribed minimum standard, to improve the resilience of the banking sector. BIS encourage for;

- reserve transparency
- fostering discussion and facilitating collaboration
- supporting dialogue with other authorities
- carrying out research and policy analysis
- acting as a prime counterparty for central banks in their financial transactions; and
- serving as an agent or trustee in connection with international financial operations.

-: Stay healthy and stay safe: -