



January 2021 FEDAI NEWS LETTER

LIBOR Transition - Indian Context

<https://www.rbi.org.in/Scripts/PublicationReportDetails.aspx?UrlPage=&ID=1169>

RBI Financial Stability Report, January 2021 discussed LIBOR transition in the Indian Context. In the domestic market, LIBOR linked exposures are spread across loan contracts [e.g., external commercial borrowings (ECBs)], floating rate deposits, derivatives linked to LIBOR or to MIFOR (i.e., Mumbai Interbank Forward Offer Rate, which is a domestic benchmark based upon LIBOR) and sovereign loans raised from multilateral institutions which are referenced to LIBOR.

The key steps to be taken to ensure a smooth transition in the Indian context include:

- (i) development of alternate methodologies to replace MIFOR;
- (ii) development of fallback clauses that are customised to the Indian market but based on practices adopted globally;
- (iii) promoting stakeholder awareness to deal with issues around the contract renegotiation; and
- (iv) notifying a cut-off date closer to the LIBOR cessation date beyond which institutions should cease to enter into new contracts that make reference to LIBOR. This is also dependent on the evolution of the global adoption of financial contracts that reference alternative reference rates (ARRs).

Highlights of Union Budget 2021-22

Markets gave a thumbs up to the Budget 2021 as there was no negative news or unexpected surprise, no Covid cess, no additional tax on High Net-worth Individuals in the budget. No change in Direct tax structure. Focus on growth by simplifying compliance challenges and improving ease of doing business.

Budget provides for up to 74% FDI in the insurance sector, expected to lead to higher investments and consolidation in the sector. Rs 20,000 Cr has been allocated for capital in public sector banks, Government also announced intent to divest its stake in 2 public sector banks and one general insurance company. An ARC and an AMC is proposed to be set up to buy out stressed assets of the banking sector.

Other important announcements include: –

Fiscal deficit stands at 9.5% of the GDP; estimated to be 6.8% in 2021-22

Proposal to allow States to raise borrowings up to 4% of GSDP this year

A Unified Securities Market Code to be created, consolidating provisions of the SEBI Act, Depositories Act, and two other laws

FOMC maintains status quo

The Federal Open Market Committee (FOMC) unanimously voted to keep the federal funds target rate in a range of zero to 0.25%, where it's been since March and made no change to its monthly bond purchases. In a separate move, FOMC, at its annual organizational meeting this week, unanimously reaffirmed its "Statement of Longer-Run Goals and Monetary Policy Strategy."

In another development, Ms. Janet Yellen, former Federal Reserve chairwoman, nominated by US senate to become first woman Treasury Secretary of USA. As head of the Treasury, her first significant task would be to finalise and execute the stimulation package which she defended last week emphasising that first priority of the incoming administration must be to get the nation and its people through the pandemic before addressing other concerns. The plan that adds up to USD 2 trillion, includes USD 1,400 stimulus checks, expanded unemployment benefits, and increased funding for Covid-19 vaccinations and testing.

LEI for Large Value Transactions in Centralised Payment Systems

https://www.rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx?Id=12010

Effective 1st April 2021, RBI has decided to introduce the LEI system for all payment transactions of value Rs.50 crore and above undertaken by entities (non-individuals) using Reserve Bank-run Centralised Payment Systems viz. RTGS and NEFT.

RBI releases 2020 list of Domestic Systemically Important Banks (D-SIBs)

https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=50995

SBI, ICICI Bank and HDFC Bank continue to be identified as Domestic Systemically Important Banks (D-SIBs), under the same bucketing structure as in the 2018 list of D-SIBs. The additional Common Equity Tier 1 (CET1) requirement for D-SIBs was phased-in from April 1, 2016 and became fully effective from April 1, 2019. The additional CET1 requirement will be in addition to the capital conservation buffer.

Remission of Duties and Taxes on Exported Products (RoDTEP)

<https://content.dgft.gov.in/Website/dgftprod/6d28c659-c6d7-43d9-a3ea-bd76ab4c71d9/Press%20Note%20on%20RoDTEP%20by%20CBIC.pdf>

Taking a major step to boost exports, Government has decided to extend the benefit of the RoDTEP Scheme for Remission of Duties and Taxes on Exported Products (RoDTEP) to all export goods with effect from 1 January, 2021. The RoDTEP Scheme would refund to exporters the embedded Central, State and local duties/taxes that were so far not being rebated/refunded.

ICC News

ICC Banking Commission released Position Paper on Drafting ICC Rules for Supply Chain Finance (SCF) on 26 January 2021. After careful study it was recommended that the landscape for developing SCF rules is still premature at this stage.

FEDAI workshops & training activities

- 09th February 2021, 1 Days Online Workshop on "SWIFT Operations"
- 10th February 2021, FEDAI Discussion Forum, Interactive Session with Sh. Ganesh Vishvanathan on Money Laundering, Illicit Financial Flows and TBML, recognition and risk mitigation in post Covid Era.
- 07-08th January 2021, 2 Days Online Workshop held on "Documentary Credit Operations and Related Rules"
- 18-22nd January 2021, FEDAI 5 Days Class Room Orientation workshop conducted exclusively for Canara Bank.

Upcoming Market Events

- RBI MPC Meeting 03-05th February 2021
- FOMC Meeting 16-17 March 2021
- ECB Monetary Policy Meeting 11th March 2021

Market News

- As part of the measures to further strengthen Supervision over regulated entities, Reserve Bank set up a College of Supervisors (CoS) in May 2020. The CoS henceforth will have a full-time Director supported by an Academic Advisory Council (AAC), chaired by Shri N.S. Viswanathan, Former Deputy Governor, RBI.
- Sh. J K Shivan has joined Kerala-based Dhanlaxmi Bank as Managing Director and CEO.
- The appointments committee of the Cabinet has approved the appointment of Sh. Swaminathan Janakiraman and Sh. Ashwini Kumar Tewari as new Managing Directors of SBI for a period of three years.

LIBOR Transition

Highlights of Union Budget 2021-22

FOMC Status quo

LEI for large value transactions

2020 List of D-SIBs

RoDTEP Scheme

ICC News

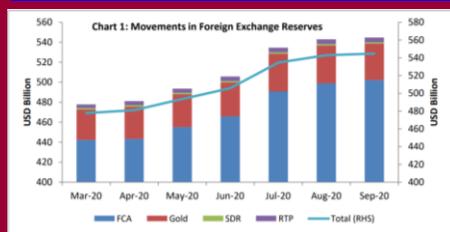
FEDAI Trainings

Upcoming Market Events

Market News

FOREIGN EXCHANGE RESERVE OF INDIA

<https://m.rbi.org.in/SCRIPTS/PublicationsView.aspx?id=20259>



The Fx. Reserve is one of the most critical and much talked about economic indicator, specifically for a developing or emerging economy.

As per the latest RBI – Bulletin Weekly Statistical Supplement dated Jan 29, 2021, India's Fx Reserve stands at USD 585.33 Billion.

RBI as custodian of Foreign Exchange of our country publishes half-yearly reports on management of foreign exchange reserves as part of its efforts towards enhanced transparency and levels of disclosure. As per latest such report published on December 08, 2020 for period March to September 2020 the reserve position consists following types of assets:

- (i) Foreign Currency Assets maintained as a multi-currency portfolio comprising of major currencies, such as, US dollar, Euro, Pound sterling, Japanese yen, etc. and are valued in terms of US dollars
- (ii) Gold
- (iii) Special Drawing Rights: SDR is an interest-bearing international reserve asset created by & held with the IMF
- (iv) Reserve Tranche Position in the IMF, i.e. the foreign currency amounts a member country may draw from the IMF at short notice

All the foreign currency inflow or outflow reported by AD Banks under various purpose codes in fortnightly R-return is taken in to consideration while computing Fx. Reserve Position.

The HY Report of RBI indicates that at the end of June 2020, the foreign exchange reserves cover of imports increased to 14.8 months from 12.0 months at end-March 2020.