



APRIL' 19

FEDAI NEWS LETTER

RBI clarifications on Large Exposures Framework (LEF)

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11520&Mode=0>

After considering the representations made by stakeholders, RBI decided as under:

-Non-centrally cleared derivatives exposures will be outside the purview of exposure limits till April 01, 2020. However, banks must compute these exposures separately and report to the DBR on quarterly basis.

-For purpose of reckoning exposure limits under LEF, an Indian br. of a foreign G-SIB will be considered as any other Indian bank and accordingly can take exposure upto 25% of its Tier I capital on another non-GSIB in India.

-The interbank exposure limit of an Indian branch of a foreign G-SIB with its Head Office will be 20% of its Tier I capital in India.

RBI's 1st Bi-monthly Monetary Policy Statement, 2019-20

<https://rbidocs.rbi.org.in/rdocs/PressRelease/PDFs/PR236465F5E32CDA894E1C8A45D87371A50D9E.PDF>

On the basis of an assessment of the current and evolving macroeconomic situation, the Monetary Policy Committee (MPC) decided to **reduce the policy repo rate under the liquidity adjustment facility (LAF) by 25 basis points to 6.0 per cent from 6.25 per cent w.e.f. 4 April'19.**

Legal Entity Identifier – Extension of Deadline

<https://rbi.org.in/Scripts/NotificationUser.aspx?Id=11547&Mode=0>

Based on the feedback and requests received from market participants, and with a view to enable smoother implementation of the LEI system in non-derivative markets, RBI extended the timelines for implementation (Phase I and Phase II) as under:

Phase	Net Worth of Entities	Current Deadline	Extended Deadline
Phase I	above Rs.10000 million	Apr. 30, 2019	Dec. 31, 2019
Phase II	between Rs.2000 million and Rs 10000 million	Aug. 31,2019	Dec. 31, 2019

Long term \$/Rs Buy/Sell Swap by RBI to inject Rs Liquidity

https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=46867

In order to meet the durable liquidity needs of the system, the Reserve Bank decided to conduct another long-term foreign exchange Buy/Sell swap to inject Rupee liquidity for longer duration in terms of its extant Liquidity Management Framework. The US Dollar amount mobilized through this auction would also reflect in RBI's foreign exchange reserves for the tenor of the swap while also reflecting in RBI's forward liabilities.

RBI accepted 5 bids for total of USD 5 billion on April 23rd out of 255 bids for total amount of USD 18.65 bio submitted, at a cut-off premium of Rs.8.38/USD for 3 years Buy/Sell swap injecting liquidity of Rs.348.74 bio in the system.

Forthcoming FEDAI workshops, trainings

- **2-Day Special Workshop** on "Inspection of Foreign Trade / Exchange Business at B Category branches of AD I Banks" at SIBSTC Bangalore on 3-4th May'19
- **5 days Orientation Workshop**
- Bank of Baroda at Jaipur from 13-17th May'.19
- Bank of Baroda, Pune from 27-31st May'19

Upcoming Market Events

Monetary Policy Committee Meeting - June 3,4&6'2019

ECB Monetary Policy Meeting – June 6th'19

FOMC Meeting – April 30-1st May'19, June 18-19'19

Market News - The RBI divested its entire stake in NABARD and NHB amounting to ₹20 crore and ₹1450 crore on Feb.26, 2019 and Mar.19, 2019 resp. With this, the Government of India now holds 100% stake in both the financial institutions.

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RBI Draft Guidelines on Regulatory Sandbox

A regulatory sandbox (RS) usually refers to live testing of new products or services in a controlled environment for which regulators may permit certain relaxations. RS allows regulator, innovators, financial service providers (deployers of technology) and the customers (final users) to conduct field tests to collect evidence on the benefits and risks of new fin innovations, while carefully monitoring and containing their risks. It can provide a structured avenue for the regulator to engage with the ecosystem to develop innovation-enabling /innovation-responsive regs that facilitate delivery of relevant, low-cost fin products. RS is an imp tool to enable more dynamic, evidence-based regulatory environments which learn from, and evolve with, emerging tech. <https://rbi.org.in/scripts/PublicationReportDetails.aspx?UrlPage=&ID=920>