



AUGUST 2019

FEDAI NEWS LETTER

Policy rate cut by another 35 bps

https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=47818

RBI Announced Third Bi-monthly Monetary Policy Statement, 2019-20 on 07th Aug. '19. MPC cut the policy Repo rate under the LAF by 35 bps from 5.75% to 5.40%, maintaining the accommodative stance. Correspondingly, Reverse Repo rate was revised to 5.15% and the Bank Rate to 5.65%. With this, cumulatively since Feb. 2019, rate has been reduced by 110 bps.

Other important announcements made were:

- Round the clock availability of National Funds Transfer System in future. Timing for RTGS has since been extended, system is now open for business for customers from 07.00 to 18.00 hrs. & 07.00 till 19.45 hrs. for inter-bank transactions
- Creation of a Central Payments Fraud Information Registry
- Reduction in risk weight for consumer credit except Credit Card Receivable

FEMA-5(R) - Foreign Exchange Management (Deposit) Regulations, 2016, amended

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11664&Mode=0>

The issuance of Commercial Paper by Indian Company to NRI/PIO or Foreign Portfolio Investor which was so long considered as acceptance of deposit is henceforth derecognised as deposit and shall only be subject to guidelines issued under relevant regulation issued in respect to Transfer or Issue of Security under FEMA 20(R)

Report by Task Force on Offshore Rupee Market

<https://www.rbi.org.in/Scripts/PublicationReportDetails.aspx?UrlPage=&ID=937>

The Task Force on Offshore Rupee Markets, set up by the RBI in Feb. 2019, chaired by Smt. Usha Throat, former Deputy Governor, RBI, submitted its report to the Governor on 30th July, 2019.

The key recommendations of the Task Force are:

- (a) To extend onshore market hours to improve access by overseas users;
- (b) To permit Indian banks to freely offer prices to global clients around the clock;
- (c) To enable Rupee derivatives (settled in foreign currency), to be traded in the International Financial Services Centres (IFSC) in India, to begin with on exchanges in the IFSC.
- (d) To allow users to undertake forex transactions up to USD 100 million in OTC currency derivative market without the need to establish underlying exposure.
- (e) To facilitate non-residents to hedge their foreign exchange exposure onshore by:
 - i. Establishing a central clearing and settlement mechanism for non-resident transactions in the onshore market;
 - ii. Implementing margin requirement for non-centrally cleared OTC derivatives and allowing Indian banks to post margins abroad;
 - iii. Aligning the tax treatment of foreign exchange derivatives with that in major international centres; and
 - iv. Centralising the KYC requirements across financial markets with uniform documentation requirement.

RBI Board approved surplus transfer to the GoI

https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=47983

Accepting Bimal Jalan Committee's recommendations, the Central Board of RBI approved transfer of ₹1,76,051 crore to the GoI comprising of ₹1,23,414 crore of surplus for the year 2018-19 and ₹52,637 crore of excess provisions identified as per the revised Economic Capital Framework (ECF). The Board decided to maintain the realized equity level at 5.5 per cent, while the economic capital as on June 30, 2019 stood at 23.3 per cent of balance sheet.

FEDAI workshops & training activities in August 2019

5 days Orientation Workshop held during the month –

Axis Bank, Noida from 05-09th August 2019

Bank of Baroda, Mumbai from 19-23rd August 2019

Canara Bank, Bangalore from 26-30th August 2019

Seminar on LIBOR transition was organized at FEDAI office on 21 Aug. 2019.

Bloomberg made a detailed presentation on current status and way forward.

Forthcoming Workshops

5 Day Orientation workshop by Bank of Maharashtra, Pune from 16-20th Sept. 2019

One Day Special Workshop on LRS- 18th Sept. 2019 at FEDAI office

Upcoming Market Events

FOMC Meeting – Sept. 17-18th 2019

RBI MPC Meeting – Oct. 1, 3, 4th 2019

Market News

FEDAI Annual General Meeting was held on 03rd August 2019.

The FOREX Association of India Annual Conference was held at Singapore, from 10th to 12th August 2019. Shri B.P Kanungo, Deputy Governor, RBI delivered key note address on the subject **'Trade War: Is it a prelude to deglobalization?'**

https://www.rbi.org.in/Scripts/BS_SpeechesView.aspx?Id=1083

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Open House – Transition From LIBOR To Alternate Benchmark And Way Forward



FEDAI organised open house discussion on captioned subject. A presentation was made by Bloomberg informing the progress made to identify and develop alternate benchmark, across important global financial centre. More than fifty officers from various banks participated in the discussion at FEDAI office, on 21st Aug. '19. The discussion and inputs / feedback received from members were quite useful in light of ongoing deliberation at the working group constituted by the IBA to work on 'LIBOR Transition' with specific reference of Indian Markets.