



FEBRUARY'19

FEDAI NEWS LETTER

RBI Statement on Developmental and Regulatory Policies

https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=46358

RBI in its 6th Bi-monthly Monetary Policy Committee (MPC) meeting decided to reduce the policy repo rate under the liquidity adjustment facility (LAF) by 25 basis points from 6.5 per cent to 6.25 per cent with immediate effect.

Consequently, the reverse repo rate under the LAF stands adjusted to 6.0 per cent, and the marginal standing facility (MSF) rate and the Bank Rate to 6.5 per cent.

The decision to cut repo rate was backed by a 4-2 vote, with two members voting for a pause. MPC also decided, unanimously, to change the monetary policy stance from calibrated tightening to neutral.

RBI draft directions on facilities for hedging forex risk by Residents and Non-residents

https://www.rbi.org.in/Scripts/bs_viewcontent.aspx?Id=3641

As per draft guidelines RBI has proposed to simplify the process by merging all users into two broad categories namely, Retail and Non-Retail user. Non-retail users can hedge the Fx exposure using any derivative contract, which the authorised dealer can price and value independently and is approved by the board of the authorised dealer, provided that the same is not a leveraged derivative. Eligible products for Retail users are restricted to Forwards, purchase of call and put options (Only European options), purchase of call and put spreads, swaps.

ECB Guidelines for Resolution Applicants under CIRP

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11472&Mode=0>

ECB end-use restrictions have been relaxed allowing resolution applicants under the Corporate Insolvency Resolution Process (CIRP) to raise ECBs from the recognised lenders, except the branches/ overseas subsidiaries of Indian banks, for repayment of Rupee term loans of the target company under the approval route. Accordingly, the resolution applicants, who are otherwise eligible borrowers, can forward such proposals to raise ECBs, through their AD bank, to Foreign Exchange Department, Central Office, Mumbai of the Reserve Bank for approval.

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11472&Mode=0>

FEDAI workshops, trainings

5 Days Orientation Workshop on Foreign Trade and Fx Business

conducted during Feb.'19 Canara Bank at Gurgaon from 4 – 8th, Feb.'19

OBC at Noida from 28th Jan-1st Feb.'19 (Bank specific)

Central Bank at Mumbai from 25th Feb.-1st March'19

Forthcoming workshops -

Orientation Workshop - Bank of Baroda at Jaipur from 13-17th May'.19

Bank of Baroda, Pune from 27-31st May'19

2-Day Special Workshop on

"Export Finance" Indian Overseas Bank at Chennai from 11-12 March'19

"Fx Risk Management and Introduction to Derivatives"

At FEDAI Office in coordination with Yes Bank from 7-8th March'19

"Inspection of Foreign Trade / Exchange Business at B Category branches of AD I Banks" SIBSTC, Bangalore from 3-4th May'19

Upcoming Market Events

Monetary Policy Committee Meeting - April 2 to 4, 2019

ECB Monetary Policy Meeting – Mar.7th'19

FOMC Meeting – Mar.19-20th'19

Market News

Finance Min on 20th Feb announced Rs 48,239 cr. capital infusion in 12 PSU banks.

Two more PSU banks, Allahabad and Corporation Bank, out of PCA framework.

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Market News

Liberalised Remittance Scheme (LRS)

The Scheme was introduced on Feb. 4th 2004, with a limit of USD 25,000. The LRS limit has been revised in stages consistent with prevailing macro and micro economic conditions. Under the LRS, all resident individuals, including minors, are allowed to freely remit up to USD 2,50,000 per FY (April – March) for any permissible current or capital account transaction or a combination of both. Individuals can avail of foreign exchange facility for the following purposes within the LRS limit of USD 2,50,000 on financial year basis:

- Private visits to any country (except Nepal and Bhutan)
- Gift or donation
- Going abroad for employment
- Emigration
- Maintenance of close relatives abroad
- Travel for business, conference, specialised training or meeting medical expenses, or check-up abroad
- Studies abroad
<https://www.rbi.org.in/Scripts/FAQView.aspx?Id=115>

