



July 2020

# FEDAI NEWS LETTER

## Financial Stability Report

[https://www.rbi.org.in/scripts/BS\\_PressReleaseDisplay.aspx?prid=50122](https://www.rbi.org.in/scripts/BS_PressReleaseDisplay.aspx?prid=50122)

Reserve Bank released the 21<sup>st</sup> issue of the Financial Stability Report on July 24, 2020, some of highlights are as below;

- The capital to risk-weighted assets ratio (CRAR) of Scheduled Commercial Banks (SCBs) edged down to 14.8 per cent in March 2020 from 15.0 per cent in September 2019 while their gross non-performing asset (GNPA) ratio declined to 8.5 per cent from 9.3 per cent and the provision coverage ratio (PCR) improved to 65.4 per cent from 61.6 per cent over this period.
- Macro stress tests for credit risk, accentuated by ongoing Covid-19 dislocation, indicate that the GNPA ratio of all SCBs may increase from 8.5 per cent in March 2020 to 12.5 per cent by March 2021 under the baseline scenario; the ratio may escalate to 14.7 per cent under a very severely stressed scenario.
- Bank credit, which had considerably weakened during the first half of 2019-20, slid down further in the subsequent period with the moderation becoming broad-based across bank groups.

## Bloomberg Begins Publishing Calculations Related to IBOR Fallbacks

<https://www.isda.org/2020/07/21/bloomberg-begins-publishing-calculations-related-to-ibor-fallbacks>

Bloomberg Index Services Limited (BISL) has w.e.f. 21 July 2020 begun calculating and publishing fallbacks that ISDA intends to implement for certain key interbank offered rates (IBORs). Calculations published by BISL include the adjusted Risk-FreeRate (compounded in arrears), the spread adjustment and the 'all in' IBOR fallback rates for various IBORs across different tenors. The introduction of new fallbacks for derivatives contracts will significantly reduce the systemic risk posed by a permanent cessation of a key IBOR. Publishing indicative spread adjustments and all-in fallback rates now will help firms as they prepare to implement the new fallback methodology. ISDA will soon publish the IBOR Fallback Protocol to facilitate inclusion of the new fallbacks in existing non-cleared IBOR derivatives transactions between counterparties that both adhere to the protocol.

## FEDAI FAQ on Risk Management and Inter-bank Dealings

FEDAI issued FAQs on new RBI Guidelines on Risk Management and Inter-bank Dealings – Hedging of foreign exchange risk.

## FEDAI Certificate Course

[https://fedai.org.in/pdf/Covid19/FEDAI\\_IIBF\\_EXAM\\_Online\\_20200713\\_WebsiteScheduleForRPE\\_Aug\\_Sep\\_2020.pdf](https://fedai.org.in/pdf/Covid19/FEDAI_IIBF_EXAM_Online_20200713_WebsiteScheduleForRPE_Aug_Sep_2020.pdf)

IIBF has started accepting application for online examination FEDAI Certificate Course in Foreign Exchange Operations, to be held continuously next ten weekends from 02 August, 2020 onwards.

## Excerpts from Sh. Shaktikanta Das's address to CII National Council

[https://www.rbi.org.in/Scripts/BS\\_SpeechesView.aspx?id=1098](https://www.rbi.org.in/Scripts/BS_SpeechesView.aspx?id=1098)

In a competitive market economy, an efficient supply chain can enhance economic welfare. Strengthening the position of a country in the global value chain (GVC) can help maximise the benefits of openness. The higher the GVC participation of a country, the greater are the gains from trade as it allows participating countries to benefit from the comparative advantage of others in the GVC. More than two-thirds of world trade occurs through GVCs. World Bank (2020) research findings suggest that one per cent increase in GVC participation can boost per capita income levels of a country by more than one per cent. India's GVC integration, as measured by the GVC participation index, has been low (34.0 per cent, as a ratio of total gross exports) relative to the ASEAN countries (45.9 per cent as a ratio to total gross exports). Global shifts in GVCs in response to COVID-19 and other developments will create opportunities for India.

## Stamp Duty Act Amendment

[https://www.rbi.org.in/Scripts/BS\\_PressReleaseDisplay.aspx?prid=50033](https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=50033)

<https://www.ccilindia.com/Documents/TRDocs/FAQ%20on%20Stamp%20Duty.pdf>

With the objective of bringing uniformity in the stamp duty levied on securities transactions across states, the Government of India amended the Indian Stamp Act 1899 (revised Act), through Finance Act, 2019, and the relevant Stamp Rules, 2019, were notified on December 10, 2019. The revised Act has come into effect from July 1, 2020. Under the revised Act, CCIL has been appointed as collecting agent for foreign exchange, interest rate and credit derivative transactions which are reported to it. The FAQ Guidance on various issue is available on CCIL Website, please refer above link.

## Federal Reserve holds Rates

<https://www.federalreserve.gov/newsevents/pressreleases/monetary20200729a1.htm#:~:text=The%20Board%20of%20Governors%20of,%2C%20effective%20July%2030%2C%202020.>

In a widely expected move, the Federal Reserve held its benchmark overnight lending rate steady in a decision announced on July 29<sup>th</sup> 2020. Markets looking for enhanced "forward guidance" was unmoved as FOMC did not provide any further indications of what it would take to change rates. The post-meeting statement labeled the current state of growth as better but still below par. "We are committed to using our full range of tools to support our economy in this challenging environment," Fed Chairman Jerome Powell said.

In a separate news, the U.S. Commerce Department said gross domestic product collapsed at a 32.9% annualized rate last quarter.

## FEDAI workshops & training activities

### Market interactions Event Held

- [07<sup>th</sup> July 2020](#), Webinar on "Trade Issues experienced during the COVID-19"
- [20<sup>th</sup> July 2020](#), Online Interaction with Chief General Manager (FMRD), RBI

### Online workshop/Trainings

- [14<sup>th</sup> July 2020](#), Half Day Online Workshop "Countering Trade Based Money Laundering"
- [27-28<sup>th</sup> July 2020](#), Webinar on "Documentary Credit Operations and Related Rules"

## Upcoming Market Events

- RBI MPC Meeting 04-06<sup>th</sup> August 2020
- FOMC Meeting 15-16<sup>th</sup> September 2020
- ECB Policy Meeting 29<sup>th</sup> October 2020

## Market News

- Shri Praveen Gupta, the recently retired Managing Director of State Bank of India has assumed charge of Senior Advisor at Bank of Baroda.
- Reserve Bank of India has extended USD 400 million currency swap facility to the Central Bank of Sri Lanka. <http://newsonair.nic.in/Main-News-Details.aspx?id=395711>

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ICC Global Survey Trade Digitisation



From Big Data to blockchain, everyone agrees that digital technologies hold immense transformative potential for the global trade finance industry, which remains largely paper-based.

In international trade, documents have multiple uses. As of now, most of these documents remain paper-based as they are not yet widely accepted electronically. Paper documents require manual processing and time-consuming and costly air freight delivery from the seller to their bank to the buyer's bank and onwards to the buyer.

Digitising the paperwork could save on operating costs for each party in the chain, reduce operational risk, improve carbon footprint, enable governments to enhance and accelerate their customs controls and ensure no tax evasion. Evidently, all interested parties will need to move jointly together to support digitisation of trade documentation. According to the World Economic Forum and the United Nations, a supportive regulatory framework covering banking, insurance, contract law, and customs as set out by the UN Economic and Social Commission for the Asia-Pacific (UNESCAP) could reduce annual trading costs by up to USD 7 billion and increase exports by USD 257 billion in Asia alone.

-:Stay healthy and stay safe:-