



SEPTEMBER' 2019

FEDAI NEWS LETTER

External Benchmark Based Lending

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11677&Mode=0>

To achieve effective transmission of Monetary Policy, based on the recommendations of Internal Study Group (ISG), constituted by RBI all new floating rate personal or retail loans (housing, auto, etc.) and floating rate loans to MSME extended by banks from Oct 01, 2019 shall be benchmarked to one of the following:

- Reserve Bank of India policy repo rate
- Government of India 3-Months Treasury Bill yield published by the FBIL
- Government of India 6-Months Treasury Bill yield published by the FBIL
- Any other benchmark market interest rate published by the FBIL.

Banks are free to offer such external benchmark linked loans to other types of borrowers as well.

In order to ensure transparency, standardisation, and ease of understanding of loan products by borrowers, a bank must adopt a uniform external benchmark within a loan category. The interest rate under external benchmark shall be reset at least once in three months.

Priority Sector Lending (PSL) – Classification of Exports

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11692&Mode=0>

In order to boost credit to export sector sanctioned limit for classification of export credit under PSL has been enhanced from ₹ 250 million per borrower to ₹ 400 million per borrower. RBI has also decided to remove the existing criteria of 'units having turnover of up to ₹ 1 billion.

Directions under Sec. 35A of the Banking Regulation Act, 1949 (AACs) – PMC Bank Limited, Mumbai, Maharashtra

https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=48218

RBI (vide Directive dated Sept. 23, 2019) has placed the Punjab and Maharashtra Cooperative Bank Limited, Mumbai, Maharashtra, under Directions. According to the Directions, depositors will be allowed to withdraw a sum not exceeding ₹ 1,000 (subsequently enhanced to Rs. 10,000/-) of the total balance in every savings bank account or current account or any other deposit account by whatever name called, subject to conditions stipulated in the RBI Directions. PMC Bank Ltd. without prior approval in writing from the RBI, will also not be able to grant or renew any loans and advances, make any investment, incur any liability including borrowing of funds and acceptance of fresh deposits, disburse or agree to disburse any payment whether in discharge of its liabilities and obligations or otherwise. The Directions shall remain in force for a period of 6 mths from the close of business of the bank on Sept. 23, 19.

RBI Discussion Paper on Payment Gateways & Aggregators

<https://www.rbi.org.in/Scripts/PublicationReportDetails.aspx?UrlPage=&ID=943>

As announced in Monetary Policy Statement dated Feb 7, 2019, RBI has released a discussion paper on 'Guidelines for Payment Gateways and Payment Aggregators' for public comments. Regulatory options and approaches as suggested in this discussion paper for regulating the activities of Payment Aggregators and Payment Gateways are (i) Continue with extant instructions (as issued in Nov.2009), (ii) Introduce limited regulations, (iii) Full and Direct Regulations by bringing it under the Payment and Settlement Systems Act, 2007 (PSSA).

BIS Triennial Central Bank Survey – 2019

https://www.bis.org/statistics/rpfx19_fx.htm

Average Daily Turnover of USD/INR currency pair in OTC market, as per BIS Triennial Central Bank Survey 2019, has increased from USD 36 bio in 2010 to USD 110 bio in April'2019, making it one of the fastest growing currency pair as average daily volume almost doubled from USD 56 bio in 2016 to USD 110 bio in 2019 in the offshore market. Correspondingly, in terms of percentage, share of USD/INR in global Fx trading increased from 0.9% (2010) to 1.7% (2019) as INR moved higher in the global ranking to 16th highest traded currency. INR was ranked 20th in 2013, 18th in 2016 with market share of 1.1% in both these years. Other Asian currencies ranked higher than INR are CNY (8th), HKD (9th), KRW (12th), SGD (13th) with market share of 4.3, 3.5, 2.0 and 1.8% respectively.

FEDAI workshops&training activitiesin September 2019

5 days Orientation Workshop held during the month –

Bank of Maharashtra, Pune from 16-20thSept 2019

FEDAI One Day Special Workshop on LRS 18thSept 2019

Forthcoming Workshops - 5 Day Orientation Workshop

Indian Bank, Chennai - 14-18thOct.2019; Federal Bank, Aluva - 21-25thOct.2019

BoB, New Delhi- 4-8thNov.2019 ; Axis Bank, Kolkata- 18-22thNov.2019

2 Days Spl. Workshop on Export Finance at BoB, Gandhinagar 14-15, Nov.'19

Upcoming Market Events

Fourth Bi-monthly RBI Monetary Policy Comm. Mtg.; 1-4thOct. 2019

FOMC Meeting – Oct.29-30'2019

Market News

ICC has launched Incoterms® 2020. The new INCOTERMS shall come in to practice w.e.f. 01 Jan. 2020. <https://iccwbo.org/media-wall/news-speeches/icc-releases-incoterms-2020/>
ICC released first draft of **Uniform Rules for Digital Trade** on 27th Sept. 19.

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Financial Action Task Force

FATF is an inter-governmental body established in 1989, sets standards and promote effective implementation of legal, regulatory and operational measures for combating money laundering, terrorist financing and such threats. The FATF and the nine FATF-style regional bodies (FSRBs) make up the Global Network and together cover 205 countries. Over the past year, FATFs Public Statement identified Iran and the Democratic People's Republic of Korea (DPRK) as countries with high risk. As per the latest FATF Annual Report following jurisdictions are added & removed from its list or countries with strategic deficiencies.

| ADDED | REMOVED |
|------------------------------------------------------------|--------------------------------------------------|
| Pakistan, Serbia, Sri Lanka, Trinidad & Tobago and Tunisia | Uganda, Bosnia and Herzegovina, Iraq and Vanuatu |

Source:- <https://www.fatf-gafi.org/media/fatf/documents/brochures/annualreports/FATF-annual-report-2017-2018.pdf>