



September 2020 FEDAI NEWS LETTER

FEDAI Annual General Meeting

FEDAI AGM held online on 19th September 2020, new Governing Body i.e. Mg.Com. consisting 9 PSU Banks, 7 Private Sector Bank, 7 Foreign Banks and 1 from category of Cooperative & FI was nominated for FY 2020-21. At Mg.Com.29th September 2020, three office bearers nominated for the year are State Bank of India, Chairman; Standard Chartered Bank, Vice Chairman & ICICI Bank Ltd. as Additional Vice Chairman.

Reserve Bank Draft Notifications on Variation Margin for NCCDs and Rupee Interest Rate Derivatives

<https://rbidocs.rbi.org.in/rdocs/PressRelease/PDFs/PR2969F526CDDDE2D41D2A9CF6A90BF0FBA11.PDF>

<https://rbidocs.rbi.org.in/rdocs/PressRelease/PDFs/PR334820C2409DB1E469793F134BoAA188810.PDF>

• Following the G-20 recommendations, and with a view to improve safety of settlement of over-the-counter (OTC) derivatives that are not centrally cleared, RBI on 7th Sept. 2020 issued draft directions regarding exchange of variation margin for non-centrally cleared derivatives (NCCDs). This draft, covers the Entity Scope, Calculation and Exchange of Variation Margins, Eligible Collateral and Haircuts and Dispute Resolution. Market participants and other interested parties have been invited to submit their comments on the draft directions by 15th October 2020.

• RBI also issued draft notification on Rupee Interest Rate Derivatives on 15th September 2020 inviting suggestion from market participants to be submitted latest by 15th October 2020.

The Bilateral Netting of Qualified Financial Contracts Act 2020

<http://egazette.nic.in/WriteReadData/2020/222064.pdf>

The bill was passed by both houses of Parliament in ongoing session. This Act is going to provide a legal framework for bilateral netting of qualified financial contracts which are over the counter derivative contracts. The Netting Act is the culmination of continuous efforts over the years by the MoF, the RBI, and market participants to resolve the existing inconsistencies in the application of close-out netting in India. With netting, financial institution counterparties would be able to manage their credit risk on net basis considerably improving liquidity and credit capacity within the system.

Foreign Contribution (Regulation) Amendment Act, 2020

<http://egazette.nic.in/WriteReadData/2020/222069.pdf>

The FCRA, first enacted in 1976, regulates foreign donations and ensures that such contributions don't adversely affect internal security. Under the amendment Public Servants have been included in the list of persons prohibited to accept any foreign contribution. Aadhar for all office bearers has been made mandatory for any person seeking permission, registration, or renewal of their registration. In the case of a foreigner, they ought to provide a copy of the passport or the Overseas Citizen of India Card for identification. For administrative expenses, the bill reduces the utilisation of funds from 50% to 20%.

Revision of LFAR /Positive Pay System for CTS/Priority Sector Lending

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11960&Mode=0>

https://www.rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx?Id=11969

https://www.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=11959

• Keeping in view the large-scale changes in the size, complexities, business model and risks in the banking operations, RBI reviewed and revised the LFAR formats, in consultation with the stakeholders, including the Institute of Chartered Accountants of India (ICAI).

• RBI has instructed National Payments Corporation of India (NPCI) to develop the facility of Positive Pay in Cheque Truncation System (CTS) and make it available to participant banks. Banks, in turn, have been asked to enable it for all account holders issuing cheques for amounts of ₹ 50,000 and above. While availing of this facility is at the discretion of the account holder, banks may consider making it mandatory in case of cheques for amounts of ₹ 5,00,000 and above. The system shall be effective from January 1st 2021.

• RBI on 04th September 2020 issued revised guidelines on Priority Sector Lending. There is no change introduced in respect of Export Credit.

FEDAI LEI Circular

FEDAI after consultation with RBI clarified that banks need not insist on LEI Code for Government Departments for the time being i.e. till such time modalities for issuing of LEI for government entities are finalized at the LEI Regulatory Oversight Committee.

W.e.f. 01st October 2020 scope of LEI Code is expanded and it is now mandatory also for all Fx. Non-derivative Transaction of value USD one million and above for all market users excluding individual.

ICC News

- ICC Banking Commission has circulated second draft of ISDGP (International Standard of Demand Guarantee) Document
- ICC Banking Commission has circulated fourth draft of URDT (Uniform Rules for Digital Trade Transaction) Document
- ICC IBOR Working Group circulated draft paper on 'Forward Looking Term Reference Rates' in Trade Finance and Export Finance

FEDAI workshops & training activities

Market interactions Event

- 05th September 2020, FEDAI in coordination with ITFA organised online session on "Trade Digitisation and Regulations"

Online workshop/Trainings

- 10-11th September 2020, Training on "Documentary Credit Operations and Related Rules"
- Forthcoming - 21st October 2020 Online Training Program on Retail Fx Products

Upcoming Market Events

- RBI MPC Meeting (Proposed from 29th Sept. to 01st October 2020 is rescheduled and revised dates will be announced soon)
- FOMC Meeting 04-05th November 2020
- ECB Policy Meeting 29th October 2020

Market News

- Bank Board Bureau recommended 13 names for position of Executive Director in various public sector banks on 20th September 2020.
- Effective 01st October 2020 AD Bank remitting funds overseas under LRS shall be liable to collect tax from hands of the remitter, subject to applicable exemption/conditions.
- Sh. S. Krishnan has taken over as Managing Director and CEO of Punjab & Sind Bank. Prior to this assignment, Sh. Krishnan was an Executive Director at Canara Bank.
- RBI appointed Shri A.K. Dixit, ex-General Manager, Union Bank of India as the new Administrator of the Punjab & Maharashtra Co. Bank Ltd. with effect from 23rd SEPT., 2020.

Contents

FEDAI AGM

RBI Draft Notifications

Bilateral Netting of QFC Act 2020

FCRA Amendment Act

Revision of LFAR Positive Pay System for CTS Priority Sector Lending

FEDAI LEI Circular

ICC News

FEDAI Training

Upcoming Market Events

Market News

FEDAI Mission Imparting & Spreading Knowledge



FEDAI efforts in field of imparting & spreading knowledge is driven through Technical Advisory Committee (TAC) and Education Committee (EC). In order to formalise and adopt focused approach in respective areas of these two committees, the FEDAI Managing Committee with effect from current year 2020-21, has taken these committees under its fold as sub-committees of MgCom.

Henceforth, each member of FEDAI MgCom shall be member of either of these two standing sub-committees whereas Chairman, Vice-chairman & additional Vice-chairman shall be holding position in both committees.

FEDAI TAC undertakes all references related to interpretation of regulation, address and resolve contentious market practices. The objective of TAC is deliberate on each reference or suggestion or issue and advise the FEDAI MgCom suitably in order to achieve broader objective of the organization, in interest of member banks.

FEDAI EC which is relatively a new committee started functioning since 2017. Under its role, EC would focus on Capacity Building, review the organization's activities related to trainings or otherwise to impart skill among the employees of member banks. EC shall also advise MgCom on new initiatives like eLearning, Online Self-Paced Learning courses.