



# APRIL 2020 FEDAI NEWS LETTER

## Realisation and Repatriation of Export Proceeds-Relaxation

<https://rbidocs.rbi.org.in/rdocs/Notification/PDFs/206APDIR71005D031FF2461BAD5E81AF6FA82395.PDF>

RBI, in consultation with Government of India, decided to increase the present period of realization and repatriation to India of the amount representing the full export value of goods or software or services exported, from nine months to fifteen months from the date of export, for the exports made up to or on July 31, 2020. Period of realization and repatriation of value of goods exported to warehouses established outside India remains unchanged.

## Risk Management and Inter-bank Dealings – Hedging of Fx risk

<https://rbidocs.rbi.org.in/rdocs/Notification/PDFs/NOTI2102D9E3B765FA24567BD53900C4FA971B6.PDF>

As announced in the Statement on Developmental and Regulatory Policies dated December 5, 2019, the existing facilities for non-residents and residents to hedge their foreign exchange risk on account of transactions permitted under Foreign Exchange Management Act (FEMA), 1999 have been revised. The directions aim to ease access to the domestic foreign exchange derivative markets, inter alia, through:

- merging facilities for residents and non-residents into a single unified facility for all users;
- allowing users having valid exposures to hedge the same by using any available instrument;
- introducing facility to hedge anticipated exposures;
- simplifying procedures for authorised dealers to offer foreign exchange derivatives. Authorised Dealers shall classify users as Retail or Non-Retail and offer derivative contracts to a user as per the user's classification.

While offering a derivative contract involving INR, other than NDDCs, to a user, and during the life of such contracts, AD shall ensure that:

- The contract is for the purpose of hedging as defined in these directions.
- The notional and tenor of the contract does not exceed the value and tenor of the exposure.

For derivative contracts involving INR, AD shall allow a user to book derivative contracts up to USD 10 million equivalent of notional value (outstanding at any point in time) without the need to establish the existence of underlying exposure.

The directions shall come into effect from June 1, 2020 and replace the existing directions in Part.A - Section I and II and Part.D of the Master Direction on Risk Management and Interbank Dealings dated July 5, 2016, as amended from time to time.

## Amendment to Master Direction (MD) on KYC: ML and Terror Financing risk assessment

<https://rbidocs.rbi.org.in/rdocs/Notification/PDFs/221IRAMDKYC501344A199CE47A5959F047427D756A.PDF>

In compliance with Rule 9(13) of the PML Rules 2005, RBI advised banks to carry out 'Money Laundering (ML) and Terrorist Financing (TF) Risk Assessment' exercise periodically to identify, assess and take effective measures to mitigate its money laundering and terrorist financing risk for clients, countries or geographic areas, products, services, transactions or delivery channels, etc.

## Fx Market Hours – truncated

<https://rbidocs.rbi.org.in/rdocs/PressRelease/PDFs/PR22974E8B52683C8F45059BE847288BD9CDoA.PDF>

<https://fedai.org.in/DocumentUploadFiles/SpecialCircular/SPL-07.pdf>

In view of unprecedented situation created by the COVID-19 outbreak necessitating lockdowns, social distancing, restrictions on movement of people and non-essential activities, work from home arrangements and business continuity plans, Staff and IT resources of banks have been severely affected, posing operational and logistic risks. The thinning out of activity is impacting market liquidity and increasing volatility of financial prices.

In order to minimise these risks and to ensure that market participants maintain adequate checks and supervisory controls while optimising thin resources and ensuring safety of personnel, RBI decided to revise trading hours for various markets. Amended market hours for Foreign Currency (FCY)/Indian Rupee (INR) Trades including Forex Derivatives are 10 am till 2 pm as against earlier normal market hours from 9 am till 5 pm, till further notice.

## Collection of tax at source during remittance under LRS

<http://egazette.nic.in/WriteReadData/2020/218938.pdf>

As per amendment in section 206.C of the Income-tax Act: **with effect from the 1st day of October, 2020** AD, who receives an amount for remittance out of India from a buyer (buyer of currency for remittance), being a person remitting such amount out of India under the Liberalised Remittance Scheme of the Reserve Bank of India; shall, at the time of debiting the amount payable by the buyer or at the time of receipt of such amount from the said buyer, by any mode, whichever is earlier, collect from the buyer, a sum equal to five per cent. of such amount as income-tax; provided

- that the AD shall not collect the sum, if the amount or aggregate of the amounts being remitted by a buyer is less than seven lakh rupees in a financial year and is for a few listed purpose which are exempt from this provision
- also that the AD shall collect a sum equal to one half per cent, if the amount being remitted out is a loan obtained from any financial institution as defined in section 80E, for the purpose of pursuing any education.

## RBI relief measures: April 17, 2020

<https://rbidocs.rbi.org.in/rdocs/Content/PDFs/GOVERNORSTATEMENTF22E618703AE48A4B2F6EC4A8003F88D.PDF>

For increasing liquidity in small and mid-sized corporates, including NBFCs and micro finance institutions (MFIs), affected by the COVID-19 pandemic, RBI on April 17th announced targeted long term repo operations (TLTROs) in tranches for an aggregate amount of INR 50,000 Crore.

## ICC News

ICC Paris issued Guidance paper on the impact of COVID-19 on trade finance transactions issued subject to ICC rules.

ICC Paris has launched separate web portal <https://www.covid.iccwbo.org/> to showcase various action initiated or documents issued to meet pandemic challenges.

## FEDAI workshops & training activities

All training activities is on hold due to pandemic Covid-19 threat

## Upcoming Market Events

- Monetary Policy Committee Meetings calendar for 2020-21 is announced, next date in June 3 to 5, 2020 [https://www.rbi.org.in/Scripts/BS\\_PressReleaseDisplay.aspx?prid=49700](https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=49700)
- FOMC June 09 – 10, 2020
- ECB Monetary Policy Meeting 04<sup>th</sup> June 2020

## Market News

- IIBF Mumbai has postponed their examinations scheduled from April to July 2020.
- Shri R Gandhi Ex Dy. Governor & Shri Ananth Narayan Associate Professor (Finance), SP Jain Inst. of Management & Research (Ex Board Member of FEDAI) has been nominated additional Directors of the Yes Bank Board
- Shri Suresh N. Patel Ex MD of Andhra Bank took oath as Vigilance Commissioner at Central Vigilance Commission on 19 April 2020

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## ADVISORY & UPDATES



**30 April 2020:** RBI Notifies Changes in Market Hours-FEDAI Rule 1, FEDAI Circular No. SPL-07/COVID19/Market Hours/2020

**22 April 2020:** Temporary Relaxations in forex regulations, FEDAI Circular No.SPL-06/COVID19 Relaxations/2020

**15 April 2020:** Temporary Relaxations in Forex Regulations FEDAI Special Circular No.SPL-04/COVID19 Relaxations/2020

**15 April 2020:** FEDAI Office closed upto 3rd May 2020, contact numbers of all officer available on website

**09 April 2020:** COVID-19 - ADVISORY, FEDAI Circular Letter No.07/2020

**07 April 2020:** Impact of Covid-19 on trade finance transactions issued under ICC rules, Guidance Paper issued by ICC

**01 April 2020:** Export of Goods and Services - Realisation and Repatriation of Export Proceeds-Relaxation

**27 March 2020:** GFXC has issued a statement on FX market conditions encouraging market participants to take appropriate steps to reduce the potential impact of volatility

**19 March 2020:** Temporary Relaxations in Forex Regulations Special Circular No. SPL-2/BV/2020

**17 March 2020:** Operational and Business Continuity Plans FEDAI Circular Letter No.04/2020

-: Stay home and stay safe :-