



# August 2023 FEDAI NEWS LETTER

## Monetary Policy Committee's Resolution

[https://www.rbi.org.in/Scripts/BS\\_PressReleaseDisplay.aspx?prid=56173](https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=56173)  
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The MPC in its meeting concluded on August 10, 2023 unanimously decided to keep the policy repo rate under the LAF unchanged at 6.50%, consecutively in row third time in current FY. Consequently, keeping the SDF rate unchanged at 6.25% and the MSF rate & the Bank Rate also unchanged at 6.75%. The MPC also decided by a majority of 5 out of 6 members to remain focused on withdrawal of accommodation to ensure that inflation progressively aligns with the target, while supporting growth. To neutralize the increase in level of surplus liquidity in the system in the recent months on the back of return of Rs. 2000 bank notes to the banking system, committee announced that with effect from the fortnight beginning August 12, 2023, scheduled banks shall maintain an incremental cash reserve ratio (I-CRR) of 10 per cent on the increase in their net demand and time liabilities (NDTL) between May 19, 2023 and July 28, 2023.

Highlights of Statement on Developmental and Regulatory Policies are as below;

- RBI reviewed regulations for financial benchmarks and decided to put in place, to be announced separately, a comprehensive, risk-based framework covering administration of all benchmarks.
- To enhance ease of use and consequently reach of UPI system, RBI proposed to launch an innovative payment mode viz., "Conversational Payments" on UPI. This will enable users to engage in a conversation with an AI-powered system to initiate and complete transactions in a safe and secure environment.
- Same time to facilitate Small Value Digital Payments in Offline Mode RBI has increased the upper limit for offline payment transaction to Rs. 500/-

## Fair Lending Practice

[https://www.rbi.org.in/Scripts/BS\\_CircularIndexDisplay.aspx?id=12527](https://www.rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx?id=12527)  
[https://www.rbi.org.in/Scripts/BS\\_CircularIndexDisplay.aspx?id=12529](https://www.rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx?id=12529)

RBI has in the past issued various guidelines to regulated entities to ensure reasonableness and transparency in disclosure of penal interest. The intent of penal interest is to inculcate sense of credit discipline and not a revenue enhancement tool. To address customer grievances and disputes emanating from divergent market practices amongst Regulated Entities (REs) with regard to levy of penal interest RBI has issued revised instructions stating that;

- Penalty, if charged shall be treated as Penal Charges and not in the form of Penal Interest
- Quantum of penal charges shall be reasonable, commensurate with non-compliance of material terms of the loan and non-discriminatory within with a loan, product category

RBI also announced guidelines for reset of Floating Rate interest on EMI based personal loans specifying that at the time of reset of interest rates, REs shall provide the option to the borrowers to switch over to a fixed rate. Borrowers shall also be given the choice to opt for (i) enhancement in EMI or elongation of tenor or for a combination of both options; and, (ii) to prepay, either in part or in full, at any point during the tenor of the loan

## Standard Operating Procedure (SOP) for Processing FDI Proposals

<https://fifp.gov.in/Forms/SOP.pdf>

Department for Promotion of Industry & Internal Trade issued SOP on 22<sup>nd</sup> August 2023 laying guidance for filing FDI proposal requiring Government of India's approval as per the Consolidated FDI Policy dated 15 Oct. 2020, over National Single Window System (NSWS). The SOP is aimed at rendering the process of filing FDI application completely paperless.

## Spike in LRS outflow

[https://rbi.org.in/Scripts/BS\\_ViewBulletin.aspx?id=22031](https://rbi.org.in/Scripts/BS_ViewBulletin.aspx?id=22031)

As per latest RBI data, outward remittances under LRS for the month of June'23 was USD 3,890.83 million, much higher than numbers recorded for June'22 (USD 1,984.68 million). Biggest jump over previous month was on account of Gift and Maintenance of Close Relative. Total outflow under the LRS during the FY 2021-22 and 2022-23 was USD 19,610 million & USD 27,140 million respectively.

## DGFT Notifications

<https://www.dgft.gov.in/CP/>

- DGFT vide Public Notice No.28/2023 dated the 18 Aug, 2023 authorised 15 AD Banks for import of Gold & Silver whereas 1 bank is authorised for import of Gold only, for FY 23-24.
- Effective 1<sup>st</sup> Nov.'23, Import of Laptops, Tablets, All-in-one Personal Computers (Items under Chapter 84 Heading 71) is restricted by the DGFT vide Notification No. 23/2023 dated 3<sup>rd</sup> Aug 2023. Import under Baggage Rules or single unit purchased over e-commerce portal & shipped through post or courier are exempted is not subject to these restriction.

## Updates from IFSCA GIFT City

<http://www.ifsca.gov.in/>

IFSCA issued updated IFSCA (Banking) Regulations, 2020 on 14<sup>th</sup> August 2023.

IFSC vide Circular F.No.110/IFSCA/Banking Regulation/2023-24/2 dated Aug 30, 2023 allowed IBUs to open Special Non-Resident Rupee Account, with an AD Bank in India for specific purposes.

## ICC News

- ICC and SWIFT, have released the first application programming interface (API) industry standards for bank guarantees and standby letters of credit.
- ICC Banking Commission has invited comment on draft opinions reference TA931 to TA934

## Upcoming Market Events

- RBI MPC Meeting 04<sup>th</sup> to 06<sup>th</sup> October 2023
- FOMC Meeting 19<sup>th</sup> to 20<sup>th</sup> September 2023
- ECB Monetary Policy Meeting 14<sup>th</sup> September 2023
- FEDAI Annual General Meeting is scheduled on 02<sup>nd</sup> September 2023

## FEDAI workshops & training activities

- 04<sup>th</sup> to 08<sup>th</sup> September 2023 – 5 Days Orientation Workshop exclusively for Canara Bank.
- 11<sup>th</sup> to 15<sup>th</sup> September 2023 – 5 Days Orientation Workshop at Ahmedabad
- 18<sup>th</sup> to 22<sup>nd</sup> September 2023 – 5 Days Orientation Workshop at Gurugram

## Market News

- The Appointments Committee of the Cabinet approved the appointment of Sh. Amarjeet Singh & Sh. Kamlesh Chandra Varshneyas Whole Time Member to SEBI for 3 years.
- RBI approved appointment of Sh. P R Seshadri as MD & CEO of South Indian Bank
- The Governor, RBI launched a Centralised Web Portal उद्गम-UDGAM (Unclaimed Deposits Gateway to Access Information) on 17 August 2023.
- Cameroon, Croatia and Vietnam have been added in FATF's list of jurisdictions as having strategic deficiencies and under Increased Monitoring
- Clearing Corporation of India has become member of the FEDAI
- Ministry of Commerce and Industry, Government of India has issued Draft Patent (Amendment) Rules 2023 on 22 August 2023 and invited suggestions.

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## ICC - UCPDC 600 Commentary on Article 13

If a letter of credit states that the reimbursement can be claimed by the nominated bank from another party i.e., reimbursing bank, the letter of credit must state if the reimbursement is subject to URR (ICC rules for bank-to-bank reimbursement) which are in effect on the date of issuance of letter of credit.

If a letter of credit does not state that reimbursement is subject to the URR (ICC rules for bank-to-bank reimbursement), the following sub-article of Article 13 of UCP 600 shall apply for the reimbursement under the letter of credit:

- If the reimbursement is provided in the letter of credit, an issuing bank must provide a reimbursing bank with a reimbursement authorization that conforms with the availability stated in the credit. The reimbursement authorization should not be subject to an expiry date.
- A claiming bank shall not be required to provide a certificate of compliance with the terms and conditions of the credit while claiming reimbursement from the reimbursing bank.
- An issuing bank will be responsible for any loss of interest, together with any expenses incurred, if reimbursement is not provided on first demand by a reimbursing bank in accordance with the terms and conditions of the credit.
- A reimbursing bank's charges are for the account of the issuing bank. However, if the charges are for the account of the beneficiary, it is the responsibility of an issuing bank to so indicate in the credit and in the reimbursement authorization. If a reimbursing bank's charges are for the account of the beneficiary, they shall be deducted from the amount due to a claiming bank when reimbursement is made. If no reimbursement is made, the reimbursing bank's charges remain the obligation of the issuing bank.

An issuing bank is always liable of its obligations to provide reimbursement to the claiming bank, if reimbursement is not made by a reimbursing bank on first demand.