



JANUARY 2020

FEDAI NEWS LETTER

Changes in Onshore Fx Market Timing

https://www.rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx?Id=11780

<https://www.fedai.org.in/UploadPopupPageFiles/FEDAIRules10Edition23Jan2020.pdf>

Accepting recommendations of the Task Force on Offshore Rupee Market to permit AD Cat-I banks to offer foreign exchange prices to users at all times, RBI allowed AD Banks to undertake customer and inter-bank transactions beyond onshore market hours. Accordingly, FEDAI modified its Fx. Market Timings and effected following important changes in Rule No. 1.1 & 1.2:

- Normal Fx Market timing shall be 9.00 am to 5.00 for both merchant and interbank
- AD Bank may undertake Fx. Transactions other than value cash on all working days beyond normal market hours;

Reporting of OTC Currency Derivative transactions to CCIL

https://www.rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx?Id=11776

All client transactions in currency derivatives, including those with notional amount of below USD 1 mn, shall be reported to the TR, w.e.f. January 06, 2020. The move was necessitated by introduction and centralised collection of Stamp Duty on OTC Fx Derivatives.

Introduction of Rupee derivatives at IFSC

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11791&Mode=0>

https://www.rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx?Id=11794

RBI has decided to allow Rupee derivatives (with settlement in foreign currency) to be traded in International Financial Services Centres, starting with Exchange Traded Currency Derivatives. Only Persons resident outside India, shall be eligible to undertake such currency derivatives contracts. IBUs are allowed to participate in exchange traded currency derivatives on Rupee (with settlement in foreign currency) listed on stock exchanges set up at IFSCs.

Merchanting Trade Transaction Guidelines are revised

https://www.rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx?Id=11799

RBI revised the guidelines effecting following significant changes over the earlier guidelines

- a. Now the state of goods may be allowed transformation subject to the AD bank being satisfied with the documentary evidence and bonafides of the transaction
- b. Bank may accept copy of transport document also if satisfied; rely on online verification of BL/AWB on the website of International Maritime Bureau or Airline web check facilities. However, the AD bank shall ensure that the requisite details are made available / retrievable at the time of Inspection / Audit / investigation of the transactions
- c. The advance against import leg remittance without guarantee, monetary limit is increased from USD 200,000 to USD 500,000 or equivalent amount subject to overall prudential limits on allowing such advance payments by a customer set by the AD bank
- d. Few of the established practices in handling MTT is formally made part of the guidelines such as: permitting agency commission in exceptional cases, issuance of guarantee or SBLC for trade credit, reasons of the writing off amount due etc.

Leveraging digital channels for Customer Identification (KYC)

https://www.rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx?Id=11783

RBI decided to permit Video based Customer Identification Process (V-CIP) as a consent based alternate method of establishing the customer's identity, for customer onboarding.

ICC News

ICC is working on drafting of document International Standard Demand Guarantee Practices

FEDAI workshops & training activities

5 days Orientation Workshop held during the month

Coordinator **Canara Bank, Gurugram** from 20-24th Jan. 2020

Forthcoming Workshops - 5 Day Orientation Workshop

Co-Ordinator **Canara Bank, Chennai** from 10-14th February 2020,

BoM, Nagpur 24-28th February 2020

Central Bank of India, Mumbai 02-06th March 2020

Special Sessions on Trade Based Money Laundering, at FEDAI on 12th Feb., 2020

Upcoming Market Events

- Union Budget by Finance Minister in parliament on 01 February 2020
- RBI Monetary Policy Committee meeting Feb.4-6'2020

Market News

- Dr. Michael D. Patra took over as the Deputy Governor of RBI, he is looking after Monetary Policy, FMOD & FMRD including Market Intelligence Department, DEPR, DSIM/DIMU, CSBD
- Sh. Sunil Mehta, ex MD and CEO of PNB took over as Chief Executive Indian Banks' Association on 27 January 2020.
- The levying of stamp duty on Fx. Trade and collection by CCP (CCIL) is postponed to 01 April 2020
- Fed Reserve at its last FOMC meeting on Jan.29'2020 decided to keep Federal funds rate unchanged at 1.50 to 1.75 percent.
- The UK formally leaves the European Union (EU) on 31 January 2020

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IBU V/s OBU



IBU is branch of a bank operating from an International Financial Service Centre where as OBU is branch of a bank operating from any SEZ in India. Both banking units are distinct to each other and governed by two different RBI Notifications issued under FEMA 1999: i.e.No. FEMA. 339/2015-RB dated March 02, 2015, and No FEMA71/2002- RB dated September 7, 2002.

IFSC (International Financial Service Centre) is established under SEZ Act specifically for conducting financial activities of a company, firm, Association of persons/body of individuals or any juridical person, engaged in rendering financial services or carrying out financial transactions. IBU is treated as a person resident outside India.

OBU is a branch of bank opened under Banking Regulation Act in any of SEZstransacting only in foreign exchange and may undertake transaction with a unit located in SEZ.

IBU – IFSC Banking Unit

OBU – Offshore Banking Unit

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=9636&Mode=0>

https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=9619&Mode=0https://www.rbi.org.in/Scripts/BS_FemaNotifications.aspx?Id=2594