



JUNE 2020

FEDAI NEWS LETTER

Extension in relaxations for MSF, CRR

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11922&Mode=0>
<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11921&Mode=0>

Keeping in view the continuing of hardships faced by banks in terms of social distancing of staff and consequent strains on reporting requirements, RBI decided to extend the relaxation of the minimum daily maintenance of the Cash Reserve Ratio of 80 per cent (as against prescribed 90%) for a further period of three months, i.e. up to September 25, 2020.

Relaxation in borrowing limit of Scheduled Banks (excluding Regional Rural Bank) under the MSF scheme from 2 per cent to 3 per cent of their Net Demand and Time Liabilities (NDTL) outstanding at the end of the second preceding fortnight is also extended till September 30, 2020.

Foreign Exchange Reserves

<https://rbidocs.rbi.org.in/rdocs/Wss/PDFs/WSS29EEA014A4864B019243DBE239D5B1F3.PDF>

On 05 June 2020 when India's FX reserves touched USD 501 billion, the country joined the top 5 countries globally having FX reserves above USD half trillion. Others in the group in order of their standing being China, Japan, Switzerland and Russia. In subsequent week, it touched all time high of 507 billion as per RBI Weekly Statistical Supplement Report dated June 19, 2020.

RBI Discussion Paper on 'Governance in Commercial Banks in India'

<https://www.rbi.org.in/Scripts/PublicationsView.aspx?id=19613>

The objective of the discussion paper is to align the current regulatory framework with global best practices while being mindful of the context of domestic financial system. Major highlights of the paper are as follows:

- i. Empower the Board of Directors to
 - a. set the culture and values of the organization,
 - b. recognise and manage conflicts of interest,
 - c. set the appetite for risk and manage risks within the appetite and
 - d. improve the supervisory oversight of senior management;
- ii. Empower the assurance functions through various interventions;
- iii. Achieve clear division of responsibilities between the Board and the management and
- iv. Encourage the separation of ownership from management.

Suggestions and comments on the discussion paper may be sent by July 15, 2020.

Working Group to review ownership & corporate structure for private sector banks

<https://rbidocs.rbi.org.in/rdocs/PressRelease/PDFs/PR24932C7DAA9F658E4EBFA01154E51AC5E743.PDF>

RBI constituted an Internal Working Group to review extant ownership guidelines and corporate structure for Indian private sector banks.

Electronic Communication of PDF Based Copies of Shipping Bill & e-Gatepass

<https://www.cbic.gov.in/resources/htdocs-cbec/customs/cs-circulars/cs-circulars-2020/Circular-No-30-2020.pdf>

In its continuing endeavor to promote 'Faceless, Contactless, Paperless Customs' Central Board of Indirect Taxes & Customs has decided to rely upon digital copies of the Shipping Bill instead of bulky physical printouts vide Circular No.30/2020-Customs dated June 22, 2020. The Board advised that w.e.f. 22 June 2020 only the digital copy of the SB bearing the Final Let Export Order would be electronically transmitted to the exporter replacing the present practice of printing copies of the said document for the exporters and maintaining a docket in the Customs.

Launch of new DGFT platform and Digital delivery of IEC related services

<http://dgft.gov.in/sites/default/files/Trade%20Notice%2016%20-%20Stage%201A%20Go-live.pdf>

As part of Digital India programme and for Ease of Doing Business, DGFT has undertaken an initiative to revamp its services delivery mechanisms to promote and facilitate foreign trade. As a step in that direction, the first phase of a new digital platform of DGFT is scheduled to Go-Live on 13th July 2020

ICC News

FEDAI is pleased to inform that various suggestions made on Uniform Rules for Digital Trade Transactions (URDTT) V.2 by it is taken in to consideration and now ICC Paris has circulated updated 3rd draft of URDTT for comments.

ICC Paris has elected Master Card CEO Ajay Banga as Chair, who prior to joining Mastercard served as CEO of Citigroup Asia Pacific.

FEDAI workshops & training activities

After introducing the digital version of FEDAI Books, now we will conduct our workshops, trainings or seminars on digital platform. The first in series is proposed during July 2020 as detailed below.

Forthcoming Event

A Webinar is scheduled for all members on 7th July 2020 discussing 'Trade Issues experienced during the COVID19'.

Half Day Special online Workshop "Countering Trade Based Money Laundering" on July 14, 2020. Details are available on FEDAI Website homepage www.fedai.org.in

Upcoming Market Events

- Next FOMC Meeting 28-29 July 2020
- Next RBI MPC Meeting Aug.4-6, 2020
- Next ECB Monetary Policy Meeting 10 September 2020

Market News

➤ In pursuance of the commitment to ensure safety of depositors across banks, the President has promulgated the Banking Regulation (Amendment) Ordinance, 2020 to bring all urban cooperative banks and multi-state cooperative banks under the supervision of the RBI in order to protect the interest of depositors.

➤ Former Reserve Bank of India (RBI) governor Shri. Urjit Patel has been appointed as the chairperson of National Institute of Public Finance and Policy (NIPFP), he assumed office on 22 June 2020 in place of Dr. Vijay Kelkar.

➤ Shri R. Gandhi, former Deputy Governor, Reserve Bank of India, addressed the Board Members of Banks on "Cyber Security: During Pandemic and Beyond" at IDRBT on June 12, 2020 <https://www.idrbt.ac.in/webinar-rgandhi.html>

➤ The Central Government has re-nominated Shri Natarajan Chandrasekaran as a part-time non-official Director on the Central Board of Reserve Bank of India, for a further period of two years

➤ As earlier reported in our December 2019 Newsletter, amendments in Indian Stamp Act 1899 as proposed in the Finance Bill-2019 originally supposed to be rolled out w.e.f 09 Jan. 2020 but deferred twice because of different reasons are now implemented w.e.f. 01 July 2020. This is done to introduce uniform system of collection & payment of stamp duty on the issue and transfer of securities which also includes OTC Fx Derivatives. CCIL is the centralized agency for collecting and transferring to respective state governments stamp duty applicable on OTC derivatives which includes Fx Forwards, Swaps, Options, IRS, Cap, Floor, Collar etc.

Contents

Extension in relaxations for MSF, CRR

Foreign Exchange Reserves

Discussion Paper on Governance in Commercial Banks

Working Group for Pvt. Sector Banks

Electronic Shipping Bill & e-Gatepass

Digital delivery of IEC related services

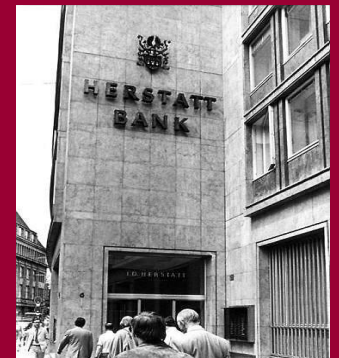
ICC News

FEDAI Workshops

Upcoming Market Events

Market News

Herstatt Risk



Herstatt risk, also known as FX settlement risk is the risk associated with settlement of foreign exchange transactions.

The name is derived from the incident that happened on 26 June 1974, the date the license of Herstatt Bank, a German Bank was revoked by German Authorities. The announcement came at end of banking day in Germany while US market was still open. As a result bank's counterparties for FX trades, who had already paid Deutsche Marks and were yet to receive equivalent USD towards settlement of FX trades, got stuck as Herstatt's US correspondent Bank suspended all outgoing payments from USD account of Herstatt's account.

Herstatt risk though eliminated for certain market segment by use of Continuous Linked Settlement (CLS) and Centralised Clearing Counter Party (CCP) settlements still exists for large number of Fx trades.

All Fx transactions, irrespective of location of dealing counterparts is settled in the home country of the currency. This, due to the time differences, can result in gap between the time when one party makes a transfer in one currency and receives a transfer in an alternative currency.

-:Stay online and stay safe:-