



# MARCH 2020 FEDAI NEWS LETTER

## RBI's Seventh Bi-monthly Monetary Policy Statement, 2019-20

[https://www.rbi.org.in/Scripts/BS\\_PressReleaseDisplay.aspx?prid=49582](https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=49582)

On the basis of an assessment of the current and evolving macroeconomic situation, the Monetary Policy Committee (MPC) at its meeting on March 27, 2020 (prepone) agreed to continue with the accommodative stance as long as it is necessary to revive growth and mitigate the impact of Corona-virus (COVID-19) on the economy and decided to:

- ✓ Cut the policy repo rate under the liquidity adjustment facility (LAF) by 75 basis points to 4.40 per cent from 5.15 per cent with immediate effect;
- ✓ Accordingly, the marginal standing facility (MSF) rate and the Bank Rate stands reduced to 4.65 per cent from 5.40 per cent
- ✓ RBI also announced widening of existing policy rate corridor from 50 bps to 65 bps. Under the new corridor, the reverse repo rate under the liquidity adjustment facility (LAF) would be 40 bps lower than the policy repo rate. The marginal standing facility (MSF) rate would continue to be 25 bps above the policy repo rate as a result the reverse repo rate under the LAF stands reduced by 90 basis points to 4.0 per cent.
- ✓ RBI also decided as a one-time measure to reduce the cash reserve ratio (CRR) of all banks by 100 basis points to 3.0 per cent of net demand and time liabilities (NDTL) with effect from the reporting fortnight beginning March 28, 2020.
- ✓ The committee also defer time bound action plan under implementation of Basel III Norms such as building of Capital Conservation Buffer (CCB) and Net Stable Funding Ratio (NSFR).

## AD I banks operating IBUs allowed to offer NDF involving INR

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11843&Mode=0>

AD Category-1 banks, operating International Financial Services Centre (IFSC) Banking Units (IBUs) are permitted to offer w.e.f. 1<sup>st</sup> June 2020 non-deliverable derivative contracts involving the Rupee, or otherwise, to persons not resident in India. Banks can undertake such transactions through their IBUs or through their branches in India or through their foreign branches (in case of foreign banks operating in India, through any branch of the parent bank).

## Legal Entity Identifier: Extension of timeline

[https://www.rbi.org.in/Scripts/BS\\_CircularIndexDisplay.aspx?Id=11834](https://www.rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx?Id=11834)

Based on the feedback and requests received from market participants, in the context of the difficulties arising from the outbreak of novel COVID-19 and with a view to enabling smoother implementation of the LEI system in non-derivative markets, the timeline for implementation (Phase III) for entities with Net Worth upto Rs. 200 crores is extended from March 31'2020 to Sept.30'2020..

## Large Exposures Framework: Exemption extended

[https://www.rbi.org.in/Scripts/BS\\_CircularIndexDisplay.aspx?Id=11827](https://www.rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx?Id=11827)

Reference to RBI circular No.DBR.No.BP.BC.43/21.01.003/2018-19 dated June 03, 2019 it has now been decided to extend exemption for non-centrally cleared derivatives exposures till April 01, 2021.

## New Monetary Unit ACU JPY

[https://www.rbi.org.in/Scripts/BS\\_CircularIndexDisplay.aspx?Id=11825](https://www.rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx?Id=11825)

The Board of Directors of ACU decided to permit Japanese Yen for settling payments among the ACU member countries. Asian Monetary Unit is now denominated as "ACU Dollar", "ACU Euro" and "ACU Yen" which shall be equivalent in value to one US Dollar, one Euro and one Japanese Yen respectively. Effective March 06, 2020, ACU participants have the option to settle their transactions either in ACU Dollar or ACU Euro or in ACU Japanese Yen. AD banks are allowed to open and maintain ACU Dollar, ACU Euro and ACU Japanese Yen accounts with their correspondent banks in other participating countries.

## COVID-19 – Regulatory Package

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11835&Mode=0>

RBI has announced certain relaxations to mitigate the burden of debt servicing brought about by disruptions on account of COVID-19 pandemic and to ensure the continuity of viable businesses. The key points are as under:

- (i) Rescheduling of Payments – Term Loans and Working Capital Facilities,
- (ii) Easing of Working Capital Financing,
- (iii) Classification as Special Mention Account (SMA) and Non-Performing Asset (NPA).

## FEDAI-Update Covid-19 challenges

<https://fedai.org.in/COVID-19.html>

FEDAI working in close cooperation with regulators and member banks initiated various actions to address issue related to Covid-19, please visit above link for latest detail.

## ICC News

ICC Working Group exploring alternate for LIBOR released first draft of Term Reference Rate For Trade Finance and Export Finance Solution.

## FEDAI workshops & training activities

### 5 days Orientation Workshop held during the month and to be held in April

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

All trainings scheduled in April 2020 are cancelled due to Covid-19

## Upcoming Market Events

- FOMC Meeting on April 28-29, 2020
- ECB Policy Meeting April 30, 2020
- Release of Minutes of 7<sup>th</sup> MPC Meeting April 13, 2020

## Market News

### Amalgamation of PSU Banks with effect from 01 April 2020:

- Branches of **Syndicate Bank** will function as **Canara Bank**
- Branches of **Allahabad Bank** will function as **Indian Bank**
- Branches **Oriental Bank of Commerce** and **United Bank of India** will function as **Punjab National Bank**
- Branches of **Andhra Bank** and **Corporation Bank** will function as branches of **Union Bank of India**.
- Date of implementation of stamp duty for OTC Derivative is postponed to July 1, 2020
- Moratorium on YES Bank lifted on March 18, 2020
- The Central Government has re-appointed Shri B. P. Kanungo as Deputy Governor, Reserve Bank of India for a further period of one year.
- The Foreign Trade Policy 2015-20 has been extended for one year till 31 March 2021.

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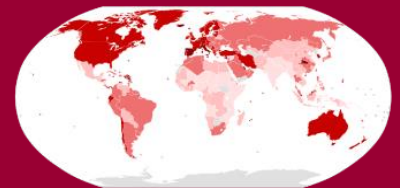
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### Covid-19



COVID- 19 has affected every nation including Europe, USA and China. While its effect on mankind in terms of loss of life and illness is tragic, the economic impact of COVID 19 is likely to be equally severe and long lasting. The US and Euro-zone economies are likely to go in recession and not expected to recover before 2023. India though less affected so far, is trying to battle the scourge with pre-emptive measures. The lockdown and other effects of the COVID 19 are expected to hurt an already not so strong Indian economy.

Various Governments across the globe are trying to reduce the impact on the economy with economic stimulus packages. While the US government has declared a stimulus package of USD 2 Trillion, several other economies are working out their stimulus packages. Indian Finance Minister announced a package of INR 1.7 Trillion (about USD 22.5 Billion) to soften the blow of COVID 19. RBI has also announced series of measures

We urge all to follow the preventive practices urged by medical personnel world over viz. social distancing, frequent washing of hands for 20 seconds with soap and water and use of hand sanitizers.

-:Stay healthy and stay safe:-