



MAY 2020 FEDAI NEWS LETTER

First Monetary Policy Statement, 2020-21

https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=49844

As economy struggled under the onslaught of Corona virus, the Monetary Policy Committee (MPC) at its unscheduled (Scheduled date for next meeting was June 3-5, 2020) meeting on May 22, 2020, on the basis of an assessment of the current and evolving macroeconomic situation decided to:

- ✓ Reduce the policy repo rate under the LAF by 40 bps to 4.0%
- ✓ Accordingly, the MSF rate and the Bank Rate stand reduced to 4.25% and the reverse repo rate under the LAF reduced to 3.35%

The MPC also decided to continue with the accommodative stance as long as it is necessary to revive growth and mitigate the impact of COVID-19 on the economy.

RBI announced measures to ease liquidity to various sectors of the economy impacted by COVID-19 through special refinance facility to SIDBI and EXIM Bank.

Other Measures taken by RBI in view of ongoing Covid-19 epidemic

a. Extension of Period of Export Credit

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11904&Mode=0>

In line with the earlier relaxation extending the period of realisation and repatriation of the export proceeds to India from 9 to 15 months (refer FEDAI newsletter of April, 2020), RBI decided to increase the maximum permissible period of pre-shipment and post-shipment export credit sanctioned by banks from one year to 15 months, for disbursements made up to July 31, 2020.

b. Extension of time limit for Settlement of import payment

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11900&Mode=0>

RBI extended the time period for completion of remittances against normal imports (i.e. excluding import of gold/diamonds and precious stones/ jewellery) from six months to twelve months from the date of shipment for imports made on or before July, 31, 2020.

c. Hedging of Fx Risk - Revised Guidelines, Implementation Date

https://www.rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx?Id=11888

According to request made by Market Participants in context of difficulties because of Corona virus disease RBI decided that the revised directions as were issued vide A.P. (DIR Series) Circular No. 29 dated April 7, 2020 will now come into effect from Sep. 01, 2020 instead of June 01, 2020.

d. RBI Regulatory Package

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11903&Mode=0>

Period for Relaxations announced by RBI on March 27, 2020 to ease liquidity pressure and improve access to working capital has been extended further by three months till August 31, 2020. RBI also relaxed norms for asset classifications exempting such relaxations from consideration for purpose of asset classification under IRAC norms.

e. Large Exposure Framework - Increase in Group Exposure limit

https://www.rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx?Id=11901

As Corporate are finding it difficult to raise funds from capital markets because of Covid-19 and are predominantly dependent on funding from banks RBI, as a onetime measure, increased Group Exposure limit from 25% to 30% of Bank's eligible capital base, till June 30, 2021.

f. Interest Equalisation Scheme on Export Credit

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11887&Mode=0>

Government of India has also approved the extension of Interest Equalization Scheme for pre and post shipment Rupee export credit, with same scope and coverage as was available from 01 April 2015 to 31 March 2020, for one more year i.e. up to March 31, 2021.

FX Hedging - Extension of Temporary Relaxations

<https://fedai.org.in/pdf/Covid19/SPLo8.pdf>

FEDAI extended, with some modifications, the period of relaxations for FX hedging like submission of underlying documents, payment of FX gain on cancellation etc. till May 31 2020.

ICC News

ICC Paris issued Guidance Paper on use of sanctions clauses in Trade Finance related instrument subject to ICC Rules (Document No.470/1238).

Interpretative Paper on the correct interpretation of the first paragraph of UCP 600 article 35.

FEDAI workshops & training activities

All training activities are on hold due to pandemic Covid-19 threat and shall be resumed soon through digital platform.

Upcoming Market Events

- Next FOMC Meeting 9-10th June 2020
- Next ECB Policy Meeting 4th June 2020
- RBI MPC Meeting Aug.4-6, 2020

Market News

- Shri H.K. Jena, Chairman FEDAI and Dy. MD SBI has been appointed Managing Director of CCIL India Ltd. Sh. Raghendra Rao, CGM-Global Markets, State Bank of India shall be the new Chairman, FEDAI
- Relaxation by ECGC <https://www.ecgc.in/english/relaxations-in-time-line-due-to-covid-19-lock-down/>
Out of various relaxations announced, following are directly for banks:
□With regard to time limit for filing of extension in due date for the advances which have crossed 360 days under PC and 180 days under PS advances (360 days for status holders) and filing of Report of default under the ECIB covers will be available upto May 2020 □Extension in time for filing of monthly declaration for the month of March 2020, has been extended upto May, 2020 □ECGC has given discretion to Banks under WTPS/INPS issued to them to extend the dues dates of post-shipment advances granted against of shipments (Not beyond 15 months) that are effected during the period 01/02/2020 to 31/07/2020 for a further period of 6 months in line with the latest RBI guidelines.
- IIBF announced introduction of Remote Proctored Examinations (select certificate courses) allowing flexibility to candidates of appearing for the exams from their homes,w.e.f. July 2020
- FATF has issued guidance note COVID-19-related Money Laundering and Terrorist Financing - Risks and Policy Responses
- RBI imposed monetary penalty on Bharat Co-operative Bank Ltd., Citibank N.A, Nagar Urban Co-operative Bank Ltd and TJSB Sahakari Bank Rs.60 Lakh, Rs.400 Lakh, Rs.40 Lakh and Rs.45 lakh respectively for non-compliance with the directions issued by RBI

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Fx Hedge - Relaxation

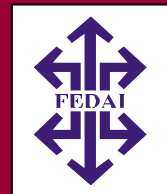
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THE NEW NORM – WORKING WITH COVID 19 – INITIATIVES AT FEDAI



The requirements to control the Covid 19 pandemic has brought with it constraints viz. Social distancing, travel restrictions and minimizing physical exposure. While we hope these restraints will eventually lessen a few things are likely to change, if not forever, at least for a considerable period. This has required us at FEDAI to think of a sea change in the way our various activities are carried out. Instead of physical meetings to discuss with member banks the regulatory developments and our responses thereto we have been having conference calls with member banks. We also had our first Board Meeting and Managing Committee Meeting through the Zoom platform on 29th May 2020. We have already launched the FEDAI books in the digital form which we were able to provide during the lockdown period. Going forward we will soon be launching FEDAI trainings also by way of Webinars as well as e-Learning modules. We continue to think of ways in which we will be able to serve our member banks unhindered.

-:Stay healthy and stay safe:-