



September 2023 FEDAI NEWS LETTER

Incremental CRR (I-CRR) reversal in phases

https://rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx?Id=12533

Incremental CRR introduced w.e.f. 12 August 2023, as announced by RBI is to be discontinued in phased manner, releasing the incremental funds in three steps, 25% each on 9th and 23rd Sept and balance 50% on 7th Oct. '23. Phased reversal is to ensure that system liquidity is not subjected to sudden shocks and money markets function in an orderly manner.

India's inclusion in JP Morgan Bond Index

India, thanks to measures like introduction of Fully Accessible Route (FAR) for investments by foreign investors in G-Sec markets made decent progress in promoting foreign participation in the domestic market. Finally, India is going to be included in JP Morgan's global bond market index over a period of 10 months, starting from 28 Jun.'24 & is expected to reach 10% weight in the GBI-EM Global Diversified Index (GBI EM GD) by Mar 2025. This inclusion is expected to generate inflows of US\$ 20-30 bn in FY24 which will be big support for India's CAD in FY25 when global and domestic growth is likely to pick-up amidst increasing commodity prices. As FPI flows tend to be volatile & are highly dependent on exogenous factors the inclusion would also expose India's financial markets to heightened volatility.

Census on Foreign Liabilities and Assets - 2022-23

https://rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=56359

RBI released result (provisional) of census on Foreign Liabilities and Assets of Indian Direct Investment (DI) Entities for 2022-23. Few important findings in survey are listed below;

- Though over 97% of the responding DI entities were unlisted, amount of investment received by listed & unlisted entities is 51% & 49% resp. FDI (debt & equity) increased by 6.9% during 22-23.
- DI received at USD 607.3 Bio was 5.5 times the outward DI of USD 110.8 Bio during 2022-23.
- Foreign subsidiaries in India continued to maintain strong external trade linkages as the exports and imports accounted for more than 1/3rd of their sales and purchases. The increase in their export-to-sales was 61.7% and import-to-purchase was 74.2%.

35th FEDAI Annual General Meeting

The 35th AGM of FEDAI held on 02nd September 2023 at FEDAI office. The meeting was addressed by Sh. Prashant Kumar Dayal, GM, FED, RBI. Sh. Dayal appreciated the role FEDAI played in conceptualising and framing guidelines for growth of market in fair and transparent manner. The Managing Committee in its subsequent meeting appointed SBI as Chairman, JP Chase Morgan Bank as Vice-Chairman and HDFC Bank Ltd. as Additional Vice-Chairman for ensuing year.

FEDAI Circulars/ Activities

- Banks allowed to obtain info, so far collected only in physical Form A-3, through alternate modes including secured electronic channel vide FEDAI Circular Letter No.15/2023 dt 26th Sept. 2023
- In order to streamline & expedite processing of export proceeds received through permissible banking channels & have uniform practice for issuance of intimation thereof to local Beneficiaries of foreign remittance; FEDAI instructed members to issue advice on their letter head (named as 'Bank Inward Remittance Certificate', **BIRC**). The advice, BIRC, can be issued either electronically or physically, using the same format as of FIRC -Circular Letter 17/2023 27 September 2023.
- Sh. R. Ganesh, VP & Secretary, retired from FEDAI after over 36 years of service.

DGFT Notifications

<https://egazette.gov.in/WriteReadData/2023/248848.pdf>

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

- DGFT de-listed 29 chambers/agencies from Appendix 2E of FTP 2023; resultantly they are no more authorized to issue Certificate of Origin (Non-Preferential) with immediate effect.
- DGFT, in consultation with RBI, clarified that regulatory directions allow all eligible exporters, including E-Commerce Exporters to avail export credit from banks. Hence, Banking & Financial institutions are encouraged to extend Pre-shipment and Post-shipment Export Credit (INR or FCY) to E-Commerce exports based on the extant RBI Guidelines.
- The Scheme for Remission of Duties and Taxes on Exported Products (RoDTEP) which was notified till 30th September 2023 is now being extended for exports made from 1st Oct 2023 till 30th June 2024

Policy Rates Announcement in September 2023

European Central Bank raised the three key ECB interest rates by 25 BPS on 14 September 2023. As British economy slowed down, **Bank of England** halted its long run of interest rate increases on 21 Sept. 23. BoE clarified that it was not taking a recent fall in inflation for granted.

Federal Reserve voted unanimously on 20th Sept. to maintain the FED fund rates in a target range of 5 ¼ to 5 ½ % keeping options open for another increase this year.

Bank of Japan has also left policy rates unchanged in its announcement on 22 September 2023.

Bank of Canada held rates steady keeping options open for further hikes as per announcement made on 22 September 2023.

ICC News

Future International Trade Alliance, of which ICC is a founding member, has launched a Declaration to secure commitment from all international trade stakeholders to drive digitalization, starting with eBL. A globally applicable eBL will accelerate trade digitalisation benefitting customers, banks, customs, government authorities, providers of ocean shipping services & all other stakeholders.

FEDAI workshops & training activities - Upcoming

- 09th to 13th October 2023; Five Day Orientation Workshop (Classroom) on Foreign Trade & Foreign Exchange Business at Punjab & Sind Bank, Delhi

Upcoming Market Events

- RBI MPC Meeting 04th to 06th October 2023
- FOMC Meeting 31st October to 01st November 2023
- ECB Monetary Policy Meeting 26th October 2023

Market News

- Sh M. Rajeshwar Rao has been reappointed as Deputy Governor, RBI w.e.f. Oct. 9th'23 for a period of one year, or until further orders, whichever is earlier.
- FSI Bureau recommended Shri Vinay M. Tonse for the position of MD in SBI.
- Sh Uday Kotak decided to step down from position of MD & Chairman, Kotak Mahindra Bank.
- RBI approved 3 years extension for Sh. Sashidhar Jagdeeshan as MD & CEO of HDFC Bank.
- RBI issued certain directions on Release of Movable/Immovable Property Documents on Repayment/ Settlement of Loans Account as well as on compensation for delay in such release.
- The GoI has extended the validity of FCRA Registration Certificate of certain categories of registration holders up to 31 March 2023. https://fcraonline.nic.in/home/PDF_Doc/fc_notice_25092023.pdf

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ICC - UCPDC 600 Commentary on Art. 14

A nominated bank acting on its nomination, a confirming bank, if any and the issuing bank must examine a presentation of documents under an LC to determine, on the basis of documents alone, whether or not the documents appear on their face to constitute a complying presentation or not.

A nominated bank, a confirming bank and the issuing bank shall each have a maximum of 5 banking days following the day of presentation to determine if a presentation is complying. This period is not curtailed or otherwise affected by the occurrence on or after the date of presentation of any expiry date or last date of presentation.

A presentation including original transport documents subject to articles 19 to 25 of UCP 600 must be made by or on behalf of beneficiary not later than 21 calendar days after the date of shipment but in any event not later than the expiry date of the letter of credit.

Data in a document, when read in context with the credit, the document itself and international standard banking practice, need not be identical to, but must not in conflict with, data in that document, any other stipulated document or the LC.

Examples :-

- LC calls for shipment of "Tires for Motor Vehicles". Invoice contains the same description, but in packing list it states "500 Tyres for Tata Vehicles, 500 Tyres for Maruti Vehicles, 500 Tyres for Hyundai Vehicles, etc". In this case, the description on the packing list is not identical but it is not in conflict with the description in the invoice or the credit.
- LC calls for shipment of 5000 MT Stainless Steel Coils. Invoice states 5000 MT Stainless Steel Coils, Certificate of Origin states Stainless Steel Coils and Bill of Lading states 5000 MT Coils. Here data is not identical but it is not conflicting.
- LC calls for shipment of 5000 MT Stainless Steel Coils. Invoice states 5000 MT Stainless Steel Coils, Certificate of Origin states Stainless Steel Coils and Bill of Lading states 5000 MT Aluminum Coils. Here data is not identical and it is also conflicting.

In documents other than the commercial invoice, the description of the goods, services or performance, if stated, may be in general terms not conflicting with their description in the credit.