



April 2021 FEDAI NEWS LETTER

RBI Monetary Policy Statement dated April 07th, 2021

https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=51380

https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=51382

Status quo: In consonance with the objective of achieving the medium-term target for consumer price index (CPI) inflation of 4 per cent within a band of +/- 2 per cent, while supporting growth, MPC unanimously agreed for status quo keeping the policy repo rate unchanged. Committee also decided to continue with the accommodative stance as long as necessary, to sustain growth on a durable basis and to mitigate the impact of COVID-19.

The limit of maximum end of day balance, per individual customer with Payments Banks is enhanced from Rs. 1 lakh to Rs.2 lakh.

RBI proposed to increase the limit of outstanding balance in full KYC Pre-paid Instrument from the current Rs. one lakh to Rs. two lakh. The facility of cash withdrawal from ATM or PoS, which was so far available to full-KYC PPIs issued by banks is now proposed for non-bank issuers as well for full KYC PPIs.

ECB Policy: parking of unutilised ECB proceeds in term deposits

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12070&Mode=0>

Based on requests from stakeholders, including Industry associations, and with a view to providing relief to the ECB borrowers affected by the Covid-19, RBI decided to give one-time relaxation; allowing unutilised ECB proceeds drawn down on or before March 01, 2020 to be parked in term deposits with AD Category-I banks in India prospectively for an additional period up to March 01, 2022.

Constitution of the Regulations Review Authority 2.0

https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=51421

The Regulations Review Authority (RRA) 1.0 was set up in 1999 and their recommendation on streamlining & increasing the effectiveness of several procedures, simplifying regulatory prescriptions, paved the way for issuance of master circular and reduced reporting burden on regulated entities. Considering the developments in regulatory functions of the Reserve Bank over the past two decades and evolution of the regulatory perimeter, RBI has decided to set up a RRA 2.0 under the supervision of Sh. M. Rajeshwar Rao, Deputy Governor. The RRA 2.0 will focus on streamlining regulatory instructions, reduce compliance burden of the regulated entities by simplifying procedures and reduce reporting requirements, wherever possible.

Interest Equalization Scheme on Rupee Export Credit - Extension

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12075&Mode=0>

Government of India has approved the extension of Interest Equalization Scheme for pre and post shipment Rupee export credit, with same scope and coverage, for further three more months from April 01, 2021 till June 30, 2021.

FIEO proposes govt to issue tax-free bonds to exporters

https://economictimes.indiatimes.com/news/economy/finance/fieo-proposes-govt-to-issue-tax-free-bonds-to-exporters-in-lieu-of-rs-40000-cr-stuck-refunds/articleshow/82178075.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

The Federation of Indian Export Organisations (FIEO) has proposed a mechanism of tax-free bond attracting 6% annual interest with a three-year lock-in period to provide certainty of refund and ensure liquidity for exporters. Exporters may be allowed to file the claim so as to verify the value of the tax-free bond to be given to them, which can be encashed after 3 years, by which time the government revenue would be on sound footing, FIEO said in a letter to the finance ministry.

CCIL Changes to the Forex Settlement Segment Regulations

<https://www.ccilindia.com/Lists/1stNotificationForexSettlement/Attachments/1220/Notification%20on%20Changes%20to%20Forex%20Regulations.pdf>

CCIL have modified Forex Settlement Segment Regulations & have provided for negative USD interest rate scenarios. In the event the net earnings on investments of USD cash collateral being negative, the same would be settled with the members on a half yearly basis.

ICC News

ICC Banking Commission released Final Consolidated Opinions, Spring 2021

FEDAI workshops & training activities

- **Forthcoming - 18th May 2021** - 1 Day Online Workshop on "Export Finance"
- **20th April 2021** - 1 Day Online Workshop on "Bank Guarantees and Standby Letters of Credit"
- **22nd April 2021** - FEDAI Monthly Discussion Series 2021 "Recent Episode in Supply Chain Financing and Lessons for Practitioners"

Gist of the discussion – Trade Finance being transactional lending that is generally secured, short term and self-liquidating is preferred mode of lending by Banks. Default rate in TF and SCF is generally lower compared to other forms of lending.

The digitization of TF is not a new phenomenon, it has been has been ON for long, the Covid pandemic has accelerated the process. The emergence of non-bank financial player or say Fintechs which are yet not as well-regulated as Banks is throwing kind of challenges never experienced before.

Greensill is an example from recent times. An interesting and surprising fact is that fraudster often get away with age old modus operandi and FIs lose not because of any innovative strategy employed by fraudsters but simply because of getting carried away by competitive pressures and lowering their guard.

- **27th April 2021** - 1 Day Online Workshop on "Bank Guarantees and Standby Letters of Credit"

Upcoming Market Events

- RBI MPC Meeting 02-04th June 2021
- FOMC Meeting 15-16th June 2021
- ECB Monetary Policy Meeting 10th June 2021

Market News

- Sh. B P Kanungo, Deputy Governor retired from the Reserve Bank on 02 April 2021. Appointments Committee of the cabinet has approved the appointment of Sh. T. Rabi Sankar for the post of Deputy Governor, RBI.
- The Central Government has nominated Sh. Ajay Seth, Secretary, Department of Economic Affairs, Ministry of Finance, Government of India as a Director on the Central Board of RBI
- Expenditure Secretary Sh. T V Somanathan has been designated as the new Finance Secretary
- RBI has approved the appointment of Atanu Chakraborty as part-time chairman of HDFC Bank. The appointment will come into effect on May 5, 2021.
- IFSCA issued 'International Financial Services Centers Authority (Market Infrastructure Institutions) Regulations, 2021' on 12 April 2021 vide Gazette Notification No. IFSCA/2021-22/GN/REG011 (<https://ifsc.gov.in/Regulation?Mid=MMc3uVo6Kc=>)

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World Customs Organization

<http://www.wcoomd.org/>



WORLD CUSTOMS ORGANIZATION
ORGANISATION MONDIALE DES DOUANES

The World Customs Organization (WCO), established in 1952 as the Customs Co-operation Council is an independent intergovernmental body whose mission is to enhance the effectiveness and efficiency of Customs administration.

Today, the WCO represents 183 Customs administrations across the globe that collectively process approximately 98% of world trade. India is member of WCO since 1972.

WCO develops international standards, fosters cooperation and builds capacity to facilitate legitimate trade, to secure a fair revenue collection and to protect society, providing leadership, guidance and support to Customs administrations.

Some of the key priorities as per the new Strategic Plan of WCO for the 2019-2022 period, are:

- Coordinated Border Management,
- Safety and Security,
- The Revised Kyoto Convention,
- E-Commerce, the Harmonized System,
- the Capacity Building Strategy,
- Performance Measurement, Integrity, and
- Digital Customs and Data Analytic