Foreign Exchange Dealers' Association of India
(Registered under section 25 of the companies Act, 1956)

April 2024
FEDAI NEWS LETTER

Monetary Policy Committee's Resolution

https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=57638
https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=57637

The MPC meeting held during April 3rd to 5th, 2024 resolved by a majority vote (5 Vs. 1) to keep the policy repo rate under the liquidity adjustment facility steady at 6.50%, constant since February 2023 when it was increased last. Consequently, the SDF/Bank Rate & MSF Rate remain unchanged at 6.25% & 6.75% respectively.Committee also decided by majority vote continued focus on withdrawal of accommodation to ensure that inflation progressively aligns to the target, while supporting growth.

Highlights of Statement on Developmental and Regulatory Policies are as below;

- To improve ease of access for individual investors to maintain gilt accounts with RBI & invest in government securities, a mobile application of the Retail Direct will be made available soon.
- In order to address challenges induced by increased ability of the depositors to quickly withdraw or transfer deposits during times of stress, using digital banking channels as experienced recently; certain modifications to the LCR framework are being proposed towards facilitating better management of liquidity risk by the banks.

Unauthorised Foreign Exchange Transactions

https://www.rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx?Id=12671

RBI expressed concerned about agents of unauthorised entities offering forex trading facilities & providing options to residents to remit/deposit funds in INR for undertaking unauthorized Fx transactions using domestic payment systems and invited attention of AD Cat-I banks emphasizing:

- ☞ No person shall deal in or transfer any foreign exchange or foreign security to any person not being an 'Authorised Person', unless under general or special permission of the RBI
- ☞ A person, whether resident in India or resident outside India, may enter into a foreign exchange derivative contract with an Authorised Dealer or on Recognised Exchanges, only;
- ☞ Alert List https://rbi.org.in/scripts/bs_viewcontent.aspx?Id=4235 issued by the RBI containing names of entities which are neither authorised to deal in forex under FEMA, 1999 nor authorised to operate ETP for forex transactions under the Electronic Trading Platforms (Reserve Bank) Directions, 2018.

RBI highlighting need for greater vigilance to prevent the misuse of banking channels in facilitating unauthorised forex trading advised AD Banks to be more vigilant, exercise greater caution in this regard.

FEMA Notifications -FC Accts by a person resident in India;Mode of Payment & Reporting of NDI

https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12674&Mode=0
https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12673&Mode=0

RBI amended Notification FEMA10(R) allowing parking of FC funds raised from ECBs, ADRs, GDRs or through direct listing of equity shares of companies incorporated in India, pending utilization, in FC accounts with a bank outside India.

RBI amended Notification FEMA395 providing for mode of payment & reporting of the sale/purchase/subscription of equity shares other than transfers between permissible holders, on an International Exchange.

Hedging of Gold Price Risk in Overseas Markets

https://www.rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx?Id=12662

Resident entities are now permitted to hedge the price risk of gold using OTC derivatives in the IFSC.

RBI Draft Guidelines for ETPs

https://www.rbi.org.in/Scripts/bs_viewcontent.aspx?Id=4425

RBI issued draft Master Directions for Electronic Trading Platforms inviting comments from banks, market participants & other interested parties by May 31' 2024.

FEDAI Activities

- FEDAI in association with CME Group, one of the leading derivatives exchanges, organised an event on 26th April 2024 on the topic "Introduction to listed U.S. Interest Rate products" at Jio World Convention Centre, Mumbai.Over 70 officials from members attended the event.
- Amendments in FEDAI Rules are advised vide AR Circular No. 02/2024 dated 05 April 2024
- FEDAI reiterated instruction on compliance of FEDAI Code of Conduct vide Circular Letter No. 06/2024 dt. 05 April 2024
- FEDAI is partnering with Global Trade Review (GTR) in organising GTR India 2024 at Mumbai on May 22. The event will once again bring together the leading minds in Indian trade, supply chain, export and infrastructure financing for one day of unrivalled networking and lively debate, please check details over the link https://www.gtreview.com/events/asia/gtr-india-2024-mumbai/
- 16th & 17th May 2024: Two days' Physical Workshop (non-residential) on "Treasury and Foreign Exchange Market" at FEDAI Conference Room, Mumbai

Updates from IFSCA

https://www.ifsca.gov.in/

IFSCA vide their circular dated April 19, 2024 allowed Indian Banks, authorized by the RBI to import gold/silver, to directly access the trading system of the IIBX

Based on the feedback received from IBUs and to give effect to amendments to various laws, IFSCA amended Banking Handbooks with reference to:

i. General (GEN) directions v 5.0
ii. Conduct of Business (COB) directions v 6.0
iii. Prudential Directions (PRU) directions v 5.0

ICC News

- ICC Banking Commission issued TA Briefing N°8 on 'Direct presentation of documents to an Issuing Bank under a documentary credit subject to UCP 600'

Upcoming Market Events

- RBI MPC Meeting– 05th to 07th June
- ECB Monetary Policy Meeting – 06th June2024
- FOMC Meeting – 11th to 12th June 2024 (The latest meeting on 30th April -01st May, FOMC voted for no change in interest rates)

Market News

- Govt. of India re-appointed Shri T. Rabi Sankar, Dy. Governor, RBI for a period of one year w.e.f May 03, 24 or until further orders, whichever is earlier.
- RBI deferred the implementation date for revised Fx Hedging Guidelines [AP(DIR) Circular no 13 dt. Jan.05'2024] by a month from April 05 to May 03'2024.
- FSIB recommended during April 2024: Shri Asheesh Pandey, ED Bank of Maharashtra for the position of MD & CEO in Indian Bank; Shri Rana Ashutosh Kumar Singh, Dy. MD SBI for the position of MD in SBI; Shri Manoj Mittal, MD&CEO IFCI Ltd for the position of CMD in SIDBI.

Contents

ICC - UCPDC 600
Commentary on Art. 17*

*From the perspective of International Standard Banking Practice (ISBP)

Continue from previous month...

If a document has an apparently original signature, mark, stamp or label of the issuer, it will be treated as original unless the document itself depicts that it is a copy.

Banks do not determine whether such a signature, mark, stamp or label of the issuer has been applied in a manual or facsimile form. Therefore, any document that bears such authentication method will satisfy the requirement stipulated in article 17 of UCP 600.

If Documents are issued in more than one original, it may be marked "Original", "Duplicate", "Triplicate", "First Original", "Second Original", "Third Original", etc. All these are treated as Original. These markings will not disqualify the document from being treated as a original.

The number of originals to be presented is to be at least the number required by the letter of credit or UCP.

If an insurance document or a transport document mentions the number of originals in which it is issued, then all the originals stated on the document is required to be presented.

If a Letter of credit says "2/3 original bills of lading" is required to be presented, which is less than the full set, but does not provide any disposal instructions for the remaining original bill of lading, then a presentation of all 3 original bills of lading shall not be treated as a discrepancy.

Letters of credit call for originals and copies by wording it in different ways. Let us understand the scenarios and interpretation taking "Invoice" as an example. When a Letter of Credit calls for:

"Invoice", "One Invoice", "Invoice in 1 copy" or "Invoice – 1 copy", this means that Original Invoice is required to be presented.

"Invoice in 4 copies", "Invoice in 4 fold", it means presentation of at least one original invoice and any remaining number as copies.

"Photocopy of a signed invoice", this requires presentation of either a photocopy or copy of the original invoice that was apparently signed or when not banned, a signed original invoice can be presented.

To be continued ...