



# April 2023 FEDAI NEWS LETTER

## Monetary Policy Committee's Resolution

[https://www.rbi.org.in/Scripts/BS\\_PressReleaseDisplay.aspx?prid=55472](https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=55472)  
[https://www.rbi.org.in/Scripts/BS\\_PressReleaseDisplay.aspx?prid=55473](https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=55473)

The MPC in its meeting ending on April 6, 2023 unanimously decided to keep the policy repo rate under the LAF unchanged at 6.50%. Consequently, the SDF rate continued unchanged at 6.25% and the MSF rate & the Bank Rate was also unchanged at 6.75%. MPC also decided to remain focused on withdrawal of accommodation to ensure that inflation progressively aligns with the target for CPI at 4% with a band of +/-2%.

Further, RBI Statement on Developmental and Regulatory Policies announced:

- With a view to develop the onshore INR NDDC and to provide residents with the flexibility to efficiently design their hedging programs, RBI decided to permit banks in IBU to offer INR NDDCs also to resident users in the onshore market. These banks will have the flexibility of settling their NDDC transactions with non-residents and amongst the banks in foreign currency or in INR while transactions with residents will be mandatorily settled in INR.
- To improve the reporting and functioning of Credit Information Companies, the same are now being brought under the aegis of the Reserve Bank Integrated Ombudsman Scheme (RB-IOS).

In a separate report released by RBI as part of RBI April 23 bulletin, commenting on State of Indian Economy the report states Global economic conditions are beset by heightened uncertainty as financial conditions remain volatile and financial markets are on edge. In India, aggregate demand conditions remain resilient, supported by a rebound in contact-intensive services. Expectations of a bumper rabi harvest, the fiscal thrust on infrastructure, and the revival in corporate investment in select sectors augur well for the economy. In response to monetary policy actions and supply side measures, headline CPI inflation has gradually declined from its peak of 7.8 per cent in April 2022 to 5.7 per cent in March 2023 and is projected to ease further to 5.2 per cent in Q4: 2023-24.

## RBI Paper – Impact of FDI on Profitability

[https://www.rbi.org.in/Scripts/BS\\_PressReleaseDisplay.aspx?prid=55499](https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=55499)

RBI published a Working Paper titled 'Impact of Foreign Direct Investment on Profitability: Evidence from the Indian Corporate Sector'. This paper examined 2,275 FDI recipient companies, broadly across manufacturing and services sectors and finds that an increase in the share of FDI in equity has positive impact on profitability of such companies. The extent may vary with age and size of a company i.e., older and smaller companies are likely to be less profitable.

## Remittances to GIFT City Gandhinagar under LRS

[https://www.rbi.org.in/Scripts/BS\\_CircularIndexDisplay.aspx?id=12494](https://www.rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx?id=12494)

With an objective to align the LRS remittances to IFSCs with other foreign jurisdictions, RBI allowed resident individuals to open Interest-bearing FC accounts in IFSC and also withdrew the condition of repatriating any funds lying idle in the account of resident individual for a period > 15 days.

## CCIL Notifications

[https://www.ccilindia.com/Lists/1stNotificationForexSettlement/Attachments/1229/CCIL\\_FXS\\_23\\_10.pdf](https://www.ccilindia.com/Lists/1stNotificationForexSettlement/Attachments/1229/CCIL_FXS_23_10.pdf)

<https://www.clearcomp.co.in/Documents/ClearCompDocs/Notifications/Revised%20Schedule%20of%20Fees%20and%20Charges-Fx%20Retail%20Platform.pdf>

With effect from April 3, 2023 CCIL introduced changes to the Forex Clearing and Settlement Process Timing. CCIL also revised various charges for services on FX-Retail Platform for users w.e.f. April 1<sup>st</sup> 2023.

## BIS Working Papers (No 1094): The foreign exchange market

<https://www.bis.org/publ/work1094.pdf>

Over the past two decades, global FX spot trading volume has roughly quadrupled, to over US\$2 trillion per day by 2022. Most of the growth and innovation in recent years has taken place in the dealer-customer trading, whereas the share of inter-dealer trading has gradually declined. With a proliferation of trading venues, a growing variety of execution methods & some non-bank actors emerging as liquidity providers alongside bank dealers the distinction between these two market segments has become blurred over time.

USD is on one side of almost 90% of all global FX transactions, with the EUR & JPY in distant 2<sup>nd</sup> & 3<sup>rd</sup> places.

## ICC News

- What are the Do's and Don'ts of using Incoterms® trademarks?  
<https://iccwbo.org/business-solutions/incoterms-rules/incoterms-rules-trademark-and-copyright-policy/>
- ICC Banking Commission issued Final consolidated Opinions 470/TA927rev2 (subject to pending members decision) and 470/TA930rev
- ICC and International Trade Centre jointly issued discussion paper on - The WTO Moratorium on Customs Duties on Electronic Transmissions: What is really at stake?  
[https://iccwbo.org/wp-content/uploads/sites/3/2023/04/2023\\_Joint-ICC-ITC-Policy-Brief-Edition-1-WTO-Moratorium.pdf](https://iccwbo.org/wp-content/uploads/sites/3/2023/04/2023_Joint-ICC-ITC-Policy-Brief-Edition-1-WTO-Moratorium.pdf)

## Upcoming Market Events

- RBI MPC Meeting 06<sup>th</sup> to 08<sup>th</sup> June 2023
- FOMC Meeting 02<sup>nd</sup> to 03<sup>rd</sup> May 2023
- ECB Monetary Policy Meeting 15<sup>th</sup> June 2023

## FEDAI workshops & training activities

- 10<sup>th</sup> May 2023 – Online workshop on SWIFT
- 10<sup>th</sup> May 2023 – Monthly Discussion Forum - Topic "Salient features of Foreign Trade Policy 2023"
- 17<sup>th</sup> May 2023 – Online workshop on "Foreign Trade Policy 2023- Bankers' Perspective"

## Market News

- RBI appointed Sh Neeraj Nigam as Executive Director w.e.f. April 03, 2023; prior to this appointment Sh Nigam was working as Regional Director, RBI Bhopal.
- Sh Siddhartha Mohanty has been appointed as chairperson and first CEO of LIC.
- Sh Shekhar Rao has been appointed interim MD & CEO of the Karnataka Bank Ltd.
- RBI has developed a software application called 'AP Connect' to process applications for new licence, renewal of existing licence/authorisation, seeking approval as per the extant instructions and for submission of various statements/returns of FFMC, non-bank AD Cat-II, MTSS Agents.
- RBI advised Framework for acceptance of Green Deposits on April 11, 2023.
- RBI has allowed AD Cat-II entities also to receive online submission of Form A2 as was allowed for AD Cat-I banks vide A.P. (Dir) Circular No. 50 dated February 11, 2016.
- IFSCA has included Voice Broking Service providers as entities in IFSC under the framework of Ancillary services vide circular dated April 6, 2023
- RBI has issued AD Cat - I license to 3 Small Finance Banks namely Au Small Finance Bank Ltd, Equitas Small Finance Bank Ltd & ESAF Small Finance Bank Ltd.

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## ICC - UCPDC 600 Commentary on Article 8

A Confirming bank (CB) means the bank that adds its confirmation upon the issuing bank's request. In short, the CB steps into the shoes of the issuing bank. CB acts as a principal in respect of its own confirmation obligation in the examination of documents just like issuing bank acts as principal in the issuance of Letter of Credit.

Confirmation may be requested by the beneficiary, if the beneficiary is not sure about the credentials / financial standing of the LC issuing bank or that of the country of the issuing bank.

If a bank is authorized or requested by the issuing bank to confirm a credit but is not prepared to do so, it must inform the issuing bank without delay and may advise the credit without confirmation.

CB is irrevocably bound to honour or negotiate as of time it adds confirmation to the credit.

The Article also clarifies situations when the confirming bank is obligated to reimburse.

CB must reimburse at maturity a nominated bank who has honoured or negotiated a complying presentation under a credit available by acceptance and/or deferred payment, whether or not the nominated bank has prepaid or purchased before maturity.

A CB's undertaking to reimburse a nominated bank is independent of confirming bank's undertaking to the beneficiary. It means: When a credit is confirmed it represents an irrevocable undertaking of the confirming bank to honour a complying presentation made by the beneficiary, whereas nominated bank agrees to act under their nomination and once the nominated bank honours or negotiates, that undertaking becomes an undertaking to reimburse the nominated bank. The undertaking of the confirming bank to a beneficiary is independent even if the nominated bank has not honoured or negotiated or the beneficiary has chosen to present documents directly to a confirming bank.