



August 2021 FEDAI NEWS LETTER

Monetary Policy Statement dt 6th Aug, '21; Minutes released on 20th Aug

https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=52008

https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=52010

Status quo:

On the basis of an assessment of the current and evolving macroeconomic situation, the Monetary Policy Committee (MPC) decided on August 6th, 2021 to keep the policy repo rate under the liquidity adjustment facility (LAF) unchanged at 4.0 per cent.

Consequently, the reverse repo rate under the LAF remained unchanged at 3.35 per cent and the marginal standing facility (MSF) rate and the Bank Rate at 4.25 per cent.

The MPC also decided to continue with the accommodative stance as long as necessary to revive and sustain growth on a durable basis and continue to mitigate the impact of COVID-19 on the economy, while ensuring that inflation remains within the target range going forward.

Further, as per the minutes of MPC released on August 20th, all members of the MPC – Dr. Shashanka Bhide, Dr. Ashima Goyal, Prof. Jayanth R. Varma, Dr. Mridul K. Sagar, Dr. Michael Debabrata Patra and Shri Shaktikanta Das – unanimously voted to keep the policy repo rate unchanged at 4.0 per cent.

On the 2nd point, all members, except Prof. Jayanth R. Varma, voted to continue with the accommodative stance to mitigate the impact of COVID-19 on the economy, while ensuring that inflation remains within the target range going forward. Prof. Jayanth R. Varma expressed reservations on this part of the resolution. Prof. Verma, opined that that the balance of risk and reward is gradually shifting, and this merits a hard look at the accommodative stance. Persistent high inflation means that the monetary accommodation has to be somewhat restrained, and, therefore, he argued for raising money market rates towards the repo rate of 4% from the current ultra-low level of 3.35%.

Prof. Verma, opined that that the balance of risk and reward is gradually shifting, and this merits a hard look at the accommodative stance. Persistent high inflation means that the monetary accommodation has to be somewhat restrained, and, therefore, he argued for raising money market rates towards the repo rate of 4% from the current ultra-low level of 3.35%.

Overseas Investment Regulations – Draft rules

https://www.rbi.org.in/scripts/bs_viewcontent.aspx?Id=4023

https://www.rbi.org.in/scripts/bs_viewcontent.aspx?Id=4024

ODI and acquisition of immovable properties outside India is presently governed by the provisions contained in RBI Notification No. FEMA 120/RB-2004 dated July 07, 2004 and FEMA 7 (R)/2015-RB dated January 21, 2016 respectively. With a view to further liberalize regulatory framework and also to promote ease of doing business and to rationalize the existing provisions governing overseas investment, RBI released two documents viz Draft Foreign Exchange Management (Non-debt Instruments - Overseas Investment) Rules, 2021 and Draft Foreign Exchange Management (Overseas Investment) Regulations, 2021, on 09 August 2021.

33rd Annual General Meeting of FEDAI

The 33rd AGM of FEDAI was held on 21st August 2021 on a digital platform. Sh. R. Subramanian, Executive Director, RBI addressed members on this occasion and gave insight on some of the recent developments taken place in Fx. Market. The meeting chaired by Sh. Raghvendra Rao, Dy MD, SBI was also graced by the presence of Sh. S. V. Sastri, Dy MD, SBI; Sh. H. K. Jena, MD, CCIL.; Sh. Venkat Nageswar Chalasani, ex Dy MD SBI and Sh. Vivek Wahi, Executive Director, Central Bank of India also addressed the members.

Axis Bank Ltd., Bank of America NA, DBS Bank India Ltd., HSBC Ltd. and Yes Bank were elected as new member of the 24 members' FEDAI Managing Committee for the period 2021-24.

Important Circular of RBI during the month

https://www.rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx?Id=12139

In view of the impending discontinuance of LIBOR as a benchmark rate, RBI permitted banks to extend export credit using any other widely accepted Alternative Reference Rate (ARR) in the currency concerned.

https://www.rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx?Id=12141

RBI clarified that change in the terms of a derivative contract on account of change in reference rate necessitated due to transition from LIBOR to an alternative reference rate shall not be treated as restructuring of the derivative contract provided all other parameters of the original contract remain unchanged.

https://www.rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx?Id=12137

https://www.rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx?Id=12146

https://www.rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx?Id=12155

RBI extended cutoff date for Implementation of the circular on Opening of Current Accounts by Banks till 31st October 2021.

RBI issued revised instructions on Safe Deposit Locker/Safe Custody Article Facility provided by the banks on 18th August 2021 which will come in force w.e.f. 1st January 2022.

RBI reviewed and announced enhancements in the Indo-Nepal Remittance Facility Scheme

FED Policy – No shift expected

Federal Reserve Board Chair Jerome H. Powell, addressing the Jackson Hole Economic Policy Symposium on Aug. 27th, 2021 maintained the earlier view that upticks in inflation are mainly due to "transitory factors" and current policy is still on track to deliver 2% long-term inflation with "maximum employment." He however, endorsed an eventual reduction of monthly asset purchases. Market reaction to his remarks was positive.

FEDAI workshops & training activities

FEDAI Monthly Discussion Series – 2021: The topic of discussion for August episode held on 23rd August 2021 was Secured Logistics Document Exchange (SLDE) and guest were Mr. Srihari Icharapu, (CE, Cargo Exchange India), Mr. Sanjay Kumar (DGM, ICICI Bank) and Mr. Pratyush Mehrotra (DGM, SBI).

Upcoming Market Events

- > RBI MPC Meeting 6-8th October 2021
- > FOMC Meeting 21-22nd September 2021
- > ECB Monetary Policy Meeting 9th September 2021

Market News

- > RBI has appointed Sh. Ajay Kumar as Executive Director w.e.f. Aug. 20, 2021. Sh. Kumar has, over a span of three decades, served in foreign exchange, banking supervision, financial inclusion, currency management and other areas in the RBI. Shri Kumar will look after Department of Currency Management, Foreign Exchange Department and Premises Department.
- > With issuance of Notification No.19/2015-20 dated 17th Aug. 2021 and announcing the rate of remission by DGFT, Scheme for Remission of Duties and Taxes on Exported Products (RoDTEP) is now operative.
- > As per notification dated 27th August 2021, the DICGC (Amendment) Act, 2021 shall come in force w.e.f. 1st day of September, 2021. This amendment provides for interim payment to depositors before insured bank undergoes: (i) liquidation (ii) reconstruction or any other arrangement under a scheme, or (iii) merger or acquisition by another bank.

- RBI MPC Statement**
- Overseas Investment Draft Rules**
- FEDAI 33rd AGM**
- Important Circulars**
- FED Policy – No Shift**
- FEDAI Trainings**
- Market Events**
- Market News**

Directorate General of Commercial Intelligence and Statistics

<http://www.dgciskol.gov.in>



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DGCI&S, Kolkata issues reports on 'Foreign Trade Statistics', 'Ancillary Statistics', 'Trade Journal', 'Commercial Intelligence' and maintains Commercial Library. The regular publications from DGCI&S include

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- Foreign Trade Statistics of India (Principal Commodities & Countries) Monthly Statistics of the Foreign Trade of India
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Vol. II (Imports)

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- Statistics of the Customs and Excise Revenue Collections
- Statistics of the Inland Coasting Trade Consignment of India
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