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

August 2025
FEDAI NEWSLETTER

MPC Resolution Click here for Minutes of MPC and here for Statement on Dev. & Reg. Policies

The 56th MPC concluded on August 6, 2025 unanimously voted for no change and to retain the policy repo rate at 5.50%. Consequently, SDF rate under the LAF remains unchanged at 5.25% and the MSF rate and the Bank Rate remains at 5.75%. This decision was in consonance with the objective of achieving the medium-term target for consumer price index inflation of 4% within a band of +/- 2%, while supporting growth.

Highlights of Statement on Developmental and Regulatory Policies;
- With a view to enhance customer service standards, it has been decided to streamline the procedures and standardise the documents to be submitted to the banks for settlement of claims in respect of deceased customers. A draft circular in this regard is issued for public consultation on August 6, 2025.
- The Retail Direct portal/App in operations since November 2021 to facilitate retail investors is enhanced to enable investors to systematically plan their investments; now an auto-bidding facility for T-bills, covering both investment and re-investment options, has been enabled in Retail Direct.

Review of Monetary Policy Framework - A Discussion Paper

The current MPC is functional for over last 9 years under the RBI Act since the Act was amended in 2016. RBI has floated this Discussion Paper undertaking a review of the nature and format of the extant inflation target, against the backdrop of the last nine years of India's experience, for public feedback and comments on the specific questions for discussion.

Special Rupee Vostro Account (SRVA) Click here & here to see details

Instructions issued vide A.P (DIR Series) Circular No.10 dated July 11, 2022 now stands modified and henceforth AD Banks need not seek prior approval from RBI to open SRVA of their overseas correspondents. With effect from August 12, 2025 SRVA holders may invest their rupee surplus balance in the account in Central Government Securities (including Treasury Bills).

Meanwhile, the FEDAI has hosted the directory of SRVAs maintained by its member AD Banks on its website www.fedai.org.in and the same is accessible for all.

RBI [Non-Fund Based Credit Facilities (NFB)] Directions, 2025 Click here to see details

Basis the feedback received on Draft published on April 9, 2025 now final directions are issued by RBI which shall come into force w.e.f. April 1, 2026 or from any earlier date as decided by a Regulated Entity (**RE**) as per its internal policy. These directions shall apply to the derivative exposure of **RE** to the limited extent of General Conditions Applicable to NFB; making prior credit appraisal mandatory before undertaking derivative trade. An RE shall issue a NFB facility only on behalf of a customer having funded credit facility from the RE unless specific exemption available in these directions. Derivatives (Fx or Interest Rate) contracts entered into by RE with counterparty are exempted; hence can be offered by AD Bank to their customer without holding lender-borrower relationship.

RBI KYC (2nd Amendment) Directions, 2025 Click here to see details

Certain amendment made in RBI (Know Your Customer) Directions, 2016 henceforth allow banks option to rely on third party on customer due diligence for the purpose of verifying the identity of customers at the time of any international money transfer, subject to specified compliances.

Draft Directions hosted by RBI inviting comments from stakeholder

FEDAI is coordinating and shall be submitting comments on the following;
- Counterparty Credit Risk: Add-on factors for computation of Potential Future Exposure for Interest Rate & Exchange Rate contracts
- Draft Foreign Exchange Management (Guarantees) Regulations, 2025

Updates from FEDAI
- In pursuance with clarifications to various queries circulated earlier on July 29, 2025, FEDAI further issued clarification and FAQs on recent amendments in RBI Notification FEMA 5(R) and 10(R) vide Special Circular No. 06 & 08 on August 13, 2025 and August 25, 2025, respectively.
- 37th Annual General Meeting of the FEDAI held on August 30, 2025.

Updates from IFSCA
- IFSCA clarified that the scope of "foreign currency account with a bank outside India" as allowed to residents under Regulation No. 5. in FEMA.10(R) also include an account opened with an IBU in any of the specified foreign currencies. This clarification is in tandem with answer of Q.1 in FAQ issued in reference to amendment in FEMA.10(R) by the FEDAI on August 25, 2025.

Updates from DGFT
- Under FTP 2023, trade in certain products is subject to Quality Control Order (QCO), which means they are compiled with Indian quality standards. The export obligation period against import of these categories of goods under Duty Free Import Authorisation was restricted to 180 days. Now DGFT has withdrawn the specific stipulation of 180 days for QCO goods and henceforth the export obligation period shall be subject to general provisions prescribed under para 4.60 in HBP.
- We shared information on Diamond Imprest Authorisation in our January 2025 issue; the DGFT has now relaxed and instead of requirement of evidence of IT Return filed, allowed diamond trade to furnish CA Certificate. The exemption from integration tax & compensation cess which was available in this scheme is now withdrawn.

ICC News
- ICC Banking Commission has released Draft Opinion No. TA952-TA957 for discussion during the 21 October 2025 Technical Advisory meeting.
- ICC published a working paper on Revitalising the multilateral trading system

FEDAI Workshops

08th to 12th September 2025: 5-Day Classroom Orientation Workshop (Non - Residential) on "Foreign Trade and Foreign Exchange Business" at Baroda Apex Academy, Gandhinagar.

10th September 2025: Online Workshop on "Current and Capital Account Transactions under LRS

22nd to 26th September 2025: 5-Day Classroom Orientation Workshop (Non - Residential) on "Foreign Trade and Foreign Exchange Business" at SIBSTC, Bangalore.

Upcoming Market Events

RBI MPC Meeting	-	29th September to 01st October 2025
ECB Monetary	-	10th to 11tt September 2025
FOMC Meeting	-	16th to 17th September 2025

Market News
- Shri. Urjit Patel, former Governor of RBI has been appointed IMF Executive Director for 3-Year Term
- IndusInd Bank Appointed Shri Rajiv Anand as New Managing Director and CEO
- Financial Services Institutions Bureau recommended names of eleven senior bankers for the positions of Executive Directors in Nationalised Banks.
- RBI has decided to grant 'in-principle' approval to AU Small Finance Bank Limited for transitioning from a Small Finance Bank to a Universal Bank.
- Standard & Poor's (S&P) Global Ratings upgraded India's long-term sovereign credit rating to 'BBB' from 'BBB-' and its short-term rating to 'A-2' from 'A-3'

Contents

ICC - UCPDC 600
Commentary on Art. 28

Continued from Previous month…

Insurance Document and Coverage:

28(c): Non-Acceptance of Cover Notes:

As per this sub-article, banks will not accept Cover notes. Cover notes are temporary evidence of insurance, pending issuance of the actual policy or certificate. UCP 600 excludes them due to their provisional nature. Only finalized, binding insurance documents such as a Policy or a Certificate or a declaration is acceptable.

28(d): Acceptability of Insurance Policy

In place of an insurance certificate or a declaration under an open cover, an insurance policy is acceptable. An insurance policy is the most comprehensive form of insurance or supreme. It fully meets the documentary requirements.

28(e): Insurance Date

The date of the insurance document must be no later than the shipment date, unless it appears from the insurance document that the insurance coverage is effective from a date not later than the shipment date. To protect the buyer's interest, coverage must begin no later than shipment. The document itself may be dated after shipment only if it explicitly states retroactive coverage from a date no later than the shipment date. This ensures the cargo was not uninsured during its transit.

28(f) (i): Currency and Coverage Amount

This clause ensures clarity and consistency in financial valuation. The insurance coverage must be explicitly stated in the insurance document and denominated in the same currency as/of the letter of credit. If it shows coverage in a different currency, it will be treated as a discrepancy.

28(f)(ii): Minimum Coverage Requirement. Percentage based Coverage:

If the L/C specifies coverage as a percentage (e.g., 110% of invoice value), this is interpreted as the minimum threshold, not a fixed or maximum amount. The insurance document must meet or exceed this percentage to be compliant. This gives flexibility to the beneficiary while ensuring the buyer's interests are protected.

To be continued …

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