



## August 2022 FEDAI NEWS LETTER

### Monetary Policy Committee's Resolution

[https://www.rbi.org.in/Scripts/BS\\_PressReleaseDisplay.aspx?prid=54150](https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=54150)  
[https://www.rbi.org.in/Scripts/BS\\_PressReleaseDisplay.aspx?prid=54149](https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=54149)

The MPC in its meeting held during August 03<sup>rd</sup> to 05<sup>th</sup>, 2022 decided unanimously to increase the policy repo rate by 50 basis points to 5.40 per cent, with immediate effect. Post this hike, cumulative hikes in past few months adds upto 140 bps. Consequently, the standing deposit facility (SDF) rate stands adjusted to 5.15 per cent; and the marginal standing facility rate and the Bank Rate to 5.65 per cent. The MPC stressed that sustained high inflation could destabilise inflation expectations and harm growth in the medium term; further calibrated withdrawal of monetary accommodation is warranted to keep inflation expectations anchored and contain the second-round effects. The MPC decided to remain focused on withdrawal of accommodation to ensure that inflation remains within the target going forward, while supporting growth.

### Rupee Interest Rate Derivatives

- Alike AD Banks, it has now been decided that Standalone Primary Dealers authorized under section 10(1) of FEMA, 1999 will also be permitted to undertake Foreign Currency Settled Overnight Indexed Swap transactions directly with non-residents and other market-makers.
- Considering the Mumbai Interbank Outright Rate (MIBOR) based overnight indexed swap (OIS) contracts are the most widely used interest rate derivatives in India and since internationally, there has been a shift to alternate benchmark rates; RBI decided to set up a committee to undertake an in-depth examination of the issues, including the need for transition to an alternate benchmark, and suggest the most appropriate way forward.

### Overseas Direct Investment (ODI)

<https://egazette.nic.in/WriteReadData/2022/238239.pdf>  
<https://egazette.nic.in/WriteReadData/2022/238239.pdf>  
[https://www.rbi.org.in/Scripts/BS\\_CircularIndexDisplay.aspx?Id=12381](https://www.rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx?Id=12381)

In exercise of the powers conferred in the FEM Act, 1999 and in supersession of the Foreign Exchange Management (Transfer or Issue of Any Foreign Security) Regulations, 2004 and the Foreign Exchange Management (Acquisition and Transfer of Immovable Property Outside India) Regulations, 2015 the Government of India issued the Foreign Exchange Management (Overseas Investment) Rules, 2022 on 22 August 2022. On the same day, RBI issued the Foreign Exchange Management (Overseas Investment) Regulation, 2022 laying directions on investment in Government Bonds, Corporate Bonds, Borrowings by firms through loans, Depository Receipts whose underlying securities are debt securities, Securitisation Structure which are not equity tranche and Guarantees to overseas. The new rules provide enhanced clarity with respect to various definitions. The rules stipulate that the person having an account appearing as NPA Account or classified as willful defaulter or under investigation by a financial sector regulator/investigative agency shall require prior approval for ODI.

### AD Category-I License for Small Finance Banks (SFB)

[https://www.rbi.org.in/Scripts/BS\\_CircularIndexDisplay.aspx?Id=12373](https://www.rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx?Id=12373)

With the objective of giving more flexibility to SFBs to meet their customers' foreign exchange business requirements, RBI decided that the scheduled SFB, after completion of at least 2 years of operations as AD Cat-II, will be eligible for AD Cat-I license, subject to certain compliances.

### Bilateral Netting of QFC - Amendments to Prudential Guidelines

[https://www.rbi.org.in/Scripts/BS\\_CircularIndexDisplay.aspx?Id=12376](https://www.rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx?Id=12376)

RBI clarified on the applicability of exemptions/caps while computing capital requirements for counterparty credit risk under the Bilateral Netting framework, as below:

- The exemption for Fx (except gold) contracts which have an original maturity of 14 days or less shall be applicable to entities calculating the counterparty credit risk under Original Exposure Method without taking the benefit of bilateral netting. Accordingly, the exemption would be applicable only to RRBs, Local Area and Co-operative Banks, where the bank has not adopted the bilateral netting framework. For other entities, the exemption shall stand withdrawn.
- 'Sold Options', provided the entire premium/fee/ other form of income is received/realised, can be excluded only when such 'sold options' are outside the netting and margin agreements.
- For Credit Default Swap where the bank is the protection seller and the swap is outside netting and margin agreements, the exposure may be capped to the amount of premium unpaid. Banks have the option to remove such credit derivatives from their legal netting sets in order to apply the cap.

### ICC News

- ICC Banking Commission invited comment on draft opinion document no. 470/TA.926

### FEDAI workshops & training activities

12<sup>th</sup> to 16<sup>th</sup> September 2022 – 5 Days Orientation Workshop (Classroom) on Foreign Trade and Foreign Exchange Business at Indian Bank, Lucknow.

14<sup>th</sup> to 15<sup>th</sup> September 2022 – 2 Days Online Special workshop Documentary Credit Operations and Related Rules.

10<sup>th</sup> to 14<sup>th</sup> October 2022 – 5 Days Advanced Orientation Workshop (Classroom) on Foreign Trade and Foreign Exchange Business at Canara Bank, Gurugram.

### Upcoming Market Events

- > RBI MPC Meeting 28<sup>th</sup> - 30<sup>th</sup> September 2022
- > FOMC Meeting 20<sup>th</sup> - 21<sup>st</sup> September 2022
- > ECB Monetary Policy Meeting 08<sup>th</sup> September 2022
- > FEDAI Annual General Meeting 03<sup>rd</sup> September 2022

### Market News

- > The Appointments Committee of Cabinet has appointed Sh. Ananth Narayan Gopalakrishnan, ex Director, FEDAI as a whole-time member of the Securities and Exchange Board of India (SEBI).
- > Former Chief Economic Advisor Sh. K Subramanian has been appointed as Executive Director for India at IMF.
- > Sh. Suresh N. Patel, former CMD of Andhra Bank acting Chief Vigilance Commissioner sworn in as the chief of the Central Vigilance Commission by President Her Excellency Droupadi Murmu at Rashtrapati Bhavan on 04<sup>th</sup> August 2022
- > DGFT has posted Proposed SCOMET Policy for export of drones/UAVs on their website on 30 August, 2022 and invited comments latest by September 15, 2022.
- > APEDA made an outreach strategy pushing for agro export promotion to achieve USD 23.56 billion target for 2022-23. India's agricultural and processed food products exports up by 31 percent to USD 7.41 Billion in first three months of current fiscal (2022-23) compared to the same period last year

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## Standards on Cross-Border E-Commerce

<http://www.wcoomd.org/en/topics/facilitation/instrument-and-tools/frameworks-of-standards/ecommerce.aspx>



We introduced you to World Customs Organisation (WCO) in April 2021 issue of FEDAI Newsletter, in this issue we are talking about an important initiative of WCO

Over the past decade, the growing trade in cross-border electronic commerce (e-Commerce) in physical goods has generated enormous opportunities for the economy, providing new growth engines, entailing the development of new business models, driving new consumption trends & creating new jobs. This fast-evolving trading environment is providing wider choices and innovative shipping, payment and delivery options as well as throwing new challenges to Governments.

WCO, started in-depth discussions in the area of cross-border e-Commerce in 2016 and the first comprehensive deliverable of the Working Group (WGeC) Framework of Standards on Cross-Border e-Commerce was adopted in June 2018. The WGeC has explored main drivers of e-Commerce, examined existing business models, considered current and likely future trends, set out key principles supporting facilitation and controls, collated best practices, and developed scalable solutions, based on extensive research and consultation. The Framework sets out **15 standards** that should be used by Customs administrations, other relevant Government Agencies and e-Commerce Stakeholders for harmonized implementation. WCO members from Americas and the Caribbean region, Europe Region, MENA Region & Asia-Pacific Region have already initiated action to implement these standards.

FEDAI has started conducting training in physical mode at request of the FEDAI members