



December 2022 FEDAI NEWS LETTER

Monetary Policy Committee's Resolution & Announcements

https://rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=54818

https://rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=54819

MPC in its meeting held on 5th to 7th December 2022 decided to increase the policy repo rate under the liquidity adjustment facility (LAF) by 35 BPS to 6.25% with immediate effect. Consequently, the standing deposit facility (SDF) rate was adjusted to 6%; and the marginal standing facility rate and the Bank Rate to 6.50%. The Committee decided to remain focused on withdrawal of accommodation to ensure that inflation remains within the target going forward, while supporting growth. These decisions are in consonance with the objective of achieving the medium-term target for consumer price index (CPI) inflation of 4% within a band of +/- 2 per cent, while supporting growth.

With a view to providing greater flexibility to Resident entities to hedge their gold exposures efficiently, which these entities are currently not permitted to hedge in overseas markets, RBI decided to permit these entities to hedge their gold price risk on recognised Exchanges in the International Financial Services Centre. RBI effect this change through A. P. DIR Circular No. 21 dated Dec. 12, 2022 on Hedging of Commodity Price Risk and Freight Risk in Overseas Markets.

Bharat Bill Payment System (BBPS) platform currently facilitate settlement, including in-bound cross-border payments, except certain categories of non-recurring or payments/collections viz., professional service fee payments, education fees, tax payments, rent collections, etc. Now, scope of BBPS is expanded to all categories of payments and collections, both recurring and non-recurring in nature.

Dealing in Financial Products by Foreign Branches/ Subsidiaries

https://rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx?id=12417

RBI issued direction allowing foreign branches/foreign subsidiaries (Including operating at International Financial Service Centre) of Indian banks/AIFIs to deal with financial products, including structured financial products, which are not available or are not permitted by the RBI in the domestic market, without prior approval of RBI subject to compliance with specified conditions.

Sources of Variation in Fx Reserves in India during Apr. to Sept. 2022

https://rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=54953

As per latest RBI data vide Press Release dated 29 December 2022, foreign exchange reserves depleted by USD 25.8 billion during Apr.-Sept. 2022. Net outflow of USD 54.6 billion on current account flows was partially compensated by surplus of USD 28.8 billion on account of capital account flows. The appreciation of the USD against major currencies and higher bond yields resulted in to valuation loss of USD 48.9 billion, the major factor in pulling down the Fx reserve position. The deposits from NRI increased by USD 2.8 billion during this period.

Significant Benchmark

https://www.rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx?id=12414

RBI notified revised list of significant benchmarks including Modified MIFOR in the updated list. The updated list includes – MIBOR, MIFOR, USD/INR Reference Rate, T. Bills Rate, Valuation of GSecs, Valuation of State Devp. Loans (SDLs) and Modified MIFOR.

eKYC SETU

<https://egazette.nic.in/WriteReadData/2022/240840.pdf>

Government of India, in consultation with UIDAI, RBI, SEBI and IRDAI notified that entities on-boarded to perform authentication under the Aadhaar for the purposes of section 11A of the PMLA, 2002 using the e-KYC SETU System (<https://setu.co>) be permitted to do so at their satisfaction. The e-KYC SETU shall be a system put in place by NPCI to enable verification of identity of a client or its beneficial owner by a reporting entity through authentication under the Aadhaar Act without disclosing the Aadhaar number of the individual to the reporting entity.

ICC News

- ICC Banking Commission issued TA Briefing No 5 on issues related with a modification or exclusion of one or more of the UCP 600 articles and/or sub-articles.

http://library.iccwbo.org/content/tfbl/BRIEFINGS//20221207_TA_Briefing_No_5_modifications_and_exclusions.pdf

Upcoming Market Events

- RBI MPC Meeting 06th to 08th February 2023
- FOMC Meeting 31st January to 01st February 2023
- ECB Monetary Policy Meeting 02nd February 2023

FEDAI workshops & training activities

- 09th to 13th January 2023 – 5 Days Orientation Workshop (Classroom) on Foreign Trade & Foreign Exchange Business at Federal Bank, Aluva Centre
- 11th to 12th January 2023 – 2 Days Online workshop on FEMA on Imports & Import Finance
- 16th to 20th January 2023 – 5 Days Orientation Workshop (Classroom) on Foreign Trade & Foreign Exchange Business at SIBSTC, Bangalore
- 06th to 10th February 2023 – 5 Days Orientation Workshop (Classroom) on Foreign Trade & Foreign Exchange Business at Indian Bank, IMAGE Centre

Market News

- RBI revised the time for Call/notice/term money, Commercial paper and Cert. of Deposit, OTC INR Int. Rate Derivs. & Repo in Corp. Bonds market to 9.00 am till 5 pm w.e.f. Dec. 12, 2022.
- The RBI has signed a Currency Swap Agreement with the Maldives Monetary Authority (MMA) under SAARC Currency Swap Framework, allowing them to up to USD 200 million.
- RBI published Report on Trend and Progress of Banking in India 2021-22 on December 27, 2022
- After successful enablement of QR Code based payments through UPI at merchant locations in Singapore, UAE and Bhutan; RBI is collaborating with Monetary Authority of Singapore to enable cross-border person to person remittances in an instant and cost-effective manner; as said by RBI Deputy Governor on 21st Dec. 2022 - at the Business Standard Summit in Mumbai.
- Basel Committee on Banking Supervision issued global prudential standard for banks' exposures to crypto assets, on 16 December 2022 which will be implemented by 01 January 2025.
- After India UAE Comprehensive Economic Partnership Agreement coming to effect on May 1 earlier this year, the India-Australia Economic Cooperation and Trade Agreement has come into effect from December 29, 2022. The agreement will benefit India by providing preferential market access to Australian market on 100% of its tariff lines including Gems and Jewellery, Textiles, Leather footwear, furniture, food and agriculture products.
- Next Pravasi Bharatiya Divas (PBD), celebrated biannually to strengthen the engagement of the NRI/OCI with the India and reconnect them, is scheduled from 08th January 2023 at Indore.
- The Federal Reserve Bank of New York has appointed Indian-origin Ms. Sushmita Shukla as its First Vice President, and Chief Operating Officer

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Commentary on Article 3

Interpretation: Wherever applicable, words in the singular include the plural and words in the plural include the singular.

A document may be signed in the following manner: handwriting, facsimile signature, perforated signature, stamp, symbol or any other mechanical or electronic method of authentication.

Branches of a bank in different countries are considered to be separate banks. For example, if a bank in Mumbai issues a letter of credit, its branch in Pune can't confirm it as both located in India, hence considered to be the same bank. However, if a bank in Mumbai issues a letter of credit and its office in Singapore were requested to add their confirmation, then this is acceptable under Article 3.

Terms such as "first class", "well known", "qualified", "independent", "official", "competent", "best" or "local" used in a LC to describe the issuer of a document may allow any issuer except the beneficiary to issue such document.

For example, Credit requires an inspection certificate to be issued by a well-known and independent party. The inspection certificate issued by any person other than beneficiary is acceptable.

The Words such as 'immediately', 'prompt' or 'as soon as' will be disregarded unless required to be used in a document. For example:

1. If a LC requires that shipment to be effected "immediately" upon receipt of LC. Assuming LC issue date is 10th Dec., 2022 and expiry date is 20th Dec., 2022. Shipment effected on or before 20th Dec., 2022 is acceptable.

2. LC calls for Beneficiary Certificate certifying that non-negotiable documents were to be sent immediately after shipment date. Shipment date is 18th Sept. 2012. All documents other than Beneficiary Certificate are dated on shipment date. Beneficiary Certificate dated 19th Sept. 2012 certifies that all the non-negotiable documents are sent. This certificate will not be acceptable since it does not include the word 'immediately' for sending the non-negotiable documents