



# December 2023 FEDAI NEWS LETTER

## REVIEW OF AUTHORISATION FRAMEWORK UNDER FEMA

[Reserve Bank of India - Database \(rbi.org.in\)](https://www.rbi.org.in)

In view of the accelerated universal reach of financial services over the last two decades, RBI has reviewed authorisation framework under FEMA, last reviewed in March'06, to improve the ease with which FX trns can be undertaken by users & to strengthen the regulatory oversight/framework governing APs.

Draft guidelines propose to;

- Introduce a new category, Forex Correspondent Scheme (FCS), of money changers who may conduct money changing business through a principal-agency model by becoming Forex Correspondents (FxCs) of principal Cat-I & Cat-II ADs. Such entities shall not be required to seek RBI authorisation under section 10(1) of FEMA. All transactions conducted by FxCs shall be reflected in the books of the principal AD. A general permission shall be available to the FxCs & to any customer dealing with FxCs to deal in foreign exchange as permitted under the FCS, such as Sale/Purchase of FC notes/T cheques for foreign private & business travel, including distribution of forex prepaid cards & also act as sub agent of principal AD under MTSS.
- Renew existing AD Cat-II authorisations on a perpetual basis (instead of 1-5 yrs as presently done), subject to meeting the revised eligibility criteria laid down in the new framework.
- All existing FFCMs to either upgrade its licence to AD CAT II after meeting revised eligibility norms or convert to FxC in accordance with the FCS after surrendering existing licence.
- Allow AD Cat-II entities to additionally facilitate trade-related transactions up to a value of ₹15 lakh (per transaction).
- Revise transaction limits for money changing business i.e., purchase and sale of foreign currency notes, coins and travellers' cheques by AP/FxC from/to public.

## REVISED FEMA 14(R) ISSUED BY RBI ON DEC.21<sup>ST</sup>2023

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12579&Mode=0>

**Trade transactions** - receipt/payment for export to or import from all countries of eligible goods and services shall be made in Indian Rupees or any foreign currency, except:

**(i) Nepal and Bhutan** - in INR and for exports from India to Nepal may be in foreign currency if permitted by the Nepal Rashtira Bank.

**(ii) Member countries of ACU, other than Nepal & Bhutan** - through ACU mechanism or as per the directions issued by RBI to authorised dealers from time to time.

**(iii) Countries other than member countries of ACU** - In INR or in any foreign currency (earlier it said *Freely Convertible currency*) and/or in a manner as may be provided in the extant Foreign Trade Policy framed by the Central Govt.

**Transactions other than trade transactions** - receipt & payment shall be made as under:

**(i) Nepal and Bhutan** - In INR provided that in case of overseas investment in Bhutan, payment may also be made in foreign currency;

**(ii) Other Countries** - In Indian Rupees or any foreign currency.

Payment & receipt in India for any current account transaction, other than a trade transaction, between any person resident in India & a person resident outside India, who is on a visit to India, may be made only in Indian Rupees.

## FINANCIAL BENCHMARK ADMINISTRATIONS DIRECTIONS 2023

<https://rbi.org.in/Scripts/NotificationUser.aspx?Id=12581&Mode=0>

In supersession of its 2019 guidelines on the captioned subject, RBI released RBI (Financial Benchmark Administrators) Guidelines, 2023 on 28th Dec.'23. These Directions apply to Financial Benchmark Administrators (FBAs) administering benchmark(s) based wholly or partially on financial instruments referred to or specified under Section 45W of the Act. Minimum Networth requirement for an FBA administering a 'significant benchmark' is set at ₹5 crore. An FBA administering a 'non-significant benchmark' shall always maintain a minimum net-worth of ₹1 crore.

## Reserve Bank of India (Bond Forwards) Directions, 2023 – Draft

[https://www.rbi.org.in/scripts/bs\\_viewcontent.aspx?Id=4361](https://www.rbi.org.in/scripts/bs_viewcontent.aspx?Id=4361)

RBI released the Draft Bond Forwards Directions, 2023. Comments on the draft directions are invited from banks, market participants, investors and other interested parties by January 25, 2024. The draft directions on contracts to deliver government securities on a forward basis seek to enable market participants, especially long-term investors, to manage their cash flows and interest rate risk.

## Fed/ECB/BoE Policy rates as well as RBI, MPC– No change

RBI MPC on 8<sup>th</sup> Dec.'23 announced to keep the policy repo rate under the liquidity adjustment facility (LAF) unchanged at 6.50 percent. A day after FED decided to keep rates unchanged at 5.50%, The European Central Bank (ECB) after 10 rate increases in a row from July 2022 until September 2023, for the 2nd consecutive meeting, decided to keep interest rates unchanged on December 14 at 4.50%. The Bank of England also kept borrowing rates unchanged on same day at a 15-year high of 5.25 per cent, where it has stood since August'23 following the end of nearly two years of hikes.

## FEDAI training activities & events

13 Dec 23: Monthly Discussion Series on "SWIFT – Cyber Security precautions by banks & MT to MX"

12 Dec 23: A day's online workshop on "Remittances to India – Regulatory Provisions for Bankers "

22 Dec 23: A day's online workshop on "Banking and investment facilities for NRI/PIO".

15 Dec 23: FEDAI Local Chapter Kochi conducted its annual meeting and elected new office bearers

## Upcoming Market Events

RBI MPC Meeting 6-8th Feb.'2024

FOMC Meeting 25-26th January'2024

ECB Monetary Policy Meeting 25th January' 2024

## Market News

- RBI & Bank of England signed a [Memorandum of Understanding \(MoU\)](#) concerning cooperation & exchange of information in relation to the CCIL. The MoU establishes a framework for the BoE to place reliance on RBI's regulatory & supervisory activities while safeguarding UK financial stability.
- Sh. Satish Kalra, former Andhra Bank ED, joined North East Small Finance Bank as MD & CEO.
- RBI approved appointment of Sh. C S Rajan as part-time Chairman of Kotak Mahindra Bank
- SEBI granted approval for appointment of Sh. Pramod Agrawal as the Chairman of BSE Ltd

## Authorisation framework review

### FEMA 14(R) revised

### FBA Directions

### RBI-Bond Forwards Directions (Draft)

### RBI-MPC/ FED/ECB/BoE - No change

### FEDAI Trainings & events

### Market Events & News

## ICC - UCPDC 600 Commentary on Art. 14

Part-IV

Continued from previous month.....

If a document is issued by the beneficiary, any correction of data with the exception of drafts need not be authenticated.

If a document is issued by the beneficiary & is also legalized, visaed, certified, etc., then correction of data is to be authenticated by at least one of the entities that legalized, visaed or certified, etc., the document. Authentication to indicate the name, by use of a stamp incorporating its name, or by the addition of the name, and signature or initials.

If a document is not issued by the beneficiary, then correction must be authenticated either by the issuer or by an agent, proxy for [or on behalf of] the issuer.

If a document is not issued by the beneficiary and is also legalized, visaed, certified, etc., then correction of data is to be authenticated by issuer plus at least one of the entities that legalized, visaed or certified, etc., the document.

Any correction of data in a copy document need not be authenticated. Using multiple type styles, font sizes or handwriting within the same document does not mean a correction.

Drafts, insurance documents, original transport documents, must have a date of issuance.

Other documents (other than Drafts, insurance docs, original transport documents) may show a date of issuance or may refer to the date of another document forming part of the same presentation.

Documents which are required to show a pre-shipment event is to indicate that the event [inspection] (for example, pre-shipment inspection certificate) took place on or prior to the date of shipment must indicate either by its title, or content or date of issuance that the event (inspection) took place on or prior to the date of shipment.

Document like "inspection certificate", does not mean a pre-shipment inspection, [because it is not required to show a pre-shipment event] need not be dated prior to the date of shipment and may be dated after the date of shipment.

Date of signing is to be taken as date of issuance if date of signing is later than date of issuance.

If LC ask for a document to be issued by a named person or entity, then the document should appear to be issued by the named person or entity, by use of its letterhead, or when there is no letterhead, when the document appears to have been completed or signed by, or for [or on behalf of], the named person or entity.

FEDAI wishes all readers a  
Happy and prosperous New year  
2024