



February 2021 FEDAI NEWS LETTER

Monetary Policy Statement dated February 05th, 2021

https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=51077

https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=51078

Status quo: No change in Policy repo rate under the LAF at 4.0% and consequently the reverse repo rate continues at 3.35%, Marginal Standing Facility rate and the Bank Rate unchanged at 4.25% while MPC decided to continue with the accommodative stance as long as necessary to revive growth on a durable basis and mitigate the impact of COVID-19 on the economy.

CRR which was reduced by 100 basis points to 3% of NDTL to help banks tide over disruption caused by COVID-19 is now to be gradually restored in two phases in a non-disruptive manner; to be increased to 3.5% w.e.f. March 27, 2021 and 4.0% w.e.f. May 22, 2021.

As one of the Covid-19 measures, banks were allowed to avail of funds under the MSF by dipping into the SLR up to an additional one per cent of their NDTL, i.e., cumulatively up to three per cent of NDTL. This facility, which was available up to March 31, 2021 is now extended up to Sept. 30, 2021.

In order to enhance credit flow to MSME Sector, Scheduled Commercial Banks are now allowed to deduct new disbursement to MSME sector from their NDTL for calculation of the CRR.

Margin for Derivative Contracts

https://www.rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx?id=12028

In pursuance of notification no. FEMA.399/RB-2020 dated October 23, 2020, RBI issued guidelines permitting AD Cat-I banks to post and collect margin in India or outside India, on their own account or on behalf of their customers, for a permitted derivative contract entered into with a person resident outside India. Banks may receive and pay interest on margin posted and collected on their own account or on behalf of their customers for a permitted derivative contract entered into with a person resident outside India.

Remittances to International Financial Services Centres under the LRS

https://www.rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx?id=12029

RBI, subject to certain conditions has permitted resident individuals to make remittances under LRS to IFSCs set up in India under the Special Economic Zone Act, 2005, as amended from time to time. Accordingly, AD Category - I banks may allow resident individuals to make remittances under LRS to IFSCs in India, subject to specific conditions.

RBI releases Survey on International Trade in Banking Services, 2019-20

https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=51178#ANN1

A Technical Group on Statistics for International Trade in Banking Services (TG-SITBS) set up by the RBI including members from Ministry of Finance, Ministry of Commerce and various departments of the Bank conducts annual survey on International Trade in Banking Services. Highlights of the this year survey are as below -

- Business of overseas branches of Indian banks contracted in USD terms which also resulted in their lower income
- Income of Foreign bank branches in India recorded 13.8 per cent growth
- Overseas branches of Indian Banks' generated a major share of fee income by rendering credit related services, foreign exchange trading services and trade finance related services. Foreign banks operating in India continued to generate fee income from payment & money transmission services, foreign exchange trading services and trade finance related services

Reserve Bank of India (Credit Derivatives) Directions, 2021 – Draft

https://www.rbi.org.in/scripts/bs_viewcontent.aspx?id=3962

Draft guidelines allow Market-makers and users to undertake transactions in single-name CDS contracts. Any structured financial product with a credit derivative as one of the components or as an underlying are not permitted.

The reference entity in a CDS contract shall be a resident legal entity who is eligible to issue any of the debt instruments which is eligible to be a reference / deliverable obligation in a CDS contract. The list of eligible debt instruments includes Commercial Papers, Certificates of Deposit and Non-Convertible Debentures of original maturity upto one year; Rated INR corporate bonds (listed and unlisted); and Unrated INR bonds issued by the Special Purpose Vehicles set up by infrastructure companies.

Asset-backed securities/mortgage-backed securities and structured obligations such as credit enhanced/guaranteed bonds, convertible bonds, bonds with call/put options etc. shall not be permitted as reference and deliverable obligations.

FTP Policy Changes: Importer Exporter Code

<https://content.dgft.gov.in/Website/dgftprod/74893b60-2434-4b7c-b90d-ee9fe0eb7320/Notification%2058%20Date%2012-02-2021%20English.pdf>

DGFT vide Notification No. 58/2015-20 dated 12th February 2021 made it mandatory for all IEC holder to ensure that details in its IEC is updated electronically in every year. An IEC shall be deactivated if it is not updated within prescribed time, i.e. first quarter of year. An IEC may be also flagged for security. IEC holder(s) are now required to ensure that any risk flagged by system is timely addressed, failing which IEC shall be deactivated.

ICC News

ICC issued the Users Guide to the eUCP, same is available for free download www.iccwbo.org

After three years of consultations ISDGP (International Standards of Demand Guarantee Practices) Draft Document has now reached the age of maturity and final document has been circulated to National Committees for votes.

FEDAI workshops & training activities

- 10th March 2021 - 1 Day Online Workshop on “Forex Retail Business”
- 17th March 2021 - 1 Day Online Workshop on “Countering Trade Based Money Laundering”
- 09th February 2021 - 1 Day Online Workshop on “SWIFT Operations”
- 10th February 2021 - FEDAI Discussion Forum, Interactive Session with Sh. Ganesh Vishvanathan on Money Laundering, Illicit Financial Flows and TBML.

Upcoming Market Events

- RBI MPC Meeting 05-07th April 2021
- FOMC Meeting 16-17th March 2021
- ECB Monetary Policy Meeting 11th March 2021

Market News

- Former IAS officer Subhash Chandra Khuntia is appointed Chairman, Insurance Regulatory Development Authority of India (IRDAI) for three-years.
- Ms. Okonjo-Iweala, the former Finance Minister of Nigeria, Global Financial Expert, an Economist and International Devp Professional has been appointed as Director-General, World Trade Organisation.

RBI MPC Statement

Margin on Derivatives

LRS Remittance-IFSC

Survey on Intl. Trade

CDS; Draft Guidelines

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International Financial Services Centre Authority (A statutory authority established by Government of India)

<https://www.ifsc.gov.in>



The International Financial Services Centres Authority (IFSCA) has been established on April 27, 2020 under the International Financial Services Centres Authority Act, 2019. It is headquartered at GIFT City, Gandhinagar in Gujarat. The IFSCA is a unified authority for the development and regulation of financial products, financial services and financial institutions in the IFSC in India.

At present, the Gujarat International Finance Tec City, Gandhinagar (GIFT City) is the maiden international financial services centre in India. Its targeted business segments are;

- Offshore Banking
- Capital Markets
- Offshore Asset Management
- Offshore Insurance
- Ancillary Services
- IT Services
- ITeS/ BPO Services

As the dynamic nature of business in the IFSCs requires a high degree of inter-regulatory coordination, the IFSCA has been established as a unified regulator with a holistic vision in order to promote ease of doing business in IFSC and provide world class regulatory environment. The main objective of the IFSCA is to develop a strong global connect and focus on the needs of the Indian economy as well as to serve as an international financial platform for the entire region and the global economy as a whole