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

February 2024
FEDAI NEWS LETTER

Monetary Policy Committee's Resolution

https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=57275
https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=57276

The MPC in its meeting concluded on Feb. 8'24 resolved to keep the policy repo rate under the liquidity adjustment facility steady at 6.50%, constant since Feb.8'23 when it was increased last. Consequently, the SDF/Bank Rate & MSF Rate too continued unchanged at 6.25% & 6.75%, respectively. The MPC by a majority vote (5 Vs. 1) decided to remain focused on withdrawal of accommodation to ensure that inflation progressively aligns to the target, while supporting growth.
Highlights of Statement on Developmental and Regulatory Policies are as below;

- At the request of market makers in light of increased integration of the onshore forex market with offshore markets, notable developments in the technology landscape, increase in product diversity RBI decided to review the guidelines to allow Market Makers to access offshore ETPs offering permitted INR products. The revised regulatory framework for the same is expected to be issued separately for public feedback.
- To provide greater flexibility to resident entities to hedge their exposures to gold price risk efficiently, resident entities are already permitted to access recognised exchanges in the IFSC. It has now been decided to also allow them to hedge through OTC segment as well, in the IFSC.

Indian Banks participation on India Intl. Bullion Exchange IFSC Ltd

https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12606&Mode=0

Branch/subsidiary /joint venture of an Indian bank in GIFT-IFSC have been permitted to act as a Trading Member (TM)/Trading and Clearing Member (TCM) of India International Bullion Exchange (IBX).

Interest Equalization Scheme (IES) on Export Credit

https://www.rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx?Id=12610

GoI has allowed for extension of the Interest Equalization Scheme for Export Credit up to June 30, 2024. The rate of interest equalization shall be 2% for Manufacturers and Merchant Exporters exporting under specified 410 HS lines & 3% to the MSME manufacturers exporting under any HS line. W.e.f. FY 2023-24, the banks which have priced the loans covered under this scheme at an average interest rate of greater than Repo Rate+4% prior to subvention would be subjected to certain restrictions. Based on an assessment undertaken for FY 23-24, DGFT will identify the banks which are in breach of this provision and such banks shall be restricted from participating in the scheme till they furnish a prescribed undertaking. The annual net subvention amount continues to be capped at Rs 10 Cr per Importer-Exporter Code (IEC) in a given FY.

FATF: Jurisdictions under Increased Monitoring

https://www.fatf-gafi.org/en/publications/High-risk-and-other-monitored-jurisdictions/Increased-monitoring-february-2024.html

The countries including Barbados, Gibraltar, Uganda and the United Arab Emirates having strategic AML/CFT deficiencies previously identified during their mutual evaluations are no longer part of the grey list i.e. countries subject to the FATF's increased monitoring process, as they committed to implement an Action Plan to resolve swiftly the identified strategic deficiencies within agreed timeframes. The latest list of Jurisdictions under Increased Monitoring published on 23 February 2024 by FATF includes Bulgaria, Burkina Faso, Cameroon, Democratic Republic of the Congo, Croatia, Haiti, Jamaica, Kenya, Mali, Mozambique, Namibia, Nigeria, Philippines, Senegal, South Africa, South Sudan, Syria, Tanzania, Türkiye, Vietnam and Yemen. It may be noted that Kenya & Namibia are new addition in this list.

FTP 2023: Merchanting Trade

https://www.dgft.gov.in/CP/

The DGFT enlarged the scope of Merchanting Trade and now onwards in addition to shipment of goods from one foreign country to another foreign country without touching Indian ports, will also includes shipment of goods within one specific foreign country.

The WTO's 13th Ministerial Conference (MC13)

https://www.wto.org/english/thewto_e/minist_e/mc13_e/documents_e.htm

The World Trade Organisation's MC13 took place from 26 to 29 February 2024 in Abu Dhabi. Key issues on discussion table, from India's perspective include subsidies for Fisheries and Agriculture, eCommerce Moratorium.
Various important Discussion Papers, Agendas, Decisions including Ministerial Declaration, Ministerial Decision on dispute settlement reform, 7th appraisal of the trade policy review mechanism, Draft declaration on facilitating cross border remittances communication from India etc. are hosted on the website.

IFSCA News

https://www.ifsca.gov.in

- In order to develop the market for Exchange traded currency derivatives and to make GIFT-IFSC an international currency trading hub, IFSCA has constituted an Advisory Committee on Exchange Traded Currency Derivatives.
- With reference to Direct Listing of Indian companies on the stock exchanges in IFSC, IFSCA has advised mechanism to ensure compliance as regards to NDI Rule 2019 on investment from citizen of a country which shares land border with India, or an entity incorporated in such a country or an entity whose BO is from such a country.
- IFSCA has issued FAQs on IFSCA (Payment Services) Regulations, 2024

FEDAI workshops & training activities - Upcoming

- 14 & 15 March 2024: 2 days' Workshop on "Treasury and Foreign Exchange Market" at Mumbai

Upcoming Market Events

RBI MPC Meeting	03th to 05th April 2024
FOMC Meeting	19th to 20th March 2024
ECB Monetary Policy Meeting	07th March 2024

Market News

- The Appointments Committee of the Cabinet approved appointments of Sh. Srinivasan Sridhar, Sh. Aravamudan Krishna Kumar & Sh. M R Kumar as Non-Executive Chairman to board in Indian Overseas Bank, UCO Bank & Bank of India respectively.
- Sh. Ashish Vijayakar has been appointed as MD & CEO of State Bank of Mauritius, India.
- RuPay cards and UPI connectivity between India and Mauritius and UPI connectivity is established with Sri Lanka on Feb.12' 2024. This shall allow usage of RuPay card and remittance through UPI across the border in these countries. RBI and Nepal Rastra Bank too signed Terms of Reference for integration of their respective fast payment systems.

Contents

ICC - UCPDC 600
Commentary on Art. 16

Art. 16 continued from January edition

In continuation of our January month's edition on Article 16, specifically on the methodology of giving notice of refusal by nominated or confirming bank, the notice must be given by telecommunication or if that is not feasible, then by other expeditious means but in any case, not later than the close of the fifth banking day following the date of receipt of presentation.

A nominated bank or a confirming bank or the issuing bank may, after serving notice required by sub-article 16.C (iii)(a) or 16.C (iii)(b), return the set of documents to the presenter at their discretion.

If an issuing bank or a confirming bank fails to act in accordance with the provision of article 16, it shall be precluded from claiming after closure of fifth banking day that the documents do not constitute a complying presentation. Please note that a bank acting only as nominated bank is not bound to negotiate or pay beneficiary against documents presented for the reason that they did not notify discrepancy within 5 banking days.

When an issuing bank refuses to honour or a confirming bank refuses to honour or negotiate and has given notice to such effect in accordance with this article, it shall then be entitled to claim a refund, with interest of any reimbursement if already made under the credit issued or confirmed by them.

Example 1: Issuing Bank received discrepant documents on 1st Feb. It informed the negotiating bank five discrepancies on 2nd Feb through a SWIFT message which reached the presenter on the same day and then it found two more discrepancies whose notice was sent to the presenter on 4th Feb by another SWIFT message. As per Article 16, second notice of discrepancies will be deemed as null and void by the presenter.

Example 2: The nominated bank received the presentation of documents on 05th Feb '24 and further presented it to the confirming bank on 07th Feb '24; In this case, the confirming bank can advise discrepancies to the nominated bank on or before 14th Feb '24 assuming there is no bank holiday except Saturday & Sunday non-banking days.

ऐसे धोखेबाजों से सावधान रहें जो FEDAI का प्रतिरूपण करके जनता से संपर्क करते हैं और झूठे प्रलोभन देते हैं।