Foreign Exchange Dealers' Association of India

(Self-Regulatory Organisation (SRO) for all Authorised Dealers)

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Vol.9/2 **FEDAI NEWSLETTER** **February 2026**

I am pleased to present this edition of the Monthly Newsletter, highlighting key developments from February 2026. FEDAI, now formally recognised as a Self-Regulatory Organisation (SRO), has already been active in initiatives reflecting its responsibilities, and with this recognition will engage stakeholders and regulators with renewed vigour to strengthen India's FX market in line with global best practices. In line with its commitment to liberalisation and ease of doing business, the RBI continues to grant greater autonomy to Authorised Dealers through revisions in FEMA regulations. As we collectively work towards shaping India's FX market into a globally respected and resilient framework for the future, these developments mark a significant milestone.

Preparations are underway for the 20th FEDAI Annual Conference, scheduled from April 11–14, 2026 in Paris, themed "Global Uncertainties, Local Strength: Building India's FX Future." We look forward to welcoming Shri Rabi T. Sankar, Hon. Deputy Governor of RBI, along with dignitaries, members, and international participants. The conference will provide a platform to deliberate on emerging challenges, share insights, and chart a roadmap for India's FX market in the context of global volatility and domestic resilience. ***– Shri Vivek Wahi, CEO***

Recognition of FEDAI as Self-Regulatory Organisation (SRO) for Authorised Dealers

Foreign Exchange Dealers' Association of India (FEDAI) had submitted an application under the Omnibus Framework for recognition of Self-Regulatory Organisations (SROs) for Regulated Entities of the Reserve Bank, issued vide Press Release dated March 21, 2024 for recognition as an SRO. After examining the application and considering the fact that FEDAI has been functioning akin to an SRO through its rules governing the conduct of its members, it has been decided to recognise FEDAI as an SRO for all Authorised Dealers.

FEDAI has been given one year to bring its functioning and governance framework in line with the Omnibus SRO framework and take necessary steps to extend its membership to all categories of Authorised Dealers.

Unique Transaction Identifier for OTC Derivative Transactions

The RBI has mandated the use of a Unique Transaction Identifier (UTI) for all OTC derivative transactions — including rupee interest rate derivatives, forward contracts in government securities, foreign currency derivatives, foreign currency interest rate derivatives, and credit derivatives — reported to the CCIL Trade Repository. This measure, effective January 1, 2027, aims to provide policymakers with a comprehensive view of the OTC derivatives market and strengthen transparency.

The UTI must be generated in line with CPMI–IOSCO Technical Guidance (2017). It can have up to 52 characters, comprising the Legal Entity Identifier (LEI) of the generating entity followed by a unique identifier, and must remain unique throughout the lifecycle of the transaction.

Calendar events

RBI MPC Meeting:
06th to 08th April 2026

ECB Monetary:
18th & 19th March 2026

FOMC Meeting: 17th & 18th March 2026

Foreign Exchange Management (Borrowing and Lending) (First Amendment) Regulations, 2026

The Reserve Bank of India notified the Foreign Exchange Management (Borrowing and Lending) (First Amendment) Regulations, 2026 in February 2026, amending the 2018 framework. The amendment expands and clarifies key definitions relating to borrowing and lending, particularly External Commercial Borrowings (ECBs), and introduces a specific provision on end-use restrictions. These restrictions prohibit the utilisation of borrowed funds for activities such as chit funds, Nidhi companies, real estate business (with limited exceptions), agricultural or plantation activities, trading in Transferable Development Rights (TDRs), speculative transactions in securities, and repayment of restricted domestic loans.

The amendment also rationalises borrowing limits and consolidates ECB provisions within the regulations, thereby reducing reliance on multiple circulars and scattered instructions. By reinforcing end-use monitoring and aligning India's external borrowing framework with evolving global practices, the RBI aims to enhance transparency, compliance, and risk management. Overall, the 2026 amendment modernises the borrowing and lending framework under FEMA, ensuring that external borrowings are channeled towards productive sectors while safeguarding financial stability and aligning with international best practices.

Calculation of exposure for purpose to CRAR

It is clarified that the payment commitment by a bank to clearing corporations of stock exchanges on behalf of its client is a financial guarantee with a CCF of 100%. However, capital shall be maintained only on the exposure reckoned as capital market exposure. AD Bank issuing such commitment for FPI will be benefited by this w.e.f. April 01, 2026.

Monetary Policy Committee Meeting, February 4 to 6, 2026 and Statement on Developmental and Regulatory Policies

The Monetary Policy Committee met from February 4–6, 2026 and unanimously voted to keep the policy repo rate unchanged at 5.25%, with the Standing Deposit Facility at 5.00% and the Marginal Standing Facility/Bank Rate at 5.50%. The stance remains neutral. Inflation was assessed as broadly aligned with the medium-term target, though risks from global commodities, geopolitics, and food supply shocks persist. Domestic activity was seen as resilient, supported by consumption, investment sentiment, and government capital expenditure.

The Committee reaffirmed its data-dependent approach, balancing price stability with growth, while remaining vigilant on global tightening, volatile capital flows, and external demand risks. On the regulatory side, RBI announced a review and rationalisation of the framework for Authorised Dealers, with draft directions released on February 16, 2026, and updated guidelines for the Voluntary Retention Route (VRR) for FPI investment in debt instruments

Outcomes FATF Plenary, 11-13 February 2026

The FATF now identifies/ added Kuwait and Papua New Guinea as jurisdiction under enhances monitoring and none of the existing high-risk jurisdiction has improved their status. The FATF also approved new publications on cyber-enabled fraud and virtual assets and also released its annual report.

This week, the Plenary decided to appoint Mr Giles Thomson of the United Kingdom as the next President of the FATF, for a fixed two-year term.

Reporting under Foreign Exchange Management Act, 1999 – Returns pertaining to External Commercial Borrowing (ECB)

The RBI has revised the ECB reporting framework following the *Foreign Exchange Management (Borrowing and Lending) (First Amendment) Regulations, 2026*. Accordingly, the prescribed forms under the Master Direction on FEMA reporting have been updated: Form ECB 1 (Revised) and Form ECB 2 now replace the earlier formats in Part V – Annex I and II.

Authorised Persons are required to inform their customers/constituents of these changes. The directions, issued under Sections 10(4), 11(1), and 11(2) of FEMA, 1999, come into force immediately and operate without prejudice to approvals required under other laws.

Reserve Bank of India (Commercial Banks - Prudential Norms on Capital Adequacy) Second Amendment Directions, 2026

The *Second Amendment Directions, 2026* to the RBI's prudential norms on capital adequacy modify paragraph 84(6) in Chapter IV – Risk Weighted Assets (RWAs). Under the revised rule, the issue of irrevocable payment commitments (IPCs) by banks to clearing corporations on behalf of clients is treated as a financial guarantee with a 100% Credit Conversion Factor (CCF). Importantly, capital is required only on the portion of exposure classified as Capital Market Exposure (CME) under the RBI's *Concentration Risk Management Directions, 2025*. On this CME amount, banks must maintain capital at a risk weight of 125%, thereby tightening prudential treatment and ensuring stronger capital buffers against such exposures

RBI DRAFT GUIDELINES

RBI releases draft Directions on Reporting Instructions for Authorised Dealer Category – I Banks

The Reserve Bank of India has issued draft Directions on Reporting Instructions for AD Category-I Banks, inviting feedback from stakeholders by March 9, 2026. The proposal seeks to extend reporting requirements to cover foreign exchange derivative transactions involving the Indian Rupee (INR) undertaken globally by related parties of AD Category-I banks, thereby enhancing transparency in the rupee derivatives market.

This initiative builds on earlier regulatory measures that required primary dealers (2022) and banks (2025) to report global rupee derivative transactions undertaken by their related parties. By mandating comprehensive reporting of such transactions to the Clearing Corporation of India Limited Trade Repository, the RBI aims to improve market transparency, facilitate more informed pricing decisions, and strengthen regulatory oversight of the over-the-counter (OTC) derivatives market.

DGFT - Export Promotion Mission (EPM) – NIRYAT DISHA

Launch of LIFT Under Export Promotion Mission – NIRYAT DISHA

The Government has announced the immediate implementation of the Support for Logistics Interventions for Freight & Transport (LIFT) under the Export Promotion Mission (EPM) – NIRYAT DISHA.

The initiative is designed to address geographical disadvantages and logistics gaps faced by MSMEs in low export-intensity regions. By lowering freight and logistics costs, LIFT aims to improve competitiveness and enable MSMEs to better integrate into international value chains.

The intervention will be operationalised on a pilot basis to gather feedback, institutional learning, and data-driven refinements.

Other initiative under - Export Promotion Mission (EPM) – NIRYAT DISHA

Facilitating Logistics, Overseas Warehousing & Fulfilment (FLOW)	**Integrated Support for Trade Intelligence & Facilitation (INSIGHT)**	**Launch of Alternative Trade Instruments Support**	**Facilitating Logistics Interventions for Freight & Transport (LIFT)**

Feedback Window Opens for RBI's Foreign Exchange Guidelines

RBI releases draft revised Master Direction – Reserve Bank of India (Credit Derivatives) Directions, 2022

The Reserve Bank of India issued the draft revised Master Direction – Reserve Bank of India (Credit Derivatives) Directions, 2022, inviting feedback from stakeholders until February 27, 2026. The draft seeks to consolidate provisions governing all credit derivatives, including the existing framework for credit default swaps (CDS), and proposes a regulatory framework for introducing credit derivatives on credit indices as well as total return swaps on corporate bonds.

The proposed revisions aim to deepen India's credit derivatives market, strengthen credit risk management practices, enhance liquidity in the corporate bond market, and facilitate bond issuance across a wider spectrum of credit ratings. The initiative aligns with the announcements made in the Union Budget FY 2026–27 and the Statement on Developmental and Regulatory Policies dated February 6, 2026 isued by the RBI.

RBI releases draft Directions on Foreign Exchange Dealings of Authorised Persons

The RBI has issued draft Directions on Foreign Exchange Dealings of Authorised Dealers, inviting feedback by March 10, 2026. The framework updates rules for OTC, exchange-traded, and electronic platform transactions, covering foreign exchange derivatives, INR non-deliverable derivative contracts (NDDCs), and foreign currency interest rate derivatives. It also sets conditions for offshore participation, transparency requirements for INR trades, and permits hedging of gold price risks.

The draft further specifies rules for deploying surplus foreign currency funds, overseas borrowings by AD Category-I banks and standalone primary dealers, and governance standards such as board-approved policies, net open position limits, and risk management procedures. Overall, the Directions aim to modernise and consolidate regulations, enhance transparency, and strengthen risk

Launch of FLOW Under Export Promotion Mission – NIRYAT DISHA

The Ministry has launched the Facilitating Logistics, Overseas Warehousing & Fulfilment (FLOW) initiative under the Export Promotion Mission (EPM) – NIRYAT DISHA, effective immediately.

This strategic intervention aims to address logistics challenges faced by MSMEs engaged in global value chains. FLOW will support overseas logistics, warehousing, fulfilment, and market-facing infrastructure to enhance delivery efficiency, reduce costs, and improve responsiveness in foreign markets.

Launch of INSIGHT Under Export Promotion Mission – NIRYAT DISHA

The Ministry has announced the immediate implementation of the Integrated Support for Trade Intelligence & Facilitation (INSIGHT) initiative under the Export Promotion Mission (EPM) – NIRYAT DISHA.

INSIGHT is designed to strengthen exporter preparedness and institutional support systems, particularly for MSMEs, by addressing information gaps, procedural frictions, and capacity constraints. The intervention will enhance export readiness, competitiveness, and market responsiveness through structured measures,

Launch of Alternative Trade Instruments Support Under EPM – NIRYAT PROTSAHAN

The Government has announced the immediate implementation of the Support for Alternative Trade Instruments initiative under the Export Promotion Mission (EPM) – NIRYAT PROTSAHAN.

This intervention aims to strengthen MSME access to export finance by supplementing traditional bank-based credit with structured support for alternative trade finance mechanisms, with an initial focus on export factoring.

Launch of LIFT Under Export Promotion Mission – NIRYAT DISHA

The Government has announced the immediate implementation of the Support for Logistics Interventions for Freight & Transport (LIFT) under the Export Promotion Mission (EPM) – NIRYAT DISHA.

The initiative is designed to address geographical disadvantages and logistics gaps faced by MSMEs in low export-intensity regions. By lowering freight and logistics costs, LIFT aims to improve competitiveness and enable MSMEs to better integrate into international value chains.

Updates from DGFT / IFSCA/ ICC

DGFT launched various scheme under Export Promotion Mission and shall assist/support exporters overseas logistics, warehousing etc

DGFT has launched the Trade Regulations, Accreditation & Compliance Enablement (TRACE) scheme under the Export Promotion Mission.

IFSCA issued directions to IBU on SWIFT-related operational requirements

All Units in the IFSC intending to dematerialise securities or other permitted financial products shall only obtain International Securities Identification Numbers (ISINs) from a depository recognised by the IFSCA.

The Ministry Commerce notified on 16 February 2026 that henceforth the IFSCA shall give approval for setting up units which was otherwise so far under extant rules being arranged through SEZ Commissioner.

ICC responds to USA Supreme Court ruling on emergency tariff power

ICC released Ecoterms® on Circular Economy

Market News

Union Budget 2026–27: Exports Take Centre Stage as Budget Pushes Jobs, Manufacturing and Global Value Chains.

The Joint Statement on the India-GCC Free Trade Agreement (FTA) was signed on launching negotiations for a comprehensive and mutually beneficial agreement. During this month FTA discussions also initiated with Israel.

The Union Minister of Commerce and Industry launched seven additional interventions under the Export Promotion Mission aimed at empowering MSMEs for global markets.

The cumulative exports during April-January 2025-26 is estimated at US$ 720.76 Billion.

In order to provide efficient, seamless and faster transfer of securities in SARVAM, the VFT of securities by CCIL shall be undertaken using the API facility with the eKuber system of RBI.

The WTO 14th Ministerial Conference ('MC14') will take place in Yaounde, Cameroon from 26-29 March 2026. ICC has made submission for reform of the WTO.

FEDAI – KNOWLEDGE INITIATIVES - 2026

ICC – UCPDC 600 – Commentary

Article 31 Partial Drawings or Shipments

Sub-Article (b): Transport documents and partial shipment rules: (Continued from Previous month...)

(ii) Different means of conveyance within the same mode of transport:

If the goods are shipped on more than one vessel, aircraft, or truck—even if they depart on the same day and head to the same destination—it *is* considered a partial shipment.

Example: A credit calls for shipment of garments to New York. Half the cargo is shipped on Vessel A departing on 10 July. The other half is shipped on Vessel B departing the same day. Even though both vessels sail on the same day to the same destination, this is a partial shipment because they are different means of conveyance.

Key Point: The distinction lies in whether the goods travel together on the same conveyance. Multiple loading ports or dates are acceptable, but multiple conveyances are not.

Sub-Article (c): Courier and postal receipts

When documents are sent by courier or post, multiple receipts do not automatically mean partial shipment. If the receipts are stamped or signed by the same courier/postal service, at the same place and date, and for the same destination, they are treated as one shipment.

Example: A beneficiary sends documents in two packages via DHL from Mumbai on 15 August, both addressed to London. Two courier receipts are issued, stamped by DHL at Mumbai on the same date. This is *not* a partial shipment, since both consignments are treated as one dispatch by the same courier service.

Key Point: The rule prevents technical rejection of presentations where documents are split into multiple packages but dispatched together.

Article 32 Instalment Drawings or Shipments

If a drawing or shipment by instalments within given periods is stipulated in the LC and any instalment is not drawn or shipped within the period allowed for that instalment, the credit ceases to be available for that and any subsequent instalment.

This article ensures discipline in trade contracts where deliveries are scheduled in instalments. It protects the applicant (buyer) by preventing late or missed shipments from being compensated by later ones. Missing one instalment doesn't just cancel that shipment, but it cancels all subsequent ones under the LC. This creates a strong incentive for the beneficiary (seller/exporter) to adhere to the agreed schedule. Partial shipments are generally allowed unless prohibited, but instalment shipments are stricter. Each instalment is treated as a separate obligation tied to a specific period.

Examples:

LC requires 1,000 MT of rice shipped in 4 equal lots of 250 MT in Jan, Feb, Mar, Apr 2026. In this LC scenario, say, if the February shipment is missed by the beneficiary, the LC is no longer available for February and all later months (Mar & Apr).

LC stipulates monthly shipments of 100 cars from Jan–Jun 2026. In this LC scenario, If the Beneficiary ships in Jan and Feb but misses March, the LC ceases to be available, for March and all subsequent months (Apr–Jun).

LC requires quarterly shipments of machinery parts in 2026. If the first quarter shipment is delayed beyond March month, the LC is cancelled for Q1 and all subsequent quarters.

Practical Implications

Beneficiary must plan logistics carefully. Even one missed instalment can terminate the entire LC, risking revenue and reputation. To the applicant, this provides an assurance that, if the Beneficiary fails to deliver on time, they won't be forced to accept late deliveries under the same LC. The issuing bank must strictly enforce this rule. It cannot honor documents for later instalments, if one instalment was missed.

Key takeaways:

When a documentary credit requires shipments to follow a defined schedule, it is important that the issuing bank first confirms the applicant's precise delivery needs. This ensures the credit reflects those requirements accurately—particularly in relation to partial shipments and the strict consequences under Article 32, if the beneficiary fails to meet the instalment schedule.

A common mistake made by applicants and banks is in the way instalment schedules are expressed. Article 32 applies only when each instalment is tied to a clearly defined period, with both a start and end date, and with no overlap between periods. Unfortunately, many credits are issued with wording that merely lists a series of latest shipment dates. In such cases, Article 32 does not apply.

This distinction is crucial: if instalments are not properly defined by periods, the rule that the credit ceases to be available for that and subsequent instalments when one is missed will not be enforced. Proper drafting therefore protects the applicant's interests and ensures the credit operates as intended under Article 32.

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Capacity Building Workshops

FEDAI, in collaboration with Bank of India, conducted a 5-Day Classroom Orientation Workshop on "Foreign Trade and Foreign Exchange Business" for all member bank staff participants at Bank of India – Apex, Management Development Institute (MDI), CBD - Belapur from 23-February-2026 to 27-February-2026.

FEDAI conducted a 5-Day Classroom Orientation Workshop on "Foreign Trade and Foreign Exchange Business" exclusively for officials of Punjab and Sind Bank from 9-February-2026 to 13-February-2026 at Staff Training College (STC), Rohini, New Delhi.

Forthcoming FEDAI Workshops and Events:

07-March-2026: Online (3 hours) Workshop on "SWIFT – Financial Messaging Services"

Weekly Quiz	Daily Quiz Questions	FEDAI Workshops	Learning Modules	Knowledge Series