



February 2022 FEDAI NEWS LETTER

Monetary Policy Statement dated February 08th-10th, 2022

https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=53247

https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=53248

https://www.rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx?id=12227

On the basis of an assessment of the current and evolving macroeconomic situation, the Monetary Policy Committee (MPC) at its meeting on February 10, 2022 unanimously decided to:

- Keep the policy repo rate and reverse repo rate under the liquidity adjustment facility (LAF), unchanged at 4.0 per cent and 3.35 percent respectively. The marginal standing facility (MSF) rate and the Bank Rate was also kept unchanged at 4.25%.
- The MPC also, by majority of 5 to 1, decided to continue with the accommodative stance as long as necessary to revive and sustain growth on a durable basis and continue to mitigate the impact of COVID-19 on the economy, while ensuring that inflation remains within the target going forward.

RBI, with a view to facilitating stable foreign investments in debt instruments set a dedicated investment limit of Rs. 1,50,000 Cr. in March 2019. Given the positive response to the VRR, MPC proposed to increase this limit from Rs. 1,50,000 Cr. to Rs. 2,50,000 Cr. w.e.f. April 1, 2022.

Based on the feedback received in reference of draft which was released by RBI for public comments on February 16, 2021, the final Master Direction – Reserve Bank of India (Credit Derivatives) Directions, 2022 is released on February 10, 2022.

Rupee Interest Rate Derivatives (Reserve Bank) Directions – Review

<https://rbi.org.in/Scripts/NotificationUser.aspx?id=12229&Mode=0>

RBI has permitted AD I Banks in India to offer Foreign Currency Settled OIS (FCS-OIS) based on the Overnight Mumbai Interbank Outright Rate (MIBOR) benchmark published by FBIL to persons not resident in India as well as to other AD Cat-I Banks. Banks can undertake these transactions through their branches in India, through their International Financial Services Centre (IFSC) Banking Units or through their foreign branches (in case of foreign banks operating in India, through any branch of the parent bank). Banks may also undertake FCS-OIS transactions beyond onshore market hours.

Regulations Review Authority (RRA 2.0) – Interim Recommendations

<https://rbi.org.in/Scripts/NotificationUser.aspx?id=12245&Mode=0>

https://www.rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx?id=12244

As part of the implementation of the interim recommendations of the RRA 2.0, the review authority has proposed to convert various paper based/ e-mail-based returns to online filing. Several of RBI Department issued separate circulars in this regard on February 18, 2022.

The detailed list of such returns related to Foreign Exchange Department and Financial Market Regulatory Department is advised vide A.P. (DIR Series) Circular No.26 and Circular FMRD.DIRD.13/14.03.59/2021-22, respectively and available on above given link.

The exact date of online filing of the returns will be notified in due course. Till such time, the returns may continue to be submitted as hitherto.

RBI Cautions Against Unauthorised Fx Trading Platforms

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RBI, taking cognizance of misleading advertisements of unauthorised Electronic Trading Platforms (ETPs) offering forex trading facilities to Indian residents, including on social media platforms, search engines, Over The Top (OTT) platforms, gaming apps and the like, cautioned public to be careful. RBI clarified that resident persons can undertake Fx Transactions only with authorised persons and for permitted purposes, in terms of the FEMA, 1999. It further clarified that remittances for margins to overseas exchanges/overseas counterparties are not permitted under the LRS framed under the FEMA.

A list of authorised persons and authorised ETPs is also made available on the RBI website. A set of frequently asked questions (FAQs) on Fx Transactions has also been placed on the website for the general guidance to the public. Resident persons undertaking Fx Transactions for purposes other than those permitted under the FEMA or on ETPs not authorised by the RBI shall render themselves liable for penal action under the FEMA.

FEDAI Circulars

FEDAI Rules are amended w.e.f. February 14, 2022 allowing FEDAI Members to undertake Cash Fx Deal (involving Rupee) after closure of normal market hours on a working day.

Under advice of RBI, FEDAI advised its member to ensure that swap points are provided by them on the FX-Retail platform thus enabling their customer to also book cash, tom and forward USD/INR deals on the platform.

ICC News

- ❖ ICC India has constituted a working group (WG) on Digitalisation and FinTechs.
- ❖ ICC Banking Commission has circulated their draft opinion on reference received during the Q4 FY 2021-2022

FEDAI workshops & training activities

Upcoming:

- **03 & 04th March 2022** - Online Workshop on "Documentary credit operations & Related rules"

Upcoming Market Events

- > FEDAI Annual Conference 2022 is scheduled on March 18-20 at Aamby Valley City, Lonavala.
- > RBI MPC Meeting – April 6-8th 2022
- > FOMC Meeting - 15th-16th March 2022
- > ECB Monetary Policy Meeting - 10th March 2022

Market News

- > UAE and India signed Comprehensive Economic Partnership Agreement (CEPA) on Feb.18, 22.
- > Legal Entity India Identifier India Ltd., the local operating unit for LEI in India is now offering API for online validation of LEI Numbers issued across the globe by various Operating Units.
- > ECGC, w.e.f. February 25, 2022, placed Russia from Open Cover to Restricted Cover Category – I (RCC-I) for which revolving limits (normally valid for a year) are approved specifically on a case-to-case basis. ECGC has further clarified on February 28, 2022 that the coverage on export transactions to Russia has not been withdrawn.
- > Securities and Exchange Board of India (SEBI) appointed Ms. Madhabi Puri Buch as the new Chairperson of the board for three years tenure.
- > Sh. Rakesh Sharma has been reappointment as the MD & CEO IDBI Bank for a period of three years, effective March 19, 2022.
- > Sh. Sanjeev Sanyal, Principal Economic Advisor, MoF has joined as a full-time member of the Prime Minister's Economic Advisory Council for a tenure of two years.
- > Sh. Sanjay Malhotra has assumed charge as Secretary in the Department of Financial Services in the Ministry of Finance, Government of India.

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What if Out of SWIFT Network



SWIFT, founded in 1973, plays leading role in standardization and automation of global financial messaging helping to reduce costs and mitigating risks. Financial players routinely send structured electronic messages via SWIFT to one another to perform common business processes, such as making payments or confirming trades. SWIFT is often referred to as the highway for moving the value across the world.

Recent sanctions announced by US and EU nations restricting access to SWIFT for select Russian banks would effectively disconnect these banks from global financial system

Once any financial institution or market is dropped from SWIFT, they could neither remit/receive funds nor can exchange financial communication with rest of the world.

Once Banks of any country are driven off from the SWIFT Highway, it hurts economy of such country.

In 2012, Iran was made subject to such treatment and as per one estimate the country lost almost half of its oil export revenues and 1/3rd of foreign trade.

Russia when hit by sanctions in 2014 developed its own payment system, SPFS, that has around 400 users. China also has developed an alternate, CIPS the Cross-Border Interbank Payment System but none of these systems has significant global presence yet.

Alexei Kudrin, Russia's former finance minister suggested being cut off from Swift could shrink Russia's economy by 5%. This also has consequences upon whatever bilateral trade India has with Russia and Indian Banks need to be alert while undertaking or servicing business to/ from Russia.

-:STAY SAFE:-