



# January 2024 FEDAI NEWS LETTER

## Risk Management and Inter-Bank Dealings – Hedging of Fx Risk

[https://www.rbi.org.in/Scripts/BS\\_CircularIndexDisplay.aspx?id=12594](https://www.rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx?id=12594)

RBI reviewed part A (Section I) of the RMIBD Directions April'2020 based on the feedback received from market participants and experience gained since the revised framework came into force in September 2020. The latest revision shall come into effect from 05<sup>th</sup> April 2024, of which few important changes are as under.

- The scope for Non Retail Users category is widened; the turnover criterion is also included in addition to the net-worth of the entity for such qualification. Any user who is otherwise not eligible to be classified as a non-retail user can now request to get classified as a non-retail user, subject to satisfaction of AD provided the user having risk management capabilities.
- AD Banks not specifically permitted by RBI for running books of contract not involving INR, needn't necessarily cover their exposure on back-to-back basis.
- AD Bank may offer deliverable and non-deliverable Fx derivative contracts not involving INR to users without any restriction in terms of purpose.
- The cap for undertaking Over The Counter Trade without to the requirement to establish the existence of underlying exposure is enhanced & brought at par with Exchanges, i.e. USD 100 million

## Inoperative Accounts /Unclaimed Deposits in Banks

[https://www.rbi.org.in/Scripts/BS\\_CircularIndexDisplay.aspx?id=12589](https://www.rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx?id=12589)

RBI has revised and issued comprehensive guidelines on the measures to be put in place by the banks for inoperative and unclaimed deposits, including accounts of non-residents. Banks should accordingly undertake annual review of inoperative accounts. The banks shall inform the account/deposit holders in writing through letters or email or SMS (if the email and mobile number are registered with the bank) that there has been no operation in their accounts/deposits in the last one year, as the case may be.

## Annual AD Conference for the year 2023-24 conducted by RBI at Kochi

Shri T Rabi Sankar, Dy. Governor, RBI delivered key note speech in AD Banks' conference held on 13<sup>th</sup> January 2024. FEDAI made a presentation in this conference highlighting its role, performance in light of recently issued RBI's Draft Directions for SROs.

## FOMC Decision

<https://www.federalreserve.gov/monetarypolicy/fomcpresconf20240131.htm>

FOMC in their announcement on 31<sup>st</sup> January 2024 decided to maintain the target range for the federal funds rate unchanged at 5-1/4 to 5-1/2 percent. The Committee does not expect it will be appropriate to reduce the target range until it has gained greater confidence that inflation is moving sustainably toward 2 percent. In order to anchor longer-term inflation expectations at 2 percent level, the Committee sought to achieve inflation that averages 2 percent over time, and therefore judged that, following periods when inflation has been running persistently below 2 percent, appropriate monetary policy will likely aim to achieve inflation moderately >2 percent for some time

## IFSCA News <https://www.ifsc.gov.in/>

- IFSCA issued circular FSCA-FMPPoBR/9/2023-Banking January dated 22nd January 2024 advising for avoiding rerouting of transactions by AD Banks in India to IBUs that have been wrongly credited in the parent's Nostro account. The circular also lays operational guidelines when the AD Bank has to reroute the funds.
- Consequent to amendment in NDI Rule 2019, IFSCA issued the FAQs on Direct Listing Scheme thus facilitating listing of Indian Companies in Exchanges in the GIFT City.

## FEDAI Circulars

- Under advice of RBI, FEDAI issued Clarification on Overseas foreign currency borrowing (OFCB) by AD Banks, on 25 January 2024.

## ICC News

- ICC Banking Commission released final opinion on case reference 470/TA936 to 470/TA939
- ICC, is striving for continuation of WTO E-Commerce Moratorium on electronic transmission, an issue which will come for discussion during 13<sup>th</sup> Ministerial Conference to be held on 28<sup>th</sup> Feb. 2024 at Abu Dhabi. India is one among four countries which are not supporting this agenda.

## FEDAI workshops & training activities - Upcoming

- 6<sup>th</sup> February 2024: One day Online workshop on "Countering Trade based Money Laundering"
- 05<sup>th</sup> to 09<sup>th</sup> February 2024: Five Day Orientation Workshop (Classroom) on Foreign Trade & Foreign Exchange Business at Federal Bank Ltd, Aluva, Kerala

## Upcoming Market Events

- RBI MPC Meeting 06<sup>th</sup> to 08<sup>th</sup> February 2024
  - FOMC Meeting 19<sup>th</sup> to 20<sup>th</sup> March 2024
  - ECB Monetary Policy Meeting 07<sup>th</sup> March 2024
- FEDAI's Annual Conference is scheduled from 08<sup>th</sup> to 10<sup>th</sup> March 2024 at London

## Market News

- The Government of India has re-appointed Dr. Michael Debabrata Patra as Deputy Governor, RBI for a further period of one year with effect from 15<sup>th</sup> January 2024.
- Sh. Rajay Kumar Sinha, ex-chairman of FEDAI has been appointed as Member (Finance & Investments), IRDAI. He was MD, SBI Caps before this appointment
- Sh. Arvind Panagariya has been appointed Head of Sixteenth Finance Commission; other members of the commission are Dr. Soumya K Ghosh, Group Chief Economic Advisor-SBI, Sh. Ajay N Jha, Smt. Annie George Mathew and Sh. Niranjan Rajadhyaksha.
- RBI approved the appointment of Sh. Praveen Achuthan Kutty MD& CEO of DCB Bank, effective from April 29, 2024
- Having observed persistent non-compliances and continued material supervisory concerns in the Paytm Payments Bank Ltd, RBI has imposed certain restriction on the bank.
- Basel Committee on Banking Supervision released a paper on Streamlining VM processes and IM responsiveness of margin models in non-centrally cleared markets
- RBI advised regulated entities on 31st January to carry out a comprehensive review of the existing internal compliance tracking and monitoring processes and institute necessary changes or implement new systems latest by June 30, 2024

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## ICC - UCPDC 600

### Commentary on

### Art. 15 & 16

Art. 15: When an issuing bank determines that a presentation is complying, it must honour.

When a confirming bank determines that a presentation is complying, it must honour or negotiate and forward the document to the issuing bank.

When a nominated bank determines that a presentation is complying and honour or negotiates, it must forward the document to the confirming bank or issuing bank.

Art. 16: When a nominated bank acting on its nomination, a confirming bank, if any or the issuing bank determines that a presentation does not comply, it may refuse to honour or negotiate.

When the issuing bank determines that a presentation does not comply, it may in its sole judgment approach the applicant for a waiver of the discrepancies. This does not, however, extend the period mentioned in article 14(b).

When nominated bank acting on its nomination, a confirming bank, if any, or the issuing bank decides to refuse to honour or negotiate, it must give a single notice to that effect to the presenter.

The notice must state:

- that the bank is refusing to honor or negotiate the presentation; and
- each discrepancy in respect of which the bank refuses to honor or negotiate; and
- a) that the bank is holding the documents pending further instructions from the presenter (HOLD); or
- b) that the issuing bank is holding the documents until it receives a waiver from the applicant and agrees to accept, or receives further instructions from the presenter prior to agreeing to accept a waiver (NOTIFY); or
- c) that the bank is returning the documents (RETURN); or
- d) that the bank is acting in accordance with instructions previously received from the presenter (PREVINST).

To be continued....

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