



# July 2021 FEDAI NEWS LETTER

## Cessation of LIBOR: Roadmap for LIBOR Transition

[https://www.rbi.org.in/Scripts/BS\\_PressReleaseDisplay.aspx?prid=51870](https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=51870)

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12128&Mode=0>

RBI issued an advisory on July 08, 2021 to banks and other RBI-regulated entities emphasizing the need for preparedness for the transition away from LIBOR. The key steps to be taken are;

- Banks and financial institutions are encouraged to cease entering into new financial contracts that reference LIBOR as a benchmark and instead use any widely accepted alternative reference rate,
- Banks and financial institutions are urged to incorporate robust fallback clauses in all financial contracts that reference LIBOR and maturity of which is after the date on which LIBOR ceases or becomes non representative.
- Banks have also been advised to cease using the MIFORs as soon as practicable and in any event by December 31, 2021. FBIL has already started publishing daily adjusted MIFOR rates from June 15, 2021 and modified MIFOR rates from June 30, 2021 which can be used for legacy contracts and fresh contracts respectively,
- Contracts referencing LIBOR / MIFOR may generally be undertaken after December 31, 2021 only for the purpose of managing risks arising out of LIBOR / MIFOR contracts undertaken on or before 31<sup>st</sup> December 2021
- Banks / financial institutions must undertake a comprehensive review of all direct and indirect LIBOR exposures and put in place a framework to mitigate risks arising from such exposures on account of transitional issues including valuation and contractual clauses.

## Central Bank Digital Currency (CBDC)

[https://www.rbi.org.in/Scripts/BS\\_SpeechesView.aspx?Id=1111](https://www.rbi.org.in/Scripts/BS_SpeechesView.aspx?Id=1111)

Sh. T. Rabi Sankar, Dy Governor, Reserve Bank India while delivering keynote address at the webinar organised by the Vidhi Centre for Legal Policy, New Delhi on July 22, 2021 said that India has made impressive progress in digitization with country now leading the world in terms of digital payments innovations. He further elaborated with such an impressive progress in digitisation, is there a case for CBDCs though as per a pilot survey conducted by RBI on retail payment habits of individuals cash remains the preferred mode of payment.

**RBI's approach on CBDC:** CBDCs are desirable not just for the benefits they create in payments systems, but also might be necessary to protect the general public in an environment of volatile private Virtual Currencies. RBI has been exploring the pros and cons of introduction of CBDCs since quite some time. The High Level Inter-Ministerial Committee (November 2017) constituted by Ministry of Finance, Government of India (GoI) to examine the policy and legal framework for regulation of virtual / crypto currencies had recommended the introduction of CBDCs as a digital form of fiat money in India. RBI is currently working towards a phased implementation strategy and examining use cases which could be implemented with little or no disruption. Some key issues under examination are – (i) the scope of CBDCs (ii) the underlying technology (iii) the validation mechanism (iv) distribution architecture (v) degree of anonymity etc.

## Interest Equalization Scheme on Export Credit

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12124&Mode=0>

Government of India has approved the extension of Interest Equalization Scheme for Pre and Post Shipment Rupee Export Credit, with the same scope and coverage up to September 30, 2021.

## Micro, Small & Medium Enterprises

<https://rbidocs.rbi.org.in/rdocs/content/pdfs/OMTRADER07072021.pdf>

Ministry of Micro, Small & Medium Enterprises, Govt. of India vide Office Memorandum No. 5/2(2)/2021-E/P & G/Policy dated July 2, 2021 included following categories in to MSME

- Wholesale and retail trade and repair of motor vehicle and motorcycles
- Wholesale trade except of motor vehicles and motor cycles
- Retail Trade Except of Motor Vehicles and motor cycles

## FOMC announcement

[Transcript of Chair Powell's Press Conference -- July 28, 2021 \(federalreserve.gov\)](#)

FED reiterated its commitment to achieve the monetary policy goals: maximum employment and price stability. Federal Open Market Committee on July 28<sup>th</sup> announced to keep interest rates near zero maintaining the current 0 to ¼ percent target range for the federal funds rate despite acknowledging that inflation has increased notably and is likely to remain elevated in coming months before moderating.

## ICC News – URDTT Approved

- ❖ Uniform Rules for Digital Trade Transactions (URDTT) by ICC was formally approved after voting by National Committees (NCs). ICC India NC unanimously supported the move.

## FEDAI workshops & training activities

- FEDAI Monthly Discussion Series – 2021 for the month of July 2021 was addressed by QuantEco Research Team including Dr. Shubhada M. Rao, Ms. Yuvika Singhal and Sh. Vivek Kumar, who shared their views on Indian and Global economy, financial markets including rates and Fx.
- [28-29<sup>th</sup> July 2021 - 2 Day Online Workshop held on "Import Finance"](#).

## Upcoming Market Events

- **FEDAI Annual General Meeting on 21<sup>st</sup> August, 2021**
- RBI MPC Meeting 04-06<sup>th</sup> August, 2021
- FOMC Meeting 21-22<sup>nd</sup> September, 2021
- ECB Monetary Policy Meeting 9<sup>th</sup> September, 2021

## Market News

- On 3<sup>rd</sup> July 2021 Bank Board Bureau recommended name of 10 PSU bank officials for position of Executive Director in various PSU Bank during FY 2021-22: Sh. Rajneesh Karnatak, Sh. Joydeep Dutta Roy, Sh. Nidhu Saxena, Sh. Kalyan Kumar, Sh. Ashwani Kumar, Dr. Ramjass Yadav, Sh. Asheesh Pandey, Sh. Ashok Chandra, Sh. A.V. Rama Rao and Sh. Shiv Bajrang Singh
- During ongoing monsoon session, among other bills the Parliament has passed the Factoring Regulation (Amendment) Bill, 2021.
- RBI has imposed restrictions on Mastercard Asia/Pacific Pte. Ltd. (Mastercard) from on-boarding new domestic customers (debit, credit or prepaid) onto its card network from July 22, 2021.
- RBI has launched the 2020-21 round of its Survey on International Trade in Banking Services.
- Federal Bank shareholders and subsequently RBI approved re-appointment of Shyam Srinivasan as MD & CEO of Federal Bank
- The GFXC after completing the review of the FX Global Code released the revised code on 15 July.
- Govt. plans to introduce the DICGC (Amendment) Bill 2021 in the ongoing Monsoon session of Parliament to facilitate claims up to Rs. 5 lakhs to an account holder within 90 days in the event of a bank coming under the moratorium.

## Contents

**Roadmap for LIBOR Transition**

**CB Digital Currency**

**Interest Equalization Scheme**

**MSME**

**FOMC Announcement**

**ICC News**

**FEDAI Trainings**

**Upcoming Market Events and Market News**

**International Maritime Organisation**

<https://www.imo.org>



Safety at sea and through shipping routes is necessary for development of international trade. Several countries proposed that a permanent international body should be established to promote maritime safety more effectively. The body was established in 1948 when international conference in Geneva adopted a convention formally establishing Inter-Governmental Maritime Consultative Organization or IMCO, whose name was changed in 1982 to IMO. IMO currently has 174 members; India is its member since 1958.

This UN specialized agency provides machinery for cooperation among Governments in the field of regulation and practices relating to technical matters of all kinds affecting shipping engaged in international trade; to encourage and facilitate adoption of the highest practicable standards in matters concerning maritime safety, efficiency of navigation and prevention & control of marine pollution from ships with authority to deal with administrative and legal matters related to these purposes.

In field of merchant shipping, two schemes of IMO are worth mentioning, 1<sup>st</sup> IMO Unique Company & Registered Owner Identification Number Scheme, 2<sup>nd</sup> is the IMO ship identification number scheme. Other major areas of concern, which the IMO has been able to bring under regulation are the prevention of accidents, setting up safety standards for ships and other vessels (including design and materials) for the member states to abide by, maintaining adherence to the established treaties of safety and security, prevention of pollution and other avoidable human disasters. IMO also facilitates technical co-operation among member states, setting up an audition and monitoring scheme for these rules, standards and finally monitoring liabilities and compensation in case of breach of any of these regulations.

- : Please get yourself vaccinated at the earliest : -