



July 2022 FEDAI NEWS LETTER

Liberalisation of Forex Flows

https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=53979

The RBI observed that under backdrop of the modest current account deficit (CAD), reasonably stable portfolio investments and an adequate level of reserves the Indian Rupee has depreciated by 4.1 per cent against the US dollar (up to July 5, 2022); which is modest relative to other emerging market economies and even major advanced economies. In order to further diversify and expand the sources of forex funding so as to mitigate volatility and dampen global spillovers, RBI has taken measures to enhance Fx inflows while ensuring overall macroeconomic and financial stability.

- Exemption from CRR and SLR on Incremental FCNR(B) and NRE Term Deposits** (RBI Circular DOR.RET.REC.54/12.01.001/2022-23 dated July 06, 2022): w.e.f. from the reporting fortnight July 30, 2022 incremental FCNR(B) and NRE deposits with reference base date of July 1, 2022 will be exempt from the maintenance of CRR and SLR. This relaxation will be available for deposits mobilised up to November 4, 2022.
- Interest Rates on FCNR(B) and NRE Deposits** (RBI Circular DOR.SOG (SPE).REC.No 53/13.03.000/2022-23 dated July 06, 2022): RBI decided to temporarily permit banks to raise fresh FCNR(B) and NRE deposits without reference to the extant regulations (interest rate cap) on interest rates, with effect from July 7, 2022 till period up to October 31, 2022.
- Foreign Portfolio Investment in Debt** (RBI A.P. (DIR Series) Circular No.07 dated July 07, 2022): FPIs can invest through three channels; (a) the Medium-Term Framework (MTF); (b) the Voluntary Retention Route (VRR) and (c) the Fully Accessible Route (FAR). In order to encourage foreign portfolio investment, the following changes to the regulatory regime relating to FPI investment in debt flows are being put in place. RBI decided that investments by FPIs in government securities and corporate debt made till October 31, 2022 will be exempted from the short term limit. RBI also decided that FPIs will be provided with a limited window till October 31, 2022 during which they can invest in corporate money market instruments viz., commercial paper and non-convertible debentures with an original maturity of up to one year. FPIs can continue to stay invested in these instruments till their maturity / sale. These investments will not be included for reckoning the short term limit for investments in corporate securities.
- Foreign Currency Lending by Authorised Dealer Category I Banks** (RBI A. P. (DIR Series) Circular No. 08 dated July 07, 2022): RBI decided that AD Cat-I banks can utilise foreign currency borrowing raised in overseas market for lending in foreign currency to their constituent for a wider set of end-use purposes, subject to the negative list set out for ECBs. This dispensation for raising such borrowings is available till October 31, 2022.
- External Commercial Borrowings (ECBs)**: RBI decided to temporarily increase (up to December 31, 2022) the limit under the automatic route from US\$ 750 million or its equivalent per financial year to US\$ 1.5 billion. The all-in cost ceiling under the ECB framework is also being raised by 100 basis points, subject to the borrower being of investment grade rating.

International Trade Settlement in Indian Rupees

https://www.rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx?id=12358

In addition to already available facility to receive or remit funds through Rupee Vostro Account, RBI decided to put in place an additional arrangement for invoicing and settlement of exports/ imports in INR through specifically approved arrangement with correspondent bank/s called Special Rupee Vostro Accounts (SRVA). The Indian exporters may receive advance payment against exports from SRVA provided the Indian Bank has ensured that available funds in SRVA is first used towards payment obligations arising out of already executed export orders/export payments in the pipeline. Indian bank maintaining the SRVA of its correspondent bank shall, apart from usual due diligence measures, verify the claim of the exporter with the advice received from the correspondent bank before releasing the advance. The Rupee surplus balance held in SRVA may be used for permissible capital and current account transactions in accordance with mutual agreement.

Financial Services Institutions Bureau

<https://ifsc.gov.in/Viewer/PressReleases/327>

The erstwhile Bank Board Bureau has been constituted effective from July 01, 2022 as Financial Services Institutions Bureau, by Central Government of India for the purpose of recommending persons for appointment as whole-time directors and non-executive chairpersons on the Boards of financial services institutions and for advising on certain other matters relating to personnel management in these institutions.

Financial Services Centre Authority

<https://ifsc.gov.in/Viewer/PressReleases/325>

The Hon'ble Prime Minister laid the foundation stone of "IFSCA Tower", the Headquarters Building of IFSCA. Prime Minister also overseen various announcements regarding several milestones related to GIFT-IFSC on this occasion.

ICC News

- ICC held a side event at the 63rd Meetings of the Assemblies of the World Intellectual Property Organization (WIPO) in Geneva on 19 July 2022
- ICC is looking for feedback on UCP 600 and ISBP 745 review, the reader may provide their valuable feedback latest by 5 September 2022 over the following link <https://fr.surveymonkey.com/r/G223GYT>

FEDAI workshops & training activities

- 01st to 5th August 2022 – 5 Days Orientation Workshop (Physical) on Foreign Trade and Foreign Exchange Business at Bank of Baroda, Ahmedabad
- 06th & 20th August 2022 – 2 Day online Special workshop for South Indian Bank officials
- 10th to 11th August 2022 – 2 Days online workshop on Basics of Import and Import Finance
- 22nd to 26th August 2022 - 5 Days Orientation Workshop (Physical) on Foreign Trade and Foreign Exchange Business at Indian Overseas Bank, Chennai

Upcoming Market Events

- RBI MPC Meeting 03rd - 05th August 2022
- FOMC Meeting 20th – 21st September 2022
- ECB Monetary Policy Meeting 08th September 2022

Market News

- DGFT constituted the Board of Trust by merging erstwhile Council for Trade and Promotion with it, as notified vide Notification No.21/2015-20 dated 08 July 2022. Sh. V. Nageswar ex-chairman of FEDAI & retired Dy. MD SBI is one among the 29 newly appointed members in this board.
- RBI accorded their approval for the appointment of Ms. Meena Hemchandra as part-time chairman of the Karur Vysya Bank Ltd.
- Financial Services Institutions Bureau has recommended name of Shri Rajkiran Rai G., Ex MD & CEO of Union Bank of India for the position of MD in NaBFID
- The NSE has announced the appointment of Sh. Ashish Kumar Chauhan as its new MD & CEO

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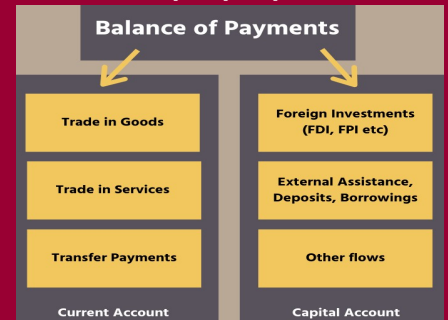
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Balance of Payment

<https://www.imf.org/external/pubs/ft/bop/2007/pdf/bpm6.pdf>



The RBI Weekly Statistical Supplement – Extract dated July 15, 2022 disclosed that the Foreign Exchange Reserves of India has come down to USD 580.25 billion from its peak level USD 642.45 billion on September 10, 2021.

Some of the recent global developments and sharp current account deficit coupled with dwindling foreign investment to India brought Balance of Payment Position (BoP) again in focus. The BoP of any country reflects on its economic health. Each country draws the statement of BoP as per the guidelines issued by IMF i. e. the Balance of Payments and International Investment Position Manual, VIth Edition (BPM6).

The BoP is a statistical statement that summarizes transactions between residents and non-residents during a period. It takes following accounts in consideration to arrive at resultant position on basis of double-entry accounting system;

- ❖ The current account, showing flows of goods, services, primary income, and secondary income between residents and nonresidents
- ❖ The capital account, showing credit and debit entries for nonproduced nonfinancial assets and capital transfers between residents and nonresidents.
- ❖ The financial account, showing net acquisition and disposal of financial assets and liabilities.

The IMF's BPM6 contains 14 chapters and 9 Appendix. It is needless to say that the Reserve Bank of India abides by principles laid in BPM6 and accordingly collects information from authorized persons under FEMA in India for computing BoP for India.

FEDAI has started conducting training in physical mode at request of the FEDAI members