



# July'2023 FEDAI NEWS LETTER

## Report of the Inter-Departmental Group on INR Internationalisation <https://www.rbi.org.in/Scripts/PublicationReportDetails.aspx?UrlPage=&ID=1244>

RBI in December'2021 constituted an Inter-Departmental Group (IDG) to examine issues related to internationalisation of INR and suggest a way forward. RBI on 5<sup>th</sup> July'2023 released the report submitted by the IDG which besides examining the prospects of internationalisation of INR has also recommended a roadmap to achieve the same. Key recommendations of the IDG are -  
Short Term Measures

- Standardised approach for proposals on bilateral & multilateral trade arrangements for invoicing, settlement and payment in INR and local currencies.
- Make efforts to enable INR as an additional settlement currency in existing multilateral mechanisms such as ACU.
- Facilitate Local Currency Settlement framework for bilateral trns with counterpart countries.
- Encouraging opening of INR accounts for non-residents (other than nostro accounts of overseas banks) both in India and outside India.
- Integrating Indian payment systems with other countries for cross-border transactions.
- Strengthen financial markets by fostering a global 24x5 INR market and promoting India as the hub for INR transactions and price discovery.
- Launch of BIS Investment Pools in INR & inclusion of G-Secs in global bond indices.
- Recalibrating the FPI regime and rationalizing/harmonizing the extant KYC guidelines.
- Providing equitable incentives to exporters for INR trade settlement.

Over the medium-term horizon, the IDG has recommended:

- A review of taxes on Masala bonds.
- International use of RTGS for cross border trade transactions and inclusion of INR as a direct settlement currency in the Continuous Linked Settlement (CLS) system.
- Examine taxation issues to harmonise tax regimes of India & other financial centres.
- Allowing banking services in INR outside India through off-shore branches of Indian banks.

## RBI Draft - Arrangements Debit/Credit & Prepaid Cards issuance

[https://www.rbi.org.in/Scripts/bs\\_viewcontent.aspx?id=4280](https://www.rbi.org.in/Scripts/bs_viewcontent.aspx?id=4280)

RBI observed that existing arrangements between card networks & card issuers don't offer much choice for customers. The affiliated network for a card issued to a customer is decided by the card issuer based on the arrangements, bilateral agreement, between the card issuers & card networks. In the interest of public and payment system, RBI has proposed that Card issuers shall not enter into any arrangement with card networks that restrain them from availing the services of other card networks. Card issuers shall issue cards across more than one card network & provide an option to their eligible customers to choose any one among the multiple card networks.

## Reserve Bank of India and Central Bank of the UAE (CBAUE) sign MoUs

[https://rbi.org.in/Scripts/BS\\_PressReleaseDisplay.aspx?prid=56054](https://rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=56054)

RBI & CBAUE signed two MoUs to establish Framework to **Promote the Use of Local Currencies** for cross-border transactions and **Cooperation to Interlink payment & messaging systems**.

## FED rates at 22 years high

FOMC announced on 26<sup>th</sup> July, 25 bp hike in FED fund rates taking the target range to 5.25-5.50%, highest since 2001. This was 11<sup>th</sup> hike since March'2022. Inflation though moderated somewhat since the middle of 2022 still "has a long way to go" before hitting the 2% target. ECB also hiked rates by 25 bp on 27<sup>th</sup> July 2023.

## India – Mutual Evaluation by FATF

[Assessments \(fatf-gafi.org\)](https://www.fatf-gafi.org/)

The FATF is conducting a fourth round of mutual evaluations for its members based on the FATF Recommendations and the FATF Methodology, as amended from time to time. The scope of the evaluations will involve two inter-related components for **technical compliance & effectiveness**. Tentatively, onsite assessment for India, last done in June'2010 is scheduled around Nov.2023.

## ICC News - Publication

- a new Publication No. 821E - International Standard Banking Practice (ISBP).
- updated 'Financial crime risk controls Dual-use goods & proliferation financing' and Financial crime risk controls Price checking of goods and services in trade transactions

## FEDAI workshops & training activities - Upcoming

- 24<sup>th</sup> to 28<sup>th</sup> July 2023; Five Day Orientation Workshop (Classroom) on Foreign Trade & Foreign Exchange Business at Central Bank, SPBTC, Mumbai
- 21 July: 1 day Online Workshop on "FEMA Guarantees Regulation and Structured Obligations"
- FEDAI signed an MOU with Administrative Staff College of India (ASCI), Hyderabad for mutual co-operation in areas related to training.
- FEDAI started publishing on its website 'Knowledge Series' for the benefit of fellow bankers.

## Forthcoming –

- 9<sup>th</sup> Aug; One Day Online Workshop on "SWIFT - Financial messaging services"
- 21-25<sup>th</sup> Aug.'2023; Five Day Orientation Workshop (Classroom) on Foreign Trade & Foreign Exchange Business at Canara Bank, Bengaluru

## Upcoming Market Events

- RBI MPC Meeting – 08<sup>th</sup> to 10<sup>th</sup> August 2023
- ECB Monetary Policy Meeting – 14<sup>th</sup> Sept. 2023
- FOMC Meeting – 19<sup>th</sup> to 20<sup>th</sup> Sept. 2023
- FEDAI Annual General Meeting on 02 September 2023

## Market News

- "NongHyup Bank" is included in the Second Schedule of the RBI Act, 1934
- RBI is aiming for a million retail (eRupee) CBDC transactions/day by end of current year. RBI Dy Governor Sh T Rabi Sankar said more efficient & cheaper cross-border transactions is a key aim in the development of the digital currency.
- RBI appointed Sh P. Vasudevan as Executive Director w.e.f. July 03, 23 incharge of Dept of Currency Management, Corporate Strategy & Budget Dept & Enforcement Dept.
- Sh Debautta Chand has taken over as MD & CEO Bank of Baroda w.e.f. July 1, 2023
- SEBI has made the requirement of LEI mandatory for all non-individual FPIs. All existing FPIs (including those applying for renewal) that have not already provided their LEIs to their DDPs are required to do so within 180 days.

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## ICC - UCPDC 600 Commentary on Art. 11, 12

**Article 11** – A preliminary advice of the issuing of LC or amendment (stating "full details to follow", "mail confirmation will be operative LC" or similar words) should be sent only if the issuing bank has agreed to issue the operative LC or amendment. An issuing bank that issues a pre-advice is committed to issue the operative LC or amendment in the terms not inconsistent with the pre-advice.

An authenticated transmission of an LC or amendment will be deemed to be the operative instrument and any subsequent mail confirmation will be disregarded.

**Article 12** – Nominated bank means the bank with which the credit is available, or any bank in case of 'credit available with any bank'. A credit can be issued with 'available with any bank' - a freely available credit, or can be issued as 'restricted LC' i.e., available with a particular bank.

It is stated in clear and precise words that "by nominating a bank to accept a draft, or incur a deferred payment undertaking, an issuing bank authorizes the nominated bank to prepay or purchase a draft accepted or a deferred payment undertaking incurred by that nominated bank".

A nominated bank (which is not a confirming bank) doesn't have any obligation to honour or negotiate the docs except when expressly agreed to do so by that nominated bank & communicated to the beneficiary accordingly.

If a nominated bank determines that a presentation is complying & forwards the docs to issuing/confirming bank, whether or not the nominated bank has honoured or negotiated, the issuing/confirming bank must honour or negotiate, or reimburse that nominated bank, even when the docs are lost in transit between the nominated bank & the issuing/confirming bank, or between confirming bank & issuing bank.

Issuing bank is obligated to honour the presentation of credit complied docs under the LC issued by them if the LC is available by: Sight, deferred payment or acceptance with the issuing bank.

Just to clarify - Issuing bank honours i.e., pays at sight, incurs a deferred payment undertaking or accepts a draft. It doesn't negotiate. Negotiation is an act carried out by a nominated or confirming bank.