Foreign Exchange Dealers' Association of India
(Registered under section 25 of the companies Act, 1956)

July 2024
FEDAI NEWS LETTER

Contents

FEMA Trade Framework Revision Click here for Draft Directions > Click here for Draft Notification

RBI has released the Draft FEMA.23(R), Foreign Exchange Management (Export and Import of Goods and Services) Regulations, 2024 and consolidated Draft Directions for export and import and invited comments latest by September 01, 2024. The revised framework is principal based, a step to improve ease of doing business, empowers Authorised Dealer banks to provide quicker and more efficient services to their foreign exchange customers. FEDAI arranged rounds of deliberation and shall submit market feedback to RBI, members may send their input which would be taken into consideration while finlising the submission.

Requirement of Form A2 Click Here for A.P. Dir Circular No. 12 > Click here for A.P. DIR Circular No. 13

On a review, and to improve ease of doing business RBI now decided to permit all AD Category-I banks and AD Category-II entities to facilitate remittances on the basis of online/ physical submission of Form A2 and other related documents. Accordingly, Authorised Dealers now need to obtain Form A2 in physical or digital form for all cross-border remittances irrespective of the value of transaction and the waiver available earlier from obtaining Form A2 for current account transaction for amount up to USD 25,000 or its equivalent if the payment was to be made by the applicant through Demand Draft or a cheque drawn on his / her bank accounts stand withdrawn with immediate effect.

Remittances to GIFT City under the LRS Click here

Resident individual were allowed to open interest free savings account in GIFT City in February 2021 for certain category of investment under LRS; later in June 2023 they are allowed to remit for purpose of education also. Now, on review, RBI decided that Authorised Persons may facilitate remittances for all permissible purposes under LRS to IFSCs for:

- Availing financial services or financial products as per the IFSC Act, 2019 within IFSCs; and
- All current or capital account transactions, in any other foreign jurisdiction (other than IFSCs) through a Foreign Currency Account held in IFSCs.

Fully Accessible Route' for Investment in G-Sec: Exclusion Click here

On a review and in consultation with the Government, RBI decided to exclude all new securities of 14-year and 30-year tenors for investment in this category. Consequently, future issuances of Government Securities in these tenors shall not be available for investment under the Fully Accessible Route. Existing stocks of Government Securities in 14-year and 30-year tenors already included as 'specified securities' under the Fully Accessible Route shall, however, continue to be available under the Fully Accessible Route for investments by non-residents in the secondary market.

Platform to Facilitate Instantaneous Cross-Border Retail Payments Click here

An agreement is signed by the Bank for International Settlements (BIS) and Bank Negara Malaysia, Bank of Thailand, Bangko Sentral ng Pilipinas, Monetary Authority of Singapore and Reserve Bank of India on June 30, 2024, in Basel, Switzerland to join the Project Nexus, a multilateral international initiative to enable instant cross-border retail payments by interlinking their domestic Fast Payment Systems (FPSs). Nexus, conceptualised by the Innovation Hub of the BIS, aims to connect the FPSs of these five countries, who would be the founding members and first mover countries of this platform. RBI has been collaborating bilaterally with various countries to link India's FPS – the Unified Payments Interface (UPI), with their respective FPSs for cross-border Person to Person (P2P) & Person to Merchant (P2M) payments. While India & its partner countries can continue to benefit through such bilateral connectivity of Fast Payment Systems, a multilateral approach will provide further impetus to our efforts in expanding the international reach of Indian payment systems.

IBA Model Education Loan scheme: Educational Loans to OCI

IBA vide letter dated 11 July 2024 issued clarification to all IBA Member Banks; clarifying that LRS imposes no restriction on the remittance of domestically borrowed funds by a resident for current account transactions, including those for education purposes. There is no upper limit on the amount that can be remitted for education under this scheme. Thus, an Overseas Citizen of India (OCI) who is a resident under FEMA is eligible for the same benefits. It is further clarified that OCI who is not resident in India & NRI can avail ELs from an Indian bank for the purpose of studying in India only.

Announcements by Monetary Policy Committees in Various Jurisdictions

At the Monetary Policy Meeting held on 30 July the Bank of Japan decided by majority vote to encourage the uncollateralized overnight call rate to remain at around 0.25; this rate hike from 0.10% to 0.25%, which dashed dominant market expectations for no change, was the largest since 2007 and came just months after the BOJ ended eight years of negative interest rates. Very next day, the FED FOMC declared to maintain the target range for the federal funds rate at 5-1/4 to 5-1/2 percent and did 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 addition, the FOMC decided to continue reducing its holdings of Treasury securities and agency debt and agency mortgage-backed securities.

In June, it was observed that the pendulum of Developed Market monetary policy shifted slightly in the direction of interest rate, when European central Bank, Bank of Canada and Swiss National Bank followed the course

Updates from IFSCA

IFSCA permitted IBU to participate in the synthetic securitisation program of its parent bank subject to certain compliances. A 'synthetic securitisation' is a structure wherein credit risk of an underlying pool of exposures is transferred, in whole or in part, through the use of funded or unfunded credit derivatives or guarantees that serve to hedge the credit risk of the portfolio while the exposure continues to remain on the balance sheet of the lender.

FEDAI Workshop

03th August 2024: - One Day Online Workshop on ""SWIFT - Financial messaging services"

Upcoming Market Events

RBI MPC Meeting	– 06th to 08th August 2024
ECB Monetary	– 12th September 2024
Policy Meeting FOMC Meeting	– 17th to 18th September 2024

Market News

- RBI appointed Shri Arnab Kumar Chowdhury and Smt. Charulatha S Kar as Executive Director (ED) with effect from June 3, 2024 and July 01, 2024, respectively.
- Central Government appointed Shri Manoj Mittal as Chairman & MD to Small Industries Development Bank of India (SIDBI).
- RBI released Report on Currency and Finance for the year 2023-24, Chapter IV in this report gives good insight on developments taking place in space of digitalisation in cross border remittance, CBDC and internationalisation of INR.
- RBI shortlisted 5 applicants in Fifth Cohort Regulatory Sandbox for test phase, one of which offer solution allows for digital opening of NRE/NRO accounts through VKYC and identity validations.
- CCIL's FX-CLEAR Dealing System registered its highest daily volume of USD 5.92billion on 10th July, 2024

ICC - UCPDC 600
Commentary on Art. 18

*From the perspective of International Standard Banking Practice (ISBP)

Continue from previous month...

An invoice showing a description of the goods, services or performance that relates to the LC may also indicate additional data in respect of the goods, services or performance provided that they do not appear to refer to a different nature, classification or category of the goods, services or performance.

For example, when LC requires shipment of "Suede Shoes", but the invoice describes the goods as "Imitation Suede Shoes", or when the LC requires "Hydraulic Drilling Rig", but the invoice describes the goods as "Second Hand Hydraulic Drilling Rig", these descriptions would represent a change in nature, classification or category of the goods, hence discrepant.

An invoice needs to indicate on the following:

- The value of the goods shipped or delivered, or services or performance provided;
- Unit price(s), when LC mentions it;
- Same currency as mentioned in the LC;
- Any deduction or discount required by the LC;

When LC is issued in USD currency, and the currency in invoice is displayed as a '$' sign, without further qualification, invoice fulfils the requirement stated in UCP 600, sub-article 18 (a) (iii) of being prepared in the same currency as the LC, unless data in the invoice itself, like domicile of the beneficiary is in a country whose currency is denominated in dollars and/or is commonly referred to with a '$' sign, or another presented document implies that the '$' sign may refer to a currency other than USD.

An invoice may indicate a deduction covering advance payment, discount, etc. that is not stated in the LC.

In LC, when a trade term is stated as part of the goods description, an invoice is to indicate that trade term, and when the source of the trade term is stated, the same source is to be indicated. For example, a trade term stated in LC as "CIF Mumbai INCOTERMS 2010" should not be indicated on an invoice as "CIF Mumbai" or "CIF Mumbai INCOTERMS ". However, if the trade term is stated in the LC as "CIF Mumbai" or "CIF Mumbai INCOTERMS ", then it may also be indicated on an invoice as "CIF Mumbai INCOTERMS 2010" or any other revision.

To be continued ...