



June 2021 FEDAI NEWS LETTER

Monetary Policy Statement dated June 04th, 2021

https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=51683
https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=51684

Status quo: MPC unanimously decided to keep the repo rate unchanged at 4.0%, reverse repo rate at 3.35% and Marginal Standing Facility rate and the Bank Rate continue at 4.25%. MPC also decided to continue with the accommodative stance as long as necessary to revive and sustain growth on a durable basis. These decisions are in consonance with the objective of achieving the medium-term target for consumer price index (CPI) inflation of 4 per cent within a band of +/- 2 per cent, while supporting growth.

RBI also announced following initiatives:

- On-tap liquidity window of Rs. 15,000 crore with tenors of up to three years at the repo rate till March 31, 2022 for certain contact-intensive sectors.
- The maximum threshold aggregate exposure for considering resolution of COVID-19 related stress of MSMEs as well as non-MSME small businesses, and loans to individuals for business purposes has been enhanced to Rs.50 Cr. from Rs.25 Cr.
- To provide greater flexibility in raising short term funds RRBs are now permitted to issue CDs to eligible investors. All issuers of CDs are also now permitted to buy back their CDs before maturity, subject to certain conditions.
- National Automated Clearing House (NACH), a bulk payment system operated by NPCI would be available all days of the week throughout the year, w.e.f. August 1, 2021.

Rupee Loan to FPI & Reporting of their G-sec Transactions

https://www.rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx?id=12106
https://www.rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx?id=12109

All transactions in government securities concluded outside the recognized stock exchanges are settled on a guaranteed basis by the Clearing Corporation of India Ltd, the central counter party. RBI has decided to allow AD-I Banks in India to lend to FPIs in accordance with their credit risk management frameworks for the purpose of placing margins with CCIL in respect of settlement of transactions involving Government Securities (including Treasury Bills and State Development Loans) by the FPIs.

RBI has also provided operational flexibility for reporting of transactions in G-Secs undertaken by the Foreign Portfolio Investors (FPIs) in OTC market, other than NDS-OM.

FATF Compliant Jurisdictions

https://www.rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx?id=12114

The Financial Action Task Force (FATF) periodically identifies jurisdictions with weak measures to combat money laundering and terrorist financing (AML/CFT) in its following publications:

- High-Risk Jurisdictions subject to a Call for Action, and
- Jurisdictions under Increased Monitoring.

RBI in course of their issuing guidelines on foreign investment in Payment Systems Operators clarified that a jurisdiction whose name does not appear in either of above two published lists, is referred to as a FATF compliant jurisdiction.

FATF had earlier identified Albania, Barbados, Botswana, Burkina Faso, Cambodia, Cayman Islands, Jamaica, Mauritius, Morocco, Myanmar, Nicaragua, Pakistan, Panama, Senegal, Syria, Uganda, Yemen and Zimbabwe as jurisdictions having strategic deficiencies, which have developed an action plan with the FATF to deal with them. As per the latest public statement, Haiti, Malta, Philippines, and South Sudan have now been added to the list of Jurisdiction under increased Monitoring based on the decision made at the June 2021 FATF plenary.

ICC News – Final Draft of URDTT

- ❖ After several rounds of reiterations, ICC released final draft of Uniform Rules for Digital Trade Transactions (URDTT), inviting National Committees to vote for the rules. Indian National Committee of ICC met to discuss the rules and decided to vote in favour of the proposed draft.
- ❖ Task group under aegis of ICC Paris produced a white-paper outlining the development and advancement on automation of document examination under documentary credits.

FEDAI workshops & training activities

- FEDAI has released its Question Data Bank in online self-learning module to help employees of member banks to test & refresh their knowledge by going through the self-designed assessments at their own pace and time.
- FEDAI Monthly Discussion Series -2021
 - FEDAI Monthly Discussion held on 18th June 2021 jointly with ICC India on 'ICC Digital Rules & Practices - Current State & Way Forward'. David Meynell, Senior Technical Advisor, ICC Banking Commission was in conversation with Ashwani Sindhwani, Chief Executive - FEDAI.
 - The next event in series is scheduled for July 15, 2021
- 16-17th June 2021 - 2 Days' Online Workshop held on "Documentary Credit Operations and Related Rules"
- 28-29th June 2021 - 2 Days' Online Workshop held on "Forex Retail Business"

Upcoming Market Events

- RBI MPC Meeting is scheduled on 04-06th August 2021
- FOMC Meeting is scheduled on 27-28th July 2021
- ECB Monetary Policy Meeting is scheduled on 22th July 2021

Market News

- President of India authorised Shri Suresh N. Patel, Vigilance Commissioner, CVC, (ex MD, Andhra Bank), to act as the Central Vigilance Commissioner in the vacancy caused due to completion of the tenure of Shri Sanjay Kothari, with effect from the date of occurrence of vacancy i.e. 24 day of June, 2021, until the appointment of the Central Vigilance Commissioner.
- The Central Government has re-appointed Shri Mahesh Kumar Jain as Deputy Governor, RBI for a period of 2 years with effect from June 22, 2021, or until further orders.
- RBI has granted "in-principle" approval to Centrum Financial Services Limited to set up a small finance bank. RBI would consider granting a license for commencement of banking business on being satisfied that the applicant has complied with the requisite conditions laid down by RBI as part of "in-principle" approval.
- HSBC appointed Global Markets veteran Sh. Hitendra Dave as Chief Executive for India. Dave succeeds Surendra Roshia, who has moved to HK as the Co-Chief Executive of HSBC Asia-Pacific.
- United Nations Conference on Trade and Development (UNCTAD) released 'World Investment Report' on June 21, 2021. As per this report, India received USD 64 billion in Foreign Direct Investment in 2020, the fifth largest FDI recipient of inflows in the world.

RBI MPC Statement

FPI Transaction in Govt. Securities

FATF Compliant Jurisdictions

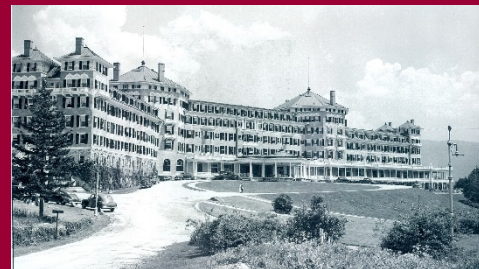
ICC News

FEDAI Trainings

Upcoming Market Events

Market News

Bretton Woods Agreement July - 1944



The Bretton Woods agreement was negotiated among 44 war-torn allied nations after the World War II to set the stage for stable financial & economic development. India had been invited to the high table though it was still a British colony and was represented by Sh. C D Deshmukh, then Governor, Reserve Bank of India.

What emerged out of Bretton Woods was a "pegged-rate" currency regime in place of gold standard which most of the countries had abandoned because of post war depression. Members to agreement were required to establish a parity of their national currencies in terms of the US Dollar & maintain exchange rates within +/- 1% of parity (a "band"). In other words, after Bretton Woods, each member to agreement agreed to redeem its currency for U.S. dollars, not gold.

The faith in US Dollar was natural choice as three-fourths of the world's supply of gold was held with USA. Meanwhile, to bolster confidence in the dollar, the U.S. agreed separately to link the dollar to gold at the rate of USD 35 per ounce.

The Collapse of the Bretton Woods System:

Under the unprecedented adverse economic & financial situation in 1971, the United States was forced to devalue the dollar to 1/38 of an ounce of gold, and then to 1/42 of an ounce. The devaluation plan backfired. It created a run on the U.S. gold reserves. Without price controls, gold quickly shot up to US Dollar 120 per ounce in the free market, ending the Bretton Woods system. The Bretton Woods experiment with internationally fixed exchange rates ended in 1973 laying the path for free & floating exchange rate market.

-:Please get yourself vaccinated at the earliest:-

- : Stay Safe : -