



# June 2023 FEDAI NEWS LETTER

## Monetary Policy Committee's Resolution

[https://rbi.org.in/Scripts/BS\\_PressReleaseDisplay.aspx?prid=55814](https://rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=55814)  
[https://rbi.org.in/Scripts/BS\\_PressReleaseDisplay.aspx?prid=55815](https://rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=55815)

The MPC in its meeting concluded on June 8, 2023 unanimously decided to keep the policy repo rate under the LAF unchanged at 6.50%, consecutively in row second time in current FY. Consequently, keeping the SDF rate unchanged at 6.25% and the MSF rate & the Bank Rate also unchanged at 6.75%.

Highlights of Statement on Developmental and Regulatory Policies are as below;

- To provide greater flexibility for managing the money market borrowings, RBI permitted Scheduled Commercial Banks (excluding Small Finance Banks) to set their own limits for borrowing in Call and Notice Money Markets within the prudential limits.
- Keeping in view the progressive liberalisation under FEMA, increasing integration of the Indian economy with the global, digitisation of payment systems, evolving institutional structure, etc. over the last two decades, RBI decided to rationalise and simplify the licensing framework for APs to effectively meet the emerging requirements of the rapidly growing Indian economy.
- In order to expand payment options for Indians travelling abroad, RBI permitted issuance of RuPay Prepaid Forex cards by banks in India for use at ATMs, PoS machines and online merchants overseas. Further, RuPay Debit, Credit, and Prepaid Cards will be enabled for issuance in foreign jurisdictions, which can be used internationally, including in India.

US FED too left target FED Funds rates unchanged in FMOE Meeting held on 13-14 June 2023 whereas the ECB, Australia, Canada and Switzerland decided to raise key Interest Rates by 25 BPs each in the month of June 2023. Same month, Bank of England hiked its key interest rate by 50 BPs while China decided to cut the rates by 10 BPs.

## INR Non-deliverable derivative contracts (NDDCs) to resident

[https://www.rbi.org.in/Scripts/BS\\_CircularIndexDisplay.aspx?id=12509](https://www.rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx?id=12509)

With a view to develop onshore INR NDDC market and provide residents the flexibility to efficiently design their hedging programmes, RBI decided to permit:

- AD Cat-I banks operating IBUs to offer NDDCs involving INR to resident non-retail users for the purpose of hedging. Such transactions shall be cash settled in INR; and
- The flexibility of cash settlement of NDDCs transactions between two AD Cat-I banks, and between an AD Cat-I bank and a person resident outside India in INR or any foreign currency.

## Remittances under Liberalised Remittance Scheme (LRS)

[https://rbi.org.in/Scripts/BS\\_CircularIndexDisplay.aspx?id=12518](https://rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx?id=12518)  
<https://pib.gov.in/PressReleasePage.aspx?PRID=1936105>

RBI henceforth allowed remittances to Gift City under LRS by resident individuals under purpose 'studies abroad' too for payment of fees to specified foreign universities or foreign institutes in IFSCs. Ref. the information in **FEDAI News Letter, May 2023** on Tax Collection at Source on LRS Remittance, to give adequate time to Banks & Card networks to put in place requisite IT based solutions; the GoI has made some announcements. Transactions through International Credit Cards while being overseas, would not be counted under LRS. Also, the proposed revision in TCS Rate which was to be enforced w.e.f. July 1, 23 shall now be implemented w.e.f. Oct 1, 23, please refer table below;

Nature of payment	TCS Rate before Finance Act, 2023	New rate w.e.f. 1st October 2023
LRS for education financed by loan from specified financing insts	Nil upto Rs 7 lakh 0.5% above Rs 7 Lakh	Nil upto Rs 7 lakh 0.5% above Rs 7 Lakh
LRS for Medical treatment/ education (other than financed)	Nil upto Rs 7 lakh 5% above Rs 7 Lakh	Nil upto Rs 7 lakh 5% above Rs 7 Lakh
LRS for other purposes	Nil upto Rs 7 lakh 5% above Rs 7 Lakh	Nil upto Rs 7 lakh 20% above Rs 7 Lakh
Purchase of Overseas tour program package	5% (without threshold)	5% till Rs 7 Lakh, 20% thereafter

## RBI's alert list of Unauthorised Fx Electronic Trading Platform

[https://rbi.org.in/scripts/bs\\_viewcontent.aspx?id=4235](https://rbi.org.in/scripts/bs_viewcontent.aspx?id=4235)

Refer to detailed information provided in FEDAI Newsletter for September 2022, now RBI has identified 8 more unauthorised FxETP. Please circulate this list and also display in branches.

## Sources of Variation in Fx Reserves in India during FY 2022-23

[https://www.rbi.org.in/Scripts/BS\\_PressReleaseDisplay.aspx?prid=55934](https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=55934)

Vide RBI press release dt June 27, 2023 Fx reserves depleted by USD 28.9 billion during 2022-23 against increase of 30.3 billion in 2021-22. Alike last year, positive growth of USD 57.9 bio in capital account inflow covered for deficit of USD 67.1 billion on current account net outflows. NRI deposit saw positive growth of USD 9 billion. The valuation loss, primarily reflecting the appreciation of the USD against major currencies, amounted to US\$ 19.7 billion and shortfall in Fx reserve USD 9.1 bio effectively brought the BoP of India down to USD 28.9 billion.

## ICC News

- ICC has prepared and circulated a draft Concept Note for a Framework for WTO Reform, inviting comments thereupon.
- ICC published eUCP Version 2.1 which is neither a revision nor an update of the eUCP but just aligning the eUCP with the UNCITRAL Model Law on Electronic Transferable Records (MLETR).

## Upcoming Market Events

- RBI MPC Meeting 08<sup>th</sup> to 10<sup>th</sup> August 2023
- FOMC Meeting 25<sup>th</sup> to 26<sup>th</sup> July 2023
- ECB Monetary Policy Meeting 27<sup>th</sup> July 2023

## FEDAI workshops & training activities

- 24<sup>th</sup> to 28<sup>th</sup> July 2023 – 5 Days Orientation Workshop at Mumbai
- 17<sup>th</sup> to 21<sup>st</sup> July 2023 – 5 Days Orientation Workshop exclusive for UCO Bank at Kolkata
- 27<sup>th</sup> June, 2023 – FEDAI organized an interactive session with eminent economist Mr. Jahangir Aziz, Head - Emerging Market Economies & Commodity Research, J P Morgan.

## Market News

- Shri Swaminathan J took charge as the Deputy Governor, RBI on June 26, 2023. He was MD, SBI immediately prior to this assignment.
- Shri Ashwani Kumar, ED, Indian Bank, has joined UCO Bank as MD & CEO.
- RBI has setup a Sub-office in Kohima, Nagaland, expanding its presence in the NE region with offices already at Assam, Manipur, Meghalaya, Mizoram & Tripura.
- In light of the cessation of the publication of USD LIBOR after June 30, 23, FBIL has ceased the publication of MIFOR after June 30, 23. Modified MIFOR continue as Significant Benchmark.
- Through the Central Counterparties (Equivalence) (India) (RBI) Regulation 2023, UK has granted equivalence to RBI authorized CCP w.e.f. 28 June 2023.

MPC Resolution

NDDC to Residents

LRS Remittance - TCS

RBI Fx ETP Alert List

Fx Reserve variations

ICC News

Market Events

FEDAI Trainings

Market News

ICC - UCPDC 600

## Commentary on Article 10

A credit can neither be amended nor cancelled without the agreement of the issuing bank, the confirming bank, if any and the beneficiary, except as otherwise provided in article 38.

An issuing bank is irrevocably bound by an amendment as of the time it issues the amendment. A confirming bank may, however choose to advise an amendment without confirmation, & if so, it must inform the issuing bank without delay & inform the beneficiary in its advice.

The terms and conditions of the original credit will remain in force for the beneficiary until the beneficiary communicates its acceptance of the amendment to the bank that advised such amendment. The beneficiary should give notification of acceptance or rejection of an amendment. If the beneficiary fails to give such notification, a presentation that complies with the credit & to any not yet accepted amendment will be deemed to be notification of acceptance by the beneficiary of such amendment. Examples: i) A Credit is issued for USD100k & Partial Shipments Allowed. An amendment to the Credit is issued increasing the credit amount to USD200k. Documents are presented for USD200k. It would be taken as acceptance even if the beneficiary has not separately and specifically conveyed his acceptance for the amendment.

ii) A Credit is issued for USD100k & Partial Shipments Allowed. Amendment to the Credit is issued increasing the credit amount to USD200k. Beneficiary hasn't conveyed acceptance or rejection but documents are presented for USD100k. In this case, it is uncertain whether beneficiary has accepted the amendment or not. It will be known only, if the next presentation is made before expiry of credit.

iii) A Credit is issued for USD100k & Partial Shipments Not Allowed. An amendment to the Credit is issued increasing the credit amount to USD200k. Beneficiary hasn't conveyed acceptance or rejection but documents are presented for USD100k. In this case beneficiary hasn't accepted amendment since partial shipment not allowed & presentation made for USD100k.

Partial acceptance of an amendment is not allowed & will be deemed as notification of rejection of the amendment.