Foreign Exchange Dealers' Association of India
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June2024
FEDAI NEWS LETTER

Monetary Policy Committee's Resolution and Governor's Statement

https://website.rbi.org.in/web/rbi/-/press-releases/governor-s-statement-june-7-2024#AN
https://website.rbi.org.in/web/rbi/-/press-releases/monetary-policy-statement-2024-25-resolution-of-the-monetary-policy-committee-mpc-june-5-to-7-2024
https://website.rbi.org.in/web/rbi/-/press-releases/statement-on-developmental-and-regulatory-policies-1

The MPC in its 49th meeting held during June 05th to 07th, 2024 resolved by a majority vote to keep the policy repo rate under the liquidity adjustment facility steady at 6.50%, constant since February 2023. Consequently, the SDF/Bank Rate & MSF Rate too continued unchanged at 6.25% & 6.75%, respectively. It also decided by same majority vote to remain focused on withdrawal of accommodation to ensure that inflation progressively aligns to the target, while supporting growth.
Highlights of Statement on Developmental and Regulatory Policies are as below:

- The limit of Bulk Deposits for Scheduled Commercial Banks (excluding RRBs), Small Finance Banks and Local Area Banks is reviewed and increased to 3 Cr. from 2 Cr. The limit of Rs. 1 Cr for RRB is retained but henceforth the same limit is made applicable for local area banks also.
- Keeping in view the progressive liberalisation under FEMA 1999 and to impart greater operational flexibility to AD banks, RBI has decided to rationalise existing guidelines on export and import of goods and services in line with the changing dynamics of cross-border trade transactions globally.

As the RBI approaches its centenary year, the Governor stated that the RBI will gear up even more to remain future-ready for India's fast growing economy and will take steps to enhance India's global footprint. The agenda for the run-up to RBI@100 is documented focusing on various areas as details were provided in annexure to **Governor's Statement**, few of which are as follows:

- Positioning the Reserve Bank as Leader of the Global South;
- Expanding banking domestically in and positioning 3-5 Indian banks among top 100 global banks;
- With purpose to Capital Account Liberalisation & Internationalisation of the INR, focus will be on enabling availability of INR to non-residents, enhancing accessibility of INR accounts to Persons Resident Outside India, adopting a calibrated approach towards interest-bearing Non-Resident Deposits and promoting Indian MNCs and Indian global brands through overseas investments.
- Articulation of an AI Policy for the Bank

India's Balance of Payments during the Q4 (January-March) of 2023-24 and International Investment Position (IIP), March 2024

https://website.rbi.org.in/en/web/rbi/-/press-releases/developments-in-india-s-balance-of-payments-during-the-fourth-quarter-january-march-of-2023-24
https://website.rbi.org.in/web/rbi/-/press-releases/india-s-international-investment-position-iip-march-2024

India's current account balance recorded a surplus of USD 5.7 billion (0.6 per cent of GDP) in Q4:2023-24. This turnaround after persistent CA Deficit for last ten quarters to CA Surplus was primarily driven by narrowing of merchandise trade deficit, expanded service export, higher private transfer receipts from overseas.
As a ratio to GDP, India's overseas assets (reserve & residents' overseas financial assets) as well as liabilities increased during 2023-24 from 27.9% to 29% and 39.2% to 39.3%, respectively. Resultantly the net negative IIP position of country in March 2024 has come down to 10.3% of the GDP which in absolute numbers was USD 361.7 billion against USD 367.2 billion in March 2023. The statistics reveals quite interesting information such as: the FDI USD542.5 billion received in India was 2.24 times of overseas investment made by residents; the portfolio investment by non-resident in India was 27.55 times of what residents invested abroad; the liabilities on account of Loans was USD 222 billion & on account of trade credit was 118.6 billion in March 2024.

Amendment in OI Rules 2022, Definition of OPI

https://website.rbi.org.in/web/rbi/-/notifications/foreign-exchange-management-overseas-investment-directions-2022-investments-in-overseas-funds

In context to overseas investment through purchase of units in Mutual/Venture Capital/ Alternative Investment/ Infrastructure Investment Trust/ Real Estate Investment Trust Funds, an explanation as follows is provided. Explanation: 'investment fund overseas, duly regulated' for the purpose of this para shall also include funds whose activities are regulated by financial sector regulator of host country or jurisdiction through a fund manager.

Additional Current Account for Settlement of Trade Transactions

https://website.rbi.org.in/web/rbi/-/notifications/international-trade-settlement-in-indian-rupees-inr-opening-of-additional-current-account-for-settlement-of-trade-transactions

General permission was extended by the RBI for opening an additional special current account with AD Category-I banks maintaining Special Rupee Vostro Account vide FED Circular No. 08 dated November 17, 2023 for receiving export dues. Now, similar permission is considered vide FED Circular No. 11 dated June 11, 2024 for settlement of dues on account of import also.

FEDAI workshops & training activities

<u>01st to 05th July 2024:</u> 5 Days' Workshop (Non-Residential) on Foreign Trade and Foreign Exchange Business at Indian Bank, Chennai
<u>03rd July 2024:</u> One Day Online Workshop on "Banking and investment facilities for NRI/PIO"
<u>22nd July 2024:</u> One Day Online Workshop on "Countering Trade Based Money Laundering"
<u>22nd to 26th July 2024:</u> 5 Days' Workshop (Non-Residential) on Foreign Trade and Foreign Exchange Business at UCO Bank Staff College, Kolkata

Upcoming Market Events

ECB Monetary Policy Meeting – 18th July 2024
FOMC Meeting – 30th to 31st July 2024
RBI MPC Meeting– 06th to 08th August
FEDAI Annual Day – 21st August 2024

Market News

- FSIB recommended Shri Challa Sreenivasulu Setty for the position of Chairman of SBI.
- Shri Ajith Kumar K.K took charge as MD & CEO of the Dhanlaxmi Bank on June 20, 2024.
- The DGFT has extended Interest Equalisation Scheme for Rupee export credit for 2 months beyond June 30, 2024; henceforth, the scheme is available only to MSME exporters subject to total outlay of the scheme is capped Rs. 750 Cr.
- Rupee denominated G-Sec is included in JPMorgan's emerging market index on June 28, 2024.
- The FATF concluded Mutual Evaluation of India on 28th June, 2024, placing India in the 'regular follow-up' category, a distinction shared by only four other G20 countries.
- On June 30 2024, the BIS released two important reports; BIS Annual Economic Report and Monetary policy in the 21st century: lessons learned and challenges ahead
- The IFSCA Banking Handbook is amended vide circular IFSCA-FMPP0BR/1/2021-Banking-Part (1)/1 dated June 14, 2024 thus allowing IBU to pay interest in current account.
The IFSCA issued FAQ on Anti Money Laundering, Counter-terrorist Financing and Know Your Customer Guidelines on June 11, 2024.

Contents

ICC - UCPDC 600
Commentary on Art. 18

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

Continued from previous month...

<u>Invoice title</u>: When LC is calling for a presentation of an "invoice" without describing further, this will be satisfied by the presentation of any type of invoice (like Commercial Invoice, Customs Invoice, Tax Invoice, Final Invoice, Consular Invoice, etc.), but not to be identified as "Provisional", "Proforma" or the like.

When LC calls for presentation of a "Commercial Invoice", this will also be satisfied by the presentation of a document titled "Invoice", even when such document has a statement that it has been issued for tax purposes.

<u>Issuer of an invoice</u>: An invoice is to appear to have been issued by the beneficiary or, in the case of a transferred credit, the second beneficiary.

When the beneficiary or second beneficiary has changed its name and the LC states the former name, an invoice may be issued in new entity's name provided that it indicates, "formerly known as (name of the beneficiary or second beneficiary)" or similar words to that effect.

Description of the goods, services or performance and other general issues related to invoices:

The description of the goods, services or performance displayed on the invoice is to be related to the description shown in the LC. Exact mirror image is not required. For example, details of the goods may be stated in a number of areas within the invoice which, when read together, represent goods description related to the description stated in LC.

The description of goods, services or performance on an invoice is to reflect what has actually been shipped, delivered or provided. For example, when the goods description in the LC indicates a requirement for shipment of "10 trucks and 5 tractors", and if only 4 trucks are shipped, an invoice may indicate shipment of only 4 trucks provided that partial shipment is not prohibited in the LC. An invoice indicating what has actually been shipped (4 trucks) may also contain the goods description stated in the LC, i.e., 10 trucks and 5 tractors.

To be continued ...