



March 2023 FEDAI NEWS LETTER

XVIIth FEDAI Annual Conference – From 05-08th March'23 at Cairo

Over 200 delegates from 41 banks and many senior officials from RBI attended the 17th FEDAI conference. Shri. Rajeshwar Rao, DG, Reserve Bank of India delivered the key note address (https://www.rbi.org.in/Scripts/BS_SpeechesView.aspx?Id=1354). Sh Rao talked about the importance of the FEDAI annual conference which provides an excellent opportunity for exchange of ideas and a platform to share thoughts among the foreign exchange market participants. He appreciated the role of self-regulatory organisations (SROs) in market development and market conduct and shared his thoughts on the role played hitherto by FEDAI in the development of foreign exchange markets as well as expectations from it going forward. Sh Rao said the theme of the conference "India - Back to the Future: Better, Bolder & Benevolent" is very apt considering current market & economic environment. Senior officials from other market bodies CCIL, FIMMDA, FBIL also participated in the conference. Topic of two panel discussions were 'India redefining Global Supply Chains, Multilateral to Multiple Bilateral' and 'Recalibrating INR Fx Market in changing World Order'. Deliberations on the topics were very interactive & appreciated by the delegates. Local banks from Egypt were also invited for networking dinner, 12 representatives from 8 local banks joined March 06th, 23 providing an excellent opportunity to our delegates to interact with them & explore possible areas of common interest.

Foreign Trade Policy (FTP) 2023

<https://www.dgft.gov.in/CP>

After several extensions in the 2015-20 FTP due to pandemic & geo-political concerns, new FTP was announced on 31st March'23. The FTP seeks to achieve an Export target of USD 2 trillion by 2030. The new policy doesn't have an expiry date, it would be modified as and when required in response to changing circumstances and economic needs.

The Key Approach to the policy is based on these 4 pillars:

- From Incentives to Tax Remission
- Ease of Doing Business, greater Trade facilitation through technology, automation & continuous process re-engineering
- Export promotion through collaboration with Exporters, States, Districts
- Focus on Emerging Areas: e-Commerce Export Developing Districts as Export Hubs, Streamlining SCOMET policy.

The threshold for Recognition of Exporters as Status Holders is rationalized, enabling more exporters to achieve higher status. The Merchanting Trade, which so far was not part of the in FTP has now found reference with objective to make India a trading hub. Special attention is paid to e-commerce in this policy. Designated hubs with warehousing facility to be notified, to help e-commerce aggregators for easy stocking, customs clearance and returns processing. Consignment wise cap on e-Commerce exports through courier is raised from Rs. 5 lacs to Rs. 10 lacs. Few other key features of the policy are Amnesty Scheme, Reduction of application fee for MSME, special benefits to Dairy Sector/Battery Electric Vehicles/export of Fruits and Vegetables.

Tax Collected at Source on Overseas Remittance under LRS

The changes proposed in section 206.C of Income Tax Act in the Budget 23-24 recently passed by the Parliament through Finance Bill will effectively result in to;

- Increase in Rate of TCS from 5% to 20% except for purposes Medical and Education
- The existing threshold amount Rs. 7.00 lacs for application of TCS is withdrawn and now TCS shall be applicable for all overseas remittance under LRS for any amount except for Medical & Education purposes. Remittance for medical & education exceeding Rs. 7.00 lacs shall continue to attract TCS at existing rate.

Sources of Variation in Fx Reserves in India during Apr. to Dec. 2022

[Reserve Bank of India - Press Releases \(rbi.org.in\)](https://www.rbi.org.in/PressReleases)

As per latest RBI data vide Press Release dated 31 March 2023, foreign exchange reserves depleted by USD 44.6 billion during Apr.-Dec. 2022, key factor being the appreciation of the USD against major currencies as higher bond yields resulted in to valuation loss of USD 29.9 billion. Net outflow of USD 67.1 billion on current account flows was partially compensated by surplus of USD 52.4 billion on account of capital account flows. NRI deposits increased by USD 5.4 billion during the period.

ICC News

- ICC Banking Commission issued TA Briefing N°6

FEDAI workshops & training activities - Upcoming

- 17th to 21st April 2023; Five Day Orientation Workshop (Classroom) on Foreign Trade & Foreign Exchange Business at UCO Bank, Kolkata
- 18th to 19th April 2023; 2 Day Online Workshop on Exports and Export Finance

FEDAI Circulars:

- FEDAI has invited application for position of Senior Manager / Chief Manager (Knowledge Initiatives) and Associate (Administration, Accounts and Taxes)
- FEDAI advised members to abide by instructions of the Customs as to facilitate Registration of AD Code & Bank A/c Details of Exporters/Importers with Customs Dept through ICEGATE.

Upcoming Market Events

- RBI MPC Meeting – 03rd to 5th April 2023
- ECB Monetary Policy Meeting – 04th May 2023
- FOMC Meeting – 02nd to 03rd May 2023

Market News

- RBI & the Central Bank of the United Arab Emirates (CBUAE) signed a Memorandum of Understanding on March 15, 2023 to collaborate on various emerging areas of FinTech, especially CBDCs & explore interoperability between the CBDCs of CBUAE and RBI. CBUAE & RBI to jointly conduct pilots of bilateral CBDC bridge to facilitate cross-border CBDC remittances & trade to reduce costs, increase efficiency of cross border transactions.
- Financial Services Institutions Bureau recommended Shri Ashwani Kumar for the position of MD & CEO in UCO Bank. He is presently holding position of ED in the Indian Bank.
- Shri S.S. Dubey took charge as the Controller General of Accounts on March 6, 2023.
- RBI approved re-appointment of Shri Sumant Kathpalia as MD & CEO of the IndusInd Bank
- IFSCA has constituted an expert committee to formulate a roadmap to onshore the Indian innovation to GIFT IFSC. The committee is chaired by Sh. G. Padmanabhan, former ED, RBI.
- Central Government appointed Shri Deepak Mohanty, to the post of Chairperson, PFRDA
- Fed Reserve increased interest rate paid on reserve balances by 25 BPS to 4.9%, effective March 23, 2023; Bank of England raised interest rate (Bank Rate) by 25 BPS on same date to 4.25%. The GoI increased interest rate on EOF & Small Saving Schemes by 5 BPS on March 25, 2023 to 8.15%.

FEDAI Annual Conf.

FTP 2023

Higher TCS on LRS

Fx Reserve Dec.'22 Variations

ICC News

FEDAI Trainings & Circulars

Market Events

Market News

ICC - UCPDC 600 Commentary on Art. 7

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

Issuing bank honours i.e., it pays at sight, incurs a deferred payment undertaking or accepts a draft. It does not negotiate. Negotiation is an act carried out by a nominated bank or confirming bank.

An issuing bank is irrevocably bound to honour as of the time it issues the credit. The clarification is that the issued credit is irrevocable and it cannot be cancelled without the consent of the beneficiary.

The Article also clarifies situations when the issuing bank is obligated to reimburse.

Issuing Bank must reimburse at maturity a nominated bank who has honoured or negotiated a complying presentation under a credit available by acceptance and/or deferred payment, whether or not the nominated bank has prepaid or purchased before maturity. The obligation of the issuing bank to reimburse a nominated bank that has honoured or negotiated – is not depending on whether the nominated bank has prepaid or purchased.

An issuing bank's undertaking to reimburse a nominated bank is independent of issuing bank's undertaking to the beneficiary. It means: When a credit is issued it represents an irrevocable undertaking, of the issuing bank, to honour a complying presentation made by the beneficiary, whereas nominated bank agrees to act under their nomination and the nominated bank honours or negotiates, that undertaking becomes an undertaking to reimburse the nominated bank.

The undertaking of the issuing bank, (to reimburse) a nominated bank that has honoured or negotiated, is independent of its undertaking to a beneficiary (to honour) where a nominated bank has not honoured or negotiated or where the beneficiary has chosen to present directly to an issuing bank.