



May 2023 FEDAI NEWS LETTER

RBI Annual Report 2022-23

https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=55752

The part I section V of the report discusses Financial Market and Foreign Exchange. Report also highlights following goals set by RBI for 2023-24:

- Issuance of Directions (final) mandating exchange of initial margin for NCCDs
- Review of regulatory framework for hedging of FX risks
- Review of the reporting and disclosure framework of trade repositories
- Rationalisation of the RBI FEMA Notification No. 8 and 14(R)
- Review of Compounding Proceedings Rules under FEMA
- Review of the authorisation framework of Authorised Persons under FEMA
- Review of guidelines related to Rupee accounts of non-residents
- Simplification of trade guidelines
- Rationalisation of LRS

The Reserve Bank envisaged enhancing the outreach of payment systems to cross-border payments and remittances. Linkages with fast payment systems in other jurisdictions, on the lines of the UPI-PayNow linkage with Singapore, are in the pipeline.

LRS: Remittance and Tax Collection at Source

https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=55499

As per the Rule No. 7 of Foreign Exchange (Current Account Transactions) Rules 2000, drawl of foreign exchange by a person towards meeting expenses while such person was on a visit outside India by Credit Card were not subject to limitation stipulated in Schedule III of these Rules. With deletion of this Rule vide GoI notification on May 16, 2023, use of credit card by an Individual resident at overseas shall attract direction issued by RBI for LRS.

The Finance Bill 2023 has introduced certain significant changes with respect to tax collected at source by AD Banks in line with Section 203(C) of the Income Tax Act 1961 which will be effective from July 1, 2023. Here onwards, all LRS Remittances shall be subject to TCS instead of earlier 'Remittance Out of India'. The TCS on remittance for purpose of **Education & Medical Treatment** shall be applicable only on the amount in excess of Rs. 7 lacs in a FY at rate of 5% (for Education purpose, if the amount being remitted is out of loan from specified institution, the rate of TCS shall be 0.50%). The TCS for rest of all categories LRS Remittance shall be 20% of total remittance amount.

It is pertinent to note here that Ministry of Finance vide press release dated May 19, 2023 clarified that money spent overseas by an individual using their international Debit or Credit Cards up to Rs. 7 lacs per financial year will be excluded from LRS limits and hence not attract any TCS.

Information Requirements For Cross Border Wire Transfers

https://www.rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx?id=12498

All cross-border wire transfers should be accompanied by accurate, complete, & meaningful originator & beneficiary information; name, account number & address. In the absence of an account, a unique transaction reference number should be included which permits traceability of the transaction. In case of batch transfer, where several individual cross-border wire transfers from a single originator are bundled in a batch file for transmission to beneficiaries, they (i.e., individual transfers) are exempted from above requirements in respect of originator, subject to certain compliance. MTSS providers are also required to comply with all of the relevant requirements of these directions, whether they are providing services directly or through their agents.

LIBOR Transition

https://www.rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx?id=12503

The publication of the remaining five US\$ LIBOR settings will cease permanently after June 30, 2023. While certain synthetic LIBOR settings will continue to be published after June 30, 2023, the FCA, UK, which regulates the LIBOR, has made it clear that these settings are not meant to be used in new financial contracts. The MIFOR (published by FBIL), a domestic interest rate benchmark reliant on US\$ LIBOR, will also cease after June 30, 2023. Banks/FIs are advised by RBI to ensure that no new transaction undertaken by them or their customers rely on or are priced using the US\$ LIBOR or the MIFOR. Banks/FIs are also advised to take all necessary steps to ensure insertion of fallbacks in all remaining legacy financial contracts that reference US\$ LIBOR or MIFOR.

Levy of Charges on Forex Prepaid/ Store Value /Travel Cards

https://www.rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx?id=12502

RBI advised fees/charges related to International Credit/ Debit/ Pre-paid Cards, payable in India shall be denominated and settled in Rupees only.

Interest Equalisation Scheme

All the exporters seeking benefits under the Interest Equalisation Scheme w.e.f May 1, 2023 are required to submit Unique IES Identification Number (**UIN**). An acknowledgement generated through DGFT Website consisting of UIN, is valid for a financial year and is unique to a specific bank. If a scheme beneficiary desires to take advantage of the benefits of the scheme from multiple banks, a new UIN must be provided for each bank. DGFT also capped the maximum annual subvention amount per IEC holder Rs. 10 Cr each financial year.

ICC News

Following work DONE by Financial Crime and Risk Policy (FCRP) Group, ICC invited comments on the recommendation paper on 'Price Checking of Goods & Services in Trade' and 'Dual Use Goods and Proliferation Financing'.

Upcoming Market Events

- RBI MPC Meeting 06th to 08th June 2023
- FOMC Meeting 03th to 14th June 2023
- ECB Monetary Policy Meeting 15th June 2023

FEDAI workshops & training activities

- 07th June 2023 – Online workshop on Banking and investment facilities for NRI/PIO
- 12th to 16th June 2023 – FEDAI 5 Days Orientation Workshop at IMAGE, Chennai
- 19th to 23rd June 2023 – FEDAI 5 Days Orientation Workshop at Indian Bank, Kolkata

Market News

- Karnataka Bank appointed of Mr. Srikrishnan Harihara Sarma as the new MD& CEO.
- CCIL has built the Service for Analysis of Risk, Valuation and Margining (SARVAM). This solution has been designed to provide 'Valuation', 'Margining' (both Variation Margin and Initial Margin), 'Collateral Management and Margin Maintenance' and Risk Analytics services for NCCDs under its different modules.
- The SEZ Rules are amended to extent that nothing contained in Rule 53 i. e. 'Net Foreign Exchange Earning' shall apply to a Unit setup in an International Financial Service Centre providing financial service and regulated by the IFSCA.
- IFSCA has invited comments on consultation paper on the proposed amendment in IFSCA (Banking) Regulations, to be submitted latest by June 19, 2023.

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ICC - UCPDC 600 Commentary on Article 9

A letter of credit and any amendment to letter of credit may be advised to the beneficiary through an advising bank. An advising bank advises the credit and any amendment after satisfying itself about the apparent authenticity of the credit or amendment. Advising bank also ensures that the advice accurately reflects the terms and conditions of the credit or amendment received.

By "satisfying itself", the advising bank not only check the authenticity of the messages received for documentary credit or amendment but also follows the laid down policies and procedures that are in place within their organization.

Under sub article 9(c), UCP 600 introduces the concept of a second advising bank. Here the second advising bank is designated by the first advising bank i.e., An advising bank may utilize the services of another bank (second advising bank) to advise the credit and any amendment to the beneficiary. It means the second advising bank is not a bank designated by the issuer to advise the credit but by the first advising bank. By advising the credit, the second advising bank signifies that it has satisfied as to the apparent authenticity of the advice, it has received and that the advice accurately reflects the terms and conditions of the credit or amendment received.

A bank utilizing the services of an advising bank or second advising bank to advise the credit must use the same bank to advise any amendment thereto.

If a bank is requested to advise a credit or amendment but elects not to do so, it must so inform, without delay, the bank from which the credit or amendments has been received.

If advising bank or second advising bank cannot satisfy itself about the apparent authenticity of the credit or the amendments, it must so inform, without delay, the bank from which the instructions appear to have been received. If the advising bank or second advising bank elects nonetheless to advise the credit or amendment, it must inform the beneficiary or second advising bank that it has not been able to satisfy itself the apparent authenticity of the credit or the amendment.