Foreign Exchange Dealers' Association of India
(Registered under section 25 of the companies Act, 1956)

May 2024
FEDAI NEWS LETTER

Contents

RBI Annual Report - 2023-24

https://www.rbi.org.in/Scripts/AnnualReportPublications.aspx?year=2024

The report expects India's merchandise exports to benefit from the projected rebound in global trade volume (goods and services) which is expected to recover with a growth of 3.0 per cent in 2024 & 3.3 per cent in 2025 from 0.3 per cent in 2023. India's share in world remittance receipts is estimated to increase to 15.2 per cent in 2024 from 11.1 per cent in 2019 as estimated by the World Bank. The report besides talking about key developments in Financial Markets & Foreign Exchange Management in the year 2023-24 also covers agenda set for FY 2024-25, some important points covered in the report are:-

- Review of the regulatory framework for ETP authorisation
- Development of a framework for SRO
- Enhance intervention toolkit to undertake focused foreign exchange operations to curb undue volatility in the USD/INR exchange rate
- Review of the authorisation framework for APs
- Rationalisation of regulations for export of goods and services
- Rationalisation of Foreign Exchange Management (Guarantee) Regulations
- Internationalisation of INR
- Measures to improve the role of GIFT City vis-à-vis other international financial centres
- Review of Compounding Proceedings Rules under the Foreign Exchange Management Act (FEMA), 1999
- Rationalisation of the LRS as well as MTSS and RDA Scheme

Issuance of partly paid units to persons resident outside India

https://website.rbi.org.in/web/rbi/-/notifications/issuance-of-partly-paid-units-to-persons-resident-outside-india-by-investment-vehicles-under-foreign-exchange-management-non-debt-instruments-rules-2019

Investment Vehicles (AIF/ REIT/ InvIt) receive foreign investment through Units issued to non-residents under NDI Rules. These rules were amended on 14 March 2024 modifying the definition of Unit to include Partly Paid-up units issued in accordance with & as permitted under SEBI regulations. RBI issued the circular directing the regularisation of the issuances of partly paid units by AIFs to persons resident outside India prior to this amendment, through compounding under FEMA 1999. However, before approaching the RBI for compounding, banks may ensure that the necessary administrative action, including the reporting & issuing of conditional acknowledgements for such reporting, is completed.

Margin for Derivative Contracts

https://website.rbi.org.in/web/rbi/-/notifications/margin-for-derivative-contracts

https://website.rbi.org.in/web/rbi/-/notifications/master-direction-reserve-bank-of-india-margining-for-non-centrally-cleared-otc-derivatives-directions-2024

Basis the market feedback, RBI has reviewed extant instructions and issued the Reserve Bank of India (Margin for Derivative Contracts) Directions, 2024 and Reserve Bank of India (Margining for Non-Centrally Cleared OTC Derivatives) Directions, 2024. The revised guidelines shall come into force on Nov.08'2024.

As per the guidelines, threshold for Average Aggregate Notional Amount (AANA) of outstanding NCCDs on a consolidated group wide basis for covered entities is as under:

Domestic Covered Entities –
Variation Margin–Rs. 25,000 cr for Regulated entities & Rs 60,000 crores for others
Initial Margin – Rs. 60,000 crores & above
Foreign Covered entities –
Variation Margin – USD 3 billion for Non-Resident Financial entities & USD 8 billion for others
Initial Margin – USD 8 billion for Non-Resident Financial Entities

To facilitate posting and collecting margin in India, for a permitted derivative contract with non-resident in Indian Rupees and/or foreign currency, RBI has amended Foreign Exchange Management (Deposit) Regulations, 2016 and allowed AD Banks to open, hold and maintain an interest-bearing account in INR and/or foreign currency.

FEDAI workshops & training activities - Upcoming

10th to 14th June 2024: - 5 Days' Workshop (Non-Residential) on Foreign Trade and Foreign Exchange Business at Bank of Baroda, Ahmedabad.

12th June 2024: One Day Online Workshop on "FEMA Guarantees Regulation and Structured Obligations"

19th June 2024: One Day Online Workshop on "Overseas Investment Facilities for Residents"

20th & 21st June 2024: 2 Days' Workshop (Non-Residential) on "Treasury and Foreign Exchange Market", FEDAI Conference Room, Mumbai

01st to 05th July 2024: 5 Days' Workshop (Non-Residential) on Foreign Trade and Foreign Exchange Business at Indian Bank, Chennai

FEDAI Local Chapter, Chennai

The FEDAI Local Chapter meeting held on 14 May 2024 at Indian Overseas Bank, Staff Training Centre, Chennai. Among the dignitaries, Ms. Navodita, DGM (FED), RBI Regional Office Chennai, Sri. Kt. Tholopothy Ramkumor (ITS), Deputy General of Foreign Trade, Chennai and Sri. Ashwani Sindhwani, Chief Executive FEDAI addressed and answer queries of participant. Over 50 officers from 29 bank attended this meeting, chaired by Sri. Gopal S. GM (Treasury), IOB.

Upcoming Market Events

RBI MPC Meeting– 05th to 07th June
ECB Monetary Policy Meeting – 06th June2024
FOMC Meeting – 11th to 12th June 2024

Market News

- RBI appointed Shri R. Lakshmi Kanth Rao, CGM-in-Charge, Dept of Regulations as Executive Director w.e.f. May 09, 2024.
- RBI launched three major initiatives, PRAVAAH portal, the Retail Direct Mobile App and a FinTech Repository. The PRAVAAH portal makes it convenient for any individual or entity to apply online for various regulatory approvals in a seamless manner. RD Mobile App will provide retail investors a seamless and convenient access to the platform & provide ease of transacting in G-Secs. The Fintech Repository will contain information on Indian FinTech Sector.
- BIS issued a bulletin titled 'Next generation correspondent banking' https://www.bis.org/publ/bisbull87.pdf
- WTO Global Trade Outlook and Statistics estimates global GDP growth at market exchange rates remain mostly stable over the next two years at 2.6% in 2024 and 2.7% in 2025 https://www.wto.org/english/news_e/news24_e/tfore_10apr24_e.htm

ICC - UCPDC 600

Commentary on Art. 17* & 18

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

Continue from previous month…

If LC prohibits an original document presentation, by stating, for example, "Photocopy of invoice – original document is not acceptable in lieu of photocopy" or the like, only a photocopy of invoice or an invoice marked as copy is to be presented.

When a letter of credit calls for presenting a copy of a transport document and provides a disposal instruction for all originals, then original transport document cannot be included in the presentation.

Original documents need to be signed if letter of credit requires it or the document itself or UCP 600.

Even if letter of credit requires that all documents are to be manually signed, this condition does not apply to copies. And, copies of documents need not be dated as well.

Commentary on Article 18 - Commercial Invoice:

a. A commercial invoice:

i. must appear to have been issued by the beneficiary, except as per the provisions of Article 38 of UCP 600 rules,

ii. must be made out or raised in the name of the applicant, except as per the provisions of sub-article 38 (g) of UCP 600 rules,

iii. must be made out or raised in the same currency as the letter of credit; and

iv. does not require a signature.

b. A nominated bank that is acting on its nomination, a confirming bank, if any, or the issuing bank may accept a commercial invoice issued for an amount in excess of the amount permitted by the letter of credit. Its decision will be binding upon all parties, provided the bank in question has not honoured or negotiated for an amount in excess of that permitted by the letter of credit.

c. The description of the goods, services or performance in a commercial invoice must correspond with that of the description that is appearing in the letter of credit.

To be continued …