



November 2022 FEDAI NEWS LETTER

AD Conference by RBI - 2022

The conference of AD Banks held on November 16, 2022 at Mumbai was addressed by CGM In-charge (FED) and CGM In-charge (FMRD) followed by presentations by RBI on recent changes made by the regulator, consequences thereof and regulator's expectations from banks with particular focus on Capital Account transaction, Current Account Transaction and Fx Hedging Guidelines. FEDAI too made a presentation on theme Developments – Opportunities – Expectations; divided in three sections: A story of resilience, Key Regulatory Changes and Looking Forward. The conference also had two panel discussions on topics 'Liberalised Remittance Scheme' & 'Rationalisation of Trade Regulations', moderated by RBI Officials. The panel discussions were followed by questions and answers.

Operationalisation of Central Bank Digital Currency – Retail (e₹-R)

https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=54773

The pilot project which was announced by RBI on October 31, 2022 would cover select locations in closed user group comprising participating customers and merchants at select centres. The e₹-R would be in the form of a digital token that represents legal tender. RBI informed that these tokens would be issued in the same denominations that paper currency and coins are currently issued and would be distributed through intermediaries, i. e. select banks. Users will be able to transact with e₹-R through a digital wallet offered by participating banks and stored on mobile phones/devices. Transactions can be both Person to Person (P2P) and Person to Merchant (P2M). The e₹-R would offer features of physical cash like trust, safety and settlement finality. As in the case of cash, it will not earn any interest and can be converted to other forms of money, like deposits with banks. The first phase will begin with four banks, viz., State Bank of India, ICICI Bank, Yes Bank and IDFC First Bank in four cities across the country. Four more banks, viz., Bank of Baroda, Union Bank of India, HDFC Bank and Kotak Mahindra Bank will join this pilot subsequently. The pilot would initially cover four cities, viz., Mumbai, New Delhi, Bengaluru and Bhubaneswar and later extend to Ahmedabad, Gangtok, Guwahati, Hyderabad, Indore, Kochi, Lucknow, Patna and Shimla.

FATF and India's Priorities in G20 Anti-Corruption Working Group

<https://pib.gov.in/PressReleasePage.aspx?PRID=1876892>

India moved into the role to preside over the G-20 Group (<https://www.g20.in/en>) from 1st December 2022 till 18th summit of members' Heads of State/Government of group on September 9 to 10, 2023 at New Delhi. India shall host various G-20 events in series during its presidency; one such "No Money For Terror", Ministerial Conference on Counter-Terrorism Financing was held on November 17, 2022 under joint chair of Mr. T. Raja Kumar, President-FATF & Mr. Sanjay Malhotra, Secretary (Designate), Department of Revenue (DoR), Ministry of Finance, Government of India. In this conference, RBI shared perspectives on the uses of the analytical model it uses for applying a Risk Based Approach for supervision of scheduled commercial banks from KYC/ AML.

IFSCA Updates

<https://www.ifsc.gov.in>

The International Financial Services Centres Authority (The Unified Regulator) and the Reserve Bank of India have entered into a Memorandum of Understanding (MoU) for collaboration in the field of regulation and supervision of regulated entities in their respective jurisdictions. The MoU facilitates technical cooperation and exchange of information.

A Working Group was constituted by the Ministry of Corporate Affairs inter-alia to examine and make recommendations on necessary amendments to allow IFSC companies to issue securities, share capital, in foreign currency, and other related matters. The Working Group has made several recommendations w.r.t. reference made to it & ancillary recommendations in this regard.

FEDAI Annual Training Meeting

The FEDAI Annual Training Meet 2022-23 held on November 18, 2022 wherein the forum agreed on following major points:

1. No change in fee structure. The fee structure of 2022 will continue till December 2023.
2. Both physical and online workshops will be conducted.

Yes Bank & IDFC First Bank has been awarded for highest their number of participants in FEDAI Workshops 2022 Series.

ICC News

- ICC Banking Commission undertaken a survey on rules on documentary credit and on basis of feedback agrees that market feedback does not show real appetite for a revision. Therefore, the commission will not revise UCP at the current stage; however, agreed to initiate a limited review of ISBP 745.
- Banking Commission has circulated Draft consolidated Opinions on reference received from various national committee for next review meeting, January 2023 and the same is shared by FEDAI with its members for their comments.

Upcoming Market Events

- > RBI MPC Meeting 05th to 07th December 2022
- > FOMC Meeting 13th to 14th December 2022
- > ECB Monetary Policy Meeting 15th December 2022

Market News

- > Financial Services Institutions bureau recommended Shri Kalidindi Satyanarayana Raju for the position of MD & CEO in Canara Bank on November 09, 2022; he is presently holding position of Executive Director in the same bank.
- > Shri Subrat Kumar has been appointed as the Executive Director of Bank of India on November 21, 2022. Sh Subrat Kumar was earlier holding the position of General Manager, Bank of Baroda.
- > The Central Government has nominated Shri Vivek Joshi, Secretary, Department of Financial Services, MoF, GoI as a Director in the Central Board of RBI as well as SBI in place of Sh Sanjay Malhotra.
- > CCIL's released new version of FX-Clear platform facilitating the members to trade in the FBIL USD/INR Reference Rate (R-Spot) with effect from November 07, 2022.
- > A special meeting of the Monetary Policy Committee (MPC) was held on November 3, 2022 to discuss and draft the report to be sent to the Government by RBI.
- > Bank of International Settlement published OTC derivatives statistics at end-June 2022 (https://www.bis.org/publ/otc_hy2211.pdf) on November 30, 2022.
- > Hon. Prime Minister, Shri Narendra Modi unveiled the logo, theme and website of India's G-20 Presidency.

Contents

AD Conference - 2022

CBDC - Retail

G20 Anti-Corruption

Working Group

IFSCA Updates

FEDAI Annual

Training Meet

ICC News

Market Events

Market News

ICC - UCPDC 600

Commentary on Article 2

An explanation is provided hereunder on some important definitions:

Banking day means a day on which the bank is regularly open for an act subject to UCP rules is to be performed. A bank may be regularly open Mondays to Saturdays but its international trade department is only open Mondays to Fridays, then a banking day would be any day between Monday to Friday.

Honour means

- to pay at sight if the credit is available by sight payment
- to incur a deferred payment undertaking and pay at maturity if the credit is available by deferred payment
- to accept a BoE ('draft') drawn by the beneficiary and pay at maturity if the credit is available by acceptance

Negotiation means the purchase by the nominated bank of drafts (drawn on a bank other than the nominated bank) and/or documents under a complying presentation by advancing or agreeing to advance funds to the beneficiary on or before the banking day on which reimbursement is due to the nominated bank.

Honour Vs Negotiation: Honour is a function that can be performed by -

- Issuing bank (sub-article 7(a) and (b) of the UCP 600),
- Confirming bank (if any) [sub-article 8 a (i) and 8 (b) of the UCP 600].

Negotiation is only possible if a credit states that it is available "by negotiation". Negotiation is a function which can't be performed by the issuing bank. It can be performed by -

- Confirming bank (if any)[sub-article 8 a (ii) and 8 b of the UCP 600],
- Nominated bank (article 2 'definition of negotiation').

Under Honour, you have to perform your duties,

Under Negotiation, It is an option to you to perform other's duties.

For example: Drawee is ABC Bank. ABC Bank's responsibility is to make the payment to Payee of the Draft. It cannot escape from making payment to Payee. When it comes to Negotiation. If XYZ Bank makes the payment to Payee (Still Drawee being ABC Bank) then it is called Negotiation.