



November 2021 FEDAI NEWS LETTER

Revision of RBI Master Circular on Guarantees and Co-acceptances

https://www.rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx?id=12189

RBI vide its revised Master Circular on Guarantees and Co-acceptances issued on Nov 9th, 2021 has clarified, banks are prohibited from negotiating unrestricted LCs of non-constituents, in cases where negotiation of bills drawn under LC is restricted to a particular bank and the beneficiary of the LC is not a constituent of that bank, the bank shall have the option to negotiate such LCs, subject to the condition that the proceeds are remitted to the regular banker of the beneficiary.

Changes in the Forex Clearing and Settlement process timing

<https://www.ccilindia.com/Lists/lstNotificationForexSettlement/Attachments/1222/Notification%2034%20Change%20in%20Clearing%20Hours%20Forex%20Settlement.pdf>

In view of the current pandemic situation gradually improving, CCIL has decided to restore the session timing for Fx-Clear, Fx-Swap and Fx-Retail platforms to pre-pandemic timings. Effective 8th Nov.2021, Fx-Retail platform is available from 8.00 am till 3.00 pm for value Cash deals and from 8.00 am till 7.30 pm for value Tom, Spot and Forward deals.

Fx Retail Enhancement

CCIL has launched new version of Fx Retail platform. Users can now also Rollover or Early Deliver outstanding Forward Contracts on the platform, with effect from 29th November 2021.

Interest on Foreign Currency Non-Resident (Bank) Deposits

https://www.rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx?id=12191

In view of the impending discontinuance of LIBOR as a benchmark rate, RBI has decided to permit banks to offer interest rates on FCNR (B) deposits using widely accepted 'Overnight Alternative Reference Rate (ARR) for the respective currency' with upward revision in the interest rates ceiling by 50 bps. As a measure to handle the information asymmetry during the transition, FEDAI may publish the ARR till such time the widely accepted benchmark is established. FEDAI shall soon come out with revised framework announcing the ARR for respective currencies, in consultation with its members.

FPI in debt securities issued by InvITs & REITs

https://www.rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx?id=12188

RBI has permitted FPIs to invest in debt securities issued by Infrastructure Investment Trusts (InvITs) and Real Estate Investment Trusts (REITs). FPIs can acquire debt securities issued by InvITs and REITs under respective regulations of the Medium-Term Framework (MTF) or the Voluntary Retention Route (VRR).

Investment in Overseas Reverse Repo in F Securities by AD Banks

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?id=12188&Mode=0>

Responding to queries from AD Banks, RBI has clarified that AD Banks in India are permitted to make overseas investment through reverse repo in foreign securities, please refer FEDAI Circular letter dated 22 November for details.

ICC News

- ICC, Paris has issued Global Credit Data/ICC Performance Guarantee Paper. These data together support an average Credit Conversion Factor (CCF) of less than 10% which in turn supports the maintenance of a 20% downturn EAD when calculating Risk Weighted Assets for capital purposes.
- ICC, Paris has released a paper on Standards for Sustainable Trade & Sustainable Trade Finance
- ICC India and FEDAI have jointly issue GUIDANCE NOTE on Documentary Credit issued by Non-banking Entities highlighting potential risk & warranted cautions for beneficiary exporters in India. The paper also provides a check list to help beneficiaries do necessary due diligence to protect their interest.

FEDAI workshops & training activities

- **08th December 2021**; Topic for next event under FEDAI Monthly Discussion Forum to be held on 8th Dec.2021 is "Decrypting Crypto". Esteemed guests for the event are Mrs. Usha Thorat, Chairperson FBI (Former Dy Governor, RBI) & Dr. Partha Ray, Director, NIBM (Former Professor, IIM, Calcutta). Further details and login details are available on FEDAI website.
- **15th December 2021** – 1 Day workshop on "Countering Trade Based Money Laundering"

Upcoming Market Events

- RBI MPC Meeting 6th-8th December 2021
- FOMC Meeting 14th-15th December 2021
- ECB Monetary Policy Meeting 16th December 2021

Market News

- RBI has reviewed and revised Prompt Corrective Action (PCA) Framework for Scheduled Commercial Banks.
- In second phase, all IECs which have not been updated on DGFT Portal shall be de-activated with effect from December 06, 2021. The list of such IECs may be seen at the given link <https://www.dgft.gov.in/CP/2opt=LIEC>
- Reserve Bank organised its first global hackathon – "HARBINGER 2021 – Innovation for Transformation" with the theme 'Smarter Digital Payments'.
- The Reserve Bank - Integrated Ombudsman Scheme, 2021 was launched by Hon'ble Prime Minister on November 12, 2021; the new scheme integrates the existing three Ombudsman schemes of RBI namely, (i) the Banking Ombudsman Scheme, 2006; (ii) the Ombudsman Scheme for Non-Banking Financial Companies, 2018; and (iii) the Ombudsman Scheme for Digital Transactions, 2019.
- Regulations Review Authority (RRA 2.0) has recommended withdrawal of 150 circulars in the first tranche of their recommendations.
- RBI increased existing cap on stake of promoter in private sector bank from 15% to 26%, which was one of the recommendations of their Internal Working Group.
- RBI vide its notification dt. Nov.29th 2021 superseded the board of directors of Reliance Capital Ltd. & appointed Shri Nageswara Rao Y, ex-Executive Director, Bank of Maharashtra, as the Administrator. In exercise of powers conferred under section 45-IE (5) (a) of the RBI Act 1934, the Reserve Bank has constituted a three-member Advisory Committee to assist the Administrator in discharge of his duties.
- The bill titled "The Cryptocurrency and Regulation of Official Digital Currency Bill, 2021", scheduled for discussion in ongoing winter session of parliament intends to "create a facilitative framework for creation of the official digital currency to be issued by RBI. The Bill also seeks to prohibit all private cryptocurrencies in India; however, it allows for certain exceptions to promote the underlying technology of cryptocurrency and its uses".

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NRI and Overseas Citizen of India (OCI)



Non-Resident Indian (NRI) means a person resident outside India who is a citizen of India, holding Indian passport.

Earlier, Indians who had settled abroad & had acquired citizenship of country of their residence were recognized as Person of Indian Origin (PIO). The PIO card scheme has since been withdrawn vide Gazette Notification No. 25024/9/2014 F.I dated January 09, 2015. Further, vide Notification No 26011/01/2014IC.I dated January 09, 2015 all existing PIO card holders were allowed to be deemed OCI card holders for certain period.

OCI Card is an entitlement extended under the Citizenship Act 1955. Under the scheme, a foreign national, who was eligible to become a citizen of India on January 26, 1950 or was a citizen of India on or at any time after January 26, 1950 or belonged to a territory that became part of India after August 15, 1947 and his/her children and grand-children, provided his/her country of citizenship allows dual citizenship in some form or other under the local laws, is eligible for registration as an Overseas Citizen of India (OCI). Minor children of such person are also eligible for OCI. However, if the applicant had ever been a citizen of Pakistan or Bangladesh, he/she will not be eligible for OCI.

- :Please get yourself vaccinated at the earliest: