



October 2022 FEDAI NEWS LETTER

Sixth FEDAI Annual Day held in Mumbai on 20th October, 2022

The 6th FEDAI Annual Day celebrated at Hotel Trident, Nariman Point, Mumbai. Shri Rajay Sinha welcomed dignitaries and august gathering of over 220 senior officers from RBI, CCIL, IBA, FIMMDA, FBIL and member AD Banks. Shri C S Setty (MD State Bank of India), Chief Guest talked on contribution made & critical played/ being played by the FEDAI in development of Fx Market in India. Shri. T Rabi Sankar, Deputy Governor, Reserve Bank of India delivered key note speech 'Internationalisation of the Rupee: Is it time to shift gears?' FEDAI honoured top five scorers in Certificate in Foreign Exchange Operation examination during the FY 2021-22, on this occasion.

RBI Unhedged Foreign Currency Exposure (UFCE) Directions, 2022

https://www.rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx?id=12402

RBI, based on comprehensive review of the extant guidelines and all the existing instructions on this subject, consolidated the guidelines in the new RBI UFCE Directions 2022 which shall come into force from January 1, 2023. It is important to note that definition of 'Entity' is now made wider and from earlier it being termed the one which had borrowed from banks; now the 'Entity' means counterparty to which bank has exposure in any currency. The present requirement of obtaining Statement of UFCE from Entities by AD Bank at quarterly intervals shall continue, the information should be audited and certified by the statutory auditors of the entity concerned at least once in a year. The criteria of exposure to the banking system as regards to Smaller Entities for which banks need not insist filing of Statement of UFCE and could straight away apply incremental provisioning of 10 bps over and above extant standard asset provisioning, is now revised from 25 to 50 cr. Now direction explicitly specified 4 categories which may be exempted by bank at their discretion.

RBI Survey on International Trade in Banking Services, 2021-22

https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=54530#T1

The Reserve Bank released results of 2021-22 round of the survey on International Trade in Banking Services (ITBS) on 12 October 2022, which reveals many interesting facts.

SPDs may offer all foreign exchange market-making facilities to users

https://www.rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx?id=12397

https://www.rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx?id=12398

As announced in the Statement on Developmental and Regulatory Policies dated August 05, 2022, RBI allowed Standalone Primary Dealers (SPDs) to offer all foreign exchange market-making facilities to market users, as currently permitted to Category-I AD, subject to adherence to the compliance of the following:

- In addition to capital adequacy guidelines for SPDs, under the standardised approach, SPDs shall maintain a market risk capital charge of 15% for net open positions (limits or actual, whichever is higher) arising out of forex business with a risk weight of 100%.
- In addition to the foreign exchange exposure limits prescribed under RBI MD on RMIBD dated July 05, 2016, the capital charge for market risk [calculated as per provisions of Master Direction – Standalone Primary Dealers (Reserve Bank) Directions, 2016] for all the permissible non-core activities, including foreign exchange activities, shall not be more than 20% of the Net Owned Fund of the SPD as per last audited balance sheet.
- FEMA and all rules, regulations and directions issued thereunder.

Operationalisation of Central Bank Digital Currency (CBDC) Pilot

https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=54616

RBI announced that it shall commence pilot project involving 9 banks, viz., SBI, BoB, Union Bank, HDFC Bank, ICICI Bank, Kotak Mahindra Bank, Yes Bank, IDFC First Bank and HSBC on November 1, 2022 in the Digital Rupee - Wholesale segment (e- -W).

BIS Triennial Central Bank Survey

https://www.bis.org/statistics/rpfx22_fx.pdf

The BIS Triennial Central Bank Survey is the most comprehensive source of information on the size and structure of global over-the-counter (OTC) markets in foreign exchange (Fx) and interest rate derivatives, latest of which is released on 27 October 2022. Highlights are as below:

- Trading in OTC Fx markets reached USD 7.5 trillion per day in April 2022, up 14% from USD 6.6 trillion three years earlier.
- Turnover of Fx swaps accounted largest share at 51% followed by spot trades at 28% and outright forwards at 15% of global turnover.
- Overall, inter-dealer trading, reached USD 3.5 trillion or 46% of global turnover in April 2022.
- The US Dollar was on one side of 88% of all trades. The share for the Euro decreased marginally to 31% and those for the Japanese Yen and the Pound Sterling remained unchanged at 17% and 13%, respectively. The Renminbi's share rose to 7%, making it the fifth most traded currency.
- Top 5 Trading Centre are: United Kingdom, United States, Hong Kong, Singapore and Japan

Outcomes from the FATF 2022 Plenary

https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=54599

<https://www.fatf-gafi.org/publications/fatfgeneral/documents/outcomes-fatf-plenary-october-2022.html>

The FATF, vide public document 'High-Risk Jurisdictions subject to a Call for Action' - October 21, 2022, has called on its members and other jurisdictions to refer to the statement on Democratic People's Republic of Korea (DPRK) and Iran adopted in February 2020 which remains in effect. Further, Myanmar has been added to the list of High-Risk Jurisdictions subject to a Call for Action in the October 2022 FATF plenary. Nicaragua and Pakistan are now out of the grey list whereas Republic of the Congo, Mozambique, and Tanzania are three new jurisdictions under Increased Monitoring w. e. f. 21st October 2022.

ICC News

- ICC, along with their partners Global Credit Data (GCD) and Boston Consulting Group (BCG), has released its 2022 Trade Register report on 19 October 2022.

FEDAI workshops & training activities

10th November 2022 – One day Online workshop on Guarantees and Standby LC.

Upcoming Market Events

- > RBI (Additional) MPC Meeting 03rd November 2022
- > FOMC Meeting 01st– 02nd November 2022
- > ECB Monetary Policy Meeting 15th December 2022
- > FEDAI Annual Training Meet 18th November 2022

Market News

- > RBI has approved the appointment of Sh. Prashant K. as the MD & CEO of Yes Bank for 3 years
- > DGFT added a new Para 2.79 C in HBP Vol.1 laying procedure for authorization for export of imported SCOMET items to same entity abroad under General Authorization for Export after Repair in India (GAER)

FEDAI's Annual Day

RBI UFCE

Directions - 2022

RBI ITBS Survey

SPDs, Market-maker

RBI CBDC Pilot

BIS Triennial Central Bank Survey

FATF Oct.'22 Plenary

ICC News

FEDAI Trainings

Market Events

Market News

ICC - UCPDC 600

Article 1 - Application of UCP

The Uniform customs and Practices for Documentary credits, 2007 revision, ICC Publication No 600 ("UCP") are rules that apply to any documentary credit (**credit**) (including, to the extent to which they may be applicable, any standby letter of credit) when the text of the credit expressly indicate that it is subject to these rules. They are binding on all parties thereto unless expressly modified or excluded by the credit.

Brief explanation on Article 1: If there is no indication in the letter of credit whether it is revocable or irrevocable, but issued under UCP 600, even then the LC is irrevocable.

The rules of UCP600 are binding on all parties thereto unless expressly modified or excluded by the credit.

Modifications to the rules do not necessarily require a bank to specifically state the article that has been modified or the manner in which it has been modified. For example, in field 48 (Presentation Period) of an MT700 states "15 days" would modify the rule stated in sub-article 14 (c) that presentation must be made by or on behalf of the beneficiary not later than 21 calendar days after the date of shipment. There is no explanation of the modification, but the insertion of "15 days" clearly creates a modified rule in respect of the presentation period.

It should be noted that when a rule is to be excluded, for whatever reason, there must be an express indication of this, by saying, for example, "Sub-article 14 (i) is excluded." In respect of the exclusion of sub-article 14(i), this would necessitate the credit stating the new conditions relating to the dating of documents.

As stated in ISBP745, "The applicant bears the risk of any ambiguity in its instructions to issue or amend a credit."