



October 2023 FEDAI NEWS LETTER

Monetary Policy Committee's Resolution

https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=56502

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The MPC in its meeting concluded on October 6, 2023 resolved to keep the policy repo rate under the liquidity adjustment facility unchanged at 6.50%, consecutively in row fourth time in current FY. Similarly, RBI kept the SDF rate unchanged at 6.25% and the MSF rate & the Bank Rate also unchanged at 6.75%. The MPC also decided to remain focused on withdrawal of accommodation to ensure that inflation progressively aligns to the target, while supporting growth.

Highlights of Statement on Developmental and Regulatory Policies are as below;

- In view of the potential role of Self-Regulatory Organisations in strengthening compliance culture among their members and also providing a consultative platform for policy making, RBI decided to draw an omnibus framework for recognising SROs. Draft guidelines expected soon.
- With a view to strengthen the extant regulatory framework governing the project finance and to harmonise the instructions, the extant prudential norms and a comprehensive regulatory framework applicable for all regulated entities is proposed to be reviewed.

Foreign Exchange Management (Debt Instruments) Regulations, 2019

[https://egazette.gov.in/\(S\(dsokcu2d4owvhn0wm3rzrtwc\)\)/ViewPDF.aspx](https://egazette.gov.in/(S(dsokcu2d4owvhn0wm3rzrtwc))/ViewPDF.aspx)

The second amendment to above regulation now enabled overseas correspondent, maintaining Rupee Account with of AD Bank in India, to purchase or sell dated Government Securities/treasury bills, as per terms and conditions specified by the Reserve Bank.

Regulation of Payment Aggregator – Cross Border (PA-CB)

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12561&Mode=0>

Keeping in view the developments that have taken place in the area of cross-border payments, RBI decided to bring all entities facilitating cross-border trade payment under direct regulation of the RBI. AD Category-I banks do not require separate approval from the RBI for undertaking PA-CB activity. However, Non-banks providing PA-CB services as on the date should apply to the RBI for authorisation by April 30, 2024. AD bank maintaining Import/Export Collection Account is require to ensure compliance under FEMA, including for reporting & reconciliation of EDPMS/IDPMS entries.

Amendment to the Master Direction (MD) on KYC

https://www.rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx?Id=12549

RBI advised amendments on October 17, 2023 of which few important with context to foreign exchange business are as below.

- The revised criteria of beneficial ownership for a partner in a partnership firm is ownership of/profit entitlement more than 10% (earlier it was 15%) of capital or who exercises control over firm through other means [Refer para 3(a).iv of MD]
- Banks shall ensure adherence to the provisions of Foreign Contribution (Regulation) Act, 2010 and Rules made thereunder (Refer para 55A of MD)
- Various compliance requirement added with reference to correspondent banking relationship (Refer para 63 of MD)

DGFT Notifications

- **Trade Notice 31/2023-24 dated October 19, 2023:** To further improve ease of doing business, DGFT has decided to discontinue the issuance of physical copy of Authorisation for Restricted Imports with effect from 19.10.2023, in case of import through EDI Ports.
- **Trade Notice 28/2023-24 dated October 09, 2023:** In furtherance of the e-Governance initiative, DGFT has develop a new IT module to recognise and certify export performance. Henceforth, the export status Holder Certificate will be electronically generated, based on export data available in DGCI&S database.

ICC News

- ICC announced the eUCP Directory made available/live on the ICCWBO website in the Trade and Supply chain finance page. This repository information on eUCP capabilities from banks is an effort to put the light on the handling capacities of each bank when it comes to eUCP Letter of credits. Banks wish to be featured in the directory, may approach Tomasch.kubiak@iccwbo.org.
- ICC Working Commission released final opinion with case reference 470/TA.931 to TA.934

FEDAI workshops & training activities - Upcoming

- 23rd to 24th November: Two days non-residential classroom program on 'Treasury & Fx Market' (Tentative)
- 22nd November 2023: FEDAI Annual Training-and - Trainers' Meet

Upcoming Market Events

RBI MPC Meeting	06 th to 08 th December 2023
FOMC Meeting	31 st October to 01 st November 2023
ECB Monetary Policy Meeting	14 th December 2023

Market News

- RBI appointed Shri Muneesh Kapur as Executive Director w.e.f. October 3, 2023. Prior to being promoted as ED, he was Adviser-in-Charge, Monetary Policy Department and Secretary to MPC.
- RBI approved the appointment of Shri Ashok Vaswani as the Kotak Mahindra Bank's next Managing Director & Chief Executive Officer.
- The National Cooperative for Exports Limited (NCEL), a national-level multi-state cooperative society came to existence on 25th January 2023, it shall function as an umbrella organisation for exports by the cooperative sector. The Hon. Union Home Minister and Minister of Cooperation formally launched the logo, website and brochure of NCEL on 23rd October 2023.
- Outcomes FATF Plenary, 25-27 October 2023: Democratic Republic of Korea, Iran and Myanmar are continuing in FATF's Black List. Albania, Cayman Islands, Jordan and Panama have now come out of FATF's Gray List whereas Bulgaria is added in this list.
- CCIL notified 'Work-Flow Procedure for FX Collateral' to be come in force with effect from November 27, 2023, vide Notification No. CCIL/OPS/FX/2023-24/ 48 dated October 27, 2023.
- RBI placed draft Master Direction on Managing Risks and Code of Conduct in Outsourcing of Financial Services on its website and invited comments/feedback by November 28, 2023.
- PNB Gilts Limited has become member of the FEDAI and with this, the members count touched one hundred.

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ICC - UCPDC 600 Commentary on Art. 14

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If a credit requires presentation of a document other than a transport document, insurance document or commercial invoice, without stipulating by whom the document is to be issued or its data content, bank will accept the document as presented if its content appears to fulfil the function of the required document and otherwise complies with sub article 14 (d).

☞ How to determine that the contents in the document fulfil its function?

If LC requires a packing list but the presented document does not provide any data that can be considered to be packing detail, it would not appear to fulfil its function. But if it contains some form of packing data - no matter how brief or exhaustive in detail, it fulfils the function.

☞ How to determine a document fulfils the function of the required document?

If LC requires presentation of Inspection Certificate (no other details given). Inspection Certificates states "We hereby certify that we have inspected [STOP]". The document fulfils the function by the statements. The remainder of the document is subject to review according to sub-article 14 (d).

If the presentation under LC contains a document that is not required by the LC, as per UCP 600 sub- article 14 (g) that document will be disregarded and may be returned to the presenter.

If a LC contains a condition without stipulating the document to indicate compliance with the condition, banks will deem such condition as not stated and will disregard it. They are known as non-documentary conditions. However, it must be noted that data contained in a stipulated document are not to be in conflict with the non-documentary condition.

For Example, LC states in additional conditions -

- Goods must be packed in 25KG steel drums with red stripe. BUT Packing list states "Goods packed in heavyduty plastic drums with red stripe"
- Vessel must be less than 25 years old. BUT Bill of Lading includes within the body of the document "Vesselbuiltin 1980"

In these instances, the documents would be discrepant.