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

October 2024
FEDAI NEWSLETTER

Monetary Policy Committee's Resolution and Governor's Statement

Click here for Minutes of MPC, Click here for Statement on D&RP, Click here for Statement on MPC.

The 51st meeting of the Monetary Policy Committee (MPC), and the first since its reconstitution on October 1, 2024, under the RBI Act of 1934, was held from October 7 to 9, 2024. The Monetary Policy Committee (MPC) consists of six members: three from the Reserve Bank of India, including the Governor as Chairperson, the Deputy Governor responsible for Monetary Policy, and one officer nominated by the Central Board. Additionally, there are three external members appointed by the Central Government.

- Prof. Ram Singh, Director, Delhi School of Economics, University of Delhi —Member;
- Shri Saugata Bhattacharya, Economist — Member; and
- Dr. Nagesh Kumar, Director and Chief Executive, Institute for Studies in Industrial Development, New Delhi — Member.

The MPC decided by a 5-1 majority to maintain the policy repo rate under the liquidity adjustment facility at 6.50%, unchanged since February 2023. Consequently, the SDF and Bank Rate stayed at 6.25%, with the MSF Rate at 6.75%. The MPC also revised its stance to 'neutral' from 'withdrawal of accommodation,' aiming to anchor inflation around the target sustainably while promoting growth.

Key Highlights from the Statement on Developmental and Regulatory Policies

- Banks and NBFCs are barred from charging foreclosure or pre-payment penalties on floating rate loans for non-business purposes; this now also applies to loans extended to MSMEs by RBI-regulated entities.
- To promote broader UPI adoption, the RBI has made the following enhancements:
  - UPI123: Launched in March 2022, it is now available in 12 languages, with the per-transaction limit increased to Rs. 10,000 from Rs. 5,000.
  - UPI Lite: The wallet limit is raised to Rs. 5,000 from Rs. 2,000, and the per-transaction limit has been increased to Rs. 1,000 from Rs. 500.
- Additionally, the facility to verify the recipient's name before initiating transactions, previously available for UPI and IMPS, has now been extended to RTGS as well.

Report of the Committee on MIBOR Benchmark Click here

The report of the Committee on the Mumbai Interbank Outright Rate (MIBOR) Benchmark, recently released by the Reserve Bank of India (RBI), highlights several key recommendations aimed at enhancing the robustness of interest rate benchmarks in India.The committee recommends modifying the computation methodology of MIBOR to include transactions from the first three hours of trading rather than just the first hour. This adjustment aims to enhance the reliability of MIBOR by better reflecting actual market activity. Additionally, the report emphasizes the importance of transitioning to market-determined interbank rates, especially as an increasing number of loans are tied to the policy repo rate, which could expose banks to basis risks, if there are divergences between these rates .

The RBI has invited feedback from stakeholders and the public until November 15, 2024, before finalizing the committee's recommendations.

Directions - Compounding of Contraventions under FEMA, 1999 Click here

As briefed regarding the revision of the Foreign Exchange (Compounding Proceedings) Rules, 2024, the RBI issued revised directions in October 2024. Paragraphs 2.1 and 2.2 of these directions outline the categories of contraventions for which compounding applications can be submitted to the RBI.

Guarantees issued by persons resident outside India, favouringa resident Click here

The Reserve Bank of India (RBI) has noted instances of guarantees, including Standby Letters of Credit (SBLC), being issued by residents outside India to residents within India, which contravenes current FEMA regulations. Consequently, the RBI has directed AD I banks to ensure that all guarantee contracts they advise for resident clients comply with FEMA guidelines, reinforcing regulatory adherence and preventing potential violations.

Reserve Bank of India (Access Criteria for NDS-OM) Directions, 2024 Click here

Direct access to the NDS-OM platform has now been extended to a broader range of entities. This includes banks, standalone primary dealers, non-banking financial companies (NBFCs), housing finance companies, mutual funds, pension and provident funds, insurance companies, and national financial institutions like NABARD and SIDBI. The RBI also retains the discretion to grant access to additional entities as deemed appropriate. Any person or entity eligible to invest in government securities (G-sec) that does not qualify for direct access can still gain indirect access to the NDS-OM platform provided they meet certain compliance requirements.

DGFT Notifications

DGFT issued Trade Notice No. 19/2024-25 on October 4, 2024, clarifying the requirements for the post-export remission-based scheme under FTP 2023.

Additionally, Trade Notice No. 20/2024-25, dated October 7, 2024, stated that imports or re-imports of exhibits and samples for demonstrations and exhibitions will be regulated under paragraph 2.60 of the Handbook of Procedures (HBP) 2023. Such imports will not require authorization or registration under the Import Monitoring System, provided other compliance measures are fulfilled.

Outcomes FATF Plenary, 23-25 October 2024 Click here

The FATF Plenary concluded on October 25, 2024, announcing that Senegal has been removed from its list of 'Jurisdictions under Increased Monitoring' after a successful on-site evaluation. The current list of countries still under this category includes Algeria, Angola, Bulgaria, Burkina Faso, Cameroon, Côte d'Ivoire, Croatia, the Democratic Republic of the Congo, Haiti, Kenya, Lebanon, Mali, Monaco, Mozambique, Namibia, Nigeria, the Philippines, South Africa, South Sudan, Syria, Tanzania, Venezuela, Vietnam, and Yemen. There has been no change in the status of the Democratic Republic of Korea, Iran, and Myanmar, which remain classified as high-risk jurisdictions, while Russia continues to be suspended from the FATF.

FEDAI Activities and Ensuing Workshops

- 7th & 8th Nov 2024: 2 Days' classroom session - "Treasury and Foreign Exchange Market".
- 12th Nov 2024: FEDAI-ISDA Classroom Workshop on "Standard Initial Margin Model
- 13th Nov 2024: Online Workshop on "Foreign Trade Policy 2023 > Bankers' perspective".
- 27th Nov 2024: Online Workshop on "Remittances to India–FEMA/Regulatory Provisions for Bankers".

Upcoming Market Events

RBI MPC Meeting	– 4th to 06th December 2024
ECB Monetary	– 12th December 2024
FOMC Meeting	– 17th to 18th December 2024

Market News

- The Central Government has re-appointed Shri M. Rajeshwar Rao as Deputy Governor, RBI for a term of one year effective from October 9, 2024, or until further orders
- The RBI has promoted Shri Aviral Jain to Executive Director, effective October 1, 2024; prior to this role, he served as Regional Director for Maharashtra
- Shri Pranav Chawda has been named the new Chief Executive Officer (CEO) of JP Morgan Chase India, with a term lasting three years.
- RBI updates the Alert List of unauthorized forex trading platforms
- RBI is seeking feedback on draft circular on Forms of Business and Prudential Regulation for Investments and requested to submit inputs latest byNovember 20, 2024.
- RBI issued updated directions governing the functioning of CCPs.
- The Central Government, via gazette reference S.O. 4545 (E) dated October 16, 2024, specified that no taxes shall be collected under the Income Tax Act on payments received from the RBI.

Contents

ICC - UCPDC 600
Commentary on Art. 19& 20

Continued from previous month on Article 19…

Transhipment:

Sub-article 19 (b) of UCP 600, provides the meaning of Transhipment. It means unloading of goods from one means of conveyance and reloading the goods to another means of conveyance (irrespective of different modes of transport) during the carriage from the place of dispatch or taking in charge or shipment to the place of final destination as stated in the letter of credit.

Sub-article 19 (c) states:
i. A transport document may indicate that the goods will or may be transhipped provided that the entire carriage is covered by one and the same transport document.
ii. A transport document indicating that transhipment will or may take place is acceptable, even if the credit prohibits transshipment.

Article 20 - Bill of Lading:

Issuance and Signing of a Bill of Lading:
As per sub-article 20 (a) (i) of UCP 600, a bill of lading, however named,is to indicate the name of the carrier and be signed by the Carrier or a named agent acting on the carrier's behalf or it can be signed by the Master or a named agent acting on master's behalf. There must be a clear identification of the parties signing along with an indication.

Indication of Shipment:
As per sub-article 20 (a) (ii), either through a pre-printed wording or a dated shipped on board notation, a bill of lading must indicate that the goods have been shipped on board a named vessel at the port of loading as stated in the letter of credit.

If there is no notation indicating that goods are shipped on board the vessel, then the issuance date of the bill of lading will be deemed to the shipment date.

If there is any indication such as "intended vessel" or similar qualification in relation to the vessel, then the dated on board notation must indicate the actual vessel name.

Bill of lading must also indicate the port of loading and port of discharge details as per the letter of credit. If it does not indicate the port of loading as required in LC and uses "intended" or similar qualification, then the dated shipped on board notation indicating the Vessel name and the exact port of loading as stated in the credit is required. This provision applies even when loading on board or shipment on a named vessel is indicated by pre-printed wording on the bill of lading.

To be continued …