



October'2021 FEDAI NEWS LETTER

FEDAI Fifth Annual Day 2021 – 14 Oct.'2021

<https://www.youtube.com/watch?v=fP5SVj0L6WE&t=1091s>

https://www.rbi.org.in/Scripts/BS_SpeechesView.aspx?Id=1133

Sh. T. Rabi Sankar, Chief Guest for the occasion started his key note address quoting from speech of Sh. Shaktikanta Das, Governor delivered on the Fourth FEDAI Annual Day 2020, "Capital Account convertibility (CAC) will continue to be approached as a process rather than an event". Sh Rabi Sankar emphasized that CAC is important since free capital mobility or internationalization of capital markets, is recognized as an engine of global growth. However, it all comes with certain cost and the risk; there is a nuanced trade-off between growth and crisis risk. The first line of defense against risks of capital flows are prudent macroeconomic policies and a strong institutional base. India has broadly achieved the desired outcome for the policy choices it has made, in terms of achieving a stable composition of capital inflow, highest of that is FDI and lowest being ECB. He also mentioned that the Liberalized Remittance Scheme (LRS) for individuals, while it is open for both current and capital account transactions now there might be a case for reviewing it whether the limit can remain uniform or can be linked to some economic variable for individuals.

Sh. Ashwani Bhatia, MD, State Bank of India and Guest of Honour for the occasion, briefed on current economic scenario hoping that we shall see all round growth in time to come.

FEDAI awarded three top scorers in Certificate examination on 'Foreign Exchange Operation' during period FY 2020-21, conducted by IIBF in collaboration with FEDAI.

Mtg concluded with interesting Panel discussion on "Use case & Future Potential of CBDCs"

Monetary Policy Statement dated October 08th, 2021

https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=52366

https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=52368

Status quo: Monetary Policy Committee (MPC) unanimously decided to keep the policy repo rate under the liquidity adjustment facility (LAF) unchanged at 4.0 per cent. Consequently, the reverse repo rate under the LAF and marginal standing facility (MSF) rate remained unchanged at 3.35 per cent and 4.25 per cent, respectively. MPC also decided to continue with the accommodative stance as long as necessary to revive and sustain growth on a durable basis and continue to mitigate the impact of COVID-19 on the economy, while ensuring that inflation remains within the target 4 per cent in a band of +/- 2 per cent. Prof. Jayanth R. Varma expressed reservations on this part of the resolution. The per-transaction limit in Immediate Payment Service (IMPS), effective from January 2014 at Rs.2 lakh is proposed to be increased to Rs.5 lakh for channels other than SMS and IVRS.

RBI's Survey on Foreign Collaboration in Indian Industry: 2019-2021

https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=52373

Financial collaboration with foreign entities very often includes cross-border technical collaboration, which secures buy-in from the technology partner. As foreign investment works as a vehicle for technology transfer, an assessment of the dimensions and impact of technological collaboration on various aspects of economic development provides useful inputs in formulation of policies and setting up of procedures. AS per 13th Survey Report released by RBI on Oct 08th, 2021 Japan remained the top source country for technology transfer, followed by Germany and the USA; these 3 countries together accounted for more than a half of the reported FTC. Around 56 per cent of the FTC agreements involved technology know-how transfer by the foreign collaborators and another 11 per cent involved the use of trade-marks/brand names. Less than 1% of the reported agreements were on patent transfer. Around 1/4th of the reported FTC agreements had export restriction clauses & nearly 1/3rd had provision for exclusive rights on assets transferred under agreements.

Outcomes FATF Plenary, 19-21 October 2021

<https://www.fatf-gafi.org/publications/fatfgeneral/documents/outcomes-fatf-plenary-october-2021.html>

Delegates representing 206 members of the Global Network and observer organisations, such as the IMF, the UNO and the World Bank participated in meetings. The plenary approved a summary for publication of FATF-Egmont Group report that looks at how financial intelligence units can leverage technology to strengthen their operations.

Jordan, Mali and Turkey are included as new jurisdictions in grey list subject to increased monitoring while based on the progress made in combating money laundering and terrorist financing Botswana and Mauritius were taken out from the grey list.

ICC News

- ICC, Banking Commission released final opinion for case reference 470/TA915 to TA920

FEDAI workshops & training activities

- 29th Oct 2021: FEDAI Monthly Discussion held with Shri Abhijeet Awasthi - "Future of USD as Reserve Currency". [Monthly Discussion Series - YouTube](#)
- 08th October 2021: 1 Day Online Workshop on "Bank Guarantees and Standby Letters of Credit"
- 29th October 2021: 1 Day Online Workshop on "Misc Remittances and LRS"
- 18th November 2021: 1 Day Online Workshop on "Capital Account Transactions"

Upcoming Market Events

- RBI MPC Meeting - 6th-8th December 2021
- FOMC Meeting - 2nd-3rd November 2021
- ECB Monetary Policy Meeting - 16th December 2021

Market News

- Sh. Shaktikanta Das re-appointed as the Governor of the Reserve Bank of India for a period of three years beyond December 10, 2021 or until further orders
- On 4th Oct'2021 RBI superseded the Board of Directors of Srei Infrastructure Finance Limited (SIFL) and Srei Equipment Finance Limited (SEFL) and appointed Shri Rajneesh Sharma, Ex-CGM, Bank of Baroda as the Administrator.
- "Paytm Payments Bank Limited" included in the Second Schedule to the RBI Act, 1934
- The European Commission adopted review of EU banking rules (the Capital Requirements Regulation and the Capital Requirements Directive) on October 27, 2021 in order to finalise its Basel III implementation scheduled that would come into force in 2023.
- RBI approved appointment of Sh. Pradeep Kumar Panja, as an Independent Director and part-time non-executive Chairman of Karnataka Bank Ltd with effect from November 14, 2021
- UCO Bank CEO Atul Kumar Goel appointed Chairman of Indian Banks' Association
- The ISDA released Supplement (number 85) to its 2006 ISDA Definitions, introducing Modified Mumbai Interbank Forward Outright Rate, provided by FBIL.

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Capital Account Convertibility



Capital Account Convertibility (CAC) is a long-debated issue in India and was topic of speech of key note speaker, Sh. T Rabi Sankar, Dy. Governor RBI at 5th FEDAI Annual Day on 14th October 2021.

Sodhani Committee (1994) set the ball rolling for liberalization in Indian Foreign Exchange Market. This was followed by Tarapore Committee on Capital Account Convertibility (1997) and Committee on Fuller Capital Account Convertibility (CFCAC 2006), again under chairmanship of Sh. S S Tarapore.

As per CFCAC, CAC refers to the freedom to convert local financial assets into foreign financial assets and vice versa. While current account convertibility refers to freedom in respect of payments and transfers for current account international transactions, CAC would mean freedom of currency conversion in relation to capital transactions in terms of inflows and outflows.

The enactment of the FEMA 1999 codified liberal arrangement with relatively free current account transactions (except for a negative list) and controlled capital account transactions.

Benefits of CAC are well accepted, in terms of broadening the investor base for capital funds recipient country, improved liquidity in financial markets and positive pressures for market infrastructure and market practices.

Over the last 2 decades, FDI has become more or less unrestricted in India except (i) for some sectoral caps (ii) restrictions in a few socially sensitive or volatile or strategic sectors. The focus on capital outflows has understandably been far less and basically only one channel i. e. Overseas Direct Investment (ODI) is operating.

At current comfortable Foreign Exchange Reserves position of India at USD 641 Billions, the issue of CAC is again matured and various contentions both in favour or against are under discussion in India.

- :Please get yourself vaccinated at the earliest: -