



September 2021 FEDAI NEWS LETTER

RBI (Market-makers in OTC Derivatives) Directions, 2021

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12163&Mode=0>

RBI issued (Market-makers in OTC Derivatives) Directions, 2021 to all eligible Market Participants on September 16th, 2021 which will replace the erstwhile 'Comprehensive Guidelines on Derivatives'. These Directions shall come into force on January 03, 2022. These Directions shall apply to entities permitted to act as market-maker in OTC derivatives in terms of the Governing Directions.

All new products should be approved by the Board of Directors of respective market maker. Consistent with its general responsibility for corporate governance, these directives warrants that the Board of Directors (or equivalent forum) of the respective market-maker shall approve written policies which define the overall framework within which the derivative business should be conducted. Market-makers are prohibited to deal in derivative products, either directly or on a back-to-back basis, which they cannot price independently. The directives require that a product disclosure statement containing standard information about the product should be made available to the user for providing adequate information to decide if the product will meet its needs and to facilitate comparison with other products.

Use of ARR in place of LIBOR in export/import transactions

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12168&Mode=0>

RBI vide A.P. (DIR Series) Circular No.13 dated September 28, 2021 permitted use of any other widely accepted Alternative Reference Rate in place of LIBOR for interest payable in respect of export/ import transactions. This circular is issued in context of the rate of interest payable on advance received against export from India and various such directives issued by RBI from time to time.

India and Singapore to link their Fast Payment Systems

https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=52223

The Reserve Bank of India and the Monetary Authority of Singapore (MAS) announced a project to link their respective fast payment systems viz. Unified Payments Interface (UPI) and PayNow. The linkage is expected to be operationalised by July 2022 and will enable users to make instant, low-cost cross border fund transfers between these two countries on a reciprocal basis. This initiative is also in line with RBI's vision of reviewing corridors and charges for inbound cross-border remittances outlined in the Payment Systems Vision Document 2019-21

LEF - Derivative transactions of foreign bank branches with their HO

https://www.rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx?Id=12160

RBI vide Circular DOR.CRE.REC.47/21.01.003/2021-22 dated September 09th, 2021 permitted Indian branches of foreign banks to reckon cash/unencumbered approved securities, the source of which is interest-free funds from Head Office or remittable surplus retained in Indian books (reserves) held with RBI under 11(2)(b)(i) of the Banking Regulation Act 1949, as Credit Risk Mitigation for offsetting the gross exposure of the foreign bank branches in India to the HO (including overseas branches) for the calculation of exposure limit under LEF on Non Centrally Cleared Derivative transaction, subject to certain conditions..

Foreign Trade Policy 2015-20

<https://content.dgft.gov.in/Website/dgftprod/c6743e56-0ce1-4171-ba3c-c8506a8a6409/Notification%20no%203%20english.pdf>

<https://content.dgft.gov.in/Website/dgftprod/d0dbf9c6-d0ae-4f49-a9ae-e59c240ea0fe/Trade%20Notice%2018%20-%201EC%20de-activation%20prior%202005.pdf>

The DGFT, Ministry of Commerce advised that the extant Foreign Trade Policy which was due to lapse on 30th September 2021 will now remain in force up to 31st March 2022. Simultaneously, HBP 2015-20 has also been extended till 31 March 2022.

It is also to be noted that DGFT vide Trade Notice No.18/2021-22 informed that IE Codes which were required to be updated online and all IECs which have not been updated after 01.01.2005, shall be de-activated w.e.f. October 6th, 2021. However, any de-activated IEC holder will have the opportunity of re-activation by updating information online over DGFT website.

ICC News

- ICC, Banking Commission next yearly technical committee meeting is scheduled online on 6th October & 7th October 2021.
- One immediate area of focus identified by ICC Financial Crime and Policy Group is to align its efforts towards an effective response to the joint letter issued by the Bank of England, Prudential Regulation Authority and Financial Conduct Authority on September 9th 2021 (<https://www.fca.org.uk/publication/correspondence/dear-ceo-trade-finance-letter.pdf>), sounding upon various risks including the risk of money laundering and financial crimes.

FEDAI workshops & training activities

- 4th to 7th Oct 2021, 4 Days online orientation program on "Foreign Trade and Foreign Exchange Business" for select banks
- 08th October 2021, 1 Day Online Workshop on "Bank Guarantees and Standby Letters of Credit"
- 21st to 22nd September 2021, 2 Days Online Workshop held on "Basics of Exports and Imports"

Upcoming Market Events

- RBI MPC Meeting 6th-8th October 2021
- FOMC Meeting 2nd-3rd November 2021
- ECB Monetary Policy Meeting 28th October 2021

Market News

- International Monetary Fund (IMF) made an allocation of Special Drawing Rights (SDR) 12.57 billion (equivalent to around USD 17.86 billion at the latest exchange rate) to India on August 23, 2021.
- Based upon review of performance of the UCO Bank and Indian Overseas Bank, by the Board for Financial Supervision, RBI decided to take UCO Bank and IoB out of the Prompt Corrective Action Framework subject to certain conditions, on September 08, 2021 and Sept 29th 2021 resp.
- "Nomura Fixed Income Securities Pvt. Ltd.", a primary dealer now also an Authorised Dealer has been admitted as member of the Foreign Exchange Dealers' Association of India.
- Shri Shanti Lal Jain assumed charge as Managing Director and Chief Executive Officer of Indian Bank on 1st September 2021. Ms. Harsha Bangari has been elevated to position of the Managing Director of the Exim Bank.
- RBI announced "MSME Lending" as theme of 3rd cohort of Regulatory Sandbox. The eight entities shortlisted by RBI Regulatory Sandbox under Second Cohort on Cross Border Payments, commenced testing of their products from the third week of September 2021.
- The Bank of England, Prudential Regulation Authority and Financial Conduct Authority of UK, issued a joint letter on September 9th 2021 addressing to firms engaged in international trade, sounding them upon various risks in specific the risk of money laundering & financial crime.

Market-makers OTC Derivatives

Use of ARR in export/import trans.

India - Singapore Fast Payment Systems

Large Exposure Framework

FTP 2015-20

ICC News

FEDAI Trainings

Market Events

Market News

Institute Cargo Clauses – Marine Insurance Policy

	(A)	(B)	(C)
Stranding, Grounding, Sinking, or Capsizing of Vessel or Craft	YES	YES	YES
Overturning/Derailment of Land Conveyance	YES	YES	YES
Collision of Ship/Craft with another Ship/Craft	YES	YES	YES
Contact of Ship/Craft/Conveyance & any object other than Ship/Craft (excluding water but including ice)	YES	YES	YES
Discharge of Cargo at Port of Distress	YES	YES	YES
Fire or Explosion	YES	YES	YES
Earthquake, Volcanic Eruption, or Lightning	YES	YES	NO
Theft / Pilferage / Malicious Damage*	YES	NO	NO
General Average Sacrifice/Jettison	YES	YES	YES
Washing Overboard (on deck cargo)	YES	YES	NO

In international trade, in specific when the bank deals with Marine Insurance Policy or stipulate insurance related condition in Letter of Credit, the banker needs to deal with standard terms 'Institute Cargo Clause'.

These clauses, originally issued by the Institute of London Underwriters in the early 1980s, are added to standard marine insurance policies for cargo to widen or restrict the cover given. Each clause has a wording agreed by a committee of insurance companies and Lloyd's underwriters. By attaching particular clauses to the policy, an insurer is able to create an individual policy to suit the clients' requirements.

Established in 1884, Institute of London Underwriters (ILU) was an association made up of marine, aviation, and transportation insurance companies. ILU was meant to address problems concerning the risks they were underwriting. In 1998, the members of the association joined the London International Insurance and Reinsurance Market Association to form the International Underwriting Association of London (IUA).

Three popular standard cargo clauses are A, B & C. Clause 'A' is considered better providing superior risk cover including risk cover for theft, pilferage and shortages..

Note: Please refer internal policy of your bank for requirement and implication of various clauses in the insurance policy in trade transactions.

- :Please get yourself vaccinated at the earliest: -