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

September 2024
FEDAI NEWS LETTER

India's Balance of Payments during the Q1 (April-June) of 2024-25 and International Investment Position (IIP), June 2024 Click here to see BoP and Click here see IIP

India's current account balance recorded a deficit of USD 9.7 billion (1.1 per cent of GDP) against surplus of USD 5.7 billion in Q4:2023-24 & deficit of USD 8.1 billion in Q1:2023-24. The surplus of USD 39.7 billion earned out of trade in services, USD 15.7 billion on account of income reduced the impact of net deficit USD 65.1 billion in merchant trade. On Capital Account and Financial Account, the quarter ended with surplus of USD 9.2 billion. NRI deposits recorded net inflows of USD 4.0 billion, higher than USD 2.2 billion a year ago. There was an accretion of USD 5.2 billion to the foreign exchange reserves (on a BoP basis) in Q1:2024-25 as compared with USD 24.4 billion in Q1:2023-24. At end-June 2024, India's external debt was placed at USD 682.3 billion (18.8% of GDP) comprising long term debt 549.6 billion & short term debt 132.7 billion, an increase of USD 13.3 billion over March 2024. Loans remained the largest component of external debt, with a share of 33.0%, followed by currency and deposits (23.5%), trade credit and advances (18.6%) and debt securities (17.1%). US dollar-denominated debt remained the largest component of India's external debt, with a share of 54.6%, followed by debt denominated in the INR (31.2%), yen (5.4%), SDR (5.1%), and euro (2.9%).

Interest Equalization Scheme (IES) on INR Export Credit Click here

As we informed in last month's news letter, the IES was extended up to September 30, 2024. Further, the Government advised the following modifications/clarifications to the Scheme:

a. The aforesaid extension is applicable only for MSME Manufacturer exporters.
b. The annual net subvention amount is capped at Rs.10 Cr. per IEC for a given financial year, accordingly a cap of Rs.5 Cr. per IEC is imposed till September 30, 2024.
c. It was further advised that for Manufacturer Exporters and Merchant Exporters under the non-MSME category, the cap shall be ₹2.5 Cr. per IEC till June 30, 202.

Meanwhile, the DGFT has further extended validity the scheme till December 2024 vide Trade Notice 18/2024-25 dated Trade Notice 18/2024-25 dated 30 September 2024.

Foreign Exchange (Compounding Proceedings) Rules, 2024

In exercise of the powers conferred in the Foreign Exchange Management Act, 1999 and in supersession of the Foreign Exchange (Compounding Proceedings) Rules, 2000, except as respects things done or omitted to be done before such supersession, the Central Government notified Foreign Exchange (Compounding Proceedings) Rules, 2024 on 12 September 2024. No contravention shall be compounded where the Directorate of Enforcement is of the view that the proceeding relates to a serious contravention suspected of money-laundering, terror financing or affecting the sovereignty and integrity of the nation, the compounding authority shall not proceed with the matter and shall remit the case to the appropriate Adjudicating Authority.

LRS - Discontinuation of Reporting of monthly return Click Here

On a review, RBI decided to discontinue the requirement for submission of LRS monthly return by AD Category-I banks. Accordingly, from the reporting month of September 2024, AD Category-I banks shall not submit LRS monthly return; however shall continue to upload transaction-wise information under LRS daily return at the close of business of the next working day on CIMS.

Handbook of Statistics on the Indian Economy, 2023-24 Click here

RBI released the handbook on 13th September 2024. The section titled 'Trade and Balance of Payment' form page 175 to 238 in this book offers good insight in statistics related to various relevant topics of which few are worth to mention here: Table 138 on exchange rates since 1985, Table 145 on Non-resident Deposits since 2006, Table 149 on Foreign Investment Inflow, Table 150 on Foreign Exchange Reserves etc. Statistics provided in sections titled 'Financial Markets' as well as 'External Sector' also disseminates valuable information and recommended for your reference.

ICC News

- ICC Banking Commission issued TA Briefing N°11 on 'Definition of Trade Finance' Click here
- Comment on 'Draft ICC Global Principles for an Effective Border Carbon Adjustment
- ICC Banking Commission has initiated review of the ICC Publication ISBP and draft suggestions are circulated for feedback, which shall be discussed in plenary session scheduled on 21 November 2024

FEDAI Activities and Ensuing Workshops

09th September 2024: FEDAI issued clarification that forex brokers accredited by FEDAI if desire to operate in GIFT City, they should incorporate separate legal entities at IFSC in compliance with FEMA, 1999.

18th September 2024: FEDAI arranged a knowledge sharing session with support of ISDA, Singapore on the subject 'Initial Margin – Documentation' at FEDAI Conference Hall which was attended by 45 officials from 25 FEDAI Members

21st September 2024: 36th Annual General Meeting of FEDAI held at FEDAI Conference Hall and attended by representatives from 64 members. The general body ratified induction of three new FEDAI Members and elected State Bank of India as Chairman, DBS Bank India Limited as Vice Chairman and HDFC Bank Limited as additional Vice Chairman for FY 2024-25.

07th to 11th October 2024: 5 Days' Workshop on "Foreign Trade and Foreign Exchange Business" at SPBTC, Mumbai in collaboration with Central Bank of India

15th October 2024: Online Workshop "Initial Margin Collateral Management" by ISDA, New York

16th October 2024: Online Workshop "External Commercial Borrowings and Structured Obligations"

28th October 2024: Online Workshop "Countering Trade Based Money Laundering"

Upcoming Market Events

RBI MPC Meeting	– 07th to 09th October 2024
ECB Monetary	– 17th October 2024
Policy Meeting FOMC Meeting	– 06th to 07th November 2024

FOMC announced 50 BPS rate cut on 18th September, the first in four years aimed at easing lending rates which led to appreciation of major currencies including INR the Dollar. In turn, gold prices surged to a record USD 2,685.42 per ounce as of September 26, 2024; the GBP USD reached at historic high 1.34.

Market News

- Financial Services Institutions Bureau recommended Shri Rama Mohan Rao Amara for the position of MD in SBI.
- The Hon'ble Prime Minister launched IFSCA's Single Window IT System (SWIT System), a unified one stop digital platform to facilitate ease of doing business in the IFSC.
- FATF has lauded India's efforts to implement measures to tackle illicit finance including money laundering and terror funding. Briefing media persons, Shri Vivek Aggarwal, Additional Secretary, Revenue, MoF said that in its Mutual Evaluation Report for India 'Anti-Money laundering and Counter terrorist financing Measures' FATF emphasizes that India has achieved a high-level of technical compliance across the FATF Recommendations.

Contents

ICC - UCPDC 600
Commentary on Art. 19

A document of transportation that covers at least two different modes of transport (combined or multimodal transport document), however named, must appear to:

i. Indicate the carrier name and be signed by:
   - the carrier or a named agent for or on behalf of the carrier, or
   - the master or a named agent for or on behalf of the master.

Any signature by the carrier, master or agent must be identified as that of the carrier, master or agent.

Any signature by an agent needs to indicate whether the agent has signed for or on behalf of the carrier or for or on behalf of the master.

ii. indicate that the goods have been dispatched or taken in charge or shipped on board at the place that is stated in the credit, by:
   - wording that is pre-printed, or
   - by way of a notation or stamp indicating the date on which the goods have been dispatched or taken in charge or shipped on board.

The issuance date of the transport document will be deemed to be the date of dispatch or taking in charge or shipped on board, and the date of shipment. However, if the transport document indicates, by stamp or notation, a date of dispatch or taking in charge or shipped on board, this date will be deemed to be the date of shipment.

iii. indicate the place of dispatch or taking in charge or shipment and the place of final destination that is stated in the credit, even if:
   a. the transport document states, in addition, a different place of dispatch or taking in charge or shipment or place of final destination, or
   b. the transport document contains the indication "intended" or similar qualification in relation to the vessel or port of loading or port of discharge.

iv. be the sole original transport document or, if issued in more than one original, be the full set as indicated on the transport document.

v. contain terms and conditions of carriage or make reference to another source containing the terms and conditions of carriage (short form or blank back transport document). Contents of terms and conditions of carriage will not be examined.

vi. contain no indication that it is subject to a charter party.

To be continued …