



September 2022 FEDAI NEWS LETTER

Monetary Policy Committee's Resolution

https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=54464
https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=54465

Monetary Policy Committee in its meeting held on 28th to 30th September 2022 decided to increase the policy repo rate under the liquidity adjustment facility (LAF) by 50 BPS points to 5.90% with immediate effect. Consequently, the standing deposit facility (SDF) rate stands adjusted to 5.65%; and the marginal standing facility rate and the Bank Rate to 6.15%.

The Committee also decided to remain focused on withdrawal of accommodation to ensure that inflation remains within the target going forward, while supporting growth.

During the month ECB raised the three key interest rates by 75 bps each on 08 September 2022. The FED Reserve too increased the policy rates 75 bps on 21 September 2022.

RBI Working Paper : Predicting Exchange Rate in India

<https://rbi.org.in/Scripts/PublicationsView.aspx?id=21336>

This paper examined the relationship between the INR/USD exchange rate & select commodity market & stock market variables through the period spanning from April'2002 to May'2020. The results of causality-in-variance showed that Brent crude oil price, domestic and global stock index returns, net portfolio investment return & VIX significantly cause variations in the exchange rate return around the normal periods of exchange rate volatility. Overall, the causality-in-quantile approach helped in ascertaining the existence/ non-existence of causality relationship between select financial parameters (pairwise) & the exchange rate in mean & in variance at various quantiles. Other than these variables, market intervention, capital account-based measures by the RBI & other admin measures by the GoI also played a role in controlling the extreme exchange rate movements.

Fx Reserves and India's External Debt Position

https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=54457

As per RBI Bulletin, Weekly Statistical Supplement dated 23rd Sept.2022 the Fx reserves of India come down to USD 545.65 Billion, lowest level since Oct.'2020. RBI also published on 29th Sept position of India's external debt at end-June 2022, which reveals some interesting facts as follows;

- ☞ India's external debt was placed at USD 617.10 billion at 19.40% of our GDP with 54.7% denominated in USD followed by INR (30.4%), SDR (6.3%), yen (5.1%), and EUR (2.8%).
- ☞ The share of short-term debt (with original maturity of up to one year) in total external debt was 21% and the long-term debt is 79% at USD 487.3 billion.
- ☞ Outstanding debt of the Government decreased, while non-government debt increased.
- ☞ Loans remained the largest component of external debt, with a share of 31.1%, followed by currency & deposits (22.3%), trade credit & advances (20.6%) & debt securities (18.0%)
- ☞ Debt service (i.e., principal repayments & interest payments) stood at 4.9% of current receipts.

Bharat Bill Payment System (BBPS) to process cross-border Payments

https://rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx?id=12386

RBI Statement on Developmental & Regulatory Policies issued on August 05, 2022, proposed to permit foreign inward remittances received under the Rupee Drawing Arrangement to be transferred to the KYC compliant bank account of the biller (beneficiary) through Bharat Bill Payment System (BBPS). This shall enable Non-resident Indian to make direct payments from overseas for utility, education & other bill payments for their families.

Forex Services by Unauthorised Electronic Trading Platforms (ETPs)

https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=54333

RBI after noticing misleading advertisements of Unauthorised Electronic Trading Platforms (ETPs) offering Fx trading facilities to Indian Residents & having received several complaints about individual investors losing money issued a cautionary advisory in the form of FAQ on 03 February,2022 & again on 07 September 2022. RBI has cautioned that Buying or Selling of Foreign Exchange or Foreign Currency (in any form) in India, from/to a person not authorised by the Reserve Bank of India is violation of the FEM Act 1999.

FEDAI 34th Annual General Meeting

The 34th FEDAI AGM was held online on 03rd Sept'2022. Ms. Dimple Bhandia, CGM FMRD RBI addressed members on this occasion. She congratulated banks for smooth transition from LIBOR to ARR Regime & also shared concerns the central bank had in terms of customer service by authorized dealers. The meeting was chaired by FEDAI Chairman Sh. Rajay Sinha (CGM, Global Market SBI).

ICC News

- ICC Banking Commission issued TA Briefing N°4 Document presentation issues. This is fourth such Trade Advisory from ICC & all these are available on their library on website.

FEDAI workshops & training activities

10th to 14th October 2022 – 5 Days Advanced Orientation Workshop (Classroom) on Foreign Trade & Foreign Exchange Business at Canara Bank, Gurugram.

12th to 13th October 2022 – 2 days Online workshop on Capital Account Transactions.

Upcoming Market Events

- RBI MPC Meeting 05th – 07th December 2022
- FOMC Meeting 01st – 02nd November 2022
- ECB Monetary Policy Meeting 27th October 2022
- SWIFT International Banking Operations Seminar (SIBOS) 2022 is scheduled to be held from 10th to 13th October 2022 at Amsterdam
- **FEDAI Annual Day** is scheduled for 20th October 2022

Market News

- Taking note of performance & written commitment from the bank the Board for Financial Supervision decided that Central Bank of India be taken out of the PCA Framework.
- DGFT vide Notification No. 37/2015-20 dt 29 Sept.'22 & Public Notice No. 26/2015-20 dt 29 Sept.'22 extended the validity of [FTP 2015-20](#) & HBP-V.1 up to 31 March'2023.
 - Moody's retains India's sovereign credit rating at Baa3 with stable outlook
- CCIL has issued Consultation Paper on proposed Margining & Collateral Solution for Non-Centrally Cleared Derivative (NCCD) Trades & invited comments from member.
- National Logistics Policy released by Hon. Prime Minister Sh Narendra Modi on 17th Sept.2022. PM underlined need to bring down the present logistics cost from 13-14% to single-digit ASAP.
- IFSCA issued directions on reporting of Fx trs by IBUs for India's External A/c Statistics.
- Sh Ajay Kumar Srivastava, ED, Indian Overseas Bank is elevated as MD & CEO in the same bank. He will take charge at end of tenure of present MD & CEO Sh Partha Pratim Sengupta on 31 Dec.
- RBI on Sept 15, 22, approved the appointment of Sh. Pralay Mondal as MD & CEO of CSB Bank.
- RBI approves appointment of Sh R Gandhi (ex DG RBI) as non-executive chairman of Yes Bank

MPC Resolution
RBI Working Paper - Predicting Exch. Rate

Fx Reserve & India's External Debt

Bill Payment from Overseas

Forex Services by Unauthorised ETPs

ICC News

FEDAI Trainings

Market Events

Market News

ICC Uniform Customs and Practice for Documentary Credits &

An Introduction to UCPD

International Chamber of Commerce (ICC) was established in 1919 with its primary objective to facilitate the flow of international trade at a time when nationalism & protectionism posed serious threats to the world trading system. It was in that spirit that UCP was first introduced in 1933 to alleviate the confusion caused by individual countries' promoting their own national rules on letter of credit practice. The objective, since attained, was to create a set of contractual rules that would establish uniformity in that practice, so that practitioners would not have to cope with a plethora of often conflicting national regulations. The universal acceptance of UCP by practitioners in countries with widely divergent economic and judicial system is a testament to the rules' success.

It is important to recall that UCP represents the work of private international organizations, not a governmental body. Since its inception, ICC has insisted on the central roles of self-regulation in business practice. These rules formulated entirely by experts in the private sector, have validated that approach. The UCP remains the most successful private rules for trade ever developed.

The revised versions of UCP were issued in 1951, 1962, 1974, 1983, 1993 and 2007.

A range of individuals and groups contributed to the current revision, entitled "UCP 600". This revision was adopted by the ICC executive board in November 2006 and first published as ICC Publication No. 600 in Dec 2006 and implemented from 1st July 2007.

Watch this space for each Article of UCP 600 in coming months.