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

April 2022

FEDAI NEWS LETTER

RBI extended Market Trading hours

https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=53553

The trading hours for various markets regulated by the RBI were amended w.e.f. April 7, 2020 in view of the operational dislocations and elevated levels of health risks posed by COVID-19. Subsequently, with abatement of operational constraints, the trading hours were partially restored with effect from November 9, 2020. With the substantial easing of restrictions on movement of people and functioning of offices, RBI has now restored the opening time for regulated financial markets to their pre-pandemic timing of 9:00 a.m. Market timing for OTC Foreign Currency (FCY)/Indian Rupee (INR) Trades including Forex Derivatives is now 9.00 am till 3.30 pm.

Monetary Policy Statement, 2022-23

Resolution of the Monetary Policy Committee (MPC) April 6-8, 2022

https://rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=53537

MPC at its meeting on April 8, 2022 decided to keep the policy repo rate under the liquidity adjustment facility (LAF) unchanged at 4.0 per cent.

The marginal standing facility (MSF) rate and the Bank Rate remained unchanged at 4.25 % while the standing deposit facility (SDF) rate, that replaced the Fixed Rate Reverse Repo and would be the floor of the LAF corridor, will be 25 bp below the policy repo rate at 3.75 per cent. Under the SDF, the eligible entities can place deposits with the RBI on an overnight basis. The RBI, however, retains the flexibility to absorb liquidity for longer tenors under the SDF with appropriate pricing, as and when the need arises. The overnight SDF facility will be available between 17:30 hrs to 23:59 hrs on all days, including Sundays & holidays and would be reversed on the following working day in Mumbai.

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

Draft Guidelines- Processing/Settlement of Small Value Export/Import payments facilitated by Online Export-Import Facilitators

https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=53530

Online Export-Import Facilitators (OEIF) earlier referred to as Online Payment Gateway Service Providers (OPGSP) are Payment Aggregator (PA) or Payment Gateway (PG) that facilitate on-line remittances for small value export and import of goods and digital products through e-commerce. Draft guidelines propose to enhance the limits for imports & exports payments under the facility to USD 3k and 15k resp. AD Banks shall carry out the due diligence on each OEIF and ensure that KYC/AML/CFT norms are adhered to while OEIF shall complete & ensure proper due diligence and adherence to KYC/AML/ CFT norms as stipulated by RBI, before on-boarding merchants.

Consolidated Circular on Opening of C A/c & CC/OD A/c by Banks

https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12293&Mode=0

For borrowers with aggregate exposure of the banking system at less than ₹5 crore, banks can open C. A/c without any restrictions. Where the aggregate exposure of the banking system is ₹5 crore or more:

- Borrowers can open C. A/cs with any one of the banks with which it has CC/OD facility, provided that the bank has at least 10 % of the aggregate exposure of the banking system to that borrower. In case none of the lenders has at least 10 % of the aggregate exposure, the bank having the highest exposure among CC/OD providing banks may open current accounts.
- Other lending banks may open only collection accounts subject to certain conditions. The balances in such collection accounts shall not be used for repayment of any credit facilities provided by the bank, or as collateral/ margin for availing any fund or non-fund based credit facilities. However, banks maintaining collection accounts are permitted to debit fees/ charges from such accounts before transferring funds to CC/OD account.
- Non-lending banks are not permitted to open current/ collection accounts.

There are separate guidelines for borrower's not availing CC/OD facility from banking system.

Legal Entity Identifier (LEI) for Borrowers

https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12301&Mode=0

RBI extended the guidelines on LEI to Primary (Urban) Co-operative Banks (UCBs) and Non-Banking Financial Companies (NBFCs). It is further advised that non-individual borrowers enjoying aggregate exposure of ₹5 crore and above from banks and financial institutions (FIs) shall also be required to obtain LEI codes as per the timeline announced by RBI.

ICC News

- ICC Global Banking Commission had its Annual Meeting Plenary session on 21 April 2022. Mr Andre Wilson, Executive Director, Global Policy presented updates, milestones and expected deliverables for ICC's Global Policy department and the ICC Commission on the Banking Commission.
- ICC welcomes new principles for the future of Internet and calls for global cooperation.

FEDAI workshops & training activities

- 11th May' 2022 - Online Workshop on "Bank Guarantee and SBLCs"
- 18th May 2022– One Day Online workshop on Overseas Direct Investment
- 23-27th May'2022 – 5 Days Class Room Orientation Workshop at Chennai on "Foreign Trade and Foreign Exchange Business"

Monthly Discussion –

- 12th May 2022 in collaboration with Indian Institute of Banking and Finance (IIBF). Shri Neeraj Gambhir, Gp Executive, Treasury, Markets & Wholesale Banking Products, Axis Bank and Sh Madan Sabnavis, Chief Economist, Bank of Baroda shall discuss on the future exchange rate of INR. The topic for the month is "INR in 2022-23".

Upcoming Market Events

- RBI MPC Meeting 6th-8th June' 2022
- FOMC Meeting 3rd-4th May' 2022
- ECB Monetary Policy Meeting 9th June' 2022

Market News

- RBI approved the re-appointment of Sh Ashutosh Khajuria as the Executive Director on the board of Federal Bank w.e.f. May 1, 2022 till April 30, 2023 as recommended by the board of the bank. Sh. Khajuria was initially appointed as executive director on the board of the bank for a period of two years with the approval of RBI on January 28, 2016. Thereafter, he was re-appointed thrice with effect from January 28, 2018, January 28, 2020 and April 1, 2021.
- The new version of FX-Retail Platform with facility to book Option Period Forward Contracts is available with effect from 28th March 2022
- The IMF team will support Sri Lanka's efforts to overcome the current economic crisis by working closely with the authorities on their economic program, and by engaging with all other stakeholders in support of a timely resolution of the crisis. (Statement on Sri Lanka–Press Release no 22/12)

Contents

Revive & Reconstruct

Excerpts from RBI report on Currency and Finance

https://rbidocs.rbi.org.in/rdocs/Publications/PDFs/RCF202122_FULLB5D854DD79694889FF5099C22CD6893.PDF

Among India's 40 major trading partners, only 15 economies, accounting for 20.1 % of world import demand are projected by the IMF to grow faster than the world average in 2022-26. These 15 economies account for 31 per cent of India's total exports. Going forward, low growth economies may limit country's export prospects. The focus should be to not only expand the export basket to high growth economies but also to improve the intensive margin of exports in low growth economies, which account for more than two thirds of world imports. In the post-GFC period, India's merchandise exports have gained from the substitution effect (by gaining market share in export markets) as well as the income effect (by co-moving with global income). India's merchandise exports need to grow at a compound rate of 12 per cent to attain the target of US$ 1 trillion by 2030. Unless supported by rapid improvement in net terms of trade (implying higher export prices), this export growth may seem ambitious, given that the world import volume growth is projected by the IMF to average 4.2 per cent over the next five years (2022-26). Hence, substantial gains through both the income effect and the substitution effect would be necessary.