

## Open House Discussion on Impact of recent economic and regulatory developments on Indian forex market

Tuesday, 31st October 2017, PHD House, New Delhi

PHD Research Bureau, the research arm of PHD Chamber of Commerce and Industry organized an Open House Discussion on Impact of recent economic and regulatory developments on Indian forex market on 31st October 2017 at PHD House, New Delhi. The eminent speakers of the Open House Discussion were **Shri R. S. Ratho**, Chief General Manager, Financial Markets Operation Department, Reserve Bank of India, Mumbai and **Shri Vikas Jaiswal**, Assistant General Manager, Foreign Exchange Department, Reserve Bank of India, New Delhi. Other dignitaries on the dais were **Shri Anil Khaitan**, President, PHD Chamber, **Shri D K Aggarwal**, Vice President, PHD Chamber, **Shri Shyam Poddar**, Managing Committee Member, PHD Chamber and **Dr. S P Sharma**, Chief Economist, PHD Chamber were also the part of discussions.

### Glimpse of the Open House Discussion on Impact of recent economic and regulatory developments on Indian forex market



Photo caption from left to right: Shri Anil Khaitan, President, PHD Chamber, Dr. S P Sharma, Chief Economist, PHD Chamber, Shri D K Aggarwal,

Vice President, PHD Chamber, **Shri R. S. Ratho**, Chief General Manager, Financial Markets Operation Department, Reserve Bank of India, Mumbai, **Shri Vikas Jaiswal**, Assistant General Manager, Foreign Exchange Department, Reserve Bank of India, New Delhi and **Shri Shyam Poddar**, Managing Committee Member, PHD Chamber

While presenting the welcome remarks, **Shri Anil Khaitan, President, PHD Chamber** stated that that regulation of forex market is necessary in the interest of the people who are in forex market and running their businesses with foreign exchange. Further, he suggested that corporates must cover themselves and should not expose their companies to huge financial risks because of forex fluctuations. He added that exchange rates are determined mainly because of couple of economic features such as inflation rates, interest rate differentials between two countries and supply and demand especially in India. He also appreciated RBI for having tight controls on all the derivatives which are there in foreign exchange and these derivatives are a very safe method of basically hedging the foreign exchange risk, going forward.

**Shri R. S. Ratho**, Chief General Manager, Financial Markets Operation Department, Reserve Bank of India, Mumbai sensitised the members and participants about the newly introduced Global Foreign Exchange Code of Conduct. The benefits of the Global Foreign Exchange Code were appraised to the participants for the effective functioning of the foreign exchange market to promote trade and investments globally. He stated that there is no one to one correlation in the real world and one factor does not influence the overall functioning of the forex market. He highlighted that RBI is reaching to the corporate sector to spread awareness on the recently introduced Global Foreign Exchange Code. He stated that corporate community has the significant exposure to the forex markets especially on the buy side. Unless the corporate sector is sensitised and made aware about the benefits of Global Foreign Exchange Code, attempt of reforming forex market remains incomplete. **Shri Ratho** stated that Global Foreign Exchange Code organized around six core principles i.e. Ethics, Governance, Execution, information sharing, risk management and compliance and confirmation and settlement.

**Shri Vikas Jaiswal**, Assistant General Manager, Foreign Exchange Department, Reserve Bank of India, New Delhi in his remarks highlighted the recent regulatory developments in the forex market. He gave a brief overview on the current account transactions i.e trade and remittances and capital account transactions. He added that India became fully convertible in 1994, still regulating some aspects of current account transactions because of reasons such as though, remittances are fully permitted for trade transactions, miscellaneous purposes, travel purposes, etc. He highlighted about the proactive policies made by them in line with evolving economic environment conditions prevailing in the country. He also added that the approach is always calibrated towards fuller capital account transactions. Further, he stated that rationalization is a continuous process and it has to be tandem with the current environment, therefore, several endeavors have been taken from time to time at regulatory front for the facilitation of the stakeholders involved in the forex market.

**Shri Shyam Poddar**, Managing Committee Member, PHD Chamber in his theme presentation stated that forex market has seen sea side change from the regulatory, restricted to open and then semi regulatory. He added that we have got the best regulatory semi-controlled forex market operations in India. He stated that there are four type of corporates. One is a conservative corporate; when exposure arises they hedge themselves blindly and don't bother about the opportunity gain and loss. Second is moderate one, those who calculate risk with the available products in market, covering their risk and also have the chance of opportunity gain. Third are aggressive ones who do whatever they want to do as per their risk appetite. He also talked about volatility in the currency market. He added that there's a myth that prevails that if rupee depreciates then exports go up and if rupee

appreciates then exports go down. He stated that this is absolutely incorrect. He added that when in 2016 rupee depreciated by 23% and exports declined by 17%. Under these circumstances, basic strategy could be define your cost of exposure instead of going for market perception and must protect your cost of exposure.

**Shri D K Aggarwal**, Vice President, PHD Chamber proposed concluding remarks and vote of thanks. He appreciated the eminent speakers from RBI in addressing the queries of the participants. Shri Aggarwal also opined that simplification of procedures and efforts in simplifying rules and regulations by RBI is commendable. He stated that reforms in the foreign exchange market is a dynamic process and needs to be harmonised with the evolving macroeconomic environment. He also opined that in exchange traded platforms there are options only on rupee dollar contract, hence he suggested that options on other contracts like Euro Dollar, GBP Rupee, Euro-Rupee and Yen- Rupee. He also added that there is a need to enhance the trading timings in the exchange traded platforms to facilitate exporters and importers for meeting their demand to hedge.

**Dr. S P Sharma**, Chief Economist, PHD Chamber moderated the Open House Discussion. He stated that India's growth rate remains promising. India's GDP growth stood at 7.1% in 2016-17 and expected to grow at 6.7% in the current year 2017-18 as projected by IMF and RBI. India is improving in the global competitiveness year after year. He also stated that there are lots of developments in foreign exchange market for the simplification of operating procedures and ease of hedging the risk. Going ahead, more focus should be laid on minimizing the volatility vis-a-vis global economic developments. Further, he appreciated RBI, as rupee was depreciating like anything with lot of volatility in 2013 but today rupee is significantly stable.

Glimpses of the Open House Discussion on Impact of recent economic and regulatory developments on Indian forex market



Eminent dignitaries on the dais at Open House Discussion on Impact of recent economic and regulatory developments on Indian forex market



Shri R. S. Ratho, Chief General Manager, Financial Markets C Department, Reserve Bank of India, Mumbai presenting his remarks on the Global Foreign Exchange Code



Shri Vikas Jaiswal, Assistant General Manager, Foreign Exchange Department, Reserve Bank of India, New Delhi sharing his remarks on recent regulatory developments in the forex market



Shri D K Aggarwal, Vice President, PHD Chamber presenting his remarks and vote of thanks.





Shri Shyam Poddar, Managing Committee Member, PHD Chamber presenting his theme presentation



Dr. S P Sharma, Chief Economist, PHD Chamber giving introductory remarks



Audience at the Open House Discussion on Impact of recent economic and regulatory developments on Indian Forex market



Eminent speakers of the Open House Discussion and Team, PHD Research Bureau, PHDCCI

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Warm regards,

**Dr. S P Sharma**  
**Chief Economist**

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