



NATIONAL APEX CHAMBER

FOREX & FEMA Newsletter

January 2020

PHD Research Bureau

PHD Chamber of Commerce and Industry

PHD House, 4/2 Siri Institutional Area, August Kranti Marg, New Delhi - 110016

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FOREX & FEMA NEWSLETTER

The daily average monthly turnover in India's foreign exchange market including merchant and interbank transactions in the category of purchases decreased from USD 2772 million in September 2019 to USD 2300 million in October 2019. In the category of sales, the average daily turnover has also decreased from USD 2827 million in September 2019 to USD 2334 million in October 2019.

In the month of January 2020, the average exchange rate of rupee against USD stands at 71.32. The average exchange rate of rupee against Japanese yen stands at 65.30. The exchange rate of rupee against Euro has remained at an average of 79.52 in the month of January 2020. While, the average exchange rate of rupee against pound sterling is at 93.39 during January 2020.

India's foreign exchange reserves stands at about USD 461 billion as on January 10, 2020 of which Foreign Currency Assets consists of USD 428 billion, Gold reserves at USD 28 billion, SDRs at USD 1.4 billion and reserve position in the IMF at USD 3.7 billion.

At regulatory front, RBI has been decided to accept the recommendation of the Task Force on Offshore Rupee Market to permit AD Cat-I banks to offer foreign exchange prices to users at all times, out of their Indian books, either by a domestic sales team or through their overseas branches.

The Reserve Bank of India (RBI) conducted a pilot survey during November 2018 and April 2019 to ascertain the broad profile of the startup sector in the country on Indian startup sector. Therefore, the Reserve Bank of India released the Report on Pilot Survey on Indian Startup Sector. The Major Findings' of the report is that around three-fourths of respondents were from the states of Karnataka, Maharashtra, Telangana, Delhi and Tamil Nadu. Further, the Startups majorly in six sectors, viz., agriculture, data & analytics, education, health, IT consulting/solution and manufacturing accounted for nearly 50 per cent of the survey respondents. Around 36 per cent of the startups availed institutional loans (including from banks) to finance their activities.

In reference to the Foreign Exchange Management (Debt Instruments) Regulations, 2019 notified vide Notification No. FEMA. 396/2019-RB dated October 17, 2019, as amended from time to time, and relevant directions issued there under and Circular No. 34 dated May 24, 2019 (hereinafter Directions), it has been decided by RBI, to extend the instructions to cover UPI transactions as well. All the instructions / conditions outlined in the circular under reference would apply, mutatis mutandis, while processing e-mandate in UPI. The RBI has also decided to made changes to the Directions governing investment through the Voluntary Retention Route (VRR) by increasing the investment cap to Rs. 1,50,000 crores from Rs. 75,000 crores.

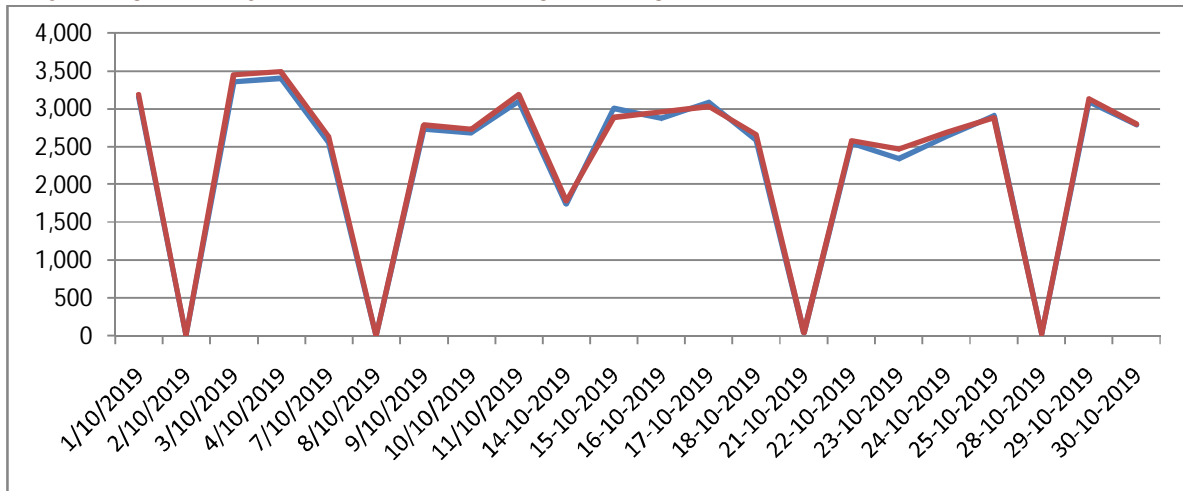
At commodity front, the average price of Gold has increased from Rs 37986 per 10 grams in December 2019 to Rs 39836 per 10 grams in January 2020. The average price of silver has also increased from Rs 44325 in December 2019 to Rs 46625 per 10 grams in January 2020. The average price of crude oil has increased from Rs. 4232 per barrel in December 2019 to Rs. 4248 in January 2020. The average price of copper has risen from Rs. 452 per 1 kg in December 2019 to Rs. 457 per 1 kg in January 2020. However, the average price of Zinc has increased from Rs. 184 per 1 kg in December 2019 to Rs. 185 per 1 kg in January 2020.



India's foreign exchange market turnover (daily average)

The daily average monthly turnover in India's foreign exchange market including merchant and interbank transactions in the category of purchases decreased from USD 2772 million in September 2019 to USD 2300 million in October 2019. In the category of sales, the average daily turnover has also decreased from USD 2827 million in September 2019 to USD 2334 million in October 2019.

Daily average monthly turnover in India's foreign exchange market (USD million)

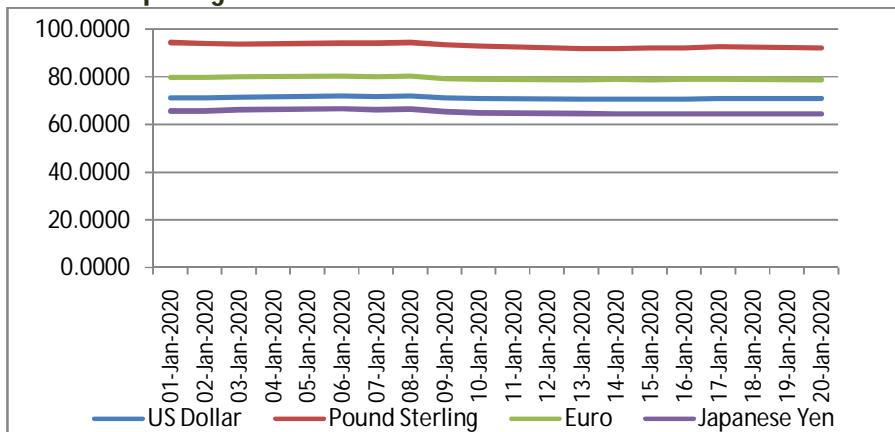


Source: PHD Research Bureau compiled from RBI

Overview of Indian rupee

In the month of January 2020, the average exchange rate of rupee against USD stands at 71.32. The average exchange rate of rupee against Japanese yen stands at 65.30. The exchange rate of rupee against Euro has remained at an average of 79.52 in the month of January 2020. While, the average exchange rate of rupee against pound sterling is at 93.39 during January 2020.

Trend of rupee against various currencies



Source: PHD Research Bureau compiled from RBI. Data pertains till 20th January 2020 only

Indian rupee overview

Average Exchange rate of rupee against USD stands at 71.32 in Jan 2020, against pound sterling at 93.39, against Euro at 79.52 and against Japanese Yen at 65.30

Monthly trend of rupee exchange rate (high and low) against currencies

In the month of January 2020, the exchange rate of rupee against USD recorded highest at 71.37, while it registered lowest at 70.81. The exchange rate of rupee against pound registered highest at 94.64 and lowest at 92.13. In case of Euro currency, exchange rate of rupee recorded highest at 80.03 and lowest at 78.80. The exchange rate of rupee against Japanese yen recorded highest at 65.69 and lowest at 64.43.

Exchange rate of rupee against USD stood highest at 71.37 and lowest at 70.81 in Jan 2020.

Indian rupee overview (Jan 2020)

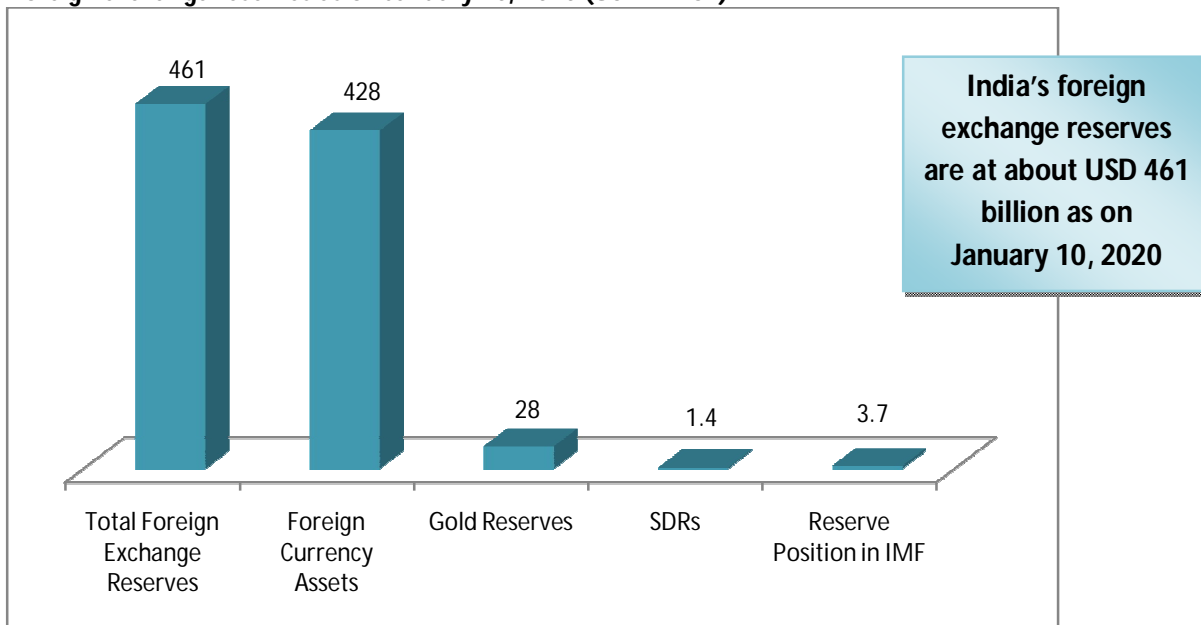
INR against foreign currency	Open	High	Low	Close*
USD	71.37	72.09	70.81	71.05
Pound Sterling	94.64	94.64	92.13	92.33
Euro	80.03	80.45	78.80	78.87
Japanese Yen	65.69	66.74	64.43	64.49

Source: PHD Research Bureau compiled from RBI. * Data pertains till 20th January 2020.

Foreign exchange reserves

India's foreign exchange reserves stands at about USD 461 billion as on January 10, 2020 of which Foreign Currency Assets consists of USD 428 billion, Gold reserves at USD 28 billion, SDRs at USD 1.4 billion and reserve position in the IMF at USD 3.7 billion.

Foreign exchange reserves as on January 10, 2020 (USD Billion)



Source: PHD Research Bureau compiled from RBI



Trade & Investment Facilitation Services



SINGLE WINDOW INFORMATION AND PROCEDURAL FACILITATION

Trade and Investment Facilitation Services (TIFS) is a vital component for international trade and investment community. It is envisioned to facilitate firms across the globe for trade and investments in India while simultaneously meeting India's rapidly growing appetite for new markets to enhance trade and investments.

Considering the thirst of the Nation to place India at the forefront of Global Economic Architecture, PHD Chamber of Commerce and Industry launched a specialized desk on Trade and Investment Facilitation Services (TIFS) on 31st March 2017. TIFS is an information and advisory hub to provide requisite and detailed information to facilitate national and international business firms to invest in India; advising them on prospective business opportunities in India in general and in States and promising sectors in particular.

Vision of TIFS

We aim to make India a US\$ 100 billion (per annum) investment destination in the next five years and to enhance India's trade trajectory to the higher level. We envisage US\$ 1000 billion merchandise trade (exports and imports) and US\$ 500 billion services trade (exports and imports) per annum in the next five years.

Geographical Area

TIFS covers pan India from Jammu Kashmir in the North to Tamil Nadu in the South and from Gujarat in the West to Arunachal Pradesh in the East.

Three role dimensions

1. Information role:

Serving as a key link to all information centres on all national and regional/local regulations and clearances. This includes maintaining or having direct and easy access to such information. This also means constant updating of such information.

2. Catalyst role:

Providing facilitative advisory services to help overcome key obstacles and strengthen key positive enablers for enhanced trade and investments. This includes providing information or "leads" on opportunities that would benefit international business community to invest in India.

3. Networking role:

Effective networking with relevant Indian and overseas agencies and leveraging of such networks in the direction of risk mitigation and enhancing trade and investments.

Strategic Collaborators of TIFS

TIFS work in close coordination with Trade Consulars' of different countries as well as international trade and business community and international chambers of commerce. Further, for facilitating and providing information on procedural requirements, TIFS also work in close coordination with the government both at the central and the state level as well as industry associations in India.

Trade Consular's of different countries

Government including Central and State

Industry Associations

International Trade and Business Community

International Chambers of Commerce

International Consulting Firms

How TIFS work in assisting investors?

It is envisaged to be the first-point-one-stop reference for potential investors from around the world. Our team of domain and functional experts provides sector-and state-specific inputs, and hand- holding support to investors. We assist with location identification, expediting regulatory approvals, facilitating meetings with relevant government and corporate officials among others. For instance, if an investor A from Germany wants to invest USD 100 million in a textile business in India.

- A team of trained staff will be associated with the task for maintaining a physical helpdesk and provide the investor with all the help required regarding the relevant approvals to set up a business and information related to investment areas across India.
- Facility to set up meetings of the investors with Government officials for specific investor queries, both at the state government and central government level.
- Regular updates on various economic developments in India in general and sector specific in particular.
- Updates on state level developments related to policy amendments, sectoral developments, taxation mechanism, infrastructural, etc.
- Updates on Foreign Direct Investment norms, Foreign Trade Policy, etc.

TIFS undertakes the following activities

- i. Through regular research and networking with Government bodies, Entrepreneurs, Industry associations, Embassies/Consulates, Investment delegations, etc., the TIFS gather information on possible trade and investment opportunities in various sectors of the Indian economy.
- ii. TIFS advises prospective traders and investors, national and international, in their process of filing applications and helping them meet other procedural and regulatory requirements. For this purpose, information on specific trade and investment guidelines at the state and central level is provided by TIFS.
- iii. TIFS provides information at a broad level to international investors about possible potential joint venture partners in India. If TIFS is aware of any Indian parties interested in formation of Joint Ventures (JVs) with some global partners, such information is made available to interested investors.
- iv. In case of requests made by individual investors to undertake specific research assignments, financial analysis or due diligence of any specific joint venture partner or Mergers & Acquisitions (M&A) targets, TIFS provides adequate resources to carry out such requests on an agreed cost.
- v. In a nutshell, TIFS increases understanding amongst national and international investors on the promising investment areas and requirements and regulations for making investments. Facilitates in dealing with the Government in application procedures amongst the national and international Investors. Reduce lead time in investment processes and procedural transactions.

Registration

Registration is open to both Indian and foreign entities.

Registration fee is for your registration with TIFS program to receive updates on trade and investment scenario regularly for 1 year from the date of registration. However, for your specific queries consultancy charges would vary from case to case basis for facilitation services on detailed projects and exhaustive research studies.

For details, contact:

Dr. S P Sharma, Chief Economist

PHD Chamber of Commerce and Industry

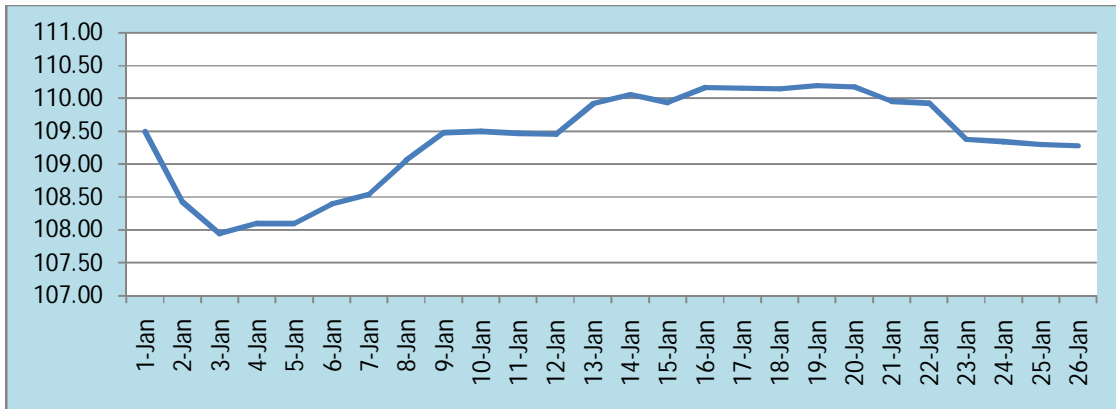
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Trend of USD against Japanese Yen, British Pound and Euro in January 2020

Trend of USD against Japanese Yen

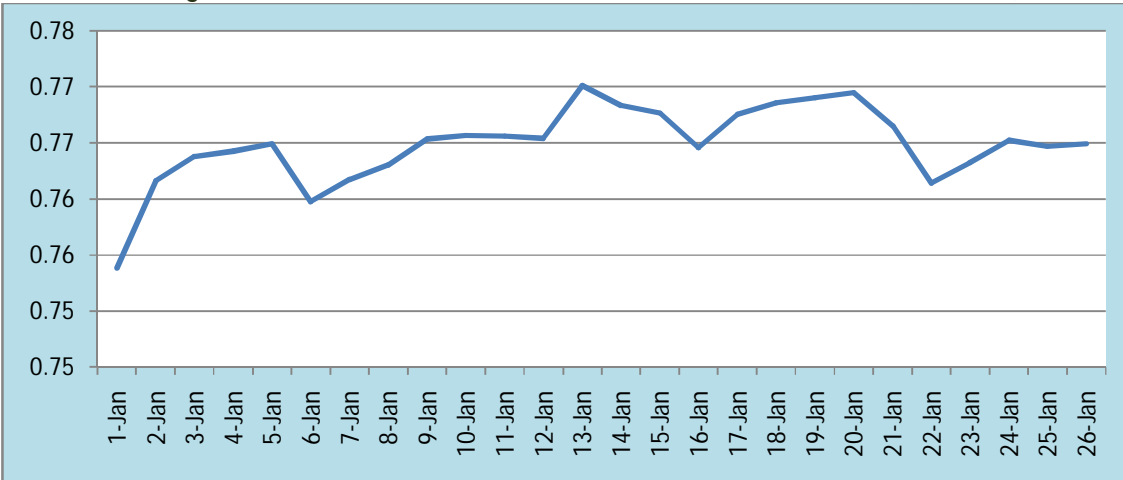
(Jan 2020)



Source: PHD Research Bureau compiled from x-rates. * Data pertains till 26 January, 2020

Trend of USD against British Pound

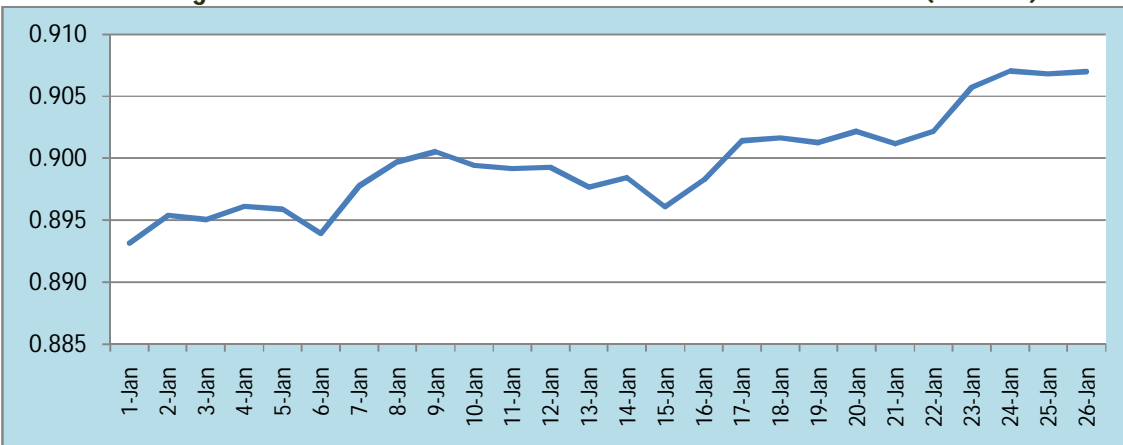
(Jan 2020)



Source: PHD Research Bureau compiled from x-rates. * Data pertains till 26 January, 2020

Trend of USD against Euro

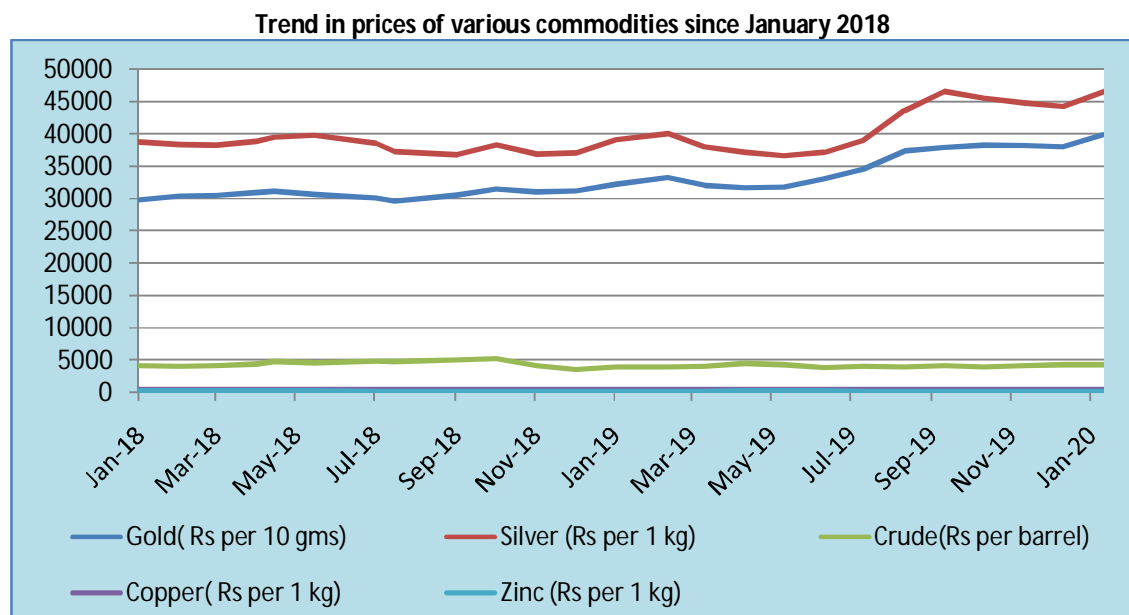
(Jan 2020)



Source: PHD Research Bureau compiled from x-rates. * Data pertains till 26 January, 2020

Commodity Markets

At commodity front, the average price of Gold has increased from Rs 37986 per 10 grams in December 2019 to Rs 39836 per 10 grams in January 2020. The average price of silver has also increased from Rs 44325 in December 2019 to Rs 46625 per 10 grams in January 2020. The average price of crude oil has increased from Rs. 4232 per barrel in December 2019 to Rs. 4248 in January 2020. The average price of copper has risen from Rs. 452 per 1 kg in December 2019 to Rs. 457 per 1 kg in January 2020. However, the average price of Zinc has increased from Rs. 184 per 1 kg in December 2019 to Rs. 185 per 1 kg in January 2020.



Source: PHD Research Bureau, compiled from MCX.

Financial Markets

Select indices such as DAX, DJIA, SENSEX and have exhibited positive growth of around 1.7%, 1.2% and 0.09%, whereas NIKKEI, SHSZ have exhibited negative growth of around 1.8% and 1.6% in January 2020 over December 2019 (point to point on closing values).

Global Indices			
Index	Index	Index	Monthly Change
	(as on 27 th Dec 2019)	(as on 24 th Jan 2020)	(in %)
DAX¹	13337	13576	1.7
DJIA²	28645	28989	1.2
NIKKEI³	23837	23396	-1.8
SENSEX⁴	41,575	41,613	0.09
SHSZ⁵	4071	4003	-1.6

Source: PHD Research Bureau, compiled from various sources. Note: ¹ Deutscher Aktien Index (Germany) data, ² Dow Jones Industrial Average (US) Data, ³ NIKKEI (Japan), ⁴ BSE SENSEX (India), ⁵ Shanghai Shenzhen CSI 300 Index (China).

Recent regulatory developments

Framework for imposing monetary penalty on authorised payment system operators / banks under the Payment and Settlement Systems Act, 2007

In Reference to the Reserve Bank of India (RBI) circular DPSS.CO.OD.No.1082/06.08.005/2016-17 dated October 20, 2016 advising the framework for imposition of monetary penalty and compounding of contraventions / offences under Sections 30 and 31, respectively of the Payment and Settlement Systems (PSS) Act, 2007. The revised framework continues to centre on objectivity and transparency in the decision-making process. It may be noted that action taken under this framework would be without prejudice to any other laws of the country.

Framework for imposing monetary penalty on authorised payment system operators / banks under the Payment and Settlement Systems Act, 2007 – Existing framework vis-à-vis the revised framework

S.No.	Subject	Existing Framework (Circular dated October 20, 2016)	Revised Framework (Circular dated January 10, 2020)
1.	Powers of RBI to impose fine and compound	Powers of RBI to impose fine and compound contraventions have been mentioned; the type of contravention / violation for which RBI has powers to impose fine and compound, are not explicitly indicated.	RBI has powers to impose monetary penalty in respect of certain contraventions as well as compound certain contraventions. The type / nature of contravention for which penalty can be imposed and compounded are different and vary. This has been detailed including the procedure to be followed.
2.	Procedure for imposing monetary penalty / fine	Single procedure for imposing monetary penalty / fine in respect of contraventions identified by RBI as well as compounding of contraventions.	Considering that the powers of RBI to impose monetary penalty and compound contraventions are different, and further that the nature of identification of contraventions is also different, separate procedures have been proposed.
3.	Delegation of powers to impose fine and compound contraventions	There is no mention of delegation of powers or about the designated authority.	The powers to impose monetary penalty on account of RBI identified contraventions and compounding of contraventions have been separated.
4.	Issuance of Show Cause Notice (SCN)	In case RBI is not satisfied with the explanation furnished by the contravener, a SCN shall be issued. There is no methodology for considering various parameters to decide on its issue.	The decision to issue SCN will be based on certain parameters dovetailed in a Scoring Matrix.

5.	Action based on nature of contravention	No such procedure.	Will depend on whether the contraventions are quantifiable or non-quantifiable.
6.	Amount of monetary penalty	For quantifiable contraventions – a minimum penalty of Rs. 5 lakh. For non-quantifiable contraventions - a penalty of minimum Rs. 5 lakh with a maximum of Rs. 1 crore.	Objective methodology dovetailed into a scoring matrix to determine the amount of penalty to be imposed, including action for non-compliance.
7.	Type of contraventions that can be compounded	All contraventions could be compounded.	All offences mentioned in Section 26 of PSS Act, 2007 except those relating to sub-section 2 of Section 26, can be compounded. All eligible contraventions, irrespective of its nature of being quantifiable or non-quantifiable, shall be compounded.

Source: Ministry of Finance, Government of India

Processing of e-mandate in Unified Payments Interface (UPI) for recurring transactions

This is in refer to circular DPSS.CO.PD.No.447/02.14.003/2019-20 dated August 21, 2019 on “Processing of e-mandate on cards for recurring transactions” whereby processing of e-mandate on cards / Prepaid Payment Instruments (PPIs) was permitted for recurring transactions (merchant payments), with Additional Factor of Authentication (AFA) during e-mandate registration, modification and revocation, as also for the first transaction, and simple / automatic subsequent successive transactions, subject to certain conditions.

On a review of the developments since this facilitation, it has been decided by RBI, **to extend the above instructions to cover UPI transactions as well. All the instructions / conditions outlined in the circular under reference would apply, mutatis mutandis, while processing e-mandate in UPI.** This is also in line with the measures proposed for furthering digital payments announced vide.

Amendment to Master Direction (MD) on KYC

Government of India, vide Gazette Notification G.S.R. 582(E) dated August 19, 2019 and Gazette Notification G.S.R. 840(E) dated November 13, 2019, has notified amendment to the Prevention of Money-laundering (Maintenance of Records) Rules, 2005, with a view to leveraging the digital channels for Customer Identification Process (CIP) by Regulated Entities (REs), the Reserve Bank has decided to permit Video based Customer Identification Process (V-CIP) as consent based alternate method of establishing the customer’s identity, for customer on boarding.

The consequent changes carried out in the Master Direction on KYC dated February 25, 2016, with the aforementioned amendments to the PML Rules and V-CIP is as under:

- Digital KYC” has been defined in Section 3 as capturing live photo of the customer and officially valid document or the proof of possession of Aadhaar, where offline verification cannot be carried out, along with the latitude and longitude of the location where such live photo is being taken by an authorised officer of the Reporting Entity (RE) as per the provisions contained in the Act. Steps to carry out the Digital KYC process have also been stipulated.
- “Equivalent e-document” has been defined in Section 3 as an electronic equivalent of a document, issued by the issuing authority of such document with its valid digital signature including documents issued to the digital locker account of the customer as per Rule 9 of the Information Technology (Preservation and Retention of Information by Intermediaries Providing Digital Locker Facilities) Rules, 2016.

Risk Management and Inter-bank Dealings- Permitting AD Cat-I banks to voluntarily undertake user and Inter-Bank transactions beyond onshore market hours

As announced in the Statement of Developmental and Regulatory Policies dated October 04, 2019 RBI has been decided to accept the recommendation of the Task Force on Offshore Rupee Market to permit AD Cat-I banks to offer foreign exchange prices to users at all times, out of their Indian books, either by a domestic sales team or through their overseas branches.

Supervisory Action Framework for Primary (Urban) Co-operative Banks (UCBs)

In refer to the circular UBD.BPD.(PCB). Cir No. 3/12.05.001/2014-15 dated November 27, 2014 on the captioned subject containing the Supervisory Action Framework (SAF) for UCBs. RBI has decided that to further rationalize the SAF and to make it more effective in bringing about the desired improvement in the UCBs as also expeditious resolution of UCBs experiencing financial stress. Reserve Bank will continue to monitor asset quality, profitability and capital / net worth of UCBs under the revised SAF. The main features of the revised SAF are indicated herein below:

- **Thresholds/triggers and Supervisory Action-** The revised SAF envisages initiation of corrective action by the UCB and/or supervisory action by the Reserve Bank on breach of the specified thresholds (triggers) in respect of the specified financial parameters/indicators. The actions mentioned in the following paragraphs may be taken on breach of the specified thresholds.
 1. **Asset quality:** A UCB may be placed under SAF when its Net NPAs exceed 6% of its net advances. Depending on the severity of stress, Reserve Bank may take one or more of the following actions:
 - i. Advising the UCB to submit a Board-approved Action Plan for reducing its Net NPAs below 6%
 - ii. Advising the Board of Directors of the UCB to review the progress under the Action Plan on quarterly/monthly basis
 - iii. Advising the UCB to submit the post-review progress report to Reserve Bank

- iv. Restriction on declaration/payment of dividend/donation without prior approval of RBI
- v. Curtailment of sanction/renewal of credit facilities to sectors/segments having high proportion of NPAs/defaults
- vi. Reduction in exposure limits for fresh loans and advances
- vii. Restriction on fresh loans and advances carrying risk-weights more than 100%.

2. Profitability: A UCB may be placed under SAF when it incurs losses for two consecutive financial years or has accumulated losses on its balance sheet. Depending on the severity of stress, Reserve Bank may take one or more of the following actions:

- i. Advising the UCB to submit a Board-approved Action Plan for restoring the profitability and/or wiping out the accumulated losses.
- ii. Advising the Board of Directors of the UCB to review of progress under the Action Plan on quarterly (or more frequent) basis.
- iii. Prohibition on declaration/payment of dividend/donation.
- iv. Restriction on incurring capital expenditure beyond a specified limit, without prior approval of the Reserve Bank.
- v. Measures for reduction in interest and operating/administrative expenses.

3. Capital to Risk-weighted Assets ratio (CRAR)- A UCB may be placed under SAF when its CRAR falls below 9%. Depending on the severity of stress, Reserve Bank may take one or more of the following actions:

- i. Advising the UCB to submit a Board-approved Action Plan for increasing the CRAR to 9% or above within 12 months.
- ii. Advising the Board of Directors of the UCB to review the progress under the Action Plan on quarterly/monthly basis and submit the post-review progress report to Reserve Bank
- iii. Seeking a Board-approved proposal for merging the UCB with another bank or converting itself into a credit society
- iv. Prohibition on declaration/payment of dividend/donation
- v. Restriction on incurring capital expenditure beyond a specified limit, without prior approval of the Reserve Bank
- vi. Measures for reduction in interest and operating/administrative expenses
- vii. Reduction in exposure limits for fresh loans and advances
- viii. Restriction on fresh loans and advances carrying risk-weights beyond the specified limit
- ix. Restriction on expansion of size of the balance sheet
- x. Restriction on fresh borrowings, except for meeting temporary liquidity mismatches
- xi. Prohibition on sanction/disbursal of fresh loans and advances other than loans against collateral security of term deposits / NSCs / KVPs / insurance policies
- xii. Prohibition on expansion of size of the deposits

4. Actions such as imposition of all-inclusive directions under section 35A of the Banking Regulation Act, 1949 (as applicable to co-operative societies) and issue of show cause notice for cancellation of banking license may be considered by the Reserve bank when continued normal functioning of the UCB is no longer considered to be in the interest of its depositors / public.

- **Implementation of the revised SAF**

1. Supervisory action will normally be initiated on the basis of the financial position of UCBs as assessed during the statutory inspection. However, action may also be taken on the basis of the reported/audited financial position which may be subsequently reviewed, if necessary, on the basis of the statutory inspection findings.
2. Although supervisory action taken will primarily be based on the criteria specified under the revised SAF, Reserve Bank will not be precluded from taking appropriate supervisory action in case stress is noticed in other important indicators/parameters or in case of serious governance issues. Reserve Bank will also not be precluded from taking any supervisory actions other than those indicated in this circular, based on merits of each case.
3. The revised SAF will be implemented with immediate effect. Supervisory action already taken under the earlier SAF will be reviewed and revised instructions, if any, will be issued to the UCBs concerned.

Financial Benchmark Administrators (Reserve Bank) Directions, 2019

This is in reference to the Financial Benchmark Administrators (Reserve Bank) Directions, 2019, dated June 26, 2019. The Reserve Bank notifies the following benchmarks administered by Financial Benchmarks India Pvt. Ltd. (FBIL) as a 'significant benchmark':

- Overnight Mumbai Interbank Outing Rating (MIBOR)
- Mumbai Interbank Forward Outright Rate (MIFOR)
- USD/INR Reference Rate
- Treasury Bill Rates
- Valuation of Government Securities
- Valuation of State Development Loans (SDL)

In terms of the above direction, the person administering the 'significant benchmark' shall make an application to the Reserve Bank within a period of three months from the date of this notification for authorization to continue administering these benchmarks.

Reporting of OTC Currency Derivative transactions to trade repository

This is in reference to circular FMD.MSRG.No.94/02.05.002/2013-14 dated December 04, 2013 on the captioned subject, wherein a threshold of USD 1 million, and equivalent thereof in other currencies, was stipulated for reporting client transactions in currency derivatives (currency swaps and FCY FRA/IRS) to the Trade Repository (TR).

RBI has decided that all client transactions in currency derivatives, including those with notional amount of below USD 1 mn, shall now be reported to the TR, with effect from January 06, 2020.

As a one-time measure, in order to update the transactions in the Trade Repository, AD Category – I banks shall report all outstanding client transactions with notional amount below USD 1 mn to the TR by January 31, 2020.

Extension of relaxation on the guidelines to NBFCs on securitisation transactions

This is in reference to the circular DNBR (PD)CC.No.95/03.10.001/2018-19 dated November 29, 2018 on “Relaxation on the guidelines to NBFCs on securitisation transactions” and the circular DNBR (PD)CC.No.100/03.10.001/2018-19 dated May 29, 2019 extending the dispensation till December 31, 2019.

On a review, RBI has been decided to extend the relaxation provided therein till June 30, 2020. All other instructions governing securitisation and direct assignment transactions remain unchanged.

Constitution of Board of Management (BoM) in Primary (Urban) Co-operative Banks (UCBs)

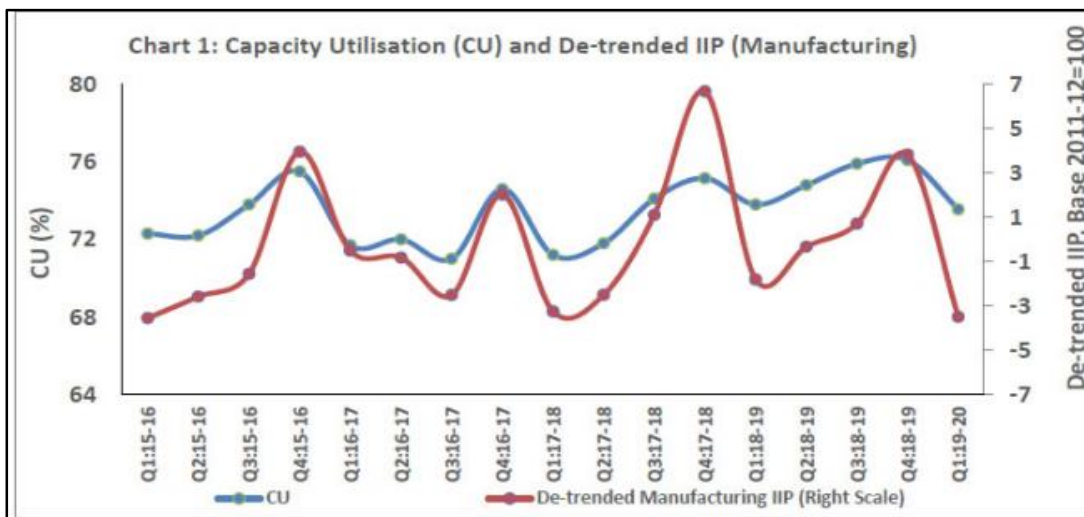
Reserve Bank of India had released draft guidelines on constituting BoM in UCBs on June 25, 2018 inviting comments from banks and other stakeholders. Taking into consideration the responses received, it has been decided that:

- UCBs shall constitute a BoM by making suitable amendments in their bye-laws. The BoM shall comprise of persons with special knowledge and practical experience in banking to facilitate professional management and focused attention to the banking related activities of the UCBs through appropriate amendments to their bye-laws, in accordance with the enclosed guidelines following the due process. While constituting the BoM, the Board of Directors (BoD) of UCB shall carry out a process of due diligence to determine the suitability of the person for appointment as the member of the BoM, based upon qualification, expertise, track record, integrity and other ‘fit and proper’ criteria
- UCBs with deposit size of Rs. 100 crore and above shall constitute BoM which will also be a mandatory requirement for allowing such banks to expand their area of operation and open new branches. UCBs with a deposit size less than Rs. 100 crore and Salary Earners’ Banks are exempted from constituting BoM. However, for having good governance practices, such banks may also constitute BoM, if they so desire.
- Further, as per the guidelines, UCBs having deposit size of Rs. 100 crore and above shall obtain prior approval of Reserve Bank for appointment of CEO. In this connection, it is advised that Scheduled UCBs shall approach the Department of Regulation of Reserve Bank for approval at least three months prior to the end of tenure of the incumbent CEO. The banks shall submit the proposal for appointment of CEO along with the declaration-cum -undertaking of the CEO designate.

RBI launches Quarterly Order Books, Inventories and Capacity Utilisation Survey: October-December 2019 (Round 48)

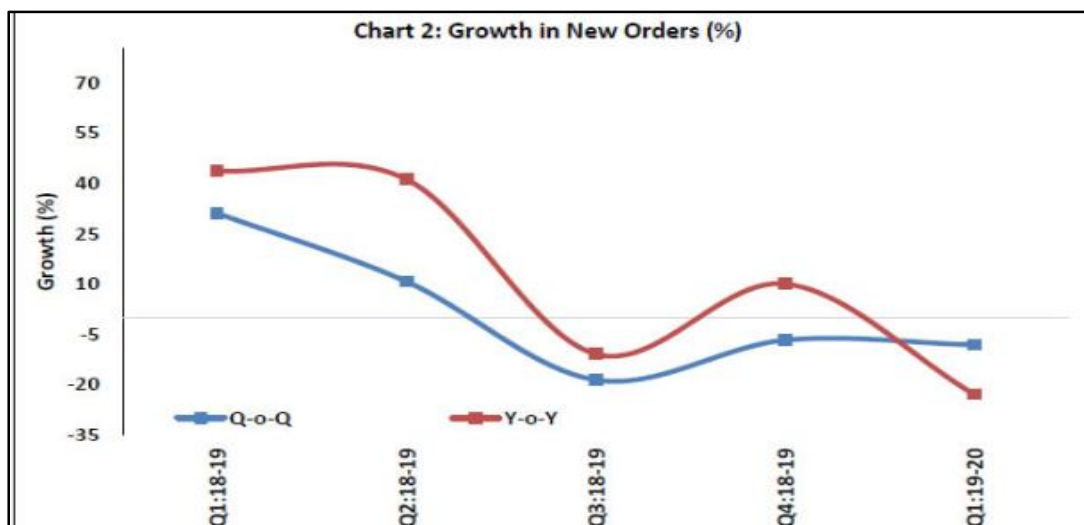
The Reserve Bank released the results of the 46th round of the Order Books, Inventories and Capacity Utilisation Survey (OBICUS) for the quarter April-June 2019 covering 818 manufacturing companies. The survey provides a snapshot of demand conditions in India's manufacturing sector

- Capacity Utilisation (CU):** At the aggregate level, CU declined to 73.6 per cent in Q1:2019-20 from 76.1 percent in Q4 2018-19, broadly tracking the de-trended index of industrial production (IIP) (Chart 1). Seasonally adjusted, CU increased by 0.3 percentage points to 74.8 per cent in Q1:2019-20.



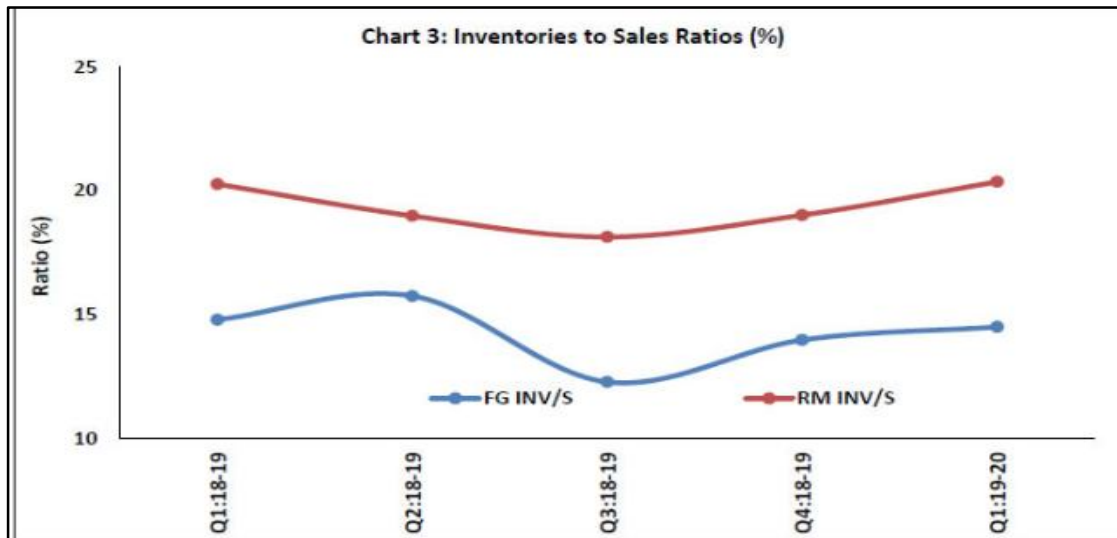
Source: PHD Research Bureau compiled from RBI

- Order Books:** Fewer new orders were received in Q1:2019-20, marking the third successive quarter of decline in new orders.



Source: PHD Research Bureau compiled from RBI

- **Finished Goods Inventory (FGI) to Sales Ratio:** The FGI to sales ratio rose for the second consecutive quarter in Q1:2019-20, mainly reflecting moderation in sales as FGI remained unchanged from the preceding quarter's level
- **Raw Material Inventory (RMI) to Sales Ratio:** The rise in RMI to sales ratio was on account of increase in inventories and moderation in sales.



Source: PHD Research Bureau compiled from RBI

RBI releases report on Pilot Survey on Indian Startup Sector

The Reserve Bank of India (RBI) conducted a pilot survey on Indian startup sector. Therefore, the Reserve Bank of India released the Report on Pilot Survey on Indian Startup Sector-Major Findings'. It presents the feedback received from the survey respondents on the startup sector.

The executive summary of the report is as follows:

- The survey was conducted during November 2018 and April 2019 to ascertain the broad profile of the startup sector in the country.
- A total of 1,246 startups (public/private limited companies, partnership firms, limited liabilities partnerships and others) participated in the survey.
- Around three-fourths of respondents were from the states of Karnataka, Maharashtra, Telangana, Delhi and Tamil Nadu.
- Startups in six sectors, viz., agriculture, data & analytics, education, health, IT consulting/solution and manufacturing accounted for nearly 50 per cent of the survey respondents.
- Respondents cited market/industry demand and team experience as the major enabling factors for setting up the startups. Both domestic markets (mainly semi-urban, urban and metropolitan areas in India) and foreign countries were the target destination of the startups.

- Almost half of the respondents informed that they were in an early stage of revenue generation while 31 per cent were in a growing stage. Of the remaining startups which were yet to generate any revenue, as high as 86 per cent were aged below three years.
- The annual turnover for over one-fourths of the respondents was up to Rs. 10 lakhs whereas around 20 per cent startups did not report any revenue generation. Less than one-fifths of the respondents reported that their turnover exceeded Rs.1 crore.
- Only 14 per cent of startups had more than 10 employees in the first six months of their operation but as the sector matured, the share increased to 40 per cent at the time of conducting the survey.
- Around 36 per cent of the startups availed institutional loans (including from banks) to finance their activities.

RBI revises Supervisory Action Framework for Primary (Urban) Co-operative Banks (UCBs)

RBI has decided to further rationalize the Supervisory Action Framework (SAF) to make it more effective in bringing about the desired improvement in the UCBs as also expeditious resolution of UCBs experiencing financial stress. Reserve Bank will continue to monitor asset quality, profitability and capital/net worth of UCBs under the revised SAF.

The main features of the revised SAF are as follows:

- **Thresholds/triggers and Supervisory Action:** The revised SAF envisages initiation of corrective action by the UCB and/or supervisory action by the Reserve Bank on breach of the specified thresholds (triggers) in respect of the specified financial parameters/indicators. The actions mentioned in the following paragraphs may be taken on breach of the specified thresholds.

- **Asset quality:** A UCB may be placed under SAF when its Net NPAs exceed 6% of its net advances. Depending on the severity of stress, Reserve Bank may take one or more of the following actions:

1. Advising the UCB to submit a Board-approved Action Plan for reducing its Net NPAs below 6%.
2. Restriction on declaration/payment of dividend/donation without prior approval of RBI.
3. Reduction in exposure limits for fresh loans and advances
4. Advising the Board of Directors of the UCB to review the progress under the Action Plan on quarterly/monthly basis; among others.

- **Profitability:** A UCB may be placed under SAF when it incurs losses for two consecutive financial years or has accumulated losses on its balance sheet. Depending on the severity of stress, Reserve Bank may take one or more of the following actions:

1. Advising the UCB to submit a Board-approved Action Plan for restoring the profitability and/or wiping out the accumulated losses
2. Prohibition on declaration/payment of dividend/donation
3. Restriction on incurring capital expenditure beyond a specified limit, without prior approval of the Reserve Bank; among others.

• **Capital to Risk-weighted Assets ratio (CRAR):** A UCB may be placed under SAF when its CRAR falls below 9%. Depending on the severity of stress, Reserve Bank may take one or more of the following actions:

1. Advising the UCB to submit a Board-approved Action Plan for increasing the CRAR to 9% or above within 12 months.
2. Advising the UCB to submit a Board-approved Action Plan for increasing the CRAR to 9% or above within 12 months.
3. Seeking a Board-approved proposal for merging the UCB with another bank or converting itself into a credit society.
4. Prohibition on declaration/payment of dividend/donation.
5. Reduction in exposure limits for fresh loans and advances; among others.

RBI amends Hedging of Commodity Price Risk and Freight Risk in Overseas Markets Directions, 2018

RBI has amended that the Paragraph 10 of the directions *ibid* shall be substituted with the following that **Banks shall submit a quarterly report to the Chief General Manager, Financial Markets Regulation Department, Reserve Bank of India through Extensible Business Reporting Language (XBRL) accessible at <https://xbml.rbi.org.in/orfsxbml/> in the format provided in Annexure I of the circular. In case of no transactions, a "Nil" report shall be submitted by the bank.**

RBI revises directions for lending against security of single product – Gold Jewellery

RBI has decided that NBFCs can pool Gold Jewellery from different branches in a district and auction it at any location within the district, subject to meeting the following conditions:

- The first auction has failed.
- The NBFC shall ensure that all other requirements of the extant directions regarding auction (prior notice, reserve price, arms-length relationship, disclosures, etc.) are met

RBI relaxes Voluntary Retention Route' (VRR) for Foreign Portfolio Investors (FPIs) investment in debt

The RBI has decided to made the following changes to the Directions governing investment through the Voluntary Retention Route (VRR):

- The investment cap is increased to Rs. 1,50,000 crores from Rs. 75,000 crores.
- FPIs that have been allotted investment limits under VRR may, at their discretion, transfer their investments made under the General Investment Limit to VRR.
- FPIs are also allowed to invest in Exchange Traded Funds that invest only in debt instruments.

Macro-economic indicators

November 2019 IIP stands at 1.8 %

Growth in industry output, as measured in terms of IIP, for the month of November 2019 grows at 1.8% as compared to (-)4% in October 2019. The growth in the three sectors mining, manufacturing and electricity in November 2019 stands at 1.7%, 2.7% and (-)5% respectively over November 2018. Primary goods growth stands at (-)0.3%, capital goods growth stands at (-)8.6%, intermediate goods growth stands at 17.1%, infrastructure/construction goods growth stands at (-)3.5%, consumer durables stands at (-)1.5% and consumer non-durables growth stands at 2.0% during November 2019 as compared to the previous year.

December 2019 CPI inflation rises to 7.4%

The all India general CPI inflation (Combined) for December 2019 rises to 7.4% from 5.5% in November 2019. The inflation rates for rural and urban areas for December 2019 (Provisional) are 7.3% and 7.5% respectively as compared to 5.3% and 5.8% respectively, for November 2019. Rate of inflation is high during December 2019 in vegetables at 60.5%, pulses and products at 15.4% and meat and fish at 9.6%.

December 2019 WPI inflation grows at 2.6%

The WPI inflation rises to 2.6% in December 2019 from to 0.6% in November, 0.0% in October 2019, 0.3% in September 2019, 1.2% in August 2019, and 1.2% in July 2019. The increase in WPI inflation in the month of December 2019 is attributed to increase in the prices of vegetables (69.7%) and onion (455.8%).

Merchandise exports and imports grew by (-) 2% and (-) 9% respectively in December 2019

Exports in December 2019 were USD 28 billion, as compared to USD 28 billion in December 2018, exhibiting a negative growth of (-) 2 per cent. In Rupee terms, exports were Rs. 1,94,765 crore in December 2019, as compared to Rs. 1,97,045 crore in December 2018, registering a negative growth of (-)1 per cent Imports in December 2019 were USD 39 billion (Rs.2,74,884 crore), which was 9 per cent lower in Dollar terms and 8 per cent lower in Rupee terms over imports of USD 42 billion (Rs.2,99,553 crore) in December 2018.



NATIONAL APEX CHAMBER

India's Trade Statistics at a Glance

Merchandise	Apr-19	May-19	June-19	July-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19
Exports (USD billion)	26	30	25	26	26	26	26	26	28
Growth (%)	0.6	4	-10	2	-6	-6	-1	-0.3	-2
Imports (USD billion)	41	45	40	39	39	37	37	38	39
Growth (%)	4.4	4.3	-9	-10	-13	-14	-16	-13	-9
Trade Balance (USD billion)	-15	-15	-15	-13	-13	-11	-11	-12	-11

Source: PHD Research Bureau, compiled from Ministry of Commerce and Industry, Government of India

Select Indicators

S. NO.	Indicators	Dec -19
1	Daily average monthly turnover in foreign exchange market	
	Purchase (USD billion) *	2.3
	Sales (USD billion) *	2.3
2	Exchange rate of rupee against USD (monthly average) **	71.3
3	Exchange rate of rupee against Pound Sterling (monthly average) **	93.3
4	Exchange rate of rupee against Euro (monthly average) **	79.5
5	Exchange rate of rupee against Japanese Yen (monthly average) **	65.3
6	Foreign exchange reserves (USD billion)^	461
7	IIP (growth in %)- Nov 2019	1.8%
8	CPI inflation (%) – Nov 2019	7.4%
9	WPI inflation (%) - Dec 2019	2.6%
10	FDI inflows (USD billion) H1 2019-20	34.9
11	External Debt (USD billion)@	557
12	ECBs (USD billion) –November 2019	2
13	Current account deficit as a % of GDP Q2 FY2020	0.9
14	India's exports (USD billion) – Dec 2019	28
15	Growth of exports (%)–Dec 2019	-1.8
16	India's imports (USD billion)- Dec 2019	39
17	Growth of imports (%)–Nov 2019	-8.8
18	Trade balance (USD billion) – Dec 2019	-11
19	Repo rate ^^	5.15%
20	Reverse repo rate^^	4.90%
21	Cash reserve ratio^^	4%
22	Statutory liquidity ratio^^	18.50%

Source: PHD Research Bureau compiled from various sources. *Data for the month of October 2019. ** Data for Jan 2020 ^ Foreign exchange reserves on January 10, 2020, @Data for the end-June 2019, ^^Key policy rates such as repo, CRR, reverse repo and SLR pertains to as on 27th January 2020, ****Growth (YOY) Q1 2019-20 over the last quarter.

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PHD Research Bureau

PHD Research Bureau; the research arm of the PHD Chamber of Commerce and Industry was constituted in 2010 with the objective to review the economic situation and policy developments at sub-national, national and international levels and comment on them in order to update the members from time to time, to present suitable memoranda to the government as and when required, to prepare State Profiles and to conduct thematic research studies on various socio-economic and business developments.

The Research Bureau has been instrumental in forecasting various lead economic indicators national and sub-national. Many of its research reports have been widely covered by media and leading newspapers. The Research Bureau has undertaken various policy studies for Government of India and State Governments.

Research Activities	Comments on Economic Developments	Newsletters	Consultancy
<ul style="list-style-type: none"> Research Studies 	<ul style="list-style-type: none"> Global Economic Developments 	<ul style="list-style-type: none"> Economic Affairs Newsletter (EAC) 	<ul style="list-style-type: none"> Trade and Investment Facilitation Services (TIFS)
<ul style="list-style-type: none"> State Profiles 	<ul style="list-style-type: none"> India's Economic Developments 	<ul style="list-style-type: none"> Forex and FEMA Newsletter 	
<ul style="list-style-type: none"> Impact Assessments 	<ul style="list-style-type: none"> States' Economic Developments 	<ul style="list-style-type: none"> Global Economic Monitor (GEM) 	
<ul style="list-style-type: none"> Thematic Research Reports 	<ul style="list-style-type: none"> International Developments 	<ul style="list-style-type: none"> Trade & Investment Facilitation Services (TIFS) Newsletter 	
<ul style="list-style-type: none"> Releases on Economic Developments 	<ul style="list-style-type: none"> Financial Markets 	<ul style="list-style-type: none"> State Development Monitor (SDM) 	
	<ul style="list-style-type: none"> Foreign exchange market 		
	<ul style="list-style-type: none"> Developments in International Trade 		

Studies undertaken by the PHD Research Bureau

A: Thematic research reports

1. Comparative study on power situation in Northern and Central states of India (September 2011)
2. Economic Analysis of State (October 2011)
3. Growth Prospects of the Indian Economy, Vision 2021 (December 2011)
4. Budget 2012-13: Move Towards Consolidation (March 2012)
5. Emerging Trends in Exchange Rate Volatility (Apr 2012)
6. The Indian Direct Selling Industry Annual Survey 2010-11 (May 2012)
7. Global Economic Challenges: Implications for India (May 2012)
8. India Agronomics: An Agriculture Economy Update (August 2012)
9. Reforms to Push Growth on High Road (September 2012)
10. The Indian Direct Selling Industry Annual Survey 2011-12: Beating Slowdown (March 2013)
11. Budget 2013-14: Moving on reforms (March 2013)
12. India- Africa Promise Diverse Opportunities (November 2013)
13. India- Africa Promise Diverse Opportunities: Suggestions Report (November 2013)
14. Annual survey of Indian Direct Selling Industry-2012-13 (December 2013)
15. Imperatives for Double Digit Growth (December 2013)
16. Women Safety in Delhi: Issues and Challenges to Employment (March 2014)
17. Emerging Contours in the MSME sector of Uttarakhand (April 2014)
18. Roadmap for New Government (May 2014)
19. Youth Economics (May 2014)
20. Economy on the Eve of Union Budget 2014-15 (July 2014)
21. Budget 2014-15: Promise of Progress (July 2014)
22. Agronomics 2014: Impact on economic growth and inflation (August 2014)
23. 100 Days of new Government (September 2014)
24. Make in India: Bolstering Manufacturing Sector (October 2014)
25. The Indian Direct Selling Industry Annual Survey 2013-14 (November 2014) Participated in a survey to audit SEZs in India with CAG Office of India (November 2014)
26. Role of MSMEs in Make in India with reference to Ease of Doing Business in Ghaziabad (Nov 2014)
27. Exploring Prospects for Make in India and Made in India: A Study (January 2015)
28. SEZs in India: Criss-Cross Concerns (February 2015)
29. Socio-Economic Impact of Check Dams in Sikar District of Rajasthan (February 2015)
30. India - USA Economic Relations (February 2015)
31. Economy on the Eve of Union Budget 2015-16 (February 2015)
32. Budget Analysis (2015-16)
33. Druzhba-Dosti: India's Trade Opportunities with Russia (April 2015)
34. Impact of Labour Reforms on Industry in Rajasthan: A survey study (July 2015)
35. Progress of Make in India (September 2015)
36. Grown Diamonds, A Sunrise Industry in India: Prospects for Economic Growth (November 2015)
37. Annual survey of Indian Direct Selling Industry 2014-15 (December 2015)

38. India's Foreign Trade Policy Environment Past, Present and Future (December 2015)
39. Revisiting the emerging economic powers as drivers in promoting global economic growth (February 2016)
40. Bolstering MSMEs for Make in India with special focus on CSR (March 2016)
41. BREXIT impact on Indian Economy (July 2016)
42. India's Exports Outlook (August 2016)
43. Ease of Doing Business : Suggestive Measures for States (October 2016)
44. Transforming India through Make in India, Skill India and Digital India (November 2016)
45. Impact of Demonetization on Economy, Businesses and People (January 2017)
46. Economy on the eve of Budget 2017-18 (January 2017)
47. Union Budget 2017-18: A budget for all-inclusive development (January 2017)
48. Annual Survey of Indian Direct Selling Industry 2015-16 (February 2017)
49. Worklife Balance and Health Concerns of Women: A Survey (March 2017)
50. Special Economic Zones: Performance, Problems and Opportunities (April 2017)
51. Feasibility Study (socio-Economic Survey) of Ambala and Rohtak Districts in Haryana (March 2017)
52. Goods and Services (GST): So far (July 2017)
53. Reshaping India-Africa Trade: Dynamics and Export Potentiality of Indian Products in Africa (July 2017)
54. Industry Perspective on Bitcoins (July 2017)
55. Senior Housing: A sunrise sector in India (August 2017)
56. Current state of the economy (October 2017)
57. Equitable finance to fulfill funding requirements of Indian Economy (October 2017)
58. The Wall of Protectionism: : Rise and Rise of Protectionist Policies in the Global Arena, (November 2017)
59. India-Israel Relations: Building Bridges of Dynamic Trade (October 2017)
60. Role of Trade Infrastructure for Export Scheme (TIES) in Improving Export Competitiveness (November 2017)
61. India - China Trade Relationship: The Trade Giants of Past, Present and Future (January 2018)
62. Analysis of Trade Pattern between India and ASEAN (January 2018)
63. Union Budget 2018-19 – (February 2018)
64. Ease of Doing Work for Women: A survey of Delhi NCR (February 2018)
65. Restraining Wilful Defaults: Need of the hour for Indian Banking System (March 2018)
66. Impact of GST on Business, Industry and Exporters (April 2018)
67. India – Sri Lanka Bilateral Relations: Reinforcing trade and investment prospects (May 2018)
68. Growth Prospects of the Indian Economy: Road to US \$5 Trillion Economy (May 2018)
69. India's Free Trade Agreements Dynamics and Diagnostics of Trade Prospects (May 2018)
70. Growth Prospects of the India Economy: Road to US \$5 Trillion Economy (May 2018)
71. India – UK Trade Relations and Societal Links: Way Forward (June 2018)
72. Rural India: Road to US\$ 5 trillion economy (September 2018)
73. Economy on the eve of Interim Budget 2019-20 (January 2019)
74. Interim Budget 2019-20 analysis (February 2019)

75. Women Entrepreneurship: Transforming from domestic household to financial independence (March 2019)
76. India towards a Shared Prosperity: Economic agenda for the Next Five Years (March 2019)
77. Analysis of State Budget for 2019-20: Select States (March 2019)
78. Job Creation: A Pan India Survey of Households (March 2019)
79. Report India Inc Speaks LIVE-2019 (May 2019)
80. Baba Kalyani Report on SEZs: An Analysis (May 2019)
81. Suggestive Roadmap for Revitalizing Economic Growth by PHD Chamber (June 2019)
82. Economy on the Eve of Union Budget (July 2019)
83. Budget 2019-20: A road to USD 5 trillion economy (July 2019)
84. Emerging contours of India's defence and homeland security (October 2019)
85. Framework of University-Industry linkages in Research (October 2019)
86. India's Trade and Investment Opportunities with ASEAN economies (November 2019)

B: State profiles

87. Rajasthan: The State Profile (April 2011)
88. Uttarakhand: The State Profile (June 2011)
89. Punjab: The State Profile (November 2011)
90. J&K: The State Profile (December 2011)
91. Uttar Pradesh: The State Profile (December 2011)
92. Bihar: The State Profile (June 2012)
93. Himachal Pradesh: The State Profile (June 2012)
94. Madhya Pradesh: The State Profile (August 2012)
95. Resurgent Bihar (April 2013)
96. Life ahead for Uttarakhand (August 2013)
97. Punjab: The State Profile (February 2014)
98. Haryana: Bolstering Industrialization (May 2015)
99. Progressive Uttar Pradesh: Building Uttar Pradesh of Tomorrow (August 2015),
100. Suggestions for Progressive Uttar Pradesh (August 2015)
101. State profile of Telangana- The dynamic state of India (April 2016)
102. Smart Infrastructure Summit 2016- Transforming Uttar Pradesh (August 2016)
103. Smart Infrastructure Summit 2016-Transforming Uttar Pradesh : Suggestions for the State Government (August 2016)
104. Rising Jharkhand: An Emerging Investment Hub (February 2017)
105. Punjab: Roadmap for the New Government Suggestions for the Industrial and Socio-Economic Development – Focus MSMEs ease of doing business (May 2017)
106. Prospering Himachal Pradesh: A Mountain of Opportunities (August 2017)
107. Kashmir: The way forward (February 2018)
108. Analysis of State Budgets for 2018-19: Select States (March 2018)
109. Rising Uttar Pradesh : One District One Product Summit (August 2018)
110. Rajasthan Steady Strides into the Future: Emerging Growth Dynamics and the Way Forward (August 2018)
111. Jharkhand: Economic Profile (January 2019)
112. Rising Jharkhand: Skill Development to spur socio-economic growth (January 2019)
113. Progressive Haryana: The Agricultural Hub of India (February 2019)
114. Progressive Haryana: Economic Profile (February 2019)