V FINANCIAL MARKETS AND FOREIGN EXCHANGE MANAGEMENT

During 2018-19, the Reserve Bank undertook several measures, to broaden participation in financial markets, ease access and transaction norms for participants, widen the range of financial products, improve financial market infrastructure and pursue rigorous surveillance to maintain market integrity. The Reserve Bank conducted liquidity management operations (including FX swap auctions) for maintaining an appropriate level of liquidity in the financial system and intervention operations in the foreign exchange market to contain volatility. In the endeavour to facilitate trade and payments along with orderly development of the foreign exchange market, efforts were made to streamline regulations and align them with the current business and economic environment. The external commercial borrowings regime was also rationalised during the year.

V.1 The Reserve Bank remains engaged in developing financial markets to intermediate the requirements of resources of a fast-growing economy. During the year, the focus of these efforts was on enhancing operational flexibility of market participants and broadening their participation in market activity, while ensuring appropriate liquidity in the financial system and damping excessive volatility in price discovery. Efforts were also made to streamline regulations and to align them with the current business and economic conditions and reducing regulatory costs. A notable development during the year in this direction was the introduction of the Single Master Form (SMF) under Foreign Investment Reporting and Management System (FIRMS) for reporting of foreign investments. The external commercial borrowings (ECBs) regime was also rationalised during the year.

V.2 Against the above backdrop, section 2 covers several measures undertaken by the Financial Markets Regulation Department (FMRD) during the year to broaden participation in financial markets, widen the range of financial products and also improve financial market infrastructure. Section 3 presents liquidity management and foreign exchange market operations of the Financial Markets Operations Department (FMOD). Section 4 covers various initiatives undertaken by the Foreign Exchange Department (FED) during the year to facilitate trade and payments while promoting orderly development of the foreign exchange market. These departments also set out their agenda for 2019-20 in the respective sections.

2. FINANCIAL MARKETS REGULATION DEPARTMENT (FMRD)

V.3 FMRD is entrusted with the development, regulation and surveillance of money, government securities (G-secs), foreign exchange and derivatives markets. During 2018-19, the Department undertook several measures to broaden participation in financial markets, both domestic and foreign - ease access and transaction norms for participants, widen the range of financial products, improve financial market infrastructure and pursue rigorous surveillance to maintain market integrity.

Agenda for 2018-19: Implementation Status

V.4 The ‘When Issued’ market in the G-sec was introduced in May 2006 to strengthen the debt issuance framework *via* management and distribution of auction risk. With the objective to further deepen the G-sec market, the ‘When Issued’ directions were revised in July 2018 to liberalise eligible participants' base and to relax entity-wise limits for taking positions.

V.5 Short sale in G-secs was introduced in February 2006 to provide participants with a tool to express two-way views on interest rates and thereby enhance price discovery. In July 2018, the participants' base was liberalised and entity-wise and security category-wise limits for short selling in G-secs were relaxed in order to further develop and deepen the G-sec and repo market.

V.6 In July 2018, comprehensive directions for repo in G-sec and corporate debt were issued to simplify and harmonise the regulations across different types of collateral and also to encourage wider participation, especially for corporate debt repos.

V.7 Payments Banks and Small Finance Banks were permitted to participate in the call money market both as borrowers and lenders, which would expand the participation base in the call money market and provide an avenue for liquidity management for these entities.

V.8 Non-residents have been permitted to access the onshore Over-the-counter (OTC) rupee interest rate derivatives market for hedging and other purposes in order to develop a deep and liquid interest rate derivatives market by broadening the participation base. Non-residents can also trade in any product for hedging and can transact in the Overnight Index Swaps (OIS) market for purposes other than hedging, subject to a regulatory limit.

V.9 The exposure limit of 20 per cent of Foreign Portfolio Investors' (FPI) corporate bond portfolio to a single corporate was removed in February 2019 to provide more flexibility to FPIs for managing their debt investment portfolios. With the objective of having a more predictable regime for investment by FPIs, the FPI limits are now being revised on a half yearly basis under the Medium-Term Framework (MTF) as alluded to earlier in Section II.4 of the chapter on Economic Review. Accordingly, the investment limits for FPIs were revised in March 2019.

V.10 A separate channel called the Voluntary Retention Route (VRR) was introduced with more operational flexibility in terms of both instrument choices as well as exemptions from regulatory limits to encourage FPIs to undertake long-term debt investment in India (Box V.1).

V.11 Draft directions on facilities for hedging foreign exchange risk by residents and non-residents were issued for public feedback in February 2019. These draft directions proposed to merge the facilities for residents and non-residents into a single unified facility for all users and allow them to hedge their exposure by using any available instrument. Users could also hedge their anticipated exposures. Furthermore, it was also proposed to simplify the procedures for authorised dealers to offer foreign exchange derivatives.

V.12 A Task Force on Offshore Rupee Markets was set up in February 2019 with the objective to provide incentives for non-residents to move to domestic markets for their hedging requirements and to improve market liquidity to promote hedging activity onshore. The Task Force would examine the reasons for development of offshore rupee markets and to recommend policy measures to address domestic constraints, if any.

V.13 Market abuse regulations were introduced in March 2019, in line with the best global practices with the objective of putting in place a fair, open and transparent market underpinned by high ethical standards. The regulations cover market manipulation, benchmark manipulation, misuse of information or any other similar practice under its ambit.

Box V.1
Voluntary Retention Route (VRR) for Foreign Portfolio Investment in Debt

The Reserve Bank has been encouraging long-term stable foreign portfolio investments. Towards this end, separate limits have been carved out of the General Investment Limit for FPIs with a long-term view. The Reserve Bank launched the Voluntary Retention Route (VRR) in debt on March 1, 2019 under which FPIs can voluntarily commit to remain invested in a Committed Portfolio Size (CPS) for a committed retention period (minimum period of three years or as decided by the Reserve Bank). Investments can be made in G-secs (including State Development Loans) and Treasury Bills (VRR-Govt) or in corporate bond instruments permitted under FEMA (VRR-Corp) or in all the instruments eligible under both VRR-Govt and VRR-Corp (VRR-Combined).

Participating FPIs are provided special facilities such as permission to carry out repo/reverse repo transactions for cash management and the use of currency/ interest rate derivatives to hedge currency/ interest rate risks. They are also given the flexibility to modulate their investments between 75 - 100 per cent of CPS. Besides, investments through the VRR are exempt from some macro-prudential measures, *viz.,* minimum residual maturity requirement, concentration limit and single/group investor-wise limits. At the end of the retention period, an FPI may (a) liquidate its portfolio and exit, or (b) continue its investment under VRR for an identical retention period, or (c) shift its investment to General Investment Limit subject to availability of limits therein, or (d) hold its investments until its date of maturity or sale whichever is earlier. FPIs can also exit before the committed retention period by selling their investments, fully or partly, to other FPI/FPIs which would need to abide by the same terms and conditions. FPIs can invest the income from their investments through the route at their discretion, and such investments will be permitted even in excess of the CPS.

The first tranche of investment limits (₹400 billion for VRR-Govt and ₹350 billion for VRR-Corp) were made available for allotment 'on tap' between March 11, 2019 and April 30, 2019. Allotments amounting to ₹203.93 billion were made to FPIs under VRR-Corp under the aforesaid tranche. The second tranche of investment limits (₹546.06 billion for VRR-Combined) was opened on May 27, 2019, and will remain open for allotment till December 31, 2019 or till the exhaustion of the limits, whichever is earlier.

V.14 Electronic Trading Platform (ETP) Directions were issued to put in place a framework for authorisation of ETPs for financial market instruments regulated by the Reserve Bank, with the objective to improving transparency, reducing transaction time and costs, facilitating efficient audit trails, improving risk controls and enhancing market monitoring. It also includes detailed eligibility criteria, technology requirements and reporting standards. All new ETPs as well as existing ones are required to obtain authorisation from the Reserve Bank under this framework.

V.15 The Legal Entity Identifier (LEI) system was implemented in June 2017 for non-individual participants in OTC markets for rupee interest rate derivatives, foreign currency derivatives and credit derivatives. The LEI mechanism was expanded to financial market transactions undertaken by non-individuals, including non-resident entities, in money, G-sec and forex markets regulated by the Reserve Bank in November 2018. A phased approach to have smooth implementation has been adopted wherein entities with net worth exceeding ₹2,000 million have to obtain the LEI before December 31, 2019, and those with net worth lower than that are given time till March 31, 2020.

V.16 Draft Directions on Financial Benchmark Administrators were released in February 2019 for public comments to improve the governance of the benchmark processes in markets regulated by the Reserve Bank. The draft directions were based on the report of the Committee on Financial Benchmarks (Chairman: Shri P. Vijaya Bhaskar) set up in February 2014 by the Reserve

Bank and were guided by international best practices such as the Principles for Financial Benchmarks of International Organisation of Securities Commissions (IOSCO) as well as laws/ regulations put in place in other jurisdictions.

Agenda for 2019-20

V.17 International settlement of central government securities by International Central Securities Depositories (ICSDs) will be implemented to permit non-resident clients of ICSDs to transact in central government securities offshore. This would open up a new channel for non-residents to undertake transactions in central government securities.

V.18 An Internal Group was set up in August 2018 to comprehensively review timings of various markets and necessary payment infrastructures, and recommend revisions to market timings. Based on its recommendations, steps will be taken to revise the market timings across products and funding markets to avoid any frictions.

V.19 The Department would continue to further develop and deepen the money, G-sec, foreign exchange and especially the interest rate and currency derivative markets in order to promote better risk management by banks and other market players. Steps will also be taken to expand the participation base, introduce new products and simplify procedures. Ensuring the integrity of the financial markets and eradication of market abuse would continue to be the priority of the Department.

V.20 The Department has initiated steps to develop an IT enabled Integrated Market Surveillance System (IMSS) for augmenting its surveillance capacities. The broad objectives of the proposed system are surveillance of markets regulated by the Reserve Bank, trend analysis and compliance monitoring.

3. FINANCIAL MARKETS OPERATIONS DEPARTMENT (FMOD)

V.21 FMOD is entrusted with two primary responsibilities: first, conduct of liquidity management operations for maintaining an appropriate level of liquidity in the financial system; and second, ensuring orderly conditions in the forex market through operations in the spot, forward and futures segments.

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Money Market and Liquidity Management

V.22 System liquidity shifted from surplus to deficit during the year as the overhang of demonetisation waned. Large-scale capital outflows, coupled with above-trend expansion in currency in circulation continued to exert pressure on liquidity conditions, especially during the first half of the year. The Reserve Bank operated the Liquidity Adjustment Facility (LAF) and the Marginal Standing Facility (MSF) to manage transient liquidity mismatches. Consequently, the weighted average call rate (WACR) in the call money market - the operating target of monetary policy - remained broadly anchored to the policy repo rate.

V.23 With regard to durable liquidity, the Reserve Bank responded to market conditions by calibrating the pace of permanent liquidity operations. The frequency and quantum of OMOs was increased during H2:2018-19 to meet the liquidity needs of the system. During 2018-19, the Reserve Bank conducted OMO purchase auctions to the tune of about ₹3.0 trillion, of which ₹2.5 trillion worth of OMO purchases were conducted in H2 alone.

V.24 The Reserve Bank decided to augment its liquidity management toolkit by adding FX swap auctions as an instrument to manage durable liquidity (Box V.2). The first buy/sell swap

Box V.2
The USD/INR Buy/Sell Swap: A New Armour in RBI's Liquidity Management Toolkit

A foreign exchange swap (FX swap) between two parties involves the exchange of one currency for another on an agreed date, price and tenor, with a subsequent re-exchange of these two currencies on the maturity date. The FX swap is the most popular over-the-counter foreign exchange instrument in the global forex market. Nearly 91 per cent of the FX swaps had the US dollar as one of the currencies.[1]

The main reason for the popularity of FX swaps is the elimination of exchange rate risk, as the initial and terminal exchange rates are agreed upon at the time of the contract. FX swaps are usually used by banks/financial institutions and their customers (multinational companies), institutional investors who want to hedge their foreign exchange positions, and/or engage in speculation.

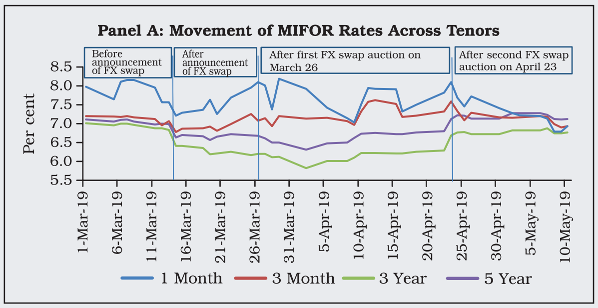
Use of FX Swaps by Central Banks

Central banks in both advanced and emerging economies have used FX swaps under differing circumstances. The Swiss National Bank used them as the main instrument for management of bank reserves, mainly because of the lack of short-term government securities. The Monetary Authority of Singapore (MAS) actively uses FX swaps for liquidity management in addition to direct borrowing/lending, repos on Singapore Government Securities (SGS) and MAS Bills. The Central Bank of the Russian Federation introduced the US$/RUB sell/buy FX swaps in September 2014 for providing dollar liquidity support to Russian credit institutions. Saudi Arabia has used FX swaps to provide emergency liquidity during a regional crisis, while South Africa conducts special currency swaps from time to time with banks. Bahrain has also used US dollar swap facility to provide liquidity in special circumstances. Other countries that have used the FX swap as a tool for managing liquidity include the Netherlands, Austria, Germany, Belgium, Kuwait, the United Arab Emirates, Oman, Malaysia and Thailand.

The Reserve Bank conducted two US$/INR buy/sell swaps with Authorised Dealers (ADs) – Category 1 banks[2], with the notified amount of US$ 5 billion each for tenor of 3 years on March 26 and April 23, 2019. The bids received in the two auctions, at US$ 16.3 billion and US$ 18.7 billion, respectively, amounted to more than three times the notified amount of US$ 5 billion. The Reserve Bank accepted US$ 5 billion in each of the auctions at the cut-off premium of ₹7.76 and ₹8.38, respectively, and simultaneously injected ₹345.6 billion and ₹348.7 billion into the banking system. The US dollar amounts mobilised through the swap auctions are reflected in the Reserve Bank's foreign exchange reserves for the tenor of the swap as well as in the Reserve Bank's forward liabilities.

Post the swap announcement, the INR MIFOR[3] curve trended lower across tenors with the maximum softening observed in the 3-year bucket (Chart 1: Panel A). Some

Chart 1: Financial Markets: pre- and post-FX Swap Auction



Source: Bloomberg.

(Contd...)

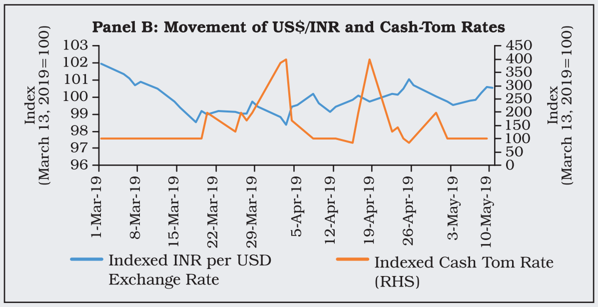
[1] The daily average turnover of FX Swaps was US$ 2.4 trillion in April 2016, on a "net-net basis".

[2] AD Category 1 are banks authorised by the RBI under Section 10 (1) of Foreign Exchange Management Act, 1999 to carry out all permissible current and capital account transactions.

[3] Mumbai Interbank Forward Offer Rate (MIFOR) is an interbank benchmark comprising of two components, namely the dollar borrowing rates and US$/INR forward premium for the respective tenor.

volatility was observed in the long-term Non-Deliverable Forward (NDF) rates at the time of the first auction and Cash-Tom rates around the two auction dates (Chart 1: Panel B).

Chart 1: Financial Markets: pre- and post-FX Swap Auction



Source: Bloomberg, FBIL and RBI staff calculations.

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4. Monetary Authority of Singapore - Monetary Policy and Economics http://www.mas.gov.sg/Monetary-Policy-and-Economics/Central-Bank-Operations-and-Liquidity-Management.aspx.
5. Swiss National Bank-Financial Markets www.snb.ch/en/ifor/finmkt/operat/id/qas_swaps_1#.

auction was conducted on March 26, 2019 and the Reserve Bank injected ₹345.6 billion into the system for a three-year period. The auction had a cooling effect on money market rates and supplemented the usual year-end funds required by the banking system.

Foreign Exchange Market

V.25 During the year, the rupee witnessed a general depreciating trend up to mid-October mainly due to rising crude oil prices, rising interest rates in the US and international trade and geo-political concerns. However, the rupee recovered subsequently and exhibited an appreciating trend during the rest of the year as oil prices declined. The Reserve Bank intervened in the forex market through operations in the onshore/offshore OTC and Exchange Traded Currency Derivatives (ETCD) segments to contain excessive volatility.

Agenda for 2019-20

V.26 The Department aims to carry out liquidity management operations effectively in line with the stance of monetary policy. It will continue to monitor evolving liquidity conditions closely and will modulate operations to ensure alignment of the WACR with the policy repo rate. It will continue to conduct foreign exchange operations in an effective manner to curb undue volatility in the exchange rate. The Department also proposes to continue policy-oriented research on financial markets.

V.27 As part of the Reserve Bank's commitment for adoption of the principles of 'FX Global Code' in the domestic forex market, the Department will coordinate with India Foreign Exchange Committee (IFXC) to launch a "Public Register" for India. The "Public Register" will act as a repository of information to facilitate market participants to publicise their Statements of Commitment to the FX Global Code and also to assist interested parties in identifying market participants which have done so.

4. FOREIGN EXCHANGE DEPARTMENT (FED)

V.28 FED aims at facilitating external trade and payments while enhancing ease of doing business. During 2018-19, the Department continued its efforts to streamline the operating framework of the Foreign Exchange Management Act (FEMA) to align it with the current business and economic environment. It also took steps for improving the ease of doing business and reduce regulatory costs. The introduction of the Single Master Form (SMF) for reporting of foreign investments under the Foreign Investment Reporting and Management System (FIRMS) was a notable development in this regard. The ECB regime was also rationalised during the year.

Agenda for 2018-19: Implementation Status

V.29 In last year's Annual Report, FED had undertaken salient objectives in pursuit of its mission. Key among them were the rationalisation of cross-border borrowing and lending regulations, improving information management in the context of foreign investment inflows while facilitating outward flows, apart from measures to provide a conducive environment for doing business in India.

Simplifying Cross-Border Borrowing and Lending

V.30 A new soft-coded directive came into force on December 17, 2018 with a view to simplifying and consolidating regulations related to borrowing and lending between residents and non-residents. Its salient features are: (a) bringing all debt instruments under a single notification by consolidating regulations under FEMA 3, 4 and part of 120 (Regulation 21); (b) delineating three schedules of transactions: ECBs; trade credit; and external commercial lending; and (c) making regulations principle-based that obviate the need for frequent amendments.

V.31 Starting with ECBs, a rule-based dynamic limit for outstanding stock at 6.5 per cent of GDP (US$ 160 billion for 2018-19) was adopted in consultation with the Government of India. The framework for ECBs and Rupee Denominated Bonds (RDB) was rationalised to improve the climate for doing business (Box V.3). In addition, the reporting of ECBs was simplified with the objective of reducing the reporting burden. Payment of a late submission fee was introduced in order to encourage prompt reporting.

Foreign Investment Information Management

V.32 With effect from June 2, 2018, the Reserve Bank, in consultation with the SEBI, put in place a system for monitoring foreign investment limits in order to enable listed Indian companies to comply with various foreign investment limits. Infrastructure and systems for operationalising the monitoring mechanism were put in place by the SEBI. Accordingly, the depositories (NSDL and

Box V.3
New Policy Framework for External Commercial Borrowings (ECB)

The main features of the new ECB framework announced on January 16, 2019 are set out below.

- **Instrument neutral borrowing regime:** Two routes of borrowing were delineated, *viz.,* a foreign currency borrowing route and an INR ECB route (INR ECB track and RDBs).
- **Liberalisation of INR denominated ECBs**: Non-applicability of ECB liability to equity ratio; lesser withholding tax on RDBs issued overseas.
- **Expansion of eligible ECB borrowers**: The sectoral preferences for raising ECBs were removed to create a level playing field. All entities eligible to raise FDI are now permitted to raise ECB.
- **Expansion of overseas lenders**: Includes all entities from Financial Action Task Force (FATF) or International Organisation of Securities Commissions (IOSCO) compliant countries; strengthening Anti-Money Laundering and Countering Financing of Terrorism (AML/CFT) framework.
- **Common minimum average maturity for all ECBs**: A single slab of minimum three years prescribed for all ECBs by combining different slabs prevailing in the erstwhile regime.
- **ECB for Oil Marketing Companies (OMCs):** For working capital purposes and for resolution applicants under the Corporate Insolvency Resolution Process.

CDSL) have set up the necessary infrastructure and IT systems for disseminating information on the available investment headroom in respect of listed Indian companies, within the aggregate NRI/FPI limits or the sectoral cap. The breach of the aggregate NRI/FPI investment limits or the sectoral cap for a company would restrict any further purchases by FPI/NRIs. Compulsory disinvestment by FPIs and NRIs in case of excess holding was also introduced.

V.33 A new online reporting system - Foreign Investment Reporting and Management System (FIRMS) came into effect from September 1, 2018. It provides for filing of the prescribed nine returns (*viz.,* FC-GPR, FC-TRS, ESOP, DI, DRR, LLP-I, LLP-II, CN and InVi) through a Single Master Form (SMF) on a single online platform.

V.34 Also, with effect from September 1, 2018, FDI reporting for issue of capital instruments was made a single step reporting in SMF (instead of earlier two-steps reporting). The application has an inbuilt database, reducing manual intervention and involving a novel concept of entity master, which helps in monitoring the extent of total foreign investment in an entity at all times in the context of sectoral limits.

Overseas Investment by Alternative Investment Funds

V.35 As per the SEBI's recommendations, the overall limit for overseas investment by Alternative Investment Funds (AIFs)/Venture Capital Funds (VCFs) was enhanced to US$ 750 million from US$ 500 million with effect from June 2, 2018. The SEBI has put in place suitable reporting and reconciliation mechanisms to monitor the overall outstanding approvals with instructions to all AIFs on reporting guidelines. A regular information exchange mechanism between the Reserve Bank and the SEBI has also been put in place to monitor limits for such overseas investments.

Other Measures for Exchange Liberalisation

V.36 The limit on outward remittances by non-bank entities (through AD Category-I banks in India) involving small value transactions (not exceeding US$ 5,000 per transaction) was enhanced to US$ 10,000 per transaction for overseas education, within the overall ceiling under Liberalised Remittance Scheme (LRS) of US$ 250,000.

V.37 Permission for receiving funds in the Chief Minister's Distress Relief Fund - Kerala through exchange houses was given in the wake of floods in Kerala and representations received from AD Category-I banks, subject to the condition that such remittances are directly credited to the fund by banks who maintain full details of the remitters.

V.38 Post demonetisation of ₹1000 and ₹500 currency notes, currencies permitted to be carried to Nepal or Bhutan have been reviewed. Now, an individual travelling from India to Nepal or Bhutan is permitted to carry the Reserve Bank currency notes in Mahatma Gandhi (New) Series of denominations ₹200 and/or ₹500, subject to a total limit of ₹25,000. Instructions regarding currency notes of the Government of India and the Reserve Bank for any amount in denominations up to ₹100 shall continue.

V.39 With effect from March 28, 2019, no prior approval of the Reserve Bank is required, if government approval or license/permission by the concerned Ministry/Regulator has already been granted for opening of a Branch Office (BO)/ Liaison Office (LO)/ Project Office (PO) or any other place of business in India, where the principal business of the applicant falls in the defence, telecom, private security and information and broadcasting sectors.

V.40 In the case of proposals for opening a PO relating to the defence sector, no separate reference or approval of the Government of India shall be required if the applicant has been awarded a contract by/entered into an agreement with the Ministry of Defence or Service Headquarters or Defence Public Sector Undertakings.

V.41 A Foreign Portfolio Investor/ Foreign Venture Capital Investor (FPI/FVCI) registered with the SEBI was allowed to open and maintain a non-interest bearing foreign currency account for the purpose of making investment in accordance with the Foreign Exchange Management (transfer or issue of security by a person resident outside India) Regulations, 2017.

V.42 A citizen of Bangladesh or Pakistan, who has been granted a long-term visa (LTV) by the central government, may now open one Non-Resident Ordinary (NRO) Account with an AD bank in India. Such account can also be opened by a person who has applied for LTV which is under consideration of the central government, subject to certain conditions.

V.43 With effect from March 28, 2019, Special Non-Resident Rupee (SNRR) accounts opened by any person resident outside India, including those registered with SEBI to make investment in India, can remain operative beyond the stipulated period of seven years, with the approval of the Reserve Bank.

V.44 With effect from March 28, 2019, Escrow Accounts can be opened by residents and non-residents for acquisition/ transfer of capital instruments/convertible notes and can also be funded by guarantee(s).

Agenda for 2019-20

V.45 The Department's strategy for 2019-20 will focus on consolidating and carrying forward all these initiatives, with emphasis on continuous synchronisation of the FEMA operating framework with the evolving situation, especially rationalisation of money changing and merchanting activity, comprehensive review and simplification of reporting requirements of regulated entities and enhancing the role of Authorised Persons (AP) to reduce transaction costs. Specific action points in pursuance of this strategy are set out below.

- Review and rationalisation of entry norms for being licensed as full-fledged money changer (FFMC) in alignment with the provisions of the Companies Act, including an online package for FFMC/upgraded FFMCs (AD Category II) licensing, renewal, inspection, reporting and cancellation.
- Consolidation and rationalisation of FEMA to deal with issuance of guarantees, with a focus on permitting *bonafide* transactions; and a coherent and integrated outward direct investment policy.
- A software platform for external commercial borrowings and trade credits reporting and approval (SPECTRA) encompassing the whole lifecycle from receipt of application to communication of decision and reporting of transactions would be implemented.
- Rationalisation of guidelines relating to Merchanting Trade Transactions (MTT) and provision of reporting of MTT in Export Data Processing and Monitoring System (EDPMS)/Import Data Processing and Monitoring System (IDPMS) and guidelines for issue of Letter of Credit (LC) for import leg.
- A comprehensive review of the reporting requirements would be undertaken, keeping in view the diverse needs of various stakeholders (including the government).
- Further delegation of powers to APs to reduce transaction costs for users under a standardised framework through modifications in the IT packages and capacity building at the level of APs.
- Creation of a detailed framework for enhancing FEMA awareness and conducting awareness programs and creation of digital content on an ongoing basis.