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GOVERNMENT CONSTITUTES A STEERING COMMITTEE ON FINTECH RELATED ISSUES¹

In pursuance to the announcement made by the Union Minister of Finance and Corporate Affairs, Shri Arun Jaitley in his Budget Speech 2018-19 (Para 75), a Steering Committee has been constituted under the Chairmanship of Secretary, Department of Economic Affairs (DEA), Ministry of Finance.

The objective of this committee is to consider various issues relating to development of fintech space in India with a view to make fintech related regulations more flexible and generate enhanced entrepreneurship in an area where India has distinctive comparative strengths vis-vis other emerging economies. The Steering Committee will also focus on how fintech can be leveraged to enhance financial inclusion of MSMEs.

The committee will be headed by Economic Affairs Secretary. The other members of the high level committee would include; Secretary, Ministry of Electronics and Information Technology (MeitY), Secretary, Financial Services, Secretary, Ministry of Micro, Small and Medium Enterprises (MSME), Chairperson, Central Board of Excise and Customs (CBEC). Besides, the CEO of the Unique Identification Authority of India and Deputy Governor of RBI would be part of this panel. Joint Secretary (Investment) in Economic Affairs Department would be the convener of the panel.

The Steering Committee may also invite participants from the private sector.

The Terms of Reference of the Steering Committee will be as follows:-

- i. To take stock of the developments in the Fintech sector globally, and in India, and arrive at a common shared understanding of the current state of play;
- ii. To analyse critically the regulatory regime spread over different entities that has impacted the growth of Fintech in India;
- iii. To consider how Fintech can be leveraged in critical sectors of the economy, especially financing of MSMEs, affordable housing, delivery of e-services to vulnerable sections, provision of land record management and other government services, access and adoption of digital payments, and to study the developments in these areas;
- iv. To develop regulatory interventions, e.g., regulatory sandbox model, that will enhance the role of Fintech in the sectors identified for focused interventions;
- v. To promote ease of doing business in the Fintech sector;
- vi. To consider means of using data with GSTN and data residing with information utilities such as Credit Information Companies (CICs), etc. in open domain with a view to developing applications for financing of MSMEs.
- vii. To work with Government agencies like UIDAI to explore creation and use of unique enterprise identification number;
- viii. To consider international cooperation opportunities in Fintech with countries like Singapore, UK, China, etc.

¹ Available at: <http://www.pib.nic.in/PressReleaseDetail.aspx?PRID=1522592>

RISK MANAGEMENT AND INTER-BANK DEALINGS: REVISED GUIDELINES RELATING TO PARTICIPATION OF A PERSON RESIDENT IN INDIA AND FOREIGN PORTFOLIO INVESTOR (FPI) IN THE EXCHANGE TRADED CURRENCY DERIVATIVES (ETCD) MARKET²

Reserve Bank of India via RBI/2017-18/134, A. P. (DIR Series) Circular No. 18 dated February 26, 2018 has notified the Risk Management and Inter-bank Dealings: Revised guidelines relating to participation of a person resident in India and Foreign Portfolio Investor (FPI) in the Exchange Traded Currency Derivatives (ETCD) Market.

1. Attention of Authorized Dealers Category - I (AD Category - I) banks is invited to the Foreign Exchange Management (Foreign Exchange Derivative Contracts) Regulations, 2000 dated May 3, 2000 (Notification No. FEMA.25/RB-2000 dated May 3, 2000), as amended from time to time, A.P. (DIR Series) Circular No. 90 dated March 31, 2015 relating to participation of a person resident in India in the Exchange traded currency derivatives (ETCD) market, A.P. (DIR Series) Circular No. 91 dated March 31, 2015 relating to participation of a Foreign Portfolio Investor (FPI) in the ETCD market.
2. Currently, persons resident in India and FPIs are allowed to take a long (bought) or short (sold) position in USD-INR upto USD 15 million per exchange without having to establish existence of underlying exposure. In addition, residents & FPIs are allowed to take long or short positions in EUR-INR, GBP-INR and JPY-INR pairs, all put together, upto USD 5 million equivalent per exchange without having to establish existence of any underlying exposure.
3. It has now been decided to permit persons resident in India and FPIs to take positions (long or short), without having to establish existence of underlying exposure, upto a single limit of USD 100 million equivalent across all currency pairs involving INR, put together, and combined across all exchanges.
4. The onus of complying with the provisions of this circular rests with the participant in the ETCD market and in case of any contravention the participant shall be liable to any action that may be warranted as per the provisions of Foreign Exchange Management Act, 1999 and the regulations, directions, etc. issued thereunder. These limits shall also be monitored by the exchanges, and breaches, if any, may be reported to the Reserve Bank of India.
5. All other operational guidelines, terms and conditions shall remain unchanged.
6. This circular has been issued under Sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and is without prejudice to permissions/approvals, if any, required under any other law.

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