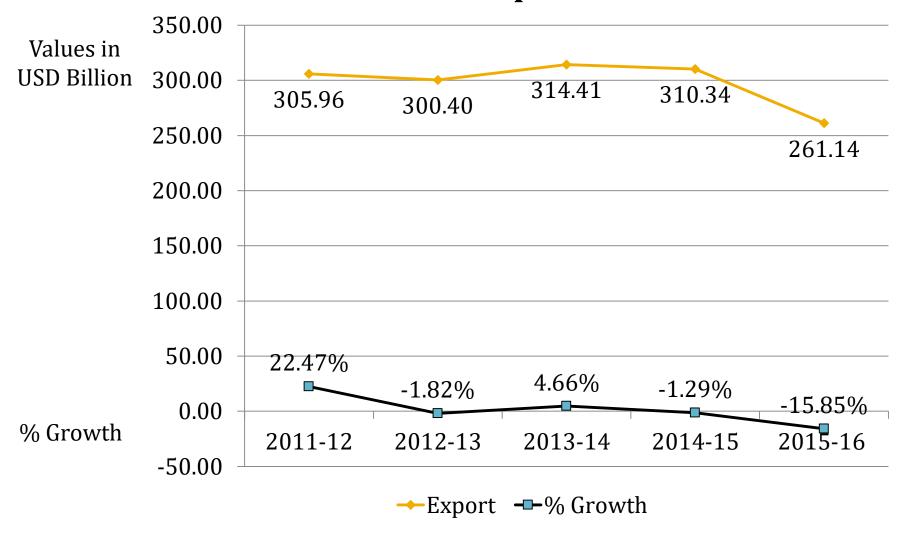
AGENDA

- Declining Exports
- FTP statement
- 3. Importance of FTAs
- 4. Foreign Trade Policy- Major Schemes
- 5. Export benefits and incentives
- 6. Future of Incentives
- 7. Electronic documentation



Declining Exports

India's Export Trend



Exports from India in FY 2015-16

Exports in USD Billion (in INR Ex. Rate USD 1 = Rs. 65)	Chapter Numbers	No. of Chapters in the Category	Total Exports (Values in USD Billion)	Total Exports (Values in <u>INR Crore</u> considering 1 USD = Rs. 65)		
10 and above (Rs. 65,000 crores and above)	71, 27, 87, 84, 30,29	6	122.88	798664.36		
1 to 10 (Rs. 6,500 crores to Rs. 65,000 crores)	62, 85, 61, 52, 10, 73, 72, 39, 63, 3, 2, 88, 89, 38, 9, 64, 76, 74, 32, 42, 90, 40, 54, 55, 99, 25, 17, 57, 12, 8, 33, 68, 94, 28, 7, 48, 41	37	122.18	794190.02		
0.5 to 1 (Rs. 3,250 crores to Rs. 6,500 crores)	24, 69, 15, 13, 23, 82, 70, 26, 21, 96, 79, 19, 83, 56, 75, 20, 34, 44, 53, 58, 4, 22, 11, 95, 49, 67, 35,	38	16.20	105309.2		

14

3

98

0.5 to 1 (Rs. 3,250 crores to Rs. 6,500 crores)

0.5 to 1 (10,10)

24, 69, 15, 13, 23, 82, 70, 26, 21, 96, 79, 19, 83, 56, 75, 20, 34, 44, 53, 58, 4, 22, 11, 95, 49, 67, 35, 60, 16, 59, 18, 78, 51, 97, 93, 86, 50, 31

0.1 to 0.5

91, 5, 36, 98, 6, 1, 14, 80, 81, 65,

66, 37, 92, 47

46, 43, 45

Total

(Rs. 650 crores to Rs.

(Less than Rs. 650

3,250 crores)

Less than 0.1

crores)

262.034

0.76

0.014

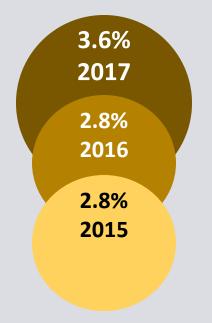
4942.145

94.185

1703199.91

WTO Forecast

Growth in world trade



forecast – further slowdown in emerging economies and financial volatility

Import surge in 2015



forecast – demand for imported goods should pick up in developing <u>Asian</u> economies

FTP Statement The Multilateral Trading System And India

- The need to ensure that the FTP is aligned with both India's interests in the negotiations, as well its obligations and commitments under various WTO Agreements has been an important consideration in framing this Policy.
- The current WTO rules as well as those under negotiation envisage the eventual phasing out of export subsidies. This is a pointer to the direction that export promotion efforts will have to take in future, i.e. towards more fundamental systemic measures rather than incentives and subsidies alone.

FTP Statement The Mega Agreements: Implications for India

- The three mega agreements that are currently being negotiated namely the Trans Pacific Partnership (TPP), Transatlantic Trade and Investment Partnership (TTIP) and the Regional Comprehensive Economic Partnership (RCEP) add a completely new dimension to the global trading system.
- TPP is signed on 5th Oct, 2015.
- India is a party to the RCEP negotiations.
- The mega agreements are bound to challenge India's industry in many ways, for instance, by eroding existing preferences for Indian products in established traditional markets such as the US and EU and establishing a more stringent and demanding framework of rules.
- Indian industry needs to gear up to meet these challenges for which the Government will have to create an enabling environment.

TPP

Trade agreement concluded among 12 countries— Australia, Brunei, Chile, Canada, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the US and Vietnam

TTIP

Trade and investment agreement under negotiation between the European Union and the US

RCEP

FTA between 16 countries -> ASEAN (10), Australia, China, Japan, Korea and New Zealand.



Importance of FTAs

Importance of FTAs

- RTAs (Regional Trade Agreements, also known as FTAs) have proliferated over the last two decades. As of 1 February 2016, 625 notifications of RTAs (counting goods, services and accessions separately) had been received by the WTO. Of these, 419 are in force.
- Among the RTAs, FTAs are most common, accounting for 87.6% of the total RTAs in force.
- One of the Mega Regional FTAs, the Trans-Pacific Partnership (TPP) reached final agreement on 5th Oct. 2015.
- Think about India's Trade with these countries
 - Quality and price competitiveness
 - JVs and Technical Collaboration (FDI)



Incentives covered under FTP

What is Incentive?

- Agreement on Subsidies and Countervailing Measures (ASCM)
 of the WTO defines "subsidy" as under:
- The definition contains three basic elements:
 - i. a financial contribution
 - ii. by a government or any public body within the territory of a Member
 - iii. which confers a benefit.
- All three of these elements must be satisfied in order for a subsidy to exist.

Which Schemes amount to Incentives?

- All Duty Credit Scrips of Chapter 3
 - Old schemes SFIS, SHIS, VKGUY, AIIS, FMS, IEIS, FPS, MLFPS
 - New schemes MEIS and SEIS
- EPCG Scheme
- Interest Equalisation Scheme on Pre & Post Shipment Rupee Export Credit (erstwhile Interest subvention scheme)

Which export promotion schemes are "export benefits" and not "incentives"

- Advance Authorisation Scheme
 - AA scheme neutralizes actual impact of duty on inputs which are meant for export production
 - This scheme primarily provides "exemption" from actual duties on inputs
- Duty Drawback
 - This scheme is refund of duties paid on inputs for export production.
 - This amounts to "remission (refund)" of duties actually paid.

- Exemption/Rebate of Excise Duties paid on Final Export Products
 - Exemption available under Rule 19 of the Central Excise Rules 2002
 - Rebate can be claimed under Rule 18 of the Central Excise Rules 2002
- Above benefits are not "INCENTIVES".

Future of Incentives



Prohibited Subsidies

- Article 3 of the Agreement on Subsidies and Countervailing Measures (ASCM) states that following are prohibited:
 - Subsidies based on export performance, including those illustrated in Annex I of ASCM;
 - Subsidies upon the use of domestic over imported goods (Local Contents).

Prohibited Subsidies

- Based on illustrations provided in Annex -I, following Export Promotion Schemes of India can be treated as "prohibited subsidy" under ASCM:
 - All Duty Credit Scrips of Chapter 3 old schemes + MEIS & SEIS
 - EPCG Scheme
 - Duty Drawback at All Industry Rate if it is more than 5%.
 - Interest Equalisation Scheme on Pre & Post Shipment Rupee Export Credit (erstwhile Interest subvention scheme)

India and Prohibited Subsidies

- As per Article 27 and Annex VII, prohibition of Para 1 (a) of Article 3 of ASCM does not apply to developing countries listed in Annex-VII.
- This means prohibition of export subsidies based on export performance does not apply to developing countries covered by Annex VII, till developing countries' GNI per capita at constant 1990 dollars reaches USD 1000 per annum.
- India is listed in Annex VII of the ASCM. Therefore, so far, India could provide export subsidies based on export performance (as mentioned in Art.3 (a) of ASCM).
- Export subsidies will have to be discontinued once India's GNI (Gross National Income) per capita at constant 1990 dollars reaches USD 1000 per annum.
- What is GNI per capita at constant 1990 dollars for the period 2010-2015 of India?

GNI per capita at constant 1990 dollars, 2010-2013 (at actual as per WTO) and 2014-2015 (projected based on earlier trend)

	2010	2011	2012	2013	2014 (P)	2015 (P)
INDIA	926	966	993	1051	1111.96	1176.45
	100	104.32	102.80	105.84	105.80	105.80

- GNI for 2010, 2011, 2012 and 2013 is as per WTO's Document
 G/SCM/110/Add.11 dtd. 23.06.2014, G/SCM/110/Add.12 dtd. 06.07.2015
- Projected GNI for the year 2014 and 2015 is calculated based on 2013 growth rate of 5.8%
- Even if we consider lower growth rate of 2.5% or 1.5% or 1%, then also India's GNI per capita will remain more than USD 1000, p.a. from the year 2013 onwards.

	2010	2011	2012	2013	2014 (P)	2015 (P)
INDIA	926	966	993	1051	1077.28	1104.21
	100	104.32	102.80	105.84	102.50	102.50
					@2.5%	@2.5%

	2010	2011	2012	2013	2014 (P)	2015 (P)
INDIA	926	966	993	1051	1066.77	1082.77
	100	104.32	102.80	105.84	101.50	101.50
					@1.5%	@1.5%

	2010	2011	2012	2013	2014 (P)	2015 (P)
INDIA	926	966	993	1051	1061.51	1072.13
	100	104.32	102.80	105.84	101.00	101.00
					@1%	@1%

To Summarize,

- India will continue to register GNI per capita of USD 1000 per annum (2013, 2014 and 2015), hence it would not be possible to continue export incentives beyond March 2017.
- Wherever, export increases more than 3.25% of world exports, such product group will not be eligible for export subsidies.
- Removal of export subsidies will impact export costing by 5% to 7%.

Move towards Electronic Documentation



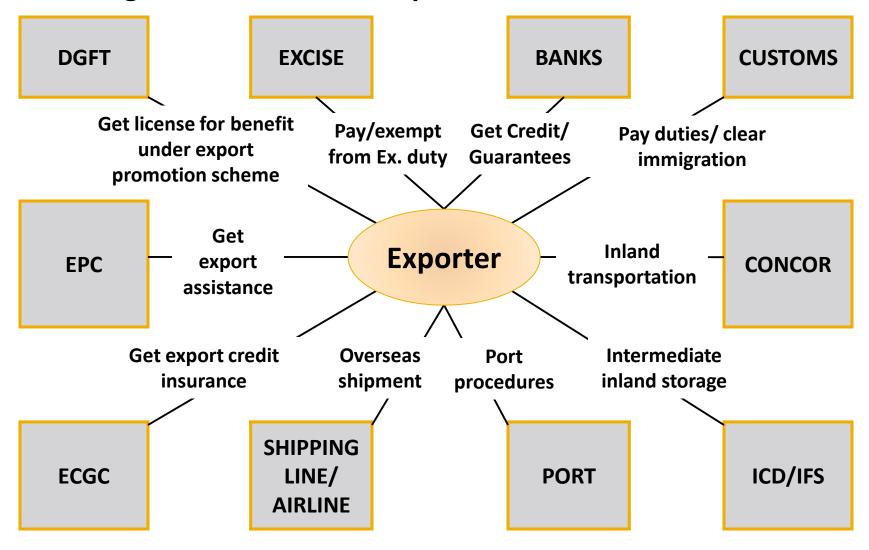




Electronic documentation

- e-BRC, Shipping Bill and Bill of Entry are filed online by the exporter/importer or CHA.
- The only document which is not filed electronically is ARE-1.
- With introduction of GST, the requirement of ARE-1 is uncertain.
- Form A-1 and SDF (RBI forms) are already withdrawn.

Various Agencies involved in exports



SOURCE: REPORT BY FIRST TASK FORCE ON TRANSACTION COST IN EXPORTS (by Department of Commerce, Ministry of Commerce and Industry, Govt. of India)

Policy Initiatives by DGFT

"e-governance and e-documentation"

Policy Initiatives by DGFT

- DGFT is currently working on the following EDI initiatives:
 - Message exchange for transmission of export reward scrips from DGFT to Customs.
 - Message exchange for transmission of Bills of Entry (import details) from Customs to DGFT.
 - Online issuance of Export Obligation Discharge Certificate (EODC).
 - Message exchange with Ministry of Corporate Affairs for CIN & DIN.
 - Message exchange with CBDT for PAN.
 - Facility to pay application fee using debit card / credit card.
 - Mobile applications for FTP.

Policy Initiatives by DGFT

- E-documentation
 - Online applications
 - Digital signatures
 - Uploading of soft copies of documents, required for various applications
 - Reduction in mandatory documents
 - Time bound disposal of Applications

Initiatives by CBEC

(Customs clearance and documentation) "Ease of doing business"

Ease of Doing Business Initiatives by CBEC

- Facility of Common Bond / LUT against Authorisations issued under different Export Promotion Schemes (Ref: Cus. Cir. No. 11(A)/2011-Cus dated 25.02.2011)
- Authorised Economic Operator (AEO) Programme (Ref: Cus Cir. No. 28 Dtd. 16.11.2012 read with Cus. Cir. No. 21 dtd. 19.08.2015)
- 24x7 Customs Clearance (Implemented vide Cus. Cir. No. 22 dtd. 07.08.2012, w.e.f. 01.09.2012 and Instruction No. 2 dtd. 31.05.2013. as on date this facility is available at 19 Sea Ports and 17 Air Cargo Complexes-Ref: Cus. Cir. No. 19 dtd. 31.12.2014, Cus. Cir. No. 1 dtd. 06.01.2016)
- Merging of Commercial invoice and packing list (Ref: Cus. Cir. No. 1 dtd. 12.01.2015)
- Reduction in mandatory documents for imports and exports (Ref: Cus. Cir. No. DGFT Ntfn No. 114 dtd. 12.03.2015, Trade Notice No. 15/2015 dtd. 21.01.2016)

Ease of Doing Business Initiatives by CBEC

- Single Window Project -Online message exchange common platform to EXIM trade to meet requirements of all regulatory agencies (such as Animal Quarantine, Plant Quarantine, Drug Controller, Textile Committee etc.) (Ref: Cus. Cir. No. 9 dtd. 31.03.2015, Cus. Cir. No. 3 dtd. 03.02.2016)
- Adoption of Digital Signature (Cus. Cir. No. 10 dtd. 31.03.2015)
- Setting Up of Customs Clearance Facilitation Committee (CCFC) (Cus Cir. No. 13 Dtd. 13.04.2015)
- Electronic Delivery Orders (Cus. Cir No. 24 dtd. 14.10.2015)
- Integrated Declaration Cus. Cir. No. 10 dtd. 15.03.2016 read with Customs Instruction dtd. 31.03.2016

Implementation of "Integrated Declaration"

Cus. Cir. No. 10 dtd. 15.03.2016 and CBEC's Instruction dtd. 31.03.2016

- Implementation of "Integrated Declaration".
- CBEC has developed the 'Integrated Declaration', under which all information required for import clearance by the concerned Partner Government Agencies (PGAs) has been incorporated into the electronic format of the Bill of Entry.
- The Customs Broker or Importer shall submit the "Integrated Declaration" electronically to a single entry point, i.e. the Customs Gateway (ICEGATE), w.e.f. 01.04.2016.
- Separate application forms required by different PGAs like Department of Plant Protection, Quarantine and Storage (DPPQ&S), Food Safety Standards Authority of India (FSSAI), Drug Controller (CDSCO), Animal Quarantine (AQCS), Wild Life Crime Control Bureau (WCCB) and Textile Committee would be dispensed with.

CHAPTER 3 OF FTP EXPORTS FROM INDIA SCHEME

Summary of Major Changes incorporated in Chapter 3 of FTP:

- Five Schemes from Chapter 3 of FTP namely Focus Product Scheme, Market Linked Focus Product Scheme, Focus Market Scheme, Vishesh Krishi and Gram Udyog Yojana Scheme (VKGUY), Agri. Infrastructure Incentive Scrip are merged into a single scheme namely "Merchandise Exports from India Scheme (MEIS)". MEIS is also available for SEZ units.
- Earlier "Served from India Scheme (SFIS)" is changed to "Service Exports From India Scheme (SEIS)".
- By these two schemes MEIS and SEIS, exports of goods and services are incentivised.

Export House:

The nomenclature of Export House, Star Export House, Trading House, Star Trading House, Premier Trading House certificate has been changed to One, Two, Three, Four, Five Star Export House. The new categories are as under:-

Status category	Export Performance FOB / FOR (as converted) Value (in US \$ million) during current and previous three years (for G&J Sector current and previous two years)
One Star Export House	3
Two Star Export House	25
Three Star Export House	100
Four Star Export House	500
Five Star Export House	2000

The criteria for export performance, for recognition of status holder have been changed from "Indian Rupees" to "US Dollar" earnings.



Export through E-commerce PlatformPolicy Initiatives

Definition of E-commerce

 Para 9.17A of FTP 2015- 2020: "e-commerce means buying and selling of goods and services, including digital products, conducted over digital and electronic network. For the purposes of Merchandise Exports from India Scheme (MEIS) e-commerce shall mean the export of goods hosted on a website accessible through the internet to a purchaser. While the dispatch of goods shall be made through courier or postal mode, as specified under the MEIS, the payment for goods purchased on e-commerce platform shall be done through international credit/debit cards and as per the Reserve Bank of India Circular (RBI/2015-16/185) [A.P. (DIR Series) Circular No. 16 dated September 24, 2015] as amended from time to time."

[As per DGFT Ntfn. No. 02 dtd. 11.04.2016]

Schemes specifically for import/procurement of Capital Goods

EPCG Scheme

'Zero Duty EPCG Scheme'

Export Oriented Units

• "Zero" duty for EOU/EHTP/ STP/BTP units

Utilisation of Duty Credit Scrips (DCS) - MEIS/SEIS etc.

• Import/Local procurements by debiting duty credit scrips for permissible capital goods and raw materials.

CHAPTER 8 OF FTP AND HBP QUALITY COMPLAINTS AND TRADE DISPUTES

Summary of Changes made in Chapter 8 of FTP and HBP

- Separate chapter on "Quality Complaints and Trade Disputes".
 Earlier provisions were covered under Chap. 3 of FTP.
- For resolving such disputes at a faster pace, a Committee on Quality Complaints and Trade Disputes (CQCTD) is being constituted in 22 offices and would have members from EPCs/FIEOs/APEDA/EICs.
- Its objective is to project a good image of the country abroad to promote export.
- The following points are incorporated in this chapter:

Types of Quality Complaints and Trade dispute that will be considered

The following type of complaints may be considered:

- (a) Complaints received from foreign buyers in respect of poor quality of the products supplied by exporters from India;
- (b) Complaints of importers against foreign suppliers in respect of quality of the products supplied; and
- (c) Complaints of unethical commercial dealings categorized mainly as non-supply/ partial supply of goods after confirmation of order; supplying goods other than the ones as agreed upon; non-payment; non-adherence to delivery schedules, etc.

- Obligations on the part of importer exporter
- Provisions in FT (D&R) Act & FT (Regulation) Rules for necessary action against erring exporters/ importers.

Mechanism for handling of Complaints/ Disputes

- Committee on Quality complaints and Trade Disputes (CQCTD)
- Composition of the CQCTD
- Functions of CQCTD
- Procedures to deal with complaints and trade disputes
- Corrective Measures

Nodal Officer

Director General of Foreign Trade will appoint an officer, not below the rank of Joint Director General, in the Headquarters, to function as the 'Nodal Officer' for coordinating with various Regional Authorities of DGFT, in this respect.

Remarks: Important change having impact on disputes and handling of complaints/disputes

Authorised Economic Operators (AEO)

- CBEC has finalized the 'Authorized Economic Operators' (AEO)
 programme for implementation to secure supply chain of
 imported and export goods.
- This programme has been developed pursuant to guidelines of World Customs Organisation (WCO) adopted in SAFE FoS (Framework of Standard) in 2005.
- The intention is to give AEO certified operators preferential treatment in terms of less Customs examination, relaxed procedural requirements etc.

Authorised Economic Operators (AEO)

- Any economic operator such as importer, exporter, logistics provider, Customs House Agent can apply for authorization subject to the criteria that the applicant is:
 - 1. able to establish a record of compliance in respect of Customs and other legal provisions.
 - 2. able to demonstrate satisfactory systems of managing commercial and, where appropriate, transport records.
 - 3. financially solvent.
 - 4. able to demonstrate satisfactory systems in respect of security and safety standards.
- More details are given in Cus Cir. No. 28 Dtd. 16.11.2012
- Revised guidelines on merging of two facilitation schemes namely ACP and AEO into a combined three-tier AEO programme are issued vide Cus Cir. No. 33 Dtd. 22.07.2016

- In the system of e-governance, once bandwidth is available, all the important documents like shipping bill, bill of entry and e-BRC would be available online.
- This will reduce paperwork for exporters and importers as well as bankers.
- It will also reduce transaction time and costs.

Exporters need to understand:

- The impact of regional RCEP & changing scenario
- Shift from west to east
- Electronic documentation, enabled by digital signature
- Impact analysis & research based export strategy
- Currency fluctuations

- Expanding base because of e-commerce transactions
- Incentives can not be forever (we must understand this)
- Participation in International Exhibitions
- Understanding HS codes & preferential treatments (both for imports as well as for exports)
- Skill development & knowledge based working

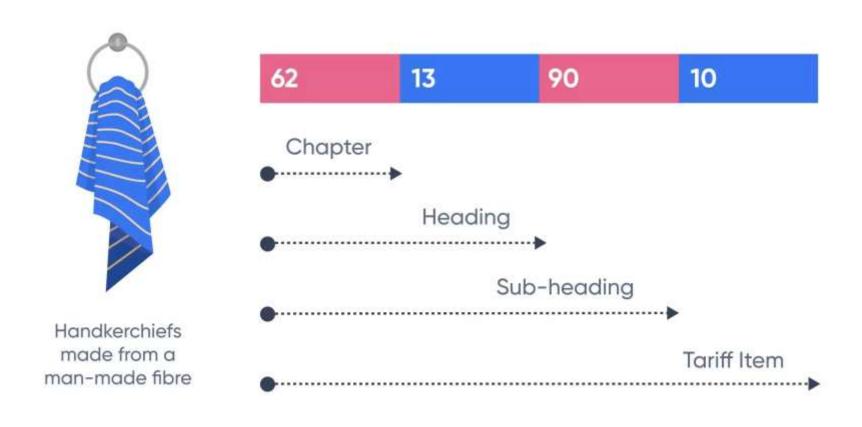
HSN Code List -What is HSN Code & How it works?

- HSN code stands for "Harmonized System of Nomenclature". This system has been introduced
 for the systematic classification of goods all over the world. HSN code is a 6-digit uniform code
 that classifies 5000+ products and is accepted worldwide. It was developed by the World
 Customs Organization (WCO) and it came into effect from 1988.
- It has about 5,000 commodity groups, each identified by a six-digit code, arranged in a legal and logical structure. It is supported by well-defined rules to achieve uniform classification.
- The main purpose of HSN is to classify goods from all over the World in a systematic and logical manner. This brings in a uniform classification of goods and facilitates international trade.
- HSN Worldwide
- The HSN system is used by more than 200 countries and economies for reasons such as:
- Uniform classification
- Base for their Customs tariffs
- Collection of international trade statistics
- Over 98% of the merchandise in international trade is classified in terms of the HSN.
- Harmonized System of Nomenclature number for each commodity is accepted by most of the countries. The HSN number remains same for almost all goods. However, HSN number used in some of the countries varies little, based on the nature of goods classified.
- HSN in India
- India is a member of World Customs Organization(WCO) since 1971. It was originally using 6-digit HSN codes to classify commodities for Customs and Central Excise. Later Customs and Central Excise added two more digits to make the codes more precise, resulting in an 8 digit classification.

Understanding the HSN Code

- The HSN structure contains 21 sections, with 99 Chapters, about 1,244 headings, and 5,224 subheadings.
- Each Section is divided into Chapters. Each Chapter is divided into Headings. Each Heading is divided into Sub Headings.
- Section and Chapter titles describe broad categories of goods, while headings and subheadings describe products in detail.
- For example:
- Handkerchiefs made of Textile matters 62.13.90
- First two digits (62) represent the chapter number for Articles of apparel and clothing accessories, not knitted or crocheted.
- Next two digits (13) represent the heading number for handkerchiefs.
- Finally, last two digits (90) is the product code for handkerchiefs made of other textile materials.
- India has 2 more digits for a deeper classification. If the handkerchiefs are made from a man-made fibre, then the HSN code is 62.13.90.10.
- Structure of HSN Code in India next slide
- For Europe- EU, China, US its 12 digits

Structure of HSN Code in India

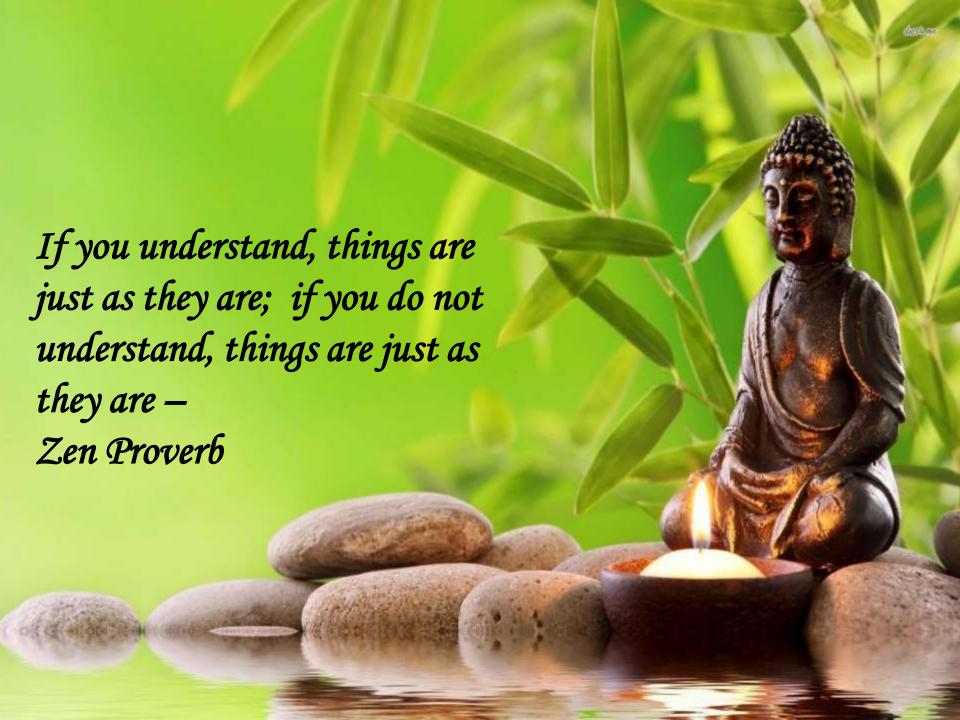


WTO

- https://www.investopedia.com/terms/w/wto.asp
- World Trade Organization is an intergovernmental establishment that works towards maintaining peace in trade relations and practices among its 164 member countries. The objective of WTO is to ensure minimum interference and disruption in international trade and thus sets rules and regulations for countries to follow accordingly. It is largest international economic organization,
- Understanding World Trade Organization
- When World War 2 came to an end, a General Agreement on Tariffs and Trade (GATT) was born from a Bretton-Woods inspired family, in 1947 and was established in 1948. It also established ideas for the IMF and the World Bank. The goal was to ease and regulate trade tariffs and quotas. On January 1st, 1995, GATT was officially replaced by WTO, on the basis of the 1994 the Marrakesh Agreement as a pursuant.
- The key goals of the WTO are to establish a uniform system and an infrastructure to trade in goods, services and intellectual property across continents and countries. This infrastructure is made up of a framework of trade regulations that requires the trading countries to adhere to, that usually aim to reduce the tariff, taxes, quota and other restrictions. When dispute arises, WTO is the organization that seeks to dissipate tensions and resolve them.

Highlights of the World Trade Organization

- The World Trade Organization is headquartered in Geneva, Switzerland. It convenes meetings biannually where representatives from each member country come to make agreements and discussions in the General Council.
- When established as GATT, the goal was to make sure every member country was a most-favoured-nation (MFN), a status that gave the member trading rights.
- Representing member countries agree to WTO policies by ratifying the agreements into their domestic legislature.
- Decisions at the WTO meetings are made by consensus, and majority vote is very rare. The Ministerial Conference makes the top decisions and holds meetings at least every two years.
- WTO policies have grown to criticism in recent years by virtue that the regulations are undemocratic, lack transparency and compromise national security. It tends to limit the country's choices when it is made essential that all conventions of WTO are met without adjustment, and that leads to a severe conflict of interest.
- Index
- Introduction to the World Trade Organization
- Understanding World Trade Organization



Export Pricing & Key parameters for Costing

- 1. Cost/Costing, Price/Pricing difference for the exporter and buyer
- 2. Export Costing Method Traditional Cost Plus method Vs Marginal Costing approach
- 3. Preparation of Cost Sheet; Key parameters for Costing
- 4. Understanding Incoterms ICC, Paris
- 5. Consider the various costs with Incoterms and Passing on the Duty Draw Back, RoDTEP, Forward Premium & Interest equalization benefit to the buyer
- 6. Understanding the exposure, Cost of Credit Insurance

EXIM International Trade/Business

- Economic Scenario in the world and India's International Trade position;
- Settlement of International Trade thru AD Banks in Foreign Currency/INR & Role of DGFT, ICEGATE, RBI's FEMA 1999 & FEDAI
- Incoterms 2020 ICC, Paris
- Payment Terms Advance Payment, DP at Sight, DA Credit, Letter of Credit under UCP 600- ICC Paris
- Role of ECGC Russia Ukraine War, Sri-Lanka etc geo-political crisis
- Pre-Post shipment Finance PC-INR and PCFC a natural hedging
- CCIL India Fx Retail Its use and relevance
- How to take advantage of booking the exchange rate and forward contracts - Hedging of Forex Risk
- FEMA 1999 liberalizations for Advance Payment, Third Party
 Payments, Reduction in Invoice Value, EEFC, Payment of Commission
 & EPDMS challenges
- List of Comprehensively OFAC Sanctioned Countries; Cuba, Iran; North Korea, Russia; Syria.

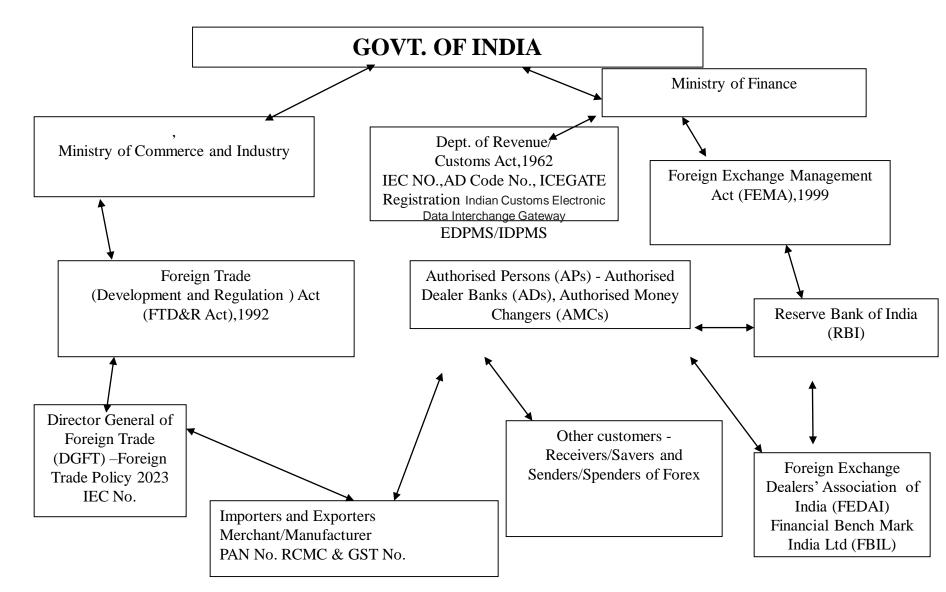
Answer Following Questions

- What is the need & Importance for doing International Trade for Individuals, Firms & Govt?
- What are the Regulations for Settlement of International Trade thru Foreign Exchange?
- Why 85% of International Trade is settled in USD?
- Why & How RBI directs Banks to lend money to Exporters/MSME at concessional Rate of Interest
- What is the need & Importance of LC for Exporter & Importer?
- What is the impact of Sanctions like that on Russia etc?
- How do you cover Credit/Geo-political risk like Russia-Ukraine war for Export business? – Role of ECGC?????????
- How do you Hedge your Forex Risk or USD/INR level thru PCFC or PC-INR? Excess Liquidity driving the Forex Market Rates..
- March 2022 –Increase in Interest rates: What's the impact of Silicon Valley Corpn Bank/First Republic Bank and West Pec Bank/Western Alliance Bank failure/Signature Bank?

Global Economic Scenario

- Forex Reserves at USD 657.155 BN External Debt USD 663.80 BN
- Good Forex Inflow/Outflows due to FII, ECB's etc
- April- March FY 2024 Trade Deficit USD 260 BN FY 2025 USD 63 BN
- Govt's funding Trade deficit thru Capital inflows -ECB's/FII's/- FDI's leveraging on capital market and thru \$ or Yen Carry Trade How Long?
- INR ranges between 83.00 86.00
- Forward Premiums 6 months 1.50% and 1 year at 1.60%
- June Retail CPI 5.10% Core Inflation 3.10% WPI 2.59%, US June CPI 3.00%
- BSE Index around 75000+
- Major Central Banks Decreasing Interest Rate post COVID-19, QE 3/Europe Debt Mess, RBI to remains' 'Unpredictable' in its Monetary Policy Reviews.
- Monetary Easing *kho- kho* by Major Central Banks, Geo-political situation impacting the world markets. SOFR/LIBOR above 5.35% for 1 year.
- "Great Divorce" between China/Europe/Japan/US, Sub-Prime Crisis
- Russia-Ukraine conflict will pose upside risks to inflation but downside risks to growth/stagflation.
- India 10 Year G-Sec Bench Mark @ 7.05%, Repo 6.50%, Rev. Repo 3.35%
 Standing Depo Facility 6.25%, CRR 4.50% SLR 18.00%, US 10 Year 4.30%, UK 4.33%, German 2.50% Japan 0.97% Q.E to Q.T impacting the markets India

Administration of Foreign Exchange in India



Regulatory Framework

- Director General of Foreign Trade (DGFT) -FTP
 - Stipulates regulations relating to physical movement of goods
 - Drafts EXIM (Foreign Trade) Policy under Min. of Commerce
 - Issues IEC to importers/exporters
- Reserve Bank of India (RBI) FEMA 1999
 - Stipulates regulations relating to movement of funds (FEMA)
 - Stipulates credit norms for banks
- Foreign Exchange Dealers Association of India (FEDAI)- FEDAI RULE BOOK
 - Apex Forum of Banks authorised to deal in Forex issues & guidelines
 - Training of Bank personnel in the areas of Forex business
 - Fixed Income Money Market & Derivatives Association of India (FIMMDA)
 - To undertake developmental activities, such as, introduction of benchmark rates and new derivatives instruments, etc
 - To devise standardized best market practices
 - FBIL Fixing the Mibor linked Rates
 - ICC PARIS INCOTERMS 2020, UCP 600 –(2007), URC 522, URDG 758
 -CCILINDIA FX RETAIL PLATFOM

Broad Framework including Constitutional Background

- The foreign exchange regulations have been liberalised over the years to facilitate the inflow and outflow of funds to and from India
- Main Features of Foreign Exchange Management Act, 1999 (FEMA Act) It gives powers to the Central Government to regulate the flow of payments to and from a person situated outside the country. All financial transactions concerning foreign securities or exchange cannot be carried out without the approval of FEMA.
- The legal framework of international trade includes global trade regimes, General Agreement on Tariffs and Trade (GATT) (1947) and its successor the World Trade Organization (WTO). It also includes regional trade regimes such as NAFTA and the EU
- The primary legislation India's foreign trade Foreign Trade (Development and Regulation) Act, 1992, along Export-Import Policy. These laws provide the legal framework for regulating exports and imports, promoting foreign trade, and ensuring compliance with international agreements.
- Firms must comply with the Bank Secrecy Act and its implementing regulations ("AML rules"
 PMLA 2002). The purpose of the AML rules is to help detect and report suspicious activity
 including the predicate offenses to money laundering and terrorist financing, such as
 securities fraud and market manipulation.
- For international business to run smoothly and with minimal disruption, four fundamental pillars must be in place. Payment, risk management, financing, and data are the four mainstays;
- ACTS: the basic function of Parliament is to make laws. All legislative proposals have to be brought in the form of Bills before Parliament. A Bill is a statute in draft and cannot become law unless it has received the approval of both the Houses of Parliament and the assent of the President of India.

Concept of delegated powers and distinction between Act, Rules, Regulations and Notifications under Foreign Trade Policy, Customs Act, SEZ Act and Rules made thereunder and Handbook of Procedure

- All the banks have delegated authority from the regulator (RBI) to perform Forex transactions (sales and purchases) through Forex license
- Rules are typically more informal and can vary in their application, depending on the context or situation. They often reflect guidelines established by an authority but may not carry any legal consequences if not followed. Regulations, on the other hand, tend to be more formal and are legally binding
- An Act is an enactment by Legislative Authority i.e. Legislature. Rules and Regulations are made by the Administrative Authority i.e. Executive by delegated legislation.
- The Central Board of Indirect Taxes and Customs (CBIC), formerly known as the Central Board of Excise and Customs (CBEC), is a one of the Boards constituted under the statute the Central Boards of Revenue Act, 1963 (54 of 1963) and is subordinate to the Department of Revenue under the Ministry of Finance,
- Foreign Trade Policy is a set of guidelines and instructions established by the DGFT in matters related to the import and export of goods in India.
- The procedure for import and export activities involves: ensuring licensing and compliance before the shipping of goods. arranging for transport and warehousing after the unloading of goods. getting customs clearance and paying taxes before the release of good
- Hand book of Procedure -international trade (i.e. import into India and/or export from India) can take place from/to any country. Country specific prohibitions/limitations, if any, are specified in the FTP/ITC (HS).
- Custom Act 1961 An Act to consolidate and amend the law relating to Customs. BE it enacted by Parliament in the Thirteenth Year of the Republic of India
- SEZ Act 2005 under the Act Special Economic Zone (SEZ) is a specifically delineated duty free enclave and shall be deemed to be foreign territory for the purposes of trade operations and duties and tariffs

Case Studies – Discussion/Presentation

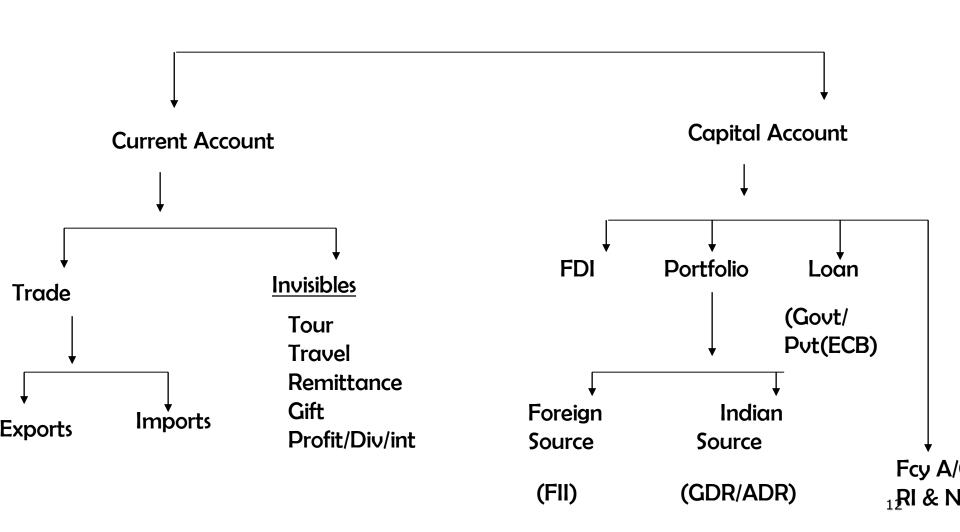
- 1. Herstat Bank Case study 1974 Lead to Basel I in 1988
- 2. Japan Asset Price Bubble 1992
- 3. Ing Bearing Bank Nick Leeson Case -1995 Lead F/O, M/O & B/O
- 4. Bangladesh Bank USD 81 Mio Heist -2018
- 5. India 1991 BOP Crisis
- 6. Harshad Mehta Scam -1992 Lead to F/O & B/O
- 7. 1997 South-East Asia Currency Crisis Lead to Basel II in 2004
- 8. 2008 US Sub-Prime Crisis Lead to Basel III in 2010
- 9. Impact of US-China Trade War On going
- 10. Impact of COVID 19 on Foreign Currency Volatility
- 11. Settlement Mechanism at CCIL for Forex & Govt Securities
- 12. Impact of Zero/Negative Interest Rates & Q.E. on Forex Volatility & Equity/Debt Market
- 13. Trading in Futures/Option at NSE or BSE
- 14. Factors Impact the foreign Currency volatility Forwards, Futures & Options
- 15. PNB –Neerav Modi & Mehul Chowksi case study -2020
- 16. US/Major Central Bank's increasing interest rates impacting the world. Silicon Valley Bank Collapse/Signature Bank /Credit Swiss UBS merger etc 2022
- 17. Russia-Ukraine, Israel/Hamas war impact on India

WTO

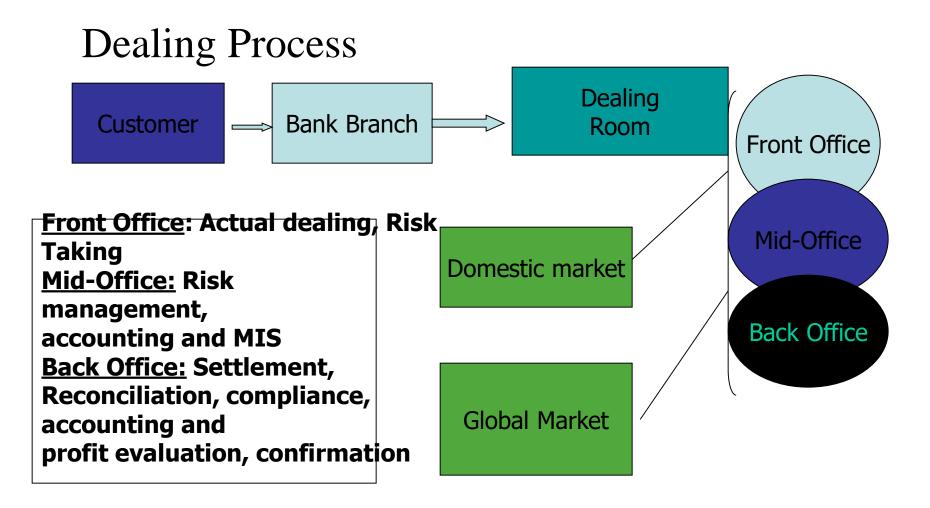
https://www.investopedia.com/terms/w/wto.
 asp



FOREIGN EXCHANGE TRANSACTIONS



Forex Dealing Room Operations







Tier-I

Regulator: Reserve Bank of India

Regulation: Foreign Exchange Management Act, 1999

Tier - II

Authorized Dealers, Money changers

Tier-III

Buyers and sellers: exporters, importers, individuals, Corporates, FIIs, Non-Residents, NRIs etc.

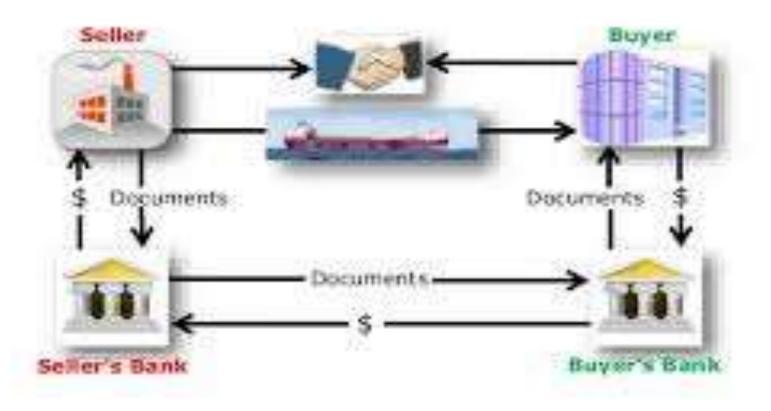
Need & Importance of FOREX & TREASURY

- International Trade & Trade Settlement in Foreign Exchange
- Globalization & Liberalization by countries
- Integration of Financial Markets with the development of new financial instruments, liberalization of regulations governing the financial markets and increased cross penetration of foreign ownership
- Covering Trade & Forex Risk with new instruments & Products
- Management of Funds/Liquidity

International Trade - CORRESPONDENT BANKS ACCOUNTS

- Permitted currencies for Payment (Trade/Investments)
- Collection, Purchase, Discounting or Negotiation of Export Documents or Import Documents
- Nostro Accounts: My account with the outside bank, OR Our foreign currency account with overseas banks
- **Vostro Accounts**: For the outside bank my account held with them, OR Overseas banks' INR account with us
- You open a saving account, it is like a Nostro account for you and Vostro account for the bank
- LORO: Their account (any currency) with another bank
- ACU Dollar/Euro/JPY Account A flop arrangement Sri Lanka Payment allowed in any Foreign Currency/Country
- Nepal/Bhutan INR
- Now Special Vostro Account in INR to accommodate trade with Sanctioned/OFAC countries or an Additional Arrangement for payment for sanctioned countries (Non- Repartiable INR)
- Foreign Currency Accounts for Residents: **EEFC**, RFC account and RFC (Domestic) account

Documentary Collection



Global trade settlements in rupees





Russian company who imports from India



Indian exporter



Gives RUBLE



Receives in INR

Russian Bank

(Bank retains INR in Vostro A/C)



Vostro (In Indian A/C Bank)



Pays in RUBLE



Pays in INR

Russian crude oil company



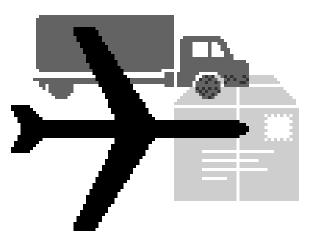
Indian Refining company

Costing & Pricing - Hedging

USDINR Monthly Average Rates : January 2011 - May 2024														
Months	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
January	45.40	51.25	54.27	62.10	62.23	67.30	68.10	63.65	70.73	71.28	73.11	74.41	81.86	83.11
February	45.43	49.18	53.80	62.20	62.03	68.20	67.04	64.44	71.20	71.48	72.79	75.00	82.60	82.97
March	44.97	50.35	54.41	61.01	62.48	66.95	65.85	65.04	69.46	74.29	72.80	76.25	82.33	83.01
April	44.36	51.86	54.36	60.35	62.76	66.46	64.49	65.67	69.39	76.38	74.50	76.17	82.00	83.39
May	44.92	54.48	55.04	59.32	63.78	66.92	64.43	67.55	69.80	75.67	73.22	77.32	82.35	83.39
June	44.84	56.00	58.37	59.75	63.83	67.29	64.44	67.79	69.43	75.76	73.56	78.08	82.23	
July	44.41	55.42	59.74	60.06	63.64	67.18	64.45	68.72	68.76	75.05	74.53	79.60	82.15	
August	45.31	55.52	63.04	60.86	65.08	66.93	63.95	69.58	71.15	74.89	74.13	79.56	82.78	
September	47.67	54.52	63.74	60.87	66.20	66.74	64.46	72.25	71.35	73.35	73.59	80.25	83.06	
October	49.24	53.03	61.56	61.37	65.04	66.73	65.05	73.63	71.05	73.43	74.94	82.38	83.23	
November	50.88	54.78	62.59	61.72	66.14	67.62	64.85	71.76	71.48	74.27	74.50	81.77	83.30	
December	52.60	54.66	61.84	62.73	66.57	67.87	64.24	70.72	71.17	73.62	75.35	82.51	83.27	



Incoterms 2020





International Commercial Terms INCOTERMS 2020

The **INCOTERMS** is a universally recognized set of definitions of international trade terms, such as FOB, CFR and CIF, developed by the International Chamber of Commerce (ICC) in Paris, France.

The Incoterms rules are a total of 11 terms published by the International Chamber of Commerce, which define costs, risks and obligations of buyers and sellers in international transactions

It defines the trade contract Responsibilities and Liabilities between buyer and seller. It is invaluable and a cost-saving tool.

Easy to Communicate with different Languages & Business Practices

The INCOTERMS was first published in 1936 -INCOTERMS 1936 - and it is revised periodically to keep up with changes in the international trade needs.

The complete definition of each term is available from the current publication---INCOTERMS 2020

Exporter and Importer – A common set of rules

The exporter and the importer need not undergo a lengthy negotiation about the conditions of each transaction.

Once they have agreed on a commercial term like FOB, they can sell and buy at FOB without discussing who will be responsible for the freight, cargo insurance, and other costs and risks

The Incoterms provide the most often used international terms of trade and an official version of the Incoterms should be referenced in the text of the contract.

The goal is to alleviate or reduce confusion over interpretations of shipping terms by outlining who is obligated to take control of and/or insure goods at a particular point in the shipping process.

Furthermore, the terms outline the obligations for the clearance of the goods for export or import and packing requirements

Key Changes in Incoterms 2020

- 1. DAT Incoterm changed to DPU -DAT required Delivery at Terminal (unloaded), changed term to DPU (Delivery at Place Unloaded), to broadly cover 'any place, whether covered or not'.
- 2. Insurance points are clarified in CIF and CIP Incoterms® 2020, CIP requires insurance complying with Institute Cargo Clause (A) whereas CIF requires insurance under Clause C. Why? Because Clause A covers a more comprehensive higher level of insurance (e.g. for the manufactured goods), whereas a lower level of cover from Clause C would probably apply to the commodities world.
- 3. Costs and cost structures are now clarified all costs associated with a given Incoterms, allows users to see the full list of expected costs at a glance
- 4. Security in relation to transport is now clearly detailed
- 5. Provisions to allow for own transport rather than assuming 3rd party transport-Incoterms 2020 allows for own means of transport by the buyer in the FCA rules and by the seller in the D rules.
- 6. FOB and <u>Bills of Lading</u>: Free Carrier (FCA) when goods are sold FCA for carriage by sea and buyer or seller (or either party's bank) requests a bill of lading with an on-board notation.
- 7. Presentation and design is much more user friendly

Incoterms 2010 vs. 2020

- EXW Ex Works
- FCA Free Carrier
- FAS Free Alongside Ship
- FOB Free On Board
- CFR Cost and Freight
- CIF Cost, Insurance & Freight
- CPT Carriage Paid To
- CIP Carriage & Insurance Paid To
- DES Delivered Ex Ship
- DAF Delivered at Frontier
- DDU Delivered Duty Unpaid
- DDP Delivered Duty Paid

- EXW Ex Works
- FCA Free Carrier
- FAS Free Alongside Ship
- FOB Free On Board
- CFR Cost and Freight
- CIF Cost, Insurance & Freight
- CPT Carriage Paid To
- CIP Carriage & Insurance Paid To
 - DPU Delivered At Pace Unloaded
 - DAP Delivered At Place
 - DDP Delivered Duty Paid

Incoterms-2020 – Costing & Pricing

INCOTERMS 2020				
Costing & Pricing	Mobile - INR			
	Omni-Modal	Equivalent	Marine Restricted	
	INR		INR	
Ex-works	25000	FAS	25100	
FCA	25200	FOB	25200	
CPT	25500	CFR	25500	
CIP	25700	CIF	25700DAP	
DPU	25800			
DAP	25800			
DDP	28000			
	1USD=73.50 Hedging this price thru PCFC or Fwd booking			
	28000/73.50 = \$380.95 p	per Piece		

Incoterms® 2020 Chart of Responsibilities.pdf - Adobe Acrobat Reader DC Edit View Window Help Tools Home Incoterms® 2020 ... × 4 (+)H 64.4% Incoterms' 2020 Rules Φ SHIPPING SOLUTIONS CHART OF RESPONSIBILITIES AND TRANSFER OF RISK Any Transit Mode Sea/Inland Waterway Transport **Any Transport Mode** FCA FAS CIF CIP DAP DPU EXW F0B CFR CPT DDP Cost Delivered Free Carriage Delivered Delivered Free Carriage Free On Cost & Ex Works Alongside Insurance Insurance at Place Carrier at Place **Duty Paid** Freight Paid To Board Ship & Freight Paid To Unloaded At Named At Buyer's On Board On Board At Named At Named On Buyer's Alongside On Board Transfer of Risk At Carrier At Carrier Place Disposal Transport Ship Vessel Vessel Vessel Place Place Unloaded Charges/Fees Seller Packaging Seller **Loading Charges** Buyer Seller Delivery to Port/ Place Buyer Seller **Export Duty, Taxes** Seller Buyer & Security Clearance **Origin Terminal** Seller Seller Seller Seller Seller Seller Seller Seller Seller Buyer Buyer Loading on Carriage Buyer Seller Seller Seller Seller Seller Seller Seller Seller Buyer Buyer Carriage Charges Buyer Buyer Buyer Buyer Seller Seller Seller Seller Seller Seller Seller Insurance Seller Seller **Destination Terminal** Seller Seller Seller Seller Buyer Buyer Buyer Buyer Buyer Buyer Seller Charges Delivery to Seller Buyer Destination Import Duty, Taxes Seller Buyer & Security Clearance



International Trade Finance in India-INCOTERMS –ICC PARIS

- Most commonly used Terms of Shipment are:
- FOB SHIP, the term can not be FOB Air
- All cost till the time goods are kept "ON BOARD" ship/air/rail/truck are borne by the exporter
- CFR:-
- FOB PLUS the freight for the Voyage
- CIF:-
- CFR PLUS the Insurance for the Voyage. The port of destination should be clear. Can not be CIF – Kathmandu unless multi-modal transport is used

International Trade Finance in India-INCOTERMS –ICC PARIS

- Other Incoterms not much in use:
- Ex-Works or Ex-Factory
- FAS: Free Along-side Ship (loading/unloading expenses not included)
- DPU: Deliver at Place (named place Unloaded)
- DAP: Delivered at Place (named place of destination)
- DDP: Delivered Duty Paid
- ICC, Paris have now grouped these Incoterms as'E 'C', 'D' and 'F'. In India, Exporters prefer FOB and Importers prefer CIF.
- People involved in Incoterms are : Sales Team, Legal Team, Operations and Logistics/Customs

What Incoterms Don't Cover?

- Insurance Responsibilities all Incoterms except the C terms (CIP & CIF), do not assign responsibility for arranging insurance.
- Do not cover Title of goods -property rights
- Possible force majeure situations
- Breach of contract.
- Financial Revenue Recognition
- Specification of Goods
- Custom duties and taxes
- Any Restriction Embargo Sanctions

Insurance

- Each Incoterm makes seller and buyer consider their risk and when that risk transfer. Only Two exceptions are
- CIP Carriage & Insurance Paid to
- CIF Cost Insurance and Freight

Each with a specific criteria and level of insurance cover (unless agreed otherwise)

Insurance consideration

- In every case establish where your risk transfer
- For a sale
- For a Purchase
- Decide if Insurance is needed
- If required,
- Check existing insurance policy
- Does it cover the risk?

Title of goods

- We can not rely on Incoterm rules establish when title passes between seller and buyer
- Potentially title of goods passes when buyer has paid the seller the price in contract
- But Incoterm do not cover provision for transfer of title.

Payment Terms

- There is no link between a payment term that is agreed between seller and buyer and agreed Incoterm rule.
- Therefore how and when buyer will be paid and in what currency is not covered by the Incoterm rules.

Force majeure situations and Breach of contract

- Incoterm do not deal with whether there is sale of contract in existence or not
- Incoterm rules do not define remedies for breach of contract and other performance obligation.
- Better include of these within the contract of sale.

Imposition of Tariffs: Custom duty and taxes

- The potential for an increase on import tariffs and who pays those charges are not covered under Incoterms
- Like Anti dumping duty
- Example.

To Sum Up

- Consider your Responsibilities and your cost
- Use them compliantly
- Don't forget your risks
- Who is responsibilities for insurance?



Omni-Modal

Incoterm 2020





INCOTERMS –ICC PARIS Any mode of transport

- **EXW Ex Works** (named place of delivery)The seller makes the goods available at its premises. The buyer is responsible for unloading. This term places the maximum obligation on the buyer and minimum obligations on the seller
- FCA Free Carrier (named place of delivery) The seller hands over the goods, cleared for export, into the disposal of the first carrier (named by the buyer) at the named place. The buyer pays for carriage to the named point of delivery, and risk passes when the goods are handed over to the first carrier.
- **CPT Carriage Paid To** (named place of destination)The seller pays for carriage. Risk transfers to buyer upon handing goods over to the first carrier at place of Import.

INCOTERMS –ICC PARIS

Any mode of transport

- **CIP Carriage and Insurance Paid to** (named place of destination) The containerized transport/multimodal <u>equivalent of CIF</u>. Seller pays for carriage & insurance to the named destination point, risk passes when the goods are handed over to the first carrier.
- **DPU Delivered at Place Unloaded** (named place Unloaded)Seller pays for carriage to the terminal, except for costs related to import clearance, and assumes all risks up to the point that the goods are unloaded at the terminal.
- **DAP Delivered at Place** (named place of destination)Seller pays for carriage to the named place, except for costs related to import clearance, and assumes all risks prior to the point that the goods are ready for unloading by the buyer.
- **DDP Delivered Duty Paid** (named place of destination)Seller is responsible for delivering the goods to the named place in the country of the buyer, and pays all costs in bringing the goods to the destination including import duties and taxes. The buyer is responsible for unloading.

Water Transport Only Incoterms - 2020



INCOTERMS –ICC PARIS Sea and inland waterway transport

- **FAS Free Alongside Ship** (named port of shipment) The seller must place the goods alongside the ship at the named port. The seller must clear the goods for export. Suitable only for maritime transport but **NOT** for multimodal sea transport in <u>containers</u>. This term is typically used for heavy-lift or bulk cargo.
- **FOB Free** on **Board** (named port of shipment) The seller must load the goods on board the vessel nominated by the buyer. Cost and risk are divided when the goods are actually on board of the vessel. The seller must clear the goods for export. The term is applicable for maritime and inland waterway transport only but **NOT** for multimodal sea transport in containers. The buyer must instruct the seller the details of the vessel and the port where the goods are to be loaded.

INCOTERMS –ICC PARIS Sea and inland waterway transport

- **CFR Cost and Freight** (named port of destination)Seller must pay the costs and freight to bring the goods to the port of destination. However, risk is transferred to the buyer once the goods are loaded on the vessel. Insurance for the goods is **NOT** included. This term is formerly known as CNF (C&F). Maritime transport only.
- **CIF Cost, Insurance and Freight** (named port of destination)Exactly the same as CFR except that the seller must in addition procure and pay for the insurance. Maritime transport only.

What is an Exposure?

Major Sources of Currency Exposure

- **Transaction Exposure** on Buyer/Seller Credit, Capital, Capacity, Character and Conditions of business
- Exchange Rate Risk Price/Volatility Risk Translation/- Transaction Risk
- Operation Risk, Settlement Risk Counterparty HERSTATT RISK (Time Zone difference)
- Interest Rate Risk –Inflation, Economic conditions/exposure
- **Economic/Operating Risk** -Country Risk Political Risk, War or War like situation, Internal Disturbance & Govt. Policy –
- Systemic Risk
- Translation exposure Used by MNC's for calculating multi-currency mark to market exposure on a particular day/date for B/sheet purposes

How to cover Exposure?

- Understanding Incoterms 2020
- Non-LC Business thru Trade Credit Insurance ECGC Commercial/Political Risk Protracted default; MBEP or SBEP case to case
- LC
- Why Exporter needs a LC?
- What Importer gets by opening a LC?
- Factoring and Forfaiting
- Exchange Risk thru Forwards, Futures & Options

How To Mitigate Risks

Risk

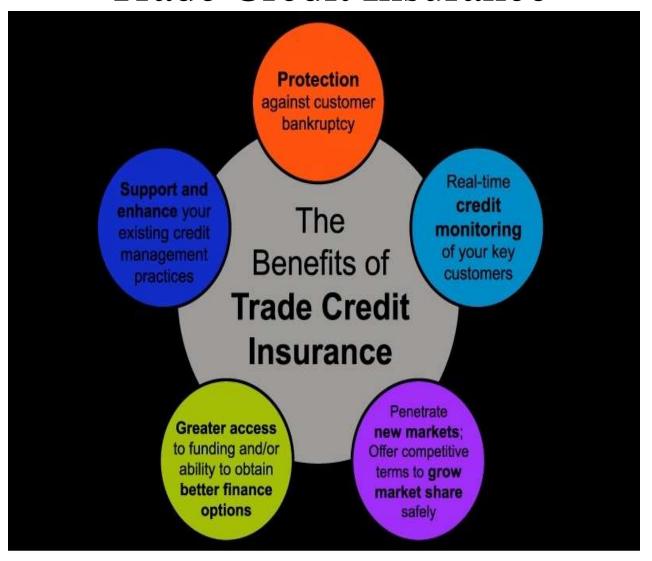
- Transport related risks (damage, loss, theft)
- Credit risk or nonpayment risk
- Quality of goods risk
- Exchange rate risk
- Legal risk
- Country risk / Political risk
- Fraud risk
- The risk of misunderstanding

Risk Mitigation

- Ensuring insurance coverage/ carrier's liability
- Ensuring credit-worthiness of party:
 Financial standing, quality of goods being sold
- Proper document scrutiny
- Forward cover
- Procedures verified by legal experts
- Taking ECGC cover
- Substantial credit and compliance scrutiny (D & B Report)
- Well-drafted contracts



Trade Credit Insurance



Benefits of Trade Credit Insurance

- Bad debt protection & Administrative Freedom
- Credit insurance is a tool to increase incremental sales
- Expand sales to new, unknown or higher-risk customers.
- No need to require Letters of Credit.
- Analysis and review of your portfolio of buyers by a third party insurer
- ECGC and HDFC ERGO General Insurance Company. TATA AIG Insurance. ICICI Lombard. SBI General Insurance
- Covers:
- Commercial Risk -Non payment by the buyer protracted default
- Insolvency of the buyer
- Political Risk -Military or civil war, revolution, riot or insurrection
- General moratorium on payment by the government of buyer's country
- Cancellation of import license
- Government decision preventing performance
- Political events, economic difficulties, legislative or administrative measures preventing payment
- Non payment by government buyer

Export Credit Guarantee Corporation of India Ltd. (ECGC)

- It was set up for the promotion of exports in the year 1957 to protect the exporters from any financial loss.
- *Primary goal of ECGC*:

 To support & strengthen the export promotion by
- 1. Providing cover against Commercial Risk and Political Risk
- 2. Offering guarantee covers to banks and financial institutions for Pre-shipment Finance & to Exporters at Post-shipment stage
- 3. ECGC covers 80% of the Invoice Value

Export Credit Guarantee Corporation of India Ltd. (ECGC)

- ECGC issues various types of guarantees to banks, financing exporters, which protect banks in case of loss from their advances to exporters.
- Guarantees to Banks & Exporter:
 - At pre-shipment stage to Lender <u>Bank against the</u> <u>default of exporter</u>
 - At post-shipment stage to <u>Exporter against the default by buyer and buyer's country</u>
- ECGC is a backbone of Indian Project Exports.

ECGC

- ECGC provides cover to various types of risks thru
 its <u>SBEP</u>, <u>MBEP</u> & <u>Shipment Comprehensive</u>
 Risk Policy, taken by exporters against the buyer
 namely,
 - Risk of not receiving payment from foreign buyers, Trading on short term credit, of not receiving payments in respect of deferred payment exports, and
 - In respect of services rendered and construction projects undertaken abroad.
 - Whole Turnover Packing Credit Taken by Bank against the Exporters default

International Payment Methods

- There are 4 types of payment methods available in international trade. These payment types are:
- Cash-in-advance,
- Open account,
- Documentary collections,
- Documentary credits (letters of credit) and

Advance Payments

- Buyer makes payment before the goods are shipped
- Seller is well known entity in international trade
- Seller has more bargaining power vis-a-vis the buyer
- Buyer's creditworthiness is doubtful
- Monopolistic trend in specific commodity trading

Open Account

- Payment in arrears Payment after the receipt of goods and in tranches (as per the sale agreement)
- Buyer agrees with seller to pay with the flow of shipment of goods
- Used in regular business relationship between two parties
- High degree of trust is required between buyer and seller
- Shipment in bulk to economize the cost
- Not used extensively in India

Bills for Collection (Doc. Collection) - Payment terms

- Greater involvement of banks
- Documents moved through banking channel
- Seller submit documents to his bank as <u>agent for collection</u>.
 <u>Payment is not guaranteed by the bank</u>
- Documents are presented to buyer through correspondent bank
- Documents are released after
 - Payment from buyer (Delivery against Payment:D/P-Sight, COD) or NTP 5-25 Days
 - Acceptance from buyer (Delivery against Acceptance :D/A
 Usance/Credit/Term/Deferred) MAX 270 Days
- Subject to URC 522 of ICC Paris

Documentary Credit (Letter of Credit)

- Assurance of payment by the bank
- Most convenient method of payment in international trade
- Provides complete financial security to the seller
- Bank assumes payment obligation on behalf of buyer to seller
- "LC is a payment mechanism whereby a Bank acting at the request of the customer, undertakes to pay a third party by a given date on presentation of credit compliance documents"
- Subject to UCP 600 (2007 Revision) of ICC, Paris

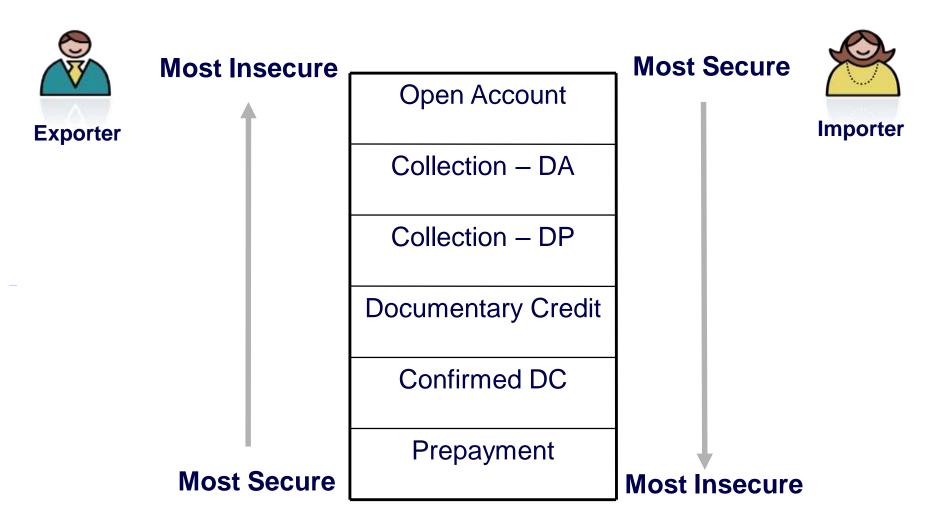
Methods of payments in International Trade

Particulars	Details
Advance Payment	 ✓ Importer sends money first to the exporter ✓ Goods are exported post receipt of the payment ✓ Beneficial to the exporter ✓ Importer has no assurance of receiving the goods
Open Account	 ✓ Payment at agreed intervals ✓ Established Relationship between Importer and Exporter ✓ Beneficial for the importer ✓ Exporter has neither goods nor the money

Methods of payments in International Trade

Particulars	Details
Documentary Collections – DP/DA Under URC 522	 ✓ Documents are routed through a bank ✓ Documents are not released to the importer until payment has been affected/acceptance received ✓ Provides formal means to collect unpaid obligation ✓ Country Risk are not hedged for the exporter
Letter of Credit Under UCP 600	 ✓ Undertaking from a bank to make the payment provided credit compliant documents are presented ✓ Secured method of payment ✓ Beneficial for both exporter & Importer

Methods of Payments- Comparison



International Trade Finance in India- RISKS ASSOCIATED WITH TERMS OF PAYMENTS

- ADVANCE PAYMENT: Currency Fluctuations, need to be exported within one year
- DP: The buyer may not come forward to take up the documents
- DA: The buyer takes the documents but does not pay on due date
- To cover these risks the Exporters prefers LC, where a payment is guaranteed by a bank
- Importers prefer LC in order to maintain delivery schedule by the Exporter

WHY HAVE A LETTER OF CREDIT?

IF I SHIP GOODS, WILL YOU PAY?



SOLVES ISSUES OF MUTUAL MISTRUST BY USING BANKS AS ARBITERS

NEGOTIATE L/C TERMS BEFORE ENTERING A CONTRACT

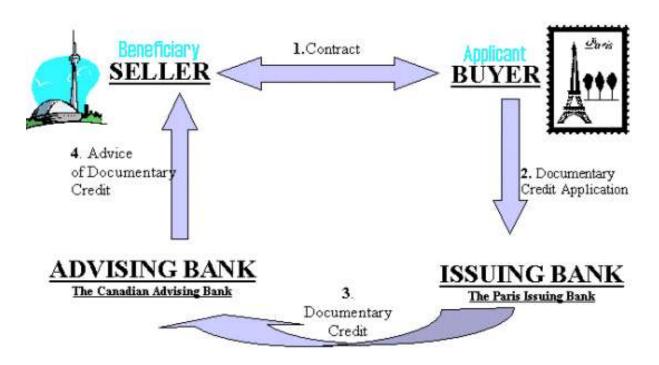
International Trade Finance in India-TERMS OF PAYMENT-LC

LC is a sort of Guarantee issued by a Bank, on behalf of the Buyer (applicant) favouring the supplier (Beneficiary), undertakes to pay by authorizing another bank (Negotiating Bank) to pay on complying with the Terms & Conditions mentioned therein.

- LC is also known as Documentary Credit as Banks deals in Documents and not in goods
- Each LC should mention that *UCP LATEST VERSION* OR "This LC is subject to UCPDC publication no. 600, (2007 Revision) ICC guidelines" to be operative

How does a letter of credit operate?

The Documentary Credit Cycle



Role of the banks

- Issuing bank
- The issuing bank is buyer's bank
- • In buyer's own country
- The seller will be wary of receiving a credit from a bank in a different
- country
- Advising bank
- The advising bank advises the credit
- Also known as the "correspondent" bank
- Can be a nominated bank and/or a confirming bank
- Nominated bank
- Normally the advising bank
- Nominated by issuing bank to be bank where the seller presents
- documents
- and obtains payment
- Confirming bank
- Nominated bank may be authorised to pay in accordance with the terms
- of the credit
- BUT it will only be liable to the seller if it adds its own undertaking to the
- credit (= a confirmed letter of credit)
- Nominated bank becomes a confirming bank

International Trade Finance in India- TYPES OF DOCUMENTARY CREDITS/LC'S

- **IRREVOCABLE:** Which can not be cancelled or amended without the consent of beneficiary
- Irrv. CONFIRMED: Which has been confirmed by advising, another bank in the same country or another country
- Irrv. TRANSFERABLE: Which is transferred by the Advising Bank at the request of Beneficiary to third party
- Irrv. Back to Back: Wherein another Lc is established by beneficiary on security of main LC

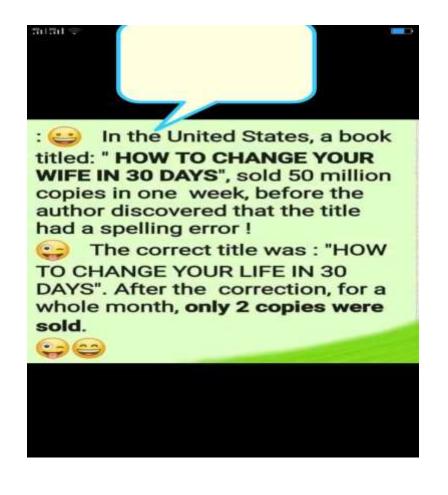
International Trade Finance in India- TYPES OF DOCUMENTARY CREDITS/LC'S

- Irrv. Revolving: Wherein the credit available gets re-instated after utilization of the amount, Can be Cumulative or Non-Cumulative
- **Irrv.Standby**: Used for transactions in US in place of Guarantee for payment of Loan/lease etc
- Irr. Red Clause: Wherein the payment is made in advance through an LC mechanism by the buyer's bank against the Indemnity & undertaking by the Beneficiary to export the goods
- Irr. Restricted: Wherein the Lc is restricted for negotiation to a particular bank
- Irrv. **Deferred Payment**: Wherein the payments are made in Installments and deferred over one year

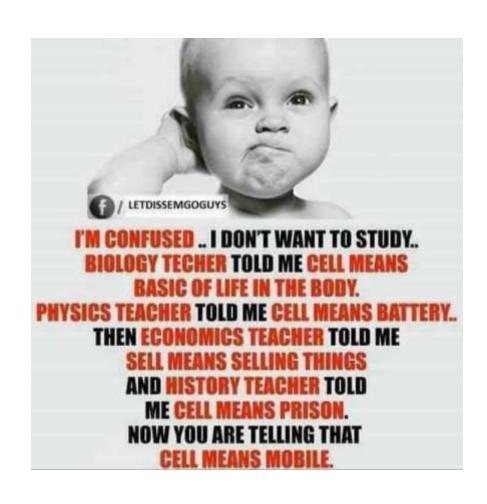
CHECKLIST ON RECEIPT OF LC

- Name & Address of the Applicant & Beneficiary & Amount/Currency
- Should be in English language only
- Description of goods should be as per LC
- Terms of Shipment/Payment/Reimbursement
- Mode of Transport, Part/Trans-shipment
- Restricted or confirmed, charges thereon
- Inspection & other Terms & Conditions matches with that of the Performa Invoice or Contract
- Shipment/ Expiry date and Negotiation Period
- Conclusion
- Complex area
- Understanding of why a letter of credit is used
- Better understanding of how a letter of credit operates in practice with reference to the individual parties, their respective roles and the multiple contracts in operation
- Brief view of fundamental concepts relevant to letters of credit and the role and status of UCP 600

Example of Discrepancy in LC



Example of Translation



Some more basic questions

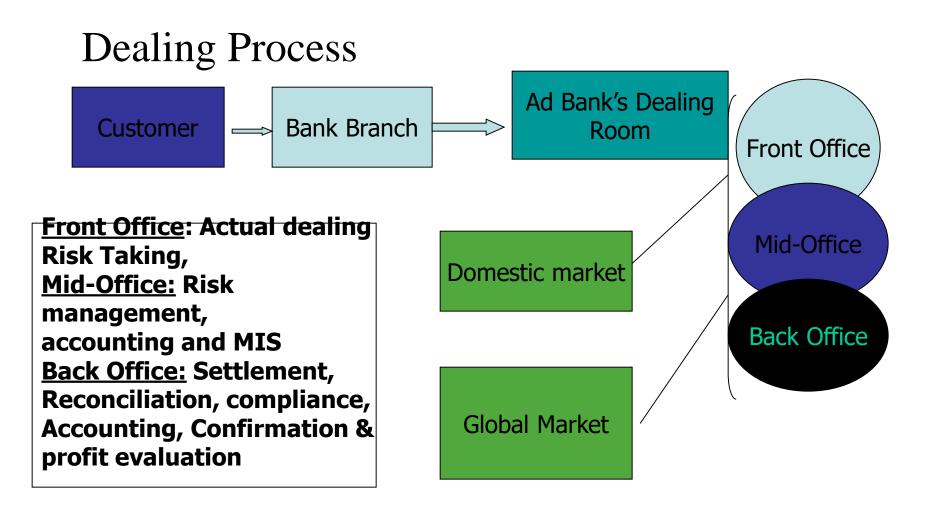
- Why aren't FX rates all equal to one?
- Why do FX rates change over time?
- Why don't all FX rates change in the same direction?
- What drives forward rates the rates at which you can trade currencies at some future date?

GLOBAL FX MARKET – CURRENCIES

MOST TRADED CURRENCIES						
RANK	CURRENCY (NICKNAMES)	CODE (SYMBOL)	% daily turnover (April 2016)			
1	United States dollar (Greenback)	USD (\$)	87.0%			
2	Euro (Single)	EUR (€)	33.4%			
3	Japanese Yen (Jappy)	JPY (¥)	23.0%			
4	Pound Sterling (Cable)	GBP (£)	11.8%			
5	Australian Dollar (Aussie)	AUD (\$)	8.6%			
6	Swiss Franc (Swissy)	CHF (Fr)	5.2%			
7	Canadian Dollar (Loonie)	CAD (\$)	4.6%			
8	Mexican Peso	MXN	2.5%			
20	Indian Rupee	INR (Rs)	1.0%			
	Others	22.9%				
	Total % (100% for buver an	200%				

Source : BIS

Forex Dealing Room Operations



Foreign Exchange Market in India

Tier-I

Regulator: Reserve Bank of India

Regulation: Foreign Exchange Management Act, 1999

Tier - II

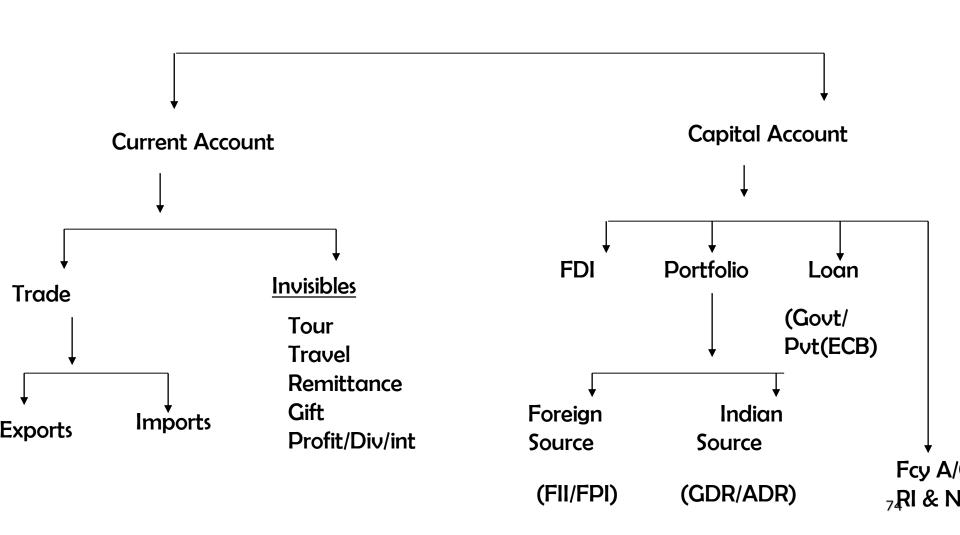
Authorized Dealers, Money changers

Tier-III

Buyers and sellers: exporters, importers, individuals, Corporates, FIIs, Non-Residents, NRIs etc.



FOREIGN EXCHANGE TRANSACTIONS



Market participants

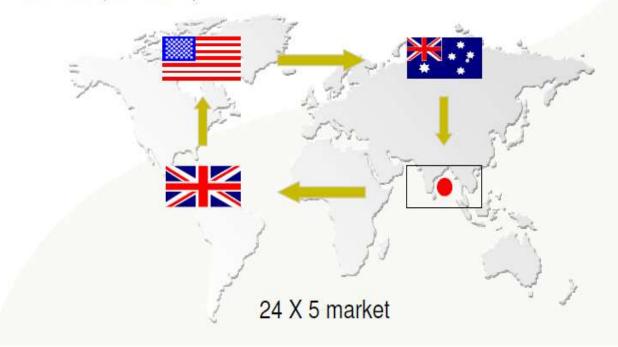
- Customers those who buy and sell forex for their trade requirements, hedging & trading -Merchant Market
- Commercial banks are those authorized to deal in forex - Interbank Market
 - Market Maker
 - Market Taker
- Operations Cover operations & Trading
- Central banks control volatile and undue movements of their currency
- Exchange brokers who act as intermediary between banks for doing the deals
- Hedge/Pension/Mutual Funds & Insurance Co's Invest and speculate on the forex movements

FX market – characteristics

- Over-The-Counter Market, no FX Exchange
- The market for foreign exchange is a continuous inter-bank market (24 hours) in 4 different time zones NZ to NYK to NZ
- Trading begins in New Zealand, followed by Australia, Asia, the Middle East, Europe, and America
- Forex Market follows the sun around the earth
- Average daily turnover USD 6.70 Trillion per day
- India Forex Market 9 AM to 5 PM Turnover USD 60 Billion Merchant 18 Billion, Inter-Bank 42 Billion
- Foreign Exchange Market can be described as: Wholesale (Inter-Bank) and Retail Market
- Network of banks, corporations, individuals, forex traders, Arbitragers, brokers & Money Changers
- https://rbi.org.in/Scripts/NotificationUser.aspx?Id=11597&Mode=0
- Rollout of the foreign exchange trading platform for retail participants FX-Retail https://www.ccilindia.com

Foreign exchange - continuous market

The market for foreign exchange is a continuous inter-bank market (24 hours)



24 hour Market

London

Zurich

Frankfurt

Bahrain

New York

Mumbai

Los Angeles

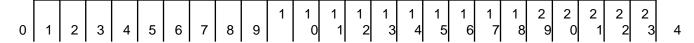
Singapore

HongKong

Tokyo

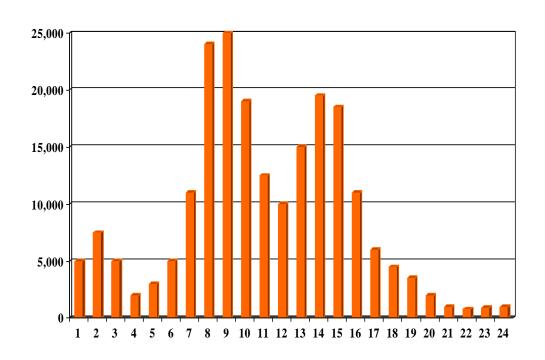
Sydney

Sydney



Around-the-clock FX trading

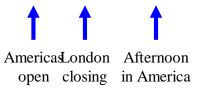
Average Electronic Conversions Per Hour



Greenwich Mean Time





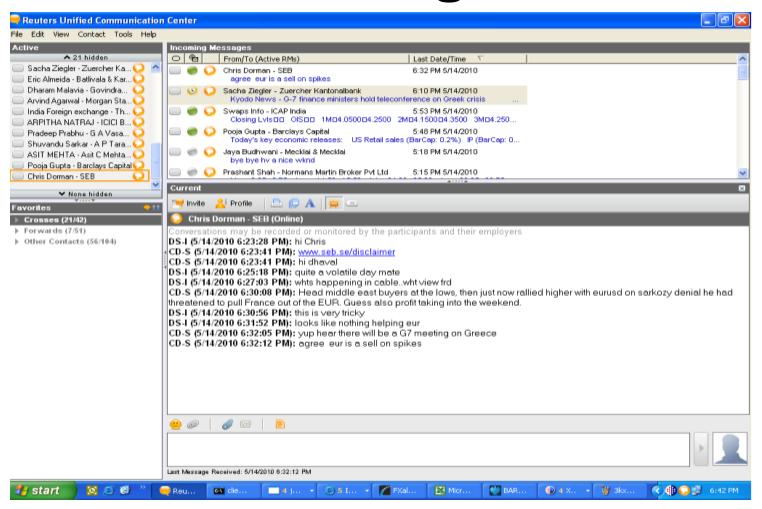




Treasury – set up

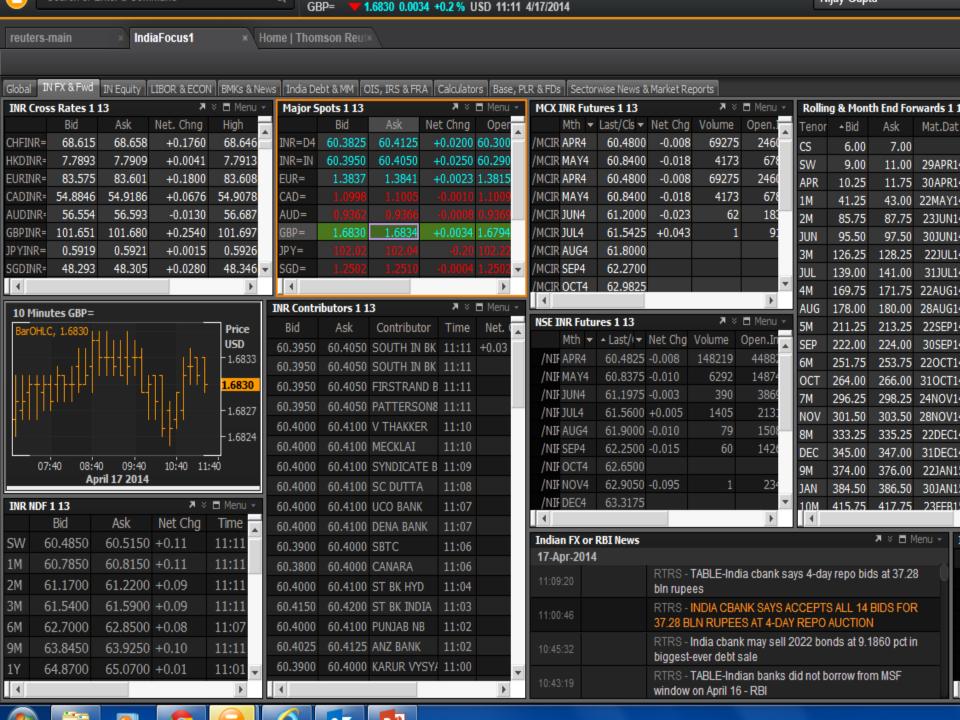
- Clear Demarcation for different trading desks.
- Restricted entry for authorized persons only.
- Front Office Dealing, Manage Exchange Position (facilitator),
 Proprietary Trading.
- Thomson Reuters/Bloomberg screens, Reuters 3000 Dealing screen,
 Direct Dealing Systems, Broker lines, Telephone and Hotlines with
 Voice Recording system, PCs with internet, Printer and Fax.
- Back Office Settlements, SWIFT.
- Mid Office MIS, Risk monitoring & Compliances, IT Support.

Messenger

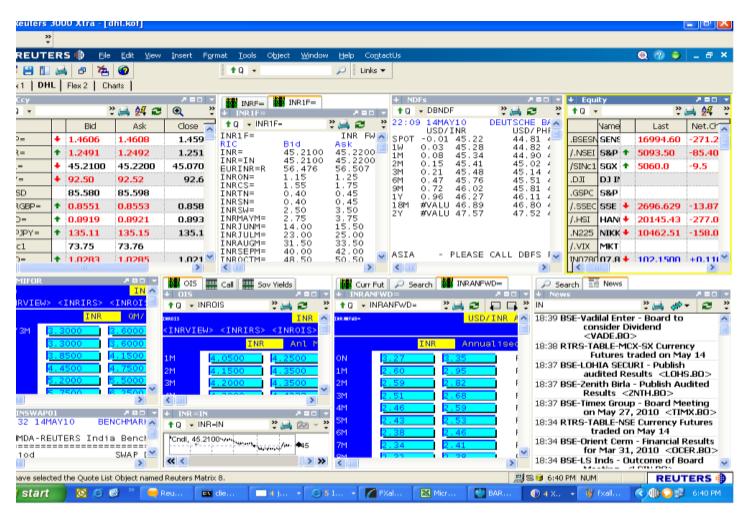


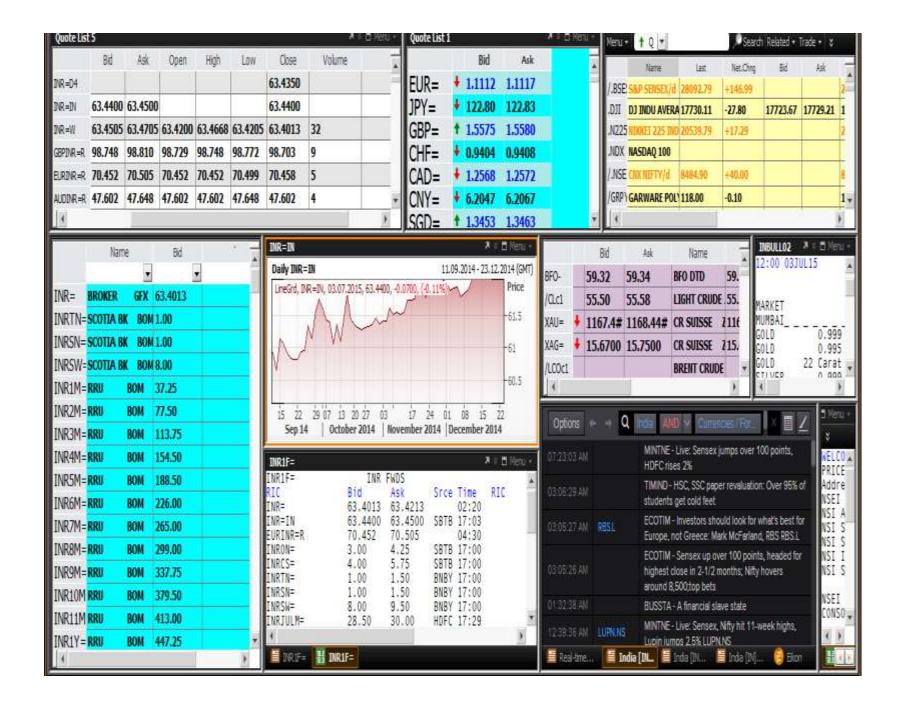
Trading systems





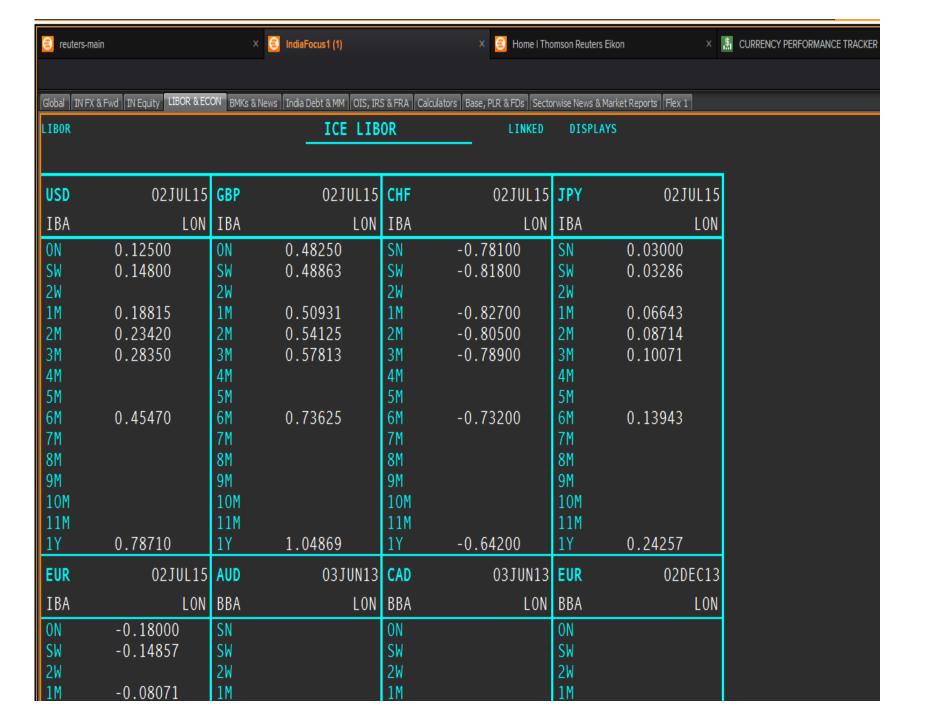
News services





FOREX EQUITY STOCK FOREX 1	FOREX 2 CCIL/N	NDF CP/CD/FX 10	year Ecor	nomic data Fle	ex 1
INR1F=					
INR1F=	INR	FWDS			
RIC	Bid	Ask	Srce	Time	RIC
INR=	63.4013	63.4213		02:20	
INR=IN	63.4400	63.4500	SBTB	17:03	
EURINR=R	70.452	70.505		04:30	
INRON=	3.00	4.25	SBTB	17:00	
INRCS=	4.00	5.75	SBTB	17:00	
INRTN=	1.00	1.50	BNBY	17:00	
INRSN=	1.00	1.50	BNBY	17:00	
INRSW=	8.00	9.50	BNBY	17:00	
INRJULM=	28.50	30.00	HDFC	17:29	
INRAUGM=	67.50	69.50	HDFC	17:29	
INRSEPM=	105.00	107.00	HDFC	17:29	
INROCTM=	142.50	144.50	HDFC	17:29	
INRNOVM=	180.00	182.00	HDFC	17:29	
INRDECM=	217.50	219.50	HDFC	17:29	
INRJANM=	253.00	255.00	HDFC	17:29	
INRFEBM=	290.50	292.50	HDFC	17:29	
INRMARM=	328.00	330.00	HDFC	17:29	
INRAPRM=	368.00	370.00	HDFC	17:29	

		Bid	Ask
EUR=	•	1.1112	1.1117
JPY=	•	122.80	122.83
GBP=	1	1.5575	1.5580
CHF=		0.9404	0.9408
CAD=		1.2568	1.2572
CNY=		6.2047	6.2067
SGD=	1	1.3453	1.3463
AUD=		0.7508	0.7513
LKR=	+	133.50	133.80
THB=		33.76	33.78
KRW=		1121.60	
HKD=	+	7.7525	7.7534
MYR=	1	3.7770	3.7800
SEK=	•	8.4514	8.4544
AFN=		60.25	61.00
SAR=	•	3.7501	3.7506
IRR=	1	29400.#	
IDR=	+	13318	13322
AED=	+	3.6728	3.6731
ZAR=	•	12.3155	12.3255
RUB=	*	55.9355	55.9445
IDR=	1	13318	13322
KWD=		0.30250	0.30270



Factors that affect currency movements

• Fundamental Analysis

Strength of economy, political factors, monetary factors etc. (macroeconomic aspects), GDP, Industrial Production, Unemployment, Inflation, BOP

• Technical Analysis

Study of past price and activity history in order to predict future price movements

Primary tools are charts

Data Releases; Non farm payrolls, CPI / PPI, Retail Sales

• Jobless Claims, Inflation Data, Trade deficit/surplus

What Variables affects Exchange rates?

- Country's balance of payment situation : Inflows Outflows -surplus leads to stronger currency.
- Crude Oil Price
- Rate of Inflation
- Rate of Interest –currency with higher interest will appreciate in the short term.
- Economic condition of the country and economic policies of the Government - **High/Low growth rate**
- Fiscal / Monetary Policy- deficit financing leads to depreciation of currency
- Political scenario and degree of uncertainty in the political situation —Political stability leads to stable rates
- Direct intervention of Central bank to smooth out unduly large short term fluctuations
- Market Sentiment: perception of traders
 Technical Reasons
 - Government Control can lead to unrealistic value.
 - Free flow of Capital from lower interest rate to higher interest rates.
 - Speculation higher the speculation higher the volatility in rates
 - Developments abroad—Eurozone Debt/ COVID-19 Crisis/US stimulus/-Geopolitical situation in Russia, Ukraine, Sri Lanka, ISRAEL, Syria, Afghanistan & Soon in India too, **QE to QT**
- Comments from FM/RBI Governor/Rating Agencies
- Demand and Supply of Forex at any given point of time

Convertibility-Definition

- The ease with which a country's currency can be converted into gold or another currency. Convertibility is extremely important for international commerce. When a currency in inconvertible, it poses a risk and barrier to trade with foreigners who have no need for the domestic currency.
- The quality of being exchangeable (especially the ability to convert a currency into gold or other currencies without restriction.
- Government restrictions can often result in a currency with a low convertibility. For example, a government with low reserves of hard foreign currency often restrict currency convertibility because the government would not be in a position to intervene in the foreign exchange market (i.e. revalue, devalue) to support their own currency if and when necessary.

Flexible and Fixed Exchange Rates

- Flexible exchange rates Rates determined by the forces of supply and demand without government intervention
- Fixed exchange rates Rates pegged within a narrow range of values by central banks' ongoing purchases and sales of currencies- Examples China, Hong Kong, UAE, Saudi Arabia (about 20 such countries) etc.
- The Current System: Managed/Dirty Float- an exchange rate system that combines features of freely floating rates with intervention by central banks (to moderate fluctuations in exchange rates).
- The ideal system would foster international trade, lower inflation, and promote a more stable economy

What is foreign exchange?

- In a foreign exchange transaction one currency is exchanged for another currency. A Foreign exchange transaction involves:
- Buying of one country's currency by paying for it in another country's currency
- Selling one country's currency for payment to be received in another country's currency
- A currency exchange rate
 - Is simply the ratio of a unit of currency of country A to a unit of the
 currency of country B at the time of the buy or sell transaction

Why do we need FX market?

- Every sovereign country has a currency which is legal tender within its territory
- To settle cost of imports, their payables
- To convert receipts for exports or other inward remittances, their receivables
- For travel purposes
- To invest in other countries
- To pay for services rendered by foreigners (e.g. medical, education, commission)
- To pay their International obligations like Foreign Currency Loan taken through the bank or dividend on ADR's/GDR's

How it began - Exchange rate systems

- Gold Standard this system was in vogue till
 WW 1 consisting of the Gold Specie and Gold Bullion Standards
- Gold Specie Standard
- Gold coins were an accepted medium of exchange and the total money supply in a country was determined by the gold available for monetary purposes
- The country's central bank guaranteed to buy and sell gold in unrestricted amounts at a fixed price

How it began - Exchange rate systems

- Bretton Woods System.
- to establish an international monetary system with stable exchange rates.
- to eliminate existing exchange controls.
- to bring about convertibility of all currencies.
- System required the member countries to fix the parities of their currencies in terms of USD or gold.
- USA fixed the parity at USD 35 per ounce of gold.
- Collapse of the system in 1971 as USA pulled out due to a run on the dollar.
- Then came the Smithsonian Agreement Floating Rate System.

How it began - Exchange rate systems

- Purchasing Power Parity Theory.
- Gold Standard abandonment forced the world to look for a new exchange system.
- Simply stated currencies are valued for what they can buy .

E.g. If 100 Jpy can buy a Parker pen and the same pen can be bought by 1 USD it can be inferred that since 1 USD and 100 Jpy can buy the same pen then 1 USD = 100 Jpy.

Balance of Payment or Demand/supply Theory.

Determination of Exchange Rates

Purchasing Power Parity Theory -

- Put forward by Gustav Cassel after First World War "The rate of exchange between two currencies in the long run must stand essentially on the quotient of the internal purchasing powers of these currencies".
- The value of one currency in terms of another currency will be determined by the relative values of two currencies as indicated by their relative purchasing power over goods & services.

Determination of Exchange Rates

Balance of Payment Theory

- Also known as 'Demand & Supply Theory'
 Holds that the foreign exchange rate, under free market condition, is determined by the conditions of demand &
 - supply in the foreign exchange market (Just like the price
 - of any commodity)
- Value of a currency appreciates when demand for it increases and depreciates when the demand falls, in relation to its supply in the FOREX market.
 - The extent of demand & supply for a country's currency depends upon its balance of payment position.

Nature of currency transactions

- Forex transactions have two aspects-
 - purchase & sale. Bank would pay INR while purchasing USD and accept
 INR while selling USD.
 - Any purchase or sale transaction is referred to from <u>bank's point of view</u>
 and the item referred to is the foreign currency.
 - Thus, a purchase transaction by a customer is actually a sale transaction by the bank and
 - sale of foreign currency by a customer is a purchase transaction by a bank.

Types of transactions

- Inter-Bank Transactions Transactions with the Market participant Bank at Inter-Bank/Base Rate
- Merchant Transactions Transactions with the customer at Card Rate or Negotiated Rate
- Ready or Cash –value today
- Tomorrow or "tom"-value tomorrow
- Spot transactions –two business days after trade date
- Forward transactions- any value date beyond spot
- Swap transaction combination of spot and forward

Loading of swap points

- Cash Spot Premium to be deducted from TT buying/selling Rates.
- Cash Spot Discount to be added in TT Buying/Selling Rate.
- Forward Premiums to be added.
- Forward Discount to be deducted while arriving at Forward Rate.
- Booking, realization and crystallization of Bills, Bills Re-discounting –
 INR –Foreign Currency Libor Rates.

Forex market conventions-contd

- Quotations in inter-bank are usually up to four decimal places except for JPY
 where it is up to two decimal places and the last two digits are called pips or
 points.
- Direct and Indirect methods of quoting .
- No fees charged.
- Transaction cost in the bid-offer spread.
- Message confirmations through SWIFT.

Types of Transaction: Value Date Concept

Due to vastness of the market and origin of transactions and settlements may take place at different time zones, most of times deal dates and settlement date differs. Market uses different terminology which are used universally to avoid conflict.

Type of TXN	Date of Deal	Value Date
T+0 Cash/Ready	15.11.2020 Wednesday	15.11.2020 Wednesday
T+1 TOM	15.11.2020	16.11.2020
T+2 Spot	Wednesday 15.11.2020	Thursday 17.11.2020
_	Wednesday	Friday
Forward	15.11.2020 Wednesday	Any day after 17.11.2020

FX Rates

- What is Exchange Rate?
- Exchange Rate is a rate at which one currency can be exchanged into another currency. In other words it is value one currency in terms of other. say:

US
$$1 = Rs.45.18$$

This rate is the conversion rate of every US \$ 1 to Rs. 45.18 OR

 Rate of exchange means price of one currency in terms of another currency OR Rate at which number of units of one currency can be exchanged for number of units of another currency

```
e.g.. USD/INR --- 1 USD = INR 46.95
EUR/USD --- 1 EURO = USD 1.2315
```

- Two way quotations
- Direct and Indirect rates
- Bid and Offer rates
- 24 hour x 5 day market (except USD/INR market)

Methods of Quotation

- Method I
- One Orange = Rs 2
- One Apple = Rs 2.50

GBP 1 = Rs.85.99

EUR 1 = Rs 57.92

quoted in Direct Method

- Method II
- Rs. 10 = 5
 Oranges
- Rs. 10 = 4

Price under both the methods is the same though expressed differently

Method - I Method - II

DIRECT(FC fixed) INDIRECT(HC fixed)

USD 1 = Rs 45.18 Rs 100 = USD 2.2133

Rs 100 = GBP 1.1629

Rs 100 = EUR 1.7265

With Effect from 02.08.1993, all exchanges are

Understanding Two Way Exchange Quotes

In arkets, there are two way quotes i.e. both buying and selling rates are given.

- 1 USD = INR 45.16 / 18
- BUYING RATE \$/RE = RE 45.16
- SELLING RATE \$/RE = RE 45.18

In the abovementioned quote, lowest is market buying rate and highest is market selling rate.

Spot rates

- USD/INR 40.65 / 66
- EUR/USD 1.3215 / 16
- GBP/USD 1.9915 / 16
- USD/JPY 121.05 / 06
- USD/SGD 1.5315 / 18
- Please take note of the two way direct quotations prevalent which is the market's bid and offer rate.

Understanding Two Way Exchange Quotes

One of the features of the FX markets is that this is the nearest form of perfect markets existing today.

One of the reasons why this is so is that prices are always **Quoted as TWO WAY QUOTES**

USD 1 = CHF 1.2570/73

CHF 1.2570

CHF 1.2573

BUYING RATE

SELLING RATE

Forex market conventions-contd

- Example of a Standard Quotation
 - USD/CHF Spot: 1.4550/1.4560
 - The left-side price is the bid i.e. the dealer will buy 1 USD and the "bid" rate for USD is CHF1.4550. His "offer" or "ask" rate for one USD is CHF 1.4560 i.e. he would be paid CHF 1.4560 for 1 USD sold.
- For most currencies quotations the base currency is the dollar. The major exceptions are EUR,GBP,AUD and NZD.

Understanding Exchange Quotes

- In the FX market, Time is of great importance.
- Therefore, there are short forms for everything.
- While quoting, the dealers use only the third & fourth decimals.
- USD/CHF 1.2540 / 45
- USD/INR <u>45.16</u>75 / 00
- GBP/USD <u>1.80</u>00 / 10
- <u>BIG FIGURE</u>
- In a live dealing scenario dealers would quote only 40/45, 75/figure, figure/10 and the market assumes that all players already know the BIG FIGURE.

Foreign exchange - terms

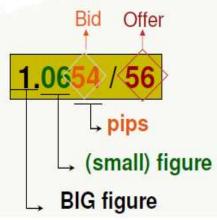
ISO-code = 3 letter-code

USD, JPY, ITL, GBP, 1st 2 letters represent country and last letter currency



Pips and figures

EUR/USD:



Understanding Exchange Rates

- Dollar/Swiss Francs -- USD/CHF
- Note the order of the currencies
- "USD" comes before the "CHF"

- The first currency(\$) Base currency
 - Second currency (CHF) Terms currency
- It is important to remember that Bid & Offer in trading always refers to the BASE CURRENCY.

Currency pairs – Way they are quoted

USD/INR	USD/JPY	USD/SGD	USD/CHF
40.65/66	121.05/06	1.5315/17	1.2172/75
USD/AED	USD/HKD	USD/CAD	USD/LKR
3.6730/33	7.8112/15	1.0621/24	110.74/78
AUD/USD	EUR/USD	GBP/USD	NZD/USD
AUD/USD 0.8408/12	EUR/USD 1.3510/12	GBP/USD 1.9918/20	NZD/USD 0.7500/04
0.8408/12	1.3510/12	1.9918/20	0.7500/04

CROSS RATE CALCULATION

USD/INR	63.50	63.52
EUR/USD	1.2120	1.2125

(EUR EXPORTS)

Bank's spot selling rate

$$USD 1 = INR 63.50$$

1 Eur = INR 76.96

- FOR FINDING THE Exchange Rate IN TERMS OF INR:
- FOR GBP, EUR, AUD, NZD: BID*BID & ASK * ASK
- FOR: OTHER CURRENCIES: BID/ASK & ASK/BID

(EUR IMPORTS)

Bank's spot selling rate

$$USD 1 = INR 63.52$$

$$EUR 1 = EUR(1.2125)*INR (63.52)$$

$$1 \text{ Eur} = \text{INR } 77.02$$

Calculating Cross Rates

- India is a market maker for Indian Rupee
- Dollar/ Rupee trading (the first quotes) start in the Mumbai Market
- BUT WHAT ABOUT OTHER CURRENCIES ?
- WHERE DO RATES FOR CHF, GBP, EUR ETC COME FROM? HOW ARE THEY CALCULATED?
- A CHF/RUPEE RATE IS A CROSS OF DOLLAR/RUPEE & DOLLAR / CHF.
- DOLLAR / RUPEE = 45.35/36
- DOLLAR / CHF = 1.3440 / 45
- In other words, 45.36 / 1.3440 = 33.75 AND
 - » 45.35 / 1.3445 = 33.73
 - \rightarrow CHF / RUPEE = 33.73 / 75

Calculating Cross Rates – Chain Rule Method

• To find the value of FC in terms of INR:

```
- ? INR
                       CHF 1
- CHF 1.3010 = USD 1
- USD1
                       48.15
- SOLVE THE EQUATION= 1 X 1 X 48.15
                      1 X 1.3010
   ? INR
                       EURO 1
   EURO 1 = USD 1.4050
   USD 1
                       48.15
   SOLVE THE EQUATION= 1 X 1.4050 X
     48.15
                          1X1
   » GBP, EUR, AUD, NZD : Bid X Bid & Ask
     * Ask
```

» For other Currencies: Bid/Ask & Ask/Bid

Calculation of cross rates in INR

- Take the case of GBP/USD and USD/INR where GBP/USD is 1.7975/78 and USD/INR is 46.42/44
- Applying Chain rule we can arrive as follows
- How many Rs..... = GBP 1 If GBP 1 = USD 1.9914 USD 1 = 40.65 GBP 1 = 1.9914 X 40.65 = Rs. 80.95
- Take the case of USD/SGD and USD/INR where USD/SGD is 1.5315 and USD/INR is 40.65
- Applying Chain rule we can arrive as follows
- How many Rs. = SGD 1 If SGD 1.5315 = USD 1 USD 1 = 40.65SGD 1.5315 = 40.65SGD 1 = 40.65 / 1.5315 = Rs.26.5425

Role of FEDAI

Functions:

- Set guidelines and rules for forex business.
- Training the bank Personnel
- Accreditation of Forex Brokers
- Advising/ assisting member banks in settling issues/ matters in their dealings.
- Represent members on govt. / RBI/ other bodies.
- Monitor developments
- Identify problems/ difficulties
- Ensure proper adherence.
- Refer www.fedai.org.in

Merchant FX Rates



Buying Rates		3	Selling Rates	
TT	Buying		TT	Selling
BILL	Buying	E	BILL	Selling
TC/Pre -paid	Buying		Pre-	Selling
FCN	Buying	F	CN	Selling

Rate Mechanism

Transaction	Buying		Selling	
Spot TT	Base Less Margin@.08% Spot TT	48.5500 0.0380 48.5120	Base Add Margin@.15% Spot TT	48.7000 0.0731 48.7731
Forward TT	Base Add Premium Less Margin@0.08 Forward	48.5500 0.1500 % 0.0389 48.6611	Base Add Premium Add Margin@.15% Forward	48.7000 0.2000 0.0734 48.9734
Bill	Base Premium Less Margin@.15% Bill	48.5500 0.4000 0.0734 48.8766	Base Add Margin@.15% Add Margin@0.2% Bill	48.7000 0.0731 0.0975 48.8706
TC/Prepaid Card	Base Less Margin@1% TC	48.7500 0.4875 48.2625	TT Selling Add Margin@0.5% Add Commission@1% TC	48.7641 0.2438 0.4900 49.4979

Exchange Rates ,Transactions & Bank books

TT Buying Rates

- ✓ Clean inward remittances for which cover has already been provided.
- ✓ Conversion of proceeds of instruments sent for collection
- ✓ Cancellation of outward TT, MT, PO,(swift) etc.
- ✓ Cancellation of a forward sale contract.
- ✓ Disbursement of PCFC
- ✓ Conversion of EEFC/RFC Account Balances
- ✓ Corporates receiving funds under ECB, ADR & GDR

Bill Buying Rates

✓ Purchase/discounting of bills and other instruments.

TC/Prepaid Card Buying

✓ Encashment of Travellers' Cheques/Prepaid Currency Cards

FCN Buying

✓ Encashment of Foreign Currency Notes

Exchange Rates ,Transactions & Bank books

TT Selling Rates

- ✓Outward remittance in foreign currency (TT, MT, DD).
- √Cancellation of purchase, e.g.
 - ✓ Bills Purchased returned unpaid
 - ✓ Bills purchased transferred to collection account.
 - ✓ Inward Remittance (converted into local currency) refunded
 - ✓ Cancellation of PCFC/Forward Purchase Contract
 - ✓ Repatriation of Balances in NRE Account into FC.

Bill Selling Rates

- ✓ Transaction involving transfer of proceeds of import bills.
- ✓ Payments under Buyer's Credit against Import bills

<u>TC/Pre-paid Card Selling</u> Issue of Travellers' Cheques/Prepaid Currency Cards

FCN Selling - Selling of foreign currency

How can I reduce my Cost of Funds?

Am I hedging FX Risk effectively?

Where is the Indian Rupee headed?



Is my
Banking
Transaction
Cost
optimal?

UNIVERSE OF HEDGING TOOLS

Forex Risk Mitigation Strategies

- Hedging transaction risk the Internal techniques
 - Invoice in Home currency
 - Leading and Lagging
 - Netting or Natural Hedge/Matching
 - EEFC
- Hedging transaction risk the External techniques
 - Forward contracts
 - Futures contracts
 - Options
 - Forex/Currency swaps
 - Money market hedges- Interest Rate swaps/FRA's
 - Based on: Anticipated Exposure or Contracted Exposure

RISK MANAGEMENT POLICY = 100% OR 50% Hedged – 50% Open (self hedge)

Hedging Techniques



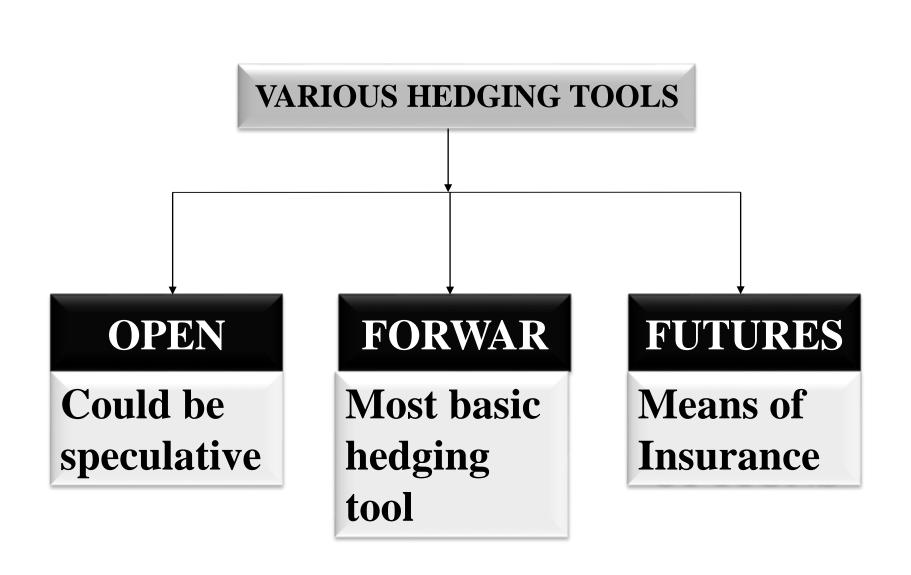
4. Exposure Netting



Unhedged, Forwards & Options







CASH-SPOT CALCULATION

	FinS	Statio	n								2	1-Dec-201 Set A			Welcom	e	_	Logout Password	
	Live Rate	Cross	Currency	/ Brok	en Date C	alc C	ancellation	Calc	Tools	Historic	cal Data	Rule	s and Reg	ulations	Others	Fin	rex Expos	sure Manager	
SPOT RA	TE.						Spo	t Date : 26	-Dec-2018	INDICE	ES				LIBOR F	RATES			
	Bid	Ask		Today's	Today's	Today's	Dry	52	52			LTP	Change	% Change					
	(Export)		% Chg	High	Low	Open	Close	week High	week Low	\$ Inde	ex DXY	96.5626	0.2366	0.25	ľ	1M	3M	6M	1Y
								Ü		SENS	EX	35742.07	-689.6	-1.89					
USDINR	70.145	70.155	0.64	70.3075	69.7225	69.7225	69.7	74.475	63.2425	NIFTY	r	10754	-197.7	-1.81	USD	2.50375	2.8237	5 2.9	3.06544
EURINR	80.1225	80.1425	0.25	80.5475	79.825	79.8325	79.92	86.1589	75.2379	NIKK	El	20166.19	-226.39	-1.11	EUR	-0.41414	-0.3511	4 -0.315	-0.202
GBPINR	88.8475	88.87	0.4	89.18	88.225	88.2575	88.495	98.5155	85.182	HANG	SENG	25753.42	129.89	0.51	GBP	0.72925	0.9083	1.03294	1.16275
JPYINR	63.0775	63.0875	1.09	63.28	62.63	62.655	62.4	0.6638	0.5587	DAX		12540.73	47.76	0.38	JPY	-0.18133	-0.0851	7 0.00683	0.10783
FORWAR	RD RATE	USDINR	(Month E	nd)	USDINR	(Monthwis	e) E	EURINR	GBF	FTSE PINR		6690.47 INR	-21.46 EURUS	- 0.32 SD (3BPUSD	l	ISDJPY		
Descrip	tion	CASH/SPOT	DEC-20	018 JAN	-2019 F	EB-2019	MAR-2019	APR-2	019 MA	Y-2019	JUN-2	019 JUL	-2019 A	AUG-2019	SEP-201	9 OC	T-2019	NOV-2019	
Month E	End Date	26-Dec-201	8 31-Dec-2	2018 31-Ja	n-2019 28-	Feb-2019	29-Mar-201	9 30-Apr-	2019 31-M	lay-2019	28-Jun-	2019 31-J	ul-2019 30)-Aug-2019	27-Sep-20	119 31-0	ct-2019	29-Nov-2019	
BID (Ex	port)	6.25	3	2	27	48	69.5	100.	5	123	143.7	75 16	8.75	190.75	213.5	23	6.25	257	
ASK (In	nport)	2.5	5	2	29	50	71.5	102.	5	125	145.7	75 17	0.75	192.75	215.5	23	88.25	259	
USDINR (USDINR Outright Rate																		
BID (Ex	port)	70.0825	70.19	70	.43	70.64	70.855	71.16	5 7	1.39	71.597	75 71.	8475	72.0675	72.295	72	5225	72.73	
ASK (In	port)	70.13	70.22	? 70	.46	70.67	70.885	71.19	5 7	1.42	71.627	75 71.	8775	72.0975	72.325	72	5525	72.76	
USDINR A	Annualised F	remium %																	
BID (Ex	port)	0	3.122	1 3.9	026	3.9026	3.8886	4.183	6 4.	1028	4.065	2 4.0	0465	4.0185	4.0398	3.	9784	3.9565	
ASK (In	iport)	0	5.202	8 4.1	911	4.0647	4	4.266	3 4.	1689	4.121	2 4.0	0939	4.0601	4.0771	4.	0115	3.9867	

Derivative Instruments

- Derivatives are management tools derived from underlying exposures such as currency, commodities, shares, etc.
- Used to neutralise the exposures on the underlying contracts
- Can be over the counter (OTC) i.e. customised products or exchange traded which are standardized in terms of quantity, quality, start and ending dates
- **Hedging** Covering of Forex risk. It provides a Mechanism to exporters and importers to guard themselves against losses arising from fluctuations in exchange rates.

Forward Contracts (1)

- Forward contracts: Typical OTC derivatives which involves fixing of rates (exchange rate, commodity price, etc.) in advance for delivery in future. Risk of adverse price movement is covered.
- Forward contracts are specified at forward rates which are spot rates plus cost of carry (interest rate differential in case of foreign exchange forward)

Forward Contract (2)

- Forward rate: spot rate + premium or discount
- Premium/discount: function of cost of carry (interest rate differential)
- The currency with lower interest rate would be at a premium in future
- Other factors affecting forward rate
 - Demand and supply for forward currency
 - Perception about the movement in the currency
 - Political, fiscal and trade-related conditions in the country and for the currency

Forward Trade

- Forward rate may be more or less than spot rate
- Function of interest rate applicable to currencies
- Law of One Price In an efficient market, all identical goods must have only one price
- Price Discovery

What is Forward Rates?

- Rate agreed for settlement on an agreed date in the future
- All rates are derived from Spot rates
- Forward rate is the spot rate adjusted for the premium / discount
- Forward Rate = Spot Rate + / premium or discount
- Difference between spot and forward
- Quotes in paise say 150 paise for 6 months
- Can be converted into % age terms
- =(paise x 2)/exchange rate
- = (150x2/42.50=7.00 %
- 42.50 + (150/100) = RS.44
- Premium/Discount is the interest rate factor to be adjusted to the price

FORWARD CONTRACTS

- Forward transactions are OTC.
- Terms can be negotiated between parties to the contract.
- It is a legally binding Contract. Zero Cost Product
- It eliminates market risk completely.
- There is Credit Risk/Counterparty Risk involved.
- Forwards Can be booked against the Confirm Order or LC i.e. called
 Contracted Exposure; OR
- Anticipated Exposure upto USD 10 Mio for Capital/Current A/c anticipated exposure.
- You need to have limits for booking the Forward Contract or give
 Deposit Margin upto 5% of the Contract value

MERITS OF FORWARD CONTRACTS

Simple hedge instruments

Eliminates exchange risk, provides certainty

Useful in long unidirectional movements

Flexible – dates can be matched exactly with underlying exposure

To overcome the time lag between buying or selling goods and payment for the same

USD/INR FORWARD CALCULATION

Spot rate	74.14	74.15
29th March'21	0.70	0.72
31th May'21	1.23	1.25
30th Augus'21	1.90	1.92

• Applicable rate for hedging USD receivables (Exports) for maturity 29/03/2021

- Spot date : 21-12-2020

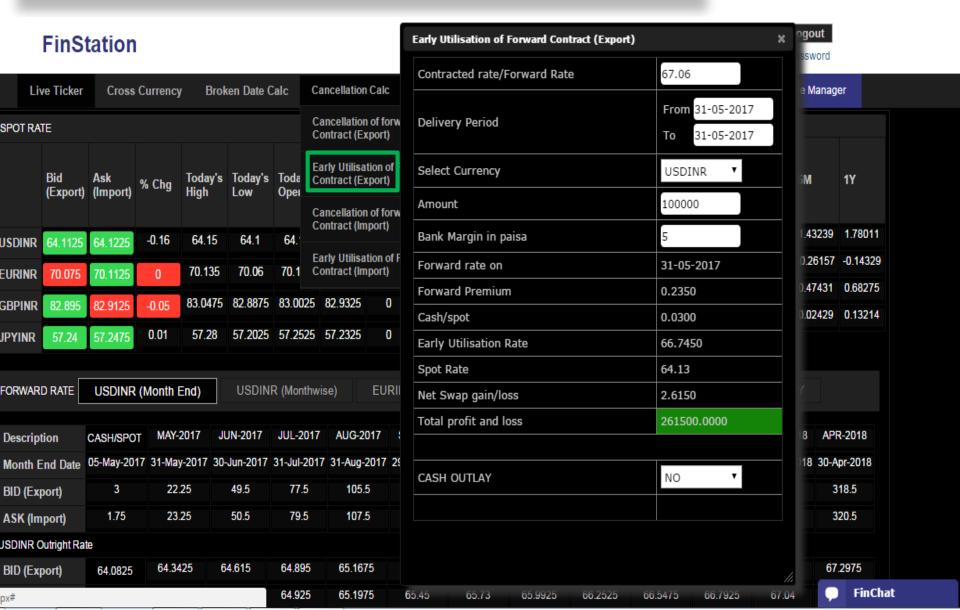
- USD/INR : 74.14 + 0.70 - BM (3 paisa) = <math>74.81

• Applicable rate for hedging USD payables (Imports) for maturity 31/05/2021

• Spot date : 21-12-2020

• USD/INR : 74.15 + 1.25 + BM (3 paisa) = 75.43

PRE-UTILIZATION & CANCELLATION



Transactions in the Foreign Exchange Market

Forward Exchange Rates

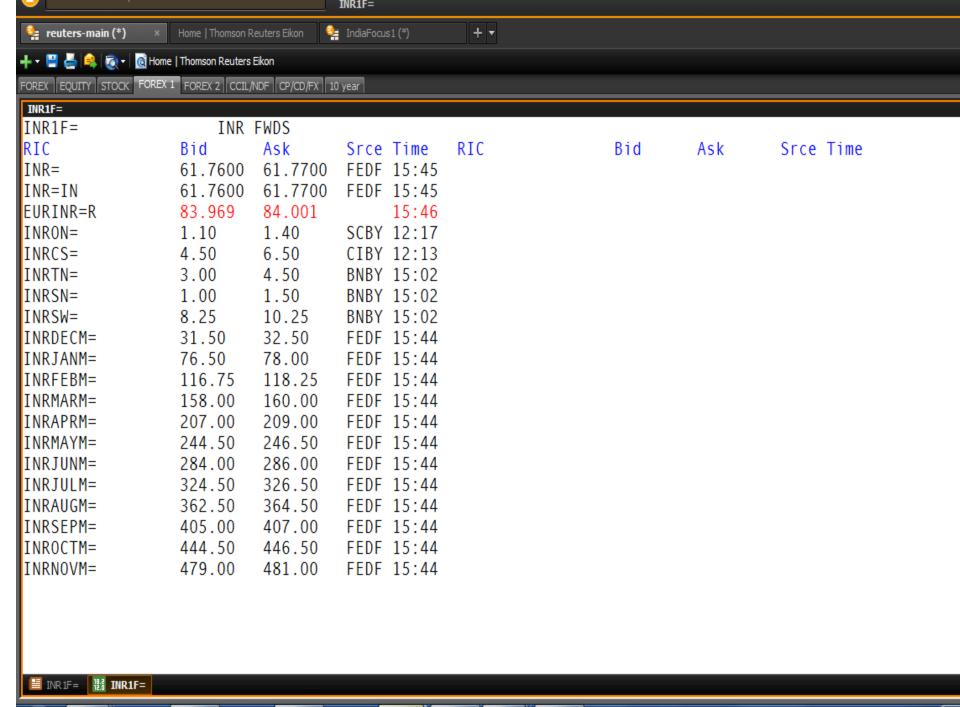
- Agreed in advance rates to buy/sell a currency on a future date. Usually quoted 30, 90, 120, 365 days in advance OR even more than 1 year.
- May be at par, discount, or premium.
- Forward contracts can be used to hedge or cover exposure to foreign exchange risk

Forward Market - Participants

- Hedgers: traders that try to protect themselves from future unfavorable exchange rate movements.
- Speculators: traders that expose themselves to currency risk in order to profit from exchange rate fluctuations.
- Determination of Forward Premia
- Forward Premium =Interest rate differential
- Demand and supply, Openness of economy
- Integration of economy-forward premia gets aligned with interest rate differentials
- Essentially the forward points are a function of interest rates of the two currencies involved, for the respective period.
- They do not reflect any expectation of the future price of the currency

Key drivers of USD/INR Forwards

- Spot Rupee
- Domestic liquidity & Interest Rates
- Domestic Interest rate scenario
- US/External interest rate prospects
- RBI Actions/Monetary Policy
- Inflation
- Local Swap differences
- Integration -FC Funds to INR and
- INR to FC



Premium and Discounts

Transaction	Premium	Discount
Forward	Add	Deduct
Prior to spot	Deduct	Add
BUY/SELL	1 st (BID) price	1 st (BID) price
SELL/BUY	2nd (OFFER) price	2nd (OFFER) price

- Premiums quoted in ascending order such as 10/11
- Discounts quoted in descending order and/or with negative sign such as -25/-24 or 25/24

Summary of transactions

Transaction	EXPORTS	IMPORTS
SPOT	SELL	BUY
FORWARD	SELL spot	BUY spot
	BUY/SELL forward	SELL/BUY forward
CASH	SELL spot	BUY spot
	SELL/BUY cash/spot	BUY/SELL cash/spot

- Exports always sell (Cash,Tom,Spot and Forward)
- Exports always hits 1st (Bid) price for spot
- Imports always buy (Cash,Tom,Spot and Forward)
- Imports always hits 2nd (Offer) price for spot

EURF= × Home | Thomson Reul× FOREX 2 CCIL/NDF CP/CD/FX 10 year Search | Related 🗸 Trade 🔻 | Share with... | 🃭 🛺 🖳 📇 👉 🔻 😮 EUR Deps & Fwds Bid Ask Srce Time RIC Bid Ask Srce Time 1.3817 1.3819 1RBS 10:40 0.14 0.24 KLMM 10:33 EURON= -0.0030 0.0180 MSFW 10:40 0.24 0.14 KLMM 10:33 EURTN= -0.2400 -0.1700 10:39 0.33 CBSI 10:36 0.0050 MSFW 10:40 0.15 EURSN= -0.0150 0.33 CBSI 10:36 -0.110.21 EURSW= -0.05 MSFW 10:40 0.73 ALFH 10:36 0.14 EUR2W= -0.67 -0.58 MSFW 10:40 0.17 0.27 KLMM 10:33 EUR3W= -0.68 KLMM 10:38 -0.73 0.33 0.21 CBSI 10:36 EUR1M= -0.84 -0.71 MSFW 10:40 0.30 -1.59 0.20 KLMM 10:33 EUR2M= -1.82 MSFW 10:40 0.34 KLMM 10:33 -2.85 -2.55 0.24 EUR3M= MSFW 10:40

0.37 -3.23 0.27 KLMM 10:33 EUR4M= -2.78 MSFW 10:40 0.29 0.39 KLMM 10:33 EUR5M= -3.58-2.93 MSFW 10:40 0.39 0.34 CBSI 10:36 EUR6M= -3.65 -2.85 MSFW 10:40 0.45 -2.75 0.35 KLMM 10:33 EUR7M= -3.75 MSFW 10:40 0.48 KLMM 10:33 -2.25 0.38 EUR8M= -3.45 MSFW 10:40 0.39 CBSI 10:36 -3.59 0.44 EUR9M= -2.16 SGSW 10:40 0.44 0.54 KLMM 10:33 EUR10M= -2.88 -1.13 MSFW 10:40 0.47 0.57 KLMM 10:33 EUR11M= -2.30 -0.30 MSFW 10:40 0.95 0.45 0.50 CBSI 10:36 EUR1Y= -1.55MSFW 10:40 0.89 KLMM 10:33 4.00 8.00 0.69 EUR15M= MSFW 10:40 1.15 0.95 20:36 EUR18M= 16.00 21.00 MSFW 10:40 1.20 1.40 22:19 EUR21M= 38.12 43.12 MSFW 10:40 KLMM 10:33 60.00 1.15 1.45 EUR2Y= 65.00 MSFW 10:40 1.93 KLMM 10:33 MSFW 10:40 1.53 EUR3Y= 223.50 243.50

ICEGATE

- Indian Customs Electronic Data Interchange Gateway (ICEGATE) is the national portal of Indian Customs of Central Board of Indirect Taxes and Customs (CBIC) that provides e-filing services to the Trade, Cargo Carriers and other Trading Partners electronically.
- Indian Customs Electronic Data Interchange Gateway (ICEGATE) is the national portal of Indian Customs of Central Board of Indirect Taxes and Customs (CBIC) that provides e-filing services to the Trade, Cargo Carriers and other Trading Partners electronically.
- ICEGATE serves as an interface between the trade users and Customs
 Department and acts as a hub for exchanging information with external trading
 partners involved in international trading.

Costing & Pricing

- Cost is typically the expense incurred for making a product or service that is sold by a company.
- **Price** is the amount a customer is willing to pay for a product or service.
- The cost of producing a product has a direct impact on both the price of the product and the profit earned from its sale.

Export Costing & Pricing

- What is Export Costing & Pricing
- Pricing and costing are two different things and an exporter should not confuse between the two. Price is what an exporter offer to a customer on particular products while cost is what an exporter pay for manufacturing the same product.
- Export pricing is the most important factor in for promoting export and facing international trade competition. It is important for the exporter to keep the prices down keeping in mind all export benefits and expenses. However, there is no fixed formula for successful export pricing and is differ from exporter to exporter depending upon whether the exporter is a merchant exporter or a manufacturer exporter or exporting through a canalising agency.
- **Export Costing** is basically Cost Accountant's job. It consists of fixed cost and variable cost comprising various elements. It is advisable to prepare an export costing sheet for every export product.
- As regards quoting the prices to the overseas buyer, the same are quoted in internationally accepted terms which are commonly known as **Incoterm.**

Determining Export Pricing

- **Export Pricing** can be determine by the following factors:
- Range of products offered.
- Prompt deliveries and continuity in supply.
- After-sales service in products like machine tools, consumer durables.
- Product differentiation and brand image.
- Frequency of purchase.
- Presumed relationship between quality and price.
- Specialty value goods and gift items.
- Credit offered.
- Preference or prejudice for products originating from a particular source.
- Aggressive marketing and sales promotion.
- Prompt acceptance and settlement of claims.
- Unique value goods and gift items.
- Govt subsidies like PLI scheme or Interest rate sub-vention & RoDTEP/RoSTCL

Determining Factors

- Internal Costs, Objectives of the firm, Product, Image of the firm, Promotional Firm, Product Life Cycle
- External: Competition, Demand, Consumers, Economic Conditions. Channel Intermediaries & Market Opportunities

Basic Data Required

- Product information Cost of product, cost of Distribution, nature of Product & Demand
- Market Information Market structure, Terms of payments by competitors & importers, price of substitute, tariff & quotas, trade preferences and agreements
- Other relevant information Company's policy, political restrictions/sanctions on trade, bilateral/multilateral agreements, Sales in units/ INR, availability of air lines/shipping's services, warehousing facilities & costs, geopolitical situation

Marginal Cost Pricing

- Marginal Cost more preferred to Total Cost Plus approach, since it takes into account only those costs which are directly attributable to export product;
- Total Cost-plus pricing: Cost-plus pricing, also known as markup pricing, involves calculating total costs, then applying a markup percentage to those costs to reach an asking price. Retail brands aim for a 30 50% profit margin
- Marginal Cost pricing:
- Divide the cost into Fixed Cost & Variable Cost
- Marginal Cost pricing is justified or advisable

Pricing Strategies

- Skimming Price skimming is a product pricing strategy by which a firm charges the highest initial price that customers will pay and then lowers it over time.
- Penetration- Market Entry or Market Withhold
- Standard Export Pricing
- Follow the Leader Pricing Strategies
- Differential Pricing or Different Market Pricing Strategies
- Transfer Pricing Strategies
- INCOTERMS 2020

Break-Even Analysis

- BEP = FC/SP-VC or FC/C
- FC= Fixed Cost, SP=Sales Price, VC= Variable Cost, C= Contribution
- It is the technique commonly used in costing to analyze the cost-volume-profit relationship
- Break Even Technique is concerned with finding out that level or point at which the sales will break-even (no profit, no loss)
- The point or the level at which sales Break Even is called Break-Even Point

Cost Sheet

Based on Marginal Costing, we need to prepare Cost Sheet in INR for the Product to be exported considering all of its costs, expenses, with respective Incoterm and than exchange rate to be used for conversion on INR into respective Foreign Currency.

Exporter may consider benefit of Duty Draw Back, Forward Premium and benefit of RoDTEP & Interest Rate sub-vention to make price more competitive.

Foreign Trade Policy

2023



Agenda

- 1. Vision of FTP 2023
- 2. Focus on MSME and E-commerce
- 3. Changes in important schemes like Advance /EOU/EPCG scheme etc.

Vision of FTP 2023:-

- New Foreign Trade Policy is announced on 31st March 2023.
- This policy does not have a fixed duration and DGFT has said that amendments to the policy will be done as and when needed.
- The new initiatives of the policy include District Hubs, focus on MSMEs and E-Commerce.

Trade Statistics

		April-February 2022-23 (USD Billion)	April-February 2021-22 (USD Billion)
Merchandise	Exports	405.94	377.43
	Imports	653.47	549.96
Services*	Exports	296.94	227.58
	Imports	164.00	131.66
Overall Trade	Exports	702.88	605.01
(Merchandise+	Imports	817.46	681.62
Services) *	Trade Balance	-114.58	-76.62

• The merchandise trade deficit is **US\$ 247.53 billion** in April 2022 – January 2023.

Source:- https://tradestat.commerce.gov.in/eidb/Icom.asp

Latest figures on Merchandise Trade:-

Provisional figures

Values in USD Billion

Particulars	Export	Import	Trade Deficit
FY 2023	447	710	-263

Source:- ET dtd. 05.04.2023

Analysis of Exports

Values in billions

-	-	the Category	– 2023 (Apr-Jan)
10 and above(Rs. 80,000 crores and above)	10,27,29,30,71,72,84,85,8 7	9	235.61 (63.32%)
1 to 10(Rs. 8,000 crores to Rs. 80,000 crores)	2,3,7,8,9,12,15,17,21,23,2 4,25,26,28,32,33,38,39,40 .42,48,52,54,55,57,61,62		121.21 (32.57%)

Exports in USD Billion Chapter Numbers

to Rs. 8,000 crores)

Rs. 4,000 crores)

800 crores)

Total

0.5 to 1 (Rs. 4,000 crores |4,11,13,16,19,20,34,44,60| .70.82.83.96

63,64,68,69,73,74,76,79,8

8.89.90.94

Less than 0.1(Less than Rs. 1,6,14,31,37,43,45,46,47,

0.1 to 0.5(Rs. 800 crores to 5,18,22,35,36,41,49,50,51 ,53,56,58,59,67,75,78,81, 86,93,95,97

> 50,65,66,80,91,92,98,99 98

No. of Chapters in | Total Exports in FY 2022

9.10 (2.44%)

5.54 (1.49%)

0.66 (0.18%)

372.12 (100%)

https://tradestat.commerce.gov.in/

13

20

17

Analysis of Imports

Values in billions

Imports in USD Billion	Chapter Numbers	No. of Chapters in the Category	Total Imports in FY 2022 – 2023 (Apr- Jan)
10 and above(Rs. 80,000 crores and above)	15,27,28,29,31,39,71,72,84,8 5	10	488.35 (81.06%)
1 to 10(Rs. 8,000 crores to Rs. 80,000 crores)	7,8,25,26,30,32,33,34,38,40,4 4,47,48,52,54,55,70,73,74,75, 76,82,83,87,88,89,90,94,98		94.55 (15.59%)
0.5 to 1 (Rs. 4,000 crores to Rs. 8,000 crores)	9,12,22,23,35,59,60,61,62,63, 64,68,69,78,79,81,86,96	18	12.91 (2.14%)
0.1 to 0.5(Rs. 800 crores to Rs. 4,000 crores)	3,10,17,18,19,20,21,37,41,42, 49,50,51,53,56,57,58,80,91,9 5	21	5.89 (0.98%)
Less than 0.1(Less than Rs. 800 crores)	1,2,4,5,6,11,14,16,24,36,43,4 5,46,65,66,67,92,93,97,99	20	0.73 (0.12%)
Total		98	602.43 (100%)

https://tradestat.commerce.gov.in/

Overall exposures to various Countries:-

	Countries	No. of countries
Countries where our exports are more than \$10 billion	USA, UAE, Netherlands, China	4
Countries where our exports are between \$1 billion to \$10 billion	Singapore, Bangladesh, UK, Saudi Arabia, Brazil, Germany, Indonesia, Turkey, Hong Kong, Belgium, South Africa, Italy, Israel, Nepal, France, Malaysia, Australia, S. Korea, Togo, Thailand, Viet Nam, Japan, Sri Lanka, Nigeria, Mexico, Spain, Oman, Canada, Egypt, Tanzania, Russia, Kenya, Taiwan, Mozambique, Iraq, Poland, Jordon, Philippines, Qatar, Iran, Sudan, Kuwait, Colombia, Switzerland, Austria	45
Countries where our exports are between \$500 million to \$1 billion	Chile, Czech Republic, Senegal, Bhutan, Yemen Republic, Djibouti, Bahrain, Portugal, Ghana, Argentina, Sweden, Morocco, Somalia, Denmark, Cote D' Ivoire, Peru, Benin, Romania, Greece, Myanmar, Angola, Pakistan, Congo D. Rep., Guinea, Ethiopia, Algeria	26
Countries where our exports are less than \$500 million	_	104

^{*}Countries India already has FTAs with - 19 *Trade deals under negotiations including FTAs - 25

In other words, our export base is geographically limited.

 For increasing our total global footprint we also need to take into account other factors like local currency depreciating against US\$, inflation in the respective country, overall imports of the country and possibilities of reduction in "landed cost" through FTA negotiations (see the next slide).

Values in US\$ billions

		Currency depreciation/app			reciation against USD		Imports		
Sr. No.	Countries	Countries Operat	Operating	31st March	31st March	Depreciat ion/Appr	Inflatio n	from the world*	FTA negotiations
140.		currency	2022	2023	eciation	"	(2021)	liegotiations	
1	EU (Austria, Belgium, France, Germany, Italy, Netherlands, Poland, Spain)	Euro	0.90	0.92	-0.02	9.20%	6362.78	-	
2	Bangladesh	Bangladeshi Taka	86.42	107.49	-21.08	8.71%	77.63	India- Bangladesh (APTA)	
3	Sri Lanka	Sri Lankan Rupee	299	327.01	-28.01	44.80%	21.50	India-Sri Lanka FTA	
4	Nigeria	Nigerian Naira	416.76	460.82	-44.06	21.34%	52.44	-	
5	Egypt	Egyptian Pound	18.26	30.93	-12.67	24.40%	73.78	-	
6	Iran	Iranian Rial	42000	42000	0	39.99%	52.96	-	
7	Colombia	Colombian Peso	3771	4616.15	-845.15	13.12%	61.10	-	

Source: www.trademap.org, https://economictimes.indiatimes.com/markets/forex

New FTP – Directions / Amendments and focus on MSMEs





FTP 2023: Approach

From Incentive to Remission Export Promotion through Collaboration - Exporters, States, Districts, Indian Missions

Ease of doing business, reduction in transaction cost and technology Interface Emerging Areas – E-Commerce, Developing Districts as Export Hubs and streamlining SCOMET policy





FTP 2023: Ease of Doing Business

- Digitization of Applications pertaining to FTP: Export promotion schemes processes for managing the lifecycle of AA/EPCG/DFIA/Import/Export Licensing made completely paperless and online
- Automatic System-Based Approval of FTP Applications DGFT implemented rule-based automatic approval systems using Business Analytics Tools. It has been introduced on pilot basis for Advance Authorization Extension/Revalidation Applications.

Туре	Current processing time	Automatic route processing time	
Advance authorization issuance	3 to 7 days	1 day	
EPCG issuance	3 to 7 days	1 day	
Revalidation of authorizations	3 days to 1 month	1 day	
Export Obligation period extension applications	3 days to 1 month	1 day	



FTP 2023: Ease of Doing Business



 Application fee reduced for Advance Authorization and EPCG Schemes for MSMEs (55-60% of beneficiaries under the schemes).

CIF Value/Duty saved value (in ₹)	Fee for Non-MSMEs (in ₹)	Fee for MSMEs(in ₹)
Up to 1 crore	1 per 1000	100
1 crore to 10 crores	1 per 1000	5000
Above 10 crores	Cap at 100000	5000

4. Process Re-engineering undertaken for streamlining as well automating processes. E.g. Standardization of Composition Fees for extension of AA. Benefit for an authorisation with CIF value of Rs 10 crores, with around 50% EO completion is illustrated as under

Type of extension	Earlier Fee (in ₹)	New Fee (in ₹)
First EOP extension for 6 months	Above 3 lakhs	10000 fixed
Second EOP extension for 6 months	Above 20 lakhs	20000 fixed
EOP extension for pre-import condition items	Above 30 lakhs	10000 fixed

Changes in FTP – Analysis and Practical impact

Chapter No.	Chapter Heading		
1	Legal Framework and Trade Facilitation		
2	General Provisions Regarding Imports and Exports		
3	Developing Districts as Export Hubs		
4	Duty Exemption / Remission Schemes		
5	Export Promotion Capital Goods (EPCG) Scheme		
6	Export Oriented Units (EOUs), Electronics Hardware Technology Parks (EHTPs), Software Technology Parks (STPs) and Bio-Technology Parks (BTPs)		
7	Deemed Exports		
8	Quality Complaints and Trade Disputes		
9	Promoting Cross Border Trade in Digital Economy		
10	SCOMET: Special Chemicals, Organisms, Materials, Equipment and Technologies		
11	Definitions		

Chapter 1 Legal Framework and Trade Facilitation

- 1.01: Duration of FTP / 1.02: Amendment to FTP No time limit specified. However, amendments are possible.
- 1.04: Specific provision to prevail over the general
- 1.05 Transitional Arrangements One important amendment, "Whenever, Government brings out a policy change of a particular item, the change will be applicable prospectively (from the date of Notification) unless otherwise provided for."
- 1.06: National Committee on Trade Facilitation (NCTF) has been constituted

- National Trade Facilitation Action Plan aims to achieve : -
 - Improvement in Ease of Doing Business through reduction in transaction cost and time
 - Reduction in cargo release time
 - A paperless regulatory environment
 - A transparent and predictable legal regime
 - Improved investment climate through better infrastructure
- 1.12: DGFT Online Customer Portal https://dgft.gov.in/
- 1.13: Issue of e-IEC (Electronic-Importer Exporter Code)
- 1.14: Online facility for e-RCMC/RC Related Processes
- 1.15: Online facility for e-Certificate of Origin (e-CoO)

- 1.18: IT Initiatives in DGFT
- 1.19: 24 X 7 Helpdesk Facility
- 1.20: Trade Data and Statistics The trade statistics for merchandise trade is available at -
- Department of Commerce's portal at https://, commerce.gov.in & data bank available at https://, tradestat.commerce.gov.in/eidb/default.asp,
- ii. DGCI&S portal at http://www.dgciskol.gov.in and
- iii. NIRYAT Portal at https://niryat.gov.in
 - 1.21: Trade Facilitation at Customs
 - 1.22: Authorised Economic Operator (AEO) Programme

1.25: Status Holder Certification Star Export House – Status Certificate

(In USD Million)

Status House Category	Existing Export Performance Threshold	Revised Export performance Threshold
One Star	3	3
Two Star	25	15
Three Star	100	50
Four Star	500	200
Five Star	2,000	800

- 1.29: Privileges of Status Holders
- 1.30: Skilling and Mentorship Obligations –
- a) To improve the trade ecosystem by enhancing the available skilling opportunities, Status Holders are being made "partners" in providing mentoring and training in international trade. Status Holders will endeavor to provide skill upgradation/training in international trade as detailed below:

Status	Number of Trainees per year		
Two Star Export House	5		
Three Star Export House	10		
Four Star Export House	20		
Five Star Export House	50		

- b) A model training program of a minimum duration of 6weeks would be put up in public domain for guidance.
- Detailed eligibility requirements, selection criteria, training curriculum etc will be at the discretion of the Status Holder.

Chapter 2 - General Provisions Regarding Imports and Exports (Some important provisions)

Import of Specific Categories of Goods:

2.25 Import of Samples

 No Authorisation shall be required for Import of bonafide technical and trade samples of items "restricted" in ITC(HS) except defence/security items, seeds, bees and new drugs. Import of samples shall be further governed by Para 2.62 of Handbook of Procedures.

2.27 Import through Passenger Baggage

 (d) Any item(s) including Samples or Prototypes of items whose import policy is "restricted" or "prohibited" or is canalised through STEs are not permitted as part of passenger baggage except with a valid authorization/ permission issued by DGFT.

2.39 Merchanting Trade

 Merchanting trade involving shipment of goods from one foreign country to another foreign country without touching Indian ports, involving an Indian intermediary is allowed subject to compliance with RBI guidelines, except for goods/items in the Convention on International Trade in Endangered Species (CITES) and SCOMET list.

Chapter 3 - Developing Districts as **Export Hubs**

3.0 Objective

- To galvanise districts of the country to become export hubs by identifying products and services with export potential in the district, addressing bottlenecks for exporting these products/services, supporting local exporters/ manufacturers to scale and find potential buyers outside India with the aim of promoting exports, manufacturing & services industry in the District.
- 3.1 District Export Promotion Committees Institutional Mechanism at District Level
- 3.2 District Export Action Plans for Each District
- 3.3 State/UT Export Promotion Committees
- 3.4 Nodal DGFT Regional Authority
- 3.5 Online Monitoring of District Export Action Plans

3.6 Export Promotion Activities in Districts

- Support in the form of product/sector specific training and development needs of local industries, dissemination of information through outreach activities including buyer-seller meets, trade fairs, workshops etc. may be provided in each District. The training and development needs of District industries may be identified and trainings may be coordinated with other departments.
- DGFT RAs through DEPCs may facilitate such buyer-seller meets, exhibitions, etc.

3.7 Implementation of District Export Action Plans

The District Export Action Plan notified by the District Export Promotion Committee in each District may include clear identification of products (goods and services) with export potential in the District, institutional/other responsibilities, specifics of policy, regulatory and operational reform, and infrastructure/utilities/logistics interventions required across the entire chain from producer/farm to the export destination, to cover aspects like production, productivity/ competitiveness, improvements required in design, tie up of producers with exporters, aggregation, sorting, testing, certification, packaging, transportation through cold chain or otherwise, import export regulatory formalities, fulfilment of destination countries standards etc.

Chapter 4 - Duty Exemption/Remission Schemes

4.06 Self-Ratification Scheme

- The expression "additional inputs" refers not to additionality in terms of quantity/value of an input specified in a norm, but to another additional input. Say, if the inputs specified in the norm are X1 and X2 only, then input Y would represent an additional input. RA may issue Advance Authorisations and such cases need not be referred to Norms Committees for ratification of norms. Application under this scheme shall be made along with a Certificate from Chartered Engineer in the prescribed format.
- (v) A status holder who is a manufacturer cum actual user and holds valid 2-star or above status under para 1.25 of FTP and who has already submitted its application for grant of AEO on CBIC's AEO portal is also eligible to apply for this scheme subject to following conditions:-

- a) Status holder submits copy of numbered and dated acknowledgement of its application for grant of AEO.
- b) Status holder undertakes to the DGFT that
 - (i) Their application for grant of AEO certification has not yet been rejected;
 - (ii) There is no case of infringement of Customs and allied laws against the status holder in the current year and last three FYs.
 - (iii) Status holder has not been issued show cause notice by Customs or GST authorities in the current year and last three FYs.
 - (iv) Status holder has positive net current assets.
 - (v) There are no insolvency, bankruptcy or liquidation proceedings taken against the status holder in the current year and last three FYs.

- c) If status holder is unable to obtain the AEO certification within 120 days from date of application under this scheme para, the exporter agrees that the facility under this para shall stand withdrawn and he (status holder) will be bound to approach the concerned Norms Committee of DGFT for fixation of norms and to abide by the decision of the said Committee.
- d) In case of situation as at (c) above, no further authorisation under this scheme para will be issued.
- e) The DGFT may deny authorisation under this scheme para to two star and above status holder based on its risk management principles.
- f) Status holder shall be audited by the DGFT as laid down in the Handbook of Procedures.
- 4.11 Ineligible categories of import on Self Declaration basis
 - x. All items with a basic custom duty of more than 30%.

- 4.18 Importability / Exportability of items that are Prohibited/ Restricted / STE
- ii. Items reserved for imports by STEs cannot be imported against Advance Authorisation / DFIA. However, those items can be procured from STEs against ARO or Invalidation letter. STEs are also allowed to sell goods on High Sea Sale basis to holders of Advance Authorisation / DFIA holder. STEs are also permitted to issue "No Objection Certificate (NOC)" for import by Advance Authorisation / DFIA holder and may charge a reasonable fee subject to a maximum of 2 5000 from the applicant.

4.20 Domestic Sourcing of Inputs

v. Advance Authorisation holder under DTA can procure inputs from / SEZ units against Certificate of supply till EDI message system between SEZ and Customs is enabled.

Current situation of Pre-import condition::-

- You are aware that prior to introduction of GST, exemption was available for all custom duties including CVD & SAD on imports under Advance Authorisation. The notification also permitted duty free imports even after fulfilment of the export obligation. One to one correlation of import and corresponding export was not required as the scheme itself provided this benefit in anticipation of export and subject to actual user condition.
- On introduction of GST, (earlier exemption of CVD & SAD was not extended to), exporters were asked to pay IGST at the time of imports. Thereafter by issuing Notification No. 79/2017-cus dtd.13.10.17 government had restored the earlier position i.e. exempting IGST for import under AA, however, with condition of applicability of 'pre-import'. Subsequently, this condition of 'pre-import' was removed vide Notification No. 01/2019-Cus dtd. 10.01.2019.
- Many exporters being unaware of 'pre-import' conditions, continued to import under Advance Authorisation without payment of IGST for the intervening period i.e. between 13.10.2017 to 19.01.2019 and during this period the customs also allowed such imports.

- Now at the time of getting export obligation discharge certificate, the
 Jurisdictional office of DGFT is asking the exporter to pay IGST amount on the
 imports made during this period and alleging the importer for violation of preimport condition, in line with Show Cause notices issued by DRI.
- In certain redemption cases DGFT opined that the pre-import condition will be applicable to all the Advance Authorization issued during 13.10.2017 to 19.01.2019, irrespective of the date of import
- Honourable HC of Gujarat (case of Maxim Tubes Co. Pvt. Ltd. Vs UOI 2019 (2), TMI 1445) has struck down the 'pre-import' condition.
- The department has filed a Special Leave Petition against the judgement of Gujarat High Court in the Supreme Court reported as [<u>Union of India v. Yasho Industries Limited 2019 (10) TMI 1466 SC ORDER</u>] & [<u>Union of India v. Maxim Tubes Company Pvt. Ltd. 2019 (10) TMI 1467 SC ORDER</u>].
- The regional office of DGFT has continued raising demands as the issue is not yet decided by the Hon. Supreme Court.
- FTP 2023 does not offer any solution for redemption of Advance Authorisation issued with Pre-import condition.

Chapter 5 - Export Promotion of Capital Goods (EPCG)

Para 5.01: Validity period of Authorization (amendment)

The validity period for import of capital goods under EPCG has been increased from current 18 months to 24 months from the date of issue of authorization.

- 5.04 Export obligation
- Following conditions shall apply to the fulfillment of Export obligation:-
- (e) Exports under Advance Authorisation, DFIA, Duty Drawback, RoSCTL and RoDTEP
 Schemes would also be eligible for fulfilment of EO under EPCG Scheme
- (g) Exports made from DTA units shall only be counted for calculation and/or fulfillment of AEO and/or EO.
- (I) Only one benefit specified in paras 5.04(d), 5.09, 5.10 and 5.11 shall be admissible. (5.04 (d) Indigenous sourcing with 25% less EO, 5.09 Early fulfillment of EO- 75% in Three or less than Three years, 5.10 reduced EO for Green Technology products, 5.11 Reduced EO for North Eastern Region J&K and Ladakh)
- 5.05 Provision for companies admitted under the provisions of Insolvency and Bankruptcy Code
- A company holding EPCG authorizations and having been admitted under the
 provisions of Insolvency and Bankruptcy Code 2016 for commencement of
 insolvency proceedings and in respect of whom the resolution plan has been
 approved under Section 31 of IBC 2016 by Adjudicating Authority may be permitted
 to relief, concessions and waivers in accordance with the resolution plan approved/
 finalised by Adjudicating Authority/Appellate Authorities as the case may be.

Amnesty Scheme

In the interest of trade and industry and to motivate the exporters, relief provided to exporters who are unable to fulfill their EO against the EPCG and Advance Authorizations.

Amnesty scheme for one time settlement of default in export obligation by Advance Authorization and EPCG authorization holders being introduced.

Coverage:

- The Authorisations issued under Advance Authorisation Scheme (all variants) and EPCG Scheme (all variants) issued under Foreign Trade Policy 2009-14 till 31.03.2015 are covered under the Scheme.
- For Authorizations issued under Advance Authorisation Scheme (all variants) and EPCG Scheme (all variants) issued under Foreign Trade Policy, 2004-2009 and before, the coverage is limited to those authorizations whose Export Obligation Period (original or extended) was valid beyond 12.08.2013.
- The applicant thereafter can pay Customs duty plus interest with the Jurisdictional Customs authorities concerned and submit proof thereof to the regional authority of DGFT concerned.
- Based on the evidence of such payment and other relevant documents as prescribed under the Handbook of Procedures, concerned RA may examine the request and issue a letter granting Export Obligation Discharge Certificate (EODC).

Chapter 6 Export Oriented Units (EOUs) & CHAPTER – 7 DEEMED EXPORTS

There are very minor changes. Does not impact any procedural work

Impact of various FTP Schemes:-

* Chapter 4 - Duty Exemption Scheme Allows duty free inputs without payment of duty subject to export obligation	Reduces cash out flow. No interest cost.
* Chapter 5 - EPCG Scheme Allows duty free import of capital goods & spares subject to export obligation	Reduces cash out flow. No interest cost.
* Chapter 6 – EOU Allows duty free inputs, capital goods & spares & 100% FDI under automatic route	Reduces cash out flow. Good scheme for Joint ventures. Not subjected to licensing
Chapter 7 – Deemed Exports Exemption from Custom duty on imports. GST is payable.	Measure of import substitution - saves custom duty

Exemption from IGST is continued

Amended Customs Notifications:-

Customs Notification	Schemes			
NOTIFICATION No. 21/2023-	Advance authorisation (AA)			
Customs Dtd. 01.04.2023				
NOTIFICATION No. 23/2023-	Advance authorisation for Annual requirement (AAA)			
Customs Dtd. 01.04.2023				
NOTIFICATION No. 24/2023-	Advance Authorisation Scheme for export of prohibited			
Customs Dtd. 01.04.2023	goods			
NOTIFICATION No. 25/2023-	Duty Free Import Authorisation (DFIA)			
Customs Dtd. 01.04.2023				
NOTIFICATION No. 26/2023 -	Export Promotion Capital Goods (EPCG)			
Customs Dtd. 01.04.2023				
NOTIFICATION No. 27/2023 -	Special Advance Authorization Scheme under para 4.04A			
Customs Dtd. 01.04.2023				

Chapter 9 Promoting Cross Border Trade in Digital Economy

9.00 Objective

 The objective of this chapter is to provide a framework for cross-border trade of goods and services from India in the digital economy and the promotion of e-Commerce and other emerging channels of exports from India.

9.01 E-Commerce Exports of Goods

 Export of goods where selling is through the internet on an e-Commerce platform, the payment for which shall be done through international credit or debit cards, or other authorised electronic payment channels and as specified by the RBI from time to time.

9.02 E-Commerce Exports of Services

 Exports of services where selling is through the internet on an e-Commerce platform, the payment for which shall be done through international credit or debit cards, or other authorised electronic payment channels and as specified by the RBI from time to time.

9.03 E-Commerce Platform

• E-Commerce platform is an electronic platform, including a web-portal, that enables the commercial process of buying and selling through the internet.

Chapter 10 SCOMET: Special Chemicals, Organisms, Materials, Equipment and Technologies

10.00 Objective

 The general provisions governing the export of dual use items, munitions and nuclear related items, including software and technology viz. SCOMET, are dealt with in this Chapter.

10.02 SCOMET List

 Export of dual-use items, including software and technologies, having potential civilian / industrial applications as well as use in weapons of mass destruction is regulated. It is either prohibited or is permitted under an Authorization unless specifically exempted.

10.03 Classification of SCOMET categories and Licensing jurisdiction

 The SCOMET List is divided into nine categories of items from Category 0 to Category 8. However, Category 7 is presently 'Reserved' and has not been populated. The broad classification of different categories under SCOMET List and their jurisdictional licensing authorities are tabulated as under:

SCOMET Category	SCOMET items	Jurisdictional Licensing Authority	Remark
0	Nuclear materials, nuclear-related other materials, equipment and technology	Department of Atomic Energy (DAE)	Including items mentioned in Note 2 of CIN of SCOMET List
1	Toxic chemical agents and other chemicals	Directorate General of Foreign Trade (DGFT)	
2	Micro-organisms, Toxins	DGFT	
3	Materials, Materials Processing Equipment and related Technologies	DGFT	
4	Nuclear-related other equipment and technology, not controlled under Category '0'	DGFT	
5	Aerospace systems, equipment, including production and test equipment, and related Technology and specially designed components and accessories thereof.		
6	Munitions List	Department of Defence Production (DDP)/ Ministry of Defence	Excluding those covered under Note 2 and 3 of CIN and Sub- category 6A007, 6A008
7	'Reserved'	DGFT	
8	Special Materials and Related Equipment, Material Processing, Electronics, Computers, Telecommunications, Information Security, Sensors and Lasers, Navigation and Avionics, Marine, Aerospace and Propulsion.	DGFT	

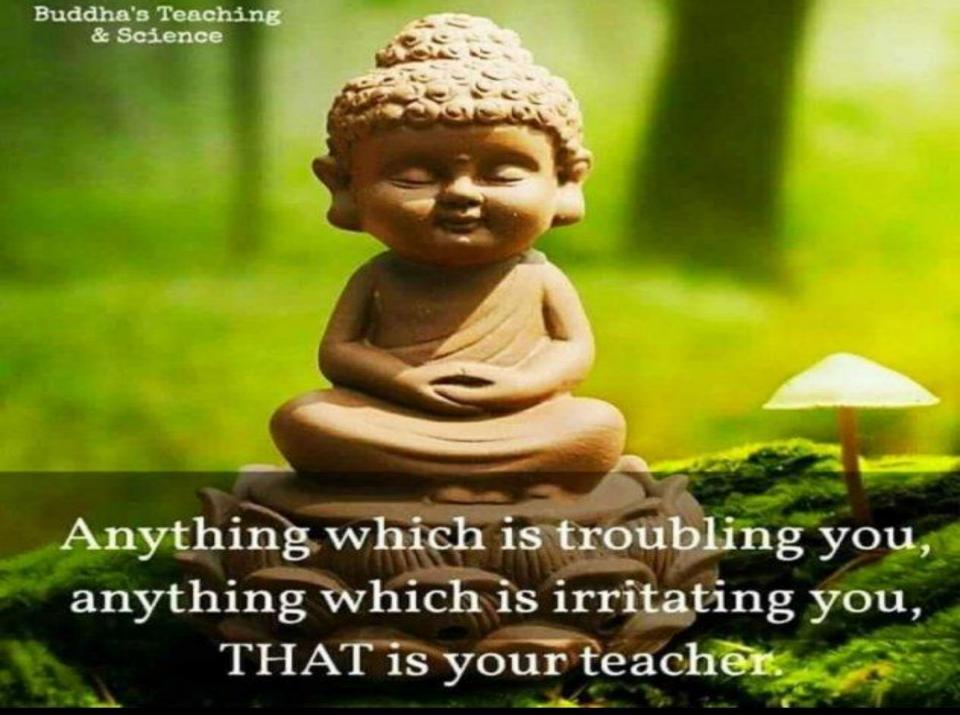
10.04 Export of SCOMET Items

- Procedure for grant of export authorization for SCOMET items in respect of Categories 1 to 5 and 8, is specified under Chapter 10 of Hand Book of Procedures (HBP).
- Export of SCOMET items under Category 0 and Note 2 of the Commodity Identification Note (CIN) of SCOMET will be permitted against an authorization issued by the Department of Atomic Energy (DAE) as per the guidelines for Nuclear Transfers (Exports) and Notification of schedule of Prescribed Substances, Prescribed Equipment and Technology" issued under Atomic Energy Act 1962 and Atomic Energy (Working of Mines, Minerals and Handling of Prescribed Substance) Rules 1984. Export of SCOMET items under Category 6 (Munitions List) [except those covered under Note 2 and 3 of CIN and items under Category 6A007, 6A008], irrespective of end use of the items, whether military or civil will be permitted against an authorization to be issued by Department of Defence Production (DDP)/ Ministry of Defence under the extant guidelines /Standing Operating Procedure (SOP) issued by the DDP, time to time.

Conclusion:-

- Changes for MSME sector particularly various fees is Welcome and will reduced the cost.
- Increasing Trade Deficit is a serious factor, we need to enhance the Exports.

- Policy has very clearly said "No further incentivization". Everybody should note this.
 - WISH YOU ALL THE BEST FOR EXPORT OF GOODS!!!





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