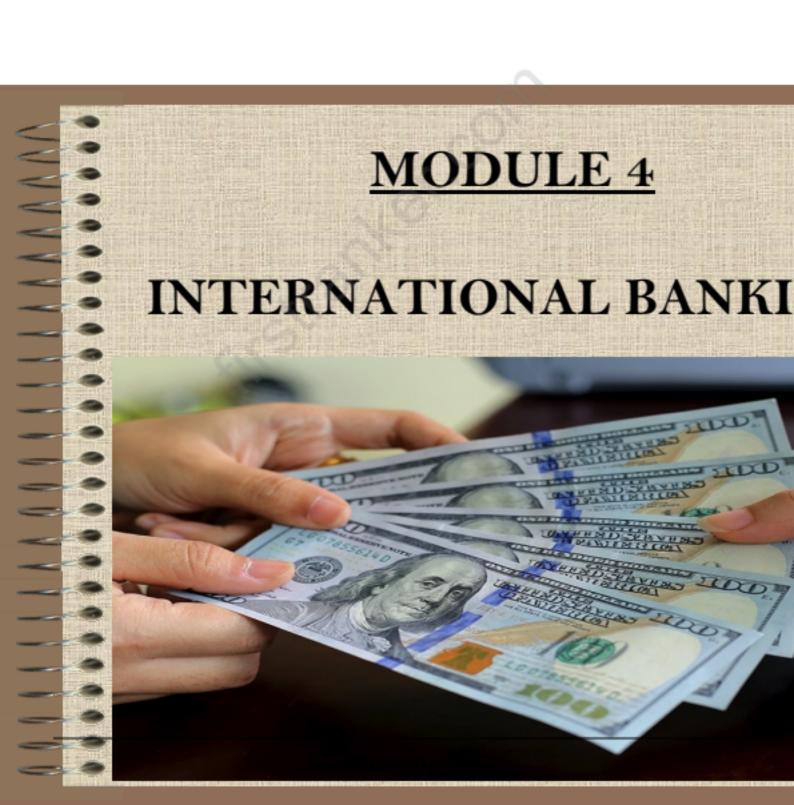
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## **OUTLINE:**

- International Banking:
- Exchange rates and Forex Business
- Correspondent banking and NRI Acc
- Letters of Credit
- Foreign currency Loans
- Facilities for Exporters and Importers
- Role of ECGC
- RBI and EXIM Bank

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### INTERNATIONAL BANKING

With the rapid expansion of interna network, the banking sector occup pivotal position in the global econom has access to the capital, the technological capabilities and the international ne to facilitate these activities.





### **MEANING**

International banking means opening banks outside country of origin. It mechanism by which one can man bank accounts outside their countresidence.

It is also known as "offshore banking".



# EXCHANGE RATES AN FOREX BUSINESS



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### **EXCHANGE RATES**

It is the rate at which one currency we exchanged for another.

It is also known as foreign-exchange forex rate, ER, FX rate.





### TYPES OF EXCHANGE RATE

### ► Fixed Exchange Rate System

Fixed rates provide greater certai exporters and importers.

### ► Flexible Exchange Rate System

Flexible exchange rate or feechange rates change freely and determined by trading in the forex man



### Exchange rate fluctuations

A reliable forecast or future spot recalled study of empirical pattern exchange rate fluctuation.

It provides essential information for exchange rate exposure.





### Factors Influencing the Exchange

- International trade
- Capital movements
- Change in prices
- Speculations
- Strength of the economy
- Government policies
- Stock exchange operations
- Political factors



# FOREIGN EXCHAN





### **MEANING**

- Foreign exchange is the mechanism which the currency of one country g converted into the currency of anoth country.
- The conversion of currency is done by banks who deal in foreign exchange.
   banks maintain stocks of one currency the form of balances with banks



### **OPERATION OF FOREIGN EXCHANGE MA**

 Foreign exchange market opera either as:-

- Spot Market: (Current Market)
- Forward Market



# Spot Market: (Current Mark

Spot market for foreign exchange market which handles only spot trans or current transactions.

- Principle characteristics:-
- Spot Market is of daily nature. It does trade in future deliveries.
- Operation of foreign exchange marke



### Forward Market

Forward Market for foreign exch that market which handles such tran of foreign exchange as are meant for delivery.

- Principles Characteristics:-
- It only caters to forward transaction.
- It determines forward exchange which forward transaction are to be h

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# The Foreign Exchange Ma for Beginners

The foreign exchange market or forex as it is often called is the market in who currencies are traded.

Currency Trading is the world's largest consisting of almost trillion in daily vo and as investors learn more and become interested, market continues to rapidly



- All trades that take place in the foreign exemple.
   market involve the buying of one current the selling of another currency simultaneous This is because the value of one currency determined by its comparison to another currency.
- The first currency of a currency pair is cal "base currency," while the second curre called the counter currency.

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- Foreign exchange Capital Markets (FXCN online currency trading firm that offers a fidemo account to traders who are new and interested in the foreign exchange market.
- Registering for a demo account allows a new trader to download the online trading platform that is used by the company's clients trading accounts and make trades as if they were download the online trading platform.



#### NATURE OF FOREIGN EXCHANG

- Volatile, affected by hedger, arbitrager, spender.
- Affected by demand and supply
- Affected by rate of interest
- · Affected by BoP surplus and deficit
- Affected by inflation rate
- Affected by the fiscal policy of the govern
- Affected by the political condition of the condition



# Characteristics of foreign excl

- Lower trading cost
- Excellent transparency
- Superior liquidity
- Strong market trends



# CORRESPONDENT BANKING AND NRI ACCOUNTS





### CORRESPONDENT BANKING

A correspondence bank is a financial institution that provides services on b of another, equal or unequal, financia institution.

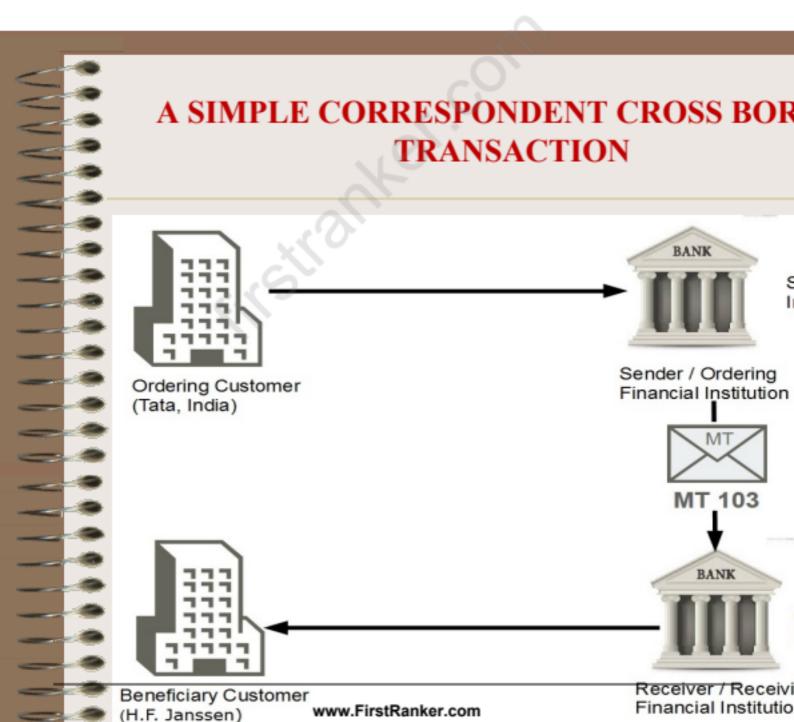
It can facilitate wire transfers, conduct business transactions, accept deposits gather documents on behalf of anothe financial institution.



A correspondent account is an account called a nostro or vostro account) established a banking institution to receive deposits from make payments on behalf of, or handle other financial transactions for other financial institutions.

- Correspondent banks are used by domestic in order to service transactions originating in foreign countries, and act as a domestic bank agent abroad.
- This is done because the domestic bank may limited access to foreign financial markets, as cannot service its client accounts without opening up a branch in another country.







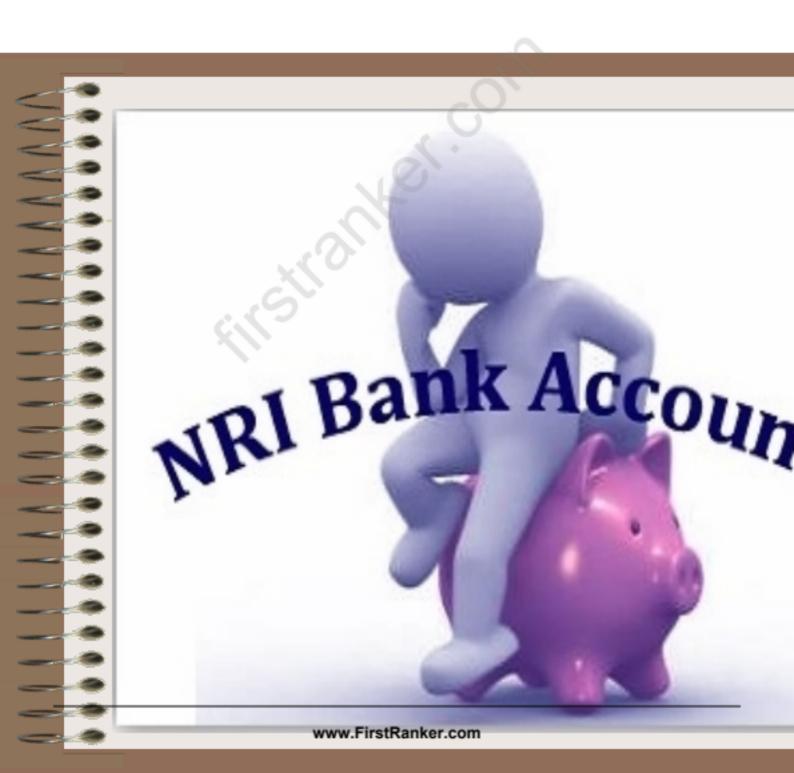
A Correspondent Banking relation involves the provision of banking serve one financial institution (a Correspondent) to another financial institution (Correspondent Banking Client)



### Services offered under CB

- payments including telegraphic or el transfers and drafts.
- Foreign exchange
- Payable through and nested accounts
- Managed investments and mortgage schem
- Custodian account arrangements
- Trade finance transactions
- Syndicated loans







### INTRODUCTION

Indians related to their remittations, earnings, investments repatriation, the GOI introduced in Non resident(External) account rule are controlled by the exchange coregulations.







### Types of NRI bank account

- Non-Resident Externals (NRE) Deposit
- Non-Resident Ordinary (NRO) Savings
- Foreign Currency Non-Resident (FCNR Deposits
- Resident Foreign Currency (RFC) Depot



### Non-Resident External (NRE) Depo

- The Non Resident External (NRE) sa account is open for Indian residing ab
- This account will help you to transfer foreign earning easily to India.
- NRE account can be opened in any based saving and fixed deposit account.



# Benefits of NRE Account

- There is no tax and no wealth tax
- The currency maintain in this account is in Indian
- Funds can be easily transferred from NRE account
- Joint account facility is available with only NRI's
- Nomination facility is available with only NRI Inc.





### Non-Resident Ordinary (NRO) Savings A

- Non Resident ordinary (NRO) account is just of other bank account with the only difference to account is being opened for only those index who are leaving India for taking an employed establishing a business outside India.
- The existing accounts for these Indians a termed as Ordinary Non Resident account or a Accounts.
- These accounts can also be opened through remittance. Thus it's a rupee denominated acc

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### Benefits of NRO Account

- Interest earned on these accounts is high a can themselves determine interest rates.
- These accounts also offer joint account fact a resident or a NRI individual.
- Nomination facility is available with both resident Individuals.
- It is taxable.





| Type of Account  | NRE<br>Non Resident External Account   | Non Resident account   |
|--|--|--|
| Repatriation<br>(can take outside India)   | NRE account is freely repatriable  | NRO account h<br>repatriability                              |
| Tax in India   | NRE account is Tax free  | The interest ea<br>account and cr<br>are subject to<br>rules |
| Deposit of Income<br>generated in India, such<br>as salary, rent,<br>dividends etc   | Deposit of income earned in India is NOT allowed in NRE account                      | Deposit of inco<br>India is allowed<br>account               |
| Joint Holding  | NRE account can be jointly held<br>with another NRI but not with<br>resident Indian. | NRO account of<br>with NRI as we<br>Indian (close re         |
| Parking overseas earnings remitted to India converted to Indian Rupees  Wanton maintain savings in Rupe but keep them liquid |  | Want to park I<br>earnings in Ru                             |



| Points of Difference  | NRE Account  | NRO Account  | FCNR                        |  |
|---|--|--|-----------------------------|--|
| Currency  | Rupee Denominated (INR)  | Rupee Denominated (INR)  | Pounds, Euro,<br>Do         |  |
| Who can open such<br>Account?                                     | NRI  | NRI, Resident before becoming an NRI                                 |                             |  |
| Can it be opened<br>jointly?                                      | Yes, both with Resident "/Non-Resident   | Yes, both with Resident/Non-Resident                                 | Yes, both wit               |  |
| Type of Account   | Saving, Current or a Fixed / Term Deposit  | Saving, Current or a Fixed / Term Deposit                            | Fixe                        |  |
| Purpose to open such<br>Account                                   | NRE Accounts are used to hold overseas savings remitted to India after converting to INR | NRO Accounts are used to hold Indian income like rent, dividend etc. | FCNR (B) according term dep |  |
| Repatriation  | Yes  | Only interest on NRO account balance<br>(after deducting TDS)        |                             |  |
| Transfer of funds from<br>one Account to another                  | Funds can be transered from NRE account<br>to NRE/NRO/Resident Account                   | Funds can be tranfered from NRE account<br>to NRO/Resident Account   | Funds can be                |  |
| Deposit of rupee<br>funds generated<br>in India                   | No   | Yes  |                             |  |
| Tax   | Tax Free   | Taxed as per applicable slab rate                                    |                             |  |
| What is the status of<br>the account when NRI<br>returns to India | Converted to resident account  | Converted to resident account  | Converted                   |  |
| Is Power of Attorney  | Yes www.FirstRanke   | er.com Yes   |                             |  |



# Foreign currency nonresident (FCNR) fixed deposit

 FCNR Deposits are maintained in for currency and they are completely safe against any exchange rate fluctuation

FCNR Deposits



## Benefits of FCNR

- Interest is payable in the same curre the deposit at Half yearly.
- FCNR account can be opened jointl other non-residents.
- FCNR a/c can be converted or a transferred to NRE accounts.
- No income tax on interest earned.



#### Resident Foreign Currency (RFC) Dep

 RFC Deposit has been specially creat persons of Indian nationality or returning to India permanently settlement after having been a reoutside India for a continuous period least one year.



## Benefits of RFC

- The account will be denominated in UGBP, and EURO.
- The account can be held single or join
- The account can be maintained in the of Term Deposit account.
- The balance in the account can be fre used for local disbursements.



#### Additional Service FOR NRI ACCOU

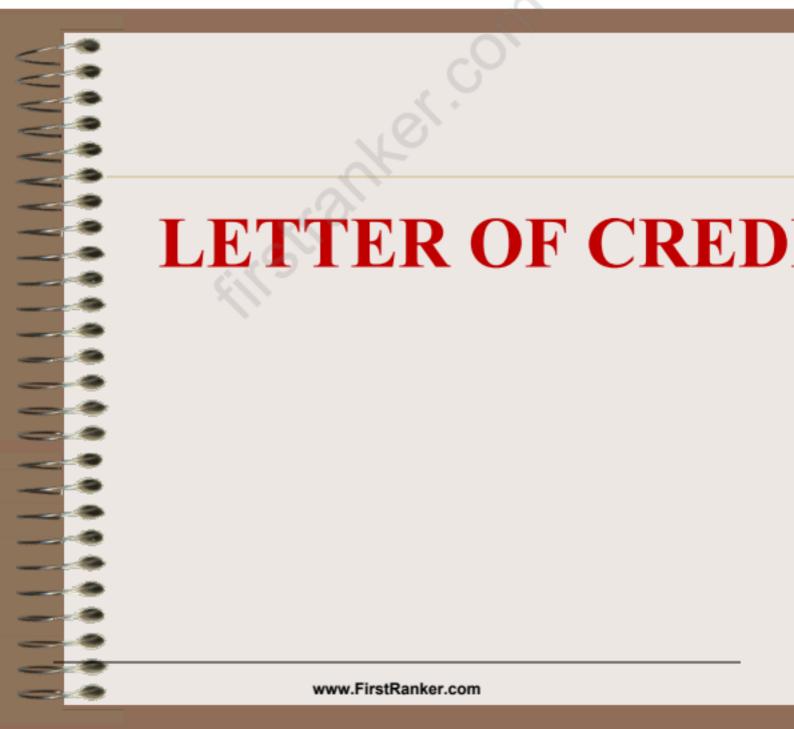
- An individual resident Indian can bor sum not exceeding USD 250,000 or in equivalent staying outside India, subjute conditions that:
- The minimum maturity period of the one year;
- The loan is free of interest

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## What Happens to NRE, NRO and FCNR account, When NRI returns back to India?

- Your NRO account will be converted back to resident saving account.
- Your NRE and FCNR account may be converted to RFC (Resident Foreign currency) account you opt for.
- Your NRE and FCNR term deposit can continue with contracted rate, should you decided break them prematurely.
- After maturity, NRE and FCNR fixed deposit account will be converted to RFC account.
- If you stayed abroad for 9 years in previous 10 years then interest earned on RFC accountax free for another 2 years.



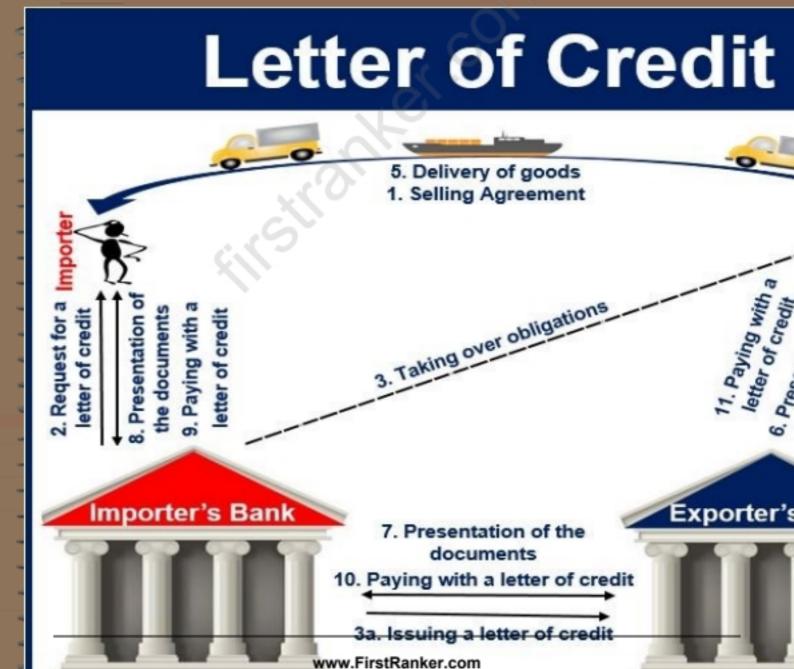




## **MEANING:**

 A letter of credit is a document from bank guaranteeing that a seller will receive payment in full as long as conditions have been met. delivery conditions have been met. event that the buyer is unable to make payment on the purchase, the bank cover the outstanding amount.







## letter of credit sam

| Name and Addr                        | ress of Bank  |                           |  |                                       |                |   |  |
|--------------------------------------|---|---------------------------|--|---------------------------------------|----------------|---|--|
| Date:                                | ter of Credit No.   |                           |  |                                       |                |   |  |
| irrevocable lett                     | er of Credit No   |                           |  |                                       |                |   |  |
| Beneficiary:                         | Commodity Credit Corporation  | Ac                        | count Party: Na<br>Address of Ex         |                                       |                |   |  |
| Gentlemen:                           |   |                           |  |                                       |                |   |  |
|                                      | n our irrevocable credit in your favo<br>nt upon the presentation of your dra |                           |  |                                       |                | dollars (\$                               | ), to be made a                          |
|                                      | (Insert applicable statem   | ent)/2                    |  |                                       |                |   |  |
| This Letter of Cr<br>from the presen | redit is valid until<br>nt or any future expiration date ther                 | 3, provid<br>reof, unless | led, however, that<br>at least thirty (3 | at this Letter of<br>0) days prior to | Credit will b  | e automatically ex<br>piration date the I | stended without an<br>ssuing Bank provid |
|                                      | dit Corporation at the U.S. Departm<br>er of Credit for such additional       |                           |  |                                       |                |   | U .                                      |
| This letter of Cr                    | redit is issued subject to the Uniform  | Customs ar                | nd Practice for I                        | Oocumentary Co                        | redits, 2007 R | evision, Internatio                       | onal Chamber of Co                       |
| (Name of Bank)                       |   |                           |  |                                       |                |   |  |
| Ву:                                  |   |                           |  |                                       |                |   |  |
| /                                    |   |                           |  |                                       |                |   |  |



## TYPES OF LOC

- Import and Export Letter of Credit
- Revocable and Irrevocable Letter of Creen
- Confirmed and Unconfirmed Letter of C
- Transferrable and Un transferrable LoC
- Deferred/ usance LoC
- Red clause Loc
- Back to back Loc



## Import and Export Letter of Cre

 Are letters of credit that are used in international trade. The same letter of credit would be termed an import lett credit by the importer and an export l of credit by the exporter. In most case importer is the buyer and the exporter beneficiary.



## Revocable and Irrevocable Letter of

- The revocable letter of credit can be changed at any time by either the buy the issuing bank with no notification beneficiary.
- Irrevocable letter of credit only allochange or cancellation of the letter of by the issuing bank after application buyer and approval by the beneficiary



#### Confirmed and Unconfirmed Letter of

- A confirmed letter of credit is one was a second bank agrees to pay the letter credit at the request of the issuing bar
- An unconfirmed letter of credit is guaranteed only by the issuing bank. is the most common form with regard confirmation.



#### Transferrable and Un transferrab

- A letter of credit may also be
   a transferrable letter of credit. These
   commonly used when the beneficiary
   simply an intermediary for the real su
   of the goods and services or is one of
   group of suppliers.
- An un-transferrable letter of credit not allow transfer of payments to thir parties.



## Deferred/ usance LoC

- A letter of credit may also be at sight which is payable as soon as the documentation has been presented an verified, or payment may be deferred
- Deferred letters of credit are also call
  a usance letter of credit and may be
  off until a certain time period has pas
  the buyer has had the opportunity to i
  or even sell the related goods.

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## Red clause Loc

- A red clause letter of credit allows the beneficiary to receive partial payment before shipping the products or perform the services.
- Originally, these terms were written ink, hence the name. In practical use, issuing banks will rarely offer these t unless the beneficiary is very creditw or an advising bank agrees to refund money if the shipment is not made.

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### Back to back Loc

- A back-to-back letter of credit is us a trade involving an intermediary, suc trading house.
- It is actually made up of two letters of credit, one issued by the buyer's bank intermediary and the other issued by intermediary's bank to the seller.







## **Meaning:**

 Foreign currency loans are all loans or taken for which the contract currency different to the local currency (based/company code currency).

## Eligibility

- Exporters for working capital needs
- Importers for meeting import obligations
- Importers of capital goods
- Those customers who have earlier raised medium Loans for meeting capital expenditure from financial institutions, so that these loans can be for (subject to RBI guidelines)
- Loan to JV/WOS entities of Indian companies.
- High value corporate clients with a good track remet working capital requirements in substituted WCDL
- Those customers who are looking for conversion



### Period:

- Working capital for exporter/importer- 6 r to one year.
- Importers of capital goods-3 years (subavailability of funds)
- Substitution of WCDL/Cash Credit 6 mo one year.
- In case of Term Loan Conversion- 6 mont years (subject to availability of funds)



## Quantum/Currency:

- On transaction to transaction basis value the existing credit facilities
- Minimum USD 0.50 mn. (Rs. 2.00 C equivalent.
- Normally in US\$, FC Loans can all availed in Pound Sterling or in subject to availability of funds

## Rate of Interest

· Bench marked to relevant LIBOR rat



## Repayment

- Bullet payment (one lump sum) by:
- Tendering export documents
- Proceeds of export collection bills
- Debit to EEFC accounts
- Purchase of foreign currency from the b contracted/ready rate if forward booking is wa
- Term loans for import of capital goods rep in stipulated installments
- Conversion of rupee term loans as per of sanction terms

## **Procedure**

- Roll-over at the sole discretion of the Bank
- In case of loans on floating rate basis the rates reset once in every six months
- Interest charged on reducing balance method.
- Forward cover for appropriate maturity to be !
- Forward cover can be waived for customers natural hedge.
- Prepayment generally not permitted
- In exceptional cases prepayment permitted. Ho as an exception, prepayment is permitted in

cases, with levy of penalty.



# Facilities for exporters and importe



# **FACILITIES FOR EXPORTER** www.FirstRanker.com



## Facilities for Exporter

- Export credit
- Export bill rediscounting
- Export credit in foreign cur Pre-shipment credit in foreign cur (PCFC)
- Exporter gold card



## Export Credit

- Rupee export credit (pre-shipment and post-shipment)
- Bank offers both pre and post shipment credit to the exporters through Rupee denominated loans as foreign currency loans in India.
  - Exporters having firm export orders or L/C recognized Bank can avail the export credit facilities. United Bank of India provided they satisfy the recedit norms. The details of the credit norms obtained from the nearest authorized branch of the
- Post shipment rupee export credit is available maximum period of -180- days /360daysfrom the first disbursement. The corporate, if required ca forward contracts in respect of future export credit



#### Export bill rediscounting:

- Bank offers financing of export by way discounting of export bills to provide post sh finance to the exporters at competitive intern rate of interest.
- The export bills (both Sight and Usance) purchased/ discounted provided they complete the norms of the Bank/ RBI.
- All exporters are eligible to cover the bills under L/C, non-credit bills under sanctioned under the Bill discounting Scheme.



#### Export credit in foreign currency Pre-shipment credit in foreign currency (P

- Bank provides PCFC in the foreign currency to the enabling them to fund their procurement, manufacture processing and packing requirements.
- These loans are available at very competitive internal
  interest rates covering the cost of both domestic as w
  content of the exports. The PCFC can be availed in U
  GBP and Japanese Yen.
- The corporate / exporters with a good track record carunning account facility with the Bank for PCFC. To this purpose, the exporter's overdue bill should not export realization during the precessing.
- PCFC in foreign currency is available for a maximum
   180- days from the clate of first disbursement similar

of Rupee facility.



#### Export bill rediscounting:

- Bank offers financing of export by way
  discounting of export bills to provid
  shipment finance to the exporters at con
  international rate of interest. This fac
  available in -4- currencies i.e. US\$, Pound 8
  Euro and JPY.
- The export bills (both Sight and Usance) purchased/ discounted provided they comp the norms of the Bank/ RBI.
- All exporters are eligible to cover the bill under L/C, non-credit bills under sanctions under the Bill discounting Scheme.



#### Exporter Gold Card

- Bank has formulated Gold Card Scheme exporter clients based on the scheme dra by Reserve Bank of India.
- The scheme proposes to ensure availability of export credit on best te credit worthy exporters with good track
- The card to be offered by United Bank of will be known as 'United Bank of India Gold Card'. The salient features of the sare as under:



#### Eligibility under the Scheme:

- All exporters, including those in small and n sector having good track record and credit wor depending on the credit rating done as per norms.
- Exporters whose accounts have been classi 'Standard' continuously for a period of thre and there are no irregularities/adverse feature conduct of the accounts will be considered.
- The scheme will not be applicable to those ex who are blacklisted by ECGC or included in defaulter's list/caution list or making losses past 3 years or having overdue export bills in of 10 per cent of the current year's turnover.



## Bank Facilities for Import

- ☐Import finance
- ☐Collection of import bill
- ☐Letter of credit



#### Import Finance:

- Bank provides various types of f services to the importers for facilitation imports in the country.
- The vast network of branche Correspondent Banks worldwide fa prompt & efficient services to the imp
- All the facilities are subject to the properties of the Bank/RBI guidelines.



#### • The various facilities provided are:

- Collection of import bill.
- Opening of Import L/Cs (Sight/ DA)
- Financing of import by way of Fo Currency Loans
- Issuing Guarantees etc. on beha importers.



#### Collection of import bills:

- The import bills are collected through 47 authorized branches at very comperates.
- The Bank has correspondent relation
  with reputed International I
  throughout the world and can provid
  services to importers who may
  importing from any part of the globe.



### Letter of credit:

- Bank offers L/C facility for the purchase of getter the international market. Being a Prime B repute, the L/Cs of the United Bank of India a accepted in the International market.
- With the Letter of Credit of United Bank of importers can build up better trust/ confide their suppliers and develop other b relationship at a much faster pace.
- The L/C facility can be granted to the imported assessing their requirement/ credit worth financial strength and other parameters being

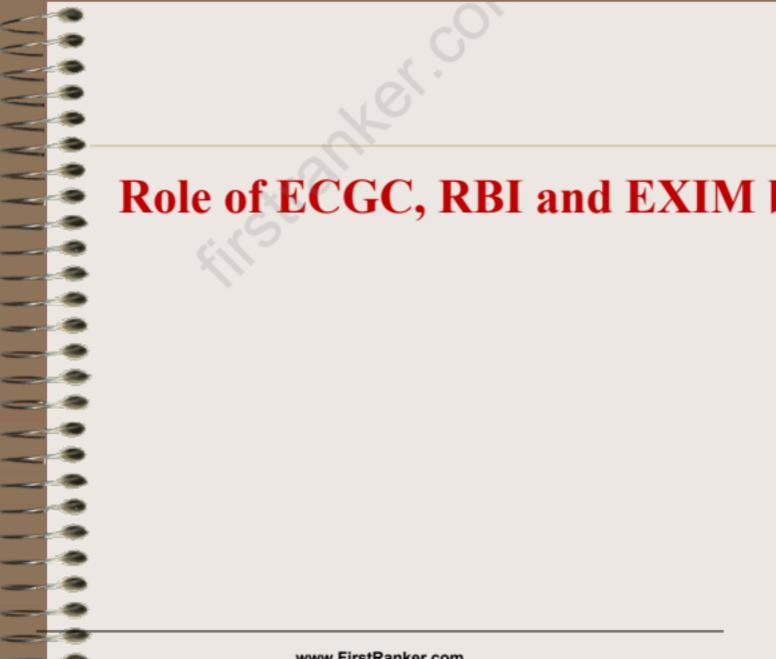
satisfaction of the Bank.

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#### Bank guarantees:

 Bank on behalf of importers/ customers issues guarantees in favo beneficiaries abroad. The guarantees of both Performance and Financial.







## Export Credit Guarantee Corporation of India (ECG

- The ECGC Limited (ECGC) was established on 30 July 19 objective to provide insurance cover in respect of risks in ex
- These risk may include loss of money on account of for becoming bankrupt or sudden import or exchange restriction in stopping of payments etc.
- The Export Credit Guarantee Corporation of India Li company wholly owned by the Government of India based Maharashtra.
- It provides export credit insurance support to Indian exponent controlled by the Ministry of Commerce. Government of initially set up Export Risks Insurance Corporation (ERIC)
- It was transformed into Export Credit and Guarantee Limited (ECGC) in 1964 and to Export Credit Guarantee of India in 1983. In 2014 August, the Company was again ECGC Limitedwww.FirstRanker.com



#### What does ECGC do?

- Provides a range of credit risk insurance coexporters against loss in export of goods and servi-
- Offers Export Credit Insurance for Bankers and f institutions to enable exporters to obtain better f from them.
- Provides Overseas Investment Insurance to companies investing in joint ventures abroad in to of equity or loan.



#### How does ECGC help exporters?

- Offers insurance protection to exporters against prisks.
- Provides guidance in export-related activities
- Makes available information on different countries its own credit ratings
- Makes it easy to obtain export finance banks/financial institutions
- · Assists exporters in recovering bad debts
- Provides information on credit-worthiness of of buyers



#### RBI

- RBI has issued Authorized Dealers (AD) licenses to India financial institutions and a few co-operative undertake foreign exchange transactions in India
  - It has also issued Money Changer licenses to a la of established firms, companies, hotels, shops, etc.
  - Money changers help facilitate encashment currencies of foreign tourists
- Entities authorized to buy and sell foreign curr coins and travelers' Cheques are called full-fled changers
- Those authorized only to buy are called restrict

changers

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#### **EXIM Bank**

Export-Import Bank of India (Exim Bank) up by an Act of the Parliament "THE EIMPORT BANK OF INDIA ACT, 19 providing financial assistance to export importers and for functioning as the financial institution for co-ordinating the weinstitutions engaged in financing export an of goods and services with a view to promise country's international trade and for connected therewith or incidental thereto.



#### **ASSIGNMENT:**

- Explain: ECGC: Functions, role of ECGC, policies, risks and guarantees covered by E
- RBI: Functions, loans, schemes of RBI Regarding exports.
- EXIM bank of India: Objective, organisation
   EXIM bank, Financing assistance by EXIM
   Role of EXIM bank, EXIM bank Finance.
- Due on: 16<sup>th</sup> November, 2017



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