20 One-Liners to Remember

Quick-fire facts for last-minute revision.

1. **FEMA, 1999 replaced FERA, 1973 as the governing law for foreign exchange in India.**
   FEMA shifted forex violations from a criminal to a civil framework and remains the current statute.

2. **RBI regulates FEMA, with its administration shared with the Central Government.**
   RBI issues regulations under FEMA while overall administrative responsibility is shared with the government.

3. **FEDAI stands for Foreign Exchange Dealers Association of India.**
   FEDAI frames rules on market hours, forward contracts and forex charges for authorised dealers.

4. **SWIFT stands for Society for Worldwide Interbank Financial Telecommunication.**
   SWIFT is the global messaging network banks use to transmit payment instructions securely.

5. **CHIPS, the Clearing House Interbank Payment System, is a major USD settlement system.**
   CHIPS is a US-based large-value payment system used mainly for dollar transactions.

6. **CHAPS is the settlement system associated with GBP payments.**
CHAPS is the UK's real-time gross settlement system used for pound sterling transfers.

7. **SDR, or Special Drawing Rights, is an IMF reserve asset valued against a basket of currencies.**
SDRs supplement member countries' official reserves and are not a currency in their own right.

8. **Authorised dealers under FEMA are classified into Category I, II and III.**
The category determines the range of forex business a dealer is permitted to conduct.

9. **Category I authorised dealers are banks authorised by RBI to deal in foreign exchange.**
Category I AD banks handle the widest range of permitted forex transactions.

10. **Full-fledged money changers can purchase and sell foreign currency notes, coins and travellers cheques.**
Restricted money changers, by contrast, can only purchase such instruments, not sell them.

11. **RBI communicates FEMA amendments mainly through AP (DIR Series) Circulars.**
These circulars update authorised dealers on regulatory changes under FEMA.

12 **Depreciation is a market-driven fall in a currency's value, unlike devaluation which is an official action.**
Distinguishing market-driven depreciation from deliberate devaluation is a frequently tested concept.

13 **A Nostro account is a bank's foreign-currency account held with a bank abroad.**
The memory hook 'Nostro = ours' helps recall it is our account maintained overseas.

14 **A Vostro account is a non-resident bank's account maintained with an Indian bank, usually in rupees.**
Vostro accounts let foreign banks hold rupee balances with Indian correspondent banks.

15 **A Loro account refers to a third bank's account as referenced in correspondence between two other banks.**
The hook 'Loro = theirs' means it is their account with you, seen from a third party's perspective.

16 **In balance of payments statistics, imports are generally recorded at CIF value.**
CIF value includes cost, insurance and freight, distinguishing it from FOB valuation used for exports.

17 **A continuous balance of payments deficit tends to cause a currency to depreciate.**
Persistent BOP deficits raise demand for foreign currency, pushing the domestic currency down in a floating regime.

18 **India primarily uses direct quotations, where the foreign currency unit is fixed and price is in rupees.**
A direct quote like USD 1 = Rs 83 keeps the foreign currency unit constant.

19 **Forward margin, also called swap points, is the difference between the spot rate and the forward rate.**
Swap points can represent either a premium or a discount on the spot rate.

20 **Translation exposure is an accounting impact and does not directly cause a change in cash flow.**
It arises from restating foreign-currency financial statement items rather than from actual cash transactions.