

JYOTI NIVAS COLLEGE AUTONOMOUS

PROGRAMME: B.VOC (B&F)

Semester VI

FOREIGN EXCHANGE

No. of Credits: 4

No. of Hours: 60

COURSE OBJECTIVES:

- To make the students familiar with various foreign exchange facilities available for individuals.
- To be well versed with schemes which are available for NRIS
- To understand the reasons for adopting FEMA

LEARNING OUTCOMES:

- To know the different concept of NRI, PIO and overseas citizenship cardholder
- To understand the powers of RBI and FEMA in regulating foreign exchange
- To know the various foreign exchange instruments facilitating foreign exchange

UNIT 1: INTRODUCTION TO FOREIGN EXCHANGE

10Hrs

Introduction to foreign exchange – Meaning – Importance – Evolution of Exchange Rate System –International Monetary System – Gold Standard – BIS – IMF – Liberalization and globalization impact.

Foreign exchange regulators in India:

Foreign Exchange Management Act (FEMA), 1999 –Meaning – Important definitions and Concept – Role of RBI, FEDAI in foreign exchange Management. Money Laundering-Prevention of money laundering

UNIT 2: FOREIGN EXCHANGE MARKET

14Hrs

Foreign Exchange Market: Structure and organisation, type of forex transactions and settlement, Exchange rate quotations – Direct, Indirect and Cross rate, Spread, Arbitrage, Calculation of Spot and Forward Rates using Schedule of Swap Points. Interest rate parity theory

UNIT 3: FOREIGN CURRENCY ACCOUNTS IN INDIA

12Hrs

Foreign Currency Accounts in India: Types (NRE, NRO, FCNR); Features, permitted debits and credits, Cross-border payments; SWIFT system.

NRI and Foreign Exchange schemes: Objectives, general provisions, various schemes available for non-resident Indians, permitted debits and credits

UNIT 4: FOREIGN EXCHANGE RISK AND RISK MANAGEMENT **12Hrs**

Foreign Exchange risk- meaning, Problems of Foreign Exchange markets in India, Gap/Mismatch Risk faced by Banks

Foreign Exchange risk Management-meaning, Objectives, mechanism to settle the risk management problems, Internal and External Hedging, Country Risk Management, Need for Stable Foreign Exchange Rates.

UNIT 5: FOREX OPERATIONS IN INDIA **12Hrs**

Money Changers & Forex Operations: Authorized dealers; participants, forex trading platforms, execution of currency contracts, Currency Trading in Foreign Exchange Markets, Interbank deals, Trends in Forex markets; Crypto currency and CBDCs; ESG considerations.

SKILL DEVELOPMENT ACTIVITIES:

- Obtain an application form for opening an NRI account and complete the form.
- Meet an expatriate and understand how he operates his foreign currency account.
- Observe the foreign exchange market transactions on the internet for two days and write a report.
- Write the procedure for trading in the foreign exchange market.
- Obtain an application to be an authorized person under FEMA and complete the form.
- Write a note on resident foreign currency account, EEFc deposits, loan product for NRIs, export finance and foreign exchange associations.

BOOK FOR REFERENCE

- Foreign Exchange Facilities for Individuals- Indian Institute of Banking and Finance- MacMillan publishers India Limited, 1st edition 2012
- Foreign Exchange Management, Esha Sharma, Laxmi Publication, 1st Edition
- Foreign Exchange in Practice – The New Environment Third Edition, Steve Anthony- Palgrave Mac Millian publishers.

Note: Latest edition of text books may be used.