



**THE INSTITUTE OF  
COST ACCOUNTANTS OF INDIA**  
(STATUTORY BODY UNDER AN ACT OF PARLIAMENT)  
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## **DAILY NEWS DIGEST BY BFSI BOARD**

**October 01, 2022**

### **RESOLUTION OF THE MONETARY POLICY COMMITTEE (MPC) SEPTEMBER**

**28-30, 2022:** The highlights of the decisions of the Monetary Policy Committee (MPC) are;

- **Repo rate** under the liquidity adjustment facility (LAF) increased by 50 basis points to **5.90 %**.
- Consequently, the standing deposit facility (**SDF**) rate stands adjusted to **5.65 %** and the **marginal standing facility (MSF) rate and the Bank Rate to 6.15 %**.

These decisions are in consonance with the objective of achieving the medium-term target for CPI inflation of **4 % within a band of +/- 2 %**.

### **ASSESSMENT & OUTLOOK**

- Global financial markets are experiencing surges of volatility, with sporadic sell-offs in equity and bond markets, and the US dollar strengthening to a 20-year high.
- On domestic front, **Real GDP grew YoY by 13.5 per cent in Q1:2022-23**.
- **CPI inflation rose to 7.0 per cent YoY** in August 2022 from 6.7 per cent in July as food inflation moved higher.
- Overall system liquidity remained in surplus, with the average daily absorption under the liquidity adjustment facility (LAF) easing to ₹2.3 lakh crore during August-September (up to September 28, 2022) from ₹3.8 lakh crore in June-July. Money supply (M3) expanded y-o-y by 8.9 per cent, with **aggregate deposits of commercial banks growing by 9.5 per cent and bank credit by 16.2 per cent** as on September 9, 2022.
- **Inflation is projected at 6.7 per cent in 2022-23**, CPI inflation for Q1:2023-24 is projected at 5.0 per cent.
- **Real GDP growth for 2022-23 is projected at 7.0 per cent**.

### **STATEMENT ON DEVELOPMENTAL & REGULATORY POLICIES**

- **Discussion to adopt Expected Loss Based Approach for Loan Loss Provisioning by Banks:** As a further step towards converging with globally accepted prudential norms, it is proposed to adopt Expected Credit Loss (ECL) approach for loss allowances required to be maintained by banks in respect of their exposures.
- **Internet Banking Facility for Customers of Regional Rural Banks (RRBs):** RRBs are currently allowed to provide Internet Banking facility to their customers with prior approval of RBI. Keeping in view the need to promote the spread of digital banking in rural areas, the criteria for RRBs to be eligible to provide internet banking are being rationalised and guidelines are being issued separately
- **Regulating Offline Payment Aggregators:** Payment Aggregators (PAs) were brought under regulations in March 2020 and designated as Payment System Operators (PSOs). The current regulations are, however, applicable to PAs processing online or e-commerce



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transactions. Keeping in view the similar nature of activities undertaken by online and offline PAs, it is proposed to apply the current regulations to offline PAs as well.

### **RBI CATEGORISES 16 LARGE FINANCIAL ENTITIES AS UPPER-LAYER NBFC:**

RBI on Friday categorised 16 big NBFCs, including LIC Housing Finance and Bajaj Finance, as upper-layer NBFCs that will be subject to an enhanced regulatory framework. The RBI in October 2021 announced to put in place a four-layered regulatory structure for NBFCs to keep a stricter vigil on the shadow banking sector and minimise risks for the overall financial system. The framework categorises NBFCs in Base Layer (NBFC-BL), Middle Layer (NBFC-ML), Upper Layer (NBFC-UL) and Top Layer (NBFC-TL). However, HDFC Limited has not been included in the list of Upper Layer (NBFC-UL) in the current review due to the ongoing merger process.

*(Financial Express)*

### **6 WAYS TO SUBMIT LIFE CERTIFICATE FOR SUPER SENIOR CENTRAL GOVT PENSIONERS FROM TODAY:**

Central Government pensioners are required to submit their Annual Life Certificate (Jeevan Pramaan) in November for the continuation of their pension. However, the Central Government allows super senior pensioners in the age group of 80 years and above to submit Annual Life Certificate from 1st October onwards, instead of 1st November onwards, every year. Central Government pensioners can get their Life certificate recorded by Pension Disbursing Authorities (PDAs) by physically appearing before the PDA, by submitting the annual life certificate form signed by any 'designated official' without the necessity of personal appearance, online through the Jeevan Pramaan portal, using "Doorstep Service for submission of Digital Life Certificate through Postman" and PSBs, and through Face Authentication technology based on UIDAI Aadhaar software to submit Life Certificates.

*(Financial Express)*

### **SEBI EXTENDS TWO-FACTOR AUTHENTICATION FOR MUTUAL FUND SUBSCRIPTION TRANSACTIONS:**

In order to further safeguard interest of investors, capital markets regulator SEBI on Friday decided to extend the two-factor authentication for subscription transactions in units of mutual funds. The new framework will come into effect from April 1, 2023, the Securities and Exchange Board of India (SEBI) said in a circular. At present, all asset management companies (AMCs) are required to authenticate redemption transactions using two-factor authentication for online transactions and signature method for offline transactions. "It has now been decided to extend the Two-Factor Authentication for subscription transactions in the units of mutual funds as well," Sebi said.

*(Financial Express)*

### **FISCAL DEFICIT AT 32.6% OF FY23 BUDGET ESTIMATES IN APR-**

**AUG:** Centre's tax receipts have slowed considerably in August with gross post-refunds collections for the month coming in at Rs 1.51 trillion, down 8% from the year-ago month, according to official data. In fact, net of devolution to states, the collections in August at Rs



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33,882 crore were 71% lower than the year-ago level. The decline in net receipts is due to a doubling of tax transfers to the states in August. Meanwhile, Centre's fiscal deficit touched 32.6% of the annual target in the current FY till August as against 31.1% recorded a year ago.

*(Financial Express)*

### **FEMA AUTHORITY APPROVES INDIA'S BIGGEST SEIZURE ORDER AGAINST CHINESE MOBILE COMPANY XIAOMI: ED:**

The competent authority under the Foreign Exchange Management Act (FEMA) has approved an order of seizure of over Rs 5,551 crore worth of deposits of Chinese mobile phone manufacturer Xiaomi, the highest amount frozen till date in India, the ED said Friday.

*(Financial Express)*

### **INDIA'S CORE SECTOR OUTPUT GROWTH SLIPS TO NINE-MONTH LOW IN AUGUST:**

The eight infrastructure industries that comprise the core sector grew at the slowest pace in nine months at 3.3 per cent in August. This is owing to a higher base and deceleration in output growth of steel and electricity. "Return to normalcy in coal production is a positive for the economy, which was under stress in April and May following the Ukraine war when there was shortage of coal.

*(Business Standard)*

### **SEBI TIGHTENS DISCLOSURE NORMS FOR IPOs; TO RELAX RULES FOR OPEN OFFERS:**

Markets regulator SEBI on Friday approved a slew of changes to various regulations. At its board meeting here, Sebi also decided to relax the pricing rules for open offers with respect to disinvestment of public sector undertakings. For IPOs, the regulator cleared the proposal mandating the issuers to disclose the offer price based on past transactions and fund raising activities. Also, companies contemplating IPOs will soon have the option to make confidential pre-filing of offer documents. Besides, the watchdog's board gave its nod to bring buying and selling of mutual fund units under the ambit of insider trading rules. Besides traditional metrics, companies will now have to disclose key performance indicators (KPIs) that are normally not covered in their financial statements.

*(Business Standard)*

### **AMAZON LAUNCHES LIVE VIDEO AND INTERACTIVE SHOPPING EXPERIENCE IN INDIA:**

E-commerce firm Amazon said it has launched Amazon Live in India. It is a unique live shopping program where customers can directly interact with content creators who showcase products, answer customer questions in real-time, run polls, and offer limited-duration deals. With Amazon Live, Amazon India will run 15 live streams every day from 10 am to 1 am. Over 150 content creators are live streaming during the ongoing Amazon Great Indian Festival.

*(Business Standard)*



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## **MONSOON SEASON ENDS ON A HIGH, INDIA RECORDS 6% SURPLUS RAIN:**

**IMD:** The southwest monsoon official ended the 2022 season with a cumulative rainfall of 925 millimeters, which is 6 per cent more than normal. The rains that started on a moderate note in June is, however, not expected to go away in a hurry.

*(Business Standard)*

## **SYSTEM READY FOR TOKENISATION AS 35 CRORE CARDS TOKENISED,**

**SAYS RBI:** About 35 crore cards have been tokenised and the system is ready for the new norms which set in from October 1, the Reserve Bank said on Friday. There are a few laggards in the system who have not complied with the mandate because of their unwillingness, Deputy Governor T Rabi Sankar said, expecting them to comply soon. The RBI is making tokenisation of cards mandatory from October 1 onwards in order to improve customer safety.

*(Business Standard)*

## **SEBI REMOVES MINIMUM SHAREHOLDING NORM FOR NON PROMOTERS**

**FOR OFS:** The Securities and Exchange Board of India on September 30 modified a few guidelines for non promoters seeking to offload stake via offer-for-sale (OFS). SEBI removed the minimum 10 percent shareholding requirement for non promoter shareholders to sell shares via the offer-for-sale mechanism. Earlier, the capital market regulator allowed non promoters having 10 percent stake in the firm and willing to offer shares of at least Rs 25 crore as eligible to offer their shares through OFS mechanism. The regulator also reduced the existing cooling off period to a range of plus-2 weeks to plus-12 weeks based on liquidity of securities of such eligible companies. Earlier, the cooling off period was at plus-12 weeks.

*(Moneycontrol)*

## **BANKS LED BY SBI HIKE LENDING RATE BY 50 BPS AFTER RBI RAISES**

**POLICY RATE:** Host of lenders led by State Bank of India and Bank of India hiked lending rates after the Reserve Bank raised the benchmark interest rate to tame inflation. Even financial institutions like mortgage lender HDFC Ltd hiked the lending rate by 50 basis points effective Saturday. SBI's EBLR rose to 8.55 per cent and RLLR increased by similar 50 basis points to 8.15 per cent. Another state-owned lender Bank of India raised its effective RBLR to 8.75 per cent. With the repo rate increase, ICICI Bank External Benchmark Lending Rate (I-EBLR) will rise to up to 9.60 per cent.

*(Economic Times)*



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## ***FINANCIAL TERMINOLOGY/CONCEPTS***

### **DEADWEIGHT LOSS**

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- ❖ It is the loss of economic efficiency in terms of utility for consumers/producers such that the optimal or allocative efficiency is not achieved.
- ❖ Deadweight loss can be stated as the loss of total welfare or the social surplus due to reasons like taxes or subsidies, price ceilings or floors, externalities and monopoly pricing. It is the excess burden created due to loss of benefit to the participants in trade which are individuals as consumers, producers or the government.
- ❖ For example, if a certain tax is imposed on the producer for each unit of the good he sells, it is likely that the new equilibrium price that is settled for the transaction will be higher and therefore some burden of this will be passed on to the consumer.
- ❖ This will lead to reduced trade from both sides. The loss of welfare attributed to the shift from earlier to this less efficient market mechanism is called the deadweight loss of taxation. This leads to wastage or underutilization of resources due to inefficient market outcomes.



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### **RBI KEY RATES**

Repo Rate: 5.90%  
SDF: 5.65%  
MSF & Bank Rate: 6.15%  
CRR: 4.50%  
SLR: 18.00%  
Fixed Reverse Repo: 3.35%

### **FOREX (FBIL 1.30 PM)**

INR / 1 USD : 81.5522  
INR / 1 GBP : 90.7703  
INR / 1 EUR : 80.1093  
INR /100 JPY: 56.4400

### **EQUITY MARKET**

Sensex: 57426.92 (+ 1016.96)  
NIFTY : 17094.30 (+ 276.20)  
Bank NIFTY: 38631.95 (+984.15)

**(CMA Chittaranjan Chattopadhyay)**

**Chairman,**

**Banking, Financial Services & Insurance Board**

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