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DAILY NEWS DIGEST BY BFSI BOARD

November 01, 2022

OPERATIONALISATION OF CENTRAL BANK DIGITAL CURRENCY-WHOLESALE (E₹-W) PILOT: RBI vide Press Release dated October 7, 2022 had announced that the Reserve Bank will soon commence pilot launches of Digital Rupee (e₹) for specific use cases. Accordingly, the first pilot in the Digital Rupee - Wholesale segment (e₹-W) shall commence on November 1, 2022.The use case for this pilot is settlement of secondary market transactions in government securities. Use of e₹-W is expected to make the inter-bank market more efficient. Settlement in central bank money would reduce transaction costs by pre-empting the need for settlement guarantee infrastructure or for collateral to mitigate settlement risk. Nine banks, viz., State Bank of India, Bank of Baroda, Union Bank of India, HDFC Bank, ICICI Bank, Kotak Mahindra Bank, Yes Bank, IDFC First Bank and HSBC have been identified for participation in the pilot.The first pilot in Digital Rupee - Retail segment (e₹-R) is planned for launch within a month.
(RBI Press Release)

RBI IMPOSES MONETARY PENALTY ON VAKRANGEE LIMITED: The Reserve Bank of India (RBI) has imposed a monetary penalty of ₹1,76,00,000 (Rupees One Crore and Seventy Six Lakh only) on Vakrangee Limited (the entity) for non-compliance with certain provisions of the White Label ATM (WLA) directions. The penalty has been imposed in exercise of powers vested in RBI under Section 30 of the Payment and Settlement Systems Act, 2007 (PSS Act). This action is based on deficiencies in regulatory compliance and is not intended to pronounce upon the validity of any transaction or agreement entered into by the entity with its customers.
(RBI Press Release)

RBI DISCUSSES 50 YEARS' JOURNEY OF BASIC STATISTICAL RETURNS AT THE BSR@50 CONFERENCE: The Reserve Bank organised the BSR@50 Conference on October 28, 2022 to discuss the role of Basic Statistical Returns (BSR) system in supporting the expanse of the Indian banking system and financial inclusion policies during the last 50 years (1972-2022) and reflect on the way forward. The participants included officers of the Reserve Bank, representatives of major commercial banks, including their Chief Compliance Officers, and select ex-officials who contributed to the BSR system in the past.
(RBI Press Release)

CENTRE'S FISCAL DEFICIT WIDENS TO RS 6.20 LAKH CRORE IN APRIL-SEPTEMBER: The Central government's fiscal deficit widened to Rs 6.20 lakh crore in April-

September, accounting for 37.3 percent of the full-year target, data released on October 31 by the Controller General of Accounts showed. The Centre is targeting a fiscal deficit of Rs 16.61 lakh crore for FY23, or 6.4 percent of GDP.
(Moneycontrol)

CORE SECTORS' GROWTH QUICKENS TO 7.9% IN SEPTEMBER: India's eight core sectors grew 7.9 percent in September, quickening from an upwardly revised 4.1 percent in August, the commerce ministry said on October 31. Output in six of the eight core sectors grew in September. These sectors include coal, refinery products, electricity, fertilisers, cement and steel, said the ministry. For the financial year 2022-23, the central bank has cut its projection of gross domestic product growth to 7 percent from the 7.2 percent earlier estimated. While India’s economy is expected to be the fastest-growing major economy this year, the recovery faces headwinds such as a looming global slowdown, quick monetary tightening across the world and the continued economic impact of the Russia-Ukraine war.
(Moneycontrol)

SEBI ISSUES NORMS TO STANDARDISE USAGE OF RATING SCALES: SEBI has issued rules that credit rating agencies (CRAs) should follow to standardise the use of rating scales by them. CRAs analyse and rate financial instruments, mainly on the debt side, and suggest the risks involved based on the ratings they accord to the instruments. But the ratings are often filled with jargon and complicated for a common person to understand.
According to SEBI, ‘rating outlook’ indicates CRA’s view on the expected direction of the rating movement in the near to medium term, whereas a ‘rating watch’ indicates a CRA’s view on the expected direction of the rating movement in the short term. CRA will have to assign a rating outlook and disclose the same in the press release. Also, the regulator has specified standard descriptors for rating watch and rating outlook.
Rating watch with positive implications, developing implications and negative implications are the three standard descriptors that should be used when an issuer security is placed on rating watch, SEBI said to make it less complicated. Further, stable, positive and negative are the standard descriptors to be used when an issuer or security is placed on rating outlook, SEBI said. The new rules will be effective from January.
Also, SEBI said that rating symbols should have CRA’s first name as prefix. Under this, issuers with ‘AAA’ rating symbols are considered to have the highest degree of safety regarding timely servicing of debt obligations. Debt exposures to such issuers carry lowest credit risk.
While issuers with ‘AA’ and ‘A’ rating symbols are understood to have high and adequate degree of safety, respectively with regard to timely servicing of debt obligations. Debt exposures to such issuers carry very low to low credit risk.
As per SEBI, issuers with BBB rating are considered to have moderate degree of safety regarding timely servicing of debt obligations. Debt exposures to such issuers carry moderate credit risk. Those with BB, B and C ratings are considered to have ‘moderate’, ‘high’, ‘very

high' risk of default, respectively pertaining to timely servicing of debt obligations and issuers with D rating are in default or are expected to be in default soon.
(Business Line)

EPFO RELAXES WITHDRAWAL NORMS FOR EPS-95 SUBSCRIBERS: EPFO on Monday decided to allow withdrawal of accumulations in Employees' Pension Scheme 1995 (EPS-95) for those subscribers who have only less than six months of service left. Further, the board has recommended extending proportionate pensionary benefits for members who have been in the scheme for more than 34 years.
(Business Standard)

BOND YIELDS RISE FOR SECOND MONTH: Indian government bond yields clocked their second straight month of gains in October after ending higher on Monday, tracking similar move in U.S. yields, with traders cautious ahead of a few key central bank meetings this week.The benchmark Indian 10-year government bond yield ended at 7.4454%, after closing at 7.4161% on Friday. The yield has risen five basis points (bps) this month, after jumping 21 bps in September.
(Business Standard)

RUPEE FALLS FOR 10TH STRAIGHT MONTH, RECORDS LONGEST MONTHLY LOSING STREAK SINCE 1985: The rupee slipped over 30 paise on Monday to close at 82.775 against the US dollar, in line with the losses in most other Asian currencies, amid cautiousness ahead of a few key central bank meetings this week.The domestic currency crashed 1.77% against the greenback in October, recording a decline for the 10th straight month. The last time it had a positive month against the dollar was in December 2021. With this, the domestic unit marked the longest monthly losing streak since 1985. The string of monthly losses has put the rupee on course for its worst annual performance in almost a decade.
(Economic Times)

RETAIL INFLATION RISES TO 6.49 PC, FOOD INFLATION AT 7.76 PC FOR INDUSTRIAL WORKERS IN SEPTEMBER: Retail inflation for industrial workers rose to 6.49 per cent in September from 5.85 per cent in August 2022 and 4.40 per cent during the corresponding month a year before mainly due to higher prices of certain food items, according to the government data released. Similarly, food inflation stood at 7.76 per cent against 6.46 per cent of the previous month and 2.26 per cent during the corresponding month a year ago, a labour ministry statement said. The All-India CPI-IW (Consumer Price Index-Industrial Workers) for September, 2022 increased by 1.1 points and stood at 131.3.
(Economic Times)

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SMALL SIZED LOANS OF UPTO RS 10 CRORES NOW ACCOUNT FOR 60% OF BANK LOANS, SAYS RBI DY GUV: Small is emerging to be beautiful for commercial banks and the mainstay of their business. The share of smaller loans – of up to Rs.10 crore – in total loans has increased to 60 per cent in 2022 from 45 per cent in 2014 according to RBI deputy governor Michael Patra. Capturing the evolution of the financial landscape in the country over the past 50 years, Patra underscored that the patterns of financial intermediation are shifting.

(Economic Times)

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FINANCIAL TERMINOLOGY/CONCEPTS

PPF vs EPF vs GPF

Public Provident Fund (PPF): This fund is available for the general public. Any person having a PAN may open a PPF account for self and his/her minor children and deposit up to Rs 1.5 lakh in a financial year taking together the contributions made in all the accounts opened against the PAN. The maturity period of a PPF account is 15 years, which may be extended on maturity for a block of 5 years any number of times. The contributions to PPF accounts are eligible for tax benefits u/s 80C of the Income Tax Act and the interests and maturity amounts are also tax-free.

Employees' Provident Fund (EPF): The benefits of EPF are available to employees of an organization. Private sector companies having more than 20 employees need to adopt EPF mandatorily to provide retirement benefits to employees having a basic salary of up to Rs 15,000 per month. It is optional for the employees having a higher basic salary. Under EPF, an employer contributes 12 per cent of his/her basic salary and the employer also makes a matching contribution. An employee has the option to enhance the contribution level beyond 12 per cent. There are three benefits of EPF – lump sum PF withdrawal at the time of retirement, regular pension under Employees' Pension Scheme (EPS) and insurance benefit under Employees' Deposit Linked Insurance (EDLI). Employer's entire matching contribution up to 12 per cent of the basic (Basic+DA) salary is tax free. Interest received on employees' contributions above Rs 2.5 lakh has become taxable.

General Provident Fund (GPF): GPF is available to government employees who joined their services on or before December 31, 2003 and are getting pension benefits under the Old Pension Scheme (OPS) for accumulating their retirement corpus. Eligible government employees may contribute minimum 6 per cent of their emoluments and maximum up to 100 per cent of their emoluments.Unlike EPF, there is no contribution from the government and only the employees contribute to GPF. So, GPF is more like PPF. But the differences are that GPF is not available to the general public and the investment limit has now been set at Rs 5 lakh in a financial year. Interest on contribution over Rs 5 lakh in a financial year was made taxable.

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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 : 82.3934
INR / 1 GBP : 95.5351
INR / 1 EUR : 81.9232
INR /100 JPY: 55.7400

EQUITY MARKET

Sensex: 60746.59 (+786.74)
NIFTY : 18012.20 (+225.40)
Bank NIFTY: 41307.90 (+317.10)

(CMA Chittaranjan Chattopadhyay)
Chairman,
Banking, Financial Services & Insurance Board