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DAILY NEWS DIGEST BY BFSI BOARD, ICAI

July 3, 2021

- **Canara Bank to raise Rs 3,400 cr in capital via Additional Tier-I bonds:** Public sector lender Canara Bank is planning to raise up to Rs 3,400 crore in capital by issuing fresh Additional Tier-I bonds (AT1) to replace maturing bonds and support growth. The bonds worth around Rs 2,500 crore are maturing in the current financial year. The bank has not fixed the time for fresh AT1 bonds for now, bank officials said. India Ratings (Indi-Ra) has assigned "AA\stable" rating for proposed offering of AT1 bonds. The bank is also likely to raise equity capital of up to Rs 2,500 crore from institutional investors in the current quarter (Q2FY22) after announcing results for the first quarter (Q1FY22), bank officials said. The bank had raised Rs 2,000 crore through another QIP in December 2020. Its capital adequacy ratio (CAR) stood at 13.18 per cent with tier I at 10.08 per cent at end of March 2021. In May 2021, its board approved a plan to raise up to Rs 9,000 crore in FY22, out of which Rs 2,500 crore will be through a Qualified Institutional Placement (QIP).
https://www.business-standard.com/article/finance/canara-bank-to-raise-rs-3-400-cr-in-capital-via-additional-tier-i-bonds-121070200674_1.html
- **RBI imposes Rs 25 lakh on Punjab and Sind Bank:** The Reserve Bank of India on Friday imposed a penalty of Rs 25 lakh on Punjab and Sind Bank for non-compliance with certain provisions of directions on 'Cyber Security Framework in Banks'. The state-owned bank had reported a few cyber incidents to the RBI on May 16 and 20, 2020, the central bank said while giving details. "Examination of the incident reports and the report of the forensic analysis of the said incidents revealed, non-compliance with aforesaid directions," it said. The RBI issued a show-cause notice to the bank. "After considering the bank's reply to the show-cause notice, oral submissions made during the personal hearing and examination of further clarifications/ documents furnished by the bank, RBI came to the conclusion that to the extent the charges of non-compliance with RBI directions were substantiated, it warranted imposition of monetary penalty," the central bank said.
https://www.business-standard.com/article/economy-policy/reserve-bank-of-india-imposes-rs-25-lakh-penalty-on-punjab-sind-bank-121070300042_1.html
- **HDFC earns Rs 263 crore profit on sale of investments during June 2021 quarter:** The country's largest mortgage lender HDFC Ltd on Friday said it earned Rs 263 crore as profit on sale of investments during the first quarter of the current financial year. Its profit on sale of investments during the June 2020 quarter had stood at Rs 1,241 crore, HDFC said in a regulatory filing. During the June 2021 quarter, the mortgage lender sold its entire stake in associate company Good Host Spaces for Rs 54 crore and sold part stake in insurance arm HDFC ERGO General Insurance Company for Rs 209 crore. The company's stake in HDFC ERGO General Insurance stood at 49.98 percent as of June 30, 2021, it said.
<https://www.moneycontrol.com/news/business/hdfc-earns-rs-263-crore-profit-on-sale-of-investments-during-june-2021-quarter-7119901.html>



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- **Karnataka Gramin Bank records ₹14 crore net profit in 2020-21:** The Ballari-headquartered Karnataka Gramin Bank (KGB), sponsored by Canara Bank, registered a net profit of ₹14.04 crore during 2020-21 as against a profit of ₹18.61 crore in 2019-20. A press statement said that the bank has been consistently earning profits since inception. The bank registered an income of ₹3,478 crore as against ₹3,233 crore in the previous fiscal. It said that the bank continues to be the largest regional rural bank (RRB) in southern India with a total business of ₹55,855 crore during 2020-21 and the second largest RRB in the country, it said. The deposits of the bank stood at ₹31,068 crore, and advances at ₹24,787 crore during the financial year 2020-21.
<https://www.thehindubusinessline.com/money-and-banking/karnataka-gramin-bank-records-14-crore-net-profit-in-2020-21/article35085383.ece>
- **Parliamentary panel to study bank mergers and recapitalisation schemes:** The Subordinate Legislation Committee of the Parliament, which examines whether the rules and regulations drafted by executive is in tune with the Acts passed, has decided to study the merger of certain public sector banks and the bank recapitalisation schemes of the Centre. The Committee will see if the regulations and rules framed for both the purposes are in tandem with the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 and the Nationalised Banks (Management and Miscellaneous Provisions) Scheme of 1970. The matter came up for discussion on Wednesday when the panel was examining Regulations framed by UCO Bank, Indian Overseas Bank, Bank of Maharashtra and Bank of India under Section 19 of the Banking (Acquisition and Transfer of Undertakings) Act 1970. The members in the panel asked the representatives from the Department of Financial Services to furnish details of the merger and recapitalisation schemes, too, before the panel and before the Parliament.
<https://www.thehindubusinessline.com/economy/policy/parliamentary-panel-to-study-bank-mergers-and-recapitalisation-schemes/article35083062.ece>
- **Beating pandemic: IIFL to hire 5,000 people, open 700 branches in FY22:** Fairfax-backed IIFL Finance is planning to open 700 branches in India's small cities and towns this fiscal year, defying a popular perception that the pandemic has crippled the brick-and-mortar business model. The non-banking finance company will likely hire about 5,000 people to run these branches. The retail-focused lender obtained approval from the Reserve Bank of India for the new branches. By the end of the fiscal year in March 2022, IIFL Finance will have about 3,300 branches, as it aims to expand its services to a larger number of people who do not have easy access to credit. "Local presence is a huge boost to customers' trust and helps better collection," chairman Nirmal Jain said. "Despite being at the forefront of technology, we continue to invest in the physical network of branches for local storage of gold, so that loan disbursement and release of collateral can be done in a few minutes."
<https://economictimes.indiatimes.com/industry/banking/finance/banking/ beating-pandemic-iifl-to-hire-5000-people-open-700-branches-in-fy22/articleshow/84043460.cms>
- **RBI warns against allowing Big Tech firms into financial services:** Entry of the so-called Big Tech companies in financial services in emerging markets such as India could present challenges to regulators towards maintaining adequate stability and governance of the ecosystem, the Reserve Bank of India said on Thursday. The central bank flagged monopolistic practices, antitrust issues, cybersecurity risks, and challenges around data privacy as key concerns that could emerge. "Big Techs



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offer a wide range of digital financial services...of several advanced and emerging market economies," RBI said in its biannual Financial Stability Report. "While this holds the promise of supporting financial inclusion and generating lasting efficiency gains... concerns have intensified around a level-playing field with banks, operational risk, too-big-to-fail issues, challenges for antitrust rules, cyber security and data privacy."

<https://economictimes.indiatimes.com/tech/technology/rbi-warns-against-allowing-big-tech-firms-into-financial-services/articleshow/84044019.cms>

- **ED attaches assets of son-in-law of Ahmed Patel in Sandesaras case:** The Enforcement Directorate has provisionally attached eight immovable properties, three vehicles & several bank accounts/shares/mutual funds having total value of Rs. 8.79 crore under provisions of Prevention of Money Laundering Act in Sandesara Group bank fraud case. These include assets of son-in-law of late Congress leader Ahmed Patel and Bollywood actor Dino Morea. These attached assets belong to Sanjay Khan (Rs. 3 Crore), Dino Morea (Rs. 1.40 Crore), Aqeel Abdulkhalil Bachooali (Rs. 1.98 Crore) and Irfan Ahmed Siddiqui (Rs.2.41 Crore). Siddiqui is son-in-law of late senior Congress leader Ahmed Patel.
<https://economictimes.indiatimes.com/industry/banking/finance/banking/ed-attaches-assets-in-sandesaras-case/articleshow/84066757.cms>
- **RBI tweaks norms for interest on unclaimed amount after deposit matures:** The Reserve Bank of India (RBI) on Friday tweaked the norms for interest on the amount left unclaimed with the bank after a term deposit matures. Currently, if a term deposit matures and the proceeds are unpaid, the amount left unclaimed with the bank attracts the rate of interest as applicable to savings deposits. "On a review...it has been decided that if a term deposit (TD) matures and proceeds are unpaid, the amount left unclaimed with the bank shall attract rate of interest as applicable to savings account or the contracted rate of interest on the matured TD, whichever is lower," the RBI said in a circular. The new norms are applicable for deposits in all commercial banks, small finance banks, local area banks, and cooperative banks.
https://www.business-standard.com/article/economy-policy/rbi-tweaks-norms-for-interest-on-unclaimed-amount-after-deposit-matures-121070201421_1.html
- **Paytm sets aside Rs 50 crore for cashbacks, to train merchants on digitisation:** Ahead of its initial public offering, digital payments firm Paytm has set aside Rs 50 crore for cashbacks on transactions done by merchants and customers through its app. Commemorating six years of Digital India, the company also plans to conduct on-ground activities in more than 200 districts to train merchants on digitisation and reward them for increased adoption of cashless payments. "India has made significant strides in its Digital India mission, which empowers all with technological advancements. This mission is bound to contribute to the country's growing economy. Paytm's guaranteed cashback offer is to recognise the top merchants, who are at the heart of India's growth and have made Digital India a success," Paytm Founder and CEO Vijay Shekhar Sharma said.
<https://www.moneycontrol.com/news/business/startup/paytm-sets-aside-rs-50-crore-for-cashbacks-to-train-merchants-on-digitisation-7115971.html>



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- **ULIPs are gaining popularity, says Bajaj Allianz Life study:** Unit linked insurance plans (ULIPs) seem to be gaining more popularity amongst investors as stock markets remain bullish. A study by Bajaj Allianz Life Insurance revealed that two out of three Indians intend to invest in ULIPs in the coming year. It also revealed that the affinity towards ULIPs have increased for nine out of 10 investors, post the first wave of pandemic. “The affinity for ULIP is higher in non-metros at 67 per cent and among mass-affluent Indians (66 per cent) compared to average Indians,” the firm said.
<https://www.thehindubusinessline.com/money-and-banking/ulips-are-gaining-popularity-says-bajaj-allianz-life-study/article35083703.ece>
- **MSME, retail NPAs may rise as relief measures get wound down:** The Reserve Bank of India on Thursday cautioned that banks face the prospect of a rise in non-performing loans, particularly in their small and medium enterprises (SME) and retail portfolios, especially as regulatory relief is wound down. The RBI’s latest Financial Stability Report (FSR) noted that banks remained relatively unscathed by pandemic-induced disruptions, cushioned by regulatory, monetary and fiscal policies. The report reflects the collective assessment of the Sub-Committee of the Financial Stability and Development Council (FSDC-SC) on risks to financial stability. “Within the domestic financial system, credit flow from banks and capital expenditure of corporates remain muted.
<https://www.thehindubusinessline.com/money-and-banking/msme-retail-npas-may-rise-as-relief-measures-get-wound-down/article35084911.ece>
- **Policy support has contained impairment of banks’ balance sheets: RBI:** The Reserve Bank of India (RBI) said unprecedented policy support has contained the impairment of balance sheets of banks in India despite the dent in economic activity brought on by waves of the pandemic. In its latest Financial Stability Report, the central bank observed that banks’ performance and balance sheet quality have turned out to be better than anticipated at the beginning of the pandemic in terms of deposit growth, decline in Gross Non-Performing Assets, capital adequacy and improved profitability. Stress tests indicate a limited impact of macroeconomic and other shocks on the Indian banking sector, it added.
<https://www.thehindubusinessline.com/money-and-banking/policy-support-has-contained-impairment-of-banks-balance-sheets-rbi/article35085463.ece>
- **Success of a bad bank initiative will depend upon design aspects: RBI:** The Reserve Bank of India (RBI) said the aggregation of assets by the proposed National Asset Reconstruction Company Limited (NARCL) is expected to assist in turning around the assets and eventually offloading them to Alternative Investment Funds (AIFs) and other potential investors for further value unlocking. Banks are understood to have identified 22 stressed consortium loans (₹500 crore and above) aggregating about ₹89,000 crore for transferring to NARCL, popularly termed as a “bad bank”.
<https://www.thehindubusinessline.com/money-and-banking/success-of-a-bad-bank-initiative-will-depend-upon-design-aspects-rbi/article35085538.ece>
- **Edelweiss Group divests stake in Edelweiss Gallagher Insurance Brokers:** Edelweiss Group on Friday announced the divestment of its 70 per cent stake in Edelweiss Gallagher Insurance Brokers Ltd (EGIBL). “Gallagher, who previously held 30 per cent in the business, will now be acquiring all the



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remaining shares, taking its stake to 100 per cent,” it said in a statement, adding that the transaction is subject to approvals by the Insurance Regulatory and Development Authority of India. In a regulatory filing, Edelweiss said the transaction is likely to be completed within 10 months.

<https://www.thehindubusinessline.com/companies/edelweiss-group-divests-entire-stake-in-edelweiss-gallagher-insurance/article35108861.ece>

- **Indian crypto exchanges flounder as banks cut ties after RBI frown:** Indian cryptocurrency exchanges are scrambling to secure viable, permanent payment solutions to ensure seamless transactions after banks and payment gateways started cutting ties with them, six industry insiders said. The exchanges are struggling to cope after the Central bank, the Reserve Bank of India (RBI), which has said it does not favour digital currencies, out of concern over their impact on financial stability, informally asked banks to steer clear. Customer complaints have inundated all India’s key exchanges as the pull out by major payment gateways has hit transactions, according to social media and users.
<https://www.thehindubusinessline.com/money-and-banking/indian-crypto-exchanges-flounder-as-banks-cut-ties-after-rbi-frown/article35090585.ece>
- **Mswipe looks to transform into a digital bank for small merchants:** Mswipe is looking to transform into a full digital bank for small merchants by offering them more focussed products. “We should be looking at a digital bank focussed on small merchants and try to cover the merchant ecosystem to the best of our ability. We should be a one stop shop for whatever the merchant needs relating to payment and finance starting from a payment terminal, QR or terminal. We will also look at how to help them with their business with inventory management, lending, buy now pay later platform that is more focussed on the merchant’s requirement,” said Ketan Patel, CEO, Mswipe.
<https://www.thehindubusinessline.com/money-and-banking/mswipe-looks-to-transform-into-a-digital-bank-for-small-merchants/article35095587.ece>
- **Stress report: Loan loss ratios could rise but banks have enough capital, says RBI:** The Reserve Bank of India (RBI) estimates loan losses at banks could rise 232 basis points y-o-y to 9.8% by March 2022 in a baseline stress scenario, even as banks are well-capitalised to manage the stress. With the pandemic having hurt businesses across sectors, the gross non-performing asset (NPA) ratio could rise to 10.36% by March 2022 if the stress is moderate and 11.22% if it is severe, the central bank said on Thursday. Among the sectors that have been badly hit by the lockdowns and curfews are retail trade, travel, hospitality, aviation and MSMEs. The government has come out with credit guarantee schemes for MSMEs as also for the healthcare sector which should help revive businesses and rein in defaults.
<https://www.financialexpress.com/industry/banking-finance/stress-report-loan-loss-ratios-could-rise-but-banks-have-enough-capital-says-rbi/2282358/>
- **Forex reserves rise by \$5 billion to lifetime high of \$609 billion:** The country's foreign exchange reserves surged by \$5.066 billion to touch a record high of \$608.999 billion in the week ended June 25, 2021, RBI data showed. In the previous week ended June 18, the reserves had declined by \$4.418 billion to \$603.933 billion. During the week under review, the increase in the forex reserves was on account of a rise in foreign currency assets (FCA), a major component of the overall reserves, Reserve Bank of India's (RBI) weekly data showed. FCA rose by \$4.7 billion to \$566.24 billion.



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<https://www.moneycontrol.com/news/business/economy/forex-reserves-rise-by-5-billion-to-lifetime-high-of-609-billion-7119411.html>

- **LIC HFL slashes home loan rates to all-time low of 6.66%:** Housing loan lender LIC Housing Finance Ltd on July 2 said it has slashed the home loan interest rates under special limited period offer to 6.66 percent. Accordingly, new borrowers whose loans are getting sanctioned till August 31, 2021, will be eligible for the special offer provided the first disbursement is availed on or before September 30, 2021, LIC HFL said in a statement. The rates now start from 6.66 percent for loans up to Rs 50 lakh for salaried individuals, the company said. The rate of interest offered is linked to the borrower's creditworthiness, as reflected by their CIBIL scores. At 6.66 percent, LIC Housing Finance Ltd has offered its lowest ever rate of interest on housing loans with a maximum tenure of 30 years, the company said.
<https://www.moneycontrol.com/news/business/lic-hfl-slashes-home-loan-rates-to-all-time-low-of-6-66-7119441.html>
- **Rupee falls for 4th day against USD, settles 19 paise down at 74.74:** The rupee declined for the fourth straight day to end 19 paise lower at 74.74 (provisional) against the US currency on Friday as a firm dollar and expectations of further spike in crude oil prices weighed on investor sentiment. At the interbank foreign exchange market, the rupee opened on a negative note at 74.71 per dollar against its previous close of 74.55. It hovered in the range of 74.65 to 74.87 per dollar during the day before ending at 74.74. The domestic currency has lost 55 paise in the four trading sessions to Friday.
<https://www.moneycontrol.com/news/business/markets/rupee-falls-for-4th-day-against-usd-settles-19-paise-down-at-74-74-7118781.html>
- **Gold prices gain for 2nd straight day to touch Rs 47,587/10 gm, rises 0.80% in the week; silver slips :** Gold prices rose for the second consecutive day by Rs 324 to Rs 47,587 per 10 gram at the Mumbai retail market on declining Treasury yield, safe-haven due to worries over rising Delta variant and continuous fall in rupee. The precious metal gained Rs 382 or 0.80 percent during the week in the domestic market. The rate of 10 gram 22-carat gold in Mumbai was Rs 43,590 plus 3 percent GST, while 24-carat 10 gram was Rs 47,587 plus GST. The 18-carat gold quoted at Rs 35,690 plus GST in the retail market. Silver prices dropped by Rs 185 to Rs 69,975 per kg against its closing price on July 1.
<https://www.moneycontrol.com/news/business/commodities/gold-prices-gain-for-2nd-straight-day-to-touch-rs-4758710-gm-rises-0-80-in-the-week-silver-slips-7119001.html>
- **Sensex up 166 pts at closing, Nifty above 15,700:** The BSE Sensex closed at 52,484.67, up 166.07 points or 0.32 per cent. It hit an intraday high of 52,527.90 and a low of 52,177.68. The Nifty 50 closed near the day's high of 15,738.35 at 15,722.20, up 42.20 points or 0.27 per cent. It hit an intraday low of 15,635.95. The breadth of the market continued to remain positive with 1,907 stocks advancing, 1,305 declining and 136 remaining unchanged on the BSE. As many as 505 securities hit the upper circuit and 276 the lower circuit; 444 hit their 52-week high while 23 touched a 52-week low. Divi's Labs, Reliance, ICICI Bank, Coal India and Tata Consumer were the top gainers on the Nifty 50 while Tata Steel, JSW Steel, Britannia, PowerGrid and Grasim were the top laggards.



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<https://www.thehindubusinessline.com/markets/stock-markets/sensex-up-166-pts-at-closing-nifty-above-15700/article35098151.ece>

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