



ICMAI
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Telephones: +91-33- 2252-1031/1034/1035
+ 91-33-2252-1602/1492/1619
+ 91-33- 2252-7143/7373/2204
Fax :+91-33-2252-7993
+91-33-2252-1026
+91-33-2252-1723

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DAILY NEWS DIGEST BY BFSI BOARD

03 July 2024



ECONOMY

India's trade dependence on China, EU rose in Q1 of 2024, says UNCTAD: India's trade dependence on China and the EU increased in the first quarter of 2024 while it reduced on Saudi Arabia, the United Nations Trade and Development (UNCTAD) said Tuesday. In its Global Trade Update, it said that the global trade trends have turned positive and global trade growth was driven by increased exports from China, India, and the US, while Europe and Africa disappointed. As per the report, India's trade dependence on the EU and China increased 1% and 1.2%, respectively while that on Saudi Arabia fell 0.5% in the quarter.

(Economic Times)

PSBs on the margins in credit cards, but NPAs ahead by a wide margin: Indian public sector lenders have been late entrants into credit cards, and the latest data on delinquencies and expenditures showed they remain relative stragglers in a revenue stream dominated by privately owned banks. But, at the same time, the state-run players are learning the tricks of the trade - and have a very limited value at risk. For PSU banks, non-performing assets (NPAs) of credit cards outstanding are the highest among all retail sub-sectors - at 11.3% - as of March 2024. The comparative figure is about 2% for private sector and foreign banks, Reserve Bank of India data showed.

(Economic Times)



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BANKING & FINANCE



HDFC Bank's foreign ownership limit hints at possible MSCI weight hike, Nuvama sees \$3-4 billion of inflows: The latest foreign ownership pattern of HDFC Bank, released on July 2, implies that the bank's shares are eligible to be considered for a weight increase at the upcoming MSCI index revision, potentially leading to inflows worth \$3-4 billion. The foreign ownership as on July 2 has been recorded at 54.83 percent, which is below the MSCI's eligibility requirement of 55.5 percent to be considered for a weight increase. HDFC Bank's weight in the MSCI EM index is at 3.8 percent, and the drop in foreign ownership in the bank to just below 55 percent opens headroom for potential inflows. The decision on weight increase is expected to be announced by MSCI on August 13, and a Nuvama Research note had recently projected that in case HDFC Bank qualified, it could see inflows worth \$3-4 billion between now and end of August.

(Moneycontrol)

RBI moots rationalisation of norms for export, import transactions: The Reserve Bank of India (RBI) has proposed the rationalisation of norms governing export and import transactions to promote ease of doing business and empower banks to give quicker and more efficient services to foreign exchange customers. According to draft norms, every exporter should furnish a declaration specifying the amount representing the full export value of the goods or services. The amount representing the full export value of goods and services shall be realised and repatriated to India within nine months from the date of shipment for goods and the date of invoice for services, RBI said. The RBI today released the draft regulations under The Foreign Exchange Management Act (FEMA) and directions to authorised dealer banks and sought comments by September 1, 2024. The draft proposed that the authorised dealer may place an exporter, who has not realised the full value of the export within the time specified, on the caution list. An exporter who has been caution-listed can undertake export only against receipt of advance payment in full or against an irrevocable letter of credit, to the satisfaction of the authorised dealer. The draft said no advance remittance for the import of gold and silver should be permitted unless specifically approved by the central bank.

(Business Standard)



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Kotak Mutual Fund resumes subscription in Kotak Small Cap Fund: Confident that the earnings growth of small-cap companies will improve, Kotak Mutual Fund has resumed subscription in its small cap fund from today. The fund will accept fresh subscriptions through lumpsum investment, systematic investment plan (SIP), systematic transfer plan (STP), frequency or such other special products in the units of Kotak Small Cap Fund.

(Economic Times)

INDUSTRY OUTLOOK



Zomato withdraws NBFC licence application, says doesn't want to pursue lending biz:

Food and grocery delivery major Zomato has decided to withdraw its application for a non-banking financial company (NBFC) licence, saying it doesn't wish to pursue the lending business anymore. The decision to withdraw the application was taken by the board of Zomato Financial Services Limited, a wholly owned subsidiary, the company said in an exchange filing on July 2. "There is no material impact on the revenue/operations of the company and this disclosure is being made voluntarily," Zomato said.

(Moneycontrol)

Hindenburg receives show-cause notice from SEBI for violating Indian regulations:

Hindenburg Research dismissed as 'nonsense' a purported show-cause notice from the Securities and Exchange Board of India (SEBI), that has said the short-selling hedge fund engaged in fraudulent and unfair trade practices concerning trading in Adani Enterprises' stock and violated Indian regulations. The US-based investment research firm stated on its website the notice from SEBI, has been "concocted to serve a pre-ordained purpose: an attempt to silence and intimidate those who expose corruption and fraud perpetrated by the most powerful individuals in India." It added that SEBI seemed to be more interested in "pursuing those who expose such practices."

(Business Line)

Zerodha may end zero brokerage structure for equity delivery trades after Sebi's order:

With the new Sebi circular that mandates uniform charges by market infrastructure institutions like stock exchanges, brokerages are feeling the heat. Zerodha's Nithin Kamath on Tuesday said the brokerage may have to go back on zero brokerage structure or increase brokerage for F&O (futures and options) trades. Sebi said charges levied by market infrastructure institutions such as stock exchanges, clearing corporations and depositories should be uniform and not based on volumes.

(Economic Times)



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REGULATION & DEVELOPMENT

Union Minister Shri G Kishan Reddy Launches NIRMAN Portal: Union Minister for Coal and Mines, Shri G Kishan Reddy launched a portal “Noble Initiative for Rewarding Mains Aspirants of National Civil Services Examination (NIRMAN)” in New Delhi today. In alignment with the vision “Mission Karmayogi” of Prime Minister Narendra Modi, this is a unique CSR scheme by Coal India Limited for meritorious youth of its operating districts who have qualified the Preliminary round of UPSC examination (for Civil Services & Forest Service) in 2024. Secretary, Ministry of Coal Shri Amrit Lal Meena, other senior officers of the Coal Ministry and CMDs of Coal Companies were present on the occasion. The scheme is aimed towards providing support of Rs 1,00,000/- (Rupees One Lakh) to the Preliminary examination qualified candidates with annual family income less than 8 lakhs and belonging to Scheduled Caste, Scheduled Tribe, female or third gender; who are permanent residents of any of the 39 operational districts of CIL.

(PiB)

Kotak Group Fund named in Sebi notice owns over 1% in seven companies: A Kotak Group Fund named in the show cause notice issued by the Securities and Exchange Board of India (Sebi) to Hindenburg Research owns more than one percent stake in at least seven other firms listed on Indian bourses. To be sure, K India Opportunities Fund Limited - Class F, which is the FPI named in the Sebi notice, is a sub-fund of Kotak Group's K India Opportunities Fund, which has a total of nine sub-funds, with each registered with the capital markets regulator as a separate FPI. According to the Sebi notice, K India Opportunities Fund Limited – Class F, a Sebi-registered FPI, traded in the shares of Adani Enterprises before the report was published and then squared off its entire short position after the publication of the report, making a profit of Rs 183.24 crore or \$22.25 million.

(Moneycontrol)



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+91-33-2252-1026
+91-33-2252-1723



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FINANCIAL TERMINOLOGY

WATERFALL MECHANISM FOR LIQUIDATION

- ❖ The waterfall mechanism under Insolvency and Bankruptcy Code gives priority to secured financial creditors over unsecured financial creditors.
- ❖ The mechanism says that if a company is being liquidated, these secured financial creditors must be first paid the full extent of their admitted claim, before any sale proceeds are distributed to any other unsecured creditor.
- ❖ Under Section 53 of the IBC, which deals with waterfall mechanism, the top most priority, however, is given to costs related to the liquidation process and dues of workmen of the corporate debtor. The dues of the workmen include all their salaries, provident, pension, retirement and gratuity fund, as well as any other funds maintained for the welfare of the workmen.



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RBI KEY RATES

Repo Rate: 6.50%
SDF: 6.25%
MSF & Bank Rate: 6.75%
CRR: 4.50%
SLR: 18.00%
Fixed Reverse Repo: 3.35%

FOREX (FBIL 1.30 PM)

INR / 1 USD : 83.5150
INR / 1 GBP : 105.5457
INR / 1 EUR : 89.8411
INR /100 JPY: 51.6500

EQUITY MARKET

Sensex: 79441.45 (-34.74)
NIFTY: 24123.85 (-18.10)
Bnk NIFTY: 52168.10 (-406.65)

Courses conducted by BFSI Board

- ❖ **Certificate Course on Concurrent Audit of Banks**
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- ❖ **Certificate Course on Treasury and International Banking**
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 - ❖ **Aide Memoire on lending to MSME Sector (including restructuring of MSME Credit).**
 - ❖ **Guidance Note on the Internal Audit of General Insurance Companies.**
 - ❖ **BFSI Chronicle (quarterly issue of BFSIB)**
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**Banking, Financial Services & Insurance Board
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