

DAILY NEWS DIGEST BY BFSI BOARD

05 March 2024

BANKING & FINANCE



'Serious deviations in certifying purity': RBI bars IIFL Finance from sanctioning new gold loans: The Reserve Bank of India (RBI) on Monday directed IIFL Finance Ltd to stop sanctioning or disbursing gold loans or assigning, securitising, or selling any of its gold loans. IIFL, however, can continue to service its existing gold loan portfolio through the usual collection and recovery processes, the central bank said. The banking regulator's move came after it observed certain material supervisory concerns in the gold loan portfolio of the company, including "serious deviations in assaying and certifying purity and net weight of the gold at the time of sanction of loans and at the time of auction upon default". The RBI also observed breaches in loan-to-value ratio, significant disbursement, and collection of the loan amount in cash far in excess of the statutory limit, non-adherence to the standard auction process, and lack of transparency in charges being levied to customer accounts, etc.

(Business Today)

SBI moves Supreme Court, seeks more time to furnish electoral bond details: Citing operational difficulty, State Bank of India has moved the Supreme Court for extending the date to submit details of electoral bonds till June 30, 2024. Earlier, the Court had asked the bank to submit the details by March 6, while quashing the scheme. In an application, the bank said details of purchases made at the branches are not maintained centrally at any one place. The data related to the issuance of the bond and the data related to the redemption of the bond was kept recorded in two different silos. "No central database was maintained. This was done so as to ensure that donors' anonymity would be protected," the bank said.

(Business Line)

Interoperability of internet banking system in 2024: RBI's Shaktikanta Das: RBI is working to allow interoperability for internet banking transactions which is expected to be operational in 2024 and will facilitate quicker settlement of funds for merchants, Governor Shaktikanta Das said

on Monday. The move is aimed at addressing delays in the actual receipt of payments by merchants and is a part of the regulator's payment vision 2025. The RBI has approved implementing such a system for NPCI Bharat BillPay Ltd (NBBL). The new system will facilitate quicker settlement of funds for merchants," Das said here while addressing the RBI's Digital Payments Awareness Week celebrations. Noting that Internet banking is one of the oldest modes for online merchant payment transactions, he said that such transactions at present processed through payment aggregators (PAs) are not interoperable, meaning, a bank is required to separately integrate with each PA of different online merchants. "As a result, if a customer wants to make payment from his bank account to a certain merchant, the merchant's PA and the customer's bank must have an arrangement. Given the multiple number of payment aggregators, it is difficult for each bank to integrate with each PA. Further, due to the lack of a payment system and a set of rules for these transactions, there are delays in actual receipt of payments by merchants and settlement risks," he said while explaining the need for interoperability. Emphasising the need for secured digital transactions, Das said all operators and participants of authorised payment systems are required to do a time-bound resolution of failed transactions.

(Business Standard)

Banks' NPAs at record lows as recoveries up: Banks' bad loans have fallen to record lows as recoveries from defaulters rise and many who missed payments have regularised, but lenders are looking at building buffers anticipating some stress, said CareEdge Ratings. Bad loans fell 21% in the last calendar to Rs 4.85 lakh crore, from a year earlier. The ratio of gross bad loans could improve to 2.8% this year from 2.9% last year. Write-offs stood at Rs 34,000 crore from Rs 29,000 crore in the December quarter last year.

(Business Line)



ECONOMY

India's unemployment rate in 2023 dropped to 3.1%, shows NSO data: India's unemployment rate dropped to 3.1 per cent in 2023 from 3.6 per cent in the preceding year, reflecting continued improvement in the labour markets, revealed the latest employment-unemployment indicators report released by the National Statistical Office (NSO) on Monday. During the calendar year 2023 (CY23), the unemployment rate in both rural and urban areas declined to 2.4 per cent and

5.2 per cent, respectively, from 2.8 per cent and 5.9 per cent in 2022. The unemployment rate for rural women (1.9 per cent) was lower than for rural men (2.7 per cent) in 2023, whereas in urban areas, the rate was higher for women (7.5 per cent) compared to men (4.4 per cent).

(Business Standard)

Indian consumer sentiment dips to a four-month low, shows data: The Centre for Monitoring Indian Economy Index of Consumer Sentiments dipped in February to its lowest level since October 2023. The decline was observed in occupation groups, including farmers and salaried employees. Those involved in business, as well as small traders and wage labourers, were the relative outperformers. The survey asks households about their current well-being and their expectations for the future. It also enquires about perceptions of the country as a whole, in addition to their propensity to spend on consumer goods.

(Business Standard)

Govt's AI advisory only for large platforms, not for startups: MeitY: Union Minister Rajeev Chandrasekhar on Monday said the recent advisory for artificial-intelligence (AI) platforms, issued by the Ministry of Electronics and Information Technology (MeitY), applied only to large ones and not for startups. While briefing the media on the advisory, Chandrasekhar said it was sent to all AI platforms and intermediaries in the country, including Google Gemini and Ola Krutrim, India's first AI unicorn. Chandrasekhar said the advisory aimed to prevent untested AI platforms from being deployed on the Indian internet. "Process of seeking permission, labelling and consent based disclosure to users about untested platforms is an insurance policy to platforms who can otherwise be sued by consumers," he further added. MeitY's advisory has asked social-media intermediaries and AI platforms to get permission before launching AI products in the country.

(Business Standard)

INDUSTRY OUTLOOK



Tata Motors demerger: Commercial, passenger vehicle biz to become separate listed entities: Tata Motors Ltd (TML) on March 4 informed the stock exchanges of its decision to demerge its businesses into two separate listed entities, namely the commercial vehicles (CV) and passenger vehicles (PV) businesses. "The demerger is a logical progression of the subsidiarisation of PV and EV businesses done earlier in 2022 and shall further empower the respective businesses to pursue their respective strategies to deliver higher growths with greater agility while reinforcing accountability,"

said the carmaker. Over recent years, Tata Motors' CV, Passenger Vehicles (PV+EV), and Jaguar Land Rover (JLR) businesses have implemented distinct growth strategies and since 2021, these businesses have been functioning independently under their respective CEOs, added Tata Motors. The demerger will be implemented through an NCLT scheme of arrangement and all shareholders of TML shall continue to have identical shareholding in both the listed entities, said the carmaker in a stock exchange filing, adding that necessary shareholder, creditor, and regulatory approvals could take a further 12-15 months to complete the demerger.

(Moneycontrol)

WTO MC13: India blocks EU proposal to link trade with industrial policy: India blocked the move by the European Union to launch deliberations linking international trade policy with industrial policy of economies at the just concluded 13th World Trade Organisation (WTO) ministerial (MC13). India argued that since industrial policy is in the concurrent list and involves policy making by states which may not impact international trade, such scrutiny beyond the current level of analysis of export subsidies is not required. "Industrial policy is a very wide topic. In India, industrial policy is in the concurrent list meaning both centre and states have the authority to formulate policies. So if a state government decides to incentivize industrial development, why should we allow scrutiny at the WTO? The factory may not even be exporting," an Indian negotiator said, requesting anonymity.

(Financial Express)



REGULATION & DEVELOPMENT

FM calls for clarity on classification-related issues under GST at the earliest: Union Finance Minister Nirmala Sitharaman on March 4 asked the central and state GST officials to provide clarification on classification-related issues under the indirect tax regime at the earliest. "Sitharaman stressed that clarity on classification-related issues should be looked into at the earliest through appropriate channels. She exhorted the GST officials to engage with stakeholders to understand their concerns, enhance compliance, streamline processes, and work collaboratively towards making the tax system more transparent and efficient," the Finance Ministry said in a statement. Sitharaman was speaking at the inaugural national conference of enforcement chiefs of the states and the central Goods and Services Tax (GST) in New Delhi. The conference aimed at facilitating understanding and

streamlining operations of the tax authorities in enforcement actions undertaken by different indirect tax authorities.

(Moneycontrol)

Promoting Voluntary Compliance through e-Verification Scheme-2021: The Income Tax Department receives information of specified financial transactions of taxpayers from various sources. To increase transparency and to promote voluntary tax compliance, this information is reflected in the Annual Information Statement (AIS) module and is available to the taxpayer for viewing. In some cases of Income Tax Returns (ITRs) filed for A.Y. 2021-22 (F.Y. 2020-21), a 'mismatch' has been identified, between the information filed in the ITR vis-à-vis information of specified financial transactions, as available with the Department. In cases where ITRs for A.Y. 2021-22 have not been filed and, the Department is in possession of information of specified high value financial transactions, the same also needs to be examined. Accordingly, as part of the e-Verification Scheme-2021, the Department is in the process of sending communication(s) to the taxpayers for the mismatch in information pertaining to A.Y. 2021-22 (F.Y. 2020-21). This information is being communicated to the taxpayers through their e-mail accounts as registered with the Income Tax Department. Vide the said communication, the Department is urging taxpayers, to view their AIS through the e-filing portal and file updated ITRs (ITR-U), wherever found necessary by the taxpayer. Eligible non-filers can also submit updated returns (ITR-U) u/s 139(8A) of the Income-tax Act, 1961. Last date for filing of updated returns (ITR-U) for A.Y. 2021-22 (i.e. for F.Y. 2020-21) is 31.03.2024.

(Business Line)



FINANCIAL TERMINOLOGY

RESERVE CURRENCY

- ❖ A reserve currency is a large quantity of currency maintained by central banks and other major financial institutions to prepare for investments, transactions, and international debt obligations, or to influence their domestic exchange rate. A large percentage of commodities, such as gold and oil, are priced in the reserve currency, causing other countries to hold this currency to pay for these goods.
- ❖ A reserve currency reduces exchange rate risk since there's no need for a country to exchange its currency for the reserve currency to do trade.
- ❖ Since 1944, the U.S. dollar has been the primary reserve currency used by other countries. As a result, foreign nations closely monitor the monetary policy of the United States to ensure that the value of their reserves is not adversely affected by inflation or rising prices.
- ❖ In 1944, following the Bretton Woods Agreement, delegates from 44 nations formally agreed to adopt the U.S. dollar as an official reserve currency. Since then, other countries pegged their exchange rates to the dollar, which was convertible to gold at the time. Because the gold-backed dollar was relatively stable, it enabled other countries to stabilize their currencies.



ICMAI
THE INSTITUTE OF
COST ACCOUNTANTS OF INDIA
(Statutory Body under an Act of Parliament)

www.icmai.in

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

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 : 82.8954
INR / 1 GBP : 104.9815
INR / 1 EUR : 89.9028
INR /100 JPY: 55.1300

EQUITY MARKET

Sensex: 73872.29 (+66.14)
NIFTY: 22405.60 (+27.20)
Bnk NIFTY: 47456.10 (+158.60)

Courses conducted by BFSI Board

- ❖ **Certificate Course on Concurrent Audit of Banks**
- ❖ **Certificate Course on Credit Management of Banks**
- ❖ **Certificate Course on Treasury and International Banking**
- ❖ **Certificate Course on Investment Management**
- ❖ **Certificate Course on General Insurance.**

For details please visit
BFSIB portal of the ICMAI
website

Publications by BFSI Board

- ❖ **Aide Memoire on Infrastructure Financing.**
- ❖ **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)**
- ❖ **Handbook on Stock & Book Debts Audit (Revised and Enlarged 2nd Edition)**
To purchase please visit
BFSIB portal of ICMAI

TEAM BFSIB

Banking, Financial Services & Insurance Board
The Institute of Cost Accountants of India (ICMAI)

Disclaimer: Information published in the Daily News Digest are taken from publicly available sources and believed to be accurate. BFSI Board of ICMAI takes no responsibility for the accuracy and reliability of information published in the Daily News Digest. No part of this Daily News Digest may be reproduced, stored in a retrieval system, or transmitted in any form or by any means - electronic, mechanical, photocopying, recording, or otherwise without the permission of BFSIB of ICMAI. For Restricted Circulation only. A Compilation of News in this regard from Secondary Sources.