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DAILY NEWS DIGEST BY BFSI BOARD

05 April 2024

BANKING & FINANCE



RBI's currency derivatives diktat puts FPIs in a spot: Foreign portfolio investors (FPIs) are in a bind over the new currency derivatives diktat from the Reserve Bank of India. From April 5, all market participants will have to declare any underlying position in the currency derivatives market, even if it is for a single lot, or square-off all the positions. FPIs were allowed to participate in exchange-traded currency derivatives (ETCD) from 2014 and a framework was designed to allow them to take long or short positions in all currency pairs up to a single limit of \$100 million combined across all recognised stock exchanges, without the need to establish “underlying exposure” in the form of equities, bonds, mutual funds, or any other permissible financial instruments. FPIs, along with other market participants, have played a major role in bringing liquidity to the ETCD contracts listed on the bourses, said experts. Some of these investors will be compelled to square off their positions before April 5; they would face penal action if they fail to do so. Custodians who handle trades for these investors have reached out to the RBI for clarity on the matter. “FPIs who have no underlying positions, as well as foreign brokers who have set up their India shop for prop or high frequency trading and have taken a view on the market without an underlying, will have to square off their positions,” said an industry official.

(Business Line)

Banks emerge cleaner, more robust: Although not easy, one of the successes of the 10 years of the NDA rule has been the reforms in the banking sector. Measures such as cleaning of bank balance-sheets with asset quality review (AQR), implementation of the IBC code, increasing financial inclusion and bank consolidation have ensured that the banking sector is in much better health than it was 10 years ago. While there are few issues such as lop-sided credit growth of retail loans and governance problems at some banks, these are not insurmountable. The healthy glow that banks now sport is due, in a large part, to the AQR exercise initiated in 2015. AQR was a balance-sheet clean up exercise, which led to re-classification of restructured advances as non-performing assets/NPAs.

(Business Line)



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HDFC Bank's gross advances surge 55.4% to Rs 25.08 trn in Q4 FY24: HDFC Bank, the largest private-sector lender in the country, has reported an increase in deposits of Rs 1.66 trillion in the January-March period, translating into a growth rate of 7.5 per cent over the previous quarter. This addressed investors' concern over a high credit-deposit ratio. On a year-on-year basis, deposits grew by 26.4 per cent to Rs 23.8 trillion. The bank's stock came under pressure in the third quarter after deposits grew only Rs 41,000 crore, which resulted in the credit-deposit ratio increasing to 110 per cent. HDFC was merged with HDFC Bank on July 1, 2023, and the figures for Q4FY24 are not comparable to those for Q4 FY23.

(Business Standard)



ECONOMY

Gold hits lifetime high on Powell's comment on rate cuts: Gold hit a fresh lifetime high price of Rs 70,275 per 10 grams in the domestic market, according to MCX. On April 05, the glittering metal opened at a price of Rs 69,868 per 10 grams. However, Gold came off high and was getting quoted at Rs 69,801 per gram. The metal touched an intraday low of Rs 69,800. The futures contract for the June expiry of the yellow metal rose to an all-time high of Rs 69,908. Market participants said that US Fed chair Jerome Powell's comments on rate cuts are taking the gold rally towards new highs. On April 04, US Fed Powell hinted at the possibility of rate cuts, helping gold bulls to sustain this rally, said Bhavik Patel, commodity and currency analyst at Tradebull Securities.

(Financial Express)

RBI defers implementing rules on exchange-traded forex derivatives to May 3: The Reserve Bank of India (RBI) Thursday deferred the implementation of norms on exchange-traded currency derivatives (ETCDs) linked to Indian rupee until May 3 following concerns by investors. The norms were scheduled to take effect starting Friday. Now, rupee-denominated currency contracts traded on the National Stock Exchange (NSE) and the BSE require underlying exposure. Though traders are not required to provide evidence of underlying exposure for positions up to \$100 million, they must confirm the existence of such exposure. The RBI said the regulatory framework for participation in ETCDs involving the rupee is guided by the provisions of the Foreign Exchange Management Act (FEMA), 1999, and regulations framed thereunder, which mandate that currency



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derivative contracts involving rupee — both over-the-counter (OTC) and exchange traded — are permitted only for the purpose of hedging of exposure to foreign exchange rate risks.

(Business Standard)

US trade deficit widens in February on strong imports: The U.S. trade deficit widened for a second straight month in February as an increase in exports to a record high was offset by surging imports, suggesting trade could be a drag on economic growth in the first quarter. The trade deficit increased 1.9% to \$68.9 billion, the Commerce Department's Bureau of Economic Analysis said on Thursday. Data for January was revised slightly to show the trade gap rising to \$67.6 billion instead of \$67.4 billion as previously reported. Economists polled by Reuters had forecast the deficit little changed at \$67.3 billion in February. When adjusted for inflation, the goods trade deficit increased 1.2% to \$87.0 billion in February. Most of the imported goods likely ended up as inventories, which could offset the anticipated hit on gross domestic product from the widening trade gap.

(Moneycontrol)

INDUSTRY OUTLOOK



India set to become Apple's third-largest iPhone market by 2026, surpassing UK and Japan: India is likely to surpass Japan and UK to become the third largest market for Apple in terms of shipments in 2026, according to Counterpoint Research Market Outlook. It said 2023 was a record year for Apple in India. It was the first year when iPhone shipments crossed the 10-million mark in the country. For the first time, Apple became the top brand in India in terms of revenue. At the same time, "Made in India" smartphones contributed 13 per cent of Global iPhone shipments in 2023, compared to one per cent in 2018, the global research firm said. It added that owing to these efforts and Apple's brand affinity, India is likely to remain the fastest growing market for Apple in 2024 and 2025.

(Business Line)

India has given over \$1 bn to private firms under PLI scheme: Official: India has paid \$1.02 billion as incentives to boost local manufacturing, following over \$13 billion in investments from private firms under a scheme introduced in 2020, a top government official said on Wednesday. The 1.97-trillion-rupee (\$24 billion) production-linked incentive scheme (PLI) is India's key industrial policy and covers 14 sectors ranging from electronic products to drones. Critical to Prime Minister Narendra Modi's plans to promote India as a global manufacturing hub, the scheme has



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drawn participation from large global and Indian firms including Apple , Foxconn, Samsung Electronics, Hindustan Unilever Ltd and Reliance Industries.

(Business Line)



REGULATION & DEVELOPMENT

CBDT enables ITR filing for FY 24; 23,000 returns filed in 4 days: The Income Tax department on Thursday said ITRs 1, 2, 4 and 6 have been made available on e-filing portal from April 1, 2024, and about 23,000 returns have already been filed for the 2023-24 fiscal year. This is for the first time in recent years that the Income Tax department has enabled taxpayers to file their I-T Returns on the first day of the new financial year and, is a step towards ease of compliance and seamless taxpayer services. ITR Form 1 (Sahaj) and ITR Form 4 (Sugam) are simpler forms that cater to a large number of small and medium taxpayers. ITR-2 is filed by people having income from residential property). "The ITRs -- i.e. ITR-1, ITR-2 and ITR-4 -- commonly used by taxpayers are available on the e-filing portal from April 1, 2024 onwards for taxpayers to file their returns. Companies will also be able to file their ITRs through ITR-6 from April 1 onwards," the CBDT said. Sahaj can be filed by a resident individual having income of up to Rs 50 lakh and who receives income from salary, one house property, other sources (interest) and agricultural income of up to Rs 5,000. Sugam can be filed by individuals, Hindu Undivided Families and firms -- other than Limited Liability Partnerships (LLPs) -- being a resident having total income up to Rs 50 lakh and income from business and profession.

(Economic Times)

From RIL to Adani Power, top firms see cessation of independent directors: More than 130 independent directors in nearly 75 companies have stepped down from their posts after the 10-year 'grandfathering period' ended on March 31. Notable firms like Reliance Industries, Adani Power, Larsen & Toubro, Asian Paints, Avenue Supermarts, and Marico have announced the departure of independent directors in the past week. Under the Companies Act 2013, an independent director can serve a maximum of two terms of five years each. Independent directors who had already served the maximum when the amendment of the Act came into effect were given an additional 10 years to relinquish their positions. This additional period of 10 years is referred to as the grandfathering period. Industry insiders said many companies have already onboarded new independent directors or are in the process of doing so. "If any company is short on the minimum requirement of an



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independent director, they will have to fill the position within three months and seek shareholder approval. A number of companies will induct new independent directors onto their boards. This may also bring fresh individuals as many individuals have registered as directors by qualifying the exams and requirements,” said Shriram Subramanian of InGovern Research Services – a proxy advisory firm. While the grandfathering period was a generous 10 years, India Inc appeared to have acted slowly when it came to replacing old-timers. At the end of FY21, there were 235 companies with at least one independent director having served more than 10 years. The count fell to 213 at the end of FY22 and 198 at the end of FY23. The latest figure couldn’t be ascertained immediately.

(Business Standard)



FINANCIAL TERMINOLOGY

INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS (ICAAP)

- ❖ In terms of the guidelines on BASEL II, the banks are required to have a board-approved policy on internal capital adequacy assessment process (ICAAP) to assess the capital requirement as per ICAAP at the solo as well as consolidated level.
- ❖ The ICAAP is required to form an integral part of the management and decision-making culture of a bank. ICAAP document is required to clearly demarcate the quantifiable and qualitatively assessed risks.
- ❖ The ICAAP is also required to include stress tests and scenario analyses, to be conducted periodically, particularly in respect of the bank's material risk exposures, in order to evaluate the potential vulnerability of the bank to some unlikely but plausible events or movements in the market conditions that could have an adverse impact on the bank's capital.



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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 : 83.4204
INR / 1 GBP : 105.6011
INR / 1 EUR : 90.4927
INR /100 JPY: 55.0200

EQUITY MARKET

Sensex: 74227.63 (+350.81)
NIFTY: 22514.65 (+80.00)
Bnk NIFTY: 48060.80 (+436.55)

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