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DAILY NEWS DIGEST BY BFSI BOARD

05 September 2024



ECONOMY

Demand for short-term govt debt may decline: G-Sec market participants expect the demand for short-term government securities (G-Secs) to reduce, as there are expectations that the Reserve Bank of India (RBI) may lower the additional run-off factor from 5% to 2-2.5%. The run-off factor is a situation in which banks are supposed to hedge against chances of deposits being withdrawn. It leads to greater requirement for high-quality liquid assets, primarily government bonds. In July, the RBI had issued draft guidelines for liquidity coverage ratio (LCR), in which it had proposed a higher run-off factor. However, banks have requested the RBI to ease new norms, saying that increased bond investments necessitated by the fresh guidelines would hurt margins and adversely impact lending.

(Financial Express)

World Bank's view India must join RCEP flawed: GTRI: The World Bank's suggestion that India should re-consider joining Regional Comprehensive Economic Partnership (RCEP) for potential boosts in trade, investment and growth is a flawed one as other members of the grouping have seen their trade deficits with China zoom after the agreement became operational, according to trade policy think tank Global Trade Research Initiative (GTRI). The World Bank made the suggestion in its latest India Development Update released on Tuesday. The report's assumption that India would gain significantly from joining RCEP, based on the study by Petri and Plummer (2020), is flawed. The study projected income gains of USD 60 billion by 2030 but neglected to highlight a crucial detail: the majority of these hypothetical gains would come from a rise in imports rather than exports, GTRI said.

(Financial Express)

India Services PMI rises to 60.9, highest since March: Contrary to manufacturing, the services sector showed better performance in August, as the Purchasing Managers' Index (PMI) surged to 60.9 as against 60.3 in July. This is the 37th consecutive month of expansion. Also, the August print was the highest since March. Another positive factor is that job creation continued its



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momentum in August, albeit at a slower pace. The services sector contributes more than 53 per cent to GVA (Gross Value Added). The better numbers from the services sector benefit Composite PMI (Services plus manufacturing), which shows how the private sector is doing overall. “The Composite PMI for India continued to show strong growth in August, driven by accelerated business activity in the service sector, which experienced its fastest expansion since March. This growth was largely fuelled by an increase in new orders, particularly domestic orders.

PMIs in services and manufacturing are prepared based on responses from purchasing executives of 400 companies each. An index above 50 means expansion, while an index below 50 reflects contraction.

(Business Line)

BANKING & FINANCE



State-owned Canara Bank mobilises \$300 mn through IFSC banking unit: State-owned Canara Bank on Wednesday said it has mobilised \$ 300 million via the IFSC Banking Unit. The net proceeds from the issue of the notes will be applied by the Issuer's IFSC Banking Unit at Gandhinagar towards the general corporate purposes, Canara Bank said in a regulatory filing. The bonds with maturity of 5 years carry a coupon rate of 4.896 to be paid semi annually.

(Business Standard)

Star Health to collaborate with foreign insurers for inward reinsurance: Star Health and Allied Insurance is looking to collaborate with insurers in Africa and West Asia for inward reinsurance opportunities through GIFT City, said Anand Roy, managing director, Star Health and Allied Insurance on Wednesday. Inward reinsurance is a contract between two insurance companies, where the transferring insurer will act as the reinsurer. In March 2024, Star Health – the largest standalone health insurance – received approval from IFSCA to establish an IFSC International Office at GIFT City. “Many customers come to India for treatment. So, we can become an inward reinsurance provider for them as well as a concierge provider for claim services. These are the opportunities that GIFT City provides for us,” Roy said.

(Business Standard)

A bigger share of bank deposits comes at higher rates now: More than two-thirds of the deposits mobilised by banks by the end of June 2024 were contracted at interest rates of 7% and



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above compared with 45% a year ago, latest central bank data showed, pointing to the higher returns lenders are now having to offer to garner deposits from savers to meet burgeoning credit demand. The latest Reserve Bank of India (RBI) data showed that banks offered interest rates above 7% on ₹77.63 lakh crore deposits as of June 2024, as against ₹45.12 lakh crore deposits as of June 2023.

(Economic Times)

INDUSTRY OUTLOOK



Sebi initiates enquiry into the leak of August 6 letter alleging toxic work culture: The Securities and Exchange Board of India (Sebi) has initiated an enquiry into the leak of the letter dated August 6, which, among other things, alleged that there was a toxic work culture at the regulatory body. Sources familiar with the development said that the regulator decided to initiate an enquiry after it emerged that the Sebi employee associations did not send the letter to the government and in fact, even condemned sharing the letter externally with the government and leaking to the media since it was an "internal issue". "In fact, the letter of August 06, 2024 was not sent by the SEBI employee associations to the Government (and a section of the media). It was an anonymous email that was sent, and officers and associations have themselves condemned it and communicated the same to HRD through emails," added the Sebi statement.

(Moneycontrol)

Ebix exits bankruptcy after acquisition by Eraaya LifeSpaces: Ebix, a global provider of software and e-commerce services to the insurance, financial, and healthcare industries, has emerged from Chapter 11 bankruptcy after being acquired by BSE-listed Eraaya LifeSpaces. The company is now debt-free worldwide and exited Chapter 11 proceedings in less than nine months, according to a statement. "Ebix will continue to be a US-domiciled company, adhering to the laws of the respective international geographies it operates in," the company stated. "Eraaya's investment in Ebix will not adversely affect any of Ebix's responsibilities in any geography, as the company will continue to operate as usual."

(Financial Express)

Government selects Reliance Industries for 10-GWh ACC battery unit: The government has awarded 10-GWh Advanced Chemistry Cell (ACC) capacity battery unit to Reliance Industries Ltd (RIL) under production linked incentive (PLI) scheme based on the quality and cost-based selection (QCBS) mechanism. ACC batteries are a new generation of energy storage technology that can store and convert electric energy and are used in a variety of applications, including electric vehicles (EVs),



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renewable energy storage, consumer electronics, and power backup. The Centre had approved a National Programme on ACC battery storage to encourage the development of the battery storage ecosystem and electric mobility in India.

(Business Standard)



REGULATION & DEVELOPMENT

Govt launches Vishvasya-Blockchain Technology Stack, a national blockchain framework to enhance digital trust and governance: The Ministry of Electronics and Information Technology (MeitY) launched the Vishvasya-Blockchain Technology Stack, a framework offering Blockchain-as-a-Service (BaaS) through a geographically distributed infrastructure. The new framework, introduced by MeitY Secretary Shri S. Krishnan, aims to strengthen digital trust and service delivery. Alongside the Vishvasya stack, Shri Krishnan also unveiled the NBFLite platform, a lightweight blockchain designed for startups and academia to rapidly prototype applications, and Praamaanik, a blockchain-enabled solution for verifying mobile app origins. Additionally, the National Blockchain Portal was launched to further support blockchain initiatives across the country. The National Blockchain Framework (NBF) is designed to promote research, application development, and secure digital service delivery.

(Moneycontrol)

Govt extends interest equalisation scheme for exporters till September 30: The government has extended the interest equalisation scheme on pre- and post-shipment rupee export credit for one more month till September 30. The scheme, which provides exporters interest benefits, ended on August 31. In June, it was extended for two months. In a trade notice, the Directorate General of Foreign Trade (DGFT) said, "Trade and industry is hereby informed that the Interest Equalization Scheme for Pre and Post Shipment Rupee Export Credit, which had earlier been extended up to August 31 as a fund limited scheme, has been further extended for one month i.e., up to September 30, 2024." It said, however, this extension is applicable only for MSME manufacturing exporters. On December 8, 2023, the Union Cabinet approved an additional allocation of Rs 2,500 crore for the continuation of the scheme up to June 30. The scheme is fund-limited, and benefits to individual exporters are capped at Rs 10 crore per annum per IEC.

(Business Line)



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To boost capex, FinMin relaxes norms for expenditure exceeding Rs 500 cr: The finance ministry has relaxed norms for expenditure exceeding Rs 500 crore to accelerate capex (capital expenditure) that is pegged at Rs 11.11 trillion for the current fiscal. This will give a push to government spending which suffered a slowdown for a couple of months due to general elections. Finance Minister Nirmala Sitharaman in the Budget proposed to raise the capital expenditure target by 11.1 per cent to record Rs 11.11 trillion for 2024-25. To provide requisite operational flexibility in the execution of the Budget, it has been decided to relax rules for big releases above Rs 500 crore for all items of expenditure in the current financial year, an office memorandum dated September 2, 2024, said.

(Business Standard)



FINANCIAL TERMINOLOGY



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ROUTING TRANSIT NUMBER (RTN)

- ❖ A routing transit number is a nine-digit number used to identify a bank or financial institution when clearing funds for electronic transfers or processing checks in the United States. The American Bankers Association (ABA) established routing transit numbers in 1910.
- ❖ A routing number or routing transit number is a 9 digit number that identifies financial institution in a transaction and the location where your bank account was opened. Most common types of transaction are ACH and wire transfers.
- ❖ Some banks and financial institutions usually have multiple routing numbers serving different purposes, geographical regions and branches.
- ❖ A routing number is required in a variety of situations, including setting up direct deposit, automatic loan payments or recurring transfers like bill payments.
- ❖ If a customer is planning to send or receive money through his bank, he will likely come across the terms such as routing number (ABA), SWIFT / BIC code, IBAN, and sort code. All of them seemingly do much of the same thing which is to help banks identify where the money needs to go when being transferred, but each is required in specific situations because different countries and banks have different processes and requirements.
- ❖ The Routing numbers are used in the US to identify banks when processing domestic ACH payments or wire transfers. These are not required when making payments outside the United States.



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 : 83.9682
INR / 1 GBP : 110.0739
INR / 1 EUR : 92.7921
INR /100 JPY: 57.8200

EQUITY MARKET

Sensex: 82352.64 (-202.80)
NIFTY: 25198.70 (-81.15)
Bnk NIFTY: 51400.25 (-288.85)

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