



**THE INSTITUTE OF
COST ACCOUNTANTS OF INDIA**
(STATUTORY BODY UNDER AN ACT OF PARLIAMENT)
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DAILY NEWS DIGEST BY BFSI BOARD

December 05, 2022

EXCESSIVE OUTSOURCING OF BANKS' CORE ACTIVITIES WILL LEAD TO

CONCENTRATION RISK: Excessive outsourcing of bank's core activities will lead to concentration risk, RBI Executive Director, Ajay Kumar Choudhary warned on Saturday. While speaking at a technology conference organised by the Indian Banks association, Choudhary added that the top tier of bank management have to ensure that they don't outsource their core activities. Rather they should focus on upgrading their own core banking activities.

(Economic Times)

SBI, RIL, INFY AMONG TOP LISTED COMPANIES TO HIRE DIFFERENTLY

ABLED: India's leading 50 listed companies together employed 12,295 people with disabilities (PWDs) on a permanent basis in FY22, an analysis of their annual report disclosures on the International Day of Persons with Disabilities shows. Among them, SBI, Reliance Industries and Infosys are in the top of the list.

(Economic Times)

ODISHA BAGS RS 10.48 TRN WORTH OF INVESTMENT INTENT AT MAKE IN

ODISHA CONCLAVE: Odisha received Rs 10.48 trillion worth of investment intent across 741 proposals at the five-day-long Make in Odisha Conclave 2022 held in Bhubaneswar. Minerals, metal, metal ancillary and downstream received maximum intent of over Rs 5.49 trillion. This was followed by power, renewable and green energy sector at Rs 2.38 trillion. Logistics and infrastructure sector are likely to attract investments of Rs 1.19 trillion.

(Financial Express)

AMAZON WEB SERVICES TO INVEST IN INDIAN SPACE START UPS, HELP ISRO

IN SPACE DATA MANAGEMENT: Aiming to tap the multi-dollar opportunity in the Indian space sector, Amazon Web Services (AWS) will invest in the country's space start ups and will collaborate with the Indian Space Research Organisation (ISRO) in space data management. At AWS re:Invent 2022, AWS announced that it successfully ran a suite of AWS compute and machine learning (ML) software on an orbiting satellite, in a first-of-its-kind space experiment. The experiment, conducted over the past 10 months in low Earth orbit (LEO), was designed to test a faster, more efficient method for customers to collect and analyze valuable space data directly on their orbiting satellites using the cloud. Providing AWS edge capabilities onboard an orbiting satellite for the first time lets customers automatically analyze massive volumes of raw satellite data in orbit and only downlink the most useful images for storage and further analysis, driving down cost and enabling timely decision-making.

(Business Today)



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FOREIGN INVESTORS UPGRADE INDIA AS DEDICATED ALLOCATION IN INVESTMENT PORTFOLIOS:

Foreign investors have upgraded India as a dedicated allocation in their investment portfolios given the strong economy, stable government and significant reforms undertaken over the last eight years, equity experts have said. According to the experts, who participated in Futures Industry Association (FIA) Asia trade conference held in Singapore from November 29 to December 1, investment is flowing into India's growth story.

(Business Line)

NO KEY ECONOMIC BILL AMONG 16 LISTED FOR THE WINTER SESSION:

Wait for Data Protection Bill and Bills to amend Banking Act, Insolvency law and Competition Commission Act, etc gets longer as the Government has not included these Bills in the legislative business for the winter session of Parliament. The session is due to start on December 7 and continue till December 29 with total of 17 sittings.

(Business Line)

STATES CAPITAL SPENDS UP BY 2.2% IN 1ST HALF DESPITE HUGE SPIKE IN REVENUES:

Capital expenditure of 18 states has risen just 2.2 per cent in the first half of the current fiscal even as their combined revenue deficit has narrowed to more than one-fourth from the year-ago period, according to a report. This means that there has to be a massive 57 per cent increase in their capital outlays to meet their FY23 budgeted target, Icra Ratings said in an analysis on the available numbers from 18 of the largest states, which have budgeted for a combined capital outlay of Rs 6.2 lakh crore. But these states have collectively spent only Rs 1.59 lakh crore so far this fiscal, which is just about a growth of 2.2 per cent annualised. Revenue deficits of these 18 states have narrowed to a low Rs 30,000 crore in the first half of the current fiscal from Rs 1.3 lakh crore in the corresponding period in FY22.

(Business Standard)

IBBI CHIEF BATS FOR PUTTING VALUATION OF IBC ENTITIES IN PUBLIC DOMAIN:

In a move that might enhance transparency in corporate resolution, the Insolvency and Bankruptcy Board of India (IBBI) is working on steps to put the entire valuation of an entity under resolution in the public domain. Batting for transparency, IBBI Chairperson Ravi Mital said on Saturday that some of the assumptions for bidding in the resolution process might go bad if the bidding was delayed. "There is a need for transparency and to increase the speed of the process," Mital said.

(Business Standard)

KERALA COOPERATIVE SECURES SECOND POSITION IN GLOBAL SECTORAL RANKING:

World Co-operative Monitor, published by the International Cooperative Alliance, has honoured a primary level labour cooperative in Kerala. Vadakara-based Uralungal Labour Contract



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Cooperative Society (ULCCS) has been ranked second in the list of Industry and Utilities Cooperatives in the sectoral rankings, for the third consecutive year, a statement said here. ULCCS has been named just below the Spain-based Corporation Mondragon. This ranking is based on the ratio of turnover over gross domestic product (GDP) per capita. ULCCS bagged the same position in 2018 and 2019, it said. The Industry and Utilities section includes cooperatives operating in industrial sectors with the exception of the food industry as well as those whose economic activity deals with utilities. The World Cooperative Monitor, a project designed to collect robust economic, organizational, and social data about cooperatives worldwide, is the only report of its kind collecting annual quantitative data on the global cooperative movement.

(Business Standard)

DON'T HIKE REPO RATE BY MORE THAN 25-35 BPS: ASSOCHAM'S ADVICE TO

RBI: With Reserve Bank of India's (RBI) Monetary Policy Committee (MPC) set to meet to decide on the policy rate revision, industry lobby body Assocham has urged the former for a moderate hike. Assocham has also requested the RBI to treat retail loans for purchase of electric vehicle (EV) as priority sector lending. According to Assocham, the interest rate hike should be moderate so that the rising cost of borrowing does not have an adverse and disproportionate impact on the nascent economic recovery post the pandemic. At most, the new rate hike should not exceed the 25-35 basis points (bps) band, Assocham said in a letter to RBI Governor Shaktikanta Das, along with highlighting other issues facing the industry.

(Business Standard)

GOVT ALLOWS SALE OF ELECTORAL BONDS THROUGH 29 SBI BRANCHES FROM DEC 5-12:

The Government on Saturday authorised sale and encashment of electoral bonds through 29 branches of State Bank of India (SBI) across the country between December 5 and December 12, 2022. As per provisions of the electoral bonds scheme, these can be purchased by a person who is a citizen of India or incorporated or established in India.

A person being an individual can buy electoral bonds, either singly or jointly with other individuals. Only political parties registered under Section 29A of the Representation of the People Act, 1951 (43 of 1951) and which have secured not less than one per cent of the votes polled in the last general election to the Lok Sabha or state legislative assemblies are eligible to receive these bonds. The bonds can be encashed by an eligible political party only through a bank account with the authorised bank.

These electoral bonds are valid for 15 calendar days from the date of issue and no payment shall be made to any payee political party if the electoral bond is deposited after expiry of the validity period.

(Business Standard)

BUDGET 2023: GIVE MSMES 180 DAYS TO REPAY LOANS INSTEAD OF 90 DAYS CURRENTLY, SAYS PHD CHAMBER:

Industry body PHD Chamber of Commerce and Industry in its recommendations to the government for the upcoming budget 2023 has urged for



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increasing the provision of the 90-day limit for classifying MSMEs' over dues into non-performing assets (NPAs) to 180 days. The working cycle of MSMEs in many cases extends much beyond the 90-day period, thereby MSMEs struggle to receive timely payments from their buyers, and end up defaulting on loans in multiple cases, it said.

(Business Standard)



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FINANCIAL TERMINOLOGY/CONCEPTS

RED FLAGGED ACCOUNTS (RFA)

- ❖ A Red Flagged Account (RFA) is one where a suspicion of fraudulent activity is thrown up by the presence of one or more Early Warning Signals (EWS). These signals in a loan account should immediately put the bank on alert regarding a weakness or wrong doing which may ultimately turn out to be fraudulent.
- ❖ The threshold for EWS and RFA is an exposure of **₹ 500 million or more** at the level of a bank irrespective of the lending arrangement (whether solo banking, multiple banking or consortium). All accounts beyond ₹ 500 million classified as RFA or 'Frauds' must also be reported on the CRILC data platform together with the dates on which the accounts were classified as such.
- ❖ In case the account is classified as RFA, the FMG will stipulate the nature and level of further investigations or remedial measures necessary to protect the bank's interest within a stipulated time which cannot exceed **six months**.
- ❖ The initial decision to classify any standard or NPA account as RFA or Fraud will be at the individual bank level. Further within **15 days** of RFA/Fraud classification, the bank which has red flagged the account or detected the fraud would ask the consortium leader or the largest lender under MBA to **convene a meeting of the JLF** to discuss the issue. The meeting of the JLF so requisitioned must be convened within 15 days of such a request being received. In case there is a broad agreement, the account should be classified as a fraud; else based on the majority rule of agreement amongst banks with at least 60% share in the total lending, the account should be red flagged by all the banks and subjected to a forensic audit commissioned or initiated by the consortium leader or the largest lender under MBA.
- ❖ The **forensic audit must be completed within a maximum period of three months** from the date of the JLF meeting authorizing the audit. Within 15 days of the completion of the forensic audit, the JLF shall reconvene and decide on the status of the account. In case the decision is to classify the account as a fraud, the RFA status shall be changed to Fraud in all banks and reported to RBI and on the CRILC platform within a week of the said decision. Besides, within 30 days of the RBI reporting, the bank commissioning/ initiating the forensic audit should lodge a complaint with the CBI.



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RBI KEY RATES

Repo Rate: 5.90%
SDF: 5.65%
MSF & Bank Rate: 6.15%
CRR: 4.50%
SLR: 18.00%
Fixed Reverse Repo: 3.35%

FOREX (FBIL 1.30 PM)

INR / 1 USD : 81.1771
INR / 1 GBP : 99.3099
INR / 1 EUR : 85.4643
INR /100 JPY : 60.0700

EQUITY MARKET

Sensex: 62868.50 (- 415.69)
NIFTY : 18696.10 (-116.40)
Bnk NIFTY: 43103.80 (-156.90)

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 ICAI 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)**

To purchase please visit BFSIB portal of ICAI

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