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DAILY NEWS DIGEST BY BFSI BOARD

08 February 2025



ECONOMY

RESOLUTION OF THE MONETARY POLICY COMMITTEE FEBRUARY 5 TO 7, 2025:

The key decisions taken in the 53rd MPC meeting are as follows;

- ❑ Policy Repo rate under LAF **reduced by 25 basis points to 6.25 per cent.**
- ❑ Consequently, the SDF rate shall stand adjusted to 6.00 per cent and the MSF rate and the Bank Rate to 6.50 per cent.

These decisions are in consonance with the objective of achieving the medium-term target for CPI inflation of 4 % within a band of +/- 2 per cent, while supporting growth.

OUTLOOK:

- ❑ As per the First Advance Estimates (FAE), **real GDP** is estimated to grow at **6.4 per cent (y-o-y)** in **2024-25**.
- ❑ Household consumption is expected to remain robust aided by the tax relief in the Union Budget 2025-26.
- ❑ **Real GDP growth for 2025-26 is projected at 6.7 per cent** with Q1 at 6.7 per cent; Q2 at 7.0 per cent; and Q3 and Q4 at 6.5 per cent each.
- ❑ Headline inflation softened sequentially in November-December 2024 from its recent peak of 6.2 per cent in October.
- ❑ **CPI inflation for 2024-25** is projected at **4.8 per cent** with Q4 at 4.4 per cent.
- ❑ **CPI inflation for 2025-26** is projected at **4.2 per cent** with Q1 at 4.5 per cent; Q2 at 4.0 per cent; Q3 at 3.8 per cent; and Q4 at 4.2 per cent.
- ❑ The next meeting of the MPC is scheduled during April 7 to 9, 2025.

STATEMENT ON DEVELOPMENTAL AND REGULATORY POLICIES

The following measures are announced by RBI in its statement of regulatory and credit policy dated



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07 February 2025.

- ❑ **Introduction of forward contracts in Government securities:** To allow forward contracts in Government securities to enable further market development, RBI had issued draft directions in December 2023. The final directions, taking into account the public feedback, will be issued shortly. Such forward contracts will enable long-term investors such as insurance funds to manage their interest rate risk across interest rate cycles. They will also enable efficient pricing of derivatives that use bonds as underlying instruments.
- ❑ **Access of SEBI-registered non-bank brokers to NDS-OM:** The Negotiated Dealing System – Order Matching (NDS-OM) is an electronic trading platform for secondary market transactions in government securities. Access to NDS-OM is, at present, available to regulated entities and to the clients of banks and standalone primary dealers. With a view to widening access, it has been decided that non-bank brokers registered with SEBI can directly access NDS-OM, on behalf of their clients.
- ❑ **Comprehensive review of trading and settlement timings across various market segments:** It has been decided to set up a working group with representation from various stakeholders to undertake a comprehensive review of trading and settlement timing of financial markets regulated by the Reserve Bank. The Group is expected to submit its report by April 30, 2025.
- ❑ **Enhancing Trust in the Financial Sector through 'bank.in' and 'fin.in' domains:** To combat increased instances of fraud in digital payments, RBI is introducing the '**bank.in**' **exclusive Internet Domain for Indian banks.** The Institute for Development and Research in Banking' Technology (IDRBT) will act as the exclusive registrar. The actual registrations will commence from April 2025. Going forward, it is planned to have an exclusive domain viz., "fin.in" for other non-bank entities in the financial sector.
- ❑ **Enabling Additional Factor of authentication in cross-border Card Not Present transactions:** In order to provide safety for online international transactions using cards issued in India, it is proposed to enable AFA for international card not present (online) transactions like the domestic transactions. This will provide an additional layer of security in cases where the overseas merchant is enabled for AFA.

(RBI Press release)

US job growth slows in January, unemployment rate dips to 4%: Job creation in the United States was weaker than expected in January, according to data released by the Bureau of Labor Statistics (BLS) on Friday. Nonfarm payrolls increased by 143,000 in January, significantly lower than December's upwardly revised 307,000 and below the 169,000 forecast by Dow Jones. Meanwhile, the unemployment rate edged down to 4%. According to CNBC, the report also included



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notable benchmark revisions to 2024 payroll data, with substantial downward adjustments to previously reported figures.

(Moneycontrol)

Central Government workforce to increase by 3.5 lakh; pay bills set to rise 13%: Civilian workforce strength in Central Government Ministries and Departments is estimated to see an addition of over 3.51 lakhs by March 1, 2025. This also has an impact on pay bill (including allowances) as the amount has been revised upward by 13 per cent. Budget documents showed that actual number of civilians working in Central Government was over 33 lakhs which is estimated to rise to around 36.58 lakhs as on March 1, 2025 and this is expected to see a mild rise to 36.97 lakhs as on March 1, 2026. Interestingly, Railways, which has the maximum number on its payrolls, is likely to record a decline and its strength could come down from 12.37 lakhs as on March 1, 2024 to 12.15 lakhs on March 1, 2025, but could rise to 12.36 by March 1, 2026.

(Business Line)

BANKING & FINANCE



PhonePe to shut account aggregator business: Fintech firm PhonePe on Friday said that it has decided to wind down its account aggregator (AA) business and surrender its NBFC-AA licence to the Reserve Bank of India. The company had launched its AA services in 2023 through its wholly-owned subsidiary PhonePe Technology Services (PTSPL). The company said it had registered around 50 million customers on its AA platform in two years. “However, due to competing priorities, we have not been able to onboard as many financial information providers (FIPs) to our platform as we would have liked,” it said. It will reach out to its AA user base and inform them about the decision to wind down.

(Financial Express)

Indian banks need more than a rate cut to boost lending, bankers say: The Reserve Bank of India's (RBI) first interest rate cut in nearly five years will not be enough to spur loan growth since the tight liquidity conditions will prevent banks from passing on the benefits, three bankers said on Friday. The RBI cut rates by 25 basis points to 6.25% and said it would be watchful and proactive with liquidity measures. The banking system's liquidity has been in deficit since mid-December and hit a one-year high of over three trillion rupees (\$34.31 billion) in January.

(Economic Times)



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RBI permits opening of 156 vostro accounts with 26 banks for rupee trade: The government on Friday said so far the RBI has permitted 123 correspondent banks from 30 trading partner countries to open 156 Special Rupee Vostro Accounts (SRVAs) with 26 banks in India to promote bilateral trade in local currencies. The RBI has also entered into local currency settlement system arrangements with select trade partner countries like the UAE, Indonesia and Maldives for encouraging settlement of cross-border trade in rupee and the local bank of the partner country, Minister of State For Commerce and Industry Jitin Prasada said in a written reply to the Rajya Sabha. "As on date, RBI has permitted 123 Correspondent banks from 30 trading partner countries for opening of total 156 SRVAs with 26 AD (authorised deal) banks in India," he said.

(Economic Times)

Bank unions give 2-day strike call beginning March 24; to press for demands including 5-day work week: Bank unions have given a two-day nationwide strike call beginning March 24 to press for their various demands, including a 5-day work week and adequate recruitment in all cadres. The strike call given by United Forum of Bank Unions (UFBU), an umbrella organisation of 9 bank employees association, is also pitched for filling up the post of workmen/officer directors in public sector banks. After due discussions and deliberations, it has been decided to launch an agitational programme culminating in two days of continuous strike on March 24 and 25, 2025, UFBU said in a statement.

(Business Standard)

Banks get breather on draft LCR norms for at least a year: In a much-needed relief to banks regarding the impending implementation of the proposed liquidity coverage ratio (LCR) guidelines, which was to come into effect from April 1, Reserve Bank of India (RBI) Governor Sanjay Malhotra on Friday said these regulations would not be enforced before March 31, 2026. Furthermore, this deadline is not a hard stop, as the RBI aims to provide banks with ample time to ensure there is no disruption. Malhotra said the regulator will attempt to strike a balance between cost and benefits of regulation. "Less than two months is too short a window for the banks, we realise that. So, we will give time till at least March 31, 2026. It doesn't mean it has to be March 31, 2026. But we will aspire for that. We want to make it very smooth and it will also be phased. It will not be that all the regulations kick in from Day One, which will at the earliest be March 31, 2026," said Malhotra, in a post policy press conference.

(Business Standard)



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INDUSTRY OUTLOOK



Cabinet clears new I-T bill; to be introduced in Parliament next week: The Union Cabinet on Friday approved the new income tax bill, which will replace the six decades old I-T Act, sources said. The new bill seeks to make direct tax law simple to understand and not to impose any new tax burden. It will not have provisos and explanations or long sentences. The Cabinet, chaired by Prime Minister Narendra Modi, approved the New Income Tax Bill, sources said. Sources said the new income tax bill will now be introduced in the Parliament next week and would be sent to Parliament's Standing Committee on Finance.

(Financial Express)

Infosys lays off about 350 Mysore campus recruits; employees upset: Infosys has laid off about 350 employees, who were taken on board in October 2024 following more than two and half years of wait after getting their offer letters, according to people familiar with the matter. India's second-largest IT services company, Infosys had onboarded about 1,000 engineering graduates in October. This move comes at a time when information technology (IT) companies have been cautious on fresher hiring due to muted demand in an uncertain macroeconomic environment.

(Business Standard)

Cabinet okays creation of new South Coast Railway zone under Railways: The Union Cabinet on Friday approved the creation of a new railway zone under Indian Railways – South Coast Railway, which will consist of a part of the Waltair division, to be renamed as the Visakhapatnam division. The new railway zone has been created in accordance with the Andhra Pradesh Reorganisation Act and is expected to improve efficiency in railway operations, according to the Union Cabinet. The decision is a partial modification of the earlier Cabinet decision in February 2019 to retain the Waltair division in a truncated form and rename it as the Visakhapatnam division.

(Business Standard)



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REGULATION & DEVELOPMENT

FinMin may cut rates on small savings schemes in FY26, says govt source: Following the Reserve Bank of India's (RBI) decision to cut the benchmark policy repo rate by 25 basis points, the finance ministry may consider lowering interest rates for small savings schemes in the next financial year, a government official said. The small savings rate will be reviewed, and the new rate will be announced before April 1, 2025. The Finance Ministry on December 31 left the interest rates on various small savings schemes unchanged for the quarter beginning January 1, 2025.

(Business Today)

Cabinet approves Rs 8,800 crore more for Skill India programme: The Union Cabinet on February 7 gave a nod to the continuation and restructuring of the Central Sector Scheme 'Skill India Programme' till 2026 with an overlay outlay of Rs.8,800 crore from the period 2022-23 to 2025-26. Union minister Ashwini Vaishnaw, addressing a press briefing said that this approval underscores the government's commitment to building a skilled, future-ready workforce by integrating demand-driven, technology-enabled, and industry-aligned training across the country. "Pradhan Mantri Kaushal Vikas Yojana 4.0 (PMKVY 4.0), the Pradhan Mantri National Apprenticeship Promotion Scheme (PM-NAPS), and the Jan Shikshan Sansthan (JSS) Scheme – the three key components, are now combined under the composite Central Sector Scheme of Skill India Programme

(Moneycontrol)

Union Cabinet clears new Income Tax Bill 2025 to replace existing Income Tax Act-1961: Report: The new Income Tax Bill, approved by the Union Cabinet on Friday, is set to replace the current Income Tax Act, 1961, according to government sources cited by news agency PTI. The main objective of the bill is to streamline and modernise India's tax system by simplifying legal language to ensure that taxpayers can easily comprehend the provisions. Finance secretary has reaffirmed that the bill will not entail any new taxes but will instead concentrate on simplifying tax laws, reducing legal complexities, and facilitating compliance for taxpayers. The new bill will incorporate concise sentences, provisions, and explanations, striving to be 50% shorter than the existing law in order to decrease litigation.

(Business Today)



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FINANCIAL TERMINOLOGY

MITRA

- ❖ The Securities and Exchange Board of India (Sebi) on Tuesday released a consultation paper for a draft circular proposing a 'service platform for investors to trace inactive and unclaimed mutual fund folios' called MITRA - mutual fund investment tracing and retrieval assistant.
- ❖ The proposed platform will be developed jointly by two qualified registrar and transfer agents (QRTAs): Computer Age Management Services Limited (CAMS) and KFIN Technologies Limited.
- ❖ The platform will aim to; allow investors to trace overlooked investments or identify rightful claims, encourage investors to update 'know your customer' (KYC) details, reducing non-KYC-compliant folios and serve as a reliable, industry-level searchable database for inactive and unclaimed folios.



RBI KEY RATES

Repo Rate: 6.25%
SDF: 6.00%
MSF & Bank Rate: 6.50%
CRR: 4.00%
SLR: 18.00%
Fixed Reverse Repo: 3.35%

FOREX (FBIL 1.30 PM)

INR / 1 USD : 87.4782
INR / 1 GBP : 108.6858
INR / 1 EUR : 90.9617
INR /100 JPY: 57.6800

EQUITY MARKET

Sensex: 77860.19 (-197.97)
NIFTY: 23559.95 (-43.40)
Bnk NIFTY: 50158.85 (-223.25)

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