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DAILY NEWS DIGEST BY BFSI BOARD

08 June 2024



ECONOMY

RESOLUTION OF THE MONETARY POLICY COMMITTEE (MPC) JUNE 5 TO 7, 2024:

The Monetary and policy committee in its meeting dated 07 June 2024 has resolved the following;

- **Policy repo rate** under the liquidity adjustment facility (LAF) kept unchanged at **6.50 per cent**.
- Consequently, the standing deposit facility (SDF) rate remains unchanged at 6.25 per cent and the marginal standing facility (MSF) rate and the Bank Rate at 6.75 per cent.

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

Outlook:

- According to the provisional estimates released by the National Statistical Office on May 31, 2024, real GDP growth in Q4:2023-24 stood at 7.8 per cent as against 8.6 per cent in Q3. Real GDP growth for 2023-24 was placed at 8.2 per cent.
- Taking into account of various economic factors, RBI projected the real GDP growth for 2024-25 at **7.2 per cent**.
- Headline inflation has seen sequential moderation since February 2024, albeit in a narrow range from 5.1 per cent in February to 4.8 per cent in April 2024.
- **CPI inflation for 2024-25 is projected at 4.5 per cent** with Q1 at 4.9 per cent; Q2 at 3.8 per cent; Q3 at 4.6 per cent; and Q4 at 4.5 per cent.

STATEMENT ON DEVELOPMENTAL AND REGULATORY POLICIES: The highlights of Statement on developmental and regulatory policy measures relating to Regulations, Payment Systems and FinTech are as hereunder;

- **Review of limit of Bulk Deposits** for Scheduled Commercial Banks (excluding RRBs), Small Finance Banks and Local Area Banks: It is proposed to revise the definition of bulk deposits as



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‘Single Rupee term deposits of **₹3 crore and above**’ for SCBs (excluding RRBs) and SFBs and **₹1 crore and above for Local Area Banks as ‘as applicable in case of RRBs.**

- **Rationalisation of Export and Import regulations under FEMA:** Reserve Bank has decided to rationalise existing guidelines on export and import of goods and services in line with the changing dynamics of cross-border trade transactions globally. The proposed rationalisation aims to simplifying operational procedures thereby promoting ease of doing business for all the stakeholders.
- **Setting up a Digital Payments Intelligence Platform:** RBI has proposed to set up a Digital Payments Intelligence Platform which will harness advanced technologies to mitigate payment fraud risks. To take this initiative forward, the Reserve Bank has constituted a committee (Chairman: Shri A.P. Hota, former MD & CEO, NPCI) to examine various aspects of setting up a digital public infrastructure for Digital Payments Intelligence Platform. The Committee is expected to give its recommendations within two months.
- **Inclusion of recurring payments for Fastag, National Common Mobility Card (NCMC), etc. with auto-replenishment facility under the e-mandate framework:** The Framework for processing of e-Mandate for recurring transactions, issued by RBI on January 10, 2020 currently enables recurring payments with fixed periodicity such as daily, weekly, monthly, etc. It is now proposed to include payments, such as replenishment of balances in Fastag, NCMC, etc. which are recurring in nature but without any fixed periodicity, into the e-mandate framework. The current e-mandate framework requires a pre-debit notification at least a 24-hours before the actual debit from customer’s account. It is proposed to exempt this requirement for payments made from customer’s account for automatic replenishment of balances in Fastag, NCMC, etc. under the e-mandate framework.
- **Introducing auto-replenishment of UPI Lite wallet - Inclusion under the e-mandate framework:** The UPI Lite facility currently allows a customer to load his UPI Lite wallet upto ₹2000/- and make payments upto ₹500/- from the wallet. In order to enable the customers to use the UPI Lite seamlessly, it is proposed to bring UPI Lite within the ambit of the e-mandate framework by introducing an auto-replenishment facility for loading the UPI Lite wallet by the customer, if the balance goes below a threshold amount set by him/her. Since the funds remain with the customer (funds move from his/her account to wallet), the requirement of additional authentication or pre-debit notification is proposed to be dispensed with.
- **RBI Hackathon HARBINGER 2024 – Innovation for Transformation:** The third edition of the global hackathon, “HaRBInger 2024 – Innovation for Transformation” will be launched with two overarching themes viz., ‘Zero Financial Frauds’ and ‘Being Divyang Friendly’. Solutions aimed at enhancing safety and security of digital transactions with focus on detecting, preventing and combating financial frauds, as also prioritising inclusivity for persons with physical disabilities, will be invited as part of HaRBInger 2024.



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S&P 500 hits new record high but US markets mixed on stronger-than-expected jobs report; Nasdaq falls: The US markets traded mixed on June 7 after the jobs report came in stronger than expected. US nonfarm payrolls increase by 272,000 in the month of May, as against the Dow Jones estimate of 190,000. Although investors had been hoping for weak job data to nudge the Federal Reserve to cut interest rates, the markets now seem to reflect that the economy will remain strong either way. The S&P 500 hit a new 52-week high of 5,370.30 during early trading hours and at 9pm IST, trading flat-to-positive at 5,357. The Dow Jones Industrial Average was also up 0.19 percent at 38,960. However, the Nasdaq Composite declined marginally to 17,165. The GIFT Nifty fell 0.35 percent to 23,249 after Indian indices ended positive earlier during the day.

(Moneycontrol)

Per capita cereal consumption below 10 kg in rural areas in 2022-23: Survey: The monthly per capita cereal consumption in rural areas stood below 10 kg in 2022-23, according to the latest report of the Household Consumption Expenditure Survey (HCES) released by the Ministry of Statistics and Programme Implementation (MoSPI) on Friday. The consumption of cereals in rural households declined to 9.61 kg in 2022-23 from 11.23 kg in 2011-12, while in urban households, it declined to 8.05 kg from 9.32 kg over the same period. The data shows that consumption of cereals in rural areas was highest in West Bengal (11.23 kg), followed by Odisha (11.21 kg), Bihar (11.14 kg), Rajasthan (10.55 kg) and Chattisgarh (10.27 kg). Among urban areas, people in Bihar consumed the highest (10.45 kg) of cereals, followed by Chhattisgarh (10.43 kg), Jharkhand (9.59 kg) and Rajasthan (9.50 kg).

(Business Standard)

Retail inflation for industrial workers eases to 3.87pc in April: Retail inflation for industrial workers decreased to 3.87% in April from 4.2% in March. Ministry of Labour and Employment released the Consumer Price Index-Industrial Workers (CPI-IW) for February, March, and April 2024. The Labour Bureau compiled the Consumer Price Index for Industrial Workers every month. The All-India CPI-IW for April 2024 increased by 0.5 point.

(Business Standard)



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BANKING & FINANCE



Rate of interest on Government of India Floating Rate Bond 2031: The rate of interest on Government of India Floating Rate Bond 2031 (FRB 2031) applicable for the half year June 07, 2024 to December 06, 2024 shall be 7.98 per cent per annum. The FRB 2031 carries a coupon, which has a base rate equivalent to the average of the Weighted Average Yield of last three auctions (from the rate fixing day i.e. June 07, 2024) of 182 Day T-Bills, plus a fixed spread of One per cent.

(RBI Press Release)

IDBI Bank gets income tax order worth ₹2,702 crore refund for AY 2016-17: Private sector lender IDBI Bank on 7 June said that it has got an income tax refund order amounting to ₹2,701.62 crore for the assessment year 2016-17. In a regulatory filing IDBI Bank said, "We wish to inform you that IDBI Bank Ltd has received an Order under Section 254 r.w. Section 143(3) of the Income Tax Act, 1961 from the Income Tax Department, Government of India for the Assessment Year 2016- 17 on June 07, 2024. As per the order, a refund of ₹2701.62 crores (including interest) has been determined."

(Moneycontrol)

Must invest adequately in IT systems: RBI Governor Shaktikanta Das to banks: RBI on Friday underscored the urgency for banks to bolster their IT systems to keep up with the fast-paced growth of digital payments in the country. "Banks should invest adequately (in IT systems)," said RBI Governor Shaktikanta Das at a post-monetary policy press conference, adding, "IT systems, the capacities, and the overall infrastructure have to keep pace with the growth of business." The RBI does not prescribe regulated entities, such as banks, the amount they should allocate towards their IT infrastructure. The online money transfer mechanism faced a major issue on June 4 when investors, looking to capitalise on a sell-off in the equity market through mutual funds, struggled with delayed transfers of payment to fund houses.

(Business Standard)

RBI asks banks to rework biz plan, flags gap in credit, deposit rates: RBI governor Shaktikanta Das on Friday asked banks to rework their business plan in light of persisting gap between credit and deposit growth rates, and consequent challenge to manage liquidity, re-pricing



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and rollover risks. “The persisting gap between credit and deposit growth rates warrants a rethink by the boards of banks to re-strategise their business plans. A prudent balance between assets and liabilities has to be maintained,” Das said in a statement. RBI data for the fortnight ended May 17, 2024 puts the gap between credit and deposit growth rates at 3.1 percentage point (310 bps). Despite banks being active in mobilising deposits, for more than a year now, the gap between credit and deposit growth has ranged between 3.0 and 3.5 percentage points. The above excludes the impact of HDFC’s merger with HDFC Bank. The gap widens to 6.2 percentage point (620 bps) if the merger effects are factored in. After April 2024, this is the second time the RBI has flagged concerns over the gap in deposit and credit growth rates.

(Business Standard)

INDUSTRY OUTLOOK



Only 10% of 300-400 Gen AI implementations have scaled, delivered value, says TCS: IT services company Tata Consultancy Services (TCS) said less than 10 percent of the Generative Artificial Intelligence (Gen AI) use-cases out of the 300-400 use-cases have scaled and delivered value in large companies. Nonetheless, that number is expected to increase once ways are found to solve more problems, a top company executive said while speaking at the India Global Innovation Connect event in Bengaluru. “What we've seen for the last one year -- having done about 300-400 implementations -- is that less than 10 percent of Gen AI implementations in large companies eventually scale and deliver value right now,” said Ashok Krish, Global Head - AI.Cloud Advisory & Consulting, TCS.

(Moneycontrol)

Markets recoup result-day losses to hit fresh highs; Sensex up 1,619 points: Benchmark indices Sensex and Nifty ended at fresh records on Friday after a dramatic 9 per cent recovery from the lows made on election results day. Strong domestic investor buying, regime continuity, and an improved economic growth outlook propelled the market in the past three trading sessions despite outflows from overseas funds. On Friday, the Sensex closed at 76,693, gaining 1,619 points or 2.2 per cent, while the Nifty ended the session at 23,290, up 469 points or 2.1 per cent. Both indices surpassed their previous record closing highs logged on June 3. The Sensex also made fresh intraday highs, while the Nifty fell 21 points short. The indices have gained 6.4 per cent from their June 4



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close, when they plunged 6 per cent on a closing basis and 9 per cent intraday after the surprise election results, which did not give a majority to any party. During the week, the Sensex rose 3.7 per cent, the biggest weekly gain since July 22, 2022.

(Business Standard)

DRI clarifies 10% import duty on component imports: The Department of Revenue Intelligence (DRI) has clarified that components attached to the display assembly of mobile phones will attract a combined import duty of 10%, resolving a long-standing ambiguity. This decision affects parts like SIM sockets, side keys, and antennas when included in display assembly kits. This clarification, supported by the Ministry of Electronics and IT and the Prime Minister's Office, aims to reduce litigation and confusion among manufacturers, customs officers, and the industry since the 2020 imposition of a 10% duty. The move is expected to aid the growth of the mobile phone manufacturing sector in India.

(Economic Times)



REGULATION & DEVELOPMENT

Sebi proposes to open CDS market for MFs: In a bid to deepen the corporate bond market, the Securities and Exchange Board of India (Sebi) has proposed allowing mutual funds (MFs) to buy and sell credit default swaps (CDS) in their schemes. "The same shall serve as an additional investment product for mutual funds and also aid in increasing liquidity in the corporate bond market," Sebi said in a consultation paper on Friday, inviting public comments by July 1. Sebi's proposal comes after the RBI issued revised CDS framework 2022, which sought to increase the base of protection sellers, including selling of protection by all major non-bank regulated entities, including mutual funds. CDS is a credit derivative contract that allows an investor to swap or offset their credit risk with that of another investor, and is akin to insurance. To swap the risk of default, the lender buys a CDS from another investor who agrees to reimburse them if the borrower defaults.

(Financial Express)

CSC signs MoU to convert 10,000 FPOs into CSCs: An MoU between CSC SPV and Ministry of Agriculture & Farmer's Welfare was signed here today to convert FPOs registered under 'Formation & Promotion of 10,000 FPOs scheme' into CSCs and help them to deliver citizen-centric services. As per MoU, 10,000 FPOs will be converted into CSCs. CSC SPV will enable them to provide the services that are available on the Digital Seva Portal. Training and Capacity Building of FPOs will be done by



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CSCsThe Government of India launched the Central Sector Scheme for “Formation and Promotion of 10,000 Farmer Producer Organizations (FPOs)” in the year 2020 that is enabling farmers to enhance their bargaining power, leverage economies of scale, reduction in cost of production and enhancing farmers’ incomes through aggregation of their agricultural produce, thus playing a major role towards sustainable incomes. After today’s initiative, delivery of CSC services through FPOs will increase employment opportunities in rural areas.

(PiB)

Shri Kamal Kishore Soan takes over the charge of Director General, ESIC: Shri Kamal Kishore Soan, a senior IAS officer from Jharkhand Cadre (Batch : 1998) currently serving as an Additional Secretary and Director General, Labour Welfare in the Ministry of Labour & Employment, took over the additional charge of Director General of Employees’ State Insurance Corporation (ESIC) under Ministry of Labour & Employment, on 31.05.2024.

(PiB)



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FINANCIAL TERMINOLOGY

FISHER EFFECT

- ❖ The Fisher Effect is an economic theory created by economist Irving Fisher that describes the relationship between inflation and both real and nominal interest rates.
- ❖ The Fisher Effect states that the real interest rate equals the nominal interest rate minus the expected inflation rate.
- ❖ Therefore, real interest rates fall as inflation increases, unless nominal rates increase at the same rate as inflation.
- ❖ The Fisher Effect has been extended to the analysis of the money supply and international currency trading. When the real interest rate is positive, it means the lender or investor is able to beat inflation. When the real interest rate is negative, it means the rate being charged on a loan or paid on a savings account is not beating inflation.



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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 : 83.4257
INR / 1 GBP : 106.6631
INR / 1 EUR : 90.8439
INR /100 JPY: 53.7200

EQUITY MARKET

Sensex: 76693.36 (+1618.85)
NIFTY: 23290.15 (+468.75)
Bnk NIFTY: 49803.20 (+511.30)

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- ❖ Certificate Course on Treasury and International Banking
- ❖ Certificate Course on Investment Management
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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)
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TEAM BFSIB

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