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DAILY NEWS DIGEST BY BFSI BOARD

08 November 2024

ECONOMY

Fed cuts rates for second-straight meeting to support economy: The Federal Reserve cut its benchmark lending rate by a quarter percentage point Thursday, extending efforts to keep the US economic expansion on solid footing. Officials voted unanimously to lower the federal funds rate to a range of 4.5% to 4.75%. The adjustment follows a larger, half-point cut in September. "The committee judges that the risks to achieving its employment and inflation goals are roughly in balance," the Federal Open Market Committee said in a statement. "The economic outlook is uncertain, and the committee is attentive to the risks to both sides of its dual mandate." Policymakers no longer included a line about achieving "greater confidence" that inflation is moving sustainably toward 2%, though they noted inflation has "made progress" toward the central bank's goal.
(Business Line)

Industry urges govt to allow 2 MT of sugar exports: The sugar industry has urged the government to allow around 2 million tonne (MT) of exports of the sweetener in the current season (October-September) so that mills don't have to incur the carrying cost of surplus due to expectation of better harvest and comfortable opening stocks. According to Deepak Ballani, Director General, Indian Sugar Mills and Bio-Energy Manufacturers Association (ISMA), despite the projection of a small drop in the sugar production in the current season compared to previous year, the sugarcane yield and prospects of a better recovery has improved significantly because of adequate monsoon rains. ISMA in its first advance estimate of the sugar production for 2024-25 season has projected the gross output of sweetener including diversion for ethanol is likely to be 33.3 MT against the 34.1 MT in the previous season.
(Financial Express)

India's smartphone market becomes second largest globally by unit volume: India's smartphone market emerged as the second largest globally by unit volume and the third largest by

value in the third quarter (Q3) of calendar year (CY) 2024, according to estimates by Counterpoint Research. In Q3 smartphone shipments, India accounted for 15.5 per cent of global shipments, second only to China, which led with a 22 per cent share. The US followed India with a 12 per cent share. By value, India ranked third, holding around 12.3 per cent of the market in Q3 CY 2024, up from 12.1 per cent in the same quarter last year.
(Business Standard)

BANKING & FINANCE

Fight for deposits may dent banks' interest margins by 20 bps: S&P: Fight for deposits in an eventually declining rate cycle in India will add pressures on the net interest margins (NIM) for banks by 20 basis points, S&P Global said. Banks may see a further margin squeeze if credit and deposit growth remains steady. "We expect the deposit growth will still continue to lack credit growth but the competition for deposits will be manageable," said Deepali Seth-Chhabria, associate director, financial institutions ratings at S&P Global. "This competition for deposits along with the expected policy rate cuts will squeeze the net margins which we expect to fall by 20 basis points to 3% from about 3.2% in the next couple of years," she said. One basis point is 0.01 percentage point.
(Economic Times)

TReDS limit may be cut to Rs 250 crore to onboard more companies: The Centre is likely to soon lower the turnover threshold for mandatory onboarding of buyers on the Trade Receivables Discounting System (TReDS) to ₹250 crore from ₹500 crore. This measure will bring an additional 22 central public sector enterprises and 7,000 more companies onto the central bank-backed invoice discounting platform. A notification to this effect could be issued soon, a government official told ET. As of May 2024, four digital platforms have been authorised to carry out TReDS operations. The platform has more than 5,000 buyers and over 53 banks and 13 NBFCs registered as financers. A large number of MSMEs are likely to benefit from the reduced threshold as more buyers get onboarded on the portal, enabling MSMEs supplying these buyers to upload their invoices on the portal. TReDS was introduced by the RBI in 2014 to address the issue of delayed payments to MSMEs, which has been a persistent issue impeding MSMEs' growth prospects.
(Economic Times)

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Visa appoints Rishi Chhabra as country manager for India: Digital payments company Visa on Thursday named Rishi Chhabra as the country manager for India. In his new role, Chhabra will be responsible for the India business, owning senior client relationships and leading and executing the firm's strategic initiatives for the market, the company said in a statement. Chhabra, who joined Visa in 2023 as VP and head-merchant services and acquiring for India and the South Asia markets, was key to driving the firm's key merchant, acquirer and cobrand relationships. His experience spans over two decades in financial services and payments across the US, India and Sri Lanka.
(Economic Times)

Banks' credit-deposit ratio on downward trend, at 79.5% on Sept 20: Banks' credit-deposit (CD) ratio – hovering around 80 per cent since September 2023 saw – declined and stood at 78.9 per cent for the fortnight ending October 4, 2024, compared to 79.5 per cent on September 20. Deposits rose 9.1 per cent compared to December 2023 and reached Rs 219.2 trillion as on October 4, 2024. Sequentially, they witnessed a significant uptick of 1.9 per cent. Meanwhile, in absolute terms, deposits have expanded by Rs 18.4 trillion over the last nine months. Banks have intensified efforts to strengthen their liability franchise, and are also sourcing funds via the certificates of deposits at a relatively higher cost. Credit offtake increased by 8.3 per cent compared to December 2023 and sequentially increased by one per cent for the fortnight ended October 04, 2024. In absolute terms, over the last nine months, credit offtake expanded by Rs 13.3 trillion to reach Rs 173.0 trillion as on October 04, 2024.
(Business Standard)

INDUSTRY OUTLOOK

Crackdown on Amazon, Flipkart: ED raids offices of sellers using e-commerce platforms: The Enforcement Directorate (ED) has conducted pan-India search at main vendors of e-commerce majors Amazon and Flipkart, sources told Moneycontrol on November 7. ED initiated its Foreign Exchange Management Act (FEMA) investigation based on several complaints against Amazon and Flipkart, the e-commerce entities providing marketplace, that they are violating FDI rules by directly or indirectly influencing the sale price of goods or services and not providing level playing field for all the Vendors. The searches were conducted at 19 premises located at Delhi, Bengaluru, Mumbai, Hyderabad and Panchkula (Haryana), sources told.
(Moneycontrol)

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Supreme Court directs liquidation of Jet Airways to protect interests of its creditors, employees: The Supreme Court on Thursday directed the liquidation of Jet Airways to commence as the "last viable resort" to protect the interests of the debt-ridden airline, its creditors, workmen and employees, following the failure of a resolution plan. A three-judge Bench headed by Chief Justice of India DY Chandrachud said speedy resolution, if not, time-bound liquidation was essential to ensure that the assets of the beleaguered airlines do not 'fritter away'. Noting that time and speed were of the greatest essence to prevent any further depreciation of the airline's assets, Justice JB Pardiwala, who authored the 168-page judgment, invoked the court's plenary powers under Article 142 of the Constitution to direct the airline into liquidation in compliance with the Insolvency and Bankruptcy Code (IBC) of 2016.
(PiB)

SECI bars Reliance Power for three years over fake tender document: Solar Energy Corporation of India (SECI) has debarred Reliance Power from participating in any of its future tenders for three years for submitting a fake document for a tender floated by the state-run entity in June this year. Any subsidiary of Reliance Power (R-Power) has also been barred from SECI tenders, said a public notice issued by SECI, under the aegis of the Ministry of New and Renewable Energy (MNRE).
(Business Standard)

REGULATION & DEVELOPMENT

RBI designates 10-year Sovereign Green Bonds under FAR for investment by non-residents: The Reserve Bank of India (RBI) has expanded the list of specified Government securities that non-residents can invest in under the Fully Accessible Route (FAR) by including 10-year Sovereign Green Bonds (SGrBs). The central bank has decided to designate SGrBs of 10-year tenor to be issued by the Government in the second half of the fiscal year 2024-25 as 'specified securities' under the FAR. This comes in the wake of Indian Government Securities (G-Secs) being included in JPMorgan Chase's benchmark Emerging Markets Bond Index Global Diversified (GBI-EM GD) index starting June 28, 2024. The RBI, in consultation with the Government, had introduced a separate channel – FAR -- in 2020 to enable non-residents to invest in specified Government of India dated securities. Eligible investors can invest in specified Government securities without being subject to any investment ceilings.

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(Business Line)

SEBI to consider demerger of equity exchanges, clearing corporations: The Securities and Exchange Board of India is weighing on a demerger of the equity stock exchanges and their equity clearing corporations (CCs) to diversify their ownership and may soon bring out a consultation paper on the same. This aims for diversified ownership, enhanced supervision, and independence
(Business Line)

BS BFSI Summit: Indian data not yet ready for AI decade, say CTOs: The buzz around artificial intelligence (AI) and GenAI may dominate the C-suite discourse, but what truly keeps corporate leaders awake at night are issues like data security, cybercrime, and regulatory compliance. These were among the key concerns discussed by Chief Technology Officers (CTOs) at the Business Standard BFSI Insight Summit 2024 CTO Lunch session in Mumbai on Thursday. The closed-door event brought together top executives from the banking, financial services and insurance (BFSI), and fintech sectors. The executives noted that Indian data was not yet ready for the AI decade due to its unstructured nature and the challenges posed by legacy systems. The lack of standardisation and the complexity of integrating older data infrastructure with new AI technologies remain significant barriers to effectively leverage AI.
(Business Standard)

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FINANCIAL TERMINOLOGY

KEY DIFFERENCE BETWEEN FDI & FII

- The basic difference between Foreign Direct Investment and Foreign Institutional Investors is that FDI involves investment in a foreign company with the intention of acquiring some management control in the company. Whereas in Foreign Institutional Investors do not acquire any type of management control in the company.
- Foreign direct investment is a long-term investment in a foreign company or operation. It gives the investor control over the business's operations and management. FDI is considered more stable than FII.
- Foreign Direct Investments are basically made for the long term, and they bring long-term capital to the company, while Foreign Institutional Investors invest both for the long and short term according to their convenience. Foreign Direct Investment takes some stakes or equity in the company, which means that they obtain some sort of control of the company in which they made their investment. Foreign Institutional Investors do not exert any control over the company they invest in.
- In Foreign Institutional Investors' investments, basically, there are transfer funds such as pension funds, bonds, etc. In Foreign Direct Investment, there is not only the transfer of funds but also the transfer of resources, technologies, skills, strategies, technical know-how, etc.

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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 : 84.3562
INR / 1 GBP : 109.0939
INR / 1 EUR : 90.6565
INR /100 JPY: 54.7600

EQUITY MARKET

Sensex: 79541.79 (-836.34)
NIFTY: 24199.35(-284.70)
Bnk NIFTY: 51916.50 (-400.90)

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.
- Advance Certificate Course on FinTech

For details please visit BFSIB portal of the ICMAI

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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