THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
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DAILY NEWS DIGEST BY BFSI BOARD

December 08, 2022

RBI MONETARY POLICY STATEMENT DEC 5-7, REPO RATE RAISED TO 6.25% : The Monetary Policy Committee (MPC) at its meeting today (December 7, 2022) decided to: Increase the policy repo rate under the liquidity adjustment facility (LAF) **by 35 basis points to 6.25 per cent**. Consequently, the standing deposit facility (SDF) rate stands adjusted to 6.00 per cent and the marginal standing facility (MSF) rate and the Bank Rate to 6.50 per cent.

- On the domestic front, **real GDP increased by 6.3 % YoY in Q2:2022-23** after an increase of 13.5 per cent in Q1. On the supply side, gross value added (GVA) rose by 5.6 per cent in Q2.
- **CPI inflation moderated to 6.8 per cent (y-o-y) in October 2022** from 7.4 per cent in September, with favourable base effects mitigating the impact of pick-up in price momentum in October.
- The **real GDP growth for 2022-23 is projected at 6.8 per cent** with Q3 at 4.4 per cent and Q4 at 4.2 per cent.

(RBI press release)

RNI EXTENDED THE DISPENSATION OF SLR HOLDINGS IN HELD TO MATURITY (HTM) CATEGORY UP TO 23% OF NDTL UP TO 31ST MARCH 2024: The Reserve Bank had increased the limits under Held to Maturity (HTM) category from 19.5 % to 23 % of net demand and time liabilities (NDTL) in respect of statutory liquidity ratio (SLR) eligible securities acquired on or after September 1, 2020, up to March 31, 2023. With a view to enable banks to better manage their investment portfolios, RBI has extended the dispensation of enhanced HTM limit of 23 per cent up to March 31, 2024 and allow banks to include securities acquired between September 1, 2020 and March 31, 2024 in the enhanced HTM limit. The HTM limits would be restored from 23 per cent to 19.5 per cent in a phased manner starting from the quarter ending June 30, 2024.

(Statement on Developmental and Regulatory Policies, RBI)

RBI PERMITS RESIDENT ENTITIES FOR HEDGING OF GOLD PRICE RISK IN THE INTERNATIONAL FINANCIAL SERVICES CENTRE (IFSC) : Resident entities in India are currently not permitted to hedge their exposure to gold price risk in overseas markets. With a view to providing greater flexibility to these entities to hedge the price risk of their gold exposures efficiently, it has been decided to permit resident entities to hedge their gold price risk on recognised exchanges in the International Financial Services Centre (IFSC).

(Statement on Developmental and Regulatory Policies, RBI)

RBI RESTORES MARKET TRADING HOURS TO PRE-PANDEMIC TIMING: RBI on December 7 said it has decided to restore market trading hours to pre-pandemic timings, with effect from December 12 in respect of call/notice/term money, commercial paper, certificates of deposit and repo in corporate bond segments of the money market as well as for rupee interest rate derivatives. The central bank had during the pandemic reduced the market trading hours with effect from April 7, 2020. Restoration of trading timings was started by the RBI in a phased manner from November 09, 2020 with the easing of pandemic-related constraints, and from April 18, 2022, the opening time for regulated market hours were restored to the pre-pandemic timing of 9:00 AM.
(Moneycontrol)

NO NEED FOR CUSTOMERS TO VISIT BANK BRANCHES FOR RE-KYC: RBI GOVERNOR: RBI governor Shaktikanta Das on December 7 said customers do not need to visit the bank to update their details. Customers can do re-KYC (know your customer) online except where there is a change of address, the governor said
(Moneycontrol)

NARCL OFFERS ₹2,100-CR CASH TO ACQUIRE SREI FIRMS: The National Asset Reconstruction Company Limited (NARCL) is understood to have offered an upfront cash payment of ₹2,100 crore and ₹3,500 crore payable in deferred instruments for acquiring Srei Infrastructure Finance (SIFL) and Srei Equipment Finance (SEFL) under the insolvency process. It has further proposed up to ₹8,000 crore in uncommitted funds, on a 'pay when able' basis, which could be revised downward based on future recoveries from SREI's loan assets.
(Business Line)

GOVERNMENT RECOGNISES 84,102 ENTITIES AS STARTUPS AS ON NOVEMBER 30: The government has recognised as many as 84,102 entities as startups as on November 30 this year, Parliament was informed on Wednesday. These startups are eligible for availing host of incentives, including income tax benefits under the Startup India scheme, launched in January 2016.
(Financial Express)

CENTRE GIVES MORE ASSURANCES TO POTENTIAL BUYER OF IDBI BANK: Ahead of the December 16 deadline for submission of expressions of interest (EoIs) for 60.72% stake in IDBI Bank, the government on Tuesday issued a set of clarifications, seeking to allay the concerns of potential investors. It said a consortium of foreign funds and investment vehicles can own more than 51% in the lender and that it would continue primary dealer business even if a foreign bank acquires a majority stake in it.As per the extant FDI policy, the aggregate foreign investment in a private bank from all sources is allowed up to a maximum of 74% through the 'approval route'.

(Financial Express)

IRDAI PROPOSES 3 YEARS INSURANCE COVER FOR CARS & 5 YEARS FOR TWO-WHEELERS: In its bid to give wider choice to customers, insurance regulator Irdai on Wednesday proposed to introduce an insurance cover of three years for cars and five years for two-wheelers. The Insurance Regulatory and Development Authority of India (IRDAI) has floated a draft on 'Long-Term Motor Products covering both Motor Third Party Insurance and Own Damage Insurance'. The draft proposes to permit all general insurers to offer 3-year insurance policy in respect of private cars and 5-year for two-wheelers, co-terminus with motor third party liability cover. The premium for the entire term of the policy coverage would be collected at the time of sale of insurance.

(Economic Times)

GOVT. PROPOSES CURBING IMPORT OF PRIVATE JETS, HELICOPTERS TO PLUG DEFICIT: India has proposed curbing the import of private jets and helicopters as the South Asian nation seeks to plug a widening trade deficit, according to a document from the country's aviation ministry seen by Bloomberg. Any import of planes weighing more than 15,000 kilograms (33,100 pounds) unladen as well as turbo jets are also "non-essential" and shouldn't be brought in from abroad as much as is done now, the letter dated Dec. 6 stated.

(Economic Times)

GIG WORKFORCE TO ADD 9-11 MILLION JOBS BY 2025 IN INDIA, SAYS REPORT: With more and more companies preferring to hire employees on project basis, a report has revealed that there is likely to be 90-110 lakh additions to the gig workforce by 2025, a report said on Wednesday. According to the report, companies have also started investing in gig work platforms and processes, which indicates how integral they are to the future of jobs growth in India. A majority of the employers surveyed (58 per cent) estimate the gig workforce to grow to 90-110 lakh, or even exceed this number by 2025, the report revealed. Gig workers are freelancers or contractors who work independently, typically on a short-term basis for multiple clients.

(Business Standard)

FinMin ALLOWS PSUS TO INVEST IN DEBT SCHEMES OF ALL MUTUAL FUNDS: The finance ministry on Wednesday allowed public sector undertakings (PSUs) to invest in debt schemes of all mutual funds. Earlier, provisions limited central public sector enterprises (CPSEs) to investment in public sector mutual funds only, in which the government held more than 50 per cent share. "The period of maturity of any instrument of investment shall

not exceed one year from the date of investment, except in case of term deposits with banks and government securities where it can extend up to three years," it added. The department of investment and public enterprises (DIPAM) in the official memorandum said the guidelines are based on proposals received from CPSEs, mutual funds and private sector banks citing liberalisation of policies and introduction of new monetary instruments for trade in short-term funds.
(Business Standard)

RBI INTRODUCES SINGLE-BLOCK-AND-MULTIPLE DEBITS FUNCTIONALITY IN UPI: RBI on Wednesday announced introducing a single-block-and-multiple debits functionality in Unified Payments Interface (UPI). Customers can enable a payment mandate for a merchant by earmarking funds in their bank accounts for debits whenever required.
(Business Standard)

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FINANCIAL TERMINOLOGY/CONCEPTS

INTER-BANK PARTICIPATION CERTIFICATES (IBPCs)

- ❖ The Working Group on the Money Market (Chairman Shri N.Vaghul) had recommended the introduction of Inter-Bank Participations, with a view to providing an additional instrument for evening out short term liquidity within the banking system. There are two types of participations. (i) Inter-Bank Participations with Risk Sharing and (ii) Inter-Bank Participations without Risk Sharing. The Participations would be strictly interbank confined to scheduled commercial banks including RRBs (in excess of the PSL target).

- ❖ In case of IBPCs with risk sharing, the minimum period of such Participation will be 91 days, while the maximum period will be 180 days and in case of IBPC without risk sharing, the tenure of such Participations will not exceed 90 days. The rate of interest on Participations would be left free to be determined between the issuing bank and the participating bank.

- ❖ The aggregate amount of such Participations in any account should not exceed 40 per cent of the out standings in the account at the time of issue.

- ❖ For IBPCs with risk sharing, In the case of the issuing bank, the aggregate amount of Participations would be reduced from the aggregate advances outstanding. Such transactions will not be reflected in the individual borrower's accounts but will be only netted out in the General Ledger. The participating bank would show the aggregate amount of such Participations as part of its advances.

- ❖ For IBPCs without risk sharing, the issuing bank will show the amount of Participations as borrowing while the participating bank will show the same under Advances to bank i.e. due from banks. The Participations would be treated as part of the net Demand and Time Liabilities and net bank balances for purposes of statutory reserve requirements.

- ❖ The issuing bank will normally repay the amount of Participations together with interest to the participant bank on the date of maturity, excepting when the risk has materialised. In cases where risk has materialised the issuing bank will take necessary action, in consultation with the participating bank and share the recoveries proportionately.

- ❖ IBPCs bought by banks, on a risk sharing basis, are eligible for classification under respective categories of priority sector, provided the underlying assets are eligible to be categorized under the respective categories of priority sector.

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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 : 82.5391
INR / 1 GBP : 100.0088
INR / 1 EUR : 86.2820
INR /100 JPY : 59.9300

EQUITY MARKET

Sensex: 62410.68 (- 215.68)
NIFTY : 18560.50 (-82.30)
Bnk NIFTY: 43098.70 (-39.85)

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)**

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