



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

**09 Jan 2024**

### **BANKING & FINANCE**



**Mutual fund AUM tops ₹50-lakh crore mark: AMFI data:** The overall asset under management of the mutual fund industry crossed the ₹50-lakh crore mark to hit ₹50.78-lakh crore last month against ₹49.05-lakh crore logged in November, aided largely by strong rally in equity markets and steady SIP inflows. The inflow into equity mutual funds increased by nine per cent last month to ₹16,997 crore against ₹15,536 crore in November largely due to six new fund offers garnering ₹6,321 crore. Small-caps continued to hog the limelight by attracting ₹3,857 crore (₹3,699 crore) followed by thematic and large- and mid-cap fund getting inflows of ₹6,005 crore (₹1,965 crore) and ₹2,339 crore (₹1,847 crore), respectively.

**(Business Line)**

**RBI revise guidelines for SFBs, raise min capital requirement to Rs 200 cr:** The Reserve Bank on Monday raised the minimum capital requirement for small finance banks to Rs 200 crore and permitted Payments Bank to upgrade as SFBs. Incidentally, the net worth of all SFBs currently in operation is in excess of Rs 200 crore. Issuing the revised guidelines, the Reserve Bank said that for Primary (Urban) Co-operative Banks (UCBs) desirous of voluntarily transiting into SFBs, the initial requirement of net worth would be at Rs 100 crore, which will have to be increased to Rs 200 crore within five years from the date of commencement of business. Payments Banks can apply for conversion into SFB after five years of operations if they are otherwise eligible as per the guidelines, it said. According to the notification, "SFBs will be given scheduled bank status immediately upon commencement of operations". The banks will have general permission to open banking outlets from the date of commencement of operations, it said.

**(Business Standard)**



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**Common rules for lookout circular on defaulters in works:** The government has initiated discussions with state-owned banks to thrash out a common objective framework to make a request for the issuance of a lookout circular (LOC) against defaulters, said people familiar with the matter. At present there is no uniformity in guidelines for banks and each lender takes decisions based on its own internal policies. A bank executive said any such framework will also need approval from the Reserve Bank of India to ensure there are no breaches of regulatory norms. "That discussion is also on," he said. In 2018, the government included the chairman, chief executive officers and managing directors of public sector banks in the list of individuals who could seek the issuance of LOC against offenders to prevent their escape from the country.

**(Economic Times)**

**Loan growth, fees to lift bank profits in Q3, higher deposit costs to pinch:** Banking profitability is likely to be hit by lower net interest margins (NIMs) as the increasing cost of deposits could not be totally offset by a corresponding rise in lending rates during the December quarter. However, strong loan growth, stable asset quality and fee income will help banks still report an increase in profits year-on-year. Term deposit rates have increased between 70 and 120 basis points, mostly in the third quarter. Analysts say that the margin compression could hence be severe, particularly year on year, as banks have lost most benefits from the rise in interest rates in their bid to garner funds. One basis point is 0.01 percentage point.

**(Economic Times)**



**ECONOMY**

**After JPMorgan, Indian govt bonds could become part of Bloomberg indices in 2024:**

Indian government bonds could get an additional boost in 2024, with Bloomberg proposing their inclusion in its indices starting September 2024. "Following client feedback received during the Bloomberg 2023 Fixed Income Index Advisory Councils, Bloomberg Index Services Limited (BISL) is launching a consultation to solicit feedback on the proposed inclusion of the India Fully Accessible Route bonds in the Bloomberg Emerging Market (EM) Local Currency Index," a statement by Bloomberg Index Services Limited said on January 8. As per the proposal, Indian government bonds will be phased in over five months starting September 2024, with each month seeing the addition of 20 percent of the full-market value of the bonds falling under the Fully Accessible Route (FAR) category. As such, the process will be completed in January 2025. The FAR category includes those



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bonds that foreign investors can buy without any limits or restrictions. "Once completely phased into the Bloomberg Emerging Market 10 percent Country Capped Index, India FAR bonds will be fully capped at 10 percent weight within the index. At that point, the INR will become the third largest currency component, following the Chinese Renminbi and the South Korean Won, within the Bloomberg Emerging Market Local Currency Index,"

**(Moneycontrol)**

**Morgan Stanley forecasts Sensex to soar to 86,000 by Dec 2024 in bullish outlook:**

Morgan Stanley, a global investment bank and wealth management firm, sees benchmark Sensex hitting a level of 74,000 by end December this year on a base case scenario. On a bull case, BSE Sensex could touch 86,000 by end December this year, Morgan Stanley India Equity Strategists Ridham Desai and Nayant Parekh said in a new Research Note titled "Is the Market Overbought?". Although the valuations, in particular market cap to GDP, appear to be stretched, the share prices have barely kept pace with earnings over the past 3-5 years, whereas India remains in an earnings upcycle, it noted.

**(Business Line)**

**India's exports in this year will exceed FY23 achievement, says Piyush Goyal:** India's exports in 2023-24 will be more than that achievement of last year's \$776 billion, despite fall in commodity prices and loss of exports worth about \$20 billion due to restrictions on exports of certain commodities, the Union Minister for Commerce and Industry, Piyush Goyal, said here today. In an interaction with the media, Goyal observed that India's exports had grown 55 per cent in two years, from around \$500 billion to \$776 billion. He disagreed that the 55 per cent growth was due to the base effect caused by depressed exports during the Covid-19 years, pointing out that in the previous ten years or so, India's exports were around \$400-500 billion.

**(Business Line)**

**India's exports may plunge \$30 bn owing to disturbance in Red Sea:** India may see around \$30 billion shaved off its total exports in the current fiscal year, as threats to cargo vessels in the Red Sea lead to a surge in container shipping rates and prompt exporters to hold back on shipments. The initial assessment, conducted by the Research and Information System for Developing Countries, a New Delhi-based thinktank, would mean a 6.7% drop in Indian exports, based on last fiscal year's \$451 billion total. The number of ships passing through the Suez Canal is down about 44% compared to the average for the first half of December, according to Clarkson Research Services Ltd, a unit of the world's largest ship broker.

**(Business Standard)**



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## INDUSTRY OUTLOOK



**Bajaj Auto board approves Rs 4,000-crore share buyback at Rs 10,000 per share:** Two and three-wheeler major Bajaj Auto Ltd board on January 8 approved a Rs 4,000 crore share buyback at Rs 10,000 apiece. This is at a premium of 43 percent to the last closing price. The company will be buying 40 lakh shares via tender route, representing 1.41 percent of Bajaj Auto's outstanding shares. Promoters of the company will also be participating in the buyback. Currently, the promoters hold a 54.94 stake in the company. The automaker said the Board has constituted a Buyback Committee and has delegated the power to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary, expedient or proper in connection with the buyback. The buyback is subject to approval of the shareholders by means of a special resolution through a postal ballot. The record dates and other details will be announced later.

**(Business Line)**

**Adani Group commits Rs 42,700 cr investment in Tamil Nadu across sectors:** Diversified conglomerate Adani Group has committed investments to the tune of Rs 42,700 crore in Tamil Nadu across various sectors on the second day of the Global Investors Meet 2024 held here on Monday. At the valedictory session of the event organised by the ruling DMK government, memorandum of understandings between the Adani Group and the state government were signed in the presence of Chief Minister M K Stalin, Minister for Industries TRB Rajaa, Adani Ports and Special Economic Zone, Managing Director, Karan Adani.

**(Business Standard)**

**BSNL targets 20% market share by year end:** State-owned Bharat Sanchar Nigam (BSNL), which has been losing subscribers continuously, is targeting a 20% mobile subscriber market share in the country by year end, the company's chairman and managing director (CMD) PK Purwar told FE in an interaction on Monday. The company is looking to achieve the same by ramping its 4G rollout using indigenous stack during the year, focusing on improving the quality of services with 100% network uptime, as well as through marketing initiatives to increase subscribers count.

**(Financial Express)**



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## REGULATION & DEVELOPMENT

**PFRDA calls for tax breaks on NPS contributions under new tax regime:** Pension regulator PFRDA has urged the Finance Ministry to consider allowing tax breaks/deductions under the new tax regime for contributions made by employees towards their NPS account, which has now become the default system. Providing tax breaks for NPS contributions — akin to the Sec 80C deduction provided in the old tax regime — would boost savings for retirement and is a must if India has to evolve into a pensioned society, the Pension Fund Regulatory and Development Authority (PFRDA) has submitted to the Finance Ministry in its budget wish list.

**(Business line)**

**NRIs asked to state number of days spent in India:** Unlike residents, NRIs are not required under the law to pay tax on overseas earnings or declare foreign assets. However, if they overstay - spending more than 181 days in a year in India - tax and disclosure regulations, as related to residents, apply to them. Several NRIs are being told by the income tax (I-T) authorities to give sworn statements on the exact number of days spent in India to figure out if they escaped tax in certain years. In the past few weeks, the tax department has served notices to dozens of NRIs asking them to submit signed affidavits, affirming the fact that they have not been residents during the periods mentioned by them in their tax returns, besides specifying the number of days spent in each of the years in question. In some notices, the assessment years under review are from 2014-15 to 2022-23.

**(Economic Times)**





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## FINANCIAL TERMINOLOGY

### RING FENCE

- ❖ The term ring-fence refers to the creation of a virtual barrier that segregates a portion of a company's financial assets from the rest. This may be done to reserve money for a specific purpose, to reduce taxes on the individual or company, or to protect the assets from losses incurred by riskier operations. Moving a portion of assets offshore to reduce an investor's net worth or lower the taxes due on income is one example of ring-fencing.
- ❖ Ring-fencing may involve transferring a portion of assets from one high-tax jurisdiction to another with lower or no taxes or less onerous regulations. In other cases, it may be used to keep the money in reserve for a specific purpose. It also may be done to make the money unavailable for another purpose.



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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 : 83.0687  
INR / 1 GBP : 105.5842  
INR / 1 EUR : 90.8932  
INR /100 JPY: 57.5900

### **EQUITY MARKET**

Sensex: 71355.22 (-670.93)  
NIFTY: 21513.00 (-197.80)  
Bnk NIFTY: 47450.25 (-708.75)

### **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  
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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 2<sup>nd</sup> Edition)**
- To purchase please visit  
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### **TEAM BFSIB**

**Banking, Financial Services & Insurance Board**  
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