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DAILY NEWS DIGEST BY BFSI BOARD

09 February 2024

BANKING & FINANCE

HIGHLIGHTS OF RBI MONETARY & CREDIT POLICY

RESOLUTION OF THE MONETARY POLICY COMMITTEE (MPC) FEBRUARY 6 TO 8, 2024: India's the Monetary Policy Committee (MPC) at its meeting on 8th February decided the following;

- ❖ Repo Rate, SDF Rate and MSF/Bank Rate all kept unchanged at 6.50 percent, 6.25 percent and 6.75 percent respectively.
- ❖ 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:

- ❖ As per the first advance estimates (FAE) released by the National Statistical Office (NSO), real GDP is expected to grow by **7.3 per cent**, YoY in **2023-24**, underpinned by strong investment activity.
- ❖ On the supply side, gross value added (GVA) expanded by 6.9 per cent in 2023-24, with manufacturing and services sectors as the key drivers.
- ❖ Among the key drivers on demand side, household consumption is expected to improve, while prospects of fixed investment remain bright owing to upturn in the private capex cycle, improved business sentiments, healthy balance sheets of banks and corporates; and government's continued thrust on capital expenditure.
- ❖ Real GDP growth for **2024-25 is projected at 7.0 per cent** with Q1 at 7.2 per cent; Q2 at 6.8 per cent; Q3 at 7.0 per cent; and Q4 at 6.9 per cent.
- ❖ From its October 2023 trough of 4.9 per cent, CPI inflation increased successively in the next two months to 5.7 per cent by December.
- ❖ **CPI inflation** is projected at **5.4 per cent for 2023-24** with Q4 at 5.0 per cent.

- **CPI inflation** for **2024-25** is projected at 4.5 per cent with Q1 at 5.0 per cent; Q2 at 4.0 per cent; Q3 at 4.6 per cent; and Q4 at 4.7 per cent.

KEY ANNOUNCEMENTS MADE IN STATEMENT ON DEVELOPMENTAL AND REGULATORY POLICIES: The announcements made in the Statement on various developmental and regulatory policy measures relating to (i) Financial Markets; (ii) Regulations; and (iii) Payment Systems and Fintech are;

- **Review of the Regulatory Framework for Electronic Trading Platforms:** In October 2018, the Reserve Bank had put in place a regulatory framework for electronic trading platforms (ETPs) for executing transactions in financial instruments regulated by it. Since then, thirteen ETPs operated by five operators have been authorized. Now it has been decided to review the frameworks by RBI.
- **Hedging of Gold Price Risk in the Over the Counter (OTC) Market in the International Financial Services Centre (IFSC):** Resident entities in IFSC are now allowed to hedge the price of gold in the over the counter (OTC) segment in the IFSC. **Key Fact Statement (KFS) for Retail and MSME Loans & Advances:** Currently the requirement for lenders to provide their borrowers a KFS containing the key information regarding a loan agreement, including all-in-cost of the loan, in simple and easy to understand format is specifically mandated in respect of loans by scheduled commercial banks to individual borrowers; digital lending by REs; and microfinance loans. Now, it has been decided to mandate all REs to provide the 'Key Fact Statement' (KFS) to the borrowers for all retail and MSME loans.
- **Enhancing the Robustness of AePS:** To enhance the security of AePS transactions, it is proposed to streamline the onboarding process, including mandatory due diligence, for AePS touchpoint operators, to be followed by banks. Additional fraud risk management requirements will also be considered.
- **Principle-based Framework for Authentication of Digital Payment Transactions:** Presently, with regard to Additional Factor of Authentication (AFA) for authorization of digital payments, the payments ecosystem has largely adopted SMS-based One Time Password (OTP). With innovations in technology, alternative authentication mechanisms have emerged in recent years. To facilitate the use of such mechanisms for digital security, it is proposed to adopt a principle-based "Framework for authentication of digital payment transactions".
- **Introduction of Programmability and Offline Functionality in Central Bank Digital Currency (CBDC) Pilot:** The CBDC Retail (CBDC-R) pilot currently enables Person to Person (P2P) and Person to Merchant (P2M) transactions using Digital Rupee wallets provided by pilot banks. It is now proposed to enable additional use cases using programmability and offline functionality. Programmability will permit users like, for instance, government agencies to ensure that payments are made for defined benefits. Similarly, corporates will be able to program specified

expenditures like business travel for their employees. Additional features like validity period or geographical areas within which CBDC may be used can also be programmed. Second, it is proposed to introduce an offline functionality in CBDC-R for enabling transactions in areas with poor or limited internet connectivity. These functionalities will be introduced through the pilots in a gradual manner.

BANKING & FINANCE

Paytm to acquire ONDC startup Bitsila amid payments bank crisis: The two-year long delay in hotel aggregator OYO's public market debut may finally end as SoftBank Vision Funds, one of its largest backers, said that it expects the company's initial public offer (IPO) to happen in 2024. Navneet Govil, SoftBank Investment Advisers Executive Managing Partner and Vision Fund CFO, also said during an earnings call that the mega investor is very pleased with its India portfolio that also includes the likes of Paytm, Delhivery, Meesho, Flipkart, and Ola, among others. "We are very pleased with the India portfolio. Ola Electric and Firstcry filed for listing in December 2023. Oyo is also expected in the coming year or so to go public. There is no rush. All our portfolio companies will go public when the time's right...," he said on February 8.
(Moneycontrol)

SoftBank says 'very pleased' with India portfolio, no rush for them to go public: The recent action taken by the Reserve Bank of India (RBI) against Paytm Payments Bank is in the interest of consumers and the overall Indian economy, Financial Services Secretary Vivek Joshi said. In an interview with Moneycontrol on February 7, Joshi said that the issue was between the company and the Indian central bank and had to be sorted out at that level. "The government has had nothing to do until now when it comes to the actions taken on Paytm. And we believe that the RBI must have taken the action in the overall interest of the consumer and the economy,"he said.
(Moneycontrol)

LIC Q3FY24 results: Net profit rises 49.1% to Rs 9,444.42 crore: The Life Insurance Corporation (LIC) of India reported a 49.10 per cent year-on-year (Y-o-Y) growth in net during the October-December period of financial year 2023-24 (FY-24), reaching 9,444.42 crore compared to Rs 6,334.2 crore in the same period last year on healthy growth in premium and net investment. income. During the July-September quarter of FY24, the insurer had reported a net profit of Rs 7,925.015 crore. The state-owned life insurer reported a net premium income of Rs 1.17 trillion in Q3 of FY24, a 4.6 per cent year-Y-o-Y increase from Rs 1.12 trillion in Q3 of FY23. Its first-year premium income dropped 12.96 per cent Y-o-Y to Rs 8,428.95 crore while renewal premium was up 22.36 per cent to Rs 62431.29 crore. Single premium income rose by 42.45 per cent Y-o-Y to Rs 46362.46 crore. Also, LIC declared a dividend of Rs 4 per share.
(Business Standard)

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Regulatory action on Paytm Payments Bank, not app, clarifies RBI: The Reserve Bank of India's (RBI's) directive issued last month concerns Paytm Payments Bank, not the Paytm app, the banking regulator clarified in a press conference on Thursday. This was after the RBI, after a meeting of its monetary policy committee (MPC), announced the status quo on policy rates earlier in the day. The banking regulator had last month barred Paytm Payments Bank from conducting most of its operations, including deposit-taking and fund transfers, with effect from March 1, over several instances of non-compliance and continued material supervisory concerns.
(Business Standard)

IOB Share price has zoomed over 90% in 4 weeks; became 2nd most valuable PSB: Indian Overseas Bank (IOB) has become the second most valuable public sector bank (PSB) in terms of market capitalisation (market cap) as the stock zoomed over 90 per cent in the past four weeks. Shares of IOB hit an over nine-year high of Rs 83.80, gaining 5 per cent on the BSE in Thursday's intra-day trade. It rallied 94 per cent from a level of Rs 43.15 on January 8. In past six months, the stock price of the Bank skyrocketed 214 per cent.
(Business Standard)

Centre's white paper lists how Modi govt 'rescued economy from state of crisis': The white paper on the economy, released by the Centre on February 8 to point out the alleged flaws in the economic management of the erstwhile United Progressive Alliance (UPA) government, lists the measures that were taken by the Narendra Modi-led government to "rescue the economy" from a "state of crisis, despair and paralysis". According to the BJP-led dispensation, when they assumed office, the economy was on a "road to nowhere", and was showing signs of distress emanating from multiple policy "wrong turns". "As soon as our government took over in 2014, we recognized the urgent need to revamp and overhaul systems and processes, to help India advance on the path of development while also bolstering its macroeconomic foundations," the document, which was tabled in the Lok Sabha by Finance Minister Nirmala Sitharaman, stated.
(Moneycontrol)

PMO likely to review Red Sea conflict impact on trade and logistics: Top officials at the Prime Minister's Office (PMO) are expected to review the developments related to the troubled Red

Sea region and its impact on trade and logistics in the week, people aware of the matter said. Senior commerce department officials are expected to meet those of the PMO on Monday regarding this, although any government support or incentive to help exporters deal with high freight and insurance costs is unlikely. Earlier this week, Commerce Secretary Sunil Barthwal held hectic meetings with officials of his department and also chaired an inter-ministerial meeting, along with officials of the Ministries of Defence

(Business Standard)

Parliament approves interim Budget 2024-25, with RS returning Finance Bill: Parliament on Thursday completed the exercise of passing the interim Budget for 2024-25, with Rajya Sabha returning the Finance Bill 2024 and the relevant appropriation bills. The Upper House also returned the appropriation bills related to the Union Territory of Jammu and Kashmir. The bills were returned to Lok Sabha after Finance Minister Nirmala Sitharaman's reply on the discussion. Rajya Sabha returned the Appropriation (Vote on Account) Bill, 2024; The Appropriation Bill, 2024; The Jammu and Kashmir Appropriation (No.2) Bill, 2024; The Jammu and Kashmir Appropriation Bill, 2024; and The Finance Bill, 2024. With Rajya Sabha returning all these money bills to Lok Sabha, the Budget process has been completed.

(Business Standard)

Union Agriculture Minister Shri Arjun Munda unveils LMS, Krishi Rakshak Portal, Helpline (KRPH) – 14447, and SARTHI Portal for Agricultural Enhancement and Farmer Empowerment: Union Minister of Agriculture and Farmers Welfare and Tribal Affairs Shri Arjun Munda launched the centralized "Kisan Rakshak Helpline 14447 and Portal", Agri-Insurance Sandbox Framework Platform SARTHI and Learning Management System (LMS) Platform for the farming community under the Pradhan Mantri Fasal Bima Yojana (PMFBY). Another significant launch was The Learning Management System (LMS), developed in collaboration with the National E-Governance Division (NeGD). Its primary goal is to provide stakeholders, including farmers, insurance companies, Government officials, state Government representatives, and participants in the Pradhan Mantri Fasal Bima Yojana (PMFBY), with the essential skills and knowledge needed for efficient crop insurance and agricultural credit. While crop insurance has been a primary product for farmers, the Government has also extended insurance to the entire agricultural community through other products. Recognizing the multifaceted risks faced by farmers beyond crop losses, the comprehensive digital insurance platform SARTHI was launched in collaboration with UNDP India. SARTHI extends coverage to health, life, home, shop, agriculture implements, motor, and parametric products.

(PiB)

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INDUSTRY OUTLOOK

NHAI raises record concession value of Rs 15,624 crore via InvITs: The National Highways Authority of India (NHAI) said on February 8 that it has achieved the highest ever monetization value of Rs 15,624.9 crore through the infrastructure investment trust (InvIT) option. It is accomplished by monetizing ten portions totalling approximately 890 km, according to the NHAI, which also stated that the letter of acceptance (LOA) was given within two hours of the bid opening. "NHAI has raised the highest ever concession value of Rs 15,624.90 Cr through 'InvIT Round-3," NHAI said in a statement. InvIT is an instrument on the pattern of mutual funds, designed to pool money from investors and invest in assets that will provide cash flows over some time. NHAI said during this financial year, it has already awarded four TOT bundles and a monetized value of Rs 15,968 crore. The success rate in TOT mode during FY24 was 100 per cent and LoAs were issued within one day of the financial bid opening, it added.
(Moneycontrol)

Alstom commences production of driverless trainsets for Chennai Metro: Alstom Transport India Ltd commenced production of the driverless metro trainsets for the Chennai Metro Rail Ltd (CMRL) at its manufacturing facility in Sri City, Andhra Pradesh on Thursday. The first trainset is expected to be delivered to CMRL in August 2024. The CMRL awarded the contract for the supply of 36 driverless (UTO – Unattended Train Operation) trainsets to Alstom Transport India Ltd at a total value of ₹1,216 crore. The trainsets will be in a 3-car formation each (108 cars) for the Chennai Metro's phase-2 project. The scope of the contract includes the supply of driverless trains, encompassing the design, manufacture, testing, and commissioning of standard gauge metro rolling stock.
(Business Line)

After brisk start, electric vehicle penetration loses momentum in FY24: Even as the government debates whether to continue the FAME-II subsidy for electric vehicles (EVs), the share of such vehicles in overall sales is decelerating, after witnessing a heady growth in the first few years. The penetration of EVs — electric two-wheelers, passenger vehicles, three- wheelers and other segments collectively — in the first 10 months of FY24 has been pegged at 4.3 per cent, compared to 3.7 per cent in FY23, according to credit rating agency ICRA.
(Business Standard)

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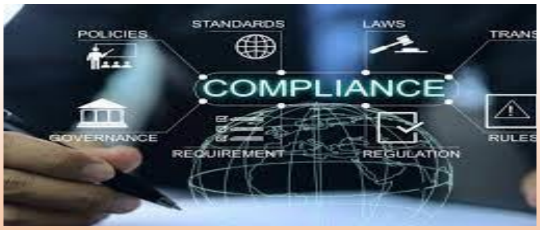

REGULATION & DEVELOPMENT

SEBI mulls framework for FPIs to sell assets after expiry of registration: The Securities and Exchange Board of India (Sebi) on Thursday proposed a mechanism to allow additional time for foreign portfolio investors (FPIs) to liquidate their assets even after the expiry of their registration. Currently, there is no provision to deal with securities lying frozen in the demat accounts of FPIs whose registration has expired. Nearly Rs 3,300 crore of 55 FPIs, whose registrations have expired, lie frozen as of June 2023. Further, 20 such FPIs had written off their securities valued at around Rs 94 crore. Even after the write-off, these securities remain frozen in demat accounts.
(Business Standard)

Delivery of welfare schemes under Modi govt efficient: White Paper: During its tenure from 2004 to 2014, the UPA government could not spend almost 6.4 per cent of the Budget earmarked for the schemes in social and rural sectors amounting to almost Rs 94,060 crore due to poor planning and execution. In contrast, during Prime Minister Narendra Modi's government's 10-year rule, less than a per cent of the cumulative Budget earmarked for the sector has been left unspent, according to the White Paper on the Indian economy tabled in the Parliament on Thursday.
(Business Standard)

Cabinet nod to Pradhan Mantri Matsya Kisan Samridhi Sah-Yojana with an investment of over Rs 6,000 cr: The Sub-scheme will be implemented as a Central Sector Sub-scheme under the Central Sector Component of the PMMSY at an estimated outlay of Rs.6,000 crore consisting of 50% i.e. Rs.3,000 crore public finance including the World Bank and the AFD external financing, and rest 50% i.e.Rs.3,000 crore being the anticipated investment from the beneficiaries/private sector leverage. It will be implemented for 4 (four) years from FY 2023-24 to FY 2026-27 across all the States and UTs.
(Economic Times)

Cabinet approves extension of Fisheries and Aquaculture Infrastructure Development Fund (FIDF): The Union Cabinet chaired by Hon'ble Prime Minister Shri Narendra Modi approved extension of Fisheries Infrastructure Development Fund (FIDF) for another 3 years upto 2025-26 within the already approved fund size of Rs 7522.48 crore and budgetary support of Rs 939.48 crore.

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In order to address the infrastructure requirement for fisheries sector, the union Government during 2018-19 created the Fisheries and Aquaculture Infrastructure Development Fund (FIDF) with a total funds size of Rs 7522.48 crore. In the earlier phase of implementation of FIDF during the period from 2018-19 to 2022-23, a total 121 fisheries infrastructure projects with an investment cost of Rs. 5588.63 crore have been approved for creation of various fisheries infrastructures. Extension of FIDF will further intensifies development of various fisheries infrastructures like fishing harbours, fish landing centers, ice plants, cold storage etc.

FIDF will continue provides concessional finance to the Eligible Entities (EEs), including State Governments/Union Territories for development of identified fisheries infrastructure facilities through Nodal Loaning Entities (NLEs) namely National Bank for Agriculture and Rural Development (NABARD), National Cooperatives Development Corporation (NCDC) and All scheduled Banks. The Government of India provides interest subvention up to 3% per annum for the repayment period of 12 years inclusive of moratorium of 2 years for providing the concessional finance at the interest rate not lower than 5% per annum.

(PiB)

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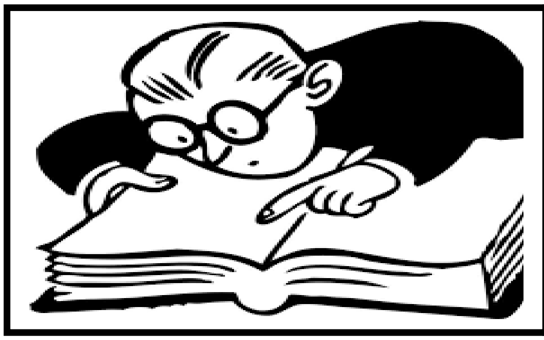

FINANCIAL TERMINOLOGY

OPEN NETWORK FOR DIGITAL COMMERCE (ONDC)

- The Open Network for Digital Commerce (ONDC) acts as a middleman in the world of online shopping, connecting buyers and sellers. It functions similarly to the Unified Payment Interface (UPI), a popular mobile payment system that allows people to make mobile payments regardless of the specific payment app they use.
- Govt. has taken this initiative to reduce the dominance of e-commerce giants like Flipkart and Amazon.
- ONDC is based on open-sourced methodology, using open specifications and open network protocols independent of any specific platform.
- The foundations of ONDC are to be open protocols for all aspects in the entire chain of activities in exchange of goods and services, similar to hypertext transfer protocol for information exchange over internet, simple mail transfer protocol for exchange of emails and unified payments interface for payments.
- Buyers get access to more sellers which ultimately leads to more finest choices. Sellers can cut the advertising and commission cost associated with intermediaries. Buyers can enjoy lower rates of goods & services due to the elimination of intermediaries.

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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 : 82.9762
INR / 1 GBP : 104.7862
INR / 1 EUR : 89.4694
INR /100 JPY: 55.8100

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Sensex: 71428.43 (-723.57)
NIFTY: 21718.00 (-212.50)
Bnk NIFTY: 45012.00 (-806.50)

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- Guidance Note on the Internal Audit of General Insurance Companies.
- BFSI Chronicle (quarterly issue of BFSIB)
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