THE INSTITUTE OF
COST ACCOUNTANTS OF INDIA (ICMAI)
(ST ATUTORY BODY UNDER AN ACT OF PARLIAMENT)
CMA BHAWAN
12, SUDDER STREET, KOLKATA – 700 016

Telephones: +91-33- 2252-1031/1034/1035
+ 91-33-2252-1602/1492/1619
+ 91-33- 2252-7143/7373/2204
Fax :+91-33-2252-7993
+91-33-2252-1026
+91-33-2252-1723
Website :www.icmai.in

DAILY NEWS DIGEST BY BFSI BOARD

09 Dec, 2023

BANKING & FINANCE

Resolution of the Monetary Policy Committee (MPC) December 6 to 8, 2023: RBI on 8th December released the monetary statement of the decisions made by the monetary committee as hereunder;

- Policy **Repo Rate** kept unchanged at **6.50 Percent**.
- The **SDF and MSF** rate also kept unchanged at **6.25 per cent 6.75 per cent** respectively.
- The MPC also decided to remain focused on withdrawal of accommodation to ensure that inflation progressively aligns to the target, while supporting growth.
- 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.

Assessment of outlook:

- Global growth is slowing at a divergent pace across economies. Inflation continues to ebb though it remains above target with underlying inflationary pressures staying relatively stubborn. Market sentiments have improved since the last MPC meeting – sovereign bond yields have declined, the US dollar has depreciated, and global equity markets have strengthened. Emerging market economies (EMEs) continue to face volatile capital flows.
- On domestic front, real GDP grew 7.6 percent YoY in Q2:2023-24.
- RBI projected the **real GDP growth** for **2023-24** at **7.0 per cent** with Q3 at 6.5 per cent; and Q4 at 6.0 per cent. Real GDP growth for Q1:2024-25 is projected at 6.7 per cent.
- **CPI headline inflation** fell by about 2 percentage points since the last meeting of the MPC to **4.9 per cent in October 2023** on sharp correction in prices of certain vegetables and deflation in fuel.
- **CPI inflation is projected at 5.4 per cent for 2023-24**, with Q3 at 5.6 per cent; and Q4 at 5.2 per cent. Assuming a normal monsoon next year, CPI inflation for Q1:2024-25 is projected at 5.2

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per cent; Q2 at 4.0 per cent; and Q3 at 4.7 per cent.

(RBI Press Release)

Major announcements in Statements on Developmental and Regulatory Policies: RBI on 8th December released the Statements on developmental and regulatory policy measures as under;

- The regulatory framework governing the hedging of foreign exchange risks was comprehensively reviewed and by consolidating the directions in respect of all types of transactions – over-the-counter (OTC) and exchange traded - under a single Master Direction.
- It has been decided to come out with a unified regulatory framework on connected lending (lending to persons who are in a position to control or influence the decision of a lender can be of concern, if the lender does not maintain an arm's length relationship with such borrowers) for all the regulated entities of the Reserve Bank. A draft circular in this regard will be issued for public comments.
- Based on the recommendation of the Working Group on Digital Lending (Chairman: Shri Jayant Kumar Dash), it has been decided to bring loan aggregation services offered by the Lending Service Providers (LSPs) (web-aggregators of loan products (WALP)) under a comprehensive regulatory framework.
- **UPI limit for payments to hospitals and educational institutions raised from ₹1 lakh to ₹5 lakh per transaction**: The transaction limit for UPI is capped at ₹1 lakh, except a few categories like Capital Markets (AMC, Broking, Mutual Funds, etc.), Collections (Credit card payments, Loan re-payments, EMI), Insurance etc. where the transactions limit is ₹2 lakh. In December 2021, the transaction limit for UPI payments for Retail Direct Scheme and for IPO subscriptions was increased to ₹5 lakh. To encourage the use of UPI for medical and educational services, it is proposed to enhance the limit for payments to hospitals and educational institutions from ₹1 lakh to ₹5 lakh per transaction
- Enhancement of the limits for execution of **e-mandates without Additional Factor of Authentication (AFA) to Rs.1.00 Lakh**: The limits for execution of e-mandates without Additional Factor of Authentication (AFA) currently stands at ₹15,000/-. It is, now, proposed to exempt the requirement of AFA for transactions up to ₹1 lakh for the following categories, viz., subscription to mutual funds, payment of insurance premium and payments of credit card bills. The other existing requirements such as pre- and post-transaction notifications, opt-out facility for user, etc. shall continue to apply to these transactions.
- The Reserve Bank is working on establishing a cloud facility for the financial sector in India. The cloud facility will be set up and initially operated by Indian Financial Technology & Allied Services (IFTAS), a wholly-owned subsidiary of RBI. Eventually, the cloud facility will be transferred to a separate entity owned by the financial sector participants. This cloud facility is intended to be rolled out in a calibrated fashion in the medium term.
- For better understanding of the developments in the FinTech ecosystem with an objective to appropriately support the sector, it is proposed to set-up a Repository for capturing essential

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information about FinTechs, encompassing their activities, products, technology stack, financial information etc..

(RBI Press Release)

Public sector bankers to get 17 per cent wage hike: Bankers in the public sector and old private sector banks have some good news, with the Indian Banks' Association and the unions agreeing to a 17 per cent annual increase in salary and allowances. This increase is higher than the 15 per cent agreed in the last (11th) bipartite wage settlement. The Association will also take up action with the Government the possibility of declaring all Saturdays as holidays under the Negotiable Instruments Act. The terms of the 12th bipartite wage settlement will be effective from November 1, 2022, for five years.

(Business Line)

RBI allows reversal of liquidity facilities under SDF and MSF even on weekends, holidays: The Reserve Bank of India today tweaked its liquidity management tools SDF and MSF as part of monetary policy review. In view of high use of MSF (marginal standing facility) and SDF (Standing Deposit Facility) facilities by banks, the central bank has decided to allow reversal of MSF and SDF facilities on weekends and holidays to allow better liquidity management. This new measure will come into effect from December 30 and will be reviewed after six months.

(Economic Times)

Centre unveils measures to tame food inflation, bans onion exports: The Centre on Friday unveiled a slew of measures as part of its efforts to tame rising food inflation and tide over the production problems arising out of climate change, in particular an active El Nino. The measures were banning onion exports and permitting import of yellow peas duty free (both until March 31, 2024), releasing more wheat for sales in the open market, cutting stock limits, curbing supply of sugarcane juice or syrup for ethanol production and considering maize instead for the blending project.

(Business Line)

RBI Deputy Governor Swaminathan wants lenders to 'curtail' consumption loans: RBI Deputy Governor Swaminathan J said the Reserve Bank wants the lenders to "curtail" consumption

loans or unsecured credit, where the end-use is undefined. Swaminathan clarified that the intent of the RBI is not to deny or ration credit. Replying to a question on whether fears of unsecured loans being used to punt on the equity market led the RBI to put some restrictions on unsecured lending, Governor Shaktikanta Das said the question is "very hypothetical" but admitted that there have been some anecdotal write-ups.
(Economic Times)

NFRA may spell out rules for AT-1 bonds valuation: The National Financial Reporting Authority (NFRA) is likely to propose norms for the valuation of additional tier-1 bonds issued by banks, people familiar with the development told ET. These securities, popularly known as AT-1 bonds, are hybrid instruments that are perpetual in nature. These can be written-down under certain scenarios including a depletion of capital, or converted to equity. The amount mobilised through AT-1 bonds is counted as a part of tier-1 capital and enhances the capital adequacy of a bank.
(Economic Times)

INDUSTRY OUTLOOK

Diamond industry lifts voluntary ban on rough imports: The gem and jewellery industry has lifted the voluntary suspension of rough diamond imports from December 15 due to the imbalance between demand and supply. The suspension of ban on rough diamond imports was a collective decision of GJEPC, Bharat Diamond Bourse, Mumbai Diamond Merchants Association, Surat Diamond Bourse, and Surat Diamond Association. Earlier, the Gem and Jewellery Export Promotion Council had expressed serious concern on group of seven countries decision to ban rough diamonds import from Russia and processed in any part of the world from January 1.
(Business Line)

Google withdraws plea against order on CCI probe into billing system: Google on Thursday withdrew its appeal against the order of a single judge of the Delhi high court asking the Competition Commission of India (CCI) to hear applications moved by Indian startups against Google's user choice billing system. Senior advocate Sajan Poovayya, who appeared for Google, told the court that the order was passed by a single judge when the CCI did not have the quorum to hear the plea. The CCI, however, now has the quorum and has been hearing the plea by startups, he noted. Google's counsel further told the court that while the company wishes to withdraw the appeal, it would like to keep the questions of law open.
(Financial Express)

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Rs 20 trillion & rising: AUM of active equity mutual funds surges: Active equity schemes in November saw their assets under management (AUM) surpass the Rs 20-trillion mark for the first time, bolstered by a buoyant market sentiment. The 8 per cent, or Rs 1.5 trillion, jump in AUM last month mirrored the growth observed in the Nifty 500 index. There has been a 34 per cent (Rs 5.2 trillion) surge in the assets of active equity schemes since March-end, showed data from the Association of Mutual Funds in India (Amfi). This sharp uptick in AUM has been fuelled by a rally in the equity markets after March and a subsequent surge in inflows. In FY24 (until November 30), the key benchmark indices — Nifty50 and Sensex — registered gains of 15.7 per cent

(Business Standard)

REGULATION & DEVELOPMENT

Cabinet nod to Rs 2500 cr to continue interest equalisation scheme upto June'24: The Union Cabinet has approved additional Rs 2,500 crore for the continuation of interest equalisation scheme on rupee export credit until June 30 next year. The move will help exporters from identified sectors and all MSME manufacturer exporters to avail pre and post shipment Rupee export credit at competitive rates amid global uncertainty. The additional outlay of Rs 2,500 crore, over and above the current outlay of Rs 9,538 crore under the scheme, is made available to bridge the funding gap to continue the scheme upto June 2024, according to a statement issued by the commerce and industry ministry. Manufacturer and merchant exporters exporting specified 410 products will get 2% subsidy and all the MSME exporters will get 3%. Availability of pre and post shipment packing credit at competitive rates is important for the exports sector in order to compete internationally. The scheme was started on April 1, 2015 and was initially valid for five years upto March 31, 2020. It has been continued thereafter including one year extension during Covid-19, and with further extensions and fund allocations.

(Economic Times)

Single KYC for all financial services soon: DEA Secretary: The government may soon come up with a single KYC (Know Your Customer) for all financial services to further improve ease of doing business, a top finance ministry official said. "The work on single KYC for all kinds of financial services is in the making and should come out soon," Ajay Seth, Secretary, Department of Economic affairs said Friday.

(Economic Times)

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FINANCIAL TERMINOLOGY

GINI INDEX

- The Gini index, or Gini co-efficient, measures income distribution across a population. Developed by Italian statistician Corrado Gini in 1912, it often serves as a gauge of economic inequality, measuring income distribution or, less commonly, wealth distribution among a population.
- The co-efficient ranges from 0 (or 0%) to 1 (or 100%), with 0 representing perfect equality and 1 representing perfect inequality. Values greater than 1 are theoretically possible due to negative income or wealth.
- A higher Gini index indicates greater inequality, with high-income individuals receiving much larger percentages of the population’s total income.
- A country in which every resident has the same income would have an income Gini co-efficient of 0. Conversely, a country in which one resident earned all the income, while everyone else earned nothing, would have an income Gini co-efficient of 1.

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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 : 83.3681
INR / 1 GBP : 104.9160
INR / 1 EUR : 89.8992
INR /100 JPY: 57.8800

EQUITY MARKET

Sensex: 69825.60 (+303.91)
NIFTY: : 20969.40 (+68.20)
Bnk NIFTY: 47262.00 (+420.20)

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