



**THE INSTITUTE OF
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DAILY NEWS DIGEST BY BFSI BOARD

February 09, 2023

HIGHLIGHTS OF RESOLUTION OF MONETARY POLICY COMMITTEE FEBRUARY

06-08 2023: The monetary committee at its meeting on above dates have made the following resolutions;

- Repo rate under the LAF increased by 25 basis points to 6.50 per cent.
- Consequently, the standing deposit facility (SDF) rate stands adjusted to 6.25 per cent and the marginal standing facility (MSF) rate and the Bank Rate to 6.75 per cent.
- These decisions are in consonance with the objective of achieving the medium-term target for CPI inflation of 4 % within a band of +/- 2 %, while supporting growth.
- The first advance estimates released by the National Statistical Office (NSO) on January 6, 2023, placed India's real GDP growth at 7.0 % YoY for 2022-23, driven by private consumption and investment. On the supply side, gross value added (GVA) was estimated at 6.7 per cent.
- CPI headline inflation moderated to 5.7 % YoY in December 2022
- CPI inflation is projected at 5.3 per cent for 2023-24.

(RBI Press Release)

STATEMENT ON DEVELOPMENTAL AND REGULATORY POLICY (08 FEB 2023):

The key decision came out as per the statement are as hereunder;

- **RECOVERY OF PENAL CHARGES ON LOANS SHOULD NOT BE IN THE FORM OF PENAL INTEREST:** It has been decided that any penalty for delay/default in servicing of the loan or any other non-compliance of material terms and conditions of loan contract by the borrower shall be in the form of 'penal charges' in a reasonable and transparent manner and shall not be levied in the form of 'penal interest'. Further, there shall be no capitalisation of penal charges (i.e., the same shall be recovered separately and shall not be added to the principal outstanding).
- **EXPANDING THE SCOPE OF TRADE RECEIVABLES DISCOUNTING SYSTEM (TReDS):** To provide further impetus to TReDS platforms, I) Insurance facility will now be permitted on TReDS. II) All entities / institutions eligible to undertake factoring business will be permitted to participate as financiers in TReDS. III) Secondary market operations will now be enabled on TReDS platforms.
- **EXTENDING UPI FOR INBOUND TRAVELLERS TO INDIA:** Recently, UPI access has been provided to non-resident Indians who have international mobile numbers linked to their NRE / NRO accounts. It is now proposed to permit all inbound travellers to India also to access UPI for their merchant payments (P2M) while they are in the country.
- **QR CODE BASED COIN VENDING MACHINE - PILOT PROJECT:** To improve distribution of coins among members of the public, the Reserve Bank of India is preparing a pilot project on QR Code based Coin Vending Machine (QCVM) in collaboration with a few leading banks. The pilot project is planned to be initially rolled out at 19 locations in 12 cities across the country.

(RBI press release)



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ADANI PLANS TO PREPAY \$500 MILLION LOAN TO BANKING GROUP: The Adani Group plans to prepay a \$500 million loan due next month to a group of banks as the Indian conglomerate looks to bolster its finances following a short seller attack. Barclays Plc, Standard Chartered Plc and Deutsche Bank AG are among banks that lent Adani \$4.5 billion to finance the purchase of Holcim Ltd. cement assets last year. A portion of that loan is due March 9. An Adani spokesperson said the conglomerate had been in talks with banks to refinance that part of the loan but has decided to prepay it. Hindenburg Research alleged that a web of Adani-family controlled offshore shell entities in tax havens were used to facilitate corruption, money laundering and taxpayer theft.

(Moneycontrol)

SEBI SEEKS STRICTER NORMS FOR RELATED PARTY TRANSACTIONS BY COMPANIES WITH HIGH DEBT: The Securities and Exchange Board of India (SEBI) on February 8 proposed a strengthened protocol for monitoring related party transactions by High-Value Debt Listed Entity (HVDLEs), which will incorporate objections from debenture holders in select cases. HVDLEs are listed companies which have listed their non-convertible debt securities and have an outstanding value of listed non-convertible debt securities of Rs 500 crore and above. SEBI had determined companies that qualify for the HVDLE role as of March 31, 2021. Currently, a total of 138 companies fall under the HVDLE rubric. The regulations mandate that if any specific entity triggers the specified threshold of Rs 500 crore, it shall ensure compliance with corporate governance norms within a period of six months.

(Moneycontrol)

GOVT HOMES IN ON RS 25,000 CRORE PROJECTS FOR GREEN FINANCING: The government has identified projects worth ₹25,000 crore that will be financed by proceeds from sovereign green bonds issued in the current fiscal and the next as part of its green-funding push, officials said. The projects already identified for green financing are largely in renewable energy and clean transportation segments, one of them said.

(Economic Times)

DBS BANK INDIA TO LAUNCH PROPRIETARY CREDIT CARD IN 2-3 MONTHS: In addition to its co-branded card with Bajaj Finserv, DBS Bank India is now looking to launch its solo proprietary credit card within 2-3 months, according to Prashant Joshi, MD and Head - Consumer Banking Group. "We have launched our co-branded credit card with Bajaj Finance and we will also launch our proprietary card in the next 2-3 months," Joshi told businessline.

(Business Line)

NAMASTE SCHEME TO ERADICATE UNSAFE SEWER AND SEPTIC-TANK CLEANING PRACTICES INTRODUCED: Ministry of Social Justice & Empowerment (MoSJE) has formulated a scheme "National Action for Mechanized Sanitation Ecosystem" (NAMASTE). The process of extending the Scheme to all the Urban Local Bodies (ULBs) of the country has



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been initiated. NAMASTE envisages identifying the Sewer/Septic Tank Workers (SSWs), Occupational Training and distribution of PPE Kits to SSWs, Assistance for Safety Devices to Sanitation Response Units (SRUs), Extending Health Insurance Scheme Benefits and for their Livelihood assistance

(PiB)

EUROPEAN INVESTMENT BANK AGREES TO JOIN INDIA HYDROGEN

ALLIANCE: European Investment Bank (EIB) on Wednesday said it will formally join the India Hydrogen Alliance (IH2A) and support large-scale green hydrogen hubs and projects with an indicative funding of 1 billion euros. However, the funding will be subject to approval from the Indian government, the EIB said.

(Financial Express)

FinMin ISSUES DRAFT SCHEME FOR SETTling DISPUTES RELATED TO GOVT

CONTRACTS: The finance ministry on Wednesday came out with a draft scheme for settlement of pending disputes related to government contracts. Under the Vivad se Vishwas II (Contractual Disputes) scheme, contractors would be offered settlement amounts depending on the status of a dispute. In cases of disputes where court or arbitral order have been passed, the settlement amount would be 80 per cent or 60 per cent of the amount awarded by the court or the arbitral tribunal. With respect to cases of ongoing litigation for disputes arising out of contracts in which physical activity has been stopped or contracts terminated, the settlement amount would be 30 per cent of the net claim amount. For ongoing litigation where physical activity in the disputed contract is ongoing, the settlement amount would be 20 per cent of the net claim amount -- claims by the contractors minus counter-claim by the procuring entity. In cases where the total claim amount exceeds Rs 500 crore, the procuring entities will have an option not to accept the settlement request of the contractor, as per the draft scheme. The scheme shall apply only for cases involving domestic arbitration. The scheme will be implemented through the Government e-Marketplace (GeM), which shall provide an online functionality for the same.

(Business Standard)

RESERVE BANK ANNOUNCES GUIDELINES ON CLIMATE RISK, SUSTAINABLE

FINANCE: Based on analysis of feedback received on a July 2022 discussion paper on Climate Risk and Sustainable Finance, the Reserve Bank of India (RBI) on Wednesday issued certain guidelines to regulated entities. The guidelines consist of a broad framework for acceptance of green deposits, disclosure frameworks on climate-related financial risks and guidance on climate scenario analysis and stress testing, the RBI said today. The guidelines shall be issued in a phased manner and the RBI will dedicate a page on its website to consolidate all instructions and related communications on climate risk and sustainable finance. In August 2021, HDFC had launched green deposits, which were directed towards financing of green and sustainable housing credit solutions.

(Business Standard)



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FINANCIAL TERMINOLOGY/CONCEPTS

VIABILITY GAP FUNDING (VGF)

- ❖ The Viability Gap Funding Scheme of the Government of India for Financial Support to Public Private Partnerships in Infrastructure, provides financial support (Capital grant) of up to 40% of the Total Project Cost in the form of grant (one time or deferred) to infrastructure projects undertaken through public private partnerships with a view to making them commercially viable. Administered by the Ministry of Finance, budgetary provisions are made in the Annual Plans on a year-to-year basis for the Scheme.
- ❖ The scheme aims at supporting infrastructure projects that are economically justified but fall marginally short of financial viability. Support under this scheme is available only for infrastructure projects where private sector sponsors are selected through a process of competitive bidding. The total Viability Gap Funding under this scheme will not exceed twenty percent of the Total Project Cost; provided that the Government or statutory entity that owns the project may, if it so decides, provide additional grants out of its budget, upto a limit of a further twenty percent of the Total Project Cost.
- ❖ Eligibility: The project should be implemented (i.e. developed, financed, constructed, maintained and operated) for the Project Term by a Private Sector Company to be selected by the Government or a statutory entity through a process of open competitive bidding; provided that in case of railway projects that are not amenable to operation by a Private Sector Company, the Empowered Committee may relax this eligibility criterion.
- ❖ The PPP Project should be from one of the following sectors such as; Roads and bridges, railways, seaports, airports, inland waterways, Power, Urban transport, water supply, sewerage, solid waste management, Infrastructure projects in Special Economic Zones, Telecommunication, Oil and Gas pipelines 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 : 82.6746
INR / 1 GBP : 99.6152
INR / 1 EUR : 88.7561
INR /100 JPY : 63.0100

EQUITY MARKET

Sensex: 60663.79 (+377.75)
NIFTY: 17871.70 (+150.20)
Bnk NIFTY: 41537.65 (+46.75)

Courses conducted by BFSI Board

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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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CMA Chittaranjan Chattopadhyay

Chairman,

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