



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

11 March, 2023

SILICON VALLEY BANK SHUT DOWN BY REGULATOR, FDIC NAMED

RECEIVER: The Silicon Valley Bank (SVB) has been shut down by regulators, and its assets have been seized, the Federal Deposit Insurance Corporation (FDIC) said on March 10. The closure order was issued by the California Department of Financial Protection and Innovation, which also named the FDIC as the receiver, as per an official statement. The FDIC, which is in-charge of protecting SVB's insured deposits, has formed the Deposit Insurance National Bank of Santa Clara to hold the same. The seizure of SVB's assets marks the largest bank failure since Washington Mutual during the height of the 2008 financial crisis. SVB was the United States' 16th largest bank, with a total of 17 branches in California and Massachusetts. The bank had \$209 billion in assets and \$175.4 billion in deposits ahead of being shut down. The lender acted as a major financial conduit for venture capital-backed companies, which have been hit hard in the past 18 months as the Federal Reserve has raised interest rates and made riskier tech assets less attractive to investors.

(Moneycontrol)

RBI APPROVES REAPPOINTMENT OF SUMANT KATHPALIA AS MD & CEO OF

INDUSIND BANK: IndusInd Bank on March 10 said the Reserve Bank of India (RBI) has approved the reappointment of Sumant Kathpalia as its managing director and chief executive officer. Kathpalia's reappointment will come into effect from March 24, 2023, for a two-year period, the lender said in a regulatory filing. The RBI's nod comes nearly six months after the board of IndusInd Bank had cleared another term for Kathpalia, who has been the lender's MD & CEO since March 2020. Kathpalia, a career banker, has an experience spanning over three decades. He was earlier associated with major national and international banks such as Citibank, Bank of America and ABN AMRO.

(Moneycontrol)

IIP GROWTH EDGES UP TO 5.2% IN JANUARY FROM 4.7% IN DECEMBER:

India's industrial output grew by 5.2 percent in January, data released on March 10 by the statistics ministry showed. Industrial growth, as per the Index of Industrial Production (IIP), in December has been revised up to 4.7 percent from 4.3 percent, data from the ministry showed. For the first 10 months of 2022-23, IIP growth was 5.4 percent, down from 13.7 percent in the corresponding period of 2021-22. The improvement in industrial growth in January was expected, with data released on February 28 showing India's eight core sector grew by 7.8 percent in January, up from 7 percent in December. The performance of the core



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sectors is a leading indicator of industrial growth as the eight core industries make up around 40 percent of the IIP.

(Moneycontrol)

GOVERNMENT AMENDS ANTI-MONEY LAUNDERING RULES, BRINGS 'POLITICALLY EXPOSED PERSONS' UNDER PMLA:

The government has amended rules under the anti-money law, making it mandatory for banks and financial institutions to record financial transactions of politically exposed persons (PEP). Also, financial institutions or reporting agencies will be required to collect information about the financial transactions of non-profit organisations or NGOs under the provisions of the Prevention of Money Laundering Act (PMLA). The financial institutions will also have to register details of their NGO clients on the Darpan portal of the Niti Aayog and maintain the record for five years after the business relationship between a client and a reporting entity has ended or the account has been closed, whichever is later, the amendment said. Following this amendment, banks and financial institutions will now have to not only maintain records of financial transactions of PEPs and NGOs but also share them with the Enforcement Directorate, as and when sought. The amendments to PMLA rules also include tightening of the definition of beneficial owners under the anti-money laundering law and mandating reporting entities like banks and crypto platforms to collect information from their clients. As per the amendments, any individual or group holding 10 per cent ownership in the client of a 'reporting entity' will now be considered a beneficial owner against the ownership threshold of 25 per cent applicable earlier.

So far, these entities were required to maintain KYC details or records of documents evidencing the identity of their clients as well as account files and business correspondence relating to clients. They are required to maintain a record of all transactions, including the record of all cash transactions of more than Rs 10 lakh. They will now have to also collect the details of the registered office address and principal place of business of their clients.

(Economic Times)

GOVERNMENT LAUNCHES REVAMPED MSME COMPETITIVE (LEAN)

SCHEME: The government on Friday launched the revamped MSME Competitive (LEAN) scheme to make it more beneficial for enterprises and stakeholders. Under the revamped scheme, the Centre's contribution will be 90 per cent of the implementation cost for handholding and consultancy fees as against 80 per cent previously. The government has also done away with the requirement of setting up a special purpose vehicle in every cluster. Earlier, the implementation period for the scheme was set at 18 months. However, under the revamped scheme it has been divided into phases - Basic (2 months), Intermediate (6 months) and Advanced (12 months). The revamped scheme is being introduced in two phases. The first phase will cover the manufacturing sector while the services sector will be covered in the second phase.

(Economic Times)



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SWIFT TO GO FORWARD WITH NEXT PHASE OF CBDC EXPERIMENTATION:

Society for Worldwide Interbank Financial Telecommunications, expressed their optimism over a pilot test of connecting different central bank digital currencies (CBDCs), as stated by Cointelegraph. SWIFT tested around 5,000 transactions between two separate blockchain networks and current fiat payment systems. Reportedly, financial institutions such as Royal Bank of Canada, Banque de France, Société Générale, BNP Paribas, Monetary Authority of Singapore, HSBC, Deutsche Bundesbank, NatWest, among others, took part in the study. "Overall, the results of the sandbox testing found that Swift's experimental interlinking solution can meet the needs of central and commercial banks for CBDCs interoperability," SWIFT stated.

(Financial Express)

BANK OF BARODA BOARD APPROVES 49 PER CENT STAKE DIVESTMENT IN

BFSL: The Bank of Baroda board has approved up to 49 per cent divestment in subsidiary BoB Financial Solutions, the company said in a regulatory filing on Thursday. "We advise that the Board of Directors of Bank of Baroda (BOB) have approved for divestment up to 49 per cent of Bank's shareholding in its 100 per cent owned subsidiary i.e. BOB Financial Solutions Ltd. (BFSL), and issuance of an advertisement inviting Expressions of Interest, from Suitable Investors/Strategic Partners to acquire shareholding of BOB in BFSL," the filing said.

(Economic Times)

ASHOK LEYLAND UNVEILS ALL-WOMEN PRODUCTION LINE AT TAMIL NADU

PLANT: Heavy commercial vehicle maker Ashok Leyland has unveiled a new production line that would produce engines at its manufacturing facility in Hosur completely operated by women employees, the company said on Friday. The initiative to introduce an all-women production line is to promote women empowerment and encourage them take up roles in manufacturing industry. Ashok Leyland, the flagship company of Hinduja Group, has set up this new line with 80 women employees.

(Business Standard)

ICICI BANK GIVEN TIME TILL SEPT 2024 TO PARE STAKE IN ICICI

LOMBARD: RBI has approved private sector lender ICICI Bank's request seeking extension of time till September 9, 2024 for divesting its shareholding in its general insurance subsidiary, ICICI Lombard General Insurance, below 30 per cent. According to a government notification issued in September 2020, no banking company shall hold shares in any company, whether as pledgee, mortgagee or absolute owner, of any amount exceeding 30 per cent of the paid-up share capital of that company or 30 per cent of its own paid-up share capital and reserves. ICICI Bank currently holds a little over 48 per cent in ICICI Lombard General Insurance.

(Business Standard)



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BANK CREDIT GROWS 15.5% YOY IN FEB 24 FORTNIGHT TO RS 134.5 TRILLION: Credit growth in the banking system has moderated further, growing at 15.5 per cent year-on-year (YoY) in the fortnight ended February 24, to Rs 134.50 trillion, latest data released by Reserve Bank of India (RBI) showed. While credit growth has moderated from about 16.5 per cent in mid-January (2023), it is significantly higher than that of the year-ago.
(Business Standard)



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FINANCIAL TERMINOLOGY/CONCEPTS

RECESSIONARY GAP

- ❖ This is a situation wherein the real GDP is lower than the potential GDP at the full employment level. The economy operates below the full employment level in a recessionary gap.
- ❖ Recessionary gap is also termed as contractionary gap. An economy doesn't necessarily operate at the full employment level. So the difference that exists between the potential full employment equilibrium and the actual ones is the recessionary gap.
- ❖ This recessionary gap pushes prices down in the long term. Recession refers to a general slowdown in economic activities, i.e. a business cycle contraction.
- ❖ Generally, a recessionary gap occurs when an economy is approaching recession. So, it is also associated with business cycle contraction.



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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 : 82.0147
INR / 1 GBP : 97.7927
INR / 1 EUR : 86.8366
INR /100 JPY : 59.9800

EQUITY MARKET

Sensex: 59135.13 (-671.15)
NIFTY: 17412.90 (-176.70)
Bnk NIFTY: 40485.45 (-771.30)

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)**

To purchase please visit BFSIB portal of ICAI

CMA Chittaranjan Chattopadhyay

Chairman,

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