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+ 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

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DAILY NEWS DIGEST BY BFSI BOARD

11 April 2024

BANKING & FINANCE



CAMS gets RBI's nod to operate as an online payment aggregator: Computer Age Management Services Ltd said the Reserve Bank of India (RBI) has granted authorisation to the company to operate as an online payment aggregator. The certificate of authorisation bearing No 183/2024 has been received today by the company. The company received an in-principle authorisation from RBI in February 2023, according to a statement. The company made an application to RBI for the issue of a certificate of authorisation after the business became regulated consequent to the issue of 'Guidelines on Regulation of Payment Aggregators and Payment Gateways' (Guidelines) in March 2020.

(Moneycontrol)

Banks prefer high premium corp, state bonds over G-secs in HTM portfolio: Banks are preferring instruments with higher premium over government securities for their held-till-maturity (HTM) portfolio, following the new investment norms, which came into effect from April 1. They are stocking up on corporate bonds and state government securities to boost yield on their portfolio, according to market participants. "Definitely, if there is a good spread available and without lower credit risk, those instruments will be favoured to boost the yield on the portfolio. There will be high demand for good-rated papers, on account of keeping them in HTM as under the new norm, non-statutory liquidity ratio (SLR) portfolio can be kept in HTM," said VRC Reddy, head of treasury at Karur Vysya Bank. The yield spread between AAA-rated corporate bonds and the benchmark 10-year government bond narrowed by 5 basis points (bps) so far in April. On Tuesday, the yield spread stood at 41 bps. Under the revised investment norms, commercial banks are now allowed to keep non-SLR bonds in their investment portfolio. However, investment in non-SLR securities with an original maturity of less than one year is prohibited.

(Business Standard)

SBI, ICICI may act as third-party liaisons for European banks: State Bank of India and ICICI Bank, two of the country's top three lenders, are likely to act as local intermediaries for



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European banks seeking a plan for third-party clearing after last month's meeting between top Reserve Bank of India (RBI) officials and those from certain European banks, sources told ET. The proposal for local banks to carry out third-party clearing for the European banks comes on the back of a decision by the European Securities and Markets Authority (ESMA) in October 2022 to de-recognise the Clearing Corporation of India (CCIL). ESMA's step came after the RBI refused to permit the foreign body rights of inspection and audit over the CCIL, which hosts the trading platform and provides guaranteed settlement for Indian government bonds and interest rate derivatives. Pending a resolution of the matter, foreign banks have a deadline of October 2024 to stop transacting with the CCIL.

(Economic Times)

Icra revises banking sector outlook from positive to stable: Ratings firm Icra has revised the banking sector outlook to stable from positive as it expects credit growth and profitability metrics to moderate, but would continue to remain healthy. Banks' net interest margins expected to compress, though benign credit costs and lower operating expenses would provide support, the ratings firm said.

(Economic Times)



ECONOMY

Equity inflows slump 16% in March as smallcap funds see first outflows in 30 months: Smallcap mutual funds saw outflows for the first time in 30 months in March, as investors turned cautious after the capital markets regulator the Securities and Exchange Board of India (SEBI) raised concerns over "froth" in the segment. Inflows into open-ended equity mutual funds slumped 16 percent to Rs 22,633 crore in March, led by outflows in smallcap funds, data released by the Association of Mutual Funds of India (AMFI) on April 10 showed. Inflows into equity funds have remained in the positive zone for the 37th straight month. Meanwhile, contributions via systematic investment plans (SIPs) remained above the Rs 19,000 crore level for the second straight month. As per AMFI data, SIP book was at Rs 19,271 crore against Rs 19,187 crore in February.

(Moneycontrol)

India-Mauritius sharpen focus on tax avoidance with amended treaty: The amendments to the double taxation avoidance agreement between India and Mauritius are aimed at dissuading tax avoidance, believe experts, but note that there remain some areas of ambiguity, especially with



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regards to its applicability. “The recent Protocol to the India-Mauritius DTAA, which incorporates the Principal Purpose Test (PPT), represents a move by India to align with global efforts against treaty abuse, particularly under the BEPS Action 6 framework. The introduction of the PPT aims to curtail tax avoidance by ensuring that treaty benefits are only granted for transactions with a bona fide purpose,” said Rakesh Nangia, Chairman, Nangia Andersen India. Furthermore, the omission of the phrase “for the encouragement of mutual trade and investment” in the treaty’s preamble suggests a shift in focus towards preventing tax evasion over promoting bilateral investment flows. This development underscores India’s commitment to international tax cooperation standards while raising critical considerations for investors leveraging the India-Mauritius corridor.

(Business Today)

Pakistan to seek fresh IMF bailout package with focus on climate finance: Pakistan is gearing up to address its economic woes by formally requesting a medium-term Extended Fund Facility (EFF) from the International Monetary Fund (IMF) during the upcoming Annual Spring Meetings of Bretton Woods Institutions next week, reports The News International. Led by Finance Minister Muhammad Aurangzeb, Pakistan's delegation will request a medium-term EFF with a potential boost through climate finance, scheduled for discussions from April 15 to 20 in Washington, D.C. Pakistan has decided to request boosting of the EFF through climate finance, as there was a possibility for securing funding of \$6 billion to \$8 billion size of the upcoming programme, according to the sources.

(Business Today)

INDUSTRY OUTLOOK



IndiGo becomes world's 3rd largest airline by m-cap as shares hit record high: Shares of InterGlobe Aviation Limited scaled fresh record high on April 10 by trading 5 percent higher at Rs 3,801 apiece during afternoon trade, thus extending their gains for fourth day in a row. Wednesday's gains made the carrier world's third largest airline in terms of market capitalisation. The 22 percent rally in the last one month has taken the stock of InterGlobe Aviation, the operator of IndiGo airline in India, to over Rs 1,46,000 crore (\$17.5 billion) in total value, Bloomberg data showed. In December 2023, it surpassed United Airlines to become the sixth largest airline in the world. Data shows that Delta Air and Ryanair Holdings are the top two airlines with \$30.4 billion and \$26.5 billion m-cap, respectively.

(Moneycontrol)



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Infosys, Intel collaborate to accelerate enterprise growth and efficiency with Gen AI:

Infosys on Wednesday announced that it has expanded its collaboration with Intel to assist global enterprises in accelerating their AI journeys. “The advanced artificial intelligence (AI) solutions offered as a part of this collaboration will aim to help businesses become cost effective and performance driven while being responsible by design,” it said in a regulatory filing. Infosys Topaz – an AI-first set of services, solutions and platforms that help enterprises accelerate business value using generative AI technologies, will adopt Intel-based solutions, including Intel® Xeon® processors, Intel® Gaudi® accelerators, Intel® Core™ Ultra Processors, software, and future generation products, to enable customers to integrate Gen AI into their businesses and adhere to the emerging guardrails of AI.

(Financial Express)

Global trade growth to rebound this year; geopolitical tensions pose downside risks:

WTO forecast: The global trade growth is expected to pick up gradually this year after a contraction in 2023 but regional conflicts, geopolitical tensions and economic policy uncertainty pose substantial downside risks, according to a WTO forecast released on Wednesday. The World Trade Organisation (WTO), however, lowered the trade growth projection for 2024 to 2.6 per cent. In October last year, the organisation had projected that growth would be 3.3 per cent.

(Economic Times)



REGULATION & DEVELOPMENT

69 Indian universities make it to QS World University Rankings: A total of 69 Indian universities with 424 entries have made it to the QS World University Rankings by subject, marking a 19.4% rise from the previous year's 355 entries achieved by 66 universities. India is the second most represented country in Asia for the number of ranked universities (69), after mainland China with 101. Emphasis on institutes of eminence and top universities like Jawaharlal Nehru University, IIM Ahmedabad, and Saveetha Institute. Significant progress in research output and academic impact.

(Economic Times)

Wage ceiling under EPFO may be raised to ₹21k: The government is contemplating enhancing the wage ceiling under the Employees' Provident Fund Organisation (EPFO) to at least ₹21,000 from ₹15,000 now to widen the social security coverage, a step towards achieving universal social security. The proposal, which has been on the backburner for several years now, is being re-looked at.

(Economic Times)



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FINANCIAL TERMINOLOGY

HOT ISSUE

- ❖ In finance, the term “hot issue” is used to describe an upcoming initial public offering (IPO) that is particularly popular among the investing public.
- ❖ Hot issues are typically oversubscribed by investors, meaning that their demand outstrips their supply. In those instances, many speculators may be attracted by the prospect of short-term speculative gains as opposed to being convinced of the company’s long-term prospects.
- ❖ It is commonly associated with companies in glamorous or high-tech industries.
- ❖ When a company is preparing itself for an IPO, its executives and investment banking partners will take the company on a so-called “roadshow”, touring several institutional investors in an attempt to promote excitement for the new issue. In some cases, such as when the company is viewed as a leader or disruptor in an exciting new industry, these roadshows occasionally succeed in producing widespread interest in the new IPO.



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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 : 83.2253
 INR / 1 GBP : 105.5186
 INR / 1 EUR : 90.2945
 INR /100 JPY: 54.8300

EQUITY MARKET

Sensex: 75038.15 (+354.45)
 NIFTY: 22753.80 (+111.05)
 Bnk NIFTY: 48986.60 (+256.05)

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