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DAILY NEWS DIGEST BY BFSI BOARD

14 March 2024

BANKING & FINANCE

RBI bars Federal Bank, South Indian Bank from issuing co-branded credit cards: Reserve Bank of India has issued notices to Federal Bank and South Indian Bank to stop issuing new co-branded cards, the lenders notified the exchanges on Wednesday. “We have stopped issuance of new co-branded credit cards. The Bank is in the process of rectifying the areas that are deficient and will seek regulatory clearance prior to resumption of new issuance,” Federal Bank said. South Indian Bank said that the regulatory action is in line with the norms issued on March 7, and that it will not on-board any fresh customers under co-branded credit cards until it is fully compliant with the regulatory guidelines. Both the banks said they will continue to offer credit cards to new and existing customers in the non-co-branded segment and will also continue to service existing co-branded cardholders.
(Business Line)

SBI partners with Paytm as the fourth bank for its UPI business: State Bank of India has partnered with One97 Communications, which runs Paytm brand and app, for its consumer UPI payments. Paytm's UPI was powered by Paytm Payments Bank Limited (PPBL) and since the RBI's action on the latter, the mobile payments company has been forced to seek bank partnerships to become a third party application provider (TPAP), much like its larger competitors PhonePe and Google Pay. Moneycontrol reported that Paytm had partnered with Axis Bank, Yes Bank and HDFC Bank for TPAP partnerships earlier. For most large UPI players, the regulatory body National Payments Corporation of India insists that they should have at least three bank partners.
(Moneycontrol)

22,217 electoral bonds purchased and 22,030 redeemed: SBI tells SC: The State Bank of India on Wednesday informed the Supreme Court that 22,217 electoral bonds were sold between April 1, 2019 and February 15, 20124. It also mentioned that of these, 22,030 bonds were redeemed during the said period. These details were part of the affidavit submitted by SBI Chairman Dinesh Kumar

Khara in compliance with the apex court's directions on March 11. The SBI has submitted the electoral bond data to the Election Commission of India (ECI) which has said that it will upload the same by 5 pm on March 15 (Friday) as per the court's directions. According to the affidavit, details, including date of purchase of each electoral bonds, names of the purchaser and the denomination of the bonds purchased have been furnished. The bank has also furnished to the EC details like date of encashment of the electoral bonds, the names of political parties which received the contributions and the denominations of the bonds.
(Business Line)

RBI imposes penalty on Bank of India, Bandhan Bank: The Reserve Bank of India (RBI) on Wednesday said it has imposed a penalty of Rs 1.4 crore on Bank of India for non-compliance with certain regulatory norms. It has also imposed a penalty of Rs 29.55 lakh on private sector lender Bandhan Bank for non-compliance with certain directions. The penalty on Bank of India has been imposed for non-compliance with the RBI's directions related to 'interest rate on deposits', 'customer service in banks', 'interest rate on advances', and contravention of provisions of Credit lnformation Companies Rules, 2006.
(Economic Times)

Sensex sheds 906 pts, Nifty below 22K: Key factors behind the crash: Investors turned poorer by Rs 13.5 trillion on Wednesday as bears prowled on Dalal Street, hammering equities. The benchmark S&P BSE Sensex and Nifty50 index fell over 1 per cent today, and the broader indices witnessed a fall of up to 5 per cent. At the headline level, the BSE Sensex index tumbled 1,152 points during the day, before ending 906 points down at 72,762. The Nifty50 also breached the 22,000 level, hitting an intraday low of 21,906. It ended tad below 22,000 with a loss of 338 points. Investors should focus on the sustained weakness in the broader market, particularly the small-cap segment. The excessive valuations in these segments, driven by the irrational exuberance of retail investors, has been a concern for many months now. But it has taken the strong message from the regulator Sebi to trigger a correction. Persistent selling, along with actions from mutual funds, indicate there is more pain ahead.
(Business Line)

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Election Commission will disclose all details on electoral bonds in time: CEC Rajiv Kumar: The Election Commission has received details from the State Bank of India (SBI) related to the electoral bonds and will share all relevant information in time, Chief Election Commissioner Rajiv Kumar said on March 13 in a press briefing. The reply comes in the backdrop of Supreme Court directing the SBI to submit the details of the electoral bonds purchased since April 12, 2019 to the EC.
(Moneycontrol)

Ireland is looking to collaborate with sandboxes in India: Ireland is looking to collaborate with sandboxes in India, to provide Irish companies a test bed for their offerings and learn about the India market, as Irish companies are increasingly setting up presence in India, said Jenny Melia, Executive Director, Enterprise Ireland. The Irish government is undertaking a trade visit to India this week, which commenced in Bengaluru on Monday. The trade visit is being organised by Enterprise Ireland, the Irish government's trade and innovation agency, and other agencies. "One of the things that would be very interesting for us in Ireland is to look at some of the sandboxes that are established in India and see how we might be able to engage some Irish companies in those sandboxes and use that both to test their offer in a very structured environment, and learn more about the Indian market and understand what's really important in terms of doing business here,"
(Mint)

INDUSTRY OUTLOOK

Centre replaces FAME with EMPS to promote e2W, e3W, 4-wheelers kept out: The Centre on Wednesday announced a new scheme, the Electric Mobility Promotion Scheme (EMPS), 2024, to promote the sale of electric two-wheelers (e2W) and three-wheelers (e3W) in the country. Heavy Industries Minister Mahendra Nath Pandey said that the Centre has allocated Rs 500 crore for the new scheme, which will be valid for four months from now. The upcoming scheme is set to debut on April 1, supplanting the current Faster Adoption and Manufacturing Electric Vehicles- Phase-II initiative. "The new scheme stands as a testament to the government's endeavours to promote electric mobility and achieve Net Zero targets. The allocated Rs 500 crore will be utilised to support around 400,000 e2W and e3W over a span of four months," Pandey said. To address the increasing demand and alleviate the burden on EV makers, the government has lowered the maximum subsidy cap for e2W to Rs 10,000 per vehicle from the previous Rs 22,500, and for e3W to Rs 50,000 from Rs 111,505. Both categories of vehicles will receive an incentive of Rs 5,000 per kilowatt-hour (kWh). Despite the government offering incentives for the e2W and e3W categories, no such incentives will

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be granted to e4W and e-buses under the new scheme. The ministry of Heavy Industries (MHI) has also signed an MoU IIT Roorkee to work together to encourage innovation and advance the automotive and electric vehicle (EV) sector.
(Business Line)

Realty fund flows into small town India boom: India's tier-II and -III cities saw a more than doubling of capital flows in 2023 as developers flocked to smaller cities for land acquisitions amid robust real estate demand across the country. Capital flows hit a record $1.3 billion, compared to $600 million in 2022, according to real estate consultancy CBRE. While average annual inflow from 2019 to 2022 stood at $500 million, more than 85% of transactions in these cities were focused on development sites.
(Economic Times)

SEBI chief bats for sachetisation of REITs and InvITs: The SEBI chief, Madhabi Puri Buch, said on Wednesday that the regulator will strive to bring down the minimum investment size for REITs, InvITs, and municipal bonds. This is to facilitate a diverse holding of these products across investors. "The strength of our equity market comes from our retail investors. What it reflects is the fractional ownership of companies. In a similar manner, the fractional ownership of real estate and infrastructure is where the strength of the country will lie," Madhabi Puri Buch said during the fifth SEBI-NISM Research Conference held in Mumbai. She said the governance and regulatory aspects of these asset classes had given the regulator the comfort to go and tell retail investors that they could invest in these products.
(Business Line)

Government of India, ADB sign $181 million loan to improve livability and mobility in Ahmedabad: The Government of India and the Asian Development Bank (ADB)today signed a $181 million loan to build quality infrastructure and services toward improving urban livability and mobility in the peri-urban areas of Ahmedabad city in Gujarat. The project will benefit urban poor, women, and migrant workers through improved urban services and urban governance. It will construct 166 km of water distribution network, 126 km of climate-resilient stormwater drainage, 300 km of sewerage systems, and four sewage treatment plants. The project is also supporting 10 junction improvements along the existing Sardar Patel Ring Road to improve connectivity of peri-urban areas to Ahmedabad city.
(PiB)

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REGULATION & DEVELOPMENT

NHAI issues advisory for Paytm FASTag users to switch to other Bank FASTag: The National Highways Authority of India (NHAI) on Wednesday advised Paytm FASTag users to procure a new FASTag issued by another bank before March 15, 2024 to ensure seamless travel experience and avoid inconvenience at toll plazas. In line with the guidelines issued by the Reserve Bank of India regarding restrictions on Paytm Payments Bank, the Paytm FASTags users will not be able to recharge or top-up the balance post March 15. However, they can use their existing balance to pay the toll beyond the stipulated date, it added.
(Business Line)

NFRA to set up sandbox for supporting innovation in auditing techniques: Ajay Bhushan Pandey, chairperson of the National Financial Reporting Authority (NFRA), on Wednesday said that the agency is working on establishing an innovation lab or sandbox to support auditing techniques. Pandey said that NFRA is also focusing on encouraging the development and introduction of artificial intelligence (AI) tools for auditing. He added that these tools must be made widely accessible. He also said that there is a need to enhance the trust in financial and non-financial reporting systems in India. Notably, a sandbox allows live testing of new products or innovations under the sight of a regulator. Under it, several stakeholders experiment with rules which lie inside as well as outside the regulatory framework, without impacting its normal working.
(Business Standard)

KYC rules to change: Uniform KYC for all — opening bank account to buying insurance to investing in stocks, mutual funds: To reduce the paperwork, time and cost of this process, the Financial Stability and Development Council (FSDC) has proposed to implement a uniform KYC system to verify customers across the financial sector. The central government has formed an expert committee under Finance Secretary TV Somanathan to make recommendations on uniform KYC norms, according to reports.
(Economic Times)

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FINANCIAL TERMINOLOGY

FACTORING

- Factoring is an arrangement between a financial institution and a business concern selling goods or services to trade customers, wherein the financial institution purchases the accounts receivables / book debts of the business concern, controls the credit extended to the customers of the business concern and also administers its sales ledger.
- The financial institution that purchases the receivables is called as a factor and the business organization whose receivables is called its client.
- A factor may purchase the receivables with or without recourse to its client. In a with recourse factoring, the Factor has a right to recover the dues from the business entity / assignor if the factor is unable to recover the receivables from the debtors of the client/business entity. In a without recourse factoring, the assignor of receivables makes an absolute transfer of all rights in favour of the factor. In without recourse factoring, the factor assumes credit risk relating to the debtors of its client.
- The client / seller sells the goods to its customers and sends the invoices t to the factoring company and releases the advance to the client after deducting stipulated margin. Factoring in India is governed by the Factoring Regulation Act 2011.

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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 : 82.9027
INR / 1 GBP : 106.0618
INR / 1 EUR : 90.5933
INR /100 JPY: 56.1900

EQUITY MARKET

Sensex: 72761.89 (-906.07)
NIFTY: 21997.70 (-338.00)
Bnk NIFTY: 46981.30 (-301.10)

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TEAM BFSIB

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