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DAILY NEWS DIGEST BY BFSI BOARD, ICAI

June 15, 2022

- **SBI hikes deposit, lending rates:** The country's largest lender SBI has raised its deposit and lending rates following the Reserve Bank's repo rate hike last week. SBI said interest rates have been raised by 0.20 per cent on domestic term deposits of below Rs 2 crore for select tenors. The revised interest rates on retail domestic term deposits (below Rs 2 crore) come into effect from June 14, 2022, State Bank of India (SBI) said on its website. For deposits of 211 days to less than 1 year, the lender will offer interest rate at 4.60 per cent, as against 4.40 per cent earlier. Senior citizens will be offered an interest of 5.10 per cent as against 4.90 per cent earlier. Likewise, for domestic term deposits of 1 year to less than 2 years, customers can earn interest of 5.30 per cent, up by 0.20 per cent. For senior citizens, the interest rate will be higher by similar margin at 5.80 per cent. On tenor of 2 years to less than 3 years, SBI has raised the interest rate to 5.35 per cent from 5.20 per cent, while senior citizens can earn 5.85 per cent as against 5.70 per cent earlier. SBI has also revised by up to 0.20 per cent the marginal cost of fund based lending rates (MCLR) with effect from June 15, 2022. The benchmark one-year MCLR has been revised upwards to 7.40 per cent from the existing rate of 7.20 per cent. Most of the consumer loans such as auto, home and personal loans are linked to MCLR. The overnight to three-year tenor MCLR have been raised to 7.05-7.70 per cent. SBI has also raised the repo linked lending rate (RLLR) with effect from June 15, 2022, according to its website.
<https://economictimes.indiatimes.com/industry/banking/finance/banking/sbi-hikes-deposit-lending-rates/articleshow/92209168.cms>
- **Follow instructions in letter and spirit while funding infra projects of government entities: RBI to banks:** Concerned over violation of its norms, the RBI on Tuesday asked banks to follow its instructions in "letter and spirit" while extending loans to government-owned entities for infrastructure and housing projects. In a circular, the RBI said it has come across instances where banks have not been strictly complying with extant instructions on assessment of commercial viability, ascertainment of revenue streams for debt servicing obligations and monitoring of end use of funds in respect of their financing of infrastructure/ housing projects of government-owned entities.
<https://economictimes.indiatimes.com/industry/banking/finance/banking/follow-instructions-in-letter-and-spirit-while-funding-infra-projects-of-government-entities-rbi-to-banks/articleshow/92210561.cms>
- **IDBI Bank raises interest rates on retail term deposit by up to 25 basis points:** IDBI Bank today announced an increase in the interest rate by up to 25 basis points on term deposits less than Rs. 2 Crores. With effect from June 15, 2022, the revised rates would be applicable across various tenors for domestic term deposits, Non-Resident Ordinary (NRO) and Non Resident External (NRE) term deposits, the bank said in a press release. Suresh Khatanhar, Deputy Managing Director, IDBI Bank said, "In the present scenario of volatility in the financial markets as well as uncertainty globally and rising inflation domestically, fixed deposit remains a most preferred avenue of safe investment in Indian market. The Bank offers its highest interest rate of 5.75% and offers additional 75 basis points



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higher interest rate up to 6.50% to Resident Senior Citizen customers across maturities, under its brand “NAMAN Senior Citizen FD”.

<https://economictimes.indiatimes.com/industry/banking/finance/banking/idbi-bank-raises-interest-rates-on-retail-term-deposit-up-to-25-basis-points/articleshow/92210233.cms>

- **Rs 18 lakh crore NBFC debt set to become dearer by 85-105 bps this fiscal:** Borrowing costs for non-banking financial companies (NBFC) are expected to become costlier by 85-105 basis points in the current financial year due to an increase in policy rates by the Reserve Bank of India (RBI), CRISIL Ratings said in a report released on Tuesday. However, the overall profitability of NBFCs is expected to remain steady cushioned by a reduction in credit costs. Credit costs, which have been rising for the past couple of years, should decline this fiscal because most NBFCs hold substantial provisioning buffers. That should offset some of the impacts of higher interest rates on profitability.
<https://economictimes.indiatimes.com/industry/banking/finance/banking/rs-18-lakh-crore-nbfc-debt-set-to-become-dearer-by-85-105-bps-this-fiscal/articleshow/92207262.cms>
- **PNB Housing Finance to raise up to Rs 2,000 Crore via bonds:** PNB Housing Finance on Tuesday said its board has approved raising up to Rs 2,000 crore by issuing bonds on a private placement basis. The housing finance company, promoted by the city-headquartered Punjab National Bank (PNB), was looking to raise equity capital worth Rs 4,000 crore and struck a deal with joint-venture partner Carlyle Group, among other investors, in May last year. However, it had to nix the deal in October after facing some regulatory hurdles and legal battles. Quality Investment Holdings (QIH), a unit of Carlyle Group, holds over 32 per cent stake in PNB Housing Finance. Thereafter, the company said it will raise money through debt instruments.
<https://bfsi.economictimes.indiatimes.com/news/nbfc/pnb-housing-finance-to-raise-up-to-rs-2000-cr-via-bonds/92213611#:~:text=The%20board%20of%20directors%20held,said%20in%20a%20regulatory%20filing.>
- **Asset quality worries completely unfounded: RBL Bank:** Private lender RBL Bank on Tuesday said that linking the appointment of R Subramaniakumar with asset quality challenges for the bank is baseless, unfounded. In an exchange filing the bank stated that its asset quality metrics were healthy. “There has been considerable speculation and rumours linking the appointment of the new MD & CEO of the Bank, Mr. R. S. Kumar, with asset quality challenges for the Bank in the near future,” it said. “We wish to reiterate that such speculation is baseless and unfounded and purely speculative in nature.” For the year ended March 31, 2022, the Bank’s gross and net NPA were 4.4% and 1.3%, with a provision coverage ratio of 70.4%, with no reportable divergence.
<https://economictimes.indiatimes.com/industry/banking/finance/banking/asset-quality-worries-completely-unfounded-rbl-bank/articleshow/92195976.cms>
- **Fitch expects RBI to raise interest rates to 5.9 pc by December-end:** Fitch Ratings on Tuesday said the Reserve Bank is likely to raise interest rates further to 5.9 per cent by December 2022, on deteriorating inflation outlook. In its update to Global Economic Outlook, Fitch said India's economy faces a worsening external environment, elevated commodity prices, and tighter global monetary



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policy. "Given the deteriorating outlook for inflation, we now expect the RBI to lift rates further to 5.9 per cent by December 2022 and to 6.15 per cent by the end of 2023 (vs. previous forecast of 5 per cent) and to be unchanged in 2024," Fitch said.

https://www.business-standard.com/article/finance/fitch-expects-rbi-to-raise-interest-rates-to-5-9-by-december-end-122061400471_1.html#:~:text=Fitch%20Ratings%20said%20the%20Reserve,2022%2C%20on%20deteriorating%20inflation%20outlook&text=Fitch%20Ratings%20on%20Tuesday%20said,2022%2C%20on%20deteriorating%20inflation%20outlook.

- **Govt nominates Anand Mahindra, Venu Srinivasan, Patel and Dholakia to RBI Central Board:** The Central government has nominated three industrialists – Anand Gopal Mahindra, Venu Srinivasan, and Pankaj Ramanbhai Patel, and an academician (Ravindra H. Dholakia) as part-time non-official Directors on the Central Board of Reserve Bank of India. The appointment of the new part-time non-official directors is for four years with effect from June 14 or until further orders, whichever is earlier, RBI said in a statement. Following the aforementioned appointments, the RBI's central board now has 15 members.
<https://auto.economictimes.indiatimes.com/news/industry/govt-appoints-anand-mahindra-ravindra-dholakia-venu-srinivasan-pankaj-patel-on-rbi-central-board/92209812>
- **Federal Bank named banking partner of Rubber Board's e-trade platform:** Federal Bank has been empanelled as the official banking partner of 'mRube', the electronic trading platform introduced by the Rubber Board. mRube is an innovative and futuristic platform that connects sellers and buyers of natural rubber on a single unified platform, offering them enhanced convenience to buy and sell rubber products at competitive prices. The bank will provide the required banking API services to enable seamless transactions on mRube. It will offer OD facility to rubber sellers at no extra charge for the initial six months, to facilitate advance payment and for refund requests from buyers. Additionally, sellers will have the option to receive instant payment after a deal is finalised on the platform.
<https://www.thehindubusinessline.com/economy/agri-business/federal-bank-named-banking-partner-of-rubber-boards-e-trade-platform/article65525936.ece#:~:text=mRube%20platform%20to%20connect%20buyers,introduced%20by%20the%20Rubber%20Board.>
- **IRDAI cuts solvency margins for crop insurers:** In a move that can augur well for crop insurance, the Insurance Regulatory and Development Authority of India (IRDAI) has reduced the solvency margin requirement for insurers doing crop business. This will unlock ₹1,400 crore of funds for insurers to underwrite business. Since FY18, IRDAI has been relaxing the period of admissibility of premium due from the government for solvency calculation purposes, from 180 days to 365 days. "Now, it has been decided to extend the above relaxations from FY23 onwards till further orders," the insurance regulator said in a release on Tuesday.
<https://www.thehindubusinessline.com/money-and-banking/irdai-cuts-solvency-margins-for-crop-insurers/article65526869.ece>



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- **Industry raises concerns over RBI's draft guidelines on settlement of small value export and import related payments:** Following the Reserve Bank of India (RBI's) draft guidelines on Online Export-Import facilitators Guidelines (OEIF guidelines) released on April 7, 2022, several industry bodies and experts have raised concerns. Removal of 'services' from the categories of online exports while retaining exports of goods and digital products; and mandatory KYC of overseas importers with the OEIFs have been the key issues. OEIFs were earlier referred to as Online Payment Gateway Service Providers (OPGSPs).
<https://www.thehindubusinessline.com/money-and-banking/industry-raises-concerns-over-rbis-draft-guidelines-on-settlement-of-small-value-export-and-import-related-payments/article65527534.ece>
- **Governments, listed firms lose billions in Bitcoin crash:** As Bitcoin prices continue to crash, it is not just retail investors who have lost big money but also sovereign governments and listed entities. Around 10 globally public listed companies and three governments including Ukraine, El Salvador and Georgia holding Bitcoins stand to lose over \$2.56 billion, according to data from crypto research firm CREBACO Global.
<https://www.thehindubusinessline.com/news/governments-listed-firms-lose-billions-in-bitcoin-crash/article65526784.ece>
- **PFRDA plans to launch a guaranteed-return scheme in September 2022:** The Pension Fund Regulatory and Development Authority (PFRDA), which operates the National Pension System (NPS), is planning to launch a guaranteed-return scheme in September this year. The pension regulator is also looking at giving choices of three different pension funds for each asset class in the non-government sector. At an event in Mumbai, Supratim Bandyopadhyay, chairman of the PFRDA, said: "For minimum assured return scheme, the work is going on smoothly, and hopefully by September end, it will take the final shape. We have a group of actuaries, which are part of the pension advisory committee (PAC), working with our consultant (E&Y). So it's going quite well."
https://www.business-standard.com/article/finance/pfrda-plans-to-launch-a-guaranteed-return-scheme-in-september-2022-122061401234_1.html
- **Axis Bank revises interest rates on fixed deposits and savings accounts:** Axis Bank, a private sector lender, has revised its interest rates on fixed deposits and savings accounts. On fixed deposits of less than ₹2 Cr, the bank revised the interest rate on June 13, 2022, and on savings bank deposits, the bank revised the interest rate on June 1, 2022. Following the change, the bank currently offers an interest rate of 2.50 per cent to 5.75 per cent on deposits of 7 days to 10 years, and an interest rate of 3 per cent to 3.50 per cent on savings bank accounts.
<https://www.livemint.com/industry/banking/axis-bank-revises-interest-rates-on-fixed-deposits-and-savings-accounts-11655187930880.html>
- **RBL Bank share price tanks on Monday as choice of new CEO disappoints markets:** A day after RBL Bank appointed R Subramaniakumar as its chief executive, analysts watching the sector expressed disappointment at the choice. The selection of a former public sector bank (PSB) executive, also known for steering the resolution of a bankrupt housing finance company, sent alarm bells ringing about the state of RBL Bank's financials. RBL Bank's share price hit a lifetime low of Rs 86.25 on



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Monday amid a heavy selloff in Indian equities. Analysts at CLSA said in a report that the new CEO appointment raises several questions which could come to weigh on the stock's performance. "Mr. Subramaniakumar is an ex-PSU banker, and historically such appointments at financial institutions have been associated with weak asset quality and/or governance structures. Hence, the CEO appointment raises more questions including the continuity of the existing top leadership at the bank," the broking firm said.

<https://www.financialexpress.com/industry/banking-finance/rbi-bank-share-price-tanks-on-monday-as-choice-of-new-ceo-disappoints-markets/2559719/>

- **As YES Bank crisis team heads for exit, a relook at India's biggest bank bailout:** Two years after the Reserve Bank of India (RBI) superseded the board of crisis-ridden YES Bank, which was followed by a bailout led by a State Bank of India (SBI)-led consortium, the bank is finally set for a change of guard. On June 8, the bank said its board of directors, appointed under the YES Bank Reconstruction Scheme of March 2020, has recommended to shareholders the formation of a new board in line with the directions of the scheme. The board has also recommended that former SBI chief financial officer Prashant Kumar, who had been initially appointed the bank's administrator, should continue as the lender's chief for another three years. The bank will seek investors' nod on these proposals on July 15 during its annual general meeting.
<https://www.moneycontrol.com/news/business/banks/as-yes-bank-crisis-team-heads-for-exit-a-relook-at-indias-biggest-bank-bailout-8685141.html>
- **Sensex down 153 points at closing, Nifty below 15,800 :** The BSE Sensex closed at 52,693.57, down 153.13 points or 0.29 per cent. It recorded an intraday high of 53,095.32 and a low of 52,459.48. The Nifty 50 closed at 15,732.10, down 42.30 points or 0.27 per cent. It recorded an intraday high of 15,858.00 and a low of 15,659.45. NTPC, Bharti Airtel, Divi's Lab, M&M and Cipla were the top gainers on the Nifty 50, while Bajaj Auto, IndusInd Bank, ONGC, Hindalco and Tech Mahindra were the top losers.
<https://www.thehindubusinessline.com/markets/sensex-down-153-points-at-closing-nifty-below-15800/article65526453.ece>
- **Rupee ends flat at 78.04 against US dollar :** The rupee surrendered early gains to close unchanged at its lifetime low of 78.04 against the US dollar on Tuesday amid a weak greenback overseas. Forex traders said lacklustre domestic markets, elevated crude oil prices and persistent foreign capital outflows weighed on the local unit. At the interbank forex market, the rupee opened at 78.02 against the greenback and witnessed an intra-day high of 77.90 and a low of 78.07. It finally settled at 78.04, unchanged from the previous session.
<https://www.thehindubusinessline.com/markets/forex/rupee-ends-flat-at-7804-against-us-dollar/article65527241.ece#:~:text=The%20rupee%20surrendered%20early%20gains,weighed%20on%20the%20local%20unit.>



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