



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

October 15, 2022

IRDAI IMPOSES RS 3 CRORE PENALTY ON MAX LIFE INSURANCE OVER

RULES VIOLATION: Insurance Regulatory and Development Authority (IRDAI) on October 14 said it has imposed a total of Rs 3 crore penalty on Max Life Insurance Company due to violation of rules in the Axis Bank-Max Life deal. The insurance regulatory stated that historical transactions between Axis Bank and Max Financial are in violation of IRDAI code. Due to rules violation, it has directed Axis Bank to pay Rs 2 crore within a period of 21 days. "By undertaking the transactions of transfer of shares with the promoters/ shareholders of the insurer (Max Life Insurance Co Ltd) in violation of the directions of the Authority, the Corporate Agent, Axis Bank Ltd has circumvented the maximum limits of commission or remuneration or reward as stipulated in IRDAI (Payment of Commission or Remuneration or Reward to insurance Agents and Insurance Intermediaries) Regulations, 2016 read with Reg 18(1) of IRDAI (Registration of Corporate Agents) Regulations, 2015.

(Moneycontrol)

DICGC REJECTS BANKS' REQUEST TO EXEMPT CERTIFICATES OF DEPOSIT FROM INSURANCE COVERAGE:

The Deposit Insurance and Credit Guarantee Corporation (DICGC) has rejected a request made by banks to exempt certificates of deposit (CDs) from deposit insurance coverage. Bankers' underscored that CDs, which have a tenor of up to one year, are issued in minimum denomination of ₹5 lakh and in multiples of ₹5 lakh thereafter, usually to institutional investors, but DICGC's deposit insurance cover is only available for deposits up to ₹5 lakh. Currently, banks pay an insurance premium of 12 paise per ₹100 of deposit, including CD, raised. Banks' request to exempt CDs from DICGC coverage comes even as they have augmented funds mop up via CDs since June 2022 due to liquidity tightness in the market.

(Business Line)

FEDERAL BANK PROFITS UP 53% IN Q2 ON LOWER PROVISIONING:

Federal Bank on Friday posted a 53% year-on-year increase in its net profit for the three months ended September 30 on account of lower provisions. The bank's net profit stood at 704 crore in Q2FY23 while its provisions declined 9% y-o-y to Rs 268 crore. The lender's pre-provisioning operating profit (PPOP) improved 33% y-o-y to Rs 1,212 crore led by healthy growth in its non-interest income, which grew by 24% to Rs 609 crore.

(Financial Express)



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SHRIRAM GROUP LIKELY TO SUBMIT EOI FOR IDBI BANK: The Shriram Group is likely to submit an expression of interest (EOI) for IDBI Bank and has been working on a structure for a possible bid for the state-owned lender that is being sold through a competitive bidding process, according to people in the know. The Chennai-headquartered financier may float a separate holding company to participate in IDBI Bank's privatisation, the people said.

(Economic Times)

ADITYA BIRLA CAPITAL ENTERS FRAY TO PICK UP RELIANCE'S 51% STAKE

IN NIPPON LIFE JV: Reliance Capital's stake in insurance company Reliance Nippon Life Insurance Company (RNLIC) is being eyed by Aditya Birla Capital, with the debt-ridden Reliance arm going through an insolvency resolution. Aditya Birla Capital is reportedly looking to buy out 51% stake that Reliance has in the joint venture with Nippon Life of Japan. Apart from Aditya Birla Capital, Torrent Group has partnered with Nippon Life Insurance to bid for Reliance Capital's 51 per cent stake in Reliance Nippon Life Insurance Company.

(Economic Times)

IMPORT OF THERMAL COAL TO STOP BY 2024-25, SAYS UNION MINISTER

PRALHAD JOSHI: Union coal minister Pralhad Joshi on Friday said that the country will stop import of thermal coal by 2024-25. Joshi was speaking at the 'Mincon 2022' Mines - Mineral-Metals event here. The minister expressed his concern that the country has to import coal despite having adequate domestic resource of the fuel.

(Economic Times)

45% LOANS UNDER 'MUDRA SCHEME' WERE GIVEN TO WOMEN': FM

SITHARAMAN: Union Finance Minister Nirmala Sitharaman, in response to a question about how technology interacts with financial solutions to empower women in India, said that 45% of all loans provided under the "Mudra" programme have gone to women, which is one way to say that the government is working to empower women. She made these remarks after an event at Johns Hopkins University event in Washington on the topic "Technology, Finance and Governance: The Multiplier Effect".

(Economic Times)

EXPORTS RISE 4.82% TO \$35.45 bn IN SEPT; TRADE DEFICIT WIDENS TO

\$25.71 bn: The country's exports rose by 4.82 per cent to \$35.45 billion in September, even as the trade deficit widened to \$25.71 billion, according to the data released by the commerce ministry on Friday.

In its preliminary data, which was released in the first week of this month, the ministry stated that the country's merchandise exports contracted by 3.52 per cent to \$32.62 billion in September. According to the data released on Friday, imports during the month under review



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increased by 8.66 per cent to \$61.61 billion. The trade deficit in September 2021 was \$22.47 billion. During April-September 2022, exports recorded a growth of \$16.96 billion to \$231.88 billion. Imports rose by 38.55 per cent to \$380.34 billion, while the trade deficit widened to \$148.46 billion against \$ 76.25 billion in September 2021, the data showed.

(Business Standard)

WPI INFLATION EASES TO 18-MONTH LOW OF 10.7% AS PRICING PRESSURE SOFTENS:

The wholesale price index- (WPI-) based inflation rate for September decelerated to an 18-month low of 10.7 per cent on broadbase easing of pricing pressure and helped by a high base a year ago. The data released by the industry department on Friday showed the food inflation eased to 8.08 per cent during September as prices of wheat, fruits, pulses, and protein-rich items fell. The data released on Wednesday showed that CPI-based inflation again shot up to 7.41 per cent in September, up from 7 per cent in August.

(Business Standard)

AFTER RBI MISSIVE, FIDC ASKS NBFCS TO REVISE CODES OF CONDUCT:

The Finance Industry Development Council (FIDC) has asked its members to revise their codes of conduct and insert graded penalty clauses for repeated breaches, especially those relating to recoveries, by outsourcing agencies. The move comes after RBI red-flagged increasing complaints about alleged high-handed practices by outsourcing agencies in recovering dues. The members should introduce exhaustive dos and don'ts for the agencies and the agents (and get them) to adopt principles of fair means of treating customers, FIDC in a statement.

(Business Standard)

TATAS MULL EXIT FROM UK STEEL BUSINESS ON LACK OF GOVERNMENT

SUPPORT: The UK government is unlikely to provide a 1.5 billion pound subsidy package to Tata Sons for the anticipated switch to green energy, the *Economic Times* reported. As a result, Tata Sons is considering exiting Tata Steel's UK operations. According to Tata Sons, in order to keep the factory running, it will be necessary to replace the carbon-intensive blast furnaces with electric arc furnaces over the next few years. Tata Sons doesn't see much use in waiting interminably for assistance from the UK government, which is "sitting on the fence" and is looking at various exit options, sources told *ET*.

(Business Standard)

INDIA'S FOREX RESERVES ROSE BY MILLIONS ON INCREASE IN VALUE OF GOLD HOLDINGS:

As the Reserve Bank of India (RBI) is walking a tightrope between defending the rupee while spending maintaining the levels of foreign exchange, the forex reserves of the country saw an increase of around 204 millions for the week ended 7 October



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on an increase in the value of gold holdings. The forex reserves were dwindling for quite some time now and in the previous reporting week, the reserves decreased by \$4.854 billion to \$532.664 billion. The recent increase has taken the amount of foreign exchange with the country to \$532.868 billion. The value of gold holding saw a significant increase of \$1.35 billion in value with the total value reaching \$38.955 billion, according to the RBI.

(Live Mint)

BANK UNIONS PROPOSE INCREASED WORKING HOURS FOR A 5-DAY WORKING WEEK:

The bank employees' unions have proposed increased working hours to compensate for a change to a 5 day working week. In a letter to the Indian Banks' Association, the All India Bank Employees' Association has proposed that working hours per day may be increased by 30 minutes and the present working hours may be preponed by 30 minutes in the morning.

(Economic Times)



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FINANCIAL TERMINOLOGY/CONCEPTS

WHAT IS LOW BASE EFFECT?

- ❖ If we take any data point or index, it is often contextualised by comparing it with a reference point, which is usually the same period of last year or the previous month. Now, this reference point or base can have an effect on the result of the comparison, and this phenomenon is commonly referred to as base effect. If the base for which the comparison is made is low, then the outcome is a result of a low-base effect and vice-versa.
- ❖ The base effect could also result in major differences in percentage comparisons. If we chose a reference point that is too low, there could be an overestimation and if the base is too high, it could result in gross underestimation of the situation.
- ❖ If we take the May industrial production numbers, for example, the growth rate is unusually high as last year's base was impacted due to the coronavirus pandemic. However, IIP growth was up just 1.7% compared to pre-Covid periods, and the manufacturing is in fact lagging. Choosing a different reference point, that is pre-Covid level, resulted in a better understanding on how the industrial activity in the country is actually performing.
- ❖ Industrial output is only one example and abnormally high or low economic estimates are often the result of a base effect. A year after the pandemic hit, GDP growth rates were unusually high as the lockdowns stalled the economic activity during reference time periods. India's GDP grew by a massive 20% in the first quarter of FY22 on the back of a low-base when the economy contracted 24% in the same period previous year.



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RBI KEY RATES

Repo Rate: 5.90%
SDF: 5.65%
MSF & Bank Rate: 6.15%
CRR: 4.50%
SLR: 18.00%
Fixed Reverse Repo: 3.35%

FOREX (FBIL 1.30 PM)

INR / 1 USD : 82.3877
INR / 1 GBP : 93.3277
INR / 1 EUR : 80.6845
INR /100 JPY: 55.8900

EQUITY MARKET

Sensex: 57919.97 (+684.64)
NIFTY : 17185.70 (+171.40)
Bank NIFTY: 39305.60 (+681.60)

(CMA Chittaranjan Chattopadhyay)

Chairman,

Banking, Financial Services & Insurance Board

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