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DAILY NEWS DIGEST BY BFSI BOARD

16 May 2024



ECONOMY

Exports up 1% to \$35 billion in April; Trade deficit widens to 4-month high at \$19.1 billion: India's merchandise exports rose by 1 per cent to USD 34.99 billion in April even as the trade deficit widened to a four-month high of USD 19.1 billion during the month, according to government data. Healthy growth in sectors such as electronics, chemicals, petroleum products and pharmaceuticals has helped in registering positive growth in exports despite global economic uncertainties. Imports also increased by 10.25 per cent to \$54.09 billion in the month under review from USD 49.06 billion in April 2023 due to a significant jump in gold imports. The imports of precious metals more than doubled to \$3.11 billion in April this year. Crude oil imports rose by 20.22 per cent to \$16.5 billion.

(Business Line)

Urban jobless rate reaches a four-quarter high in Q4 of FY24: Urban unemployment increased marginally to touch 6.7 per cent in Q4 (January-March) of FY24, up sequentially from 6.5 per cent in the previous quarter, according to the Periodic Labour Force Survey (PLFS) data, released by the National Statistical Office (NSO) on Wednesday. The headline unemployment rate in the current weekly status (CWS) terms for those above 15 years is the highest since the January-March 2023 quarter, when the unemployment rate touched 6.8 per cent. In CWS, the activity status is determined on the reference period over the past seven days preceding the date of the survey.

(Business Standard)

RBI may delay rate cuts, strong bond demand keeps market rates low: The Reserve Bank of India may delay the expected policy interest rate cuts, but strong demand for bonds from long term investors such as retirement funds and insurers will ensure that market interest rates low, especially for the top rated borrowers. ``The fading hope for a deeper policy rate cut will favour the elevated rates in the banking system," said Soumyajit Niyogi, Director, India Ratings. ``On the other hand, a strong demand from institutional investors such as insurance, Employees' Provident Fund



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Organisation will keep bond yields at the lowest, especially for high-rated issuances."Bond issuances by financial institutions and public financial institutions are expected to gain momentum, while corporate bond issuances will moderate due to general tepid demand in the first quarter of any fiscal, said a report by India Ratings.

(Economic Times)

BANKING & FINANCE



IRDAI's okay for stake sale in RCap's insurance arms a step towards resolution, say experts: The clearance by the Insurance Regulatory and Development Authority (IRDA) to the transfer of shares in Reliance Capital's insurance arms to the Hinduja Group is a significant step towards the resolution of the Reliance Capital issue, legal experts said. IRDA, which earlier had expressed some reservations over the proposed structure for RCap's insurance subsidiaries, gave the approval for a stake sale in Reliance General Insurance Company Limited, Reliance Health Insurance Limited, and Reliance Nippon Life Insurance Limited to the Hinduja Group's Aasia Enterprises. According to Abdullah Qureshi, Associate Partner, IndiaLaw LLP, the approval marks a significant step forward. "As per the resolution plan terms, IndusInd International Holdings Limited (IIHL) was required to seek approvals from several regulatory authorities. One of the crucial conditions was to obtain IRDA approval for the change in control of several insurance businesses.

(Moneycontrol)

RBI urges NBFCs to maintain constant vigil against potential risks: RBI Deputy Governor Swaminathan J on Wednesday asked the Non-Banking Financial Companies (NBFCs) to strengthen their governance and assurance functions along with maintaining a constant vigil against potential risks and vulnerabilities, during an interaction. The conference was held in Mumbai for the Heads of Assurance Functions (i.e., Chief Compliance Officers, Chief Risk Officers, and Heads of Internal Audit) of select NBFCs. The conference was attended by about 280 participants representing more than 100 NBFCs where Deputy Governors M Rajeshwar Rao and Swaminathan J addressed the participants. In the conference, Swaminathan said that NBFCs are highly exposed to a slew of risks which can affect their financial and operational status like cybersecurity and other risks. He also spoke about the RBI's expectations on assurance functions.

(Business Standard)



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ARC chiefs to meet RBI deputy guvs for seeking clarity on bank borrowing: The Reserve Bank of India (RBI) will meet top executives of asset reconstruction companies (ARCs) on Friday to take stock of the sector. During the meeting, ARCs will also seek clarity from the regulator on bank borrowing. While there is no regulatory ban in place, ARC sources said banks often refuse funding. “If the regulator clarifies that commercial banks are allowed to lend to the ARCs, it will help,” a top ARC official said. Apart from bank funding, ARCs raise funds from the market by way of non-convertible debentures.

(Business Standard)

PhonePe partners LankaPay, enables UPI payments for travelers in Sri Lanka: PhonePe on Wednesday announced a partnership with LankaPay to allow its users to pay using UPI across Sri Lanka. At an event to mark the collaboration, PhonePe said its app users travelling to Sri Lanka can make payments using UPI across LankaPay QR merchants. The transactions will be facilitated by the Unified Payments Interface (UPI) and LankaPay National Payment Network. Users can scan LankaQR code to make secure and quick payments without carrying cash or calculating currency conversions. The amount will be debited in INR, showing the currency exchange rate.

(Business Standard)

INDUSTRY OUTLOOK



China may dump EVs, batteries into India with higher US tariffs: GTRI: India may become a dumping ground for Chinese products such as Electric Vehicles (EVs), batteries and other new technology items with the US raising tariffs on these imports from Beijing, economic think tank Global Trade Research Initiative (GTRI) said Tuesday. “The raising of tariff on EVs, batteries and many other new technology items by the US may push China to dump these products in other markers including India. It’s a moment for India’s Directorate General of Trade Remedies to remain vigilant,” it said. It also said that higher duties on Chinese face masks, syringes and needles, medical gloves and natural graphite presents an export opportunity for India.

(Economic Times)

IIFCL aims to be zero net NPA financial institution during FY25, says MD Jaishankar: State-owned infrastructure financing firm IIFCL on Wednesday said it expects about 18 per cent loan growth and aims to reduce net non-performing assets (NPAs) to zero during current financial year. India Infrastructure Finance Company Ltd (IIFCL) brought down gross NPAs to 1.61 per cent in FY24



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from 4.76 per cent a year ago. Net NPAs too declined to 0.46 per cent from 1.41 per cent in the year-ago period, IIFCL Managing Director PR Jaishankar said. During the current year, he said, net NPA would be either zero or nearly zero and the company has plans to achieve that target.

(Economic Times)



REGULATION & DEVELOPMENT

SEBI grants LIC 3 additional years to achieve 10% public shareholding: SEBI has granted Life Insurance Corporation of India (LIC) additional time of three years to achieve 10 per cent public shareholding. Currently, the government has a 96.50 per cent shareholding in India's largest life insurer, with the balance (3.50 per cent) being public shareholding. SEBI has conveyed its decision to grant additional time of 3 years to Life Insurance Corporation of India to achieve 10 per cent public shareholding ...i.e., within a period of 5 years from the date of listing. Accordingly, the revised timeline for the Corporation to achieve 10 per cent public shareholding is on or before May 16, 2027.

(Business Today)

Mutual fund stress test: SBI MF shows big improvement in liquidity positions: India's biggest asset management company (AMC) SBI Mutual Fund has shown the biggest improvement in overall liquidity positions in its small-cap fund while HDFC Small Cap Fund saw the biggest fall, showed the latest mutual fund stress results. The test is a result of the Securities and Exchange Board of India (SEBI) directive in February requiring all small-cap and mid-cap funds to conduct a status check on how liquid their underlying portfolios really are. Among other things, these schemes have to publicly disclose how many days it would take to liquidate 50 percent and 25 percent of their portfolios. As per the data disclosed by the mutual fund houses, SBI Small Cap Fund would take 48 days to liquidate half of its portfolios as of April end against 58 days in the previous month.

(PiB)



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FINANCIAL TERMINOLOGY

COMMAND ECONOMY

- ❖ A command economy is a key aspect of a political system in which a central governmental authority dictates the levels of production that are permissible and the prices that may be charged for goods and services. Most industries in command economies are publicly owned.
- ❖ The main alternative to a command economy is a free-market system, in which supply and demand dictate production and prices.
- ❖ The command economy is a component of a communist political system, while a free-market system exists in capitalist societies.
- ❖ Cuba, North Korea, and the former Soviet Union all have command economies. China maintained a command economy until 1978 when it began its transition to a mixed economy that blends communist and capitalist elements.



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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 : 83.5092
 INR / 1 GBP : 105.1587
 INR / 1 EUR : 90.3926
 INR /100 JPY: 53.4100

EQUITY MARKET

Sensex: 72987.03 (-117.58)
 NIFTY: 22200.55 (-17.30)
 Bnk NIFTY: 47687.45 (-172.00)

**Courses conducted
 by BFSI Board**

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- ❖ **Certificate Course on Treasury and International Banking**
- ❖ **Certificate Course on Investment Management**
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 Board**

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 - ❖ **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)**
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