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DAILY NEWS DIGEST BY BFSI BOARD

19 October 2024

ECONOMY

Govt considering tighter import restrictions on laptops, PCs, tablets from Jan 1: The government is evaluating ways to tighten the import authorisation and management system for laptops, PCs and tablets to make imports more restricted through appropriate guidelines to be implemented on January 1, 2025. The stricter regime is aimed at encouraging domestic manufacturing and addressing security concerns, sources said. “The existing import regime for laptops, PCs and five other IT hardware products put in place last November has affected imports minimally, as it is too liberal despite the fact that imports are no longer free and require authorisation. A possible tightening of rules is now being examined to meet the broad objective of securing supply chains, addressing security concerns, specifically related to China, and encouraging domestic manufacturing,” an official overseeing the development told.

(Business Line)

India, Germany to ink pact on labour mobility, skill recognition next week: To facilitate the movement of workers between India and Germany and recognise skills, the two countries are set to ink a pact next week. Through the agreement, skilled professionals here can be easily absorbed by German industry, sources familiar with the development said. This will be the first agreement under the G20 “Skills-based migration pathways” framework, which was agreed upon by the member countries last year in New Delhi. Under this framework, the top 20 economies of the world have recognised that integrated skill-based migration pathways help expand job opportunities for skilled professionals across the globe and lead to formalising the workforce and benefit both countries of origin and destination.

(Business Standard)

India's forex reserves fall by $10.7 billion to $690 billion: India's foreign exchange reserves have experienced a notable decline for the second consecutive week, dipping by $10.7 billion to stand at $690 billion as of October 11, according to data shared by RBI on Friday. The Weekly Statistical

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Supplement released by the RBI highlights that the primary contributor to this decline was the drop in Foreign Currency Assets (FCAs), which fell by $10.5 billion to $602 billion. It's important to note that the dollar value of FCAs is influenced by the appreciation or depreciation of non-US currencies, such as the euro, pound, and yen, held within the country's foreign exchange reserves.

(Economic Times)

BANKING & FINANCE

RBI lifts restrictions on JM Financial from financing against shares and debentures: JM Financial Ltd said on October 18 that the Reserve Bank of India has lifted restrictions from its subsidiary JM Financial Products Ltd from financing against shares and debentures. "With this communication, the company is permitted to provide, with immediate effect, the financing against shares and debentures in compliance with all applicable laws and regulations," JM Financial said in an exchange filing. "The company is committed to upholding the highest standards of compliance and will continue to ensure that the remediations carried out by it are sustained." In March, the RBI had barred JM Financial Products Ltd (JMFPL) from giving loans against shares and debentures, including sanction and disbursal of loans against Initial Public Offering (IPO) of shares, with immediate effect.

(Moneycontrol)

Kotak Bank to acquire ₹4,100-crore StanChart India personal loan book: Private sector lender Kotak Mahindra Bank has entered into a definitive agreement to acquire the ₹4,100-crore personal loan book of Standard Chartered Bank, India, subject to regulatory approval. The loans KMBL is acquiring are classified as standard assets. This move, the bank said, aligns with its strategy to drive growth, expand market share, and tap into the affluent salaried customer segment. This deal marks the second significant transaction between an Indian private sector bank and a foreign bank in recent years. In 2022, Axis Bank, India's third-largest private lender, acquired Citi India's consumer and wealth management business.

(Business Line)

LIC agents to protest against claw back norms: The agents distributing the state-owned Life Insurance Corporation of India policies are up in arms against the new claw back norm introduced for policies surrendered prematurely by the policy holders. The agents of LIC have also raised their apprehension against the reduction in the first-year commission to 28 per cent from 35 per cent following the revision of surrender value norms. However, LIC has increased the commission for renewal premiums to 7.5 per cent from 5 per cent currently. The minimum sum assured on the revised policies has also been raised to ₹2 lakh from ₹1 lakh, effective from October 1.

(Business Line)

INDUSTRY OUTLOOK

Vedanta to invest Rs 1 lakh cr in Odisha to set up alumina refinery and aluminium plant: Mining major Vedanta Ltd announced on October 18 a plan to invest Rs 1 lakh crore in Odisha, which will be the largest investment ever made in the eastern state that will create 2 lakh new jobs. The investment will be directed towards establishing a 6 million tons per annum alumina refinery and a 3 million tons aluminium plant, focused on producing green aluminium powered by renewable energy, Vedanta announced during the Make in Odisha Conclave 2025 roadshow, "Utkarsh Odisha". "This will create massive industrial complex for the downstream industries, as there are more than hundreds of application of Aluminium which is used in auto, power, construction and railways sectors," Vedanta said in a statement.

(Moneycontrol)

SAT admits Anil Ambani plea in RHFL case, directs 50% deposit of penalty: The Securities Appellate Tribunal (SAT) on Friday admitted a plea by Anil Ambani against an order by the Securities and Exchange Board of India (Sebi) in which the markets regulator had imposed a penalty of Rs 25 crore on Ambani and debarred him from the markets for five years in a matter related to Reliance Home Finance (RHFL). The tribunal has directed Ambani to deposit 50 per cent of the penalty amount and asked Sebi to file a reply in the matter within four weeks.

(Business Standard)

Insurance benefits for EPFO members extended up to Rs 7 lakh: The government has increased insurance benefits under the Employees' Deposit Linked Insurance (EDLI) scheme for all members of the Employees' Provident Fund Organisation (EPFO). EDLI provides life insurance cover of up to Rs 7 lakh. The increased cover will be effective retroactively from April 28, 2024. The EDLI scheme, initiated in 1976, provides financial assistance to the families of EPFO members in the event of their death. It serves as a crucial safety net, offering peace of mind to members and their loved ones. The scheme introduced a minimum insurance cover of Rs 1.5 lakh in 2018. Until April 2021, the maximum insurance benefits for the legal heirs of deceased members were capped at Rs 6 lakh.

However, following a government notification on April 28, 2021, the benefits were enhanced to a minimum of Rs 2.5 lakh and a maximum of Rs 7 lakh, effective for three years. Additionally, the government has relaxed the requirement of continuous service of 12 months in an establishment, ensuring coverage for employees who may have changed jobs in that time.
(Business Standard)

REGULATION & DEVELOPMENT

RBI may act against more NBFCs to check obscure lending practices: Morgan Stanley: **R**BI on Thursday sought action against four Non Banking Financial Companies asking them to cease and desist from making new loan sanctions and disbursements, a report by Morgan Stanley suggests more lending companies might face similar scrutiny. The report noted that lending rates at Asirvad Microfinance, one of the impacted NBFCs, are not significantly different from other lenders, based on data provided by MFIN, an industry body for microfinance lenders. The report observes and asks whether lending rates alone were the cause for concern by RBI against specified NBFCs or whether broader issues are at play.
(Economic Times)

NBCFDC loans under 'Visvas' scheme to benefit 15 lakh SCs, OBCs and safai karamcharis: he National Backward Classes Finance and Development Corporation (NBCFDC) is set to disburse loans under the newly-launched "Visvas" scheme from next month, with an aim to help 15 lakh people belonging to the SC, OBC, and safai karamchari communities, a senior official said on Friday. The Vanchit Ikai Samooh aur Vargon ki Aarthik Sahayata (Visvas) scheme offers an interest subvention of up to 5 per cent per annum on loans and cash credit limits to the eligible individuals and self-help groups (SHGs). Speaking during a media interaction, NBCFDC Managing Director Rajan Sehgal emphasised the inclusive nature of the scheme, which offers financial support to the marginalised communities, with no income ceiling for safai karamcharis. "The disbursal of loans will begin from next month," Sehgal said, adding that this year alone, the scheme aims to reach seven lakh beneficiaries, with the remaining eight lakh to be covered by next year.
(Economic Times)

Sebi clarifies on 3-in-1 accounts usage for online public issue application: Markets regulator Sebi on Friday clarified that investors can continue using 3-in-1 accounts to apply online for public issues of debt securities, non-convertible redeemable preference shares, municipal debt

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securities, and securitised debt instruments. This is in addition to the existing modes of application, Sebi said in a circular. A three-in-one trading account combines a savings account, a demat account, and a trading account into a single integrated solution. In this case, the clients would have their funds in their bank account, earning interest on the cash balances. The clarification came after Sebi received feedback that there is a need to explicitly specify the usage of 3-in-1 type accounts for making an application in the public issue of debt securities, non-convertible redeemable preference shares, municipal debt securities and securitised debt instruments.

(Business Standard)

FINANCIAL TERMINOLOGY

FISCAL MULTIPLIER

- ❖The fiscal multiplier measures the effect that increases in fiscal spending will have on a nation's economic output, or gross domestic product (GDP). In general, economists define fiscal multipliers as the ratio of a change in output to a change in tax revenue or government spending.
- ❖Fiscal multipliers are important because they can help guide a government's policies during an economic crisis and help set the stage for economic recovery.
- ❖At the core of fiscal multiplier theory lies the idea of the marginal propensity to consume (MPC), which quantifies the increase in consumer spending, as opposed to saving, due to an increase in the income of an individual, household, or society.

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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 : 84.0710
INR / 1 GBP : 109.8018
INR / 1 EUR : 91.1716
INR /100 JPY: 56.0600

EQUITY MARKET

Sensex: 81224.75 (+218.14)
NIFTY: 24854.05 (+104.20)
Bnk NIFTY: 52094.20 (+805.40)

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