



**THE INSTITUTE OF
COST ACCOUNTANTS OF INDIA (ICMAI)**
(STATUTORY BODY UNDER AN ACT OF PARLIAMENT)
CMA BHAWAN
12, SUDDER STREET, KOLKATA – 700 016

Telephones: +91-33- 2252-1031/1034/1035
+ 91-33-2252-1602/1492/1619
+ 91-33- 2252-7143/7373/2204
Fax :+91-33-2252-7993
+91-33-2252-1026
+91-33-2252-1723
Website :www.icmai.in

DAILY NEWS DIGEST BY BFSI BOARD

21 Dec, 2023

BANKING & FINANCE



Profit booking, Covid scare drag down markets with selling across the board: The stock markets ended Wednesday's session on a losing note with profit booking at higher levels. The Nifty50 ended 1.4 per cent down at 21,150.15 points. There was selling across the board with all sectors ending in the red. The VIX, which measures the India volatility index spiked 4 per cent to 14.45. The broader market indices fell even more than the Nifty with the advances to decline ratio falling to 0.11 to 1, the lowest in almost a year. Cash market volumes on the NSE were below ₹1 lakh crore. The Nifty Midcap 100 fell 3.3 per cent, the Nifty smallCap 500 was down 3.3 per cent, while the Nifty 500 ended 2 per cent lower, indicating the broad-based sell-off. The Bank Nifty fell sharply throughout the day to close at 47,445, down 426 points. The 30-scrip Sensex ended 1.3 per cent or 930.88 points lower at 70,506.31 points. The equity markets have run up over 12 per cent in the last seven weeks and the steep fall is being seen as a much-needed correction and consolidation. This is the biggest one-day fall in the Nifty index in a year. "We expect market to consolidate in the near term as investor resort to profit booking and assess the potential risk of rising Covid cases especially in Kerala and Karnataka, making them cautious in the market," said Siddhartha Khemka, Head - Retail Research, Motilal Oswal Financial Services.

(Business Line)

World Bank sets up task force to study experts group report on MDB reforms: The World Bank has set up a task force to study the recommendations made by the Independent Experts Group, formed under India's G20 Presidency, for strengthening multilateral development banks (MDBs), the Group's President Ajay Banga said on Wednesday. His remark on this issue came at an interaction he had with Union Finance and Corporate Affairs Minister Nirmala Sitharaman in the capital. Sitharaman suggested that the World Bank, which other MDBs looked up to, must take the lead in carrying forward the reform roadmap for MDBs so as to make these global institutions bigger.

(Business Line)



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RBI introduces card tokenisation facility at bank level: The RBI on Wednesday introduced a Card-on-File (CoF) token facility at the level of banks and other institutions to provide convenience for cardholders to get tokens created and linked to their existing accounts with various e-commerce applications. At present, a CoF token can only be created through the merchant's application or webpage. For a CoF, a token is a 16-digit number unique for a combination of card, token requestor and merchant. Through tokenisation, the actual card details are replaced with token credentials that can be used only with the intended merchant. "It has been decided to enable Card-on-File Tokenisation (CoFT) directly through card-issuing banks/institutions also. This will provide cardholders with an additional choice to tokenise their cards for multiple merchant sites through a single process," the RBI said in a circular.

(Economic Times)

Safe harbour extended to outbound intra-group loans: The Central Board of Direct Taxes (CBDT) has extended the provisions of safe-harbour rules to outbound transactions involving an Indian company lending to foreign one. Currently, the safe harbour norms only applied to inbound intra-group loans. The amendments, notified on Tuesday, have tweaked the definition of intra-group loans and also removed the condition of sourcing the loan only in Indian rupees. The amendments will come into effect from April 1, 2024. "Safe Harbour" means circumstances in which the IT authorities shall accept the transfer price declared by the assessee. Thus, 'safe harbour rules' are the rules which obliges authorities to accept the transfer price declared by the assessee. In a transfer-pricing (TP) regime, safe harbour is a provision that applies to a defined category of taxpayers or transactions and that relieves eligible taxpayers from certain obligations otherwise imposed by a jurisdiction's general TP rules, according to the IT Department. Often, eligible taxpayers complying with the safe harbour provision will be relieved from burdensome compliance obligations.

The amended rules say that 'intra-group loan' means loan advanced to an associated enterprise being a non-resident, where the loan is not advanced by an enterprise, being a financial company including a bank or a financial institution or an enterprise engaged in lending or borrowing in the normal course of business. Also, such loan doesn't include credit line or any other loan facility which has no fixed term for repayment.

(Financial Express)



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ECONOMY

RBI Bulletin: Model pegs India's FY25 GDP growth at 6.0% vs official view of 6.5%: A statistical model developed by the Reserve Bank of India (RBI) has pegged India's GDP growth for next year at 6.0 percent, 50 basis points lower than the central bank's official forecast of 6.5 percent mentioned in the October edition of its Monetary Policy Report. "As part of the suite of models for informing monetary policy formulation, the RBI has developed a dynamic stochastic general equilibrium (DSGE) model," the central bank's monthly State of the Economy article, released on December 20, said. The dynamic stochastic general equilibrium, or DSGE, model tries to replicate the interplay between economic fluctuations and the role of policy interventions by using 'shocks' - or "surprises in the form of mismatches between expectations and outcomes, and subsequent demand-supply adjustments".

(Moneycontrol)

RBI Bulletin: More warnings on inflation as lowering it to 4% target 'far from assured': India's central bank has sounded a strong warning on inflation, reiterating that a durable return to the medium-term objective of 4 percent is "far from assured" and that growth could also take a hit if it is not brought down to the target rate and "tethered" to it. "The softer inflation prints for September and October 2023 and the prolonged pause in the stance of monetary policy has engendered a certain hypermetropia among some stakeholders – an irrational long-sightedness whereby inflation forecasts gravitating towards the 4 percent target sometime in the distant future are sighted clearly whereas high near-term risks of spikes in inflation outcomes on the back of food volatility are blurred," the Reserve Bank of India's (RBI) monthly State of the Economy article, released on December 20, said.

(Moneycontrol)

India's total debt rises to Rs 205 lakh crore in Sep quarter: The country's total debt, or the total outstanding bonds which are being traded in the market, rose to USD 2.47 trillion (Rs 205 lakh crore) in the September quarter, according to a report. The total debt amount in the March quarter of the previous fiscal was USD 2.34 trillion (Rs 200 lakh crore). The central government's debt stood at USD 1.34 trillion, or Rs 161.1 lakh crore, in the September quarter, up from USD 1.06 trillion, or Rs 150.4 lakh crore, in the March quarter.

(Business Standard)



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Reversion to old pension scheme to exert burden on State finances: RBI report: India's States are grappling with several challenges in sustaining capital expenditure momentum, both in terms of expenditure and revenue. This is expected to only exacerbate by the reversion to the old pension scheme (OPS) by a few States and expectations of other States following suit, according to a report by RBI officials. "(This) would exert a huge burden on State finances and restrict their capacity to undertake growth enhancing capital expenditures," the report said, adding that given the discontinuation of GST compensation, continued buoyancy of tax revenues and fiscal prudence is critical while maintaining the quality of expenditure and expanding the fiscal capacity to bolster medium-term growth prospects. The paper titled 'Government Finances 2023-24: A Half-Yearly Review' has been authored by seven officials from the Department of Economic and Policy Research (DEPR) and do not represent the views of RBI.

(Business Line)

INDUSTRY OUTLOOK



Telecom Bill 2023: Industry welcomes move, calls it a watershed moment for telecom sector: The telecom industry applauded the introduction of the Telecommunications Bill, 2023 in the Parliament, calling it a 'watershed moment in the telecom reform process'. "The Telecommunications Bill, 2023, tabled in the Parliament, represents a watershed moment in the telecom reform process and reaffirms the commitment of the Government to provide Indian telecom with a future-fit framework that helps achieve the growth aspirations of new India," said Akshaya Moondra, CEO, Vodafone Idea Limited. "The proposed legislation ensures predictability and availability of spectrum covering aspects such as refarming, harmonization and trading/leasing/sharing. This will lead to the creation of a robust digital infrastructure and increased penetration of services thereby benefiting every Indian," he added. The proposed law attempts to bring in a slew of structural changes to current regulatory mechanisms in the sector, ranging from simplification of the licensing regime, clarity on spectrum assignment, and a stringent requirement of user verification, among other things.

(Financial Express)

Bharat Petroleum to invest Rs 5,044 cr in PP plant at Kochi refinery: State-owned Bharat Petroleum Corporation Ltd (BPCL) on Wednesday said it will invest Rs 5,044 crore in setting up a polypropylene production unit at its Kochi refinery in Kerala to meet rising petrochemical demand in



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the country. The 400,000 tonnes per annum polypropylene unit will be constructed in about 46 months from the date of the investment approval, the company said in a statement.

(Business Standard)



REGULATION & DEVELOPMENT

SAT quashes SEBI orders in Karvy stock broking case: The Securities Appellate Tribunal (SAT) on Wednesday quashed two separate orders by the Securities and Exchange Board of India (SEBI) against Axis Bank, HDFC Bank, ICICI Bank, IndusInd Bank and Bajaj Finance, restricting them from revoking the shares pledged by Karvy Stock Broking. Axis Bank has been permitted to invoke the shares pledged in its favour. The tribunal directed the SEBI, NSE and NSDL to restore the pledge made in favour of the appellants within four weeks. In the alternative, SEBI, NSE and NSDL have to compensate these lenders with the value of the underlined securities pledged in their favour by Karvy Stock Broking along with interest at 10 per cent per annum. The SAT observed that once a pledge is validly created by a broker in favour of the appellants (the five lenders in this case), and they are recorded as beneficial owners, they become the registered owner under Section 10. Consequently, if a default is committed by the broker, the appellant gets a right to invoke the pledge under the agreement. “Once a valid pledge is created in favour of a third party then a third-party right is created in the attached property and the same cannot be sold or distributed to discharge the liabilities of the broker,” SAT said in its 71-page order on Wednesday.

(Business Line)

Central Goods and Services Tax (Second Amendment) Bill, 2023 passed by Rajya Sabha: The Central Goods and Services Tax (Second Amendment) Bill, 2023, which extends the upper age limit of GST Appellate tribunal Chairman to 67 years from the existing 65 years and allows advocates with 10 years of experience to be eligible to become a member was passed by Rajya Sabha on Wednesday. The bill has fixed the minimum age for tribunal members to be 50 years. Government on September 15 notified 31 benches of the GST Appellate Tribunal. However the advocates were not eligible to become a member, unlike other tribunals. This amendment says advocates can be eligible to be a member if he/ she has been “an advocate for ten years with substantial experience in litigation in matters relating to indirect taxes in the Appellate Tribunal”. It said that the members and president shall be paid a salary of Rs 2.25 lakh per month and in case they are in receipt of any pension, the pension amount will be deducted from the salary.



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(Economic Times)

Three sub-schemes for MSMEs launched under the RAMP programme: Union Minister for MSME Shri Narayan Rane launched three sub-schemes under the aegis of the RAMP programme. These are MSME Green Investment and Financing for Transformation Scheme (MSE GIFT Scheme), MSE Scheme for Promotion and Investment in Circular Economy (MSE SPICE Scheme) MSE Scheme on Online Dispute Resolution for Delayed Payments. The first scheme - The MSME Green Investment and Financing for Transformation Scheme (MSME GIFT Scheme) intends to help MSMEs adopt green technology with interest subvention and credit guarantee support. The MSE Scheme for Promotion and Investment in Circular Economy (MSE SPICE Scheme) is the first ever scheme in the Government to support circular economy projects which will be done through credit subsidy and will lead to realising the dream of MSME sector towards zero emissions by 2070. The MSE Scheme on Online Dispute Resolution for Delayed Payments is a first of its kind scheme to synergise legal support with modern IT tools and Artificial Intelligence to address the incidences of delayed payments for Micro and Small Enterprises.

The Ministry is also taking new initiatives under the existing schemes to provide enhanced support to the MSMEs. The Support for Commercialisation of IP Programme (MSME – SCIP Programme) will enable the innovators in the MSME sector to commercialize their IPR. In addition, the ZED Scheme of the Ministry has now been made completely free for women led MSMEs. The government guarantees payment of 100 percent financial support for the certification cost. These two interventions were also launched by the Union Minister .The Ministry exchanged Memorandum of Understanding (MoUs) with the implementing agencies SIDBI (for MSME GIFT and MSME SPICE schemes) and with National Informatics Centre Services Inc. (for NICSI) for MSE ODR scheme.

(PiB)



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FINANCIAL TERMINOLOGY

WHAT IS BETA (Related to capital market)

- ❖ Beta is a numeric value that measures the fluctuations of a stock to changes in the overall stock market.
- ❖ Beta measures the responsiveness of a stock's price to changes in the overall stock market. On comparison of the benchmark index for e.g. NSE Nifty to a particular stock returns, a pattern develops that shows the stock's openness to the market risk. This helps the investor to decide whether he wants to go for the riskier stock that is highly correlated with the market (beta above 1), or with a less volatile one (beta below 1).
- ❖ For example, if a stock's beta value is 1.3, it means, theoretically this stock is 30% more volatile than the market. Beta calculation is done by regression analysis which shows security's response with that of the market. By multiplying the beta value of a stock with the expected movement of an index, the expected change in the value of the stock can be determined. For example, if beta is 1.3 and the market is expected to move up by 10%, then the stock should move up by 13% (1.3×10).
- ❖ Beta is the key factor used in the Capital Asset Price Model (CAPM) which is a model that measures the return of a stock. The volatility of the stock and systematic risk can be judged by calculating beta. A positive beta value indicates that stocks generally move in the same direction with that of the market and the vice versa.



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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 : 83.1523
INR / 1 GBP : 105.7514
INR / 1 EUR : 91.1460
INR /100 JPY: 57.8600

EQUITY MARKET

Sensex: 70506.31 (-930.88)
NIFTY: 21150.20 (-302.90)
Bnk NIFTY: 47445.30 (-425.60)

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- ❖ **Certificate Course on Credit Management of Banks**
- ❖ **Certificate Course on Treasury and International Banking**
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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.**
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