



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

**December 21, 2022**

### **SEBI SWEETENS SHARE BUYBACKS, ATTACKS CONFLICT IN EXCHANGE**

**MANAGEMENT:** Stock market investors can cheer since companies will be able to utilise more funds for share buyback offers now. Listed companies use buybacks as a means to improve value for shareholders. On Tuesday, market regulator SEBI said it would allow listed companies to utilise 75 per cent of their surplus funds for share buybacks instead of 50 per cent earlier. SEBI has said that these buybacks would be slowly phased out from the secondary market exchange platforms and conducted on a separate window. SEBI said it would also cut the time for share buyback to 66 days from the present 90-day period.

“We feel the tender route is more equitable and other ways are vulnerable to favouritism,” said Madhabi Puri Buch, Chairperson, SEBI. In the tender route, shares will be brought back by companies at premium to the market price and since the acceptance ratio too would be high it would benefit retail investors.

***(Business Line)***

### **RETAIL INVESTORS HAVE TO BEAR THE BRUNT OF LOSSES FROM BROKERS' TECH GLITCHES, SAYS SEBI CHIEF:**

**TECH GLITCHES, SAYS SEBI CHIEF:** At its board meeting on Tuesday (December 20), market regulator Securities and Exchange Board of India (SEBI) indicated that it was working on a detailed framework regarding a risk reduction platform that will protect retail investors in case of technical disruption or glitches arising from the end of the broker. However, the SEBI chairperson clarified that the regulator will not be encouraging claims of any losses from investors, thus signalling that the latter will have to bear the brunt of the losses, even where the trade is botched due to technical failure at the broker's end.

***(Moneycontrol)***

**SEBI DOESN'T WANT PETER TO PAY PAUL'S TAX IN BUYBACKS:** Calling the current taxation rules problematic with respect to buyback of shares by companies, SEBI said it is working with the finance ministry to address the issue. Right now Peter pays for Paul's tax. So that is not a very good idea,” said SEBI chief Madhabi Puri Buch.

Currently, buybacks of shares are allowed under two routes: tender route and open market route. In the first instance, the company invites shareholders to sell the shares to it at a fixed price for a fixed period of time when the tender is open. In this case, not all shareholders may want to sell their holdings back to the company. However, present rules mandate that the company that offers to buy back its shares shoulders the tax liability which eats into the value of shareholders choosing not to tender the shares. Essentially, shareholders cough up taxes for not participating in a transaction. SEBI has proposed to phase out the stock exchange route for buybacks. The timeline for completion of buyback has been now reduced by 18 days. The regulator has proposed that this period will be reduced to 66 days in 2023 and further to 22 working days in 2024. The route will be completely extinguished by 2025. Companies have to now use 75 percent of the proceeds of the



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buyback undertaken through the stock exchange route from the existing minimum of 50 percent. Buybacks will be undertaken through a separate window on stock exchanges till the time they are permitted through the exchanges, the regulator said.

*(Moneycontrol)*

### **ONLY TWO BIG PSU BANK LOANS GIVEN IN LAST 3.5 YEARS HAVE TURNED**

**NPA: FM SITHARAMAN:** In a response to a question in the Rajya Sabha on December 20, Finance Minister said that starting April 1, 2019 and until September 30, 2022, only two loans of more than Rs 100 crore sanctioned by public sector banks had been classed as non-performing.

*(Moneycontrol)*

### **FITCH AFFIRMS INDIA'S SOVEREIGN RATING AT 'BBB-', OUTLOOK STABLE:**

Global agency Fitch Ratings on Tuesday affirmed India's sovereign rating at 'BBB-' with a stable outlook. This is the last investment rating. However, stable outlook means rating to see status quo for some time. In June, the agency had upgraded the outlook to stable from negative.

*(Business Line)*

### **GADKARI LAUNCHES COUNTRY'S FIRST-EVER SURETY BOND INSURANCE**

**PRODUCT:** The country's first ever 'Surety Bond Insurance' product developed by Bajaj Allianz General Insurance, a private general insurer, was launched by Nitin Gadkari, Union Minister of Road Transport & Highways, on Monday. Surety Bond Insurance, which will help replace bank guarantees is expected to optimise capital for contractors while giving a fillip to the country's infrastructure sector. This product launch is in line with the Government's vision to up-scale the infrastructure development in the country. In Budget 2022-23, Finance Minister Nirmala Sitharaman announced that Surety Bond Insurance would be allowed as a substitute for bank guarantees in case of government procurement and also for gold imports. Surety Bond Insurance, which is mainly aimed at infrastructure development, is a risk transfer tool that shields the principal from the losses that may arise in case the contractor fails to perform their contractual obligation.

*(Business Line)*

### **GOVERNMENT RAISES OVER RS 4 LAKH CRORE VIA DISINVESTMENT SINCE**

**2014:** The government has raised over Rs 4.04 lakh crore through disinvestment and strategic sale of public sector enterprises since the Modi government came into power in 2014, the Finance Ministry said on Tuesday. Of this, the largest amount totalling over Rs 1.07 lakh crore through offer for sale in 59 cases. This was followed by a stake sale through Exchange Traded Fund (ETF) in 10 tranches, aggregating to Rs 98,949 crore.

*(Financial Express)*

### **GOVT PLANS TAX WAIVERS FOR IDBI BANK BUYER TO ATTRACT MORE**

**SUITORS:** Govt. of India is likely to waive some tax norms for the buyer of IDBI Bank in a bid to



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attract more suitors for a majority stake sale in the lender, two government sources said on Tuesday, after the Centre extended the deadline for initial bids. The federal finance ministry is looking to relax a tax clause, which would require the buyer of IDBI Bank to pay additional tax if the share price rises post the final bid, one of the officials said.

*(Economic Times)*

### **URBAN COMPANY TIES UP WITH NSDC TO TRAIN AND CERTIFY NEW**

**EMPLOYEES:** Online home services platform Urban Company has signed an agreement with the National Skill Development Corporation (NSDC) to provide training and digital certification to "thousands" of freshers. The professionals will be trained by Urban Company for various facilities including Salon, Spa & Massage, Electricians, Plumbers, Carpenters, Appliance Repair, and Cleaning & Pest Control. This is in addition to its 2019 deal with NSDC to train 30,000 professionals under the Skill India mission.

*(Business Standard)*

**INDIA'S GDP GREW BY 9.7% IN H1FY23, SAYS FINANCE MINISTRY:** India's gross domestic product growth in the first half of the current fiscal year averaged at 9.7 per cent, the finance ministry said in its mid-year expenditure and revenue statement on Tuesday. "India's economic growth, measured by growth in GDP at constant prices, has been estimated at 9.7 per cent for the first half (April-September) of FY23, as compared to 13.7 per cent in H1FY22 and 4.7 per cent in H2 of FY22," the ministry said.

*(Business Standard)*

### **RETAIL INFLATION FOR RURAL WORKERS RISES TO 6.99%, IN NOV ON**

**ANNUAL BASIS:** Retail inflation for farm and rural workers rose to 6.87 per cent and 6.99 per cent, respectively, in November on annual basis mainly due to lower prices of certain food items. Point to point rate of inflation based on the CPI-AL (consumer price index-agricultural labours) and CPI-RL (rural labourers) stood at 7.22 per cent & 7.34 per cent respectively in October, 2022 and 3.02 per cent and 3.38 per cent, respectively, during the corresponding month (November 2021) of the previous year, a labour bureau statement said.

*(Business Standard)*

**CIBIL LAUNCHES MSME BORROWER RANKING "FIT RANK":** With the intent of deepening credit flow to small businesses and also helping lenders avoid loan losses on such bets, credit information company TransUnion Cibil on Tuesday launched a ranking system for MSME borrowers. The 'FIT Rank' launched by TransUnion Cibil in association with Online PSB Loans, will rate the over 6 crore micro, small and medium enterprises (MSMEs) by drawing inputs from their current accounts, income tax returns and also Goods and Service Tax (GST) returns to arrive at a score between 1-10 to rate a borrower after taking consent to draw the relevant data.

*(Business Standard)*



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## ***FINANCIAL TERMINOLOGY/CONCEPTS***

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### **SOFT LOANS**

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- ❖ A soft loan is basically a loan on comparatively lenient terms and conditions as compared to other loans available in the market. These easier conditions might be in the form of lower interest rates, prolonged repayment duration, etc.
- ❖ The repayment of these soft loans might also include interest holidays. This process of extending soft loans is also known as soft financing or concessional funding. As the loans extended are at much easier terms, these are generally not provided by private financial institutions. They are primarily provided by government agencies.
- ❖ The Chinese government had extended a soft loan to Angola in 2004 in return for which Angola gave Beijing oil exploration opportunities in the country.
- ❖ In micro economic context, there are some interest free loans provided by govt. agencies with longer repayment period to supplement borrowers margin in case of small entrepreneurs which are also termed as soft loans.



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### **RBI KEY RATES**

Repo Rate: 6.25%  
SDF: 6.00%  
MSF & Bank Rate: 6.50%  
CRR: 4.50%  
SLR: 18.00%  
Fixed Reverse Repo: 3.35%

### **FOREX (FBIL 1.30 PM)**

INR / 1 USD : 82.7902  
INR / 1 GBP : 100.4466  
INR / 1 EUR : 87.7460  
INR /100 JPY : 62.3000

### **EQUITY MARKET**

Sensex: 61702.29 (-103.90)  
NIFTY : 18385.30 (-35.20)  
Bnk NIFTY: 43359.50 (-54.25)

### **Courses conducted by BFSI Board**

- ❖ **Certificate Course on Concurrent Audit of Banks**
- ❖ **Certificate Course on Credit Management of Banks**
- ❖ **Certificate Course on Treasury and International Banking**
- ❖ **Certificate Course on Investment Management**
- ❖ **Certificate Course on General Insurance.**

For details please visit BFSIB portal of the ICAI website

### **Publications by BFSI Board**

- ❖ **Aide Memoire on Infrastructure Financing.**
- ❖ **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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