



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

February 22, 2023

RBI ALLOWS UPI FOR INBOUND TRAVELLERS FROM G-20 COUNTRIES: RBI, on February 21, extended UPI services for inbound travellers from G-20 countries. Earlier, on February 8, the apex bank announced a facility to enable all inbound travellers visiting India to make local payments using UPI while they are in India. In the initial stage, only ICICI Bank, IDFC First Bank and two non-bank PPI issuers, Pine Labs Private Limited and Transcorp International Limited will issue UPI-linked wallets, the release said.

(Moneycontrol)

SEBI: WILL FREEZE DEMAT OF DIRECTORS, PROMOTERS IF REGULATIONS ARE NOT FOLLOWED: SEBI now wants to freeze the demat accounts of MD and CEO, promoters, and whole-time directors of a listed company in case of continuing non-compliance with regulations and non-payment of fines. SEBI is of the view that this will result in timely compliance and payment of outstanding fines by listed companies and ensure that MD, WTD, and CEO are held accountable for non-compliance.

(Business Line)

CENTRE RELEASES FIRST TRANCHE UNDER PLI SCHEME FOR PHARMA INDUSTRY: The Department of Pharmaceuticals under the Union government, on February 17, released the first tranche of incentives under the Product Linked Incentive (PLI) scheme of pharmaceuticals amounting to Rs 166 crore to four selected applicants. The companies which are set to be benefitted under the scheme in the first phase include Dr Reddy's Laboratories Limited, Biocon Limited, Strides Pharma Science Limited and Premier Medical Corporation Private Limited. The total financial outlay under this PLI scheme, launched in 2021, is Rs 15,000 crore over a period of six years and so far, 55 applicants have been selected under the scheme, including 20 Micro, Small & Medium Enterprises (MSMEs). The financial year of 2022-2023 being the first year of production for the PLI Scheme, DoP has earmarked Rs 690 crore as the budget outlay.

(Moneycontrol)

NSE EXTENDS TRADING HOURS FOR INTEREST RATE DERIVATIVES TILL 5 PM: The National Stock Exchange of India has extended the market trade timing for interest rate derivatives to 5 pm, and the change will be effective from February 23. Currently, the contracts are traded between 9 am and 3:30 pm. The move is aimed at converging it with underlying market timings, the exchange said in a circular. Accordingly, interest rate derivative contracts for February expiry will be available for trading till 5 pm on February 23.

(Economic Times)



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KOTAK BANK'S MFI BOOK TO GET SONATA FILLIP: Kotak Mahindra Bank's microfinance book will grow from Rs 5,000 crore to Rs 7,000 crore after completing the acquisition of Sonata Finance, a senior official said. Last week, the bank announced the acquisition of Sonata Finance for Rs 537 crore. The company has reported a total income of Rs 306 crore and net profit of Rs 14 crore in FY22. Founded in 2006, the Lucknow-based NBFC-MFI has a network of 502 branches, largely focused in northern India. It has close to 9,00,000 customers, who are largely women borrowers under the joint liability group model. The company has a total book size of roughly of Rs 1,900 crore. The bank entered the MFI business in 2017 through the acquisition BSS Microfinance and has crossed a million customer base in Q3FY23. Since BSS Microfinance is south-India based NBFC, it is a good complementary kind of a fit to expand presence in northern part of the country, Manish Kothari, president and head of commercial banking, Kotak Mahindra Bank, told FE.

(Financial Express)

DIGITAL TRANSACTIONS TO EXCEED CASH DEALS SOON: PM: UPI making its maiden debut in cross-border person-to-person payment facility, Prime Minister Narendra Modi said on Tuesday that India's digital transactions will soon overtake cash transactions. The Reserve Bank of India (RBI) Governor Shaktikanta Das and Monetary Authority of Singapore (MAS) Managing Director Ravi Menon launched a real-time link to facilitate easier cross-border money transfers between the two countries. Initially, selected customers can use India's UPI and Singapore's PayNow app to transfer funds of up to (Singapore dollar) SGD 200 per transaction, which is capped at SGD 500 per day. By March 31, the service will be extended to all customers who can transfer funds of up to SGD 1,000 a day. In the India-Singapore link, to begin with, State Bank of India, Indian Overseas Bank, Indian Bank and ICICI Bank will facilitate both inward and outward remittances while Axis Bank and DBS India will facilitate inward remittances, RBI said. For Singapore users, the service will be made available through DBS-Singapore and Liquid Group – a non-bank financial institution. More banks will be included in the linkage over time.

(Financial Express)

SIDBI SIGNS MoU WITH AEROSPACE BODY SIATI TO BENEFIT MSMEs IN AEROSPACE, DEFENCE: SIDBI on Tuesday signed a memorandum of understanding (MoU) with the Society of Indian Aerospace Technologies and Industries to "facilitate mutual co-operation between the institutions for the overall benefit of MSMEs in aerospace and defence and other sectors." SIATI is the industry body for enterprises including MSMEs in the aerospace sector. This would serve as a knowledge depository about defence sector or defence public sector units and large OEMs and would provide an opportunity to MSMEs to showcase its capabilities and products to the interested DPSUs/OEMs etc

(Financial Express)

KOTAK MAHINDRA BANK TAKES CORPORATE DIGITAL BANKING PORTAL 'KOTAK FYN' LIVE: Private sector lender Kotak Mahindra Bank on Tuesday went live with



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'Kotak fyn', an integrated portal developed to offer comprehensive digital banking and value-added services to its business banking and corporate clients. The portal will offer services across all products, including trade & services, account services, payments, and collections and make banking seamless for the bank's clients. It is expected to reduce complexity and friction for customers. The portal will assure paperless transactions and will offer the facility to unify data across multiple product-specific portals and back-office systems to create a single view of transactions, positions and balances, enabling self-service and driving operational efficiency, the bank said in a statement.

(Business Standard)

INDIAN BANKS' PERFORMANCE TILL DEC 22 EXCEEDS EXPECTATIONS: FITCH RATINGS:

The pace at which the asset quality and profitability of Indian banks have improved has exceeded expectations, while capital buffers are broadly in line with Fitch Ratings' projections. There is a further upside in performance and this could persist for longer than expected, according to the agency. The sector's impaired-loan ratio declined to 4.5 per cent in the first 9 months of FY23 (9MFY23), from 6.0 per cent at FY22. This was nearly 60 basis points below Fitch's FY23 estimate. Increased write-offs have been a key factor, but higher loan growth, supported by lower slippages and improved recoveries, have also played a role. Fitch expects a further improvement by FYE23, although banks still face the risk of asset-quality pressure associated with the unwinding of loan forbearance in FY24. Sound economic momentum has contributed to a further drop in credit costs to 0.95 per cent in 9MFY23, according to Fitch's estimate, compared with 1.26 per cent in FY22. Banks have a reasonable tolerance to absorb pressure from credit costs and margin normalisation, without affecting FY24 profitability forecasts.

(Business Standard)

BANKS REQUEST RBI TO EXTEND REPORTING TIME FRAME FOR LOAN RELATED FRAUD:

Banks have requested RBI to relax the rules on reporting loan fraud. They told the RBI that the existing norms are too stringent. The banks have sought a month's time for reporting loan fraud to the RBI. The current time frame for reporting loan fraud is seven days. "The issue was discussed in a meeting last month. We have suggested to the RBI that instead of one week, the reporting time should be increased to around a month," the report said, quoting a senior bank executive aware of the development. At present, the framework mandates that banks report fraud to the RBI's Central Repository of Information on Large Credits (CRILC) within a week of the joint lenders' forum (JLF) declaring an account fraudulent. After the JLF meeting, each lender has to individually get internal approvals to have the account classified as fraud. The report added that this process takes more than a week, quoting another senior bank executive. "In some cases, banks also look at other accounts with the same borrower which are operational and standard," he said. Under the existing norms, in the case of an account with multiple lenders, a forensic audit has to be completed within three months once JLF authorises the same. "The banks have to decide on the account status, classifying it as fraud or not, within two weeks of the completion of the forensic audit," reported ET. In addition to that, in some instances, banks have to investigate other accounts



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of the borrower, which may require more time. "A 30-day period will help in accountability and effective fraud risk management," the report added.
(Business Standard)



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FINANCIAL TERMINOLOGY/CONCEPTS

CROWDING OUT EFFECT

- ❖ A situation when increased interest rates lead to a reduction in private investment spending such that it dampens the initial increase of total investment spending is called crowding out effect.
- ❖ Sometimes, government adopts an expansionary fiscal policy stance and increases its spending to boost the economic activity. This leads to an increase in interest rates. Increased interest rates affect private investment decisions. A high magnitude of the crowding out effect may even lead to lesser income in the economy.
- ❖ With higher interest rates, the cost for funds to be invested increases and affects their accessibility to debt financing mechanisms. This leads to lesser investment ultimately and crowds out the impact of the initial rise in the total investment spending. Usually, the initial increase in government spending is funded using higher taxes or borrowing on part of the government.



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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 : 82.7562
INR / 1 GBP : 99.5579
INR / 1 EUR : 88.3202
INR /100 JPY : 61.5800

EQUITY MARKET

Sensex: 60672.72 (-18.82)
NIFTY: 17826.70 (-17.90)
Bnk NIFTY: 40673.60 (-28.10)

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.**

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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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CMA Chittaranjan Chattopadhyay

Chairman,

Banking, Financial Services & Insurance Board

The Institute of Cost Accountants of India

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