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DAILY NEWS DIGEST BY BFSI BOARD

22 May 2024



ECONOMY

India on cusp of long-awaited economic take-off, RBI says in its monthly bulletin: The Reserve Bank of India said that "India is standing on the brink of a long-anticipated economic surge", driven by increasing aggregate demand and heightened non-food spending in rural areas. The outlook for the global economy is turning fragile as the descent of inflation is stalling, re-igniting risks to global financial stability, the RBI said in its article on 'State of the Economy' published in the Bulletin. The outlook for the global economy is turning fragile as the descent of inflation is stalling, re-igniting risks to global financial stability, said an article on 'State of the Economy' published in the Bulletin. Capital flows have become volatile as nervous investors turn risk averse, it added.

(Business Today)

Formal job creation sees marginal growth in FY24: EPFO data: The financial year that went by was not quite favourable in terms of formal job creation. The latest numbers from the Employee Provident Fund Organisation indicate that there was just a 5 per cent growth in the net number of people who enrolled with the EPFO in FY24. In FY24, 1.44 crore people were added to the EPFO payroll, compared to 1.38 crore in FY23. Although the FY24 number is slightly high, the growth has been much more pronounced in the last few fiscals, since the pandemic. It was 58 per cent in FY22 and 13 per cent in FY23.

(Business Line)

Net FDI in India declines to \$10.6 billion in FY24, shows RBI's bulletin: The net foreign direct investment (FDI) in India -- inflows minus the outflows -- dropped sharply by 62.17 per cent to \$10.58 billion in the financial year ended March 31, 2024 (FY24) from \$ 27.98 billion in the previous year, reflecting higher repatriation of capital. This is the lowest amount of net FDI into the country since 2007. Gross inward foreign direct investment (FDI) remained stable at \$ 71.0 billion during 2023-24 compared with \$ 71.4 billion in Fy23, according to the Reserve Bank of India's (RBI)



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provisional data. RBI data showed FDI inflows in India was \$26.55 billion and outflows were \$ 15.96 billion in FY24. In FY23, FDI inflows were at \$42.0 billion, while outflows had touched \$14.02 billion.

(Business Standard)

BANKING & FINANCE



FSIB defers interview for SBI chairman's position: FSIB -- the headhunter for directors of state-owned banks and financial institutions -- in an unexpected move has deferred the scheduled interview to select a suitable candidate for the post of SBI chairman. The last-minute postponement comes hours before the scheduled interview, sources said. The exact reasons for postponement could not be ascertained immediately. However, sources said, the new date for the interview will be decided after the formation of the new government after June 4.

(Economic Times)

IRDAI relaxes procedural norms on expense of management, share transfer: The Insurance Regulatory and Development Authority of India (IRDAI) has eliminated the requirement for insurance companies' boards to specify ceilings based on the absolute amount of commission in segments like group insurance. The regulator introduced changes through the Master Circular on Expenses of Management (EOM) and Commission Regulations 2024.

(Economic Times)

Project loan provisions to impact earnings due to limited pass-through: Banks to RBI: Banks will have only a 'limited ability' to pass on the impact of the proposed increase in project loan provisions due to the intense competition among lenders and the pressure to maintain relationships with large corporates. Officials from some of the large banks conveyed this to the Reserve Bank of India (RBI) last week, people with knowledge said. On May 3, the RBI issued draft norms proposing a 5% provision for existing and new project loans, commercial loans, and real estate loans against 0.4% to 1% stipulated on such loans by the regulator. Banks have told the RBI that they will have to absorb the impact of the higher provisions, which will, in turn, affect their earnings.

(Economic Times)



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INDUSTRY OUTLOOK



No traces of ethylene oxide found in MDH, Everest spice samples: FSSAI: The Food Safety and Standards Authority of India (FSSAI) has not found any traces of cancer-causing Ethylene Oxide (ETO) in the samples of MDH and Everest spices, sources indicated on Tuesday. As many as 28 samples have been cleared by the scientific panel at FSSAI, with no traces of ETO in them, said sources. The regulator had collected nine samples of Everest spices from its manufacturing facilities in Maharashtra and Gujarat. As many as 25 samples of MDH spices were also collected from facilities in Delhi, Haryana, and Rajasthan.

(Business Standard)

India's Russian oil imports rise to nine-month high in April: India's Russian oil imports rose a nine-month high in April after shipments on non-sanctioned tankers operated by Russia's largest shipping company Sovcomflot resumed, tanker data obtained from shipping and trade sources showed. Refiners in India briefly stopped importing Russian oil in tankers belonging to Sovcomflot after the company's ships, along with its 14 tankers, were designated by Washington in February as being in breach of Western sanctions. The West has imposed the sanctions against Russia since it invaded Ukraine in 2022 and has enacted price caps on oil and oil products loaded at Russian ports aimed at cutting Moscow's oil revenue that funds the war.

(Economic Times)

India Inc raises record debt capital in FY24: India Inc raised more debt capital in FY24 compared to the previous fiscal, with increased interest from both local and overseas investors in Indian companies. According to the Reserve Bank of India's state of the economy report, bond issuances during 2023-24 grew by about 15% to Rs 8.6 lakh crore. Additionally, corporations received higher funds through external commercial borrowings in FY24, with registrations, disbursements, and net inflows substantially higher than FY23 levels.

(Economic Times)



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REGULATION & DEVELOPMENT

Sebi issues new guidelines to manage stock prices impacted due to rumours: Capital markets regulator SEBI has issued a fresh set of guidelines for managing stock price impact emerging from market rumours. The circular, issued on May 21, said that the capital markets regulator will introduce a concept of ‘unaffected price’ in order to mitigate the artificial stock price fluctuations. These new rules are part of the SEBI Regulations, 2015, which were updated this year. The market regulator has said the “unaffected price” rule will be applicable only if the listed entity has confirmed the rumour related to the transaction within 24 hours from the trigger of material price movement. Under the new framework, the weighted average price (WAP) variation will be excluded while calculating the takeover pricing from the day of the material price movement till the next trading day after confirmation of the rumour. “In case the price variation due to confirmation of the rumour, hits the price band limit on the next trading day post rumour confirmation, the price variation in the subsequent trading days shall be included for adjustment till such day the price does not hit the band limit,” said Sebi. The change will help companies address market rumours without being worried about the impact on deal pricing, believe legal experts.

(Business Standard)

NPS assets surge 26% y-o-y to ₹11.94 lakh crore as of May 11: PFRDA: Riding on buoyant equity markets, National Pension System (NPS) assets grew 26 per cent year-on-year to touch ₹11.94 lakh crore as of May 11, latest PFRDA data showed. This overall AUM including that of Atal Pension Yojana (APY) — slightly short of ₹12 lakh-crore milestone mark — was higher than end March 2024 level of ₹11.73 lakh crore. The frenetic pace of overall NPS assets growth can be gauged from the fact that only in August last year the NPS assets had touched the ₹10-lakh crore mark. NPS took six years and six months to reach the milestone of ₹1 lakh crore AUM after its implementation in 2009. It then took 4 years and 11 months to further increase AUM to ₹5 lakh crore. NPS AUM had doubled to ₹10 lakh crore as of August 25 last year from ₹5 lakh crore in a span of just 2 years and 10 months. The number of new NPS and APY subscriber registrations till May 12 this fiscal stood at 94,009, PFRDA data showed.

(Business Line)

FM Nirmala Sitharaman asks ICAI to set up Indian 'Big Four' firm: Finance Minister Nirmala Sitharaman on Tuesday exhorted the Bihar chapter of the Institute of Chartered Accountants



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of India (ICAI) to set up an Indian auditing firm that will grow to feature among the Big Four and seek global clients. Interacting with the ICAI in Patna, Sitharaman sought a commitment from them to start work on the same as part of their 100-day agenda for Viksit Bharat by 2047. Urging Bihar to show its leadership skills, the finance minister said that one of the Big Four CA partnerships should come as the outcome of the Bihari mind. “You should establish a CA firm, strong enough to be reckoned as a top four company.

(Business Standard)



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FINANCIAL TERMINOLOGY

IDIOSYNCRATIC RISK

- ❖ Idiosyncratic risk is a type of investment risk that is endemic to an individual asset (like a particular company's stock), a group of assets (like a particular sector), or in some cases a very specific asset class (like collateralized mortgage obligations).
- ❖ Idiosyncratic risk is also referred to as a specific risk or unsystematic risk.
- ❖ Therefore, the opposite of idiosyncratic risk is a systematic risk, which is the overall risk that affects all assets, such as fluctuations in the stock market, interest rates, or the entire financial system.
- ❖ Company management's decisions on financial policy, investment strategy, and operations are all idiosyncratic risks specific to a particular company and stock. Other examples can include the geographical location of operations and corporate culture.



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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 : 83.4815
INR / 1 GBP : 105.7226
INR / 1 EUR : 90.6832
INR /100 JPY: 53.6300

EQUITY MARKET

Sensex: 74005.94 (+88.91)
NIFTY: 22502.00 (+35.90)
Bnk NIFTY: 48199.50 (+83.85)

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 - ❖ **Guidance Note on the Internal Audit of General Insurance Companies.**
 - ❖ **BFSI Chronicle (quarterly issue of BFSIB)**
 - ❖ **Handbook on Stock & Book Debts Audit (Revised and Enlarged 2nd Edition)**
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**Banking, Financial Services & Insurance Board
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