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+ 91-33- 2252-7143/7373/2204
Fax :+91-33-2252-7993
+91-33-2252-1026
+91-33-2252-1723

DAILY NEWS DIGEST BY BFSI BOARD

22 August 2024

ECONOMY

Transmission of policy rate has been greater on deposits, shows RBI data: The transmission of the policy rate has had a greater effect on term deposits than on credit in the current interest rate tightening cycle. According to RBI data, following a 250-basis point (bp) increase in the policy rate by the monetary policy committee (MPC) since May 2022, the weighted average domestic term deposit rates (WADTDRs) for new and existing deposits increased by 243 bps and 188 bps, respectively. In contrast, the weighted average lending rates (WALRs) for new and outstanding rupee loans rose by 181 bps and 119 bps, respectively, from May 2022 to June 2024. Additionally, the one-year median marginal cost of funds-based lending rate (MCLR) for banks increased by 170 bps from May 2022 to July 2024.
(Business Standard)

Switzerland closer to being cashless, launches instant payment scheme: Swiss companies and consumers are now able to make instant electronic payments, catching up with other European financial centres where the ultra-fast transfers are increasingly popular. Instant payments allow credit transfers within 10 seconds of a payment being made rather than waiting for days for the transaction to clear. They have been in use in Europe since 2017 and in the U.S. since last year. In Europe, the use of instant payments has risen from 5.2 per cent of all credit transfers in October 2019 to 17.8 per cent in February this year, according to the European Central Bank. Around 60 financial institutions are able to receive and process instant payments, covering more than 95 per cent of Swiss retail payment transactions, the Swiss National Bank said on Wednesday, having launched its scheme with financial systems provider SIX. In the coming months, further banks will announce similar services, the SNB said, with all financial institutions in Switzerland expected to be on board by the end of 2026.
(Business Today)

HDFC Bank beats peer banks in garnering deposits with a wide margin: With the Reserve Bank of India nudging banks to improve their credit to deposit mix, the war for liabilities is only going

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to get interesting. An analysis by ET shows that while Public Sector Banks may have the largest network base in the country but their ability to garner deposits is much lesser than their private peers. HDFC Bank, the largest Indian private sector lender raced miles ahead in garnering deposits even though its branch presence remained a third of the largest Indian lender State Bank of India.
(Economic Times)

BANKING & FINANCE

FM Sitharaman urges regional rural banks to reduce high attrition rates: Union Finance Minister Nirmala Sitharaman has asked regional rural banks (RRBs) to adopt more employee-friendly policies to reduce attrition rates, according to two senior bankers who participated in a meeting held in New Delhi. "The Finance Minister (FM) suggested prioritising local postings to achieve this (reduce attrition rates)," said one of the RRB chairpersons who attended the meeting on Monday. "The FM took serious note of the high attrition rates in RRBs. She also mentioned that prioritising local postings would help improve interactions with customers, potentially leading to better bank performance," said the other senior bank official, who was also part of the meeting. According to Nabard data, the total number of employees in 43 RRBs decreased from 95,833 in financial year (FY) 2022 to 91,664 in FY23. However, the number of branches saw a minor increase from 21,892 in FY22 to 21,995 in FY23.
(Business Standard)

Amid slow deposit growth, banks urge govt to keep cash balances with them: At a time when deposit growth remains sluggish, trailing credit offtake, public sector banks have made a strong appeal to the finance ministry urging that government cash balances be held by them, rather than the Reserve Bank of India (RBI). This move, they argue, would bolster the share of low-cost current account and savings account (Casa) deposits which has been dwindling. In 2021, the government implemented a new framework under the SNA-SPARSH platform, aimed at improving the flow and monitoring of funds under centrally sponsored schemes (CSS). Under this system, government cash balances were directed to the RBI rather than to commercial banks. Bankers argue that this change has resulted in reduced float funds and thus has impacted operational efficiencies. This has raised the cost of deposits and negatively impacted banks’ net interest margins. To address these concerns, bankers have submitted a detailed presentation to the government, highlighting the potential

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advantages of shifting government cash balances back to designated banks. While banks keep float funds in interest-bearing savings accounts, the RBI does not pay interest on cash balances.
(Business Standard)

IBA to take up overseas banks' local data storage issue with RBI: Indian Banks' Association (IBA), a representative body of Indian banks and financial institutions, will discuss the matter of mandatory local data storage with the Reserve Bank of India on behalf of foreign banks. This was decided at a recent meeting attended by IBA officials and foreign banks. The IBA would inform the regulator that foreign banks are progressively storing payment data locally. It will also be communicated that importing past data may not be possible," the source added. Foreign banks are required to store all payment data related to India only in the country starting January 2025. The data stored in the home jurisdiction of foreign banks since RBI's April 2018 circular also needs to be stored locally. Sources said foreign banks were finding it difficult to move that data locally. The regulator further said in case the processing was done abroad, the data should be deleted from the systems there and brought back to India not later than one business day or 24 hours from payment processing, whichever was earlier. The same should be stored only in India.
(Business Standard)

NCLT approves delisting of ICICI Securities: Dismissing objections raised by minority shareholders, the National Company Law Tribunal (NCLT)-Mumbai on Wednesday approved the delisting of ICICI Securities Ltd from the stock exchanges. ICICI Securities shareholders will receive 67 ICICI Bank Ltd shares for every 100 shares they hold as per the approved scheme.
(Business Standard)

Central Bank of India's bid for Future's insurance JV stakes gets CoC nod: State-owned Central Bank of India has pipped a consortium of True North and M Pallonji to emerge as the successful bidder for Future Enterprises Ltd's (FEL) stake in its insurance joint ventures with Italian insurer Generali. The lender's bid of Rs 508 crore was approved by the committee of creditors (CoC) of FEL, which is currently under the corporate insolvency resolution process. Following this, the resolution professional of FEL, Avil Menezes, has issued the letter of intent to Central Bank of India, a source aware of the development said, adding that the state-owned lender now has to get the insurance regulator's—Insurance Regulatory and Development Authority of India (Irdai)—approval within 90 days to buy FEL's stake in its insurance ventures.
(Business Standard)

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INDUSTRY OUTLOOK

Zomato to buy Paytm's entertainment and ticketing business for Rs 2,048 crore: Zomato will acquire Paytm's entertainment and ticketing business for Rs 2,048 crore as the food delivery giant looks to expand its presence in the 'going-out' segment, while the embattled fintech major seeks to focus on its core financial services offerings. The cash transaction was approved by Zomato and Paytm's boards on August 21, the two companies informed the exchanges. While Paytm will retain the ticketing and entertainment options on its app for the next 12 months, users will be redirected and asked to switch to Zomato's upcoming app for the 'going- out' segment. The food delivery major will also incentivise customers to move to the new app called 'District'. Earlier this month, Zomato had announced the launch of 'District,' which will consolidate its going-out business, including dining and ticketing (movies and events), an ambitious expansion beyond its core food delivery services and hyper commerce. The app is going to be made available for public use in the next few weeks.
(Moneycontrol)

Amul ranked as world's strongest food brand: Indian brand "Amul" has been ranked as the "strongest food brand in the world" as per the latest Food & Drink 2024 report. "Amul has already been ranked number one dairy brand in the world. However, being ranked as the number one strongest food brand is a big recognition," Jayen Mehta, managing director of Gujarat Cooperative Milk Marketing Federation (GCMMF) said. Last year, Amul held the second position in this category. The annual report on the most valuable and strongest food, dairy & non-alcoholic drinks brands has been published by Brand Finance, world's leading brand consultancy, stated a statement from GCMMF. As per the report, the brand value of Amul rose 11 percent to $3.3 billion, with a Brand Strength Index (BSI) score of 91.0 out of 100 and an AAA+ rating, the statement added. Amul's brand strength is attributed to its strong performance in familiarity, consideration, and recommendation metrics.
(Business Line)

India and Japan sign agreement for green ammonia export: India and Japan on Tuesday signed their first project offtake agreement for the export of green ammonia to the latter in the presence of Minister of New & Renewable Energy Pralhad Joshi. The project offtake agreement marks a significant step forward in India's journey to becoming a global leader in green hydrogen and

ammonia production, the Ministry of New & Renewable Energy (MNRE) said. The Heads of Terms (HoT) agreement was signed between Sembcorp Industries, Sojitz Corporation, Kyushu Electric Power and NYK Line, solidifying a cross-border green ammonia supply partnership from India to Japan, it added. "This agreement represents the first such collaboration between the two nations, underscoring India's growing prominence in the global green energy landscape," the Ministry noted.
(Business Line)

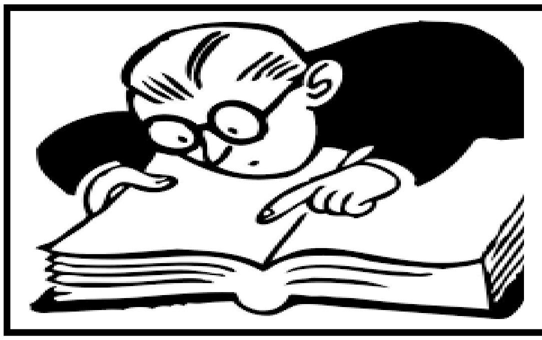
REGULATION & DEVELOPMENT

KVIC partners with Department of Posts to accelerate PMEGP unit verification: Khadi and Village Industries Commission (KVIC) has signed a Memorandum of Understanding (MoU) with the Department of Posts, which is part of the Communications Ministry. The MoU aims to foster cooperation between the two government departments and facilitate the prompt settlement of margin money subsidy for PMEGP units. KVIC Chairman Manoj Kumar said KVIC has signed this MoU with the Postal Department to promote co-operative work culture between the two government departments. Through this, along with physical verification of PMEGP units, margin money subsidy will also be settled at a faster pace, he noted.
(Business Line)

'Tax notices need to be simplified...': FM Nirmala Sitharaman on 165th year of Income Tax: Union Finance Minister Nirmala Sitharaman on Wednesday noted that the income tax notices need to be simplified so that it can be easily followed by common people. Speaking at the 165th year of Income Tax, FM Sitharaman first congratulated taxpayers for immensely contributing to the Indian economy and said the need for the language of income tax notices and letters issued to the public to be simplified. "Tax notices need to be simplified so that people understand them better. Can we explore issuing simple, easy-to-understand notices?"FM Sitharaman asked. Moreover, the FM asked income tax department to refrain from using "threatening language" in tax notices.
(Business Today)

Sebi proposes changes to regulations regarding debenture trustees: Markets regulator Sebi on Wednesday proposed certain changes to regulations related to debenture trustees. A consultation paper has been issued to provide clarity on the term 'pecuniary relationship' of Debenture Trustee (DT) with the issuer under the existing norms and stakeholders can submit their comments till September 11. At present, there are restrictions on appointment of an entity as a DT in case of a certain level of pecuniary relationship with the issuer. The curbs will be applicable if the entity's pecuniary relationship with the issuer amounts to 2 per cent or more of its gross turnover or total income or Rs 50 lakh or such higher amount as may be prescribed, whichever is lower. The gross income will be calculated for the two immediately preceding financial years or during the current financial year.

(Business Standard)



FINANCIAL TERMINOLOGY

PRODUCER PRICE INDEX (PPI)

- The Producer Price Index (PPI) measures the average change over time in the prices domestic producers receive for their output. It is a measure of inflation at the wholesale level that is compiled from thousands of indexes measuring producer prices by industry and product category.
- The PPI is different from the consumer price index (CPI), which measures the changes in the price of goods and services paid by consumers.
- PPI indexes are calculated based on products and services, industries, and the buyer's economic identity, which are used to calculate the overall monthly change in final demand PPI.

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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 : 83.9183
INR / 1 GBP : 109.2566
INR / 1 EUR : 93.2892
INR /100 JPY: 57.5100

EQUITY MARKET

Sensex: 80905.30 (+102.44)
NIFTY: 24770.20 (+71.35)
Bnk NIFTY: 50685.55 (-117.60)

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- Certificate Course on Credit Management of Banks
- Certificate Course on Treasury and International Banking
- Certificate Course on Investment Management
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- Aide Memoire on Infrastructure Financing.
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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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