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## **DAILY NEWS DIGEST BY BFSI BOARD**

**25 October 2024**



## **ECONOMY**

**AIFs grapple with land bordering rules even as SEBI eases norms:** SEBI's recent circular on investments from land bordering countries through alternative investment funds (AIFs) may add another layer of complexity in the manner in which Press Note 3 (PN3) norms are interpreted for such funds. PN3, issued in 2020 by DPIIT, necessitated prior government approval for foreign direct investment (FDI) by entities based in any country sharing a border with India. Legally, the PN3 framework was only applicable to Schedule 1 investments, which covers FDI in unlisted equity of Indian companies. Foreign investments into AIFs is governed by Schedule 8, which has nothing to do with PN3, said experts. While an AIF can take foreign money without any PN3 restrictions, funds so far have been reluctant to do the same because of lack of clarity on the matter. The recent SEBI circular does not put any restrictions per se on investments from land bordering countries in AIFs, but only asks for added due diligence and disclosures if the aggregate investor base in an AIF is more than 50 per cent from land bordering countries and such AIFs hold more than 10 per cent in underlying portfolio companies.

***(Business Line)***

**Centre may lower FY25 capex target due to expected shortfall:** The Centre is likely to revise lower the capital expenditure (CAPEX) target for FY25 due to a "slower pace of spending," according to sources in the Ministry of Finance. The government had initially set a CAPEX target of Rs 11.11 lakh crore for FY25, reflecting a 16.9% increase from the revised estimate of Rs 9.48 lakh crore for FY24. However, challenges related to fiscal management and a shift in focus to short-term expenditures during the extended election period may be affecting CAPEX performance, sources added. As per the latest data available from the Controller General of Accounts (CGA), the government has managed to spend only Rs 3.09 lakh crore on CAPEX by August 2024, which is 27% of the full-year target.

***(Business Today)***



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**India-Germany Dialogue to Focus on Skilled Labor and India-EU Trade Deal:** Amid Germany's pressing need for skilled labour, upcoming talks between Prime Minister Narendra Modi and Chancellor Olaf Scholz are expected to concentrate on two major topics: the movement of Indian talent to Germany and the long-discussed India-EU Free Trade Agreement (FTA). With Germany facing a workforce shortage, these discussions which will take place in New Delhi on Friday (Oct 25, 2024) are seen as a critical step in addressing both nations' economic and trade priorities. Germany, India's largest trading partner within the European Union, has been a strong advocate for the India-EU FTA, which has been under negotiation since 2007. Jürgen Ratzinger, Managing Director of International Business at the Frankfurt Chamber of Commerce and Industry, emphasized the importance of the deal, stating, "The business community is strongly favouring the India-EU trade agreement. India is an important trading partner and the potential is huge. We want to tap into that growth story from India."

*(Financial Express)*

## **BANKING & FINANCE**



**RBI slams high-cost lending, calls for affordable credit from Microfinance Institutions:** The Reserve Bank of India (RBI) has delivered a sharp message to Microfinance Institutions (MFIs), urging them to realign their lending practices and prioritise affordability in their credit offerings. Speaking at the Sa-Dhan-organised National Conference on Financial Inclusion in capital, Dash made it clear that this "specious argument" of high-cost credit is unavoidable in the absence of access to credit had lost its relevance. He called on MFIs to innovate and find new, sustainable ways to offer credit at affordable rates, emphasising that financial inclusion should not come at the cost of exploiting the vulnerable. "Risk sharing through blended finance and switching to lean management techniques could hold some answers (to ensure affordable rates)", Dash suggested. His remarks are significant as MFIs in India on an average levy interest rate of 24 per cent per annum on borrowers. Dash also said there is an onerous responsibility on MFIs to ensure that they are not abetting over indebtedness or participating in predatory lending.

*(Business Line)*

**Axis Bank re-appoints Amitabh Chaudhry as MD & CEO of bank for 3 years:** Axis Bank on Thursday reappointed Amitabh Chaudhry as the Managing Director and Chief Executive Officer of the



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bank for the next three years starting January 1, 2025. The board of directors of the Bank had approved the reappointment of Chaudhry up to December 31, 2027.

***(Economic Times)***

**Road ready for multilateral banks to meet funding needst:** Finance Minister Nirmala Sitharaman : Finance Minister Nirmala Sitharaman has said a "pathway has been successfully built" to enable multilateral development banks (MDBs) to better address global challenges and financing requirements. Participating in the fourth meeting of G20 finance ministers and central bank governors in Washington, DC on Thursday, Sitharaman indicated that the momentum towards MDB reforms, generated during India's G20 presidency last year, has continued through Brazil's presidency this year. "India looks forward to engaging with the South African presidency in taking forward the work on this agenda," she said, according to a finance ministry post on X (formerly Twitter). India's G20 presidency had encouraged MDBs to "evolve their vision, incentive structures, operational approaches and financing capacities", she said.

***(Economic Times)***

**Irdai raises concerns over high auto cover commissions:** IRDAI in a meeting with top executives from non-life insurance companies on Monday expressed concerns over high commission payouts to motor insurance service providers (MISP) in the 'motor own damage' segment. The Insurance Regulatory and Development Authority of India (Irdai) presented data showing that commissions paid by insurers to MISPs for new private car insurance policies ranged from 25% to 57%.

***(Economic Times)***

## INDUSTRY OUTLOOK



**Banks tighten expenses as credit costs, higher slippages hurt :** Indian banks are keeping a tight watch on their expenses as margins and profitability come under pressure amid increased credit costs and higher slippages from the unsecured and micro finance book. Most private banks that have reported their September quarter earnings have recorded a slowdown in operating expenses by reducing staff strength and cutting IT expenses and/or branch banking-related expenses. Axis Bank, for example, brought down the on-year growth of its operating expenses to 9% at ₹9,493 crore in the September quarter from a rise of 34% in the year-ago period. In the June quarter, the private lender



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had moderated its tech spends to ₹270 crore versus ₹1,000 crore in the previous quarter.  
**(Economic Times)**

**MF investors bet over Rs 17K crore on key equity schemes amid selloff:** Demonstrating resilience, mutual fund investors pumped nearly ₹17,100 crore into key equity schemes on a net basis over the past few weeks despite a heavy selloff in the markets. Since reaching their all-time highs on September 26, benchmark equity indices -- Sensex and Nifty 50 -- have dropped nearly 7 per cent. An analysis of assets under management (AUM) and net asset values (NAV) of major equity mutual fund schemes revealed that even as NAVs declined, investors continued to invest more. Between September 26 and October 22, largecap schemes garnered net inflows of over Rs 2,600 crore, while midcap and smallcap funds saw a combined net investment of Rs 7,000 crore, according to estimates based on Association of Mutual Funds in India (Amfi) data. Meanwhile, flexi-cap schemes attracted approximately Rs 4,000 crore during the same period.

**(Business Standard)**

**HSBC flash India composite PMI rises to 58.6 in Oct; job creation improves:** India's private sector economy picked up slightly in October after softening last month as manufacturing reported stronger demand, according to a survey that also showed job creation rose at the fastest pace since February 2006. HSBC's flash India Composite Purchasing Managers' Index (PMI), compiled by S&P Global, rose to 58.6 this month from September's final reading of 58.3, which was a 10-month low. The index, which measures monthly change in the combined output of India's manufacturing and service sectors, has been above the 50-level separating growth from contraction for 39 consecutive months. "Manufacturers outperformed service providers in terms of expansion rates for output and sales, and also recorded faster increases in input costs and selling prices," said the survey.

**(Business Standard)**



## REGULATION & DEVELOPMENT

**Aadhaar card not valid document to determine age: Supreme Court:** The Supreme Court on Thursday set aside an order of the Punjab and Haryana High Court which had accepted Aadhaar card for determining the age of a road accident victim to grant compensation. A bench comprising Justices, therefore, said the age of the deceased had to be determined from the date of birth mentioned in the school leaving certificate under Section 94 of the Juvenile Justice (Care and Protection of Children) Act, 2015. "We find that the Unique Identification Authority of India, by way





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of its circular number 8 of 2023, has stated, in reference to an office memorandum issued by the Ministry of Electronics and Information Technology dated December 20, 2018, that an Aadhaar Card, while can be used to establish identity, is not per se proof of date of birth,” noted the bench. When it came to determining the age, the top court accepted the contention of the claimant-appellants before it and upheld the judgment of the Motor Accident Claims Tribunal (MACT) which calculated the deceased’s age on the basis of his school leaving certificate. The high court had relied on the deceased’s Aadhaar card to calculate his age as 47 years. The family contended the high court erred in determining the deceased’s age on the basis of the Aadhaar card as his age, if calculated as per his school leave certificate, was 45 years at the time of death.

***(Moneycontrol)***

**SEBI proposes mark-to-market valuation for MFs’ short-term repo deals:** The Securities and Exchange Board of India (SEBI) proposed on Thursday to mandate that valuations of mutual fund investments in repo transactions with a tenure of up to 30 days be conducted on a mark-to-market basis, aligning them with the norms for all other money market and debt instruments. Currently, the valuation of repurchase (repo) transactions, including tri-party repo (TREPS) with a tenure of up to 30 days is carried out on a cost-plus accrual basis, which is amortisation-based valuation. The different valuation methodologies can create a scenario wherein the commercial papers of an issuer would be valued at a mark-to-market basis whereas borrowing through repos on corporate bonds, by the same entity would be valued at a cost-plus accrual basis.

***(Financial Express)***



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## FINANCIAL TERMINOLOGY

### PREDATORY LENDING

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- ❖ Predatory lending is a lending practice that involves using unfair, deceptive, or abusive tactics to take advantage of borrowers; such as high interest rate, hidden costs, high fees aggressive sales tactics etc.
- ❖ Predatory lending can trap borrowers in a cycle of debt, making it difficult for them to get out. It often occurs in conjunction with home mortgages and disproportionately affects women, Black, and Latinx communities.
- ❖ Although there are no internationally agreed legal definitions for predatory lending, there are laws against some of the specific practices. Federal agencies use the phrase as a catch-all term for many specific illegal activities in the loan industry.



### **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 : 84.0738  
INR / 1 GBP : 108.7282  
INR / 1 EUR : 90.7011  
INR /100 JPY: 55.2400

### **EQUITY MARKET**

Sensex: 80065.16 (-16.82)  
NIFTY: 24399.40 (-36.10)  
Bnk NIFTY: 51531.15 (+292.15)

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

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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.**
- ❖ **BFSI Chronicle (quarterly issue of BFSIB)**
- ❖ **Handbook on Stock & Book Debts Audit (Revised and Enlarged 2<sup>nd</sup> Edition)**

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