

DAILY NEWS DIGEST BY BFSI BOARD

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BANKING & FINANCE



ARCs want banks to sell loan accounts showing signs of incipient stress: Asset reconstruction companies (ARCs) want banks to sell bad loans at an incipient stage as the scope for recovery is brighter. As bad loans age, the possibility of recovery goes down drastically. “We need to deep-dive and understand that the accounts being sold to ARCs (by banks) are at a dead-end. When we buy there is nothing left. There are minuscule chances of their revival. “...the expectations (of lenders and investors in security receipts/SRs) from ARCs are unrealistic. We need to be realistic...it is easy to blame ARCs that there are not doing anything,” said Pradeep Goel, Chairman, Assocham National Council for Stressed Assets, and MD, Prudent ARC.

(Business Line)

No liability for directors who resigned before cheque issue, rules SC: While disposing of a case that relates to a cheque that bounced in 2014, the Supreme Court of India has cleared the air about the liability of a director of a company for the company’s actions after he has resigned from his directorship. Rajesh Viren Shah and Sanjay Babulal Bhutada were directors of Redington, a Chennai-based company engaged in distribution of IT hardware. Both of them had resigned from their directorships – on December 9, 2013 and March 12, 2014. A bench comprising Justice Sanjay Karol and Justice BR Gavai noted that according to Section 141 of the Negotiable Instruments Act “every person who at the time of the offence was responsible for the affairs/conduct of the business of the company, shall be held liable and proceeded against under Section 138 of the N.I. Act, with exception thereto being that such an act, if done without his knowledge or after him having taken all necessary precautions, would not be held liable.”

(Business Line)

RBI approves HDFC Bank's 90% stake sale in HDFC Credila to ChrysCapital and BPEA EQT: HDFC Bank received RBI approval to sell 90% stake in HDFC Credila, boosting Q4 income. The sale was approved by RBI and CCI. Details of credit rating report, stake divestment, and fresh equity

infusion were mentioned. Availability of balance amount not specified. On July 1, last year, HDFC Ltd, the parent housing finance company, was amalgamated with HDFC Bank. Thus, the entire investment was transferred from the parent to the bank.

(Economic Times)

Bank employee unions press for 5-day week ahead of IBA settlement: The United Forum of Bank Unions, a coalition representing bank employee unions, has written a letter to Finance Minister Nirmala Sitharaman, urging for the implementation of a five-day working week in banks. Presently, banks operate with closures on the second and fourth Saturdays each month, as established in a 2015 settlement.

(Economic Times)



ECONOMY

India's GDP growth may have moderated to 6.5% in October-December: India's GDP growth likely declined to 6.5 percent in October-December 2023 from 7.6 percent the previous quarter, a Moneycontrol survey of 10 economists showed. India's GDP had grown just 4.5 percent in the third quarter of 2022-23. The statistics ministry will release GDP data for October-December 2023 at 5:30pm on February 29. It will also release its second advance growth estimate for 2023-24 as a whole, as well as the first, second, and third revised estimates of growth for 2022-23, 2021-22, and 2020-21, respectively. In its first advance estimate, the statistics ministry had pegged GDP growth for the current financial year at 7.3 percent. Economists polled by Moneycontrol see this being lowered to 6.9 percent in the second advance estimate.

(Moneycontrol)

India ranks among top 25 arms exporters, pursuing self-reliance: Defence Minister Rajnath Singh: Defence Minister Rajnath Singh, who was the chief guest at the Firstpost Defence Summit in New Delhi, said that India has made significant changes to its defence sector and is now moving towards self-reliance. He stated that the defence industrial sector is making strides towards self-reliance and that the results are clear to see. Furthermore, Singh emphasised that the government, led by Prime Minister Narendra Modi, firmly believes that Indian armed forces should not have to rely on military equipment made by foreign nations. Singh announced that India's annual

defence production is expected to reach Rs 3 lakh crore, with the export of military hardware set to reach Rs 50,000 crore by the financial year 2028-29.

(Moneycontrol)

Top 5% population in urban India spends around 10 times higher than bottom 5%: Top 5 per cent of the population in India has almost 10 times more Monthly Per Capita Expenditure (MPCE) than the lower 5 per cent of the population in the urban areas, a consumption survey by the Statistics Ministry showed. It also highlighted that Sikkim tops among all States and Union Territories in terms of MPCE, while Chhattisgarh is at the bottom. Based on the Household Consumption Expenditure Survey (HCES: 2022-23), the estimates of MPCE are based on the data collected from over 2.61 lakh households with over 1.55 lakh in rural areas and over 1.06 lakh in urban areas spread over all States and Union Territories in the country. The survey was conducted from August 2022 to July 2023. It may be noted that results of the previous survey were withheld after data leaked showing huge differences and the government claimed discrepancies.

(Economic Times)

INDUSTRY OUTLOOK



NSE Chief urges Broking Industry to aim higher, target 100% households participation in direct equity: Broking industry must not bask in past glory even as it has played a huge catalytic role in the growth of Indian capital markets in recent decades, Ashish Kumar Chauhan, Managing Director & CEO, National Stock Exchange (NSE) has said. There must now be concerted effort by the Broking industry to bring 100 per cent of Indian households into direct equity investing, Chauhan said at the 13 th International Convention of Association of Exchange Members of India (ANMI), a national level industry body with nearly 1,000 broker members.

(Business Line)

Disney, RIL sign binding pact to merge media operations in India: Report: Walt Disney Co. and Reliance Industries Ltd. have signed a binding pact to merge their media operations in India, according to people familiar with the matter, as the US entertainment giant recasts its strategy amid intense competition in the world's most-populous country. The media unit of Reliance, controlled by billionaire Mukesh Ambani, and its affiliates are expected to own at least 61% in the merged entity, with Disney holding the rest, the people said, asking not to be identified as the information is not public. The latest milestone, along with other details, are likely to be announced early this week.

(Business Line)

Foreign portfolio investors infuse Rs 18,500 cr in debt market in Feb: Foreign portfolio investors (FPIs) continued their bullish stance on the country's debt markets with a net infusion of over Rs 18,500 crore so far this month, driven by upcoming inclusion of Indian government bonds in the JP Morgan Index. This came following a net investment of over Rs 19,836 crore in January, making it the highest monthly inflow in more than six years. This was the highest inflow since June 2017, when they infused Rs 25,685 crore. "With introduction of India in global bond indices this year, Indian debt inflows should get steady flows going ahead. Also, further front-loading before actual inclusion in June this year is also expected. This is also in line with long-term aim to deepen our underdeveloped debt-markets,"

(Business Standard)



REGULATION & DEVELOPMENT

Sebi using AI for investigations, says official: Sebi is using Artificial Intelligence (AI) for investigations, its Whole Time Member Kamlesh Chandra Varshney said on Saturday and emphasised that entities should keep track of technological developments. Against the backdrop of instances of manipulations in the stock market, he said the message is that abiding with the law will be more beneficial and violations will cause problems. In response to a question by PTI on whether Sebi is using AI, Varshney said, "we are using AI for investigations... and also using for a lot of things". He was speaking on the sidelines of the 13th international convention of the Association of National Exchanges Members of India (ANMI) in the national capital.

(Business Standard)

Google to shut down Google Pay in US, Indian users to remain unaffected: Google has declared it will discontinue Google Pay in the US to enhance user experience by simplifying the app. All users will be transitioned to Google Wallet. The standalone Google Pay app in the US will be unusable from June 4, 2024. Google Wallet will retain popular features like in-store tap-to-pay and payment method management. The usage of Google Wallet is five times higher than Google Pay in the US, according to a company blog post.

(Business Today)



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FINANCIAL TERMINOLOGY

FACULTATIVE REINSURANCE

- ❖ Facultative reinsurance is coverage purchased by a primary insurer to cover a single risk—or a block of risks—held in the primary insurer's book of business. Facultative reinsurance is one of two types of reinsurance (the other type of reinsurance is called treaty reinsurance).
- ❖ Facultative reinsurance is considered to be more of a one-time transactional deal, while treaty reinsurance is typically part of a long-term arrangement of coverage between two parties.
- ❖ By covering itself against a single or block of risks, reinsurance gives the insurer more security for its equity and solvency and more stability when unusual or major events occur.



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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 : 82.8865
INR / 1 GBP : 104.9531
INR / 1 EUR : 89.7114
INR /100 JPY: 55.0300

EQUITY MARKET

Sensex: 73142.80 (-15.44)
NIFTY: 22212.70 (-4.80)
Bnk NIFTY: 46811.75 (-108.05)

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