

### THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

(ST ATUTORY BODY UNDER AN ACT OF PARLIAMENT)
CMA BHAWAN
12, SUDDER STREET, KOLKATA – 700 016

# **DAILY NEWS DIGEST BY BFSI BOARD**

## January 26, 2023

#### G20-STARTUP20 ENGAGEMENT GROUP SET TO MEET IN HYDERABAD: The G20

Startup20 Engagement Group will hold its inception meeting in Hyderabad this week, featuring delegates from G20 nations and nine special invitees from observer countries, representatives from multilateral organizations as well as the Indian startup ecosystem. The group formed under G20 after India assumed presidency will convene from January 28-29 anticipating a productive development of policy recommendations on entrepreneurship and innovation priorities of and across G20 countries for the years ahead. The meeting will create a global narrative for supporting startups and fostering synergies between startups, corporates, investors, innovation agencies, and other key ecosystem stakeholders. The Startup20 has three main taskforces; the Foundation and Alliances Taskforce, Finance, and Inclusion and Sustainability. The Finance Taskforce will aim to increase access to capital for Startups by providing financing and investment platforms. For Inclusion and Sustainability, the roadmap involves increasing support for women led Startups and organizations.

(Press Information Bureau)

**EMPLOYEES' PROVIDENT FUND ORGANIZATION TO LAUNCH A MASSIVE DISTRICT OUTREACH PROGRAMME, NIDHI AAPKE NIKAT 2.0:** EPFO is launching a massive District Outreach Progarmme in all the Districts of the country through a revamped Nidhi Aapke Nikat programme. This programme will be e-launched by Secretary, Ministry of Labour & Employment, Government of India, Ms. Arti Ahuja on 27th January, 2023. The Nidhi Aapke Nikat 2.0 will not be only grievance redressal platform and information exchange network for the employers and the employees but also a platform for exchange of information with the district level authorities of various State and Central Government departments. In this programme, a help desk will be created where members will get the online services like filing of online claim etc. Grievance redressal of the members will be done on the spot and in case any grievance could not be redressed on the spot, it will be registered on the grievance portal of EPFO and will be resolved on priority.

#### (Press Information Bureau)

**PROMOTER GROUP RECLASSIFIED AS PUBLIC: RELIANCE CAP:** Debt-ridden Reliance Capital on Wednesday said the existing 'Promoter/Persons belonging to Promoter Group' has been reclassified as the 'Public' category. The company has made an application to BSE Ltd and National Stock Exchange of India Limited for reclassification of existing 'Promoter/Persons belonging to Promoter Group' to 'Public' in accordance with Regulation 31A of Sebi (Listing Obligations and Disclosure Requirements) Regulations, 2015, the company said in a regulatory filing. The company is under a resolution process under the Insolvency and Bankruptcy Code. RBI had on November 29, 2021, superseded the board of RCL in view of payment defaults and serious



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governance issues. The RBI appointed Nageswara Rao Y as the administrator in relation to the Corporate Insolvency Resolution Process (CIRP) of the firm. (Economic Times)

#### ADANI ENTP FPO: ANCHOR INVESTOR BIDS AT 1.5X THEIR ₹6,000-CR QUOTA:

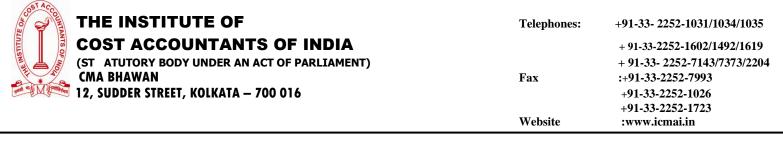
On a day when an investment research firm with a focus on activist short-selling alleged serious financial risks at Adani group, the anchor investor book of the follow-on public offer of Adani Enterprises (AEL) was subscribed by 1.5 times by 33 funds and investors. Anchor investors bid for shares worth ₹9,000 crore in the country's largest FPO for ₹6,000 crore worth of shares up for allocation. AEL will raise ₹20,000 crore through the FPO. Bidders include marguee investors such as Abu Dhabi Investment Authority, Mubadala Investment, BNP Paribas, Maybank Asia, LIC, HDFC Life, SBI MF, and more, an announcement from AEL said. (Business Line)

#### IT EXEMPTION SOUGHT FOR SMALL RETAILERS WITH TURNOVER UP TO ₹3

CR: Agrofood Chamber of Commerce and Industry has requested Finance Minister Nirmala Sitharaman to give an IT exemption for small retailers with an annual turnover of up to ₹3 crore in the ensuing Union Budget as their survival is under threat. Due to unethical competition like corporate predatory pricing policies, most small retailers, especially in the grocery sector, are on the verge of closure after the pandemic onslaught. (Business Line)

SC TO RBI: WHAT STEPS TAKEN TO REIN IN NPAS: The Supreme Court on Wednesday asked the Reserve Bank of India to inform it about the steps the banking regulator could take to implement a high-level committee's recommendations to tackle bad loans. A bench led by Justice Sanjay K Kaul gave four weeks for the RBI to file its reply. The direction came after the central bank said it had accepted the recommendations of the five-member committee, constituted by the government to study banking reforms. Among its suggestions on recovering non-performing assets, the committee in 2017 said banks must publish on their websites the list of defaulters whose names are already in public domain or where recovery proceedings are initiated under the Sarfaesi Act. It said also promoters should be personally made liable for any siphoning off of funds. Instructions are being issued mandating banks to examine and take a view on classifying an account as a case of wilful default or not within 60 days of it becoming an NPA (where the exposure is more than ₹50 crore), the RBI said in an affidavit. The central bank said it was expanding the definition of wilful defaulters to include borrowers who had committed to infusing equity but eventually failed to do so. (Economic Times)

RELIANCE CAPITAL LENDERS WITHDRAW PLEA AGAINST NCLT'S STAY **ORDER:** The secured creditors of Anil Ambani-promoted Reliance Capital on Wednesday withdrew a plea from the National Company Law Appellate Tribunal (NCLAT) challenging the



NCLT's order of maintaining a status quo on the debt resolution process at the distressed financier. The development came after the appellate tribunal observed that at this stage it is not inclined to hear the matter since the final order by NCLT is expected next week. "The adjudicating authority having been already directed the application to be notified for pronouncement in the next week...we are of the view that at this stage we need not express any opinion on the merits because that has to be addressed by the adjudicating authority (NCLT) while deciding the application," observed the bench led by Justice Ashok Bhushan and Barun Mitra in its two-page order.

(Economic Times)

#### PRIVATE BANKS POST 31.7% YOY GROWTH IN Q3, NET PROFIT RISES TO RS

**35,166 cr:** Reflecting the benefit of repricing of loans and robust credit offtake, private sector banks posted 31.7 per cent growth year-on-year (YoY) in net profit to Rs 35,166 crore in the third quarter ended December 2022 (Q1FY23). Sequentially, net profit rose by 12.6 per cent over Rs 31,218 crore in the second quarter ended September 2022 (Q2FY23). (*Business Standard*)

#### INDIAN BANK Q3 NET PROFIT DOUBLES TO RS 1,396 CR AS BAD LOANS

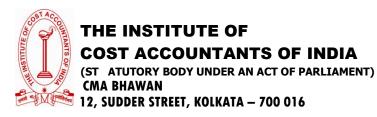
**DECLINE:** State-owned Indian Bank on Wednesday reported nearly two-fold jump in profit at Rs 1,396 crore in the quarter ended December 2022, driven by increase in interest income and decline in bad loans. On the asset quality front, the bank recorded an improvement with gross NPAs (Non-Performing Assets) declining to 6.53 per cent of gross advances as compared to 9.13 per cent at the end of the third quarter of 2021-22. Net NPAs too eased to 1 per cent from 2.72 per cent in the same quarter a year ago.

#### (Business Standard)

#### NOMURA HIRES ICICI BANKER MAHESH NATARAJAN TO HEAD INDIA ECM BIZ:

Nomura Holdings has tapped Mahesh Natarajan to head its equity capital markets business in India, sources told Reuters on Tuesday. Natarajan is due to join the Japanese firm's Indian unit in the coming months, the sources said, declining to be named as the hiring decision is not public. Natarajan currently heads the equity capital markets - including initial public offerings and block deals - for Nomura's domestic rival ICICI Securities and has spent nearly 17 years with the firm, according to his LinkedIn profile. He worked with Morgan Stanley earlier. *(Business Standard)* 

**PRESIDENT APPROVES CONFERMENT OF 106 PADMA AWARDS:** President Droupadi Murmu on Wednesday approved conferment of 106 Padma Awards including three duo cases for 2023. The list comprises six Padma Vibhushan, nine Padma Bhushan and 91 Padma Shri awardees. A total of 19 awardees are women and the list also includes two persons from category of Foreigners/NRI/PIO/OCI and seven Posthumous awardees. Mulayam Singh Yadav (Posthumous), Zakir Hussain are among the Padma Vibhushan awardees. Noted industrialist



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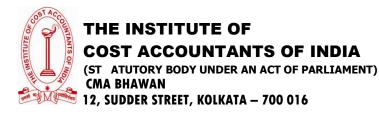
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Kumara Mangalam Birla, novelist S L Bhyrappa, Sudha Murthy and six other were awarded the Padma Bhushan this year. A total of 91 people including Rakesh Jhunjhunwala (posthumous), Raveena Tandon, Manipur BJP president Thounaojam Chaoba Singh were awarded the Padma Shri.

(Economic Times)



# FINANCIAL TERMINOLOGY/CONCEPTS

# What are AT1 bonds? How are they different from conventional corporate bonds?

- AT1 bonds, short for Additional Tier 1 bonds, are a class of bonds issued by banks. After the global financial crisis of 2007-08, it was felt that banks ought to operate with a higher proportion of their own, permanent capital as opposed to borrowed capital. This permanent capital is termed as Tier 1 capital.
- AT1 bonds, like other bonds, pay regular interest. But they do not have a maturity date, as they are a permanent part of the bank's capital, akin to equity. In practice, however, banks do offer a call option on these bonds after five years, when they may or may not redeem them.
- The bank issuing them has the discretion to either reduce or completely skip their interest payout, if it is making losses or at risk of falling short of capital needs. If the RBI believes that the bank is becoming short of capital or unviable to operate, it can direct the principal on these bonds to be written off too. This makes AT1 bonds far riskier than vanilla corporate bonds.
- What is the Yes Bank AT1 bond issue all about? After the financial crisis faced in recent past by Yes Bank, RBI decided that the bank's AT1 bond obligations were to be permanently written off. But this write-off shocked some of the investors in Yes Bank's AT1 bonds. They complained that when Yes Bank staff sold them these AT1 bonds, they were not told about their principal or coupon write-off features.
- SEBI's investigations found that Yes Bank officials were guilty of mis-selling these bonds to unsuitable investors such as senior citizens, with institutional investors offloading their bonds to retail clients. It passed orders and imposed penalties on Yes Bank top executives. But investors in the bonds also banded together to challenge the write-off decision in the courts. Last week, the Bombay High Court passed an order staying the write-off of Yes Bank's AT1 bonds on technical grounds.



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