



**THE INSTITUTE OF
COST ACCOUNTANTS OF INDIA**
(STATUTORY BODY UNDER AN ACT OF PARLIAMENT)
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DAILY NEWS DIGEST BY BFSI BOARD

October 28, 2022

US ECONOMY RETURNED TO GROWTH LAST QUARTER, EXPANDING 2.6%:

The US economy grew at a better-than-expected 2.6 per cent annual rate from July through September, snapping two straight quarters of economic contraction and overcoming punishingly high inflation and interest rates. Thursday's estimate from the Commerce Department showed that the nation's gross domestic product — the broadest gauge of economic output — grew in the third quarter after having shrunk in the first half of 2022.

(Moneycontrol)

RBI TO HOLD MPC MEET ON NOVEMBER 3: RBI has called a special meeting of the Monetary Policy Committee on November 3 to prepare a report on its failure to keep retail inflation below 6 % for three consecutive quarters. "Under the provisions of Section 45ZN of the Reserve Bank of India (RBI) Act, an additional meeting of the MPC is being scheduled on November 3, 2022,". **Section 45ZN of the Act deals with failure to maintain the inflation target.**

(Business Line)

SEBI CLARIFIES ON BLOCK MECHANISM FACILITY PERTAINING TO DEMAT

ACCOUNTS: Capital markets regulator SEBI on Thursday said block mechanism facility pertaining to demat accounts will not be applicable for clients having arrangements with custodians for clearing and settling trades. In order to safeguard investors' demat accounts, SEBI in August said the facility of block mechanism will be mandatory for all early pay-in transactions from November 14. Currently, the facility is optional for investors. The early pay-in mechanism is used by traders to reduce their margin obligations. Under the block mechanism, shares of a client intending to make a sale transaction will be blocked in the client's demat account in favour of the clearing corporation concerned.

(Moneycontrol)

CONCURRENT AUDIT OF EPFO FLAGS IRREGULARITIES OF ₹96 CRORE:

Concurrent audit of the Employees' Provident Fund Organisation (EPFO) has flagged major irregularities of nearly ₹96 crore last year, including fraudulent withdrawals from members' EPF accounts and a major pension fraud. These audit findings have been shared in the EPFO's annual report for 2021-22, which will be tabled before the Central Board of Trustees at its upcoming meeting to be held on October 31 and November 1. Among the audit alerts probed in 2021-22, EPF payments through wallet banking also revealed irregularities of ₹30.38 crore, even as fraudulent withdrawals by modifying EPF members' Know Your Customer



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(KYC) details were also unearthed, while analysing alerts about an attempted fraud and cases of multiple payments.

(Business Line)

CBDT EXTENDS DEADLINE FOR FILING TDS FOR NON-SALARY TRANSACTIONS TILL NOVEMBER: The Central Board of Direct Taxes on Thursday extended the deadline for filing quarterly TDS statement in Form 26Q for the second quarter of financial year 2022-23 from 31st October, 2022 to 30th November, 2022,"

(Economic Times)

ECB HIKES RATES BY 75 BASIS POINTS TO 1.5%, HIGHEST SINCE 2009: The European Central Bank raised interest rates again on Thursday and announced it was changing the terms of its ultra-cheap loans to commercial banks in a bid to shrink its bloated balance sheet and fight off a historic surge in inflation. The central bank for the 19 countries that use the euro raised its deposit rate by a further 75 basis points to 1.5% - the highest rate since 2009. Until as recently as July, ECB rates had been in negative territory for eight years.

(Economic Times)

TWITTER SHARES TO BE SUSPENDED ON NYSE AS ELON MUSK NEARS TAKEOVER: Twitter Inc shares will be suspended from trading on Friday, the New York Stock Exchange's website showed, as billionaire Elon Musk faces a court-ordered Oct. 28 deadline to close his \$44 billion deal to buy the social media company. Musk, the world's richest person, visited Twitter's headquarters in San Francisco on Wednesday and hinted he was the company's top boss after updating his profile bio to "Chief Twit".

(Financial Express)

UTKARSH SMALL FINANCE BANK GETS SEBI NOD FOR IPO: Varanasi-based Utkarsh Small Finance Bank has received the Securities and Exchange Board of India (SEBI) nod for Rs 500 crore IPO (Initial Public Offering.) The IPO comprises equity shares of face value of Rs 10 each, and is a complete fresh issue of shares. The entire proceeds will go to the company, according to the Draft Red Herring Prospectus (DRHP). The small finance bank may consider issue of securities aggregating up to Rs 100 crore in a pre-IPO placement round.

(Financial Express)

PM MODI SPEAKS TO RISHI SUNAK, BOTH AGREE ON EARLY CONCLUSION OF CRITICAL INDO-UK FTA: Prime Minister Narendra Modi on Thursday spoke to new British premier Rishi Sunak with the two leaders agreeing on the importance of early conclusion of a comprehensive and balanced free trade agreement between the two countries.



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It was their first conversation since Indian-origin Sunak took charge as British prime minister on Tuesday. Sunak also tweeted his thanks to Modi and said he is excited about what the two “great democracies” can achieve as they deepen their security, defence and economic partnership in the months and years ahead.

(Financial Express)

E-CERTIFICATE OF ORIGIN VALID FOR CLAIMING DUTY CONCESSIONS:

CBIC: The Central Board of Indirect Taxes and Customs (CBIC) clarified that electronically generated certificate of origin (CoO) issued by the UAE authority is a valid document for claiming customs duty benefits under India-UAE free trade agreement. However, it said that the certificate has to be issued in a prescribed format bearing electronically printed seal and signatures of the authorised signatory of the issuing authority. The trade agreement between India and the UAE came into force from May 1 this year. Under this, domestic exporters of over 6,000 goods get duty-free access to the UAE market. On the other hand, India gives duty-free access to 7,694 goods coming from the UAE.

(Business Standard)

FATF CALLED FOR ENHANCED DUE DILIGENCE ON MYANMAR FOLLOWING

BLACKLIST: RBI: RBI on Thursday said the Financial Action Task Force (FATF) has called on its members to apply enhanced due diligence measures proportionate to the risk arising from Myanmar. The move comes after Myanmar was put on the ‘High-Risk Jurisdictions subject to a Call for Action’ category, commonly known as blacklist countries. Earlier in February 2020, Democratic People’s Republic of Korea (DPRK) and Iran was put on blacklist by the anti-terror financing and anti-money laundering watchdog. “When applying enhanced due diligence measures, countries have been advised to ensure that flows of funds for humanitarian assistance, legitimate NPO activity and remittances are not disrupted,” RBI said citing FATF advisory on October 21. As per the October 21, 2022 FATF public statement, Democratic Republic of the Congo, Mozambique and Tanzania have now been added to this list of Jurisdictions under Increased Monitoring – commonly known as grey list – while Nicaragua and Pakistan have been removed from this list based on review by the FATF.

(Business Standard)

GOVT RESTRICTS USE OF GLYPHOSATE IN AGRICULTURE; INDUSTRY

BODY OPPOSES IT: The government has restricted use of herbicide Glyphosate and its derivatives, fearing health hazards and risk to human beings/animals, a move opposed by an industry association AGFI citing endorsements from global studies and regulatory bodies. Glyphosate and its formulations are widely registered and currently used in more than 160 countries, including the EU and the USA. Farmers across the globe have been using it for safe and effective weed control for over 40 years.

(Business Standard)



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FINMIN EXTENDS QUERY SUBMISSION DEADLINE FOR IDBI STAKE SALE

TILL NOV 10: The finance ministry on Thursday extended the deadline for potential bidders to submit queries on IDBI Bank privatisation by 13 days till November 10. The ministry on October 7 had floated the Preliminary Information Memorandum (PIM) inviting bids for selling about 61 per cent stake in IDBI Bank. The deadline for raising queries and submission of bids by interested bidder was October 28 and December 16, respectively. The Department of Investment and Public Asset Management (DIPAM) on Thursday issued a corrigendum to the PIM and extended the deadline for submission of queries till November 10.

(Business Standard)



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FINANCIAL TERMINOLOGY/CONCEPTS

BACKTESTING

- ❖ Backtesting measures the accuracy of the value at risk calculations. It is the process of determining how well a strategy would perform using historical data. The loss forecast calculated by the value at risk is compared with actual losses at the end of the specified time horizon.
- ❖ Backtesting a risk model, for instance, is typically done by checking if actual historical losses on a portfolio are very different from the losses predicted by the model. If actual losses are consistently higher, the model is underestimating risk. If they are lower, the model is overestimating risk.
- ❖ Backtesting in value at risk is used to compare the predicted losses from the calculated value at risk with the actual losses realized at the end of the specified time horizon. This comparison identifies the periods where the value at risk is underestimated or where the portfolio losses are greater than the original expected value at risk. Value at risk predictions can be recalculated if the backtesting values are not accurate, thereby reducing the risk of unexpected losses.
- ❖ Value at risk calculates the potential maximum losses over a specified time horizon with a certain degree of confidence. For example, the one-year value at risk of an investment portfolio is \$10 million with a confidence level of 95%. The value at risk indicates that there is a 5% chance of having losses that exceed \$10 million at the end of the year. With 95% confidence, the worst expected portfolio loss over one trading year will not exceed \$10 million.



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RBI KEY RATES

Repo Rate: 5.90%
SDF: 5.65%
MSF & Bank Rate: 6.15%
CRR: 4.50%
SLR: 18.00%
Fixed Reverse Repo: 3.35%

FOREX (FBIL 1.30 PM)

INR / 1 USD : 82.3889
INR / 1 GBP : 95.6228
INR / 1 EUR : 82.9063
INR /100 JPY: 56.5700

EQUITY MARKET

Sensex: 59756.84 (+212.88)
NIFTY : 17737.00 (+80.70)
Bank NIFTY: 41299.30 (+176.50)

(CMA Chittaranjan Chattopadhyay)

Chairman,

Banking, Financial Services & Insurance Board

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