



**THE INSTITUTE OF
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DAILY NEWS DIGEST BY BFSI BOARD

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BANKING & FINANCE



Canara Bank to launch IPO of Canara Robeco AMC: Canara Bank on December 27 said it is going to list its mutual fund subsidiary. The lender did not comment on the timeline for the same. “We wish to inform you that Canara Bank has in principle approved to initiate the process of listing its Mutual Fund Subsidiary Canara Robeco Asset Management Company Ltd, in the stock exchanges by way of Initial Public Offer (IPO), subject to following the due diligence, laid down procedures, opportune time, regulatory approvals etc.,” said the company in an exchange filing. When listed, this will be the fifth mutual fund company to list in India following HDFC AMC, Nippon Life India AMC, UTI Asset Management Company, and Aditya Birla Sun Life AMC.

(Moneycontrol)

Banks’ GNPA ratio fell to 3.2% in September, shows RBI Trend and Progress report: Indian banks’ gross non-performing assets (GNPA) ratio fell to 3.2 per cent at the end of September, registering a further improvement seen in earlier years, according to the Reserve Bank of India (RBI)’s Trend and Progress of banking in India, 2023. “The improvement in asset quality of banks that began in 2018-19 continued during 2022-23 and H1:2023-24, with gross non-performing assets (GNPA) ratio at 3.2 per cent at end-September 2023,” said the report. Further, the capital to risk weighted assets ratio (CRAR), a measure of capital adequacy, of banks stood at 16.8 per cent at end-September 2023, with all bank groups meeting the regulatory minimum requirement.

(Moneycontrol)

Indian banking poised for growth, emphasises need for enhanced risk management: **RBI:** The Reserve Bank of India (RBI) said the Indian banking system and non-banking financial companies (NBFCs) remain sound and resilient, even as it cautioned that the high level of interconnectedness between them merits close attention. The central bank underscored that high capital ratios, improved asset quality, and robust earnings growth are the reasons for banks and NBFCs being sound and resilient. This is supporting double-digit credit growth and domestic



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economic activity, per the RBI's report on "Trend and Progress of Banking in India 2022–23." However, sustaining this improvement requires further strengthening of governance and risk management practices and the building up of additional buffers. The report assessed that the Indian banking system is well positioned to improve further, with better asset quality, high capital adequacy, and robust profitability.

(Business Line)

RBI approves appointment of CS Rajan as part-time chairman of Kotak Mahindra Bank:

RBI has approved the appointment of CS Rajan as the part-time chairman of Kotak Mahindra Bank. The appointment, effective from January 1, 2024, is for a period of two years. CS Rajan's appointment as part-time chairman of the bank comes as the incumbent part-time chairman Prakash Apte's tenure comes to an end on December 31. CS Rajan, who was appointed as Independent Director on the board of Kotak Mahindra on October 22, 2022, has over 40 years of experience in government portfolios. He served as an IAS officer (1978 batch) and retired as Chief Secretary of the Rajasthan government 2016.

(Business Today)

Total amount of frauds reported by banks declines to six-year low: RBI: The total amount of frauds reported by banks declined to a six-year low while the average amount involved in frauds was the lowest in a decade, data from a Reserve Bank of India (RBI) report shows. However, the number of frauds reported by banks has gone up from 7,263 in 2020-21 to 13,576 in 2022-23. The amount involved in these frauds has seen a significant decline from Rs 1,18,417 crore to Rs 26,632 crore during the same period.

(Business Standard)

RBI warns banks, NBFCs against reliance on model-based lending practices: RBI has cautioned banks and non-banking financial companies (NBFCs) against reliance on risk models based on pre-set algorithms emerging from collaborations with fintech companies, saying such models should be robust and their resilience tested periodically. The central bank has advised these regulated entities to be careful of any undue risk building up in the system owing to information gaps which may lead to dilution of underwriting standards. To mitigate biases in underwriting algorithms, the regulator emphasised the importance of ensuring that algorithms rely on accurate and diverse data sets. It highlighted the need to audit algorithms to identify minimum underwriting standards and potential discrimination factors. The regulator has highlighted that inherent biases and lack of transparency with artificial intelligence and machine learning (AI/ML) outcomes carry risks. It recommended lenders adopt ethical AI that can protect customer interest, promote transparency, security and privacy.

(Business Standard)



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Further strengthen balance sheets even if financials remain strong: RBI: Indian banks and non-banking financial companies (NBFCs) remained sound and resilient with banks' gross non-performing assets (GNPAs) at a decade-low, but they need to strengthen their balance sheet further, improve governance standards, and remain watchful on the rise in unsecured loans, said the Reserve Bank of India's (RBI's) "Trend & Progress Report for 2022-23". The GNPA ratio of scheduled commercial banks (SCBs) — showing a declining trend from 2018-19 — fell further to 3.2 per cent at the end of September 2023. The report, which is published annually, referred to the interconnectedness between banks and non-banks and warned about contagion risk. "Several NBFCs maintain borrowing relationships with multiple banks simultaneously. Banks are also key subscribers to their debentures and commercial papers. Such concentrated linkages may create contagion risk," the report said. Although banks are well capitalised, the report said they needed to constantly evaluate their exposure to NBFCs as well as the exposure of individual NBFCs to multiple banks. NBFCs on their part should focus on broad-basing their funding sources and reduce over-dependence on bank funding, the report said. At end-March 2023, bank borrowing replaced debentures as the largest source of funds for NBFCs, and continued to exhibit high growth at the end September 2023. Around two-thirds of NBFCs' borrowing is payable in more than 12 months. The report observed the sharp rise in unsecured loans of both banks and NBFCs.

(Business Standard)



ECONOMY

Focus on capex-led growth strategy to continue, FinMin Indicates: The Centre will continue to focus on a capex-led growth strategy to support economic growth as it goes about putting into effect a roadmap for transforming the country into a \$5-trillion economy. This was reflected in the 2023 year-ender for the Department of Economic Affairs in the Finance Ministry released on Wednesday. While focusing on growth at the macro level, the government will continue to complement it with all-inclusive welfare at the micro level, promoting digital economy and fintech, technology-enabled development, energy transition and climate action and relying on virtuous cycle of investment and growth, it added.

(Business Line)

DIPAM-mandated CPSE 'consistent dividend policy' delivers strong returns for Centre: The Centre continues to reap good dividends from the DIPAM issued advisory on 'Consistent



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dividend policy' of November 2020 with the aggregate CPSE dividend payouts surpassing Revised Estimates (RE) on a consistent basis in the last three fiscal years. Total dividend receipts from Central Public Sector Enterprises (CPSEs) in FY21, FY22 and FY23 stood at ₹39,750 crore, ₹59,294 crore and ₹59,533 crore respectively. These exceed the RE of ₹34,717 crore, ₹46,000 crore and ₹43,000 crore, the Finance Ministry said in the 2023 year-end report on DIPAM. In the current financial year, the government has realised ₹26,644 crore as dividend receipts from CPSEs as of December 4, 2023. While the Department of Investment and Public Asset Management (DIPAM) has done well to implement a consistent dividend policy for CPSEs, it still has some heavy lifting to do on the issue of achieving the disinvestment targets.

(Business Line)

Markets hit fresh record high: Nifty tops 21,650, Sensex jumps over 750 points: The NSE barometer, Nifty 50, on Wednesday crossed 21,650 level for the first time. The index jumped 234.4 points to hit its lifetime high of 21,675.75. The 30-share BSE Sensex pack surged 783.05 points to hit a record high of 72,119.85. The fresh upward move was supported by gains in state-owned lenders, metals and automobile stocks. Mid- and small-cap shares were mixed as Nifty Midcap 100 climbed 0.23 per cent and small-cap shed 0.05 per cent. India VIX, fear index, rose 4.71 per cent to 15.37-level. 12 out of the 15 sector gauges -- compiled by the NSE -- were trading in the green today. Sub-indexes Nifty PSU Bank, Nifty Metal and Nifty Auto were outperforming the NSE platform by rising as much as 1.44 per cent, 0.90 per cent and 0.93 per cent, respectively.

(Business Today)

INDUSTRY OUTLOOK



Indian bond market value surged to over Rs 200 lakh crore: The bond or fixed-income market size is rapidly expanding in India. Data available from SEBI and CCIL show that in the last five years, the total bond market value has surged over 77 per cent to Rs 192.4 lakh crore in the financial year (FY) 2023 from Rs 108.8 lakh crore in FY18. In FY24, the total value of outstanding bonds in the Indian market stands at Rs 205.3 lakh crore as of September 30, 2023. In the Indian bond market, the total value of government debt or government bonds stands at Rs 161.1 lakh crore, holding a 78 per cent market share, while corporate bonds have a 22 per cent share at Rs 44.2 lakh crore as of September 2023. Bonds or fixed-income securities offer a constant money flow at regular intervals and are considered less risky than equity.

(Business Today)



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Jio, IIT-B collaborate on 'Bharat GPT', Akash Ambani announces TV OS launch: Reliance Jio Infocomm chairman Akash Ambani on Wednesday said the country's largest telco is working with Indian Institute of Technology-Bombay to launch a 'Bharat GPT' programme. The company, a unit of Reliance Industries, is also "comprehensively thinking" to launch an operating system for televisions, he said, adding that it has been working on it for a while now. Speaking at the institute's annual Techfest here, the 32-year-old Ambani family scion said building an "ecosystem of development" is very important for the company, and added that work on the vision of "Jio 2.0" is already on.

(Business Standard)

CCI clears IndusInd Bank-Reliance Capital deal: Fair trade regulator Competition Commission of India on Wednesday said it has cleared the proposed stake acquisition in Reliance Capital by IndusInd International Holdings Ltd, IIHL BFSI (India) Ltd, and Aasia Enterprises. The combination relates to the acquisition of a controlling stake in Reliance Capital Ltd by IndusInd International Holdings Ltd, IIHL BFSI (India) Ltd, and Aasia Enterprises. Post the completion of the transaction, IndusInd International Holdings, along with other entities, will have a controlling stake in Reliance Capital.

(Economic Times)



REGULATION & DEVELOPMENT

SEBI extends Dec 31 deadline for mutual fund and demat account nomination: With barely a few days left for the December 31 deadline for mutual fund (MF) and stock market investors to complete nomination for their investments, the securities market regulator SEBI yet again extended this deadline. As per a circular issued on December 27, the regulator has extended the last date to June 30, 2024. By this date, investors must either choose a nominee/s or explicitly opt out of nomination by submitting a declaration. "Based on representations received from the market participants, for ease of compliance and investor convenience, it has been decided to extend the last date for submission of 'choice of nomination' for demat accounts and mutual fund folios to June 30, 2024," said the SEBI circular.

(Moneycontrol)

Govt to finalise national retail trade policy soon: The Centre's National Trade Retail Policy, which has been in the works for some time, is learnt to be in advanced stages of finalisation. It is



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expected to serve as a model policy providing a framework of guidelines for States. Sources said it will focus on ease of doing business, simplifying licensing process, reducing compliance burden as well as enabling women workforce to work for longer hours among others. A national portal is also being envisaged that will allow all licensing related processes to be accessible from one platform to make it less cumbersome and allow retailers to be able to track the licensing process.

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FINANCIAL TERMINOLOGY

DISTRIBUTION WATERFALL

- ❖ A distribution waterfall is a way to allocate investment returns or capital gains among participants of a group or pooled investment. Commonly associated with private equity funds, the distribution waterfall defines the pecking order in which distributions are allocated to limited and general partners.
- ❖ A distribution waterfall spells out the order in which gains from a pooled investment are allocated between investors in the pool.
- ❖ It is often used in the context of hedge funds or private equity investment funds.
- ❖ Usually, the general partners receive a disproportionately larger share of the total profits relative to their initial investment once the allocation process is complete. This is done to incentivize the fund's general partner to maximize profitability for its investors.



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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 : 83.3226
INR / 1 GBP : 106.0891
INR / 1 EUR : 92.0154
INR /100 JPY: 58.4100

EQUITY MARKET

Sensex: 72038.43 (+701.63)
NIFTY: 21654.80 (+213.50)
Bnk NIFTY: 48282.20 (+557.40)

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- ❖ **Certificate Course on Credit Management of Banks**
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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)**
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