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DAILY NEWS DIGEST BY BFSI BOARD

28 June 2024

ECONOMY

Govt securities to be included in JP Morgan Bond Index from June 28: Indian government bonds or government securities (G-secs) would be included in JP Morgan-Emerging Market Bond Index beginning Friday, a move that will bring down borrowing cost for the government. The inclusion of IGBs will be staggered over a 10-month period from June 28, 2024 to March 31, 2025, indicating one per cent increment on its index weight. India's weight is expected to reach the maximum threshold of 10 per cent in the GBI-EM Global Diversified, and approximately 8.7 per cent in the GBI-EM Global Index. This would help attract higher foreign flows, as many overseas funds are mandated to track global indices.
(Business Line)

MSME ministry targets onboarding 500,000 micro, small enterprises on ONDC: The Union Minister for Micro, Small & Medium Enterprises (MSMEs) Jitan Ram Manjhi on Thursday launched an initiative to facilitate the onboarding of five lakh micro and small enterprises on the Open Network for Digital Commerce (ONDC) platform. Titled MSME TEAM, the initiative will provide financial assistance for onboarding, cataloguing, account management, logistics, packaging material, and design. “Half of these beneficiary MSEs will be women-owned enterprises,” the MSME ministry said in a statement.
(Business Standard)

Exchange Rate Automation Module (ERAM) by CBIC to come into effect on 4th July 2024: The Central Board of Indirect Taxes and Customs (CBIC) has issued a Circular for the launch of Exchange Rate Automation Module (ERAM). The automated system of ascertaining and publishing the exchange rate will replace the existing manual process, and shall come into effect from 4th July, 2024. ERAM is a significant step towards trade facilitation as the exchange rates of 22 currencies would now be published online in advance for ease of consumption by all importers and exporters. These exchange rates would be made available on the ICEGATE website twice a month i.e. on the evening of the 1st and 3rd Thursdays of the month and would be effective from midnight of the following day. Detailed procedural modality has been explained in the Circular 07/2024-Customs dated 25th June 2024. This automated system will dispense with the existing system of notifying exchange rates through a notification. A link shall be provided on the CBIC website which will take the user to the ICEGATE website, where the published rates can be viewed. The published exchange rates will be stored in the system and will remain accessible on ICEGATE for future reference, so as to enable a user to check the rates for a previous day.

(PiB)

BANKING & FINANCE

RBI revises framework for currency swap arrangements with Saarc countries: The Reserve Bank of India (RBI) on Thursday released a revised framework for currency swap arrangements with South Asian Association for Regional Cooperation (Saarc) countries. This framework will be effective from 2024 to 2027. Under the framework, the RBI will enter into bilateral swap agreements with Saarc central banks that wish to utilise the swap facility. “Under this framework, the Reserve Bank would enter into bilateral swap agreements with Saarc central banks who want to avail of the swap facility," said RBI in a release. “The Currency Swap Facility will be available to all Saarc member countries, subject to their signing the bilateral swap agreements,” it said further. A new Rupee Swap Window has been introduced under the framework, offering various concessions to support swaps in Indian Rupees. The total corpus for this support amounts to Rs 25,000 crore. The RBI will continue to offer swap arrangements in US Dollars and Euros through a separate USD/Euro Swap Window, with an overall corpus of $2 billion.

(Business Standard)

Banks' gross NPA ratio falls below 3%, a first since 2012: RBI report: Asset quality of commercial banks continued to display the downward trend, with gross non-performing asset (GNPA) ratio falling to a 12-year low of 2.8 per cent at the end of March 2024, down from 3.2 per cent in September 2023. Net NPA ratio also fell to 0.6 per cent from 0.9 per cent during the same period, the biannual Financial Stability Report of the Reserve Bank of India (RBI) showed. Under the baseline scenario of stress tests, the GNPA ratio of all scheduled commercial banks may improve to 2.5 per cent by March 2025, the report said.

(Business Standard)

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RBI cautions against surge in private credit between corporates and non-banks: The Reserve Bank of India (RBI) warns of systemic risks from the rapid growth of private credit, which has quadrupled in the past decade, especially due to its opacity and interconnectedness with banks and non-banks. The RBI highlights potential vulnerabilities in this segment, including the risk of sharp losses during a credit cycle downturn and challenges posed by complex structures and liquidity risks.

(Economic Times)

Truecaller, HDFC ERGO tie up for insurance product to safeguard subscribers from digital frauds: Caller identification app Truecaller on Thursday said it has collaborated with general insurance company HDFC ERGO for an offering that aims to safeguard subscribers against digital communication frauds in India. Truecaller in a release said that amid rising cases of cyber fraud, the insurance offering underscores its commitment to combating fraud and ensuring user protection through advanced app features - before, during and after mobile communication.

(Economic Times)

INDUSTRY OUTLOOK

Reliance Jio announces tariff hike, industry to follow suit: A day after the spectrum auctions, Reliance Jio has taken the lead in hiking mobile services tariff. On Thursday, Reliance Jio announced 20-25 per cent tariff hikes across most its plans. Tariff hikes across the telecom industry were expected after the elections as operators look to ramp up their revenues to tide over mounting debt. Vodafone Idea and Bharti Airtel are also expected to announce their plans to raise tariffs soon Jio's lowest plan at ₹155 a month for 2GB data saw a 12-20 per cent hike. This could dampen consumer demand particularly for the people on the economic margins as their demand is not necessarily elastic. Consumer goods expert Abneesh Roy from Nuvama Institutional Equities believes that a tariff hike will have a cascading dampening effect on FMCG demand in general.

(Business Line)

Sebi announces norms to restrict finance influencers' recommendations: The Securities and Exchange Board of India (Sebi) on Thursday approved norms to regulate misinformation through financial influencers or finfluencers by restricting association of its regulated entities with any unregistered person. In its board meeting the market regulator said, "The persons regulated by the Board and the agents of such persons shall not have any association, like, any transaction involving money or money's worth, referral of a client, interaction of information technology systems or any other association of similar nature or character, directly or indirectly with any person who directly or indirectly provides advice or recommendation." However, the market regulator has provided window for investor education from such associations with a condition that they do not provide any recommendation or claim any return or performance. The market regulator has also introduced flexibility in the voluntary delisting framework by introducing a fixed price process as an alternative to reverse book building process. Further, it has also provided a an alternate framework for the delisting of investment holding companies.

(Business Standard)

REGULATION & DEVELOPMENT

Stock derivative volumes that cross a set threshold in six months need to be discontinued: SEBI: The Securities and Exchange Board of India (SEBI) has announced major regulatory changes for the equity derivatives arena that would lead to a significant change in the manner in which stocks are selected for the futures & options (F&O) segment. The board of the capital market regulator, which met in Mumbai on Thursday, approved a framework that, as per the watchdog, would ensure a link between the cash market and derivative segment volume. Among other factors, a stock will be eligible for entry in the F&O segment only if the average daily delivery value in the cash market over the previous six months would be at Rs 35 crore – earlier it was pegged at Rs 10 crore. Further, the stock's market wide position limit on a rolling basis will have to be at least Rs 1500 crore from the earlier Rs 500 crore.

(Moneycontrol)

Internal fraud detection mechanism of mutual funds in advance stages: SEBI: The capital market regulator, Securities and Exchange Board of India (SEBI), said that the Rs 50 trillion Indian mutual funds (MF) are in advanced stages to setting up internal mechanism to detect market frauds like front-running, inside trading and so on. "The MF industry (Association of Mutual Funds of India; AMFI, the MF industry's trade body) is in advanced stages to complete formulating the proposal. This is a complex process, hence it has taken time," said Madhabi Puri Buch, Chairperson, SEBI. Buch said in the first phase, large fund houses would need to implement it first. She said that fund houses with size of Rs 10,000 crore and higher would need to implement this within three months after SEBI issues final guidelines. Other fund houses would need to implement within six months. In April, SEBI

had decided to modify the mutual fund regulations to make it mandatory to put in place a structured mechanism to identify potential market abuse like frontrunning, insider trading and so on.
(Moneycontrol)

Sebi tweaks criteria for inclusion, deletion of stocks from F&O segment: Market regulator Sebi has revised the criteria for the inclusion and deletion of stocks from the futures and options (F&O) segment. The move could lead to the addition and deletion of about two dozen stocks. The new entrants and exits would play a key role in the selection of benchmark indices Nifty and Sensex, as only such eligible F&O stocks find space in the indices. The revision in eligibility criteria comes nearly six years after the last revision in the selection conditions. Under the new rules, the market-wide position limit (MWPL), median quarter sigma order size (MQSOS), and average daily delivery value (ADDV) have been revised to Rs 75 lakh, Rs 1,500 crore, and Rs 35 crore, respectively.
(Moneycontrol)

FINANCIAL TERMINOLOGY

SIX SIGMA

- Six Sigma is a methodology for process improvement developed by a scientist at Motorola in the 1980s. Six Sigma practitioners use statistics, financial analysis, and project management to achieve improved business functionality and better quality control by identifying and then correcting mistakes or defects in existing processes. The five phases of the Six Sigma method, known as DMAIC, are defining, measuring, analyzing, improving, and controlling.
- Six Sigma is a quality-control methodology that businesses use to significantly reduce defects and improve processes.
- Six Sigma is based on the idea that all business processes can be measured and optimized.

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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 : 83.4896
INR / 1 GBP : 105.5103
INR / 1 EUR : 89.2882
INR /100 JPY: 52.0500

EQUITY MARKET

Sensex: 79243.18 (+568.93)
NIFTY24044.50 (+175.70)
Bnk NIFTY: 52811.30 (-59.20)

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