



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

September 29, 2022

INDIA'S FOREX RESERVES TO SHRINK FURTHER, STIR MEMORIES OF 2008

CRISIS: India's depleted foreign exchange reserves are likely to drop further, falling to their lowest level in over two years by end-2022, as the Reserve Bank of India continues to defend the rupee from the mighty dollar's rise, a Reuters poll found. In a battle that has so far failed to staunch the rupee's fall to a record low against the greenback, the RBI has drawn down its foreign exchange reserves by nearly \$100 billion to \$545 billion from a peak of \$642 billion a year ago, and more is coming. Those reserves are forecast to fall another \$23 billion to \$523 billion by the end of this year, according to the median forecast from a Sept. 26-27 Reuters poll of 16 economists. If realised, that would be the lowest level in over two years. Despite regular interventions via dollar sales and expectations for more, the rupee has depreciated nearly 10% against the dollar this year.

(Moneycontrol)

GOVT HIKES DA BY 4% UNDER 7TH PAY COMMISSION: The Union Cabinet has hiked Dearness Allowance (DA) of central government employees and pensioners by 4 percent under the 7th Pay Commission, announced Anurag Thakur, Minister of Information and Broadcasting, on September 28. The hike takes DA to 38 percent from current 34 percent of basic pay/pension. The Finance Ministry said that the central government employees and pensioners will become entitled to higher amount of Dearness Allowance (DA) and Dearness Relief (DR), respectively, w.e.f. July 1, 2022.

(Moneycontrol)

BANK OF ENGLAND INTERVENES IN UK BOND MARKET TO STEM ROUT: The Bank of England said on Wednesday that it would buy as many long-dated government bonds as needed between now and Oct. 14 to stabilise financial markets, after a slump in British gilt prices since a government fiscal statement on Friday. Citing potential risks to UK financial stability, the BoE also said it would delay the start of a programme to sell down its 838 billion pounds (\$891 billion) of government bond holdings, which had been due to begin next week.

(Moneycontrol)

SME IPOs OF LAST YEAR: 33 OF 55 STOCKS TRADING ABOVE OFFER PRICE:

Many small businesses that listed in 2021 have not lost their shine even after global headwinds rocked the Indian stock markets, with the shares of some companies registering over 10-fold gains. The success of small and medium enterprises (SME) that came out with initial public offerings over the past one and a half years is an encouraging sign for companies with sound products and business profiles that plan to list. According to Prime Database, which covers the primary capital market, 55 SMEs listed in 2021 after share sales of Rs 726.78 crore. Out of these, 33 are trading above their issue price.

(Moneycontrol)



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PM ANNA YOJANA FREE FOODGRAIN SCHEME FOR THE POOR EXTENDED

TILL DECEMBER: The Centre on Wednesday decided to extend the free foodgrain scheme for those below the poverty line (BPL), which had benefitted 80 crore people, for another three months ending December 31, 2022. This will be the seventh phase of the Pradhan Mantri Garib Kalyan Anna Yojana (PMGKAY) which will cost the Centre an additional ₹44,762 crore.

(Business Line)

SBI FILES INSOLVENCY PETITION AGAINST JAIPRAKASH ASSOCIATES FOR

₹6,892-CR DEFAULT: The State Bank of India (SBI) has filed a corporate insolvency petition against construction firm Jaiprakash Associates Limited (JAL) for a debt default of ₹6,892.48 crore. The petition was filed before the Allahabad Bench of the National Company Law Tribunal (NCLT) on September 20. The date of debt default has been certified by NeSL as December 10, 2015.

(Business Line)

SEBI ROLLS OUT FRAMEWORK FOR CREDIT RATING AGENCIES TO ENHANCE TRANSPARENCY:

Markets regulator SEBI on Wednesday came out with a new framework for credit rating agencies (CRAs), involving ratings of securities having explicit credit enhancement features. The new framework, applicable from January 1, 2023, is aimed at enhancing transparency and improving the rating process. Under the rule, CRAs can assign the suffix 'CE' (Credit Enhancement) to the rating of instruments having explicit credit enhancement. To enable investors to understand the extent of credit enhancement provided by a third party or parent or group company and support considerations specified by the regulator, including debt backed by a pledge of shares and a letter of comfort, SEBI said that the press release for credit ratings, with or without the CE-suffix, backed by such support considerations need to contain certain disclosures. Further, the press release should also contain a detailed explanation of all the covenants of the security. CRAs will have to undertake an independent examination of financial strength of the support provider to ascertain the ability to honour the obligations guaranteed by the support provider and the support provider has a lower probability of default on a continuous basis, compared with the rated issuer, till the time such ratings are outstanding. Sebi reiterated that credit ratings, where the credit enhancement is external or from a third party, but the rated security is not bankruptcy remote of the issuer will carry the 'CE' suffix.

(Business Line)

RUPEE TRADE: TWO RUSSIAN BANKS GET RBI NOD FOR SPECIAL VOSTRO

ACCOUNT: RBI has given its approval to two Russian banks for opening special Vostro account for rupee trade. Sberbank, JSC VTB, the largest and second largest bank of Russia are the first foreign lenders to receive this approval after RBI announced the norms on INR trade in July. Both lenders have branch presence in India.

(Business Standard)



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AIRTEL PAYMENTS BANK TO INSTALL 150,000 MICRO ATMS THIS FISCAL

YEAR: Airtel Payments Bank has started rolling out 1.5 lakh micro ATMS in a phased manner across tier 2 cities and semi-urban regions to facilitate cash withdrawal for its customers, the company said on Wednesday. The Bank will gradually expand its service to cover more banking points in a phased manner. "Micro ATMs will be rolled out in a phased manner. Initially, the bank will place 1,50,000 units in Tier II cities and semi-urban regions. These regions typically have a high demand for cash withdrawal services but limited access to ATMs," the company said in a statement.

(Business Standard)

FINMIN OPPOSED EXTENSION OF PMGKAY A DAY AHEAD OF CABINET

APPROVAL: A day before the Cabinet approved the extension of Pradhan Mantri Gareeb Kalyan Anna Yojana, an office memorandum (OM) from the Finance Ministry's Department of Expenditure, started doing the rounds of social media. In it was laid out the department's objections to the extension.

(Business Standard)

INDIA DOESN'T NEED SO MANY PUBLIC SECTOR BANKS, SAYS FORMER SBI

CHIEF: India needs 'fewer' but stronger Public Sector Banks (PSBs), and the smaller ones could be privatised or merged, former SBI chief Arundhati Bhattacharya has said. Bhattacharya further said much of the goals that are expected to be achieved through privatisation of PSBs can also actually be achieved by enabling the state-owned banks and by levelling the playing field.

(Business Standard)

AXIS BANK TO BUY CLOSE TO 10% STAKE IN GO DIGIT LIFE:

Axis Bank on Tuesday said it has signed an indicative and non-binding term sheet with Go Digit Life Insurance, to invest an amount between Rs 49.90 crore and Rs 69.90 crore in the company. The investment is proposed to be made in two tranches, by subscribing to equity shares of the online insurer, for an equity stake of up to 9.94%, the bank said in a regulatory filing to the exchanges. Last month, another private sector lender, HDFC Bank, announced its intention to buy a stake of 9.94% in Go Digit.

(Financial Express)



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FINANCIAL TERMINOLOGY/CONCEPTS

WHAT IS THIRD PARTY INSURANCE?

- ❖ Motor third-party insurance or third-party liability cover, which is sometimes also referred to as the 'act only' cover, is a statutory requirement under the Motor Vehicles Act.
- ❖ It is referred to as a 'third-party' cover since the beneficiary of the policy is someone other than the two parties involved in the contract (the car owner and the insurance company). The policy does not provide any benefit to the insured. However, it covers the insured's legal liability for death/disability of third-party loss or damage to third-party property.
- ❖ Since the third-party insurance cover is mandatory, all non-life insurance companies have an obligation to provide this cover. In the Indian context, automobile dealers arrange for a comprehensive insurance cover along with vehicle registration. This comprehensive cover is an add-on to the mandatory third party cover and protects the car owner from financial losses, caused by damage or theft of the vehicle.
- ❖ The cost of a comprehensive cover is several times that of a stand-alone third-party cover, since damage claims are more frequent than third-party claims.
- ❖ Until now, the premium for motor third-party insurance was calculated on the basis of a schedule of rates provided by the Tariff Advisory Committee, an arm of IRDA, the insurance regulator. But IRDA has done away with the motor tariff. The compensation to the victim is largely decided by the earning capacity of the accident victim.



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RBI KEY RATES

Repo Rate: 5.40%
SDF: 5.15%
MSF & Bank Rate: 5.65%
CRR: 4.50%
SLR: 18.00%
Fixed Reverse Repo: 3.35%

FOREX (FBIL 1.30 PM)

INR / 1 USD : 81.9005
INR / 1 GBP : 87.4681
INR / 1 EUR : 78.3444
INR /100 JPY: 56.6000

EQUITY MARKET

Sensex: 56598.28 (- 509.24)
NIFTY : 16858.60 (- 148.80)
Bank NIFTY: 37759.80 (- 599.35)

(CMA Chittaranjan Chattopadhyay)

Chairman,

Banking, Financial Services & Insurance Board

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