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DAILY NEWS DIGEST BY BFSI BOARD

29 Dec, 2023

BANKING & FINANCE

RBI releases 2023 list of Domestic Systemically Important Banks (D-SIBs): SBI, HDFC Bank and ICICI Bank continue to be identified as Domestic Systemically Important Banks (D-SIBs). While ICICI Bank continues to be in the same bucketing structure as last year, SBI and HDFC Bank move to higher buckets – SBI shifts from bucket 3 to bucket 4 and HDFC Bank shifts from bucket 1 to bucket 2. For SBI and HDFC Bank, the higher D-SIB buffer requirements on account of the bucket increase will be effective from April 1, 2025. The additional Common Equity Tier 1 (CET1) requirement will be in addition to the capital conservation buffer.

Bucket	Banks	Additional Common Equity Tier 1 requirement
5	--	1%
4	SBI	0.80%
3	--	0.60%
2	HDFC Bank	0.40%
1	ICICI Bank	0.20%

The Reserve Bank had issued the Framework for dealing with Domestic Systemically Important Banks (D-SIBs) on July 22, 2014. The D-SIB framework requires the Reserve Bank to disclose the names of banks designated as D-SIBs starting from 2015 and place these banks in appropriate buckets depending upon their Systemic Importance Scores (SISs). Based on the bucket in which a D-SIB is placed, an additional common equity requirement has to be applied to it. In case a foreign bank having branch presence in India is a Global Systemically Important Bank (G-SIB), it has to maintain additional CET1 capital surcharge in India as applicable to it as a G-SIB, proportionate to its Risk Weighted Assets (RWAs) in India, i.e., additional CET1 buffer prescribed by the home regulator

(amount) multiplied by India RWA as per consolidated global Group books divided by total consolidated global Group RWA.
(RBI Press Release)

RBI releases draft rules on bond forwards in government securities: RBI) on December 28 released the draft directions on bond forwards in government securities with an aim to expand interest rate derivative products in the market. The central bank said they have received suggestions on the need to introduce bond forwards in government securities. The draft directions on contracts to deliver government securities on a forward basis seek to enable market participants, especially long-term investors, to manage their cash flows and interest rate risk. Comments on the draft directions are invited from banks, market participants, investors and other interested parties by January 25, 2024, RBI said in a release.
(Moneycontrol)

RBI permits ICICI Pru Mutual Fund to acquire 10% stake in Federal, RBL Bank: Federal Bank on Thursday said the Reserve Bank of India has accorded approval to ICICI Prudential Asset Management Company Ltd (ICICI AMC) for acquiring up to 9.95 per cent stake in the bank. Meanwhile, RBI also accorded approval to ICICI AMC to acquire 9.95 per cent stake in RBL Bank and Equitas Small Finance Bank.
(Business Standard)

Loans & advances and deposits related grievances surge in FY23: RBI: With over 60 per cent of retail loans and advances and over 70 per cent of deposits mobilised through digital channels, the number of grievances at Reserve Bank of India Ombudsman in these categories have risen exponentially, reveals the Trend and Progress report published by the central bank a week back. Data indicate that the case load for loans and advances has increased from 30,734 cases in FY22 to 59,762 cases in FY23; a jump of 94 per cent year-on-year, while the ombudsman data for deposit accounts reveals 103 per cent jump year-on-year from 16,989 cases in FY22 to 34,481 cases in FY23. When seen against the number of cases referred to RBI Ombudsman in FY21, the two categories have seen about 2-3 fold increase in the last two years. Data further suggests that 43.5 per cent complaints received in FY23 were related to public sector banks, while private banks stood second with 31.4 per cent share of total complaints to the ombudsman.
(Business Line)

Banks underutilising IT budgets, behind the curve on augmenting systems: Banks are underutilising their IT budgets, which reflects that they are not sufficiently building against cyber risks, RBI Deputy Governor Swaminathan J said on Thursday. “This is the industry-wide trend that we see. While there is no lack of budget, we find the utilisation ranges from 40 to 60 per cent of the Budget, which means we are behind the curve in augmenting our systems,” he said at SBI’s Banking and Economic Conclave. Highlighting some recent incidents of unscheduled downtimes at banks, which Swaminathan said that the central bank has observed that many banks have not been spending fully on the budget earmarked for the procurement of IT systems and IT security systems. Banks need to proactively commit adequate resources for augmenting their IT infrastructure, commensurate with their business plans and also monitor them for continued availability and stability, he said, adding that it is imperative for banks and payment system participants to ensure uninterrupted availability of various online and mobile banking channels at all times.

(Business Line)

PNB raises ₹1,153 crore via AT-1 bonds: Punjab National Bank (PNB), country's second largest public sector bank, on Thursday said that it has raised ₹1,153 crore capital via Additional Tier-1 bonds. These Basel III-compliant additional Tier-1 bonds have been issued and allotted on a private placement basis, PNB said in a stock exchange filing. The bonds have been raised at a coupon of 8.55 per cent per annum. There were ten allottees under the private placement. These bonds, which qualify as Tier-I capital, have a face value of ₹ 1 crore each PNB Board had earlier approved fund raise of ₹12,000 crore this fiscal. Of this approved amount, PNB had, till September this fiscal, raised ₹ 6090 crore —₹ 3,000 crore AT-1 bonds and ₹3,090 crore in Tier-II capital..

(Business Line)

None of the top 100 borrower accounts in NPA category for scheduled commercial banks: RBI report: None of the top 100 borrower accounts were in the NPA (non-performing asset) category for scheduled commercial banks (SCBs) as at end September 2023, according to RBI's latest Financial Stability Report. The share of top 100 borrowers, which was rising for two years until March 2023, in SCBs' loans witnessed a moderation. As per latest RBI data, their share has declined to 15.9 in SCBs' loans as at September-end 2023 from 17.2 per cent as at March-end 2023.

(Business Line)

Three state-owned non-life insurers fail to meet solvency requirements: RBI report: The Reserve Bank of India's latest Financial Stability Report reveals that three state-owned insurance companies are not meeting regulatory solvency requirements. The solvency ratio for public sector non-life insurers is sub-optimal, with three out of four recording ratios below the baseline of 150% set by the Insurance Regulatory and Development Authority of India. However, the report indicates that the solvency ratio for life insurance companies, both public and private, remains above the prescribed threshold at an aggregate level.

(Economic Times)

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ECONOMY

RBI sees rapid growth of retail loans amid disinflationary policy stance: Although there are no imminent signs of stress in the retail credit segment, its rapid growth amidst the disinflationary monetary policy stance raises concerns in terms of procyclicality of lending and higher debt servicing costs, RBI said in its latest Financial Stability Report (FSR). Between September 2021 and September 2023, banks' retail loans grew at a compound annual growth rate (CAGR) of 25.5 per cent, which exceeded the headline credit growth of 18.6 per cent. Retail loans include housing loans, vehicle loans, loans against property, education loans, loans against FD, loans against shares, personal loans, credit cards, consumer durables and other retail loans. Procylicality refers to the tendency to overestimate future risk in times of crisis, while underestimating it in normal times.
(Business Line)

India extends duty-free import of tur, urad dal until March 2025: Days after allowing duty-free import of masoor (lentil), the Indian government on Thursday extended by another year the free import policy, without quantitative restrictions, on tur (pigeon pea) and urad dal (black matpe) till March 2025, potentially helping higher domestic supply and keeping prices under control. "The free import policy of urad and tur stands extended up to March 31, 2025," the Directorate General of Foreign Trade (DGFT) said in a notification. The free import policy for these pulses was valid until March 2024. The government had allowed the import of tur, urad and moong dal under the 'free category' with effect from May 15, 2021 and it was valid till October 31, 2021. Subsequently, it got extended as domestic production was hit with lower rainfall in key producing states.
The Centre on December 21 extended the import duty exemption on masur dal (lentils) by another year till March 31, 2025. Import of lentils are being allowed duty-free to help contain inflation. In the normal course, imports attract 30 per cent Customs duty. "The extension of duty exemption by an year will benefit the importers and will boost the supplies,"
(Business Line)

Govt considering reduction in prices of petrol, diesel soon: Sources: With general elections likely in the first half of 2024, Prime Minister Narendra Modi-led Centre is considering reduction in the prices of petrol, diesel soon, government sources told Business Today TV on Thursday. The price reduction is likely to be in the range of Rs 4-Rs 6 per litre, said sources. Discussions are underway

with Oil Marketing companies to provide the relief to common man and a proposal is under consideration for government and OMCs to bear equal burden of price cut, the sources added. Centre might also mull higher price cut of up to Rs 10 per litre. A fuel price cut will also dampen the retail inflation that rose to a three-month high of 5.55% in November.
(Business Today)

Sebi proposes action points to ease rumour verification regulations: The Securities and Exchange Board of India (Sebi) on Thursday proposed changes to the verification of market rumours for listed companies, including relaxation on the 24-hour timeline, verification only on material impact on stock prices, and clarity on the pricing of preferential issuances, buybacks and deals. In its consultation paper, the market regulator has included the suggestions of the Industry Standard Forum (ISF) for feedback. The forum comprises representatives from industry bodies like Ficci, Assocham, and CII. The forum has suggested the listed firms should be required to verify only such rumours which lead to a material price movement. The price movement should be attributable only to the rumour.
(Business Standard)

INDUSTRY OUTLOOK

Govt, RBI in talks for flexible FX realisation policy for e-commerce players: The government and the RBI are in discussions to provide more flexibility to e-commerce players about the central bank's foreign exchange realisation policy. "In normal B2B, they have a policy that foreign exchange realisation has to happen within 270 days. However, e-commerce would require a slightly different eco-system. So we are working with RBI to bring in flexibility in this payment realisation," Santosh Kumar Sarangi, Director General of the Directorate General of Foreign Trade, said on December 28. According to Sarangi, while goods can be exported via e-commerce directly to consumers, they can also be exported, stored in warehouses abroad, and finally sold after a year or so. "So a consignment which is leaving your territory but staying in a warehouse outside for a longer period would require a longer timeframe for a bank realisation certificate to be done. So in that context...we are talking to RBI for a more flexible timeframe for foreign exchange realisation,"
(Moneycontrol)

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E-commerce policy in final stages of discussion: Goyal: The government is hopeful of coming out with the proposed national e-commerce policy very soon as it is in the final stages of discussion, Commerce & Industry Minister Piyush Goyal has said. The Department for Promotion of Industry and Internal Trade (DPIIT) has been working on the proposed policy for long and has had a series of stakeholder consultations with the industry and other line-Ministries this year. The government is also likely to soon notify extension of benefits under the popular Remission of Duties and Taxes on Export Products (RoDTEP) to e-commerce exporters, an official said on conditions of anonymity. "Right now e-commerce exporters are not getting RoDTEP benefits. We are going to notify that RoDTEP will be available for e-commerce and for that whatever IT enablement is required, the Commerce Ministry will do," the official said. The Commerce & Industry Minister launched an `E-commerce Export Handbook for MSMEs' on Thursday which is to act as a guide to help small entrepreneurs set up e-commerce ventures. Goyal said that while at present it had been translated into four languages–English, Hindi, Gujarati and Kannada – it would soon be available in all official Indian languages.

(Business Line)

Chandra tells Tata group employees to prepare for disruption: Tata Sons chairman N Chandrasekaran has asked group companies to focus on better execution, customer satisfaction and artificial intelligence (AI) amid the looming risk of further global disruption. "Our group's aim should not be merely to adopt or adapt to technology. We need to shape it and make it. This New Year I urge each company to appoint an AI champion to proactively pursue the benefits of AI - economically, operationally and socially, " Chandrasekaran said in his New Year message to employees on Thursday. Chandrasekaran's other priority areas for the group are improved execution and customer satisfaction. Citing examples of the lunar mission and India's world cup cricket campaign, he said group companies need to think hard about how they can execute flawlessly and with speed. "With a growing footprint in consumer business we have to bring empathy to every interaction - be that in Air India, Tata Motors or Titan.

(Business Line)

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REGULATION & DEVELOPMENT

CBDT issues guidelines on 1% tax deduction by ecommerce operators: The Central Board of Direct Taxes (CBDT) on December 28 issued guidelines on issues of deduction of 1 percent income tax of the gross amount of sale of goods or services by e-commerce companies in a multiple-operator model framework. According to the Section 194-O of the Income Tax Act, 1961 ('the Act') an e-commerce operator shall deduct income tax at the rate of 1 percent of the gross amount of sale of goods or provision of service, or both, facilitated through its digital or electronic facility or platform. "Circular guidelines have been issued for the removal of difficulties and clarity has been provided on various issues on the applicability of the Act in a multiple e-commerce operator model framework, such as the Open Network for Digital Commerce (ONDC)," CBDT said in a statement.
(Moneycontrol)

SEBI grants stock brokers additional day for settling clients' running accounts: The market regulator has given stockbrokers one more day to settle the running accounts of their clients after hearing representations from their Industry Standards Forum (ISF). Until now, clients' unutilised funds lying in the trading account had to be transferred back to their bank accounts on the first Friday of every quarter or every month. This was done to safeguard the interest of the investors.However, the brokers' ISF said that a single day of settlement was leading to operational difficulties. Therefore, the Securities and Exchange Board of India (SEBI) has allowed them to settle the accounts even by Saturday.
(Moneycontrol)

FinMin sends notices to offshore crypto exchanges, asks Meity to block them: The finance ministry has issued showcause notices to nine offshore virtual digital assets (VDA) service providers dealing with crypto assets and has requested the Ministry of Electronics and Information Technology (Meity) to block their websites. These websites are operating illegally, not complying with the Prevention of Money Laundering (PML) Act provisions. The platforms include Binance, the largest cryptocurrency exchange, alongside Kucoin, Huobi, Kraken, Gate.io, Bittrex, Bitstamp, MEXC Global, and Bitfinex. VDA service providers were included in the Anti Money Laundering/Counter Financing of Terrorism (AML-CFT) framework under the PML Act, 2002, in March 2023. "Director FIU IND (Financial Intelligence Unit-India) has written to the Secretary, Ministry of Electronics and

Information Technology, to block the URLs of these entities. They are operating illegally without complying with the PML Act provisions in India," the finance ministry stated.
(Moneycontrol)

Govt extends deadlines for GST officers to issue demand notices for FY'19, FY'20: GST officers have been given more time to issue demand notices for discrepancies in annual returns for 2018-19 and 2019-20 financial years. On Thursday, the government extended the deadline in this regard for 2018-19 fiscal to April 30, 2024 and for 2019-20 fiscal to August 31, 2024. Currently, the deadline is March 31, 2024 and June 30, 2024, for 2018-19 and 2019-20 financial years, respectively.
(Economic Times)

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FINANCIAL TERMINOLOGY

DELTA HEDGING

- Delta hedging is an options trading strategy that aims to reduce, or hedge, the directional risk associated with price movements in the underlying asset. The approach uses options to offset the risk to either a single other option holding or an entire portfolio of holdings. The investor tries to reach a delta-neutral state and not have a directional bias on the hedge.
- Delta hedging benefits traders when they anticipate a strong move in the underlying stock but does require traders to constantly watch and adjust the positions involved.
- Options position could be hedged with options that have a delta that is opposite to that of the current options holding to maintain a delta-neutral position.

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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 : 83.2254
INR / 1 GBP : 106.6090
INR / 1 EUR : 92.4523
INR /100 JPY: 58.9400

EQUITY MARKET

Sensex: 72410.38 (+371.95)
NIFTY: 21778.70 (+123.90)
Bnk NIFTY: 48508.55 (+226.35)

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- Certificate Course on Treasury and International Banking
- Certificate Course on Investment Management
- Certificate Course on General Insurance.

For details please visit BFSIB portal of the ICMAI website

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- Aide Memoire on Infrastructure Financing.
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- Guidance Note on the Internal Audit of General Insurance Companies.
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