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DAILY NEWS DIGEST BY BFSI BOARD

29 June 2024

ECONOMY

After 22 months, Centre registers fiscal surplus in May: Boosted by record transfer from the Reserve Bank of India (RBI) and helped by the Model Code of Conduct, the Centre achieved the unique distinction of a monthly fiscal surplus in May after a gap of 22 months. With this, the fiscal deficit during the first two months has come down to just 3 per cent of the Budget Estimate (BE) against 11.8 per cent during the corresponding period of the last fiscal. Fiscal surplus or deficit is the gap between expenditure and income of the government. The latest print has boosted the prospect of lowering the fiscal deficit in the full Budget, likely to be tabled during the third week of July. The interim budget, presented on February 1, has projected a fiscal deficit of ₹16.86-lakh crore or 5.1 per cent of GDP (Gross Domestic Products). The government aims to achieve fiscal deficit of 4.5 per cent by the end of next fiscal year i.e., 2025-26.
(Business Line)

RBI ups financial accommodation for States/UTs by 28% to ₹60,118 crore: The aggregate ways and means advances (WMA) limit for State governments/ Union Territories (UTs) has been upped to ₹60,118 crore against the existing limit of ₹47,010 crore. The upward revision in WMA, which takes into account the expenditure data of the States for the recent years, is based on the recommendations made by the Group constituted by RBI and consisting of select State Finance Secretaries. The revised WMA limit is effective from July 1. The RBI provides WMA (or financial accommodation) to the States banking with it to help them to tide over temporary mismatches in the cash flow of their receipts and payments. Such advances, are repayable in each case not later than three months from the date of making that advance. There are two types of WMA – normal and special. While normal WMA are clean advances, special WMA are secured advances provided against the pledge of Government of India dated securities. Meanwhile, the RBI said it has curbed the borrowing limit for states through the special drawing facility (SDF). The facility shall continue to be linked to the quantum of their investments in marketable securities, issued by the government, the

RBI said in the release. States can now avail a maximum of 50 per cent or lower of the outstanding balance of the funds as on the last date of the second preceding quarter. They can also use the current balance held in either the Consolidated Sinking Fund or Guarantee Redemption Fund, reserve funds set by the central bank with the states' contributions to service debt payments.
(Business Line)

Core sector growth slows to 6.3% in May due to output deceleration: Growth in the output of eight key infrastructure industries — known as the core sector — slowed to 6.3 per cent in May from 6.7 per cent in April. The slowdown was on the back of a sequential deceleration in the output growth of six sectors during the month. According to the data released by the ministry of commerce and industry on Friday, output decelerated in sectors like natural gas (7.5 per cent), refinery products (0.5 per cent) and steel (7.6 per cent) during May.
(Business Standard)

BANKING & FINANCE

FATF places India in 'regular follow-up' category: India joined the UK, France, Italy and other G20 group of countries which have been accorded 'regular follow-up' category by Financial Action Task Force (FATF), Finance Ministry said on Friday. This was announced after the forum adopted 'Mutual Evaluation Report' of India. "India's performance on the FATF Mutual Evaluation accrues significant advantages to our growing economy, as it demonstrates the overall stability and integrity of the financial system," the Ministry said. Further, good ratings will lead to better access to global financial markets and institutions and increase investor confidence. It will also help in the global expansion of the Unified Payments Interface (UPI), India's fast payment system
(Business Line)

Periodic review likely of PSBs, CPSEs employees: In a move that may cause consternation, Public Sector Undertakings and Public Sector Banks are likely to do the periodic review of their employees and report on monthly basis. This is based on new instructions issued by Department of Personnel and Training (DoPT) to Central Ministries and Departments.
(Business Line)

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RBI fines HSBC Rs 29.6 lakh for credit card rule violations: The Reserve Bank of India (RBI), has fined The Hongkong and Shanghai Banking Corporation Limited (HSBC) Rs 29.6 lakh for not following certain credit card rules. This penalty was imposed on June 24, 2024. RBI has guidelines for how banks handle credit cards, including how they calculate the minimum amount you must pay each month (minimum payment due). According to RBI, HSBC failed to ensure that a specific calculation method, designed to prevent your credit card debt from growing faster than you can pay it off, was being followed in some accounts. "The bank failed to ensure that there was no negative amortisation while computing Minimum Payment Due in certain credit card accounts," RBI said in a statement.

(Business Standard)

Bank Unions write to Finance Minister for merger of RRBs with Sponsor Banks: wo bank unions -- AIBOC and AIBEA -- have demanded the merger of Regional Rural Banks (RRBs) with their respective Sponsor Banks to ensure overall efficiency and viability of the banking sector. It is imperative that for ensuring the desired level of operational efficiency, duality of control over RRBs should end and they should be brought under operational and regulatory framework as being practised by the sponsored banks and the same can be ensured by the merger of these two entities, according to a letter addressed to Finance Minister Nirmala Sitharaman. The RRBs are asked to upgrade their technological platform to a higher version as is prevailing in the sponsored banks. The work of technological upgradation is underway in all the 43 RRBs.

(Economic Times)

INDUSTRY OUTLOOK

Govt extends interest equalization scheme by two months for MSME exporters: The commerce ministry on Friday extended pre and post-shipment rupee export credit till August under the Interest Equalisation Scheme (IES) for Micro, Small & Medium Enterprises (MSME) exporters. A notification released by the Directorate General of Foreign Trade (DGFT) said that the extension is applicable only for MSME exporters, with the total outlay of the scheme capped at Rs 750 crore for the extended two-month period. Currently, the rate of interest equalisation is 2 per cent for some manufacturers and merchant exporters for 410 identified products and 3 per cent for MSME manufacturers.

(Business Standard)

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India is world's No 2 by market cap: Equities add over $1,000,000,000,000 in 6 months: India, the fifth largest equity market in the world, has added more than $1 trillion to its market capitalization over the last six months. The relentless rally in stocks has propelled frontline indices to fresh record highs and given a boost to participation. Since the beginning of 2024, the combined market capitalization of companies listed on Indian bourses has surged by 24.5% to $5.23 trillion. In contrast, the second-largest market, China, saw a $1.06 trillion erosion in market capitalization during the same period.

(Financial Express)

REGULATION & DEVELOPMENT

Govt keeps interest rates for small savings schemes unchanged for July-Sept quarterI: The Centre on Friday kept the interest rates of all small savings schemes unchanged for the July-September quarter of FY2025. In the last quarter too, the government kept the interest rates unchanged for the April-June quarter ahead of the Lok Sabha elections. The PPF rates were kept unchanged for more than 3 years. It was last tweaked in April-June 2020, when it was slashed to 7.1 per cent from 7.9 per cent. For the Post Office Saving Account, the interest rate remains at 4 per cent compounded annually. The Senior Citizen Savings Scheme's interest rate is 8.2 per cent (paid quarterly), while the Sukanya Samridhi Account's interest rate will be 8.2 per cent for the next quarter.

(Business Today)

Sebi raises basic demat account limit to Rs 10 lakh to boost participation: To boost participation of small investors in the securities market, Sebi on Friday increased the threshold for the basic service demat account to Rs 10 lakh from the current Rs 2 lakh. The new guidelines will come into force from September 1, SEBI said in a circular. A basic service demat account, or BSDA, is a more basic version of a regular demat account. The facility was introduced by markets regulator Sebi in 2012 to reduce the burden of demat charges on investors with small portfolios.

(Business Standard)

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Employees Pension Scheme 1995 amended to provide withdrawal benefit to members having less than 6 months service: Government of India has amended the Employees' Pension Scheme (EPS), 1995 to ensure that EPS members with less than 6 months of contributory service also receive withdrawal benefit. This amendment will benefit more than 7 lakh EPS members every year who leave the scheme with less than 6 months of contributory service. Further, the Central Government has modified the Table D and has ensured that every completed month of service rendered is taken into account to give proportionate withdrawal benefit to the members. The amount of withdrawal benefit will henceforth depend upon the number of completed months of service rendered by the member and the wages on which EPS contribution was received. The above measure has rationalized the payment of withdrawal benefit to members. It is estimated that every year more than 23 lakh members will benefit from this modification of the Table D. Every year, lakhs of EPS 95 members leave the scheme prior to rendering the requisite 10 years of contributory service for pension. Such members are given withdrawal benefit as per the provisions of the Scheme.

(PiB)

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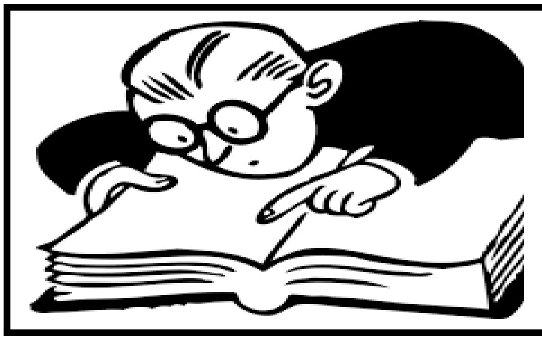

FINANCIAL TERMINOLOGY

FATF REGULAR FOLLOWUP CATEGORY

- FATF places member countries in any of the four categories namely, 'regular follow-up', 'enhanced follow-up', 'grey list' and 'black list', regular follow up being the top most category amongst 4.
- Only 5 countries in G20 including India have been placed in regular follow up after Mutual evaluation report.
- Amongst 177 countries covered by FATF and its Regional Bodies (FSRBs), only 24 countries includes India are in regular follow-up. Even developed countries like US, Australia, Canada, New Zealand, Singapore, European nations such as Germany, Finland, Denmark etc are in enhanced follow-up 'Enhanced follow-up' is given to countries with significant deficiencies.
- There are 40 recommendations and 11 immediate outcomes. One needs to get higher rating in atleast 33 recommendations and 5 immediate outcomes to be placed in regular follow-up.
- FATF is an inter-governmental organisation established in 1989 as the international watchdog to combat money laundering, terrorist financing, and other related threats to the integrity of the international financial system. India became a member of FATF in 2010.

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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 : 83.4534
INR / 1 GBP : 105.4640
INR / 1 EUR : 89.2490
INR /100 JPY: 51.8600

EQUITY MARKET

Sensex: 79032.73 (-210.45)
NIFTY: 24010.60 (-33.90)
Bnk NIFTY: 52342.25 (-469.05)

Courses conducted by BFSI Board

- Certificate Course on Concurrent Audit of Banks
- Certificate Course on Credit Management of Banks
- Certificate Course on Treasury and International Banking
- Certificate Course on Investment Management
- Certificate Course on General Insurance.

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Publications by BFSI Board

- Aide Memoire on Infrastructure Financing.
- 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)
- Handbook on Stock & Book Debts Audit (Revised and Enlarged 2nd Edition)

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