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DAILY NEWS DIGEST BY BFSI BOARD

31 January 2025

ECONOMY

US economy ends 2024 with 2.3% GDP growth on consumer resilience: The US economy expanded at a solid pace at the end of 2024, fueled by a generous tailwind from consumer spending that more than offset drags from a strike at Boeing Co. and much leaner inventory investment. Inflation-adjusted gross domestic product increased an annualized 2.3% in the fourth quarter after rising 3.1% in the prior three-month period, according to the government's initial estimate published Thursday. The median forecast in a Bloomberg survey of economists called for a 2.6% growth. Consumer spending, which comprises the largest share of economic activity, advanced at a 4.2% pace — the first time since late 2021 that outlays have exceeded 3% in consecutive quarters. The acceleration was led by a pickup in motor vehicle sales.
(Moneycontrol)

Centre forms panels to design social security model for unorganised workers: The Union labour ministry on Thursday formed three committees, each comprising five states, to design a comprehensive social security coverage model with a focus on unorganised workers, including gig and platform workers. The decision was taken as the two-day labour ministers' conference with all states and Union Territories (UTs) concluded in the national capital on Thursday. "These committees will hold consultations and develop a sustainable model for comprehensive social security coverage for workers, to be presented in March 2025," the ministry said in a statement. Besides, the ministry is also focused on developing a dedicated social security and welfare scheme for gig and platform workers. The scheme's funding, data collection, and management were discussed, with an emphasis on states promptly sharing data on unorganised workers.
(Business Standard)

RBI receives six fold bids worth Rs 1.2 trn at OMO purchase auction: RBI received bids worth Rs 1.2 trillion against the notified amount of Rs 20,000 crore at the open market operation (OMO) purchase auction on Thursday—the first of the three auctions announced by the RBI earlier this week. The cut-off price on the bonds scheduled was set below the secondary market price due to high demand, said market participants. The central bank did not accept any bid on the 7.59 per cent GS 2029 bond. After reviewing current liquidity and financial conditions, the RBI announced a series of measures on Monday to inject durable liquidity into the banking system. These include open market purchase auctions of government securities totalling Rs 60,000 crore in three tranches of Rs 20,000 crore each on January 30, February 13, and February 20.

(Business Standard)

BANKING & FINANCE

SEBI penalises Motilal Oswal Financial Services for lapses related to disclosures, margin reporting: The Securities and Exchange Board of India (SEBI) has imposed a penalty of Rs 7 lakh on Motilal Oswal Financial Services for alleged lapses related to collecting client margins and incorrect disclosures among other things and violating the regulations laid down for stock brokers.. In an order issued on Thursday, the capital market regulator said that it conducted an inspection of the broking firm during the period starting April 1, 2021 till June 30, 2022. Thereafter, a show cause notice was issued to the broking firm on July 4, 2024. The key allegations mentioned in the SEBI notice were: wrong reporting & short collection of margin, incorrect data of cash & cash equivalent balances in 57 instances, engaging in businesses other than that of securities involving personal financial liability.

(Moneycontrol)

India Post Payments Bank and PNB MetLife partner to expand life insurance access nation wide: India Post Payments Bank (IPPB) and PNB MetLife India Insurance Company Limited (PNB MetLife) entered into a strategic bancassurance alliance to extend access to life insurance solutions for millions of individuals nationwide. Under the collaboration, according to a release, PNB MetLife's life insurance products, combined with IPPB's network of 650 banking outlets and 110 million customers, will make life insurance accessible to every household in India. This partnership aims to help customers achieve their dreams while promoting financial inclusion across the country, the release added.

(Economic Times)

RBI expresses concerns over small finance banks: Mergers suggested to mitigate risks: The Reserve Bank of India (RBI) is learnt to have developed 'supervisory discomfort' with a couple of

small finance banks (SFBs) due to high concentration risks and rising asset quality stress. The banking regulator has also told these banks to explore mergers to gain scale and minimise concentration risks, three executives tracking the sector said. “Small finance banks are under the ‘close supervision’ of RBI,” said one of the persons. “Amalgamation between banks is one of the options that have been thought of at the regulatory level to address the concerns.” The regulator met the management of these lenders a couple of months ago, said another executive. Gaps in corporate governance and succession planning at some of these SFBs were the other areas of concern for the supervisory stakeholders.
(Economic Times)

Indian banks facing margin pressure amid high interest rate and declining loan growth: S&P Global: Indian banks are facing margin pressure as loan growth slows amid high interest rates, according to a report by S&P Global Market Intelligence. The report highlighted that the aggregate loan growth of six of India's largest banks--both private and state-owned--is expected to decline to 12.3 per cent in the fiscal year ending March 31, 2025. This is a sharp slowdown from the 22.5 per cent growth recorded in the previous fiscal year.
(Economic Times)

Bank of Baroda Q3: Net profit rises 5.6% on non-interest income support: Public sector lender Bank of Baroda’s (BoB) net profit rose by 5.6 per cent year-on-year (Y-o-Y) to Rs 4,837 crore during the third quarter ended (Q3FY25), driven by robust growth in non-interest income covering fees, commissions and treasury. Sequentially, the Mumbai-based lender’s net profit declined by 7.6 per cent from Rs 5,238 crore in Q2FY25. Its stock closed flat at Rs 222.45 per share on the BSE on Thursday. The results were announced post-market hours. Issuing a statement, the bank said its net interest income (NII) grew marginally by 2.8 per cent Y-o-Y to Rs 11,417 crore in Q3FY25, compared to Rs 11,101 crore in Q3FY24. Its net interest margin (NIM) moderated to 2.94 per cent in Q3FY25, down from 3.1 per cent in Q3FY24.
(Business Standard)

INDUSTRY OUTLOOK

Govt looking to bring back top Indian-origin AI minds to help build local models, applications: The government has opened talks with leading Indian-origin artificial intelligence scholars and researchers at top global firms to persuade them to return to India and help in the

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development of the country's generative AI model and applications, sources said. The move to reverse the brain drain comes at a time when a little-known Chinese company, DeepSeek, has stormed the AI world with its low-cost AI assistant, threatening the dominance of American companies which have been pouring billions of dollars into the new tech frontier. Once we create an environment for innovation, Indian-origin developers may be encouraged to return and contribute to building something significant in India," a government official said.

(Moneycontrol)

Sebi sets norms for evaluating mkt infra institutions, statutory committees: To bring consistency and uniformity with respect to evaluations by the external agency, Sebi on Thursday came out with guidelines for the evaluation of the performance of statutory committees of market infrastructure institutions (MIIs). Under the guidelines, MIIs -- comprising stock exchanges, clearing corporations, and depositories -- are required to appoint an independent external agency to evaluate their performance and the functioning of their statutory committees. This needs to be done once every three years. The first evaluation should cover the 2024-2025 financial year, with a report due by September 30, 2025, Sebi said in a circular. The evaluation will cover areas like roles and responsibilities of committees, the effectiveness of meetings, and governance aspects.

(Business Standard)

IBBI amends standards for info utilities rules to enhance verification: Stricter norms have been put in place for information utilities under the insolvency law to enhance identity verification and streamline the authentication process for financial default records. The Insolvency and Bankruptcy Board of India (IBBI) has amended the guidelines for technical standards governing information utilities, which acts as a repository of financial records related to insolvency proceedings. Amending the guidelines, IBBI on Wednesday said the changes streamline the filing and verification of financial default records by introducing stronger user authentication procedures. "For establishing user's identity during user registration process, IU (Information Utilities) to make use of the facility of demographic authentication of user from UIDAI database.

(Business Standard)

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REGULATION & DEVELOPMENT

IRDAI limits annual health insurance premium hikes for senior citizens to 10%: Effective immediately, insurers are now limited to increasing premiums for senior citizens by no more than 10 percent annually, according to a press release by the Insurance Regulatory and Development Authority of India (IRDAI) dated January 30. This move is aimed at curbing rising health insurance premiums for senior citizens and ease their financial burden, especially as they face steep hikes due to age and healthcare needs, the release said. IRDAI's directive has mandated that insurers must consult with the authority if they propose an increase over the 10 percent cap or intend to withdraw any health insurance products for seniors. Additionally, insurers are required to publicise the measures they take for the benefit of senior citizens, enhancing awareness of the available protections.
(Moneycontrol)

Many foreigners submit wrong tax numbers to banks in India: Several banks have come to know that a number of US citizens and persons of other nationalities have opened bank accounts in India by giving incorrect tax identification numbers (TINs). Banks in India have found that many foreign nationals, including US citizens, have opened accounts using incorrect tax identification numbers (TINs). The tax office has alerted banks to these anomalies. To avoid non-compliance, Indian banks want regulations requiring foreign nationals to provide authentic documents verifying their TINs, as per FATCA and CRS standards.
(Economic Times)

RBI tightens norms for imposing penalty under payment systems law: The Reserve Bank on Thursday tightened norms for imposing monetary penalties and compounding offences under the Payment and Settlement Systems Act (PSS Act) to rationalise and consolidate enforcement action by the central bank. As per the revised framework for payment system operators and Banks, operation of a payment system without authorisation, disclosure of information, which is prohibited, and failure to pay the penalty imposed by the Reserve Bank within the stipulated period are among the contraventions under the PSS Act. "(The) Reserve Bank is empowered to impose a penalty not exceeding Rs 10 lakh or twice the amount involved in such contravention or default where such amount is quantifiable, whichever is more, in case of contraventions/defaults...," said the 'Framework for imposing monetary penalty and compounding of offences under the Payment and Settlement Systems Act, 2007'.
(Business Standard)

FINANCIAL TERMINOLOGY

UNEARNED INCOME

- The term unearned income refers to any income that is not acquired through work. Put simply, unearned income is any money you earn by doing nothing. This is in contrast to earned income, which is any compensation received for performing a service like work.
- There are many types of unearned or passive income, including interest from savings accounts, bond interest, alimony, and dividends from stocks.
- Unearned income, which can serve as a supplement to earned income before retirement, is often the only source of income in post-retirement years.

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RBI KEY RATES

Repo Rate: 6.50%
SDF: 6.25%
MSF & Bank Rate: 6.75%
CRR: 4.00%
SLR: 18.00%
Fixed Reverse Repo: 3.35%

FOREX (FBIL 1.30 PM)

INR / 1 USD : 86.5842
INR / 1 GBP : 107.6848
INR / 1 EUR : 90.1821
INR /100 JPY: 55.9900

EQUITY MARKET

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NIFTY: 23249.50 (+86.40)
Bnk NIFTY: 49311.95 (+146.00)

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