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DAILY NEWS DIGEST BY BFSI BOARD

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ECONOMY

Global markets selloff ends India's five-day and eight-week winning run: A selloff in the global markets ended a five-day and eight-week winning streak for the domestic markets on Friday. Benchmark Sensex and the Nifty tumbled over a per cent—their biggest fall since the election result day on June 4—after weak US economic data sparked fears of a recession. Tracking a 1.4 per cent decline in the US markets, Asian markets opened sharply lower, with the Japanese markets plunging over 5 per cent, South Korea dropping close to 4 per cent, and Australia too finishing more than 2 per cent lower. European markets too traded between 1 per cent and 2 per cent lower. The declines in the domestic markets were relatively subdued. The Sensex finished at 80,982, down 886 points, or 1.1 per cent lower, while the Nifty ended at 24,718, down 293 points, or 1.2 per cent. In earlier sessions, both indices had finished at their lifetime highs after the US Federal Reserve signalled a rate cut at its next meeting in September.

(Business Standard)

Russian crude imports dip 6.5% on private refiners' lower intake: Crude oil imports from Russia saw a decline of 6.5% month-on-month in July, reducing their share in India's imports of the commodity to 40%, according to energy cargo tracker Vortexa. The drop was driven by a 25% month-on-month decline in imports by private sector refiners Reliance Industries and Rosneft-backed Nayara Energy. A total of 1.81 million barrels per day (mbd) of Russian crude was imported in July, down from 1.93 mbd in the previous month

(Economic Times)

Government permits 100% FDI via automatic route for aircraft Maintenance, Repair and Overhaul (MRO): In a major boost to the domestic MRO industry and to the aviation sector, the Government has announced that a uniform rate of 5% IGST will apply to imports of Parts components, testing equipment, tools and tool-kits of aircraft, irrespective of their HSN classification subject to specified conditions. This policy change is a crucial step towards enhancing the



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competitiveness of the Indian MRO sector, fostering innovation and efficiency and creating a robust and efficient aviation sector. This information was given by the Minister of State in the Ministry of Civil Aviation, Shri Murlidhar Mohol in reply to a question in Lok Sabha

(PiB)

BANKING & FINANCE



New Tax Regime impacts small savings schemes, popular plans see significant drop in collection: The shift to the new tax regime, now adopted by nearly 70 per cent of taxpayers, has impacted the government's small savings schemes with lower collections, sources say. Popular schemes such as the PPF, Sukanya Samriddhi Account (SSA), and NSC have experienced a "significant" drop in both collections and subscriber numbers, particularly among younger investors opting for the new tax regime. Official data available only until 2022 reveals that net deposits under the PPF scheme soared by around 134 per cent from Rs 5,487.43 crore in 2013-14 to Rs 12,846 crore in 2021-22. However, the government is bracing for lower collections in small savings for the current financial year.

(Business Today)

J&K govt gets Rs 7,900 crore from centre to clear dues with J&K Bank: The Union government has granted Rs 7,900 crore to the Union Territory (UT) of Jammu and Kashmir (J&K) to clear its dues with the J&K Bank, a senior government official said. "The special funds have been allocated in the J&K budget to clear the outstanding dues of the J&K government with the J&K Bank. We have provided financial assistance to clear their balance sheet, and the UT government will adhere to all repayment requirements to the J&K Bank," the official said while requesting anonymity. The Centre has allocated Rs 42,277.74 crore for J&K in the Union Budget for 2024-25, marking a 1.2 per cent increase from the previous financial year's allocation. The budget, presented by Finance Minister includes Rs 40,619.3 crore as Central Assistance to the UT to address the resource gap.

(Business Standard)

RBI highlights inconsistencies in BDDR treatment; issues revised instructions to standardise co-operative banks' practices: The RBI on Friday said that the central bank's recent observations reveal inconsistencies in how Bad and Doubtful Debt Reserve (BDDR) is treated, particularly regarding its alignment with Accounting Standards (AS) and regulatory norms. Several



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co-operative banks established such reserve based on prudential considerations. In some instances, BDDR is created by recognizing it as an expense in the Profit and Loss (P&L) Account, while in other cases, it is formed through appropriations from net profits. All provisions as per IRACP norms, regardless of whether they are accounted for under “BDDR” or another head, must be charged as an expense to the P&L Account in the accounting period in which they are recognised. These provisions will continue to be eligible for regulatory capital purposes as defined in existing capital adequacy guidelines. After accounting for all applicable provisions as per IRACP norms and other regulations, banks may make appropriations of net profits to BDDR below the line if required.

(Economic Times)

INDUSTRY OUTLOOK



MCA fines Zerodha Asset Management, founder Nithin Kamath over delay in appointing CFO: The Ministry of Corporate Affairs (MCA) has imposed penalties on Zerodha Asset Management Private Limited and its key directors, including founder Nithin Kamath, for failing to appoint a Chief Financial Officer (CFO) within the stipulated timeframe, thereby, violating the law. On January 9, 2024, Zerodha Asset Management filed a suo-moto application admitting that they had not appointed a CFO, violating Section 203 of the Companies Act, 2013. This law requires companies like Zerodha, which are deemed public companies with a paid-up share capital exceeding Rs 10 crore, to have a full-time key managerial personnel, including a CFO.

(Moneycontrol)

MCA likely to strike off upto 400 Chinese companies over next 3 months: The Ministry of Corporate Affairs is likely to strike off as many as 400 Chinese companies in 17 states over the next three months due to incorporation and financial frauds. Over 700 Chinese companies are under probe by the MCA, a government official said. MCA has been investigating loan apps operating in the country focused on predatory lending practices, fraud or violation of financial regulations. In recent years, there has been growing concern over the proliferation of digital lending apps in India, some of which have been linked to Chinese companies. These apps have been accused of employing aggressive tactics, charging exorbitant interest rates and engaging in unethical practices such as harassment of borrowers.

(Moneycontrol)



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Reliance Capital resolution: Lenders warn of remedial action against Hinduja's IIHL:

Lenders of debt-ridden Reliance Capital (RCAP) have cautioned Hinduja Group arm IndusInd International Holdings of remedial action as it has failed to comply with the NCLT-imposed conditions, including a deposit of Rs 250 crore in an escrow account. IndusInd International Holdings (IIHL), the successful bidder for Reliance Capital, has been given an extension till August 10 subject to certain conditions by NCLT, Mumbai. These conditions included depositing the initial equity amount of Rs 250 crore in a domestic escrow account and Rs 2,500 crore in an offshore escrow account of the Committee of Creditors (CoC) by July 31.

(Economic Times)



REGULATION & DEVELOPMENT

Supreme Court rejects pleas for court-monitored probe into electoral bonds scheme:

The Supreme Court on Friday rejected a batch of pleas seeking a court-monitored investigation into the electoral bonds scheme while observing that it cannot order a roving inquiry. A bench comprising Chief Justice D Y Chandrachud and Justice JB Pardiwala said it would be “premature” and “inappropriate” to order a probe under a retired judge when the remedies available under the ordinary law governing criminal law procedure have not been invoked. The top court said it cannot order a roving inquiry into the purchase of electoral bonds on the assumption of a quid pro quo for the award of a contract.

(Business Line)

New tax regime adopted by 72% as ITR filings hit 7.28 crore: The Income Tax Department on Friday said that it had received over 7.28 crore returns as of July 31, which was the due date for filing IT returns salaried classes and entities whose accounts need not be audited. The record number is 7.5 per cent higher than the ITR filed on the same date last year. “Out of the total ITRs of 7.28 crore filed for AY 2024- 25, 5.27 crore have been filed in the New Tax Regime compared to 2.01 crore ITRs filed in the Old Tax Regime. Thus, about 72 per cent of taxpayers have opted for the New Tax Regime, while 28 per cent continue to be in the Old Tax Regime,” the Department said.

(Business Today)



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FINANCIAL TERMINOLOGY

ANCHORING IN INVESTING

- ❖ Anchoring is a behavioral finance term to describe an irrational bias towards an arbitrary benchmark figure.
- ❖ This benchmark then skews decision-making regarding a security by market participants, such as when to sell the investment.
- ❖ Anchoring can be used to advantage in sales and price negotiations where setting an initial anchor can influence subsequent negotiations in your favor.
- ❖ Anchoring is a cognitive bias in which the use of an arbitrary benchmark such as a purchase price or sticker price carries a disproportionately high weight in one's decision-making process. The concept is part of the field of behavioral finance, which studies how emotions and other extraneous factors influence economic choices.
- ❖ In the context of investing, one consequence of anchoring is that market participants with an anchoring bias tend to hold investments that have lost value because they have anchored their fair value estimate to the original price rather than to fundamentals. As a result, market participants assume greater risk by holding the investment in the hope the security will return to its purchase price.



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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 : 83.7375
INR / 1 GBP : 106.6486
INR / 1 EUR : 90.4666
INR /100 JPY: 56.1500

EQUITY MARKET

Sensex: 80981.95 (-885.60)
NIFTY: 24717.70 (-293.20)
Bnk NIFTY: 51350.15 (-213.85)

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