



ICMAI
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(Statutory Body under an Act of Parliament)

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DAILY NEWS DIGEST BY BFSI BOARD

03 October 2024



ECONOMY

Ongoing West Asia war, US strike keep Indian exporters under pressure: Indian exporters are increasingly anxious about the intensifying conflict in West Asia, which now directly involves three countries -- Israel, Lebanon, and Iran. The potential for further escalation raises fears of rising shipping costs, disruptions to supply chains, and increased oil prices. Compounding these challenges is a workers' strike in East and Gulf Coast ports of the US, India's largest trading partner and biggest export destination.

(Business Standard)

Raghuram Rajan opposes excluding food inflation in setting interest rates: Amid suggestions for excluding food inflation while setting benchmark interest rates, former RBI Governor Raghuram Rajan has said that he is against excluding food prices from headline inflation, as it would erode the 'great faith' of people in the central bank, which has been mandated by the government to keep inflation in check. Rajan further said it is best that inflation target a basket which is what the consumer consumes because that affects the consumers perception of inflation and ultimately inflationary expectations. "So, when the RBI says inflation is low, look at PPI, but if the consumer is facing something very different, then they do not really believe that inflation is down," he told PTI. "So, if you leave out some of the most important parts of inflation and tell them, inflation is under control, but food prices are going to the roof or something else is going up, which is not included in the inflation basket, then you know, they would not have great faith in the Reserve Bank," he said.

(Business Standard)

NFRA seeks to enforce scalable audit system: After insisting on upgraded standards of group audits, the National Financial Reporting Authority (NFRA) may now put its foot down on a new dynamic system of quality management among audit firms. It has proposed that the Institute of Chartered Accountants of India (ICAI) make the proposed Standards on Quality Management (SQM) for auditors enforceable, rather than keep them merely advisory in nature. "We are proposing that the



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SQMs should also be issued as “standards” as these are a critical foundation of audits. This would give them the required force of law so that companies can adhere to the standards strictly and improve audit quality,” NFRA chairman Ajay Bhushan Pandey told FE.

(Financial Express)

BANKING & FINANCE



Lenders to focus on credit vetting of Jan Dhan accounts: Lenders have strengthened credit assessment processes, including social media analytics, before extending consumption loans to Jan Dhan account holders, people familiar with the development said. While there has been no formal government directive in this regard, banks are being cautious, they said. With an emphasis on productive lending and government schemes, they remain cautious amid rising personal loan stress and RBI's warning on unsecured loan growth.

(Economic Times)

Bandhan Financial Services appoints Chandra Shekhar Ghosh as chairman cum executive director: Chandra Shekhar Ghosh is now the chairman and full-time executive director of Bandhan Financial Services. The decision was approved by shareholders including IFC and Sidbi. Ghosh took on this role after retiring from Bandhan Bank as managing director. Having founded the Bandhan group 24 years ago, Ghosh aims to contribute strategically to the group's growth.

(Economic Times)

SBI to add 600 branches in its network during FY25: Chairman Setty: State Bank of India (SBI) is planning to open 600 branches across the country in the current financial year in a bid to tap business opportunities in emerging areas including large residential townships. "We have strong branch expansion plans...this would be mainly focused on emerging areas. A lot of residential colonies are not covered by us. Around 600 branches is something we are planning in the current year," SBI Chairman C S Setty told PTI in an interview. SBI has a network of 22,542 branches across the country as of March 2024.

(Economic Times)

New external members of RBI's MPC likely to keep markets guessing: The three new external members of the Reserve Bank of India (RBI)'s Monetary Policy Committee (MPC) will be



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taking charge at a time when many believe the interest rate curve is at an inflection point. On Tuesday, the government notified that Director of Delhi School of Economics Ram Singh, veteran economist Saugata Bhattacharya, and Nagesh Kumar, director and chief executive, Institute for Studies in Industrial Development, will be the three new external members of the MPC.

(Economic Times)

INDUSTRY OUTLOOK



Reliance Group partners with Bhutan govt to develop solar, hydropower projects:

Reliance Group announced a strategic partnership with the Bhutan government on October 2 to develop solar and hydropower projects, making this the largest foreign direct investment by a private company in the renewable energy sector in the Himalayan country. As part of the partnership with Druk Holding and Investments Ltd, the commercial and investment arm of the government of Bhutan, the Anil Ambani-led Reliance Group will jointly develop 500 MW of solar and 770 MW of hydropower projects in the country.

(Moneycontrol)

Issuance of CDs by banks surge 66 per cent in H1FY25: The issuance of certificates of deposit (CDs) by banks has surged by 66% in the first six months of the current fiscal as lenders struggle with a sluggish deposit growth. In the first half of FY25, banks raised Rs 5.59 lakh crore through CDs, compared to Rs 3.37 lakh crore a year ago, according to data from Primedatabase. Last month turned out to be a busy one in terms of fundraising as lenders raised Rs 1.45 lakh crore, compared to Rs 82,020 crore in August, reflecting a month-on-month increase of 77%. “With the festive season kicking off, there is a sharp rise in credit demand. Banking system witnessed liquidity deficit in the second half of September, prompting an uptick in CD issuances to bridge temporary gaps between assets and liabilities,” said a public sector bank’s head of treasury.

(Financial Express)

Gold prices soar to all-time highs, experts forecast up to \$3,200 per ounce: Gold prices have surged into uncharted territory, driven by Iran getting directly involved into the escalating conflict between Israel and Lebanon. This latest catalyst in geopolitical tension has fuelled a bullish sentiment, with gold now trading at all-time high levels. Market analysts are now projecting one-year targets between \$2,900 and \$3,200 per ounce, up from the current \$2,650. Since the beginning of



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September 2024, the yellow metal has gained 5.24 per cent in international markets and 4.5 per cent in Mumbai's spot market. The rally shows no signs of slowing.

(Business Standard)



REGULATION & DEVELOPMENT

Sebi's six-step measures seen making a dent in F&O volumes by up to 40%: The Securities and Exchange Board of India's (Sebi's) six-step plan to curb retail participation in speculative index derivatives may lead to a substantial drop in volumes — potentially by 30-40 per cent. These measures aim to reduce excessive speculation in the futures and options (F&O) segment, where daily turnover often exceeds Rs 500 trillion and retail investors end up on the losing side of the trade more often. Sebi has decided to increase the contract size from Rs 5 lakh to Rs 15 lakh, raising margin requirements and mandating the upfront collection of option premiums from buyers. The new rules will also limit weekly expiries to one benchmark per exchange, bring intraday monitoring of position limits, and remove the calendar spread treatment on expiry days. The steps are to increase the entry barrier for retail investors whose losses have been mounting, according to a recent study by the watchdog.

(Business Standard)

Finance ministry releases new norms for handling delayed tax refund claims: The Ministry of Finance has released new guidelines for handling delayed tax refund claims and loss carry forward applications. The new guidelines issued on Tuesday increase the limit of tax refund claim amount in condonation of delay cases which will help taxpayers who missed filing any ITR though had a tax refund due to him/her. "...the present circular is being issued to deal with the applications for condonation of delay in filing returns claiming refund and returns claiming carry forward of loss and set off thereof containing comprehensive guidelines on the conditions for condonation and the procedures to be followed for deciding such matters," said Central Board of Direct Taxes (CBDT) under Ministry of Finance in a circular.

(Business Standard)



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FINANCIAL TERMINOLOGY

YIELD ON EARNING ASSETS

- ❖ The yield on earning assets is a popular financial solvency ratio that compares a financial institution's interest income to its earning assets. Yield on earning assets indicates how well assets are performing by looking at how much income they bring in.
- ❖ A higher yield on earning assets is preferred and indicates that a company is using its assets efficiently.
- ❖ A high yield on earning assets also indicates that an entity is able to meet its short-term debt obligations and is not at risk of default or insolvency.
- ❖ Banks have to strike a balance between the number of loans offered, the rates charged, and the duration of the loans when compared to assets to achieve the right ratio levels.
- ❖ Increasing a low yield on earning assets would require a restructuring of an entity's pricing policy, approach to risk management, and investment strategy.



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 : 83.8149
INR / 1 GBP : 112.0588
INR / 1 EUR : 93.3145
INR /100 JPY: 58.0400

EQUITY MARKET

Sensex: 84266.29 (-33.49)
NIFTY: 25796.90 (-13.95)
Bnk NIFTY: 52922.60 (-55.50)

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