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DAILY NEWS DIGEST BY BFSI BOARD

05 October 2024



ECONOMY

Services PMI drops to a 10-month low of 57.7 in September on slowed demand: India's services sector remained robust but dropped to a 10-month low as the HSBC India Services Business Activity Index, or services PMI stood at 57.7 in September on slowed demand, data released by S&P Global showed. Falling from a five-month high of 60.9 in August, the headline figure signalled a softer albeit still historically-robust rate of expansion. According to several panel members, the increase in output is attributed to new business gains, positive demand trends and investment in technology. Growth, the report added, was reportedly curbed by fierce competition, cost pressures and changes in consumer preference (i.e., switch to online services).

(Financial Express)

Basmati rice exporters to Iran fear slowdown, payment delays: Just a few days after the government removed the minimum export price (MEP) of \$ 950/tonne on the basmati rice, exporters have started fearing a slowdown in shipment to Iran, a major destination of aromatic rice if the Israel-Iran conflict escalates. Rice industry sources said that risk in basmati rice shipment to Iran would increase following escalation in regional conflict and payment settlement for rice exports likely to be delayed. However, the impact of basmati rice exports to Iran will depend on the future actions of Israel on Iran while the industry is closely observing the development in the Middle East.

(Financial Express)

Forex reserves top \$700 bn, India becomes 4th country to cross this mark: India's foreign exchange reserves crossed \$700 billion for the first time on record, after climbing for seven straight weeks, on valuation gains and the central bank's dollar purchases. The forex reserves were at \$704.89 billion, having risen by \$12.6 billion in the week through Sept. 27 in their biggest weekly increase since mid-July 2023, Reserve Bank of India (RBI) data showed on Friday. India is only the fourth economy in the world to cross \$700 billion in reserves after China, Japan, and Switzerland. The



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country has been boosting its forex reserves since 2013, when foreign investors pulled out due to weak macroeconomic fundamentals.

(Business Standard)

BANKING & FINANCE



RBI appoints Shri Aviral Jain as new Executive Director: The Reserve Bank of India (RBI) has appointed Shri Aviral Jain as Executive Director (ED) with effect from October 01, 2024. Prior to being promoted as ED, Shri Jain was serving as Regional Director for Maharashtra.

(RBI Press Release)

SBI classifies MTNL loan accounts as sub-standard NPA: State Bank of India has declared loan accounts of debt-ridden state-owned MTNL as sub-standard non-performing assets due to non-payment of instalments and interest since June 30, the telecom firm said in a regulatory filing. The total outstanding on the MTNL loan account was Rs 325.52 crore as of September 30, according to the SBI letter dated October 1 shared by the company with the stock exchanges.”State Bank of India (SBI) vide its letter dated October 1, 2024, has informed that Term Loan Accounts Number 36726658903 of MTNL has changed to NPA – Sub Standard category with effect September 28, 2024, due to non-payment of interest and instalment,” MTNL said.

(Moneycontrol)

RBI has flagged top-up loans without fresh appraisals: RBI has pointed out several irregularities in gold loans, borrowers must ensure that the valuation is accurate and avoid rollovers to safeguard their collateral. They should also be cautious of unsolicited offers, especially from fintech lenders. Following a review, the RBI has identified several operational deficiencies such as incorrect application of risk-weights, inadequate monitoring of loan-to-value (LTV) ratios and gaps in valuation of pledged gold. It has expressed concerns about the practice of rolling over part-paid loans after the end of their tenure without fresh appraisal when sanctioning the top-up loans. The record number of gold loans disbursed recently has worried RBI. Between FY20 and FY24, the organised gold loan segment grew at 25% CAGR. Moreover, as domestic gold prices have risen 33% in the last one year and 50% in the last two years, individuals have pledged their jewellery to get a higher loan amount.

(Financial Express)



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Banks' group entities cannot be used to circumvent guidelines: RBI: RBI has proposed that banks should be barred from using group entities to circumvent regulations applicable to them. The central bank has made the suggestion in a draft circular on 'forms of business and prudential regulations for investments' released on 4th October. "A group entity shall not be used to circumvent regulations/guidelines applicable to the parent bank or other group entity to carry on any business activity, which is not permitted otherwise," the draft said. It also said entities should avoid an overlap in the lending activities undertaken by the bank and its group entities. Banks will have to approach the RBI's Department of Regulation to undertake any new activity through a group entity, other than those already permitted, the draft suggested. The draft also proposes measures on banks' investments, including in other allied businesses and caps the maximum stake to be held in any company at 30 per cent. When it comes to asset reconstruction companies, banks are proposed to limit the number of entities they sponsor to just one at any point in time and limit the shareholding of the group in an ARC to 20 per cent. It also proposed that all the overseas branches of the Indian banks should not do any activity prohibited for the Indian lender.

(Business Standard)

Google Pay partners with Muthoot Finance to sell gold-backed loans: Google India has announced a partnership with Muthoot Finance, a non-banking financial company (NBFC) specialising in gold loans. The partnership will provide gold-backed loans to small businesses and consumers, especially in rural areas, through Google Pay. "People across India can now access this credit product, with affordable interest rates and flexible usage options – delivering flexibility to the borrower, and security to the lender," said the technology company at its Google for India event this year in a statement on Thursday. Google Pay is the company's digital payments service.

(Business Standard)

INDUSTRY OUTLOOK



Sebi gives in-principle nod for Jio Financial-BlackRock's proposed mutual fund: The Securities and Exchange Board of India (Sebi) has given its in-principle approval to Jio Financial Services and BlackRock Financial Management Inc to act as co-sponsors and set up proposed mutual fund. The NBFC arm of Reliance Industries, Jio Financial, and BlackRock Advisors Singapore Pte. Ltd have come together to create a joint venture company named 'Jio BlackRock Investment Advisers Private Limited' for the purpose of carrying out investment advisory services. This information was shared by the company through a stock exchange filing. According to the filing, the Sebi has given its



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approval through a letter dated October 3. The company disclosed that the final approval for registration will be granted by Sebi, contingent upon Jio Financial and BlackRock meeting the requirements outlined in the regulator's letter to the company.

(Business Today)

EU imposes up to 45% tariffs on Chinese EVs; 'unfair', says Beijing: The European Union (EU) voted on Friday to impose tariffs as high as 45% on electric vehicles from China, threatening a broader trade conflict with Beijing which has already vowed to protect its companies. The European Commission, the bloc's executive arm, can now proceed with implementing the duties, which would last for five years. Ten member states voted in favor of the measure, while Germany and four others voted against and 12 abstained, according to people familiar with the results.

(Economic Times)

HDFC Bank continues aggressive deposit accretion, adds Rs 1.2 lakh crore in September quarter: India's largest private sector lender HDFC Bank continued its drive to aggressively grow its deposit base by adding more than Rs 1.2 lakh crore worth of deposits in the September quarter provisional numbers showed. The lender grew its deposit by 15.1% at the end of the September quarter taking its total deposit base to Rs 25 lakh crore. Sequentially deposits grew by 5%.

(Economic Times)



REGULATION & DEVELOPMENT

Pradhan Mantri Ujjwala Yojana: Govt mulls fourth expansion of LPG scheme: The Petroleum and Natural Gas Ministry has given its nod to a potential fourth expansion of the Pradhan Mantri Ujjwala Yojana (PMUY), said sources in the know. More than 2.6 million applications are currently pending nationwide for induction into the scheme. "LPG penetration in the country has reached near saturation levels, up from 62 per cent in April 2016 when the Ujjwala scheme was launched. However, there are still many applicants from economically distressed backgrounds. The government is looking to expand the PMUY to cover them," an official source said.

(Business Standard)

Sebi proposes measures to boost retail participation in G-Sec market: The Securities and Exchange Board of India (Sebi) is considering initiatives to promote retail participation in government securities (G-Secs) through stock brokers. In a consultation paper released on Friday, the



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markets regulator proposed allowing registered stock brokers to engage in the G-Sec market via the Negotiated Dealing System-Order Matching (NDS-OM), which is operated by the Reserve Bank of India (RBI). The NDS-OM operates as an anonymous order matching system for secondary market trading in government securities. Under the proposed framework, stock brokers would engage in trading of G-Secs through a separate business unit (SBU). Given that stock brokers typically serve a large number of retail clients, access to the NDS-OM system is anticipated to boost retail participation.

(Business Standard)



FINANCIAL TERMINOLOGY

ADHESION CONTRACT

- ❖ An adhesion contract is an agreement that usually has non-negotiable terms and conditions. Generally, it's prepared by a party to a potential transaction that has the product or service sought by another party, the consumer. The former has the stronger bargaining position. The latter must accept the adhesion contract to obtain the product or service.
- ❖ Adhesion contracts are "take it or leave it" agreements where you must accept the contract or walk away.
- ❖ Adhesion contracts are often used for insurance, leases, vehicle purchases, mortgages, and other transactions where there is a high volume of customers who fit a standard form of agreement. For instance, with an insurance contract, the company and its agent have the power to draft the contract, while the potential policyholder only has the right of refusal. In other words, the customer cannot counter the offer or create their own, new contract to which the insurer could agree.



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 : 83.9660
INR / 1 GBP : 110.2910
INR / 1 EUR : 92.6218
INR /100 JPY: 57.4800

EQUITY MARKET

Sensex: 81688.45 (-808.65)
NIFTY: 25014.60 (-235.50)
Bnk NIFTY: 51462.05 (-383.15)

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