



**THE INSTITUTE OF
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DAILY UPDATES BY BFSI COMMITTEE, ICAI

May 21, 2021

- **Indian Bank to raise Rs 1,500-crore capital through tier I & II bonds:** Public sector lender Indian Bank is planning to raise up to Rs 1,500 crore capital through additional tier I bonds (AT1 bonds) of Rs 500 crore and tier II bonds of Rs 1,000 crore to enhance its capital profile. As of December 31, 2020, total capital adequacy ratio (CAR) stood at 14.06 per cent and tier 1 CAR was at 11.18 per cent. The bank's common equity tier I (CET 1) continues to be relatively strong at 10.35 per cent as of December 31, 2020. Kolkata-based Allahabad Bank merged with Indian Bank from April 1, 2020. The Centre's stake in the amalgamated bank was 88.06 per cent in December 2020. CARE Ratings has assigned "AAA" rating to tier II bonds and "AA" rating to AT1 bonds of the bank. Rating for AT1 bonds factors in aspects like if the bank has full discretion at all times to cancel coupon payments. The coupon (interest on tier I bonds) is to be paid out of current year's profits. The bank has set off the accumulated losses with a share premium account, thus enhancing the net distributable reserves for AT1 coupon payment, CARE said. Tier II bonds are characterised by a 'point of non-viability' (PONV) trigger due to which the investor may suffer loss of principal. Their asset quality is moderate and increase in proforma gross non-performing assets (GNPAs) is lesser than expected. Proforma GNPAs of the amalgamated entity stood at 10.38 per cent in December 2020 (11.30 per cent in March 2020). Net NPAs were at 3.49 per cent at the end of December 2020 against 4.19 per cent in March 2020. Total provision coverage stood at 75.77 per cent as on December 31, 2020 (66.02 per cent as on March 31, 2020). Advances stood at Rs 3.89 trillion at the end of December 2020. The bank raised additional tier 1 and tier 2 bonds of Rs 2,000 crore each in FY21. - Business Standard
- **RBI imposes penalty on City Union Bank, 3 other lenders:** The RBI has imposed monetary penalty on City Union Bank, Tamilnad Mercantile Bank and two other lenders for contravention of certain directions issued by the central bank. A penalty of Rs 1 crore has been imposed on City Union Bank Limited for contravention of/non-compliance with certain provisions contained in the RBI (Lending to Micro, Small & Medium Enterprises (MSME) Sector) Directions, 2017 and the circulars on Educational Loan Scheme and Credit Flow to Agriculture – Agricultural Loans – Waiver of Margin/Security Requirements. In another statement, the RBI said it has imposed penalty of Rs 1 crore on Tamilnad Mercantile Bank for non-compliance with certain provisions of directions issued by it on Cyber Security Framework in Banks. - economic times
- **PSU banks ask for second restructuring window, lower provisions:** Public sector bankers have asked Reserve Bank of India (RBI) to extend a second round of restructuring for all companies with a reduced provision rate of 5% versus 10% done last year. In a video



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conference with RBI governor Shaktikanta Das CEOs of all 12 public sector banks were unanimous in their request for a second round of restructuring as the second wave of the Covid 19 pandemic has hit both lives and livelihoods more severely."Restructuring has been extended to micro and small enterprises and individuals upto an outstanding amount of Rs 25 crore. But the need is much more because the damage around us is immense. Businesswise we have seen collection efficiencies drop sharply and companies, our branches are working with 50% staff and reaching customers for recovery is difficult. The loss of lives has added to the complexities," said one of person present in the meeting. Governor Das had called a meeting with public sector bank to listen to their suggestions on tackling the crisis caused by the second wave of Covid 19. The meeting was also attended by deputy governors M. K. Jain, M. Rajeswar Rao, Michael Patra and T. Rabi Sankar. - economic times

- **Banks likely to transfer about 80 large NPA accounts to NARCL:** Banks are likely to transfer about 80 large NPA accounts for the resolution to National Asset Reconstruction Company Ltd (NARCL), which is expected to be operational by next month. NARCL is the name coined for the bad bank announced in the Budget 2021-22. A bad bank refers to a financial institution that takes over the bad assets of lenders and undertakes resolution. The size of each of these NPAs accounts is over Rs 500 crore and the banks have identified about 70-80 such accounts to be transferred to the proposed bad bank, sources said. It is expected that NPAs over Rs 2 lakh crore will move out of the books of the banks to the bad bank, they added. - economic times
- **Ensure FCRA accounts opened for NGOs within 10 days of MHA approval: Delhi HC to SBI:** The Delhi High Court on Thursday directed the State Bank of India (SBI) to ensure it opens FCRA accounts for NGOs within 10 days of receiving approval from the Centre. The direction was issued by Justice Rekha Palli after the court was informed by some NGOs that despite receiving approval from the Ministry of Home Affairs (MHA), SBI was delaying the opening of accounts under the Foreign Contribution (Regulation) Act (FCRA). The court was told that the bank was not operationalising the FCRA accounts in time, even after the necessary approval certificate was submitted to it, and it was leading to delay in receipt of foreign contributions. "Why are you waiting for days to do that," the court said to the bank and directed it to ensure that in future it will operationalise the FCRA accounts within 10 days of receipt of approval from MHA. - economic times
- **For a good 'bad bank':** With borrowers likely to take a renewed hit on incomes from Covid's second wave, banks that were just beginning to lighten their burden of non-performing assets (NPAs), look set to face a fresh round of defaults which could spike NPAs to double digits. This would once again set off a vicious cycle of loan losses, capital shortfalls and risk aversion at banks. Timely intervention to relieve banks of their legacy bad loans therefore appears imperative now for credit flow to resume when the pandemic abates. The Centre and the



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banking industry thus need to act quickly to operationalise the ‘bad bank’ idea debated since the Budget. The formation of NARCL (National Asset Reconstruction Company Ltd) and appointment of its CEO mark only baby steps and there are many operational details to be thrashed out if NARCL is to prove more successful than the scores of existing Asset Reconstruction Companies (ARCs). - Business Line

- **‘Extend Covid SOP to business correspondents, contract staff’:** The All India Bank Employees’ Association (AIBEA) has requested the Indian Banks’ Association (IBA) to extend its standard operating procedure (SOP) guidelines to deal with Covid-19 pandemic to stakeholders such as business correspondents and contract employees working for the banks. CH Venkatachalam, General Secretary, AIBEA, said business correspondents, contract employees, jewel appraisers, deposit collectors and temporary employees have been kept out of the purview of any of the guidelines even though they are part and parcel of the banking system, though not at par with the regular permanent employees. “The virus does not discriminate between regular employees and these employees, therefore, the management and the IBA cannot be silent on their sufferings and difficulties. They do deserve fair treatment in the present circumstances,” Venkatachalam said in a letter to IBA. - Business Line
- **EPFO net new enrollments decreases by 1.9 per cent in 2020-21:** Net new enrollments under the Employees Provident Fund Organisation in 2020-21 fell by a marginal 1.9% to 77,08,375 compared to 78,58,394 in 2019-20 on the back of nationwide lockdown in April and May last year which had resulted in huge job losses in the above two months. Net enrollments under EPFO in March stood at 11.21 lakh in March, down from 11.28 lakh in February, reflecting the impact on jobs because of partial lockdowns. The highest addition of net new subscribers under EPFO was in September at 12.16 lakh while the retirement fund body saw a dip in net new enrollments in April and May which were complete two months of lockdown. - economic times
- **‘Active home loan borrower base grew 5% by December 2020 from year ago’:** With rising demand for home loans, the country’s active housing loan borrower base as of December 2020 was higher than the pre-pandemic levels of December 2019, with growth of nearly five per cent. According to the CRIF CreditScape: Housing Loans report, the total number of housing loan borrowers was 2.32 crore as on December 2020, of which 1.43 crore were active borrowers. In contrast, the total home loan borrowers as on December 2019 was 2.16 crore, of which 1.36 crore were active borrowers. “The housing loan sector, after witnessing a setback in the first quarter of 2020-21 in terms of originations, bounced back in the second and third quarter of 2020-21, ending the year with 9.6 per cent growth in portfolio outstanding compared to 10.4 per cent growth in the previous year,” said the report. - Business Line



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- **Pension AUM cross ₹6-lakh crore: PFRDA Chief:** The pension Assets Under Management (AUM) have reached a new milestone and crossed the ₹6-lakh crore mark two days back, Pension Fund Regulatory and Development Authority (PFRDA) Chairman, Supratim Bandyopadhyay, has said. It has just taken seven months for addition of ₹1-lakh crore in AUM, which crossed the ₹5-lakh crore mark in October 2020. “We had initially thought this ₹6-lakh crore AUM would be achieved by end March 2021. But we had missed it out due to market conditions. However, within one-and-half months we have now reached the ₹6-lakh crore level,” Bandyopadhyay told BusinessLine. - Business Line
- **Investors face losses amid outages in crypto bourses:** Indian crypto investors were left in the lurch amid crashing prices, as domestic cryptocurrency exchanges WazirX and CoinDCX saw outages late on Wednesday. Crypto investors took to social media to complain that their deposits were not getting reflected and that they were unable to invest during dips. Some users also complained that they could not log into their accounts while others said mobile apps were not working. Many of these cryptocurrency investors were keen on taking advantage of the falling Bitcoin prices to invest more, while others wanted to offload their holdings by converting them into rupee and withdrawing them. - Business Line
- **Government notifies final rules for 74% foreign investment in insurance sector:** The Finance Ministry has notified final rules for foreign investment limit of 74 per cent in the insurance sector, which came into effect on May 19, 2021. The new arrangement is expected to benefit 23 private life insurers, 21 private non-life insurers and 7 specialised private health insurance companies. Considering the capital required for pandemic induced expansion needs, finalisation of rules will be helpful for the insurance sector, officials feel. One of the major proposals is the additional layer of solvency margin for higher limit of foreign investment. It prescribes 50 per cent of net profit in a financial year needs to be retained in the general reserve provided the solvency margin is lower than 1.2 times of the control level of solvency and the payment of dividend on equity shares. - Business Line
- **Axis Bank OFS retail book of 5.8 mn shares receives just 28% subscription:** The retail quota of the Axis Bank offer for sale (OFS) managed to garner just 28 per cent subscription. A total of 5.8 million shares were reserved for retail investors—those investing up to Rs 2,00,00. However, they bid only for 1.66 million shares, data provided by exchanges showed. The unsubscribed portion of the OFS will be allotted to non-retail investors. A day earlier, they had bid for 2.6 times the shares on offer. Most retail bids came in at Rs 703. Shares of Axis Bank closed at Rs 706, down 1.5 per cent. Through the OFS, the government sold 1.95 per cent stake in Axis Bank held by the Specified Undertaking of the Unit Trust of India (SUUTI). Following the stake sale, Suuti’s stake has come down to 1.5 per cent in the private sector lender. - Business Standard



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- **Govt garners Rs 4,000 crore from Axis Bank OFS, says DIPAM secretary:** The government's offer to sell its nearly 2 per cent stake held in Axis Bank held through SUUTI has received a "good response", with the government garnering about Rs 4,000 crore, Department of Investment and Public Asset Management Secretary Tuhin Kanta Pandey tweeted. The government had offered to sell its 58 million shares or 1.95 per cent stake of Axis Bank held through Specified Undertaking of the Unit Trust of India (SUUTI). The floor price for the offer was set at Rs 680/share. The offer was open for non-retail investors on May 19, and on May 20 for retail investors. Retail quota of the Axis Bank offer for sale (OFS) managed to garner just 28 per cent subscription. The unsubscribed portion of the OFS will be allotted to non-retail investors. A day earlier, they had bid for 2.6 times the shares on offer. - Business Standard
- **IDBI Bank launches digital loan processing system for MSME, agri borrowers:** IDBI Bank on Wednesday announced the launch of its fully digitised loan processing system, offering over 50 products to MSME and agriculture sector. The Loan Processing System (LPS) for MSME and agri products seamlessly integrates with data fintechs, bureau validations, document storage, account management and customer notifications among others, IDBI Bank said in a release. These features of the fully digitized and automated loan processing system are further aimed at providing a superior tech-enabled banking experience to bank's MSME and agri customers, it said. "LPS would carry a total of more than 50 product lines and would offer a seamless credit lifecycle with over 35 interface touch points to many satellite systems," Suresh Khatanhar, Deputy Managing Director, IDBI Bank said. - moneycontrol.
- **Late-hour selling pushes Sensex below 50,000:** The BSE Sensex closed at 49,564.86, down 337.78 points or 0.68 per cent. It hit an intra-day high of 50,099.17 and a low of 49,496.78. The Nifty 50 closed at 14,906.05, down 124.10 points or 0.83 per cent. The broader index moved between high of 15,069.80 and a low of 14,884.90 during the day. The breadth of the market remained positive with 1,640 stocks advancing, 1,449 declining and 159 remaining unchanged on the BSE. As many as 420 securities hit the upper circuit and 175 the lower circuit; 314 hit their 52-week high while 27 touched 52-week low. Cipla, Mahindra & Mahindra, BPCL, IndusInd Bank and Titan were among the top gainers on the Nifty 50 while Tata Steel, Hindalco, Coal India, Britannia and ONGC were among the top laggards. - Business Line
- **Rupee opens on flat note:** The Indian rupee opened on a flat note and inched higher by 3 paise to 73.15 against the US dollar in early trade on Thursday amid a muted trend in domestic equities. At the interbank foreign exchange, the domestic unit opened at 73.16 against the dollar, then inched higher to 73.15, registering a gain of 3 paise over its previous close. On Wednesday, the rupee had settled at 73.18 against the US dollar.



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- **Gold price jumps by Rs 357 to Rs 48,534/10 gm on safe-haven appeal, silver up by Rs 441 a kg** : Gold prices rose by Rs 357 to Rs 48,534 per 10 gram in the Mumbai retail market on safe-haven demand, however, the appreciating rupee capped further gains. The precious metal traded higher due to crash in cryptocurrencies, dip in Treasury yields and dollar index. The rate of 10 gram 22-carat gold in Mumbai was Rs 44,457 plus 3 percent GST, while 24-carat 10 gram was Rs 48,534 plus GST. The 18-carat gold quoted at Rs 38,401 plus GST in the retail market. Silver prices jumped by Rs 441 to Rs 71,541 per kg against its closing price on May 19.