November 2022

Volume 18

ASSOCHAM

Ideate · Innovate · Impact

MONTHLY

BANKING, FINANCIAL SERVICES & INSURANCE (BFSI)

E-Bulletin

DEPARTMENT OF BANKING & FINANCIAL SERVICES

THE ASSOCIATED CHAMBERS OF COMMERCE AND INDUSTRY OF INDIA

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TOP SPEECHES

Jon Cunliffe: Reflections on DeFi, digital currencies and regulation

Speech by Sir Jon Cunliffe, Deputy Governor for Financial Stability of the Bank of England, at the Warwick Business Schools's Gilmore Centre Policy Forum Conference on DeFi & Digital Currencies, London, 21 November 2022

I had intended today to talk about the work the Bank of England, is doing with the Treasury, the FCA on the regulation of crypto stablecoins and our work on a potential central bank digital currency in Sterling.

That remains the bulk of what I will talk about today. But between beginning to draft these remarks and delivering them today, we have seen what is probably the largest – and certainly the most spectacular – failure to date in the crypto ecosystem, by which of course I mean the collapse of the crypto trading platform FTX and most of its associated businesses.

So, I thought it might be worthwhile to start with a brief look at the FTX implosion to frame some of the points I intend to make on regulation of the use of crypto-related technologies to provide financial services and on why, as a central bank, we are actively exploring the issuance of a digitally native Pound sterling.

Untangling exactly what happened at FTX will no doubt take a great deal of time, effort and investigation by the relevant authorities. For anyone interested in the scale of the challenge, I can only recommend a quick read of last week's bankruptcy filing. But while we will not know in full how it happened for some time, there do appear to be some general themes that are very familiar to those who regulate and supervise conventional financial firms and financial instruments.

The first are fundamental issues around how financial institutions should be organised, by which I mean their corporate structure, governance, internal controls and record keeping. Regardless of the financial service activity – be it banking, insurance, exchanges, clearing houses – regulation in the conventional financial sector imposes stringent/substantive requirements. Supervision aims to ensure that these are implemented.

These requirements reflect the risks inherent in financial services – risks to the users, risks to other financial firms and risks more broadly to the financial system. Technology in and of itself does not change the need for transparency in corporate structures, governance, audit and systems and controls – for example to protect customers' funds.

In a similar vein, and to prevent conflicts of interest, regulation imposes requirements and Page 2 constraints on the connections between a financial firm and its affiliates, while also requiring controllers to be fit and proper. In this respect, transparency in corporate structures and the relationships between them is the key foundation. The connections between activities carried out within the firm matter also. Lending, brokering, providing an exchange platform, clearing and settlement perform different economic functions that carry different risks.

For financial market infrastructure firms, such as a central counterparty or an exchange or custody of assets (both/all of which activities FTX sought to undertake, the regulatory system and international standards in place aim to stop these important pieces of financial market infrastructure from taking on credit/liquidity/market risk beyond what is absolutely necessary to discharge their core functions. Where they happen within one group, regulation requires separate, independent governance, to ensure the risks inherent in each is properly managed.

FTX, along with a number of other centralised crypto trading platforms, appear to operate as conglomerates, bundling products and functions within one firm. In conventional finance these functions are either separated into different entities or managed with tight controls and ringfences. It is worth noting that this bundling appears to have been primarily organisational rather than technological – that is to say, the functions were offered by different parts of the FTX group but were not bundled in the sense of being run as one single piece of code performing multiple functions. I will return to the question of integration of functions in smart contracts later on.

I have mentioned some familiar regulation issues around the organisation and governance of conventional financial firms. There appear, in the FTX case, also to be familiar issues around the financial instruments involved. Collateral performs a variety of vital function in financial services. It protects lending counterparties from credit risk. It can also serve as margin in clearing processes. The higher the credit quality and lower the volatility of assets used as collateral, the better suited it is to serving as assurance against risk. For this reason, there are stringent, material conditions on collateral that can accepted, for example, in central counterparty clearing.

Unbacked cryptoassets are highly volatile, given that they have no intrinsic value. They are subject to runs and their value can change very quickly as we have seen in recent months. Moreover, a firm accepting its own unbacked crypto asset as collateral for loans and margin payments, as there are indications may have happened with FTX, creates extreme 'wrong way' risk – i.e. when the exposure to a counterparty increases together with the risk of the counterparty's default[2]. Indeed, in the FTX case, there are indications that it could have been a run on its crypto coin, FTT, which triggered the collapse.

Source: https://www.bis.org/review/r221121m.htm

Shaktikanta Das: Inaugural address - Annual Research Conference of the Department of Economic and Policy Research

Inaugural address by Mr Shaktikanta Das, Governor of the Reserve Bank of India, at the Annual Research Conference of the Department of Economic and Policy Research, Reserve Bank of India, Hyderabad, 19 November 2022

1. The economics profession today faces one of its toughest times as the global economy has been hit by multiple shocks one after the other. These shocks have led to (i) globalisation of inflation, with advanced economies (AEs) facing multi-decadal high inflation; (ii) sustained slowdown in economic growth and trade, together with rising concerns about a possible global recession; (iii) deteriorating global food and energy security situation; (iv) realignment of global supply chains and policy-induced deglobalisation; and (v) and weakening influence of multinational institutions in providing coordinated solutions to address global problems. Emerging market economies (EMEs) face an additional challenge from threats to their external sector stability.

2. Central banks, given their mandate on preserving macro stability, and the responsibility to be at the forefront of managing an economic crisis, have a culture of diligently building synergies between research and policy making. Research departments are thus empowered to work as the workhorse and as the think tank for ensuring continuous supply of reliable processed information, analytical research and new ideas. Such ideas help in designing time and state relevant policies. Rapid advancement in technology has brought with it an avalanche of data. The research department's role is to quickly process these data and derive meaningful inferences of relevance to policy making. I am extremely happy that the research department of the Reserve Bank has been successfully adapting to these evolving challenges, providing high quality research inputs on issues covering all key functions of the Bank and multiple dimensions of the economy. The department has also been contributing to the greater public good by joining and guiding public discourse on key policy issues through its research reports and other publications.

3. In my remarks today, I would like to cover three important areas which touch upon the vital role of the research department in a central bank. First, I would like to talk about the challenges to our policy making in the context of the developments in the recent years, both global and domestic, that warranted robust data and research support. Second, I would highlight some of the important contributions of the research department in these turbulent times. Third, I would lay out several challenges ahead that one could anticipate, requiring reimagination and rebalancing of the research function within the Reserve Bank.

I. Recent Challenges in Policy Making and Research Issues

4. Given the enormity of the multiple shocks, the world before the pandemic appears to have become a distant memory, but I would like to start with a brief account of the key policy issues we were grappling with in the pre-pandemic period. The global growth momentum was losing steam and domestically we were experiencing a slowdown in growth. The key challenge was to understand the reasons behind the observed decline in growth and propose structural reforms and other policy changes.

Domestic inflation, on the other hand, was brought down, averaging 3.9 per cent during the flexible inflation targeting regime (June 2016 to February 2020). The research issue then was what factors contributed to the decline in inflation. Another important policy challenge was the uncertainty about the time it would take to complete the balance sheet repair process (or, the twin balance sheet problem of corporates and banks), and its ramifications for growth and financial stability. Globally, some of the empirical puzzles that received wide attention at that time were the weakening influence of economic slack on inflation (or, whether the Phillips curve is dead) and little risk to inflation from quantitative easing (or, the missing inflation conundrum). Widespread discontent about the negative spillover effects of globalisation had resulted in a growing shift towards protectionist policies, challenging the prevailing wisdom of greater openness to maximise economic welfare.

5. Since March 2020, three major shocks – the COVID-19 pandemic, the war in Europe and the aggressive tightening of monetary policy across countries – have posed very different set of challenges for economic research. Policy responses had to be swift and wide ranging to contain the adverse effects on the overall macro-financial conditions as well as sectoral vulnerabilities. The first major challenge was data collection during the first wave of the pandemic, and the associated statistical break in data. During the second wave of the pandemic, which was more lethal, collecting information on sector level stress became even more important for designing targeted policy interventions. The crisis thus created the opportunity to explore and harness the power of Big Data, and strengthen direct feedback mechanisms while working from home.

6. The pandemic also posed new research issues and analytical challenges for policy making. These include: (i) whether the pandemic caused a demand shock or a supply shock, and which shock was transitory and which one durable; (ii) the size and nature of policy stimulus required, and their effectiveness; (iii) the relationship of national/localised lockdowns and vaccination with economic activity; (iv) the extent and nature of supply chain disruptions and its impact on inflation and growth; (v) the asymmetric impact of the shock/pace of recovery between contact-intensive services and manufacturing and agriculture; and (vi) the impact of the shock on household, corporate and financial sector balance sheets. Inflation and growth projections for monetary policy needed wider consultations with stakeholders and experts and use of survey-based data. Generation of alternative nowcasts using Artificial Intelligence (AI) and Machine Learning (ML) techniques also gained more importance.

BANKING, FINANCIAL SERVICES & INSURANCE (BFSI) ACTIVITIES IN THE MONTH

Data should be the DNA of an insurance company says Saurabh Mishra, Joint Secretary, Ministry of Finance, Government of India

Mumbai, November 24th 2022: Insurance is one of the defining factors of a developed country. An insured country & citizens will help us move decisively and irreversibly towards a developed society, says **Saurabh Mishra, Joint Secretary, Ministry of Finance, GoI.** He was speaking at the 14th Assocham Global Insurance Summit and Awards, held at Mumbai today.

"Insurance is not just one of those high-ended glam black jacketed investment banking product, it is a product for each one of us. If every eligible citizen, every eligible asset is insured, I think we move decisively towards becoming a society which is a developed society from all stretch of imagination," says Joint Secretary, " Data should be the DNA of an insurance company from the way he drives the customer, analysing the customer. If you are able to do that, another important sign that will behave like a developed country delivering and consuming insurance."

Addressing the summit, **Thomas M Devasia,** Member-Non-Life, Insurance Regulatory and Development Authority of India said, "We are working on certain broad-based initiatives towards affordability and availability of insurance, and one of them is already in the news is the big infrastructure initiative with a social safety net product being developed by the industry and we have received some good feedback."

In his speech, **Anuj Mathur,** Chairman, ASSOCHAM National Council for Insurance and MD & CEO, Canara HSBC Life Insurance Co. Ltd. Says, "India is set to become the 6th largest insurance market with an average growth of 14% over the next 10 years. We are at the cusp of becoming the 5th largest world economy and it's a moment of pride for all of us. Today the business environment is very positive. Insurance regulator IRDAI is really focused on increasing the insurance penetration at an accelerated pace, and the year 2047 is where the government and IRDAI are aiming at insurance for all."

"I am extremely excited to be associated with this industry at this point of time which is looking at disruption as well as inclusiveness. We are going to witness more global players with the government's favourable FDI policy and I think things have really changed in the last 2 years for the flexibility it has shown, and investors are really looking at India as an investment destination." He added.

B C Patnaik, MD, Life Insurance Corporation of India said, "For an insurer, data is sacrosanct and unless we have a sanctity of data, there will be mayhem across the country. India is a country which is underpenetrated and there is a lot of scope in returns in terms of absolute terms in life insurance premium itself and there is a potential to reach 10 lakh crore at any point of time. For health, we are just at the tip of the iceberg at just 1%, some days we should be reaching around 5-6%."

G Srinivasan, Advisor, ASSOCHAM National Council for Insurance & Director, National Insurance Academy said, "There is a mission to increase insurance penetration in our country. However, insurers are still to reach a large number of people and I think we still have a long way to go to deepen the insurance penetration. I think the customer experience is still a challenge. What we really need to do is to capture the imagination and mind space of customers."

"The next level of penetration will come from technology and data, which will really play a very important role in achieving present customer experience. Augmented reality can really help in risk inspections, loss assistance. There's no need for people to go and assess losses. Blockchain can help in development insurance along with technology known solutions for better claims settlement and better customer experiences." He adds.

Addressing the gathering, **Sarbvir Singh,** CEO, Policy Bazaar said, "We are a unique country and when you think about it, insurance is the best possible solution compared to relatively higher income countries which have social security, but for India it is the most logical and a brilliant concept. It is actually cheaper in India compared to other countries globally, may it be Health Insurance, Term Insurance or any other insurance product it is much more affordable. So, terms are cheaper in India compared to Singapore. Health insurance is an amazing product and is relatively affordable. It is completely networked till the last step. In my opinion products are not the problem. Actual problem is not awareness, the problem is action. The 30 crore, 40 crore or 50 crore population have the wallet, but still, they are not buying the volume they should have, for their own individual reasons. One of the first things that strikes you is awareness, there is always a concern that there is not enough awareness but in my opinion the awareness is only the surface, actual problem is not awareness actual problem is action. Action issue vs awareness issue. The only solution you have is to find ways to approach people in a segment of one."

Murali Urs, SecOps Leader, ServiceNow India said, "In the insurance industry we are contributing in a very big way, we figure in the top 10 in every category of insurance but there is a great deal of risk, as all of data including Aadhar card, Pan card can be misused, and hence protection of the data is very important."

TOP BANKING NEWS

- **RBI allows HDFC Bank, Canara Bank to open vostro account for Rupee trade with Russia**

The Reserve Bank of India (RBI) on Monday allowed HDFC Bank Ltd and Canara Bank Ltd to open a special "vostro account" for trade in Rupees with Russia, according to media reports.

Vostro accounts are accounts a bank holds on behalf of another, often foreign bank, and this forms a key part of correspondent banking.

The move to open the special vostro accounts clears the deck for settlement of payments in Rupee for India-Russia trade, enabling cross-border transactions in the Indian currency..

Earlier, the government had opened nine special vostro accounts with two Indian banks after permission from the Reserve Bank of India (RBI) to facilitate overseas trade in Indian Rupee. Sberbank and VTB Bank-the largest and second-largest banks of Russia respectively-were the first foreign lenders to receive approval after the RBI announced the guidelines for overseas trade in the Rupee in July.

Another Russian bank Gazprom, which does not have its bank in India, has also opened this account with Kolkata-based UCO Bank.

"Nine accounts have been opened. One in UCO Bank, one in Sber, one in VTB and six with IndusInd Bank. These six are different Russian banks," commerce secretary Sunil Barthwal had said while releasing trade data.

The RBI has allowed these special vostro accounts to invest the surplus balance in Indian government securities to help popularise the new arrangement.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/rbi-allows-hdfc-bank-canara-bank-to-open-vostro-account-for-rupee-trade-with-russia/articleshow/95664313.cms

- **How goes India's banking sector? Room for more upside, but several risks loom**

India's banking sector is in a purple patch. Its ongoing economic recovery is driving credit costs to cyclical low levels and pushing asset quality improvements, while stronger balance sheets and higher demand is boosting bank loan growth. As we close out 2022, it's also clear that the unwinding of stresses in India's banking system is continuing apace.

For the next two years, there should be more upside. Indeed, for most of the key credit measures one looks at for banks, things are on the up -- credit losses have normalised; NPAs are on the decline; higher interest rates are boosting net interest margins; and returns on average assets are recovering toward pre-pandemic levels.

So, what's driving the better credit outlook for India's banks? Among the key drivers is India's medium-term economic growth rates, which are set to remain among the strongest in our emerging markets universe. GDP is expected to expand 6.5%-7% annually in fiscal years 2024-2026.

Although India's real GDP growth is likely to slow in fiscal 2024 as monetary conditions tighten and consumers grapple with higher inflation, macro headwinds and global uncertainties are having a much lower impact on India than many other economies, given India is domestically oriented. As such, the impact of macro conditions on the banking sector will also be modest.

Importantly for the Indian banking sector, asset quality should keep improving. The banking sector's weak loans (non-performing loans and performing restructured loans) is likely to decline to 4.5-5% of gross loans by March 31, 2024. That's toward levels not seen since FY2013, and significantly down from the peak 12.5% level seen in fiscal 2018 and the 8% mark seen in FY2021.

Likewise, the sector's credit costs, or credit losses as a percentage of total loans, should fall to their lowest level in seven years to around 1.2% in FY2023, and stabilise at about 1.1-1.2% for the following few years. This makes credit costs comparable to those of other emerging markets and to India's 15-year average. The SME sector and low-income households remain vulnerable to rising interest rates and high inflation. Even so, in the base case of moderate interest rate hikes, these risks as limited.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/how-goes-the-banking-sector/articleshow/95642764.cms

- **Banks increase EBLRs by 190 bps in tandem with RBI's repo rate hike**

All major banks have increased their external benchmark-based lending rates (EBLRs) by 190 basis points in tandem with the hike in the Reserve Bank's policy repo rate since May this year, though they have been slow in raising the deposit rates. The Reserve Bank has hiked the key short-term lending rate (repo) by 190 basis points in four tranches since May to contain inflation.

The RBI's Monetary Policy Committee (MPC), which makes recommendations to the central bank regarding interest rates, is set to meet again early next month amid expectations of another repo rate hike.

By October-end 2022, all banks have increased their EBLRs by 190 bps in tandem with the increase in the policy repo rate since May 2022, according to an RBI article.

Further, banks have also increased their 1-year median marginal cost of funds-based lending rate (MCLR) by 85 bps from May to October 2022.

From October 1, 2019, all banks have to lend only at an interest rate linked to an external benchmark, such as RBI's repo rate or Treasury Bill yield. As a result, monetary policy transmission by banks has gained traction.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/banks-increase-eblrs-by-190-bps-in-tandem-with-rbis-repo-rate-hike/articleshow/95638630.cms

- **Liquidity turns surplus as demand for cash drops post festive season**

The liquidity in the banking system has turned to a surplus in November as the demand for cash seen during the festive season tapers and also on likely increase in government spending.

During the first three days of the month, the Reserve Bank of India (RBI) absorbed a daily average of Rs 71,090 crore from the banking system.

This compares with a daily average injection of Rs 58,213.98 crore between October 20 and October 31, 2022, when the liquidity situation tightened on account of higher demand for cash during the festival season, GST and other tax related outflows and the Reserve Bank's intervention in the foreign exchange market to contain volatility in the rupee.

Source: https://indianexpress.com/article/business/banking-and-finance/liquidity-turns-surplus-as-demand-for-cash-drops-post-festive-season-8253524/

- **Fintechs replacing banks a misconception; CBDC experience so far comforting: RBI Deputy Guv**

Mumbai: Speculation around fintechs replacing banks is a "misconception", but lenders need to be more diligent in adopting technological changes, Reserve Bank Deputy Governor T Rabi Sankar said on Saturday. Exuding confidence that the banks will be able to embrace technology, he also enlisted a few missed opportunities of the past and also ones which showed their "resistance" to change.

"Banks are here to stay, but banking is mutating fast," Sankar said addressing an event organised by IBA here, and added that they ought to adopt fast to the changes being brought about by technological progress.

"It's a misconception to view Fintech entities as a possible replacement to banks," he said, stressing that these modern age enterprises facilitate banking and are not a competition to banks in anyway.

On the missed opportunities front, Sankar cited the case of the hugely popular unified payments interface (UPI), where a bulk of the business is owned by non-banking entities because banks missed the bus by not investing in the change from early on.

He also said that the RBI was surprised by the resistance to change displayed by bigger entities in the banking world and outside last year when the central bank brought about a change to make recurring payments more safer.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/fintechs-replacing-banks-a-misconception-cbdc-experience-so-far-comforting-rbi-deputy-guv-t-rabi-sankar/articleshow/95966107.cms

- **EU regulator may disqualify six clearing bodies in India**

European banks operating in India may soon find it difficult to operate viably unless the Reserve Bank of India (RBI) and Securities and Exchange Board of India (Sebi) are able to negotiate fresh terms with the European Securities and Markets Authority (ESMA) on oversight of counter-party institutions.

Earlier this week ESMA, the EU's financial markets regulator and supervisor, said six of India's central counterparties (CCPs) would be de-recognised in accordance with the European Market Infrastructure Regulation, following an assessment conducted by it. However, to mitigate the adverse impact on EU market participants, it has deferred implementing the decisions until April 30, 2023. Should the discussions fail, European banks may need to operate with levels of capital that are 40-50 times higher than what is required today.

The six institutions on ESMA's list are The Clearing Corporation of India (CCIL), supervised by RBI, Indian Clearing Corporation (ICCL), Multi Commodity Exchange Clearing (MCXCCL), and NSE Clearing (NSCCL), supervised by Sebi; India International Clearing Corporation (IFSC) (IICC) and the NSE IFSC Clearing Corporation (NICCL), supervised by the International Financial Services Centre Authority (IFSCA).

Source: https://indianexpress.com/article/business/banking-and-finance/eu-regulator-may-disqualify-six-clearing-bodies-in-india-8248247/

- **E-rupee launch a landmark moment in the history of currency: RBI Guv Shaktikanta Das**

RBI Governor Shaktikanta Das, Digital Rupee Launch: The Reserve Bank of India (RBI) Governor Shaktikanta Das on Wednesday said that e-rupee launch was a landmark moment in the history of currency in the country and it will transform the way business is done and the way transactions are conducted.

Speaking at FICCI's Banking Conference – FIBAC 2022, Das said that the RBI wants to iron out all aspects of Central Bank Digital Currency (CBDC) before launch. He added that the central bank hopes to launch digitised Kisan Credit Card loans in a full fledged manner by CY 2023.

He noted that there is no target date for full fedged launch of the digital rupee.

Speaking at the conference, Das said that with monetary policy actions and stances undergoing a regime shift in the advanced countries, financial conditions have tightened across markets and accentuated financial stability risks. He noted that in an uncertain environment, Indian economy has been growing steadily drawing strength from its macroeconomic indicators and buffers. He said that India today presents a picture of resilience and optimism for the world.

On the inflation front, the RBI chief said the central bank is closely monitoring inflation trends and the impact of previous actions. He said that the RBI is seeing considerable improvement in sales of white goods in festive season.

Source: https://indianexpress.com/article/business/banking-and-finance/e-rupee-launch-landmark-moment-in-the-history-of-currency-rbi-governor-shaktikanta-das-speech-at-fibac-2022-8244176/

- **Banks's role critical in providing best intermediation services: RBI Patra**

He said the impetus for transformation has come calling as India – already the fifth largest economy of the world – prepares to be among the fastest growing economies and an engine of global growth.

Banks will have to play a critical role in providing best financial intermediation services to India's population which is going to become the largest in the world next year, the Reserve Bank Deputy Governor Michael Patra said.

He said the impetus for transformation has come calling as India – already the fifth largest economy of the world – prepares to be among the fastest growing economies and an engine of global growth.

By 2025- 26, India will match Germany and become the fourth largest economy of the world, and by 2027, it will surpass Japan and emerge as the third largest economy of the world, he said.

Source: https://indianexpress.com/article/business/banking-and-finance/bankss-role-critical-in-providing-best-intermediation-services-rbi-patra-8241468/

- **HDFC Bank, Canara Bank get RBI nod for rupee trade with Russia**

The Reserve Bank of India (RBI) has allowed leading private sector lender HDFC Bank Ltd and state-run Canara Bank Ltd to open a special "vostro account" for trade in rupees with Russia, news agency Reuters quoted a report as saying on Monday.

Vostro accounts are accounts a bank holds on behalf of another, often foreign bank, and this forms a key part of correspondent banking.

As many as five Indian banks have received regulatory clearance for rupee trade till now. These includes UCO Bank, Union Bank and IndusInd Bank are the other three.

This apart, two Russian banks have the central bank's approval – Sber Bank and VTB. Both have branch presence in India.

These Russian banks are the first foreign lenders to receive this approval after the RBI announced the guidelines on overseas trade in rupee in July. These banks have opened special vostro account in their respective branches in Delhi.

Source: https://www.livemint.com/industry/banking/hdfc-bank-canara-bank-get-rbi-nod-for-rupee-trade-with-russia-report-11669035213542.html

- **Financials turn flavour of the season for foreign investors**

MUMBAI : Foreign portfolio investors (FPIs) net invested $1.4 billion in financial services companies, especially banks, in the fortnight ended 15 November, the most in 21 months, driving the Bank Nifty to successive highs.

The investment was the most since the $1.58 billion they purchased in the fortnight ended 15 February 2021.

FPI buying in financial services accounted for almost two-fifths of their total net investment of $3.54 billion in the fortnight. Their equity assets under custody (AUC) in financial services stood at $194.7 billion in the fortnight ended 15 November, up from $186 billion for the fortnight ended 31 October. In comparison, equity AUC for the financial services sector was $208 billion for the fortnight ended 15 February last year.

Improvement in the asset quality of banks, along with credit growth hitting a record high of ₹129 trillion in the fortnight ended 21 October, have been cited by analysts as the main reasons for the sector's appeal.

Source: https://www.livemint.com/industry/banking/financials-turn-flavour-of-the-season-for-foreign-investors-11669058806399.html

SELECT RBI CIRCULARS NOVEMBER 2022

Circular Number	Date of Issue	Department	Subject	Meant For
RBI/2022-2023/141 DOR.LRG. REC.83/03.10.001/ 2022-23	23.11.2022	Department of Regulation	Basel III Framework on Liquidity Standards – Standing Deposit Facility	All Commercial Banks (excluding Local Area Banks, Regional Rural Banks and Payments Banks)
RBI/2022-2023/140 DoR.FIN. REC.82/03.10.123/ 2022-23	23.11.2022	Department of Regulation	Inclusion of Goods and Service Tax Network (GSTN) as a Financial Information Provider under Account Aggregator Framework	All Regulated Entities of the Bank
RBI/2022-2023/139 FIDD.CO.FSD. BC.No.13/ 05.02.001/2022-23	23.11.2022	Financial Inclusion and Development Department	Modified Interest Subvention Scheme for Short Term Loans for Agriculture and Allied Activities availed through Kisan Credit Card (KCC) during the financial years 2022-23 and 2023-24	The Chairman/Managing Director/Chief Executive Officer All Public Sector Banks, Private Sector Banks and Small Finance Banks
RBI/2022-2023/138 FIDD.CO.LBS. BC.No.12/02.08.001/ 2022-23	17.11.2022	Financial Inclusion and Development Department	Formation of new districts in the State of Nagaland – Assignment of Lead Bank Responsibility	The Chairman / Managing Director & Chief Executive Officer Lead Banks Concerned
RBI/2022-2023/137 A.P. (DIR Series) Circular No. 18	17.11.2022	Foreign Exchange Department	Exim Bank's GoI supported Line of Credit of USD 300 Mn to the SBM (Mauritius) Infrastructure Development Company Ltd. for Construction of Phase-IV of the Mauritius Metro Express Project in Mauritius	All Category – I Authorised Dealer Banks
RBI/2022-2023/136 CO.DGBA.GBD. No.S957/43-33-005/2022-2023	14.11.2022	Department of Government and Bank Accounts	Agency Commission for Direct Tax collection under TIN 2.0 regime	All Agency banks (authorised to collect direct taxes)
RBI/2022-2023/135 DoR.AUT.REC.81/ 24.01.001/ 2022-23	01.11.2022	Department of Regulation	Eligibility Criteria for offering Internet Banking Facility by Regional Rural Banks, 2022	All Regional Rural Banks (RRBs)

STATISTICAL SUPPLEMENT – RBI

Date : Nov 25, 2022					
Reserve Bank of India – Bulletin Weekly Statistical Supplement – Extract					
1. Reserve Bank of India - Liabilities and Assets*					
					(₹ Crore)
Item	**2021**	**2022**		**Variation**	
	Nov. 19	**Nov. 11**	**Nov. 18**	**Week**	**Year**
	1	**2**	**3**	**4**	**5**
4 Loans and Advances					
4.1 Central Government	-	-	-	-	-
4.2 State Governments	8631	3728	5683	1955	-2948

** Data are provisional.*

2. Foreign Exchange Reserves

Item	As on November 18, 2022		Variation over					
			Week		End-March 2022		Year	
	₹ Cr.	US$ Mn.	₹ Cr.	US$ Mn.	₹ Cr.	US$ Mn.	₹ Cr.	US$ Mn.
	1	2	3	4	5	6	7	8
1 Total Reserves	4470990	547252	69208	2537	-127828	-60057	-286490	-93149
1.1 Foreign Currency Assets	3956579	484288	57256	1760	-137986	-56436	-320398	-91424
1.2 Gold	326887	40011	6101	315	4674	-2540	26823	-380
1.3 SDRs	146291	17906	4425	351	3239	-985	4321	-1204
1.4 Reserve Position in the IMF	41233	5047	1426	111	2244	-96	2764	-141

** Difference, if any, is due to rounding off*

3. Scheduled Commercial Banks - Business in India						
(₹ Crore)						
Item	**Outstanding as on Nov. 4, 2022**	**Variation over**				
		Fortnight	**Financial year so far**		**Year-on-year**	
			2021-22	**2022-23**	**2021**	**2022**
	1	**2**	**3**	**4**	**5**	**6**
2 Liabilities to Others						
2.1 Aggregate Deposits	17370068	169142	933240	904755	1643440	1323316
2.1a Growth (per cent)		1.0	6.2	5.5	11.4	8.2
2.1.1 Demand	2048817	23626	111928	-23930	478099	75696
2.1.2 Time	15321252	145516	821312	928685	1165342	1247620
2.2 Borrowings	487749	-60333	13552	213155	-697	230172
2.3 Other Demand and Time Liabilities	712449	663	-21087	71600	28866	76928
7 Bank Credit*	12926105	42432	211580	1034791	741819	1876840
7.1a Growth (per cent)		0.3	1.9	8.7	7.1	17.0
7a.1 Food Credit	38379	12725	15612	-16631	-6765	-38487
7a.2 Non-food credit	12887726	29707	195969	1051422	748584	1915328

**Bank credit growth and related variations for all fortnights since December 3, 2021 are adjusted for past reporting errors by select scheduled commercial banks (SCBs).*

4. Money Stock: Components and Sources

(₹ Crore)

Item	Outstanding as on		Variation over									
	2022	Fort-night	Financial Year so far		Year-on-Year				Year-on-Year			
					2021-22		2022-23		2021		2022	
	Mar. 31	Nov. 4	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	1	2	3	4	5	6	7	8	9	10	11	12
M3	20493729	21462188	163403	0.8	1069109	5.7	968459	4.7	1978833	11.0	1548501	7.8
1 Components (1.1.+1.2+1.3+1.4)												
1.1 Currency with the Public	3035689	3083069	-5698	-0.2	127498	4.6	47380	1.6	241639	9.2	203743	7.1
1.2 Demand Deposits with Banks	2212992	2189998	23243	1.1	114921	5.8	-22994	−1.0	494205	30.6	79957	3.8
1.3 Time Deposits with Banks	15186605	16118293	145030	0.9	826160	5.9	931688	6.1	1236764	9.1	1241855	8.3
1.4 'Other' Deposits with Reserve Bank	58444	70828	827	1.2	531	1.1	12384	21.2	6225	14.9	22946	47.9
2 Sources (2.1+2.2+2.3+2.4-2.5)												
2.1 Net Bank Credit to Government	6477629	6608773	164874	2.6	319845	5.5	131144	2.0	454150	7.9	438554	7.1
2.1.1 Reserve Bank	1450596	1226986	135438	12.4	87120		-223611		190459		40180	
2.1.2 Other Banks	5027033	5381787	29436	0.5	232725	4.9	354754	7.1	263691	5.6	398373	8.0
2.2 Bank Credit to Commercial Sector	12616520	13656526	35820	0.3	205393	1.8	1040006	8.2	794310	7.2	1894491	16.1
2.2.1 Reserve Bank	16571	12678	-6276		-6569		-3892		-12794		10538	
2.2.2 Other Banks	12599950	13643848	42096	0.3	211962	1.8	1043898	8.3	807104	7.3	1883953	16.0

5. Liquidity Operations By RBI

(₹ Crore)

Date	Liquidity Adjustment Facility						Standing Liquidity Facilities	OMO (Outright)		Net Injection (+)/ Absorption (-) (1+3+5+7+9-2-4-6-8)
	Repo	Reverse Repo	Variable Rate Repo	Variable Rate Reverse Repo	SDF*	MSF		Sale	Purchase	
	1	2	3	4	5	6	7	8	9	10
Nov. 14, 2022	–	–	–	–	2495	140412	–	–	–	-137917
Nov. 15, 2022	–	–	–	–	245	151934	–	–	–	-151689
Nov. 16, 2022	–	–	–	–	83	154901	–	–	–	-154818
Nov. 17, 2022	–	–	–	–	109	168921	–	–	–	-168812
Nov. 18, 2022	–	–	–	52065	3250	91107	–4399	–	–	-144321
Nov. 19, 2022	–	–	–	–	2664	17829	–	–	–	-15165
Nov. 20, 2022	–	–	–	–	429	2668	–	–	–	-2239

SDF: Standing Deposit Facility; MSF: Marginal Standing Facility.

TOP NBFC & MICRO FINANCE INSTITUTIONS NEWS

- **Chart Check: Up 20% in a month, this NBFC gave a breakout from rectangle pattern; time to buy?**

  IIFL Finance NSE 1.21 %, part of the NBFC space, rallied more than 20% in a month to hit a fresh multi-year high last week and the recent chart structure suggests that the rally may not be over yet.

  Short-term traders who missed the rally can look to buy the stock now or on dips for a possible target above Rs 500 in the next 3-4 weeks, suggest experts.

  The NBFC stock hit a fresh 52-week high of Rs 449 on November 18, 2022. It has rallied more than 11% in a week, and over 20% in a month.

  The stock has been on buyers' radar which helped the stock to break out from a rectangle pattern on the weekly charts. The neckline of the pattern was placed at Rs 369.

  The stock is trading above the crucial 50-WMA on the weekly charts which is a positive sign for the bulls.

  Source: https://economictimes.indiatimes.com/markets/stocks/news/chart-check-up-20-in-a-month-this-nbfc-gave-a-breakout-from-rectangle-pattern-time-to-buy/articleshow/95653855.cms

- **FE CFO Conclave 2022: Liquidity management is the top priority post pandemic**

  Liquidity management has become top priority for financial institutions in the post pandemic period replacing maximisation of leverage for enhanced profitability, according to Dinanath Dubhashi, managing director and chief executive officer of L&T Finance Holdings, while solvency, asset quality, profitability and growth remain in focus.

  "Risk management is in its entirety has been fully understood in these last two years. Today in the risk management, actual stress testing has come to fore. Being from a non-banking finance company (NBFC), liquidity management comes first, second is solvency, asset quality, profitability and growth," Dubhashi said, speaking at the financialexpress.com CFO Connect Conclave 2022.

  In a risk management perspective, companies have to be ready for crisis management, D Sundaram, vice chairman of TVS Capital (P) Ltd said at the event. During the pandemic, financial leadership was focused on liquidity management by ensuring cash flows and collection of receivables and also optimisation of capital allocation, he said.

  In the pre-pandemic period, focus of organisations was on maximising leverage to increase profitability, which has changed to maintaining an adequate capital buffer, Dubhashi said. In this scenario, data analytics plays an important role by aiding in improving collection efficiencies and eventually liquidity management. The role of a chief financial officer (CFO) becomes important as treasury management and strategy becomes important, he added.

  Source: https://www.financialexpress.com/industry/banking-finance/cfo-conclave-2022-liquidity-management-is-the-top-priority-post-pandemic/2684205/

- **ECB approvals fall 24% in April-August**

  NBFC issuances also remained strong at Rs 1.1 trillion.

  Approvals for external commercial borrowings (ECBs) sought by the India Inc in the first five months of FY23 fell 24% YoY to $8.3 billion.

  Given the larger increase in policy rates by central banks in developed economies and consequent rise in overseas borrowing costs, the all-in borrowing costs for Indian corporations have been higher than domestic funding costs and are likely to remain so in near term. This is projected to keep approvals low at $30-35 billion this fiscal, compared to $38.6 billion in FY22 and $35.1 billion in FY21.

At the same time, domestic rupee-denominated bond issuances more than doubled sequentially to Rs 2.1 trillion in Q2, up from a multi-year quarterly low of Rs 1.0 trillion in Q1, driven by an all-time high issuance by banks at Rs 539 billion. NBFC issuances also remained strong at Rs 1.1 trillion.

With overall bond issuances at Rs 3.3 trillion in H1 and anticipated bond issuances of Rs 3.7–4.2 trillion in H2, the overall domestic bond issuances are expected to be at Rs 7.0-7.5 trillion. This will represent a growth of 4-11% over issuances of Rs 6.8 trillion in FY22.

Even though policy tightening by the RBI is likely to continue, the magnitude of incremental hikes may be less than hikes since May 2022. ICRA anticipates incremental policy rate hikes until December 2022 with an increase of 25–35 basis points followed by a hiatus. Furthermore, with a big government borrowing programme and an incremental rate hike of 25–35 basis points, 10-year G-Sec rates are projected to harden to 7.7% in the short term and remain between 7.3% and 7.7% in the long term.

Source: https://www.financialexpress.com/market/ecb-approvals-fall-24-in-april-august/2805051/

- **GSTN included in financial information providers list under Account Aggregator framework**

The Reserve Bank on Wednesday said the Goods and Services Tax Network (GSTN) has been included in the list of financial information providers under the Account Aggregator framework to facilitate cash flow-based lending to MSMEs. An Account Aggregator (AA) is a type of RBI-regulated entity (with an NBFC-AA license) that helps an individual securely and digitally access and share information from one financial institution they have an account with to any other regulated financial institution in the AA network.

"Department of Revenue shall be the regulator of GSTN for this specific purpose and Goods and Services Tax (GST) Returns, viz. Form GSTR-1 and Form GSTR-3B, shall be the financial information," the Reserve Bank said in a circular.

The list of financial information providers includes banks, non-banking financial companies, asset management companies, depository, depository participants, insurance companies, and pension funds.

Source: https://economictimes.indiatimes.com/news/economy/policy/gstn-included-in-financial-information-providers-list-under-account-aggregator-framework/articleshow/95720790.cms

- **An NBFC & other largecap stocks that have potential to gain up to 30%**

Earning season for Q2 results has thrown many surprises, especially from large cap companies which were able to manage their costs well. A number of stocks have seen an improvement in score rating due to improvement in the earning component of rating score. This improvement has come at a time when markets have volatile which is considered as an indication of a possible bullish phase ahead.

Below is the list containing stocks which in the past one week have given positive stock returns; had their latest average SR+ score of minimum 7, which also improved by at least 1 point week on week; had a minimum of 9 analysts recommending the stock with a rating of "Strong Buy" or "Buy"; and had a positive upside potential in coming 1-year period according to the mean price targets given by all the analysts covering the individual stocks.

ET screener powered by Refinitiv's Stock Report Plus applies different algorithms & filters to all BSE and NSE stocks, and lists down stocks which fulfill the various criteria as specified into the algorithms & filters.

Source: https://economictimes.indiatimes.com/markets/stocks/news/a-nbfc-promoted-by-a-infra-to-software-conglomerate-along-with-other-large-caps-space-that-have-an-potential-to-gain-up-to-30/articleshow/95420519.cms

- **NBFCs, corporate, personal loans drive credit growth**

Gross bank credit rose nearly 18% Y-o-Y to nearly Rs 129 trillion as on October 21, the Reserve Bank of India's latest data on the credit growth showed. Loans to MSMEs and retail via NBFCs, home loans and large corporate accounted for a big chunk of the credit growth.

Personal loans rose 20.2% YoY, loans to industry grew nearly 14% and loans to the services sector increased nearly 23%.

The credit growth is likely to continue to be in double digits in FY23, led by the growth in personal loans and working capital loans to corporates, say analysts. "The medium-term prospects (credit growth) look promising with diminished corporate stress and a substantial buffer for provisions. However, inflation remains a key risk," CareEdge said in a report. "Even as the RBI has managed domestic inflation to some extent, global inflation has remained high despite hawkish policies. This may lead to demand issues globally causing second-order effects in India."

Bank loans to non-banking financial companies (NBFCs) rose 38% year-on-year as of October 21, as NBFCs continued to find banks' interest rates more favorable than the rates offered by the capital market, RBI data showed.

"After the liquidity crisis, the capital market has cut its exposure to NBFCs significantly and its has continued to do so during Covid, too. Since the capital market is not taking exposure to NBFCs, banks are stepping up," Jindal Haria, financial institutions director, India Ratings, said.

Source: https://www.financialexpress.com/industry/banking-finance/nbfcs-corporate-personal-loans-drive-credit-growth/2897206/

TOP INSURANCE NEWS

- **Irdai asks insurers to leverage professional registry when issuing indemnity cover**

The Insurance Regulatory and Development Authority of India (Irdail) has advised all general and health insurers to consider capturing or collecting healthcare professional (HPR) ID as a verification to validate and authenticate medical practitioners while issuing, renewing policies for medical malpractice under professional Indemnity cover.

According to the Irdai circular issued on 22 November under the Ayushman Bharat Digital Mission adoption by doctors, "Under HPR, a HPR ID will be created via Aadhaar or other KYC, along with the medical qualifications of the medical professional which is verified by their respective State Medical Councils. This HPID serves as a unique ID to the medical practitioners to enable connection with all stakeholders of healthcare ecosystem. Therefore, in order to make the best use of the registry all the General and Health Insurers are advised that they can also consider leveraging on the Health Professional Registry for building up the network of doctors or physicians or other healthcare professionals for providing OPD or other healthcare services."

Source: https://www.livemint.com/insurance/news/irdai-asks-insurers-to-leverage-professional-registry-when-issuing-indemnity-cover-11669195179566.html

- **General, health insurers face a single management expense limit**

The Insurance Regulatory and Development Authority of India (IRDAI) has proposed a single management expense limit of 30% of gross premium written in a financial year in the case of general insurers and 35% for standalone health insurers.

Currently, there are segmental and sub-segmental management limits for insurers.

The draft IRDAI (Expenses of Management of Insurers Transacting General or Health Insurance Business) Regulations, 2022, has proposed the insertion of a single limit of 'Expenses of Management' and additional allowances towards the rural sector and government welfare-oriented schemes; also for expenses towards 'insurtech' and 'insurance awareness'.

It also proposed that there should be no variable pay for managing directors, chief executive officers, whole-time directors and key management persons for the financial year in which the actual expenses exceed the projected expenses by more than 10%.

In another exposure draft on expenses of management in the case of life insurers, IRDAI has suggested the introduction of an objective clause to give flexibility to the insurers to manage their expenses within overall limits based on their on their gross written premium.

Source: https://economictimes.indiatimes.com/industry/banking/finance/insure/general-health-insurers-face-a-single-management-expense-limit/articleshow/95723899.cms

- **Use HPR to build network of doctors for healtchare services: Irdai to insurers**

Irdai has asked insurers to leverage the Health Professional Registry to build a network of doctors or other healthcare professionals for providing OPD and other health services. As part of the Ayushman Bharat Digital Mission, National Health Authority (NHA) has incorporated a Healthcare Professional Registry (HPR), a comprehensive repository of registered and verified practitioners of healthcare professionals, delivering modern as well as traditional healthcare services across India.

"The General and Health Insurers offering health insurance policies can also consider leveraging on the Health Professional Registry for building up the network of doctors/ physicians or other healthcare professionals for providing OPD or other healthcare services," Irdai said in a circular.

It further said the general insurers are advised to consider capturing HPR ID as verification to validate/authenticate the medical practitioners while issuing or renewing policies for medical practitioners while issuing or renewing policies for medical malpractice under professional indemnity cover.

Source: https://economictimes.indiatimes.com/industry/banking/finance/insure/use-hpr-to-build-network-of-doctors-for-healtchare-services-irdai-to-insurers/articleshow/95715739.cms

- **IRDAI's proposals may limit setting-up of new insurance companies**

Insurance Regulatory and Development Authority of India's (IRDAI) proposed registration regulations may limit the number of new insurance companies being set up, as they specify certain restrictions on PE Funds and Non-Operative Financial Holding Companies (NOFHCs) to promote an insurance company, say industry experts.

IRDAI, on October 13, 2022, released an exposure draft for the Registration of New Insurance Companies. It will replace the existing IRDA (Registration of Indian Insurance Companies) Regulations, 2000 ("Registration Regulations") once it gets notified. The draft is expected to bring much-needed clarity on different requirements for a new insurance licence such as shareholder lock-in periods, clarifying the number of insurance companies one investor can invest in, the manner in which Private Equity funds can invest in insurance companies, promoter requirements etc.

For example, experts say the regulator has proposed a few restrictions on Private Equity funds in case they wish to be a promoter in an insurance company. For example, even SEBI-registered PE funds can now no longer promote an insurance company, unless they complete 10 years of operations, raise at least $500 million and have invested in the financial sector in the past.

Source: https://www.businesstoday.in/personal-finance/insurance/story/irdais-proposals-may-limit-setting-up-of-new-insurance-companies-heres-how-352441-2022-11-10

- **The path to data maturity in the insurance industry**

The role of insurance companies in the modern world has rapidly expanded in recent years. Insurers now take on a vastly greater scope of responsibility, covering an enormous array of verticals. This growth, however, has been accompanied by its own set of challenges. The shift to digital and the growing importance of analytical inputs have only exacerbated these issues, driven by increased competition and heightened customer expectations. Today, these are the insurance industry's most frequently encountered challenges.

As with so many other industries, the digital revolution has had a profoundly disruptive effect on the insurance industry. The greatest evidence of this is seen in the increased importance of advanced analytics. Through the introduction of advanced technologies such as artificial intelligence (AI) and machine learning (ML), many key processes in the traditional insurance process can now be fully automated. In fact, common activities such as policy issuance, renewals, and updates, no longer require any human intervention at all. Analytics can aid in more intensive aspects of the process, such as damage assessment, increasing the efficiency and effectiveness of insurance agents. As these processes continue to evolve, agents will be able to take on even more complex roles.

Source: https://www.financialexpress.com/money/insurance/the-path-to-data-maturity-in-the-insurance-industry/2886205/

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  Source: https://www.livemint.com/insurance/news/irdai-asks-insurers-to-leverage-professional-registry-when-issuing-indemnity-cover-11669195179566.html

- **IRDAI makes 'path-breaking reforms'! Banks can now sell up to 9 insurance policies, promoters can dilute up to 26 per cent stake**

  With an aim to provide wider choice and affordability to policyholders, the Insurance Regulatory and Development Authority of India (IRDAI) in its 120th board meeting on Friday approved several proposals such as increasing the maximum number of tie-ups for corporate agents and Insurance Marketing Firms (IMF) to 9 (earlier 3) and 6 insurers (earlier 2 insurers) each, permitting direct investment by private equity funds into insurance companies, dilution of promoter stake up to 26 per cent and allowing insurance companies to raise alternative investments like subordinated debt and preference shares without any prior approval.

  Bhargav Dasgupta, MD & CEO of ICICI Lombard General Insurance Company said, "These are path-breaking reforms that will improve ease of doing business, free up distribution models, encourage customer centric innovations and make the sector attractive for investment. The regulator has addressed a number of long pending issues of the industry in one stroke! The vision of the regulator to ensure Insurance for all is truly inspirational and these reforms will go a long way in achieving that objective".

  Welcoming the changes, the industry veteran Kamesh Goyal, Chairman, Go Digit General Insurance, said, "The new proposals approved by the IRDAI in the 120th Board Meeting is a watershed moment and will surely mark a new era for the insurance industry. Increasing the tie-up limits for corporate agents and insurance marketing firms to nine and six insurers each respectively for life, general and health insurers will give policyholders a wider choice of opting for innovative products offered by insurers and aid in the government and IRDAI's vision of accelerating insurance penetration in the country."

  Source: https://www.businesstoday.in/personal-finance/insurance/story/irdai-makes-path-breaking-reforms-banks-can-now-sell-up-to-9-insurance-policies-promoters-can-dilute-up-to-26-per-cent-stake-354296-2022-11-26

- **IRDAI 11-point reforms aim to achieve the mission of 'Insurance for all by 2047'**

  With a mission of "Insurance for all by 2047" and the aim of increasing the insurance penetration in the country, the reforms recently announced by the Insurance Regulatory and Development Authority of India (IRDAI) would help in bolstering the ease of doing business and will aid in making the sector more investment- friendly.

Moreover, the relaxation of solvency norms for general and life insurers would also free up some significant capital for insurance. This will not only help the entire insurance ecosystem to grow rapidly, but also eventually give headway to insurers to invest in the right strategies.

"The increase in the number of tie-ups limits for Corporate Agents (CA) from 3 insurers to 9 and Insurance Marketing firms (IMA) from 2 to 6 will help in providing a wider gamut of affordability to the policyholders and help them come out with better customer centric innovations. The relaxation will also bolster competition, which will further enable corporate agents (CA) to sell more user-friendly products and services," said Hanut Mehta, Founder & CEO – Bima Pay.

Source: https://www.financialexpress.com/money/insurance/irdai-11-point-reforms-aim-to-achieve-the-mission-of-insurance-for-all-by-2047/2896431/

TOP CORPORATE BOND MARKET NEWS

- **Bond yields rise as recent price rally seen overdone**

  Indian government bond yields rose on Monday after opening lower on the back of lower oil prices as a recent rally in bond prices was seen overdone, dealers said.

  The benchmark Indian 10-year government bond yield ended higher at 7.3201% on Monday, after closing at 7.3077% on Friday. The yield touched an intraday low of 7.2794%.

  The yields reached an intraday high of nearly 7.50% on Nov. 4 and have been on a downward trajectory since then.

  The decline in oil prices should support bond prices but we have seen selling pressure as traders felt that the rally was overdone, a treasury head at a state-owned bank said.

  Crude oil prices fell for the third consecutive session on Monday on concerns about weakened demand in China and further U.S. interest rate hikes. The movement in oil prices has a direct imp act on local inflation as India is one of the largest importers of the commodity.

  Source: https://economictimes.indiatimes.com/markets/bonds/bond-yields-rise-as-recent-price-rally-seen-overdone/articleshow/95661615.cms

- **Sterling, UK bond prices edge lower as Hunt outlines tough budget**

  Sterling and government bond prices fell on Thursday after British finance minister Jeremy Hunt announced a string of tax increases and tighter public spending in a tough budget plan.

  Losses in the bond market were modest and overall, UK markets appeared relatively calm in comparison to the sharp selloff triggered by a short-lived "mini-budget" on Sept. 23

  British banking stocks rallied, while shares in the power sector came under pressure after Hunt announced a windfall tax on oil and gas firms and extended it to power generation firms.

  "Today's Autumn Statement has painted a bleak picture for the UK... Markets originally reacted well to the steady hand of Jeremy Hunt," said Marcus Brookes, chief investment officer at Quilter Investors in London.

  "They will continue to give him the benefit of the doubt and see the impact of this plan, however, there is also a chance that they see this as an overcorrection and that the measures could stifle what economic growth was present."

  Britain's economy is forecast to shrink next year, Hunt said. He added that Britain will bring down its government debt as a percentage of economic output within five years under a new fiscal rule.

  Source: https://economictimes.indiatimes.com/markets/bonds/sterling-uk-bond-prices-edge-lower-as-hunt-outlines-tough-budget/articleshow/95584487.cms

- **Rising interest rates to mute bond issuance this fiscal: Report**

  Corporate bond issuance is likely to remain muted witnessing 4-5 per cent growth this fiscal to touch Rs 41.42 lakh crore on rising coupon rates, despite the drawdown more than doubling in the second quarter, a report said.

  Bond sales more than doubled to Rs 2.1 lakh crore in the second quarter from the first quarter, when it was at a multi-year quarterly low of Rs 1 lakh crore, as banks issued bonds worth an all-time high of Rs 53,900 crore, and NBFCs, traditionally largest players in the market, issuing securities worth Rs 1.1 lakh crore in Q2, according to an analysis by Icra Ratings.

  Non-banking lenders have remained the largest issuers of bonds with a share of 47 per cent in the first half, followed by corporates and banks at 33 and 20 per cent, respectively, down from 50, 40 and 10 per cent, respectively from H1FY22, according to the report.

Thanks to bumper sales in Q2, the overall bond issuances rose to Rs 3.3 lakh crore in the first half, and the agency expects Rs 3.7-4.2 lakh crore sales in H2 FY23, marginally higher than the year-ago period, taking the volume of outstanding bonds to Rs 41-42 lakh crore by March 2023. However, this translates into a muted on-year growth of just 4-5 per cent, net of redemptions, with the incremental issuance rising by Rs 7-7.5 lakh crore, up from Rs 6.8 lakh crore in FY22.

The agency attributes the muted volume growth to the rising interest rate regime, which will force issuers to offer higher coupon rates/ higher yields which may lead to increased appetite for investors.

Source: https://www.moneycontrol.com/news/business/markets/rising-interest-rates-to-mute-bond-issuance-this-fiscal-report-9512681.html

- **Bond yields steady as market awaits US Fed minutes**

India's government bond yields were largely unchanged on Wednesday, with market participants avoiding large positions ahead of the minutes of the U.S. Federal Reserve's last meeting, which is due later in the day.

The benchmark 10-year government bond yield ended at 7.2910% versus its close of 7.2852% on Tuesday. "Enough Fed governors have given hawkish comments over the past few days. The market knows that the rate hike cycle is not going to stop," said Dwijendra Srivastava, chief investment officer-debt at Sundaram Mutual Fund.

"But what we are looking for from Fed minutes are the cues for where future interest rates are going to be. I think the momentum of Fed rate hikes will slow down as we are seeing with most other central banks as well," he added.

Fed has raised rates by 75 basis points (bps) in its last four meetings but slowing inflation in the U.S. has eased fears of more aggressive rate hikes going ahead.

Market activity in India was largely sluggish as most investors refrained from taking large positions and remained on the sidelines, a trader with a private bank said.

A fund manager at Axis Mutual Fund has recommended investors with a shorter duration horizon opt for two-to-three-year bonds in the near term as risks at the longer end persist.

Source: https://economictimes.indiatimes.com/markets/bonds/bond-yields-steady-as-market-awaits-us-fed-minutes/articleshow/95713587.cms

- **'Corporate bond markets need to be more accessible to lower-rated borrowers'**

RBI Deputy Governor Rabi Sankar says retail participation in corporate bonds remains low

To further develop corporate bond markets, stakeholders' should make concerted efforts on improving complementary — repo and derivative — markets, diversify the investor base, both domestic and global, and improve access of borrowers at the lower end of the credit spectrum, according to Reserve Bank of India Deputy Governor T Rabi Sankar.

Sankar emphasised that the corporate bond market largely meets the needs of highly rated corporates. Lower rated corporates have limited access to the corporate bond market for mobilising resources.

Referring to SEBI data, the Deputy Governor said in FY 2021-22, ratings were assigned to 1,235 corporate debt securities amounting to ₹22.55-lakh crore. Of these, 278 or 22.5 per cent were rated "AAA" and 358 or 29 per cent were rated "AA". Only 66 issuances or 5.3 per cent of issuances were non-investment grade.

Source: https://www.thehindubusinessline.com/money-and-banking/concerted-efforts-needed-to-improve-lower-rated-borrowers-access-to-corporate-bond-markets-rbi-dy-guv-rabi-sankar/article65806232.ece

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Department of Banking & Financial Services Upcoming Programme

ASSOCHAM 6th National Summit Insolvency & Bankruptcy Code	3rd December 2022
ASSOCHAM 2nd Green Investment & Sustainability Summit	13th-14th December 2022
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