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ASSOCHAM
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MONTHLY Banking, Financial Services & Insurance (BFSI) E-Bulletin

THE ASSOCIATED CHAMBERS OF COMMERCE AND INDUSTRY OF INDIA

DEPARTMENT OF BANKING & FINANCIAL SERVICES

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- **Revenue Optimization:** Review your products' current pricing, products mix, new markets, new geographies, free trade agreements, digital sales channels, etc.
- **Review procurement costs:** The material costs for most manufacturing companies could range from 30% to 60% of total costs. The extreme price fluctuations, efficient procurement management and use of technology can result in substantial cost savings. This could include Spend reduction through pricing, vendor management, substituting local procurement with imports and vice versa, e-procurement and e-tendering, long term agreements vs. spot buying, bulk discounts and so on.
- **Review Logistics and Distribution Costs:** The logistics and distribution costs for most manufacturing organizations range from 10% to 30% of the total costs. The review of inbound and outbound freight and warehousing operations, export and import management (goods movement), selection of proper mode of transport, selection of proper fleet for transport, logistics partners, secondary / last mile distribution of goods to end customer and related costs, impact on inventory and so can result in significant cost savings and operational efficiency.
- **Leveraging Technology and Automation:** The use of BOTs for automating repetitive processes, data analytics to gain insights, ROBOTs for substitution of manual tasks, digital marketing, e-sales channels and so on has presented unimaginable opportunities for driving down costs and improving operations.

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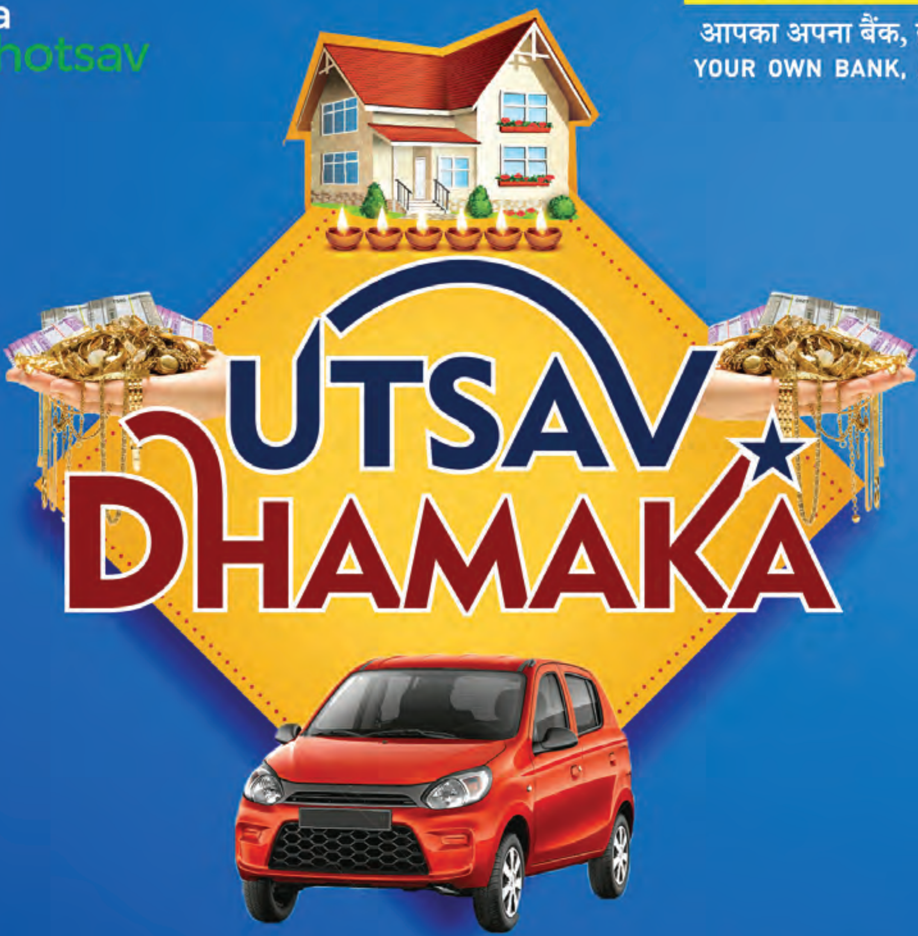

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TOP SPEECHES

Fabio Panetta: The digital euro and the evolution of the financial system

Mr Fabio Panetta, Member of the Executive Board of the European Central Bank, at the Committee on Economic and Monetary Affairs of the European Parliament, Brussels, 15 June 2022

I am pleased to join you here today to discuss the progress we have made in our digital euro project.

A digital euro would enable Europeans to use public money for digital payments throughout the euro area – just like they can use cash for physical payments. Bringing central bank money into the digital era is a logical step as payments become increasingly digitalised. And this is critical for two main reasons.

First, we need to preserve the role of public money as the anchor of the payments system to ensure the smooth coexistence, the convertibility and the complementarity of the various forms that money takes. A strong anchor is needed to protect the singleness of money, monetary sovereignty, and the integrity of the financial system.

Second, a digital euro would contribute to our strategic autonomy and economic efficiency by offering a European means of payment that could be used for any digital payment, would meet Europe's societal objectives, and would be based on a European infrastructure.

We will design the digital euro in a way that makes it attractive to users, who would like to use it to pay anywhere.

As for implementation, we are working to minimise the time to market, costs, risks and ecological footprint associated with the digital euro.

The digital euro and the evolution of the financial system

As we explore the design of the digital euro, we are not only looking at the payments landscape of today – we are in fact also considering how it might evolve in the future. central bank money would lose its key role in payments, and it would not be possible to ensure the complementarity and convertibility of public and private money. The entire monetary and financial sector would be deprived of its anchor – central bank money – and would be exposed to potential instability.

It is also conceivable that non-European digital payment solutions and technologies operated abroad might dominate our payments market, as we are already seeing in some segments like cards and online payments. This risk would be exacerbated by the expansion of means of payment offered by big techs, which could use their very large customer base to their advantage. This would raise questions about our autonomy and privacy in payments. It could even endanger European sovereignty.

Moreover, the international monetary system may see the emergence of central bank digital currencies (CBDCs) in large economies. And if we don't act, we will also see increasing confusion about digital money. Crypto assets are a case in point. Unbacked crypto-assets, for example, cannot perform the functions of money. They are neither stable nor scalable.

Protecting the stability of the financial system

For the digital euro to play this role, we need to carefully evaluate its potential impact on monetary policy, financial stability and the provision of services by financial intermediaries.

Deposits represent the main source of funding for euro area banks today. Two "dynamic" factors must be taken into account when drawing up the initial parameters for limiting or disincentivizing holdings of digital euro for investment purposes.

First, the adoption of the new digital currency by citizens will be gradual; it would likely take several years before a majority hold digital euro.

Second, it may be wise to err on the side of caution when calibrating these tools and then adjust based on experience and the take-up of the digital euro over time. At the same time, when designing the tools, we will aim for simplicity, in terms of both technical implementation and user experience. We want to provide people with a product that is easy to understand and easy to use.

Contributing to an efficient European monetary and payment system

Not only would ensuring the wide accessibility and usability of public money for digital retail payments throughout the euro area help maintain the integrity and stability of our financial system.

A digital euro would play a role in strengthening the strategic autonomy and resilience of the euro retail payments market. This would also allow us to respond to possible disruptions to the flow of euro payments caused by the materialisation of geopolitical risks.

The issuance of a digital euro would support European sovereignty and stability in two ways: first, by contributing to the development of European-governed payment services; and second, by promoting a resilient ecosystem for euro retail payments.

Conclusion

We are designing a digital euro that would make central bank money usable for digital payments, giving Europeans a digital means of payment that they can use throughout the euro area for their everyday payments and supporting Europe's societal objectives.

1) The focus groups suggested that people see the ability to "pay anywhere" as the most important feature of a new digital payment instrument.

2) A digital economy is driven by network effects and digital money is a network good. This means that the more people hold and use the digital euro, the more attractive and valuable it would become to other users

3) Legislative changes to the current regulatory framework for anti-money laundering

and countering the financing of terrorism would be needed to enable high levels of privacy beyond the baseline scenario for lower-risk digital euro payments – namely simplified due diligence for low-value online transactions and exemption of low-value proximity payments from monitoring.

4) Consumers are already increasingly turning to non-cash payments

5) We are accustomed to using private and public forms of money interchangeably. Euro banknotes and coins are legal tender in the euro area, and cash is the only form of public money to which everyone can have direct access.

6) In particular, it would be important for stablecoins with an algorithm-based stabilisation mechanism to be treated as crypto-assets other than e-money tokens (EMTs) and asset-referenced tokens (ARTs), and they should not be used for payment purposes

7) A retail CBDC remuneration rate is an interest rate applicable to retail CBDC holdings. Remuneration is considered tiered if interest rates applicable to holdings are differentiated across holding buckets defined using thresholds

8) The design of a digital euro would likely include a combination of tools, even if not all are necessarily activated at the time of issuance

9) Individual banks can respond to outflows in a number of ways in the short term, for instance by (i) using the bank's existing central bank excess reserves that it holds on to its balance sheet, thus reducing its holding of excess reserves.

Source: https://www.bis.org/review/r220616a.pdf

Shri M. Rajeshwar: Building a future-ready banking system

Shri M. Rajeshwar, Deputy Governor of the Reserve Bank of India, at the Indian Merchant's Chamber's (IMC) 12th Annual Banking & Finance Conference, Mumbai, 16 June 2022

Thank you for inviting me to deliver this inaugural address. This conference has been appropriately timed and quite aptly themed as we strive to come out of the debilitating impact of the pandemic. While some parts of the country are witnessing a rise in infections, the vaccines seem to have reduced its impact and infections are not as severe as they were previously. Hopefully, going forward we would be able to go on with our lives even as a new normal has dawned. Building a resilient financial system is a matter of collective effort and this has been a critical learning from the pandemic and other crises. Against this backdrop, let me reflect on the strengths and challenges for the financial sector as we keep up our efforts to recalibrate a sustainable growth path.

The outbreak of COVID saw Governments across the globe impose unprecedented lockdowns because it was considered necessary to contain the spread of the virus. The consequential economic impact led to widespread downward revisions in GDP projections with some countries, including ours, experiencing GDP contraction, last heard of during the fallout of 2008 Global Financial Crisis (GFC). Evolving conditions in the Russia-Ukraine conflict, increase in the prices of crude oil, food grains and other commodities, along with rising inflation have just compounded these challenges.

Policy Response to COVID in India

While we all are aware about the monetary policy measures and liquidity support to the banking system along with targeted operations aimed towards supporting NBFCs, MSMEs, MFIs, among others, let me focus a bit on the levers of the prudential regulations which became enablers for extending relief to a large spectrum of individuals, small business, and industries.

Challenges

In implementing these resolution frameworks, banks encountered several challenges. While establishing the viability of the borrower itself was a challenge under the circumstances, managing the expectations was equally tough. The expectations were multifarious given the widespread economic pain caused by the pandemic.

Some of the representations made at that time were to:

- Extend the moratorium beyond August 31, 2020
- Waive off interest/ interest on interest during the moratorium period

- Permit moratorium for all accounts, instead of being at the discretion of the lenders
- Restructure all impacted accounts unconditionally
- Include all Standard accounts for resolution under the frameworks besides NPA accounts and not just the accounts overdue for less than 30 days
- Customize the framework to address sector-specific issues such as real estate, hospitality, other contact intensive sectors, etc
- Modify Kamath Committee recommendations relating to financial parameters as they were perceived to be onerous and impractical to achieve.

From a regulatory perspective, the response was dovetailed to address the specific challenges unique to the economic fallout of the pandemic.

It also needs to be appreciated that the RBI guidelines on moratorium and Resolution Frameworks were discretionary and not mandatory for the lenders as well as the borrowers. The lending institutions were permitted to extend the moratorium to any borrower/ class of borrower in a transparent manner based on their Board approved policies.

Outcomes

As a result of the co-ordinated efforts of the Reserve Bank and Government, in 2021-22, the year on year (YOY) growth in SCBs' credit gathered steam. The success of regulatory interventions, provision of ample banking system liquidity, coupled with the government's efforts to boost credit demand conditions in the economy was reflected by credit offtake in various sectors.

The preliminary assessment of health of the banking sector is encouraging. The restructured portfolio of banks as a percentage of total advances had expanded significantly post September' 2020 owing to restructuring of accounts undertaken in view of the Resolution Frameworks announced by RBI. However, the situation seems to be gradually stabilising.

The asset quality of the banks has improved and the GNPA and NNPA levels of the banks have improved from the pre-pandemic levels.

The banks have also facilitated timely credit offtake to catalyse the economic recovery. Needless to mention the ECLGS scheme rolled out by the Government too effectively dovetailed with the overall efforts in mitigating the risk aversion amongst the lending institutions.

The way forward

As a regulator, we still have miles to go before we sleep and therefore, continue to contemplate and roll out measures to improve the resilience of financial sector through planned and calibrated regulatory interventions.

One of the key lessons which we can draw from our Covid experience is that the effectiveness of any policy response in crisis situations is critically dependent on the strength of the financial sector balance sheet.

The Discussion Paper (DP) proposes radical changes which are designed to give greater flexibility to banks in the management of their investment portfolio while addressing concerns through enhanced disclosure

Another issue that is engaging our attention is the framework for provisioning on loan exposures. Currently, banks operating in India are required to make loan loss provisions on incurred loss model, wherein provisions are made after occurrence of default.

This also meant that recognition and crystallisation of credit risk usually lags the actual increase in credit risk for the banks.

However, banks in India follow the "incurred loss" approach for loan loss provisioning, while the bigger non-banking financial companies (NBFCs) are following the more forward looking "expected credit loss" approach for estimating credit losses.

Concluding Remarks

The last two years have been tough on everyone but as individuals and a nation we have exhibited resilience and fought our way back. As we slowly step 13 into the post pandemic world, we must strive to be ahead of the curve in designing and nurturing a financial system that is resilient and sustainable.

As a closing thought I would like to leave you with a quote by Nelson Mandela: "The Greatest Glory in living lies not in never falling, but in rising every time we fall" And indeed, we shall rise strong. Wishing you all the very best! Thank you.

Source: https://www.rbi.org.in/Scripts/BS SpeechesView.aspx?Id=1193

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

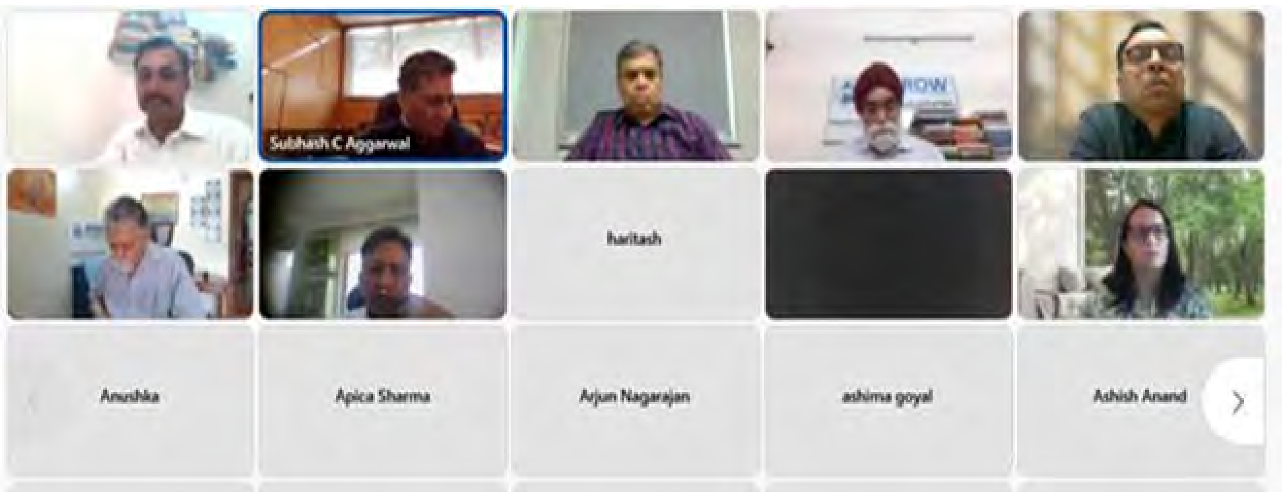
Shadow Monetary Policy Committee Meeting "Discussion On Monetary Policy"
Friday, 03rd June 2022 (04:00PM - 05:00 PM)

Key Takeaways

- Energy prices are likely to remain elevated due to oil and gas market specific factors, particularly sanctions on Russia.
- Global slowdown is likely to bring down commodity prices, industrial inputs, and consumer goods.
- Inflation is a supply side issue and could be transitory.
- Green shoots in post-Covid recovery needs to be supported.
- It is important to account for the impact on equity flows on the interest rate hike.
- Use of CRR instrument may best be avoided or used later.
- Going forward, RBI should target a real Repo rate ranging between -1 and 0.

Recommendation made during the session:-

- **Repo rate**
  - Increase by 25bps-2
  - Increase by 10-25bps-1
  - Increase by 35-40bps-1
  - Increase by more than 40 bps-1
- **Stance**
  - Accommodative to neutral-8
- **Repo rate**
  - Increase by 20-40bps- 2
  - Increase by more than 40 bps-1
- **Stance**
  - Accommodative to neutral -1
  - No stance - 2



TOP BANKING NEWS

- **Standard Chartered looks to sell distressed loan portfolio worth $1.6 billion**

  Standard Chartered Bank's India operation is seeking buyers for its $1.6 billion distressed loan portfolio comprising corporate debt in an effort to clean up its books, said two people aware of the development.

  Standard Chartered (StanChart) circulated a 'teaser note' inviting bids for the ₹12,500 crore portfolio. It's one of the largest non-performing assets (NPA) pools being sold as a single block by any bank in recent times

  Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/standard-chartered-looks-to-sell-distressed-loan-portfolio-worth-1-6-billion/articleshow/92373513.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **Banks hike deposit rates to woo savers**

  Banks are increasing deposit rates to attract savers, as they seek to raise funds to meet growing credit demand despite higher lending rates, and with the new spike in Covid-19 infections having little impact on economic activities.

  State Bank of India, the country's largest lender, last week increased the retail rate by 20 basis points, or 0.2 percentage point, for fixed deposits of less than two years.

  Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/banks-hike-deposit-rates-to-woo-savers/articleshow/92422865.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **RBI taps top banks including HDFC, ICICI, SBI for blockchain-based trade financing project**

  HDFC bank, ICICI Bank and State Bank of India are among nearly a dozen top lenders the central bank is engaging with to run a blockchain-based pilot project centred on trade financing. If successful, it could help prevent loan frauds by the likes of Nirav Modi and Mehul Choksi, fugitive borrowers that gamed the system to siphon off thousands of crores of rupees.

  Belgium-based Settle Mint, US-based Corda Technologies and IBM would provide technology support for the project driven by the Reserve Bank of India's (RBI) Innovation Hub in Bangalore, three people familiar with the matter told ET. Axis Bank, Bank of Baroda and Union Bank of India are also involved.

  Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/rbi-taps-top-banks-including-hdfc-icici-sbi-for-blockchain-based-trade-financing-project/articleshow/92401864.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **Banks to move government on TDS on loan waivers**

  Banks will soon move the government as they find themselves caught in the tax net while settling and rejigging loans to give distressed borrowers a second chance. Slices of loans waived to lessen the strain on defaulting borrowers are being interpreted as 'benefits' that lenders are passing on to borrowers under the new provisions the government has come out on tax deducted at source (TDS).

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/banks-to-move-government-on-tds-on-loan-waivers/articleshow/92477573.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **Finance Ministry asks banks to explore fintech partnership, co-lending opportunities**

  The Finance Ministry has asked public sector banks to explore fintech partnerships and co-lending opportunities to expand their business. In the recently concluded performance review of PSBs by the Finance Ministry, sources said, lenders were asked to focus on technology and data analytics to push their lending.

  The ministry also urged the heads of the public sector lenders to strengthen IT security systems and cybersecurity to check fraud. According to the sources, banks were asked to sanction loans for productive sectors to accelerate the revival of the economy facing headwinds, including the Russia-Ukraine war.

  Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/finance-ministry-asks-banks-to-explore-fintech-partnership-co-lending-opportunities/articleshow/92468450.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **SBI, HDFC Bank, ICICI Bank acquire 9.54% stake each in Perfios Account Aggregation Service**

  State Bank of India, HDFC Bank and ICICI Bank on Tuesday acquired a 9.54 per cent stake each in Perfios Account Aggregation Services Private Limited (Perfios AA).These banks acquired 8,05,520 equity shares each by paying Rs 4.03 crore each for the stakes. The lenders bought the shares at a price of Rs 50 apiece, according to regulatory filings. Both the banks disclosed that they or their associates or subsidiaries, in the normal course of business, may have business dealings with Perfios AA at an arm's length.

  Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/sbi-icici-bank-acquires-9-54-stake-each-in-perfios-account-aggregation-services/articleshow/92526628.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **ED traces Rs 2,317 crore as 'proceeds of crime' in Yes Bank-DHFL fraud**

  The Enforcement Directorate (ED) probing the Yes bank-DHFL scam told a local court that the agency has been able to trail Rs 2,317 crores as 'proceeds of crime' that the DHFL allegedly laundered in the guise of loan sanctioned to another Mumbai-based builder. This amount was the part of Rs 3,983 crore received by DHFL from the Yes Bank through NCDs.The agency suspects that the entire amount received by Yes Bank to DHFL has been laundered by the accused brothers Kapil and Dheeraj Wadhawan. Along with the Wadhawan brother, the promoter of Yes Bank, Rana Kapoor has been arrested in the said case.

  Source: https://economictimes.indiatimes.com/industry/banking/finance/rs-2317-loan-given-by-dhfl-to-radius-group-was-laundered-by-the-wadhawan-

brothers-ed-tells-court/articleshow/92525413.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **Indian banks to witness surge in margins in FY23: Moody's**

  Indian banks might witness growth in net interest margins (NIMs) in the current financial year (FY23), revealed a report by Moody's Investor Service. NIM is the difference between the interest income earned and the interest paid by a bank to its interest-earning assets.The widening of these margins can be attributed to recent interest rate hikes undertaken by the Reserve Bank of India (RBI) in order to tame inflation. In addition to that, higher policy rates and favourable funding structures might also contribute to the larger margins, the report said. This, in turn, will help to generate higher returns on assets or ROA

  Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/indian-banks-to-witness-surge-in-margins-in-fy23-moodys/articleshow/92493158.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **PSB Privatisation Bill may allow government complete exit**

  Government will likely introduce a bill in the upcoming monsoon session of Parliament to make amendments to facilitate the privatisation of state-run banks.The Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970, requires the central government to hold at least 51% of public sector banks. The earlier thinking was that Centre should retain at least 26% stake during privatisation and that this could be brought down gradually.

  Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/psb-privatisation-bill-may-allow-government-complete-exit/articleshow/92504388.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **Hardening yields to trigger mark-to-market losses for banks: RBI report**

  Banks are exposed to losses on trading as rising interest rates erode the value of their bond positions.

  Hardening of government bond yields in the face of additional borrowing could result in mark-to-market losses for banks, the central bank said in its Financial Stability Report.

  If banks' appetite to hold sovereign debt diminishes in such a scenario, it could trigger negative feedback. With the sovereign credit outlook deteriorating in several emerging markets, the relationship between sovereign debt holdings and bank balance sheets poses risks to macro-financial stability. When yields rise, prices fall.

  Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/hardening-yields-to-trigger-mark-to-market-losses-for-banks-rbi-report/articleshow/92581282.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **Bad loans of banks expected to decline further to 5.3% by March 2023: RBI report**

  The Reserve Bank on Thursday said the bad loans of banks are expected to further decline to 5.3 per cent of total advances by March 2023 from a six-year low on the back of growth in credit and declining trend in the stock of NPAs. However, it cautioned that the proportion of bad loans may increase if the macroeconomic environment worsens. Under the assumption of no further regulatory reliefs as well as without taking the potential impact of stressed asset purchases by NARCL into account, stress tests indicate that GNPA ratio of all SCBs may improve from 5.9 per cent in March 2022 to 5.3 per cent by March 2023 under the baseline scenario driven by higher expected bank credit growth and declining trend in the stock of GNPAs, among other factors," the RBI said.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/bad-loans-of-banks-expected-to-decline-further-to-5-3-by-march-2023-rbi-report/articleshow/92577937.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **Private sector banks aggressively lend to MSMEs, according to RBI's latest FSR**

Private sector banks are grabbing market share in the MSME lending aggressively as the PSU banks remain muted. Even in the use of government guarantees for the segment, private banks stole the march over the state-run banks. The number of fresh borrowers at 67.61 lakhs for private sector banks under the government's ECLGS scheme is three times the fresh borrowers attracted by public sector banks who managed only 22.65 lakh new borrowers. Private banks disbursed Rs 95700 crore compared to Rs 79800 crore disbursed by public sector banks, according to Reserve Bank's latest Financial Stability Report.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/private-sector-banks-aggressively-lend-to-msmes-according-to-rbis-latest-fsr/articleshow/92575485.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **RBI extends card tokenisation deadline by three months**

The Reserve Bank of India (RBI) on Friday announced the extension of the deadline for tokenisation of debit and credit cards by another three months to September 30, 2022. The RBI had earlier set a deadline of June 30, whereby merchants and payment aggregators had to delete all card details and replace it with tokens.The regulator said that industry stakeholders have highlighted some issues related to implementation of the framework in respect of guest checkout transactions. Also, number of transactions processed using tokens is yet to gain traction across all categories of merchants, it said. The regulator added that these issues were being dealt with in consultation with the stakeholders.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/rbi-extends-card-tokenisation-deadline-till-september-30-2022/articleshow/92438528.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **HSBC to relaunch India private banking business within a year – executive**

HSBC Holdings PLC plans to relaunch its India private banking business within a year, its India CEO told Reuters on Thursday, after the Asia-focused lender has identified the country as a key strategic market for growth.

HSBC exited the Indian private banking business in 2015 as part of a group strategy. The lucrative but very competitive Indian market has few foreign players in a segment catering to high-net-worth individuals. The London-headquartered bank is preparing to relaunch the business in India at a time when its increasing its focus on Asia, which is the biggest region in terms of its profit generation with Greater China and India among its main markets.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/hsbc-to-relaunch-india-private-banking-business-within-a-year-executive/articleshow/92577713.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **YES BANK launches floating rate fixed deposit for domestic customers**

YES BANK announced the launch of Floating Rate Fixed Deposit, a novel product offering for all domestic customers. The rate of interest on this fixed deposit (FD) will be linked to the prevailing Repo rate, allowing the customers of the bank to enjoy dynamic returns on their fixed deposits.

Floating Rate Fixed Deposit is a unique offering designed to benefit customers by enabling them with an asset class that offers the safety of a fixed deposit along with dynamic returns which are linked to the Repo rates published by the central bank. This floating rate FD can be availed for a tenure of 1 year to less than 3 years, as per the customer's preference.

There has been careful deliberation and thought behind the launch of this floating rate FD, and it is another step towards further enhancing our retail product offering

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/yes-bank-launches-floating-rate-fixed-deposit-for-domestic-customers/articleshow/92361460.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **Private sector banks aggressively lend to MSMEs, according to RBI's latest FSR**

Private sector banks are grabbing market share in the MSME lending aggressively as the PSU banks remain muted. Even in the use of government guarantees for the segment, private banks stole the march over the state-run banks. The number of fresh borrowers at 67.61 lakhs for private sector banks under the government's ECLGS scheme is three times the fresh borrowers attracted by public sector banks who managed only 22.65 lakh new borrowers. Private banks disbursed Rs 95700 crore compared to Rs 79800 crore disbursed by public sector banks, according to Reserve Bank's latest Financial Stabilty Report.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/private-sector-banks-aggressively-lend-to-msmes-according-to-rbis-latest-fsr/articleshow/92575485.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **Worst days over for South Indian Bank, slippages to fall, says MD Murali Ramakrishnan**

Private sector lender South Indian Bank is looking to restrict fresh slippages to Rs 1,600-1,700 crore this fiscal, compared with Rs 2,000 crore in FY22, despite setting a double-digit growth target in its loan books. We are no more vulnerable as we were at some point of time when our capital adequacy was very low, provision coverage ratio was low, bad loan ratios were high, skill levels were low. All those are behind us. We have gained stability but yes, there is scope for further improvement

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/worst-days-over-for-south-indian-bank-slippages-to-fall-says-md-murali-ramakrishnan/articleshow/92499040.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **S&P Global affirms ICICI Bank's long-term issuer credit rating 'BBB-' with stable outlook**

ICICI Bank will maintain its strong market position and market capitalisation over the next 12-18 months, S&P Global Ratings said on Monday, and affirmed its long-term issuer credit rating 'BBB-' with a stable outlook. The global ratings firm said the private sector lender is likely to sustain improvements in asset quality, supported by India's economic recovery and improved risk management.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/sp-global-affirms-icici-banks-long-term-issuer-credit-rating-bbb-with-stable-outlook/articleshow/92496357.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **Some UCBs fail in stress tests even in baseline: RBI's FSR Some**

Urban co-operative banks have failed in tests for four out of five parameters raising the risk to their ecosystem though not much on the overall financial system. Stress tests were conducted on a select set of UCBs to assess credit risk (default risk and concentration risk), market risk (interest rate risk in trading book and banking book) and liquidity risk, based on their reported financial positions as of March 2022.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/some-ucbs-fail-in-stress-tests-even-in-baseline-rbis-fsr/articleshow/92576997.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **Pvt banks more than triple their share in loans sanctioned to MSMEs**

Data shows that private sector banks in India more than tripled their share in loans sanctioned to small businesses in India in FY22. Public sector banks increased their share to 73% in FY21. When competition for credit picked up in FY22, the are of public banks lending to small segments dropped to 19.1%.Many private sector banks started cutting their exposure to small businesses when the pandemic broke out but with govt guarantees coming in and stress turning out to be less than expected, they sharply increased their market share in FY22.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/pvt-banks-more-than-triple-their-share-in-loans-sanctioned-to-msmes/articleshow/92484518.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

SELECT RBI CIRCULAR'S (JUNE 2022)

Circular Number	Date of Issue	Department	Subject	Meant For
RBI/2022-2023/78 DOR.STR. REC.51/21.04.048/ 2022-23	28.6.2022	Department of Regulation	Provisioning Requirement for Investment in Security Receipts (SRs)	All Primary (Urban) Co-operative Banks/State Co-operative Banks/ District Central Co-operative Banks All Local Area Banks and Regional Rural Banks All All-India Financial Institutions All Non-Banking Financial Companies
RBI/2022-2023/77 CO.DPSS.POLC.No.S-567/02-14-003/2022-23	24.6.2022	Department of Payment and Settlement Systems	Restriction on Storage of Actual Card Data [i.e. Card-on-File (CoF)]	All Payment System Providers and Payment System Participants
RBI/2022-2023/76 DOR.CRE.REC. No.49/09.22.010/2022-23	23.6.2022	Department of Regulation	Master Circular - Housing Finance for UCBs	All Primary (Urban) Co-operative Banks
RBI/2022-2023/75 DOR.AML. REC.50/14.06.001/ 2022-23	23.6.2022	Department of Regulation	Designation of 7 individuals as 'Terrorists' under Section 35 (1) (a) of the Unlawful Activities (Prevention) Act (UAPA), 1967 and their listing in the Schedule IV of the Act- Reg.	The Chairpersons/ CEOs of all the Regulated Entities
RBI/2022-2023/74 DoR.AUT.REC. No.48/24.01.041/2022-23	21.6.2022	Department of Regulation	Extension of timeline for implementation of certain provisions of Master Direction – Credit Card and Debit Card – Issuance and Conduct Directions, 2022	All Scheduled Banks (excluding Payments Banks/State Co-operative Banks and District Central Co-operative Banks) All Non-Banking Financial Companies (NBFCs)
RBI/2022-2023/73 CO.DPSS.POLC.No.S-518/02.14.003/2022-23	16.6.2022	Department of Payment and Settlement Systems	Processing of e-mandates for recurring transactions	The Chairman / Managing Director / Chief Executive Officer All Scheduled Commercial Banks, including Regional Rural Banks / Urban Co-operative Banks / State Co-operative Banks / District Central Co-operative Banks / Payments Banks / Small Finance Banks / Local Area Banks / Non-bank Prepaid Payment Instrument Issuers / Authorised Card Payment Networks / National Payments Corporation of India
RBI/2022-2023/72 IDMD.CDD. No.S789/14.04.050/ 2022-23	16.6.2022	Internal Debt Management Department	Sovereign Gold Bond (SGB) Scheme 2022-23	Scheduled Commercial Banks (as per the list attached), Designated Post Offices (as per the list attached) Stock Holding Corporation of India Ltd. National Stock Exchange of India Ltd, Bombay Stock Exchange Ltd. Clearing Corporation of India Ltd.

RBI/2022-2023/71 DOR.CRE.REC. No.47/13.03.00/2022-23	14.6.2022	Department of Regulation	Bank finance to Government owned entities	All Scheduled Commercial Banks (Excluding RRBs)
RBI/2022-2023/70 DOR.MRG.REC.46/00-00-011/2022-23	10.6.2022	Department of Regulation	Punjab and Maharashtra Co-operative Bank Limited (Amalgamation with Unity Small Finance Bank Limited) Scheme, 2022 - Provisioning on interbank exposure and valuation of Perpetual Non-Cumulative Preference Shares (PNCPS) and Equity Warrants	All Primary (Urban) Co-operative Banks
RBI/2022-2023/69 A.P. (DIR Series) Circular No. 05	09.6.2022	Foreign Exchange Department	Discontinuation of Return under Foreign Exchange Management Act, 1999	AD Category I banks
RBI/2022-2023/68 DOR.CRE. REC.42/09.22.010/ 2022-23	08.6.2022	Department of Regulation	Individual Housing loans – Enhancement in limits	All Primary (Urban) Co-operative Banks
RBI/2022-2023/67 DOR.CRE. REC.43/09.22.010/ 2022-23	08.6.2022	Department of Regulation	Enhancement in Individual Housing Loan limits and credit to Commercial Real Estate - Residential Housing (CRE-RH)	All State Co-operative Banks (StCBs) All District Central Co-operative Banks (DCCBs)
RBI/2022-2023/66 DOR.REG. No.45/19.51.052/2022-23	08.6.2022	Department of Regulation	Section 23 of the Banking Regulation Act, 1949 – Doorstep Banking	All Primary (Urban) Co-operative banks
RBI/2022-2023/65 DOR.RET. REC.44/12.01.001/ 2022-23	08.6.2022	Department of Regulation	Change in Bank Rate	All Banks
RBI/2022-2023/64 MPD.BC.393/07.01.279/ 2022-23	08.6.2022	Monetary Policy Department	Standing Liquidity Facility for Primary Dealers	All Primary Dealers,
RBI/2022-23/63 FMOD.MAOG. No.145/01.01.001/ 2022-23	08.6.2022	Financial Markets Operation Department	Liquidity Adjustment Facility-Change in rates	All Liquidity Adjustment Facility (LAF) participants
RBI/2022-2023/62 DoR.AUT. REC.41/24.01.001/ 2022-23	07.6.2022	Department of Regulation	Branches of Indian Banks operating in GIFT-IFSC – acting as Professional Clearing Member (PCM) of India International Bullion Exchange IFSC Limited (IIBX)	All Scheduled Commercial Banks
RBI/2022-2023/61 DOR.STR. REC.40/21.04.048/2022-23	06.6.2022	Department of Regulation	Provisioning for Standard assets by Non-Banking Financial Company – Upper Layer	All Non-Banking Financial Companies (Including Housing Finance Companies)

WEEKLY STATISTICAL SUPPLEMENT – RBI

Weekly Statistical Supplement – Extract					
1. Reserve Bank of India - Liabilities and Assets*					
					(₹ Crore)
Item	2021	2022		Variation	
	Jun. 18	Jun. 10	Jun. 17	Week	Year
	1	2	3	4	5
4 Loans and Advances					
4.1 Central Government	-	-	-	-	-
4.2 State Governments	11799	5404	7869	2464	-3930

** Data are provisional.*

2. Foreign Exchange Reserves								
Item	As on June 17, 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	4611925	590588	-32673	-5870	13106	-16721	147909	-13345
1.1 Foreign Currency Assets	4114439	526882	-30139	-5362	19874	-13842	-36113	-34658
1.2 Gold	316922	40584	-1114	-258	-5291	-1967	51346	4654
1.3 SDRs	141773	18155	-1411	-233	-1279	-736	130694	16656
1.4 Reserve Position in the IMF	38791	4968	-10	-17	-197	-175	1982	3

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

3. Scheduled Commercial Banks - Business in India

(₹ Crore)

Item	Outstanding as on Jun. 3, 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	16733259	158985	199640	267946	1357629	1420107	
2.1a Growth (Per cent)		1.0	1.3	1.6	9.7	9.3	
2.1.1 Demand	1984457	-1311	-130917	-88290	254426	254181	
2.1.2 Time	14748802	160296	330557	356236	1103203	1165926	
2.2 Borrowings	377883	-15887	-1550	103289	-44793	135408	
2.3 Other Demand and Time Liabilities	680093	42735	-66785	39245	50545	90271	
7 Bank Credit*	12140963	102843	-105588	249649	589352	1402291	
7.1a Growth (Per cent)		0.9	–1.0	2.1	5.7	13.1	
7a.1 Food Credit	48628	-4626	28722	-6383	4293	-41348	
7a.2 Non-food credit	12092335	107469	-134309	256032	585058	1443639	

**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	Fortnight	Financial Year so far		Year-on-Year				Year-on-Year			
					2021-22		2022-23		2021		2022	
	Mar. 31	Jun. 3	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	1	2	3	4	5	6	7	8	9	10	11	12
M3	20493729	20819387	137080	0.7	329832	1.8	325658	1.6	1780005	10.2	1644978	8.6
1 Components (1.1.+1.2+1.3+1.4)												
1.1 Currency with the Public	3035689	3095641	-22319	-0.7	125258	4.6	59953	2.0	332652	13.1	218555	7.6
1.2 Demand Deposits with Banks	2212992	2125146	-1164	-0.1	-128777	-6.5	-87846	–4.0	269535	16.9	258803	13.9
1.3 Time Deposits with Banks	15186605	15544180	159972	1.0	330821	2.4	357576	2.4	1174879	8.9	1163081	8.1
1.4 ‘Other’ Deposits with Reserve Bank	58444	54419	591	1.1	2530	5.3	-4025	–6.9	2938	6.3	4538	9.1
2 Sources (2.1+2.2+2.3+2.4-2.5)												
2.1 Net Bank Credit to Government	6477629	6337282	72729	1.2	174966	3.0	-140347	–2.2	454799	8.2	311942	5.2
2.1.1 Reserve Bank	1450596	1192830	-3495	-0.3	8636		-257766		-75224		84509	
2.1.2 Other Banks	5027033	5144452	76224	1.5	166330	3.5	117419	2.3	530023	12.1	227433	4.6
2.2 Bank Credit to Commercial Sector	12616520	12876918	107191	0.8	-115126	-1.0	260398	2.1	644253	5.9	1428827	12.5
2.2.1 Reserve Bank	16571	20613	5338		-6745		4042		-4832		18649	
2.2.2 Other Banks	12599950	12856306	101852	0.8	-108380	-0.9	256356	2.0	649086	6.0	1410178	12.3

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	MSF	SDF		Sale	Purchase	
	1	2	3	4	5	6	7	8	9	10
Jun. 13, 2022	–	–	–	–	305	395240	–	–	–	-394935
Jun. 14, 2022	–	–	–	33456	310	398525	–2	–	–	-431673
Jun. 15, 2022	–	–	–	–	102	384055	–	–	–	-383953
Jun. 16, 2022	–	–	–	–	100	324432	–	–	–	-324332
Jun. 17, 2022	–	–	–	165184	7	166192	–	–	–	-331369
Jun. 18, 2022	–	–	–	–	107	24184	–	–	–	-24077
Jun. 19, 2022	–	–	–	–	44	2182	–	–	–	-2138

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

TOP NON-BANKING FINANCE COMPANIES & MICRO FINANCE INSTITUTIONS NEWS

- **Finance ministry permits state-owned NBFCs to issue letter of comfort.**

  Modifying its earlier order, the finance ministry has permitted state-owned NBFCs to issue 'Letter of Comfort (LOC)' to banks for fund tie-up for infra projects.

  Earlier in March, the finance ministry had asked other ministries and departments not to issue 'Letter of Comfort' to any hired entity for undertaking projects on their behalf, as part of efforts to improve transparency in fiscal management. Earlier in March, the finance ministry had asked other ministries and departments not to issue 'Letter of Comfort' to any hired entity for undertaking projects on their behalf, as part of efforts to improve transparency in fiscal management.

  Source: https://economictimes.indiatimes.com/news/economy/policy/finance-ministry-permits-state-owned-nbfcs-to-issue-letter-of-comfort/articleshow/92499675.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **NBFCs should diversify risks across sectors: Former SBI chairman**

  Non-banking financial companies need to diversify risks across sectors and geographies, as well as maintain capital adequacy norms and introduce core banking solutions going ahead, former State Bank of India chairman Rajnish Kumar said. Kumar also said the risk-taking abilities of NBFCs are higher than banks, and that the regulatory stance will become tougher, with the regulation arbitrage between lenders and non-banking entities. The whole issue boils down to risk management and governance. "There is a need for NBFCs to take a diversified approach across sectors and geographies and also be mindful about the risk matrix," he said during an event organised by micro-finance institution VFS Capital

  Source: https://economictimes.indiatimes.com/news/economy/policy/finance-ministry-permits-state-owned-nbfcs-to-issue-letter-of-comfort/articleshow/92499675.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **IIFL Fin gets board nod for Rs 5,000-crore bond issue**

  IIFL Finance is planning to raise debt capital worth Rs 5,000 crore by issuing bonds on a private placement basis, the company said on Thursday. The bonds will be offered through public issue, subject to regulatory and statutory approvals, IIFL Finance said in a regulatory filing.

  "The board of directors of the company at their meeting held today, June 23, 2022, approved the raising of funds by way of issuance of secured redeemable non-convertible debentures with the shelf limit of Rs 50,000 million, in one or more tranches," it added.

  IIFL Finance is a non-banking finance company (NBFC), offering products such as home loans, gold loans, and business loans, including loans against property and medium & small enterprise financing, microfinance, developer and construction finance.

Source: https://economictimes.indiatimes.com/markets/bonds/iifl-finance-gets-boards-approval-to-raise-rs-5000-cr-by-issuing-bonds/articleshow/92409998.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **Microfinance gross loan portfolio grows 10 pc to Rs 2,85,441 cr as of March 2022: MFIN**

The microfinance industry's Gross Loan Portfolio (GLP) grew by 10.04 per cent to Rs 2,85,441 crore as of March 2022, according to a report by Microfinance Institutions Network (MFIN). The industry's GLP stood at Rs 2,59,377 crore in March 2021.

MFIN is an industry association of 58 NBFC-MFIs and 39 associates, including banks, Small Finance Banks (SFBs) and Non-Banking Financial Companies (NBFCs). On Wednesday, it released the Micrometer report for January to March 2022 i.e., Q4 FY202 .MFIN is an industry association of 58 NBFC-MFIs and 39 associates, including banks, Small Finance Banks (SFBs) and Non-Banking Financial Companies (NBFCs). On Wednesday, it released the Micrometer report for January to March 2022 i.e., Q4 FY2021-22 quarter.

Source: https://economictimes.indiatimes.com/markets/bonds/iifl-finance-gets-boards-approval-to-raise-rs-5000-cr-by-issuing-bonds/articleshow/92409998.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **RBI proposes norms for outsourcing of IT services by banks, NBFCs**

The Reserve Bank proposed norms for the outsourcing of IT services to ring-fence banks and other regulated entities from financial, operational, and reputational risks. Regulated entities (REs) will not require prior approval from the central bank for the outsourcing of IT and IT-enabled services, according to RBI's draft Master Direction on Outsourcing of Information Technology (IT) Services.

Banks, payment banks, cooperative banks, credit information companies, NBFCs and other regulated entities, would be required to put in place a comprehensive board-approved IT outsourcing policy.

Source: https://economictimes.indiatimes.com/tech/technology/rbi-proposes-norms-for-outsourcing-of-it-services-by-banks-nbfcs/articleshow/92429494.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **DBS Bank India acquires 9.9% in NBFC Svakarma Finance**

Singaporean lender DBS Bank's local unit on Monday said it has acquired a 9.9 per cent stake in the micro businesses-focused non-bank finance company Svakarma Finance for an undisclosed sum. DBS Bank India said the stake buy in Svakarma will help in delivering relevant financial solutions to the micro-enterprises through a combination of direct lending and co-lending.

Taking over LVB helped DBS Bank India add over 550 branches and 900 automated teller machines (ATMs) to its relatively small presence in the country. DBS continues to be among the small set of global lenders, who have signed up to operate as a wholly owned subsidiary as desired by the local authorities. A DBS Bank India statement said its strategy envisages significant growth in SME and consumer businesses

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/dbs-bank-india-acquires-9-9-in-nbfc-svakarma-finance/articleshow/92341054.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **Bajaj Finance raises deposit rates by up to 20 bps on various tenors**

Bajaj Finance Ltd, the lending arm of Bajaj Finserv said it has raised fixed deposit interest rates on various tenors -- 24-60 months -- by up to 20 basis points (0.20 per cent).The revised rates on Bajaj Finance FDs of up to 20 basis points are effective from June 14, 2022, and shall be applicable to fresh deposits and renewals of maturing deposits, the lender said in a release. With this, the depositors will earn 7.20 per cent cumulative return on deposits between 36 months to 60 months.The company said customers can make investments from their homes with an end-to-end online process.

Source: https://economictimes.indiatimes.com/industry/banking/finance/bajaj-finance-raises-deposit-rates-by-up-to-20-bps-on-various-tenors/articleshow/92183697.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **RBI cancels certificate of registration of 3 NBFCs**

The Reserve Bank of India on Thursday said it has cancelled certificate of registration (CoR) of three NBFCs, including two housing finance companies.In another statement, it said two Non-Banking Financial Companies (NBFCs) have surrendered their certificate of registration. Housing finance companies whose registrations have been cancelled are -- Aizawl-based North East Region Housing Finance Company Limited and Gurgaon-based Aryarth Housing Finance Limited. NBFCs which surrendered the CoR granted to them by the RBI are -- Ernakulam-based Empower India Capital Investments Private Limited and Kolkata-based Mangalmayee Garments Private Limited (presently known as Abhijeet Ferrotech Limited).

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/rbi-cancels-certificate-of-registration-of-3-nbfcs/articleshow/92111185.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **Micro loan delivery slowed in April-May as lenders took time to adjust to new guidelines**

The revised microfinance guidelines, which put all micro lenders on the same platform, slowed loan disbursement in the first two months of its implementation as loan rejection rate jumped to about 50% from the normal 35% because lenders now have to follow processes more diligently

Lending rates also jumped by 100-200 bps on an average as RBI removed the lending rate for NBFC-MFIs.The uniform microfinance guidelines came into effect from April 1.

Loan disbursements across segments had been robust during the second half of FY22 backed by gradual rise in economic activities and steady improvement in repayment collections from ground.

Source: https://economictimes.indiatimes.com/industry/banking/finance/micro-loan-delivery-slowed-in-april-may-as-lenders-took-time-to-adjust-to-new-guidelines/articleshow/92101082.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **NBFC-MFIs set to tap capital market**

India's non-bank microfinance lenders are gearing up to tap the capital market as the sector promises the likelihood for steady growth after a couple of years of anxiety. While one NBFC-MFI is looking to raise capital by way of the initial public offer, others will sell shares mostly on a private placement basis, people tracking the sector said.Fusion Micro Finance's proposed IPO consists of a fresh issue of shares worth Rs 600 crore. The sector expanded 10% year-on-year to Rs 2.85 lakh crore at the end of March, data published by industry body Microfinance Institutions Network (MFIN) showed. It is expected see a higher growth print this fiscal as normalcy in business is back following the removal of Covid-related restrictions.

Source: https://economictimes.indiatimes.com/markets/stocks/news/nbfc-mfis-gear-up-to-raise-equity-as-growth-prospects-return/articleshow/92235486.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

Profitability for NBFCs may remain stable despite squeeze in margin Borrowing costs for non-banking financial companies (NBFCs) are seen rising 85-105 basis points (bps) this fiscal. However, overall profitability is expected to remain steady cushioned by a reduction in credit costs, Crisil Ratings said. Last fiscal, many NBFCs had released their provisioning buffers partially, which had reduced their credit costs. There is still a reasonable amount of cushion available – 0.5% to 2% of assets – as contingency provisioning. That means incremental provisioning would be lower. Consequently, profitability is likely to be nearly stable this fiscal compared with last

Source: https://economictimes.indiatimes.com/industry/banking/finance/profitability-for-nbfcs-may-remain-stable-despite-squeeze-in-margin/articleshow/92206453.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **Rs 18 lakh crore NBFC debt set to become dearer by 85-105 bps this fiscal**

Borrowing costs for non-banking financial companies (NBFC) are expected to become costlier by 85-105 basis points in the current financial year due to an increase in policy rates by the Reserve Bank of India (RBI), CRISIL Ratings said. Credit costs, which have been rising for the past couple of years, should decline this fiscal because most NBFCs hold substantial provisioning buffers. That should offset some of the impacts of higher interest rates on profitability.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/rs-18-lakh-crore-nbfc-debt-set-to-become-dearer-by-85-105-bps-this-fiscal/articleshow/92207262.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **In a rising rate regime, banks & NBFCs will suffer: Rajat Sharma**

  As interest rates rise and inflation does not get controlled, we see defaults among people who are already struggling to pay those EMIs. We have operated in a very benign interest rate environment for far too long. It is simply not possible that there will never be any pain in the banking sector. I do expect overall markets to fall and that is the only reason why I have not really dived deep into stocks should be looked at for buying. But as a sector I have always liked cement.

  Source:https://economictimes.indiatimes.com/markets/expert-view/in-a-rising-rate-regime-banks-nbfcs-will-suffer-rajat-sharma/articleshow/92159415.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **RBI fine-tunes capital norms for non-bank companies**

  The Reserve Bank of India (RBI) has fine-tuned the capital norms for NBFCs, allowing revaluation of reserves from property to be counted as tier-1 capital instead of tier-2. It also permitted calculation of earnings subject to deductions of dividend based on past years. The Reserve Bank of India (RBI) has fine-tuned the capital norms for NBFCs, allowing revaluation of reserves from property to be counted as tier-1 capital instead of tier-2. It also permitted calculation of earnings subject to deductions of dividend based on past years.

  Source: https://economictimes.indiatimes.com/markets/stocks/news/rbi-fine-tunes-capital-norms-for-non-bank-companies/articleshow/90946750.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

TOP INSURANCE NEWS

- **HDFC Life urges Irdai to allow life insurers sell other financial products**

  The life insurance sector paid Rs 60,000 crore in death claims in the first nine months of FY22, twice compared to the same period in the previous year.HDFC Life Insurance Co is in talks with the Insurance Regulatory and Development Authority of India (Irdai) to allow life insurance companies to sell other regulated financial products, Deepak Parekh, chairman of the life insurance company, said at the 22nd annual general meeting. The move will help enable insurance companies to expand their reach and also improve customer experience. Irdai earlier this month allowed insurance companies to launch health and general insurance products without its prior approval, to give them flexibility to introduce new products.

  Source: https://www.financialexpress.com/industry/banking-finance/allow-life-insurers-to-sell-other-financial-products-says-hdfc-life-chairman/2574455/

- **PSU insurance unions reject wage revision offer**

  The long pending wage revision talks between the General Insurers' (Public Sector) Association of India (GIPSA) and the various employee unions have begun in a bad taste.The GIPSA, the lobby body for the four government owned multiline non-life insurers and the General Insurance Corporation of India (GIC Re) made their offer that was expected to be rejected and the unions rejected the same. The GIPSA offered seven per cent hike on the wage bill (without any wage arrears from 2017) or five per cent wage hike with two per cent of arrears," Sanjay Jha, Secretary Standing committee (General Insurance, All India Insurance Employees Association-AIIEA) The employees expect at least a 15 per cent hike offer, similar to what was given to the employees of Life Insurance Corporation of India.

  Source: https://in.investing.com/news/psu-insurance-unions-reject-wage-revision-offer-3250173

- **Irdai reduces solvency margin requirement for crop business; to unlock Rs 1,400 crore funds**

  Regulator Irdai on Tuesday reduced the solvency margin requirement for general insurers providing crop insurance, a decision expected to unlock Rs 1,400 crore of funds for them to undertake more business. The decision, Insurance Regulatory and Development Authority of India (Irdai) said, is part of series of reforms it has undertaken to increase insurance penetration in the country. Solvency margin, a key indicator of financial health of an insurer, refers to the difference between its value of assets and liability. The regulator fixes the solvency margin for insurers. Irdai said since fiscal 2017-18, it has been relaxing the period of admissibility of premium due from the government for solvency calculation purpose from 180 days to 365 days.

  Source: https://economictimes.indiatimes.com/industry/banking/finance/insure/irdai-reduces-

solvency-margin-requirement-for-crop-business-to-unlock-rs-1400-crore-funds/articleshow/92204701.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **IRDA examining bancassurance model of selling policies**

  IRDA has started examining the bancassurance model of insurance penetration as there have been a few instances of misselling of policies. A panel was set up by the IRDA to look into the bancassurance model. The panel has already submitted its report," IRDA member (F&I) R K Nair said. Nair said that some banks had resorted to forced selling of policies while advancing loans to customers. Typically, the policies get lapsed due to non-continuance by the customer after the first premium is paid, leading to forfeiture of the money by the insurance company, Nair said at the Indian Chamber of Commerce here today.

  Source: https://economictimes.indiatimes.com/irda-examining-bancassurance-model-of-selling-policies/articleshow/8962208.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **Domestic helps to get medical insurance benefits**

  About 47.5 lakh domestic helps would soon get medical insurance benefits under RSBY with the Union Cabinet approving the proposal today.The scheme, which envisages smart card-based cashless health insurance cover of up to Rs 30,000 under any empaneled hospital anywhere in the country, was approved by the Cabinet at a meeting chaired by Prime Minister Manmohan Singh. The RSBY would be extended to those domestic workers who are registered and are between 18-59 years of age, Information and Broadcasting Minister Ambika Soni said, adding that majority of them are women.

  Source: https://economictimes.indiatimes.com/domestic-helps-to-get-medical-insurance-benefits/articleshow/8962485.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **Insurance penetration requires improving awareness and trust, say industry leaders ahead of National Insurance Awareness Day**

  The Covid-19 pandemic may have done what no amount of marketing by insurers has done but there's still an urgent need to do more to create awareness, build trust, enhance ease of process, and improve access to boost penetration levels in India, the chief executives of several insurance companies said in an ET CEO Roundtable, ahead of the National Insurance Awareness Day. Insurance penetration in India – measured as the percentage of insurance premium to GDP – has seen a steady rise to 4.2% in FY21, according to the Economic Survey 2022, but this still remains far less than the global average of 7.2%. Life insurance penetration in India was pegged at 3.2%, almost on par with the global levels of 3.3 percent, while non-life insurance stood at 1.0%, lagging the global penetration of 3.3 percent.

  Source: https://economictimes.indiatimes.com/industry/banking/finance/insure/insurance-penetration-calls-for-improving-

financial-literacy-and-customer-trust-say-industry-leaders-ahead-of-national-insurance-awareness-day/articleshow/92490906.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **Irdai issues draft anti money laundering rules for selling insurance policies**

To enhance the anti-money laundering and counter terror financing process IRDAI has come up with a new draft guideline for the insurance companies to follow in their sales and operation going forward. These guidelines shall be called as Master Guidelines on Anti-Money laundering/ Counter Financing of Terrorism (AML/CFT) for all the insurers. Once implemented, customers buying insurance policies will also have to adhere to these new guidelines under which they will be required to share some additional information in the KYC and AML declarations. Insurers have the responsibility for guarding against insurance products and services being used to launder unlawfully derived funds or to finance terrorist acts.

Source: https://economictimes.indiatimes.com/wealth/insure/irdai-issues-draft-anti-money-laundering-rules-for-selling-insurance-policies/articleshow/91945974.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **Irdai mulling to extend testing period under regulatory sandbox mechanism to 3 yrs**

Insurance Regulatory and Development Authority of India (Irdai) is mulling to extend testing of products under the regulatory sandbox mechanism to up to three years. The Irdai Chairman said all these initiatives will help in furthering the goal of insurance penetration and reaching out to more and more people.A sandbox is an environment used in the financial services sector, which provides testing ground for new business models, processes and applications that may not necessarily be covered fully by or are not fully compliant with existing regulations.

Source: https://economictimes.indiatimes.com/industry/banking/finance/insure/irdai-mulling-to-extend-testing-period-under-regulatory-sandbox-mechanism-to-3-yrs/articleshow/92404193.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **General insurance industry's premium income up 27 per cent in May**

The premium income of general insurance industry, comprising four public sector entities, grew by 27 per cent in May to Rs 4,004 crore. The total gross premium of 23 players in the non-life insurance market rose by 27 per cent, from Rs 3,151.41 crore in May 2010, according to data available with the Insurance Regulatory and Development Authority (IRDA). The four PSU entities -- National Insurance, New India Assurance, Oriental Insurance and United India Insurance -- saw their gross premium collection rise by 23 per cent YoY to Rs 2,358.60 crore in May. At the end of May, the four entities accounted for about 59 per cent of the total general insurance industry

*Source: https://economictimes.indiatimes.com/general-insurance-industrys-premium-income-up-27-per-cent-in-may/articleshow/9013846.cms?utm_* *source=contentofinterest&utm_medium=text&utm_campaign=cppst*

- **Mahindra Insurance announces partnership with Agri Digital Platform BigHaat**

Mahindra Insurance Brokers (MIBL), a subsidiary of Mahindra & Mahindra Financial Services (Mahindra Finance), today announced its partnership with BigHaat, India's leading Agri Digital Platform. This partnership will offer financial solutions to the informal Agri segment of India's workforce. Mahindra Insurance Brokers and BigHaat will together promote the Government of India's goal of higher insurance penetration in rural India.Mahindra Insurance Brokers will offer health and motor insurance policies under this partnership. The health insurance policy will be sold to BigHaat customers via the BigHaat website and mobile application.

Source: https://economictimes.indiatimes.com/industry/banking/finance/insure/mahindra-insurance-announces-partnership-with-agri-digital-platform-bighaat/articleshow/92389438.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **Irdai weighs proposal to privatise Insurance Information Bureau**

Insurance regulator is examining the recommendations of a committee that has suggested privatisation of the Insurance Information Bureau or IIB. The committee set up by the Insurance Regulatory and Development Authority of India or Irdai has said that IIB should be turned into a private company owned and operated by the insurance industry with legislative backing, said two executives aware of the matter. All recommendations are under consideration," said the first executive, explaining that a privatised bureau will help in maintaining the supply of quality data and further make it a profitable business entity.

Source: https://economictimes.indiatimes.com/industry/banking/finance/insure/irdai-weighs-proposal-to-privatise-insurance-information-bureau/articleshow/92189660.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

TOP CORPORATE BOND MARKET NEWS

- **Junk bond investors stung by China look to India and Southeast Asia**

  Asian junk bond investors are increasingly looking to smaller pockets of the market as a debt crisis among the biggest issuers, Chinese property developers, forces old playbooks to be rewritten.Chinese real estate notes had long been one of the world's most-profitable trades. But a record string of defaults has ruined appetite and caused the nation's junk notes to tumble almost 27% in 2022. Meanwhile, a worldwide debt rout has created a game of losing less. Money managers point to high-yield securities from India and Southeast Asia as alternatives in this new era.. Indian notes have lost nearly 11% and Southeast Asian high-yield securities have shed 7.2%, compared with a 19% drop in the region's junk debt excluding Japan.

  Source: https://www.business-standard.com/article/international/junk-bond-investors-stung-by-china-look-to-india-and-southeast-asia-122062900106_1.html

- **India Inc flocks to banks for funds**

  Alternative sources of funding such as bond markets, overseas borrowing become costly. Corporates are flocking back to banks for funds as alternative sources of funding such as domestic bond markets and overseas borrowings have become costly. Commodity prices,besides the aforementioned reasons, the pick-up in bank credit is also due to the draw-down o unutilised limits by India Inc, in the backdrop of rising commodity prices. The y-o-y bank credit growth as on June 4, 2021, was lackluster at 5.61 per cent. The reason for the heathy credit demand is that the marginal cost of funds-based lending rate (MCLR), against which most corporate loans are priced off, have not moved up as much as the non-convertible debenture (NCD) and commercial paper (CP) rates following the RBI's 90 bps hike in the policy repo so far in FY23, said a senior public sector bank (PSB) official.

  Source: https://www.thehindubusinessline.com/money-and-banking/corporates-flock-to-banks-for-funds/article65567699.ece

- **Use floating rate funds to rake in the hikes**

  The debt market has seen a sea change over the past few months. While investing in this asset class was largely ignored over the last year, the period ahead looks extremely interesting from an investment standpoint. The next two to three months will largely be an interest rate adjustment phase as the Reserve Bank of India will continue with hiking rates. Once this phase is done with, we believe, fixed income will be in a sweet spot when compared with several other asset classes.This assertion is based on the fact that as an asset class, fixed income tends to be cyclical in nature. So, now is the time to begin investing in fixed income. Investors should not be looking at the past return to judge what the future opportunities and the return potential will be.

  Source: https://economictimes.indiatimes.com/markets/bonds/use-floating-rate-funds-to-rake-in-the-hikes/articleshow/92324983.cms

- **Banks may seek leeway to amortise MTM losses on bond holdings in Q1**

  Amid dipping bond prices, an off-cycle rate hike in May, and large valuation losses, high street banks are caught in a debate on whether to ask for a helping hand from the regulator to soften the blow in the first quarter of the current financial year. Several banks met last week to discuss a possible representation to the Reserve Bank of India (RBI) for allowing them to amortise the 'mark to market' (MTM) losses on bond holdings of the first quarter over the entire year. Such a dispensation allowed by RBI in the past would let banks spread the loss and use their capital more profitably.

Source: https://economictimes.indiatimes.com/markets/bonds/banks-may-seek-leeway-to-amortise-mtm-losses-on-bond-holdings-in-q1/articleshow/92324790.cms

- **Bond yields drop 12 basis points as crude oil prices fall**

The benchmark bond yield dropped about 12 basis points after Brent crude oil prices dropped 7 per cent in the past five trading sessions lowering India's import bill. "Falling crude oil coupled with an expectation of recession-like situation in the medium term had pulled long term rates lower," said Naveen Singh, head of trading at ICICI Securities PD. While inflation worries are likely to keep short duration yields elevated, the long-term bond market yields may see some buying interest at these levels. Concerns of global growth slowdown aggravated with US industrial production print remaining weak in May' this year. This is in addition to other macro indicators such as retail sales, housing starts also registering a significant slowdown currently.

Source: https://economictimes.indiatimes.com/markets/bonds/bond-yields-drop-12-basis-points-as-crude-oil-prices-fall/articleshow/92343473.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **MFs unlikely to get a raise in overseas investment cap**

Indian regulators are unlikely to permit any increase in the limit on mutual fund investments in overseas assets, in part because it could further pressure the rupee which is already at historic lows, said two people familiar with the matter. A collapse in the value of some of those schemes has led to a demand for higher limits to help investors bring down their average investment cost. While Sebi (Securities and Exchange Board of India) has been in favour of an increase in the limit to help mutual funds to garner more funds, the central bank is reluctant to raise the limit," said one of the people.

Source: https://economictimes.indiatimes.com/mf/mf-news/mfs-unlikely-to-get-a-raise-in-overseas-investment-cap/articleshow/92324849.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **Overnight funds back in demand as interest rates start to firm up**

Overnight funds - considered the safest category among debt mutual funds - are witnessing fresh interest from investors looking to shuffle their portfolios. With the stock market facing headwinds and interest rates expected to rise further, investors are parking money in overnight funds, where returns have increased to almost 5% from an average of 3% a few months ago.

Fund managers have also been recommending overnight funds to avoid mark-to-market loss as interest rates are moving up, while equity investors are putting money in this category for preservation of capital, before bringing them back to equity.

Source: https://economictimes.indiatimes.com/mf/analysis/overnight-funds-back-in-demand-as-interest-rates-start-to-firm-up/articleshow/92192007.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

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Department of Banking & Financial Services Upcoming Programme

ASSOCHAM 3rd National Summit on Trade Finance For Inclusive Growth	22nd July 2022
ASSOCHAM 17th Annual Summit & Awards on Banking & Financial Sector Lending Companies	August 2022
ASSOCHAM 14th Global Insurance Summit & Awards	September 2022

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