



# **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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## RSM INDIA

# PARTNERING WITH THE BFSI SECTOR FOR RESILIENCE AND GROWTH

**T**he Banking and Financial Services (“BFSI”) Sector plays a very critical role in the growth of any economy. As the Indian economy takes rapid strides in its USD 5 Trillion Economy journey, it needs a strong and vibrant BFSI Sector. The government has taken many steps in this regard: the Digital India Program, Jan Dhan Yojana Program, Ayushman Bharat Program, consolidation of some large banks, acceleration of participation of the private sector in banking and insurance, tax benefits to offshore banking units – to name a few.

The BFSI sector is beset with unprecedented opportunities and challenges due to the following key factors:

- Long term growth prospects of India and greater financial inclusion would continue to drive growth of BFSI sector
- Heightened credit risk and interest rate risk due to uncertainty resulting from Covid 19 and its economic fallout on businesses
- Emergence of technology driven Fintech businesses such as Paytm with phenomenal valuations and the disruptions for the traditional banks and NBFCs necessitating increased adoption of technology and automation
- Unprecedented cybersecurity risks and hacking of computer systems
- Increased regulatory oversight and governance requirements

Indeed, in the ambitious journey ahead, the BFSI sector will need to partner with organizations that can not only bring technologies but also provide governance and management practices that match the global standards and emerging requirements.

RSM Astute Consulting Pvt. Ltd. along with its affiliates (together “RSM India”) has been closely working with corporates in the BFSI sector. With a team of 2,000 personnel across 11 cities, RSM India assists Indian companies by providing services risk management, IT security, tax and other consulting services. RSM India, the sole Indian member of RSM International, has been ranked as one of the top 6 accounting, tax and consulting firms in India (International Accounting Bulletins, 2011-2020). RSM International has 48,000 personnel in 120 countries, with annual combined fee income of US\$ 6.3 billion (Rs.46,000 crores). Founded by Dr. Suresh Surana, RSM India is a home-grown organization with access to world-class capabilities.

RSM India has been associated with the BFSI Sector in India for over 2 decades serving 5 out of the 8 top private sector banks in India, NBFCs and insurance companies with a team of 260+ personnel. RSM India assists BFSI sector in concurrent audits for the key business processes and transactions as well as design and testing of internal financial controls framework. It also assists the sector in direct tax and GST compliances, transfer

pricing and withholding tax compliance requirements.

When it comes to IT policies and cybersecurity, the BFSI sector is now increasingly driven by IT systems, ERP systems and emerging technologies. The risks from hacking and data piracy have also increased manifold with growing digitalization, use of cloud computing and remote working. RSM India has a team of IT professionals, cybersecurity experts, and certified ethical hackers to assist clients in the areas of IT Policy design, IT General Controls Audit and Cybersecurity Audits. The company is empaneled with Indian Computer Response Team, Ministry of Electronics and Information

Technology. It serves India's leading stock exchanges, depository, public sector and private sector banks and other financial entities.

"Built on the four pillars of client-centric approach, competent and contemporary teams, industry vertical focus and extensive use of technology, RSM India partners for its clients' success, by astute risk management and driving business efficiency, in tune with the changing times, and helping them move forward with utmost confidence. We are committed to working closely with the BFSI sector in India." Says Anup Nair, RSM India - Executive Director.

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## SPEECHES

### **Mr Denis Beau, First Deputy Governor, Bank of France, at the Crypto Finance Forum “The future of France is within your reach”, Roundtable “What will the bank of the 21st century look like?”, 19 July 2021**

The universal banking model, which is particularly strong in France, in the form of large integrated bancassurance groups that combine the functions of deposit-taking and credit distribution and offer a wide range of financial services, showed its resilience during the two major crises we have experienced since the beginning of the century.

Not only did our banking sector show its resilience, but during the Covid-19 crisis it was also able to meet companies' financing and cash flow needs, and to contribute very actively to the roll-out of support measures decided by the French government and the European Central Bank.

**The dynamism of non-bank financial intermediaries** (insurance companies, funds, etc.) since the 2008 financial crisis.

This has resulted in the development of non-bank financing, which has grown at an annual average rate of 7.5% in the euro area. Since 2002, the share of bank loans in euro area debt has been halved and it represented only 37% of euro area debt in 2019. As a central banker responsible for ensuring financial stability and the proper financing of the economy, I welcome this diversification of the sources of financing for the real economy.

**The impact of new players in the financial intermediation ecosystem is likely to differ**

Among these new players, tech companies are the most important. The model of these

companies is based on the breakdown of the activities of traditional universal banking into a range of distinct core functions, such as payment routing, provision of financing, risk sharing and capital allocation.

The impact of these new players on financial intermediation will most likely differ depending on whether one considers start-ups or Bigtechs. The role of start-ups will probably be determined by the following alternative, as they do not have sufficient resources to “supplant” the established players: cooperate or even go under the control of an established player or compete in niche segments, such as crowd-funding, online lending or payments.

The impact of Bigtechs on financial intermediation may be very different, as they have substantial financial resources, a strong brand image, a global customer base and privileged access to cutting-edge technologies.

**Can they nevertheless eliminate bank intermediation, if we take a long term view?** This question brings me to my prognosis to conclude my speech.

It seems to me that instead of eliminating bank intermediation, the competition exerted on banks by non-bank financial players and by tech companies, as well as banks' reaction to this new competitive environment, will probably lead to a redistribution of the cards of financial intermediation, around a combination of several models that would include :

- The traditional bank intermediation model
- The non-bank financial intermediation model implemented by the asset management sector
- A so-called “re-intermediated” model in which Fintechs and Bigtechs play the role of intermediary for banks, in particular vis-à-vis retail clients
- A completely disintermediated model based on Blockchain technology

I will not venture to forecast the weight that the traditional bank intermediation model will have at the end of this transformation. This will depend in particular on banks’ ability to rise to the challenges they face, notably in terms of profitability and technology, and to adapt the services they offer to the digital era but also on the fight against climate change.

Nonetheless, this transformation seems to me to clearly imply adjusting our regulatory

framework for all activities that will contribute to financial intermediation in the future.

These transformations will have a positive impact on the efficiency and stability of our financial system, provided they are accompanied by better user experiences and more diversified financing of the economy. But they also carry risks, which must be managed. This implies reviewing the scope and content of certain regulations to ensure that the regulatory framework is favourable to innovation and neutral with respect to technologies, but also guarantees an appropriate and homogeneous treatment of risks throughout the financial system according to the “same activity, same risk, same rules” principle. (e.g. non-bank financial players, technology service providers, issuers and managers of crypto asset trading platforms)



# FINANCIAL INCLUSION – PAST, PRESENT AND FUTURE

**(Inaugural Address by Shri Shaktikanta Das, Governor, Reserve Bank of India -  
Thursday, July 15, 2021 - Delivered at the Economic Times  
Financial Inclusion Summit)**

Financial inclusion is a key driver of sustained and balanced economic growth which helps reduce income inequality and poverty. While India has made tremendous strides in this area over the years, the pandemic has created new challenges and complexities. The financial system will have a crucial role to fulfil the aspirations and needs of our economy on the mend.

The policy makers in India – Government of India and the Reserve Bank of India – acknowledged the importance of financial inclusion early and have taken a number of measures to ensure that the benefits of economic growth percolate down to the poor and excluded sections of the society.

We should deliberate on the emerging risks, new models of innovative and disruptive technologies and areas of possible policy interventions. It may be apt to look at how far we have travelled on the path of financial inclusion and dwell upon the way ahead.

## Developments So Far

Financial Inclusion journey of the country can be traced back to the 1950s when the focus was on channelizing of credit to the neglected sectors of the economy and weaker sections of the population. This was followed by various initiatives over the years such as expansion of branch network, introduction of Priority Sector Lending (PSL), launch of Lead Bank Scheme, promotion of Self-Help Groups (SHGs), Joint Liability Groups (JLGs), implementation of Business Correspondents (BC) model, among others.

The evolution and adoption of technology has led to massive improvement in deepening of digital financial services. The Jan Dhan, Aadhaar and Mobile (JAM) eco system has brought about a major shift in the universe of financial inclusion. Given the latent potential of harnessing value at the bottom of the pyramid, we have seen a plethora of players emerging in the field, ranging from traditional banks, niche financial entities such as payments banks, small finance banks, micro finance institutions (MFIs) and promising fintech companies.

The digital ID (Aadhaar) along with the proliferation of mobile phones with world class payment systems have addressed the first two challenges of access and usage to a large extent. The third challenge i.e. quality requires both demand and supply side interventions. Opening of Pradhan Mantri Jan-Dhan Yojana (PMJDY) accounts has enabled millions of Indians to have access to financial services, with a basic bouquet of financial products. This has addressed the supply side issue to a considerable extent. The demand side interventions focused on creating awareness amongst the public. Payment systems are seen to be lifeline of an economy. They are increasingly being recognised as a means of achieving financial inclusion and ensuring that economic benefits reach the bottom of the pyramid. It is quite well known by now that India is among the leaders in the world with regard to development of state-of-the-art payment infrastructure and products leading to a wider adoption of digital payments.



## Response To The Pandemic

In India, the second wave of the pandemic has taken a grievous toll both in terms of lives and livelihood. The recovery that had commenced in the second half of 2020-21 was dented by the second wave of the pandemic in April-May 2021.

To mitigate the financial impact of COVID-19 related disruptions, the Reserve Bank has taken several policy measures to ease flow of credit at a lower cost to needy segments. These measures include lowering of policy rate, launching of on-tap liquidity schemes and channelising of liquidity through All India Financial Institutions and facilitating financial institutions to resolve stressed loans to individuals, small business and MSMEs.

The pandemic has accelerated the push towards digitalisation with greater adoption of digital payments. It is important to take steps to converge greater digitalisation with goals of financial inclusion. This will facilitate greater deployment of electronic payment acceptance facilities (for example point of sale devices) in hitherto untapped areas, thereby furthering the reach of digital payments ecosystem.

The pandemic related restrictions on mass gathering of people at various public places has necessitated a relook at conventional financial literacy camps.

## POST PANDEMIC WORLD: THE WAY FORWARD

In order to make the post-pandemic recovery more inclusive and sustainable, financial inclusion would continue to be our policy priority. Considering the complementary role played by microfinance in bridging the gaps at the last mile, a consultative document for harmonising the regulatory frameworks for various regulated lenders in the microfinance space has been issued recently. The primary

objective is to address the concerns relating to over-indebtedness of microfinance borrowers; enable market mechanism to rationalise the interest rates; and empower the borrowers to make an informed decision by enhancing transparency of loan pricing.

## CONCLUSION

Financial inclusion promotes inclusive growth by way of making financial services including credit and other safety nets available to the bottom of the pyramid. Lessons from the past and experiences gained during the COVID-19 pandemic clearly indicate that financial inclusion and inclusive growth reinforce financial stability. Greater financial literacy and education, together with sound consumer protection mechanisms will ensure that people at the bottom of the pyramid are empowered to take informed financial decisions. This will also enable banks, NBFCs, MFIs, etc. to enhance their customer base and products and diversify their balance sheet. There is need for accelerated universal reach of bank accounts along with access to financial products relating to credit, investment, insurance and pension. It is the responsibility of all stakeholders to ensure that the financial ecosystem (including the digital medium) is inclusive and capable of effectively addressing risks like mis-selling, cyber security, data privacy and promoting trust in the financial system through appropriate financial education and awareness. These efforts have to be supported by a robust grievance redressal mechanism.

# CENTRAL BANK DIGITAL CURRENCY – IS THIS THE FUTURE OF MONEY

**(Keynote address delivered by Shri T Rabi Sankar, Deputy Governor,  
Reserve Bank of India - Thursday, July 22, 2021)**

## Summary

The idea of “Central Bank Digital Currencies” (CBDC) is not a recent development. Some attribute the origins of CBDCs to Nobel laureate James Tobin<sup>2</sup>, an American economist, who in 1980s suggested that that Federal Reserve Banks in the United States could make available to the public a widely accessible ‘medium with the convenience of deposits and the safety of currency.’ It is only in the last decade, however, that the concept of digital currency has been widely discussed by central banks, economists & governments.

A CBDC is the legal tender issued by a central bank in a digital form. It is the same as a fiat currency and is exchangeable one-to-one with the fiat currency. Only its form is different.

Introduction of CBDC has the potential to provide significant benefits, such as reduced dependency on cash, higher seigniorage due

to lower transaction costs, reduced settlement risk. Introduction of CBDC would possibly lead to a more robust, efficient, trusted, regulated and legal tender-based payments option. There are associated risks, no doubt, but they need to be carefully evaluated against the potential benefits. It would be RBI’s endeavour, as we move forward in the direction of India’s CBDC, to take the necessary steps which would reiterate the leadership position of India in payment systems.

CBDCs is likely to be in the arsenal of every central bank going forward. Setting this up will require careful calibration and a nuanced approach in implementation. Drawing board considerations and stakeholder consultations are important. Technological challenges have their importance as well. As is said, every idea will have to wait for its time. Perhaps the time for CBDCs is nigh.

Source :[https://www.rbi.org.in/Scripts/BS\\_SpeechesView.aspx?Id=1111](https://www.rbi.org.in/Scripts/BS_SpeechesView.aspx?Id=1111)

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

ASSOCHAM National E-Summit Series On  
Insolvency & Bankruptcy Code and Valuation –  
15th July 2021

### **Eminent Panelists**

- Hon'ble Justice (Retd.) Shri M. M. Kumar Past President, National Company Law Tribunal (NCLT)
- Shri Anil Goel ,Member, ASSOCHAM and Founder & Chairman, AAA Insolvency Professional LLP
- Shri Nitesh Jain ,Director, CRISIL Ratings Ltd.
- Ms. Jyoti A Singh ,Founder, AJA Legal and Associates
- Shri Ankur Shrivastava ,Managing Partner, EZY Laws
- Shri Sutanu Sinha ,Partner (Business Restructuring- Deal Advisory Services), BDO India
- Dr. Sanjeev Gemawat ,Executive Director-Legal, Dalmia Bharat Group
- Ms. Pooja Mahajan,Managing Partner, Chandhiok & Mahajan Advocates and Solicitors
- Ms. Anju Agarwal ,Partner, ASC Group
- Shri Sahil Narula ,Partner, RNC Valuecon LLP

### **Key Takeaway's**

Justice (Retd.) M.M. Kumar, Past-President (NCLT) – The Government should implement capacity building measures and ensure efficient, quick appointments of National Company Law Tribunal (NCLT) members together with appointment of the president and chairman of National Company Law Appellate Tribunal

(NCLAT). “NCLT is a specialised tribunal, it has Companies Act and IBC (Insolvency and Bankruptcy Code).” He added, “These specialist tribunals are required to be very well equipped and should be in a position to dispose of more cases .” Data of NCLT is not very encouraging, 750-800 cases are disposed of. Now the time has come for the government to take up these issues.

He said that while the number of liquidation cases is staggering, but when one starts analysing it is seen that large number of liquidation cases are those which are coming from erstwhile SICA (Sick Industrial Companies Act) or very old cases transferred from the HCs. “That number should not worry us.”

He however said that haircut being imposed is a worrying process. “There are write-ups in newspapers and journals that cartels are operating, and professionals are not doing their job properly and all sorts of things are being said out in the open. This aspect that how it can be clubbed, needs to be seen.”

Talking about the need to revamp the valuation system, Justice Kumar said, “I think professional bodies IRP, RPs, CAs are doing a very good job, I think there needs to be some revamping of the valuation system. IBBI (Insolvency and Bankruptcy Board of India) made large number of attempts. Our law is very old in so far as in terms of valuation of intangible assets, non-financial assets, and contingent claims.”

He informed that IBBI is trying to build up whole regime of valuers, bringing them under one umbrella, some association was also being formed and valuers are being given special training.

On liquidation period he said, “Ease of Doing business is the banner, under that they cannot show to the world at large that we take two years for liquidation. Therefore, if there is no efficient target fixed in law, there is a likelihood of being even more lazy.”

He also said that Section 128 of Indian Contract Act should be used more and more to write the guarantee agreement properly. “It is a very interesting section which says that liability of a guarantor is co-extensive with the principal borrower and in the contract of guarantee, a stipulation can be added that first the creditor will exhaust all the remedies against the corporate debtor, the principal borrower then he can resort to the personal guarantor.”

He further said that the government should do something to protect the entrepreneurs who have faced the Corporate Insolvency Resolution Process (CIRP).

“IBC has no doubt created financial discipline, but it has also created a feeling of alienation that can be assuage by the government by bringing a scheme to rehabilitate those who have been adversely affected”.

“Today the position is, entrepreneurs who have gone under CIRP or liquidation are not given loans, they are ineligible. Those people are in dismay, there might be some mechanism by which they might not be allowed to come back for a year or two but after some time they should be allowed to return as they are quite skilful and are national assets and their skills may be used to advance the financial discipline in the country, to enhance the economy of the country.”



## ASSOCHAM – 2ND NATIONAL E-CONCLAVE ON PRODUCTIVE USE OF FINANCIAL RESOURCES – 29TH JULY 2021

### Eminent panels members

- Dr. Krishnamurthy Subramanian, Chief Economic Advisor, Government of India
- Shri G. Mahalingam, Whole-Time Member, Securities and Exchange Board of India (SEBI)
- Shri Vineet Agarwal, President, ASSOCHAM and MD, Transport Corporation of India Limited
- ShriDeepak Sood, Secretary General, ASSOCHAM
- Dr. Charan Singh, Chairman, ASSOCHAM National Council for Banking
- Shri Ashvin Parekh, Managing Partner, Ashvin Parekh Advisory Services LLP
- Shri P. R. Seshadri, Non-Independent Director, Jana Small Finance Bank
- Shri Arun Mehta, MD & CEO, SBI Capital Markets Limited
- Shri Shachindra Nath, Executive Chairman & MD, U Grow Capital Ltd
- Ms. Radhika Rao, Sr. Vice President & Economist- Group Research, DBS Bank
- Shri Satyam Kumar, CEO & Co-Founder, Loantap Financial Technologies Pvt. Ltd
- S. C. Aggarwal, Member, ASSOCHAM & CMD, SMC Group

### ASSOCHAM – APAS released knowledge report during the event

#### Key Takeaway's

- Dr. Krishnamurthy Subramanian, Chief Economic Advisor, Government of India – Government choices are clearly driven by hope. If you see the reforms and seminal reforms that have been done over the last

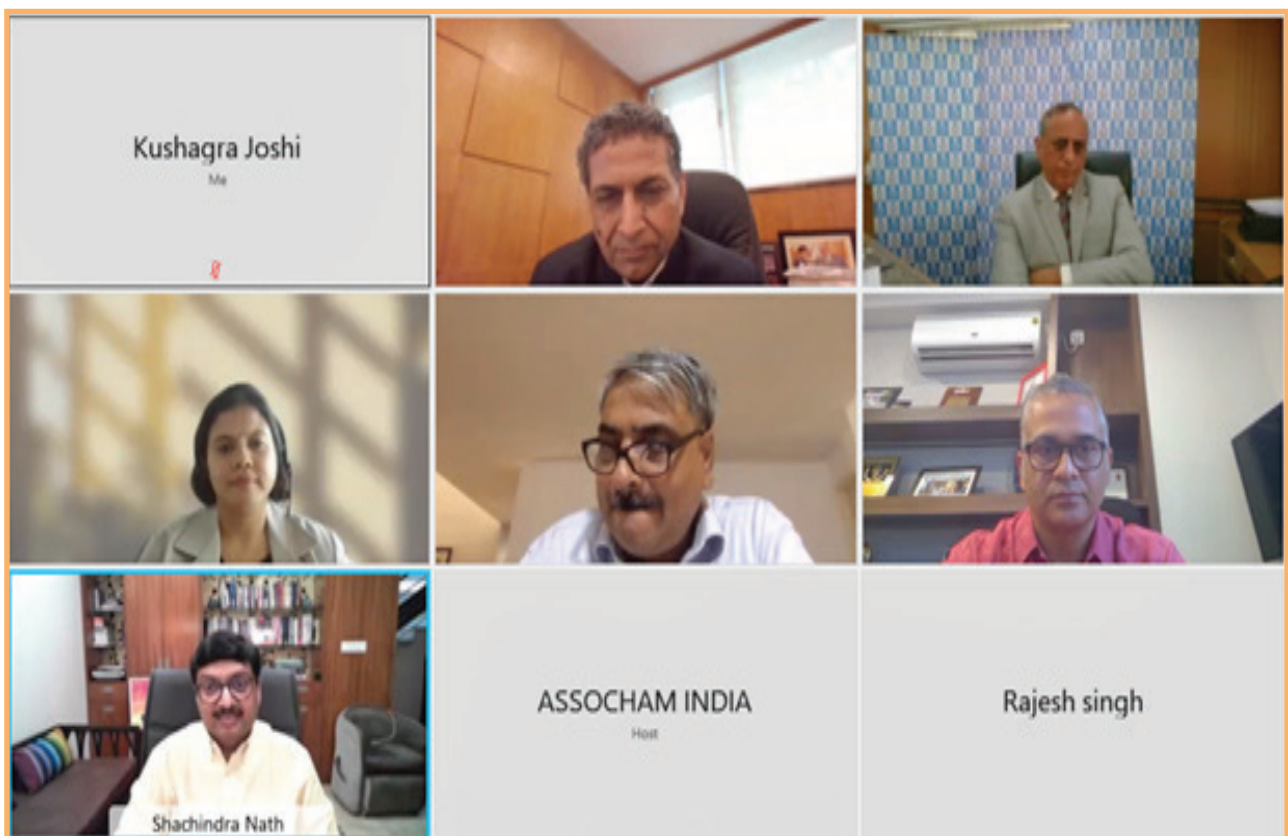
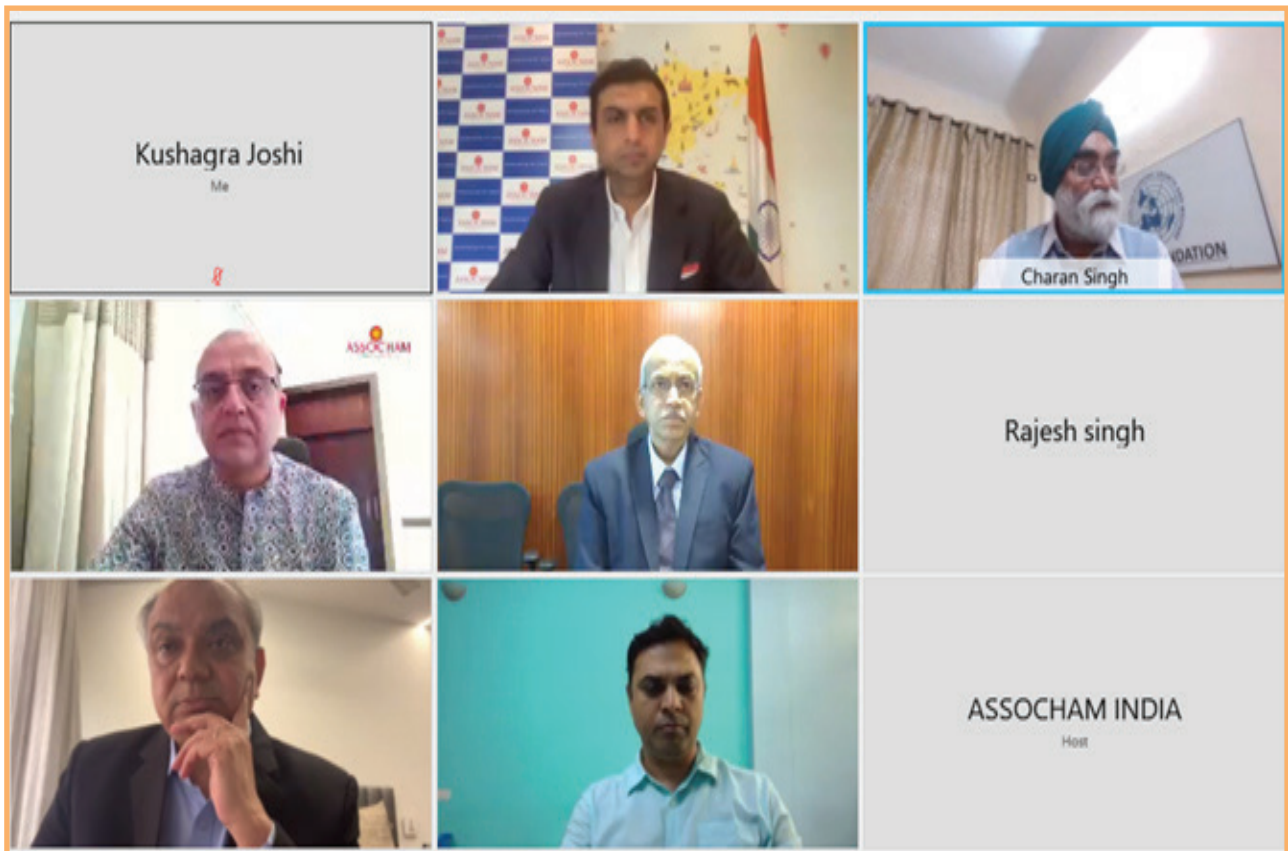
year and a half you will see clear signals that the policy reforms that the government has taken are clearly driven by hope, even as a lot of commentary seems to be driven by excessive fear.

He had also suggested a V shaped recovery after the first quarter numbers that showed a 24 odd percent decline. “We are very glad to note a V shaped recovery in economic growth. As a matter of fact India is the only country among large countries, which have had two consecutive quarters of growth. Of Course there are few sections, which are poorer and MSME seems to be more impacted. But for most of these sectors unlike the organized sector distress does not come from the balance sheet. Once the economy starts coming in good shape and they have access to labour for production they immediately start.

Underlining the importance of Corporate Bonds in country's overall economy, Shri G. Mahalingam, Whole-Time Member, Securities and Exchange Board of India said that during the difficult Covid times SEBI has been taking a large number of measures to alleviate the sufferings of the listed companies and these measures are in the forms of relaxations in compliances, relaxations in fundraising and relaxations in facilitating right issues etc

He also underlined the development of Corporate Bond Market in the country to strengthen the financial system of the country. “What needs to be developed in the country in a big way is the Corporate Bond Market. We have been talking about this for some time but I see a flurry of action in the last few months where the Government is playing a proactive role, RBI too is in favour of it, while SEBI has taken few measures in this direction.”







## BANKING

- **RBI Warns Against Allowing Big Tech Firms Into Financial Services:**

Entry of the so-called Big Tech companies in financial services in emerging markets such as India could present challenges to regulators towards maintaining adequate stability and governance of the ecosystem, the Reserve Bank of India. The central bank flagged monopolistic practices, antitrust issues, cybersecurity risks, and challenges around data privacy as key concerns that could emerge. “Big Techs offer a wide range of digital financial services...of several advanced and emerging market economies,” RBI said in its biannual Financial Stability Report. “While this holds the promise of supporting financial inclusion and generating lasting efficiency gains... concerns have intensified around a level-playing field with banks, operational risk, too-big-to-fail issues, challenges for antitrust rules, cyber security and data privacy.”

Source: <https://economictimes.indiatimes.com/industry/banking/finance/banking/rbi-warns-against-allowing-big-tech-firms-into-financial-services/articleshow/84054900.cms>

- **Banks Better Placed To Handle Shocks Than Six Months Ago:**

Reserve Bank of India (RBI) has reduced its indicative estimate for aggregate bad loans in the Indian banking system in the worst case scenario in its mid year financial stability report (FSR) citing regulatory support and strong capital base of banks.

Source: <https://economictimes.indiatimes.com/industry/banking/finance/banking/banks-better-placed-to-handle-shocks-than-six-months-ago-rbi/articleshow/84039885.cms>

- **Bank Credit Grows 5.82%; Deposits By 10.32%:**

Bank credit grew 5.82 per cent to Rs 108.42 lakh crore and deposits rose 10.32 per cent to Rs 152.99 lakh crore in the fortnight ended June 18, 2021, the RBI data showed. Bank advances stood at Rs 102.46 lakh crore and deposits at Rs 138.67 lakh crore in the fortnight ended June 19, 2020, according to RBI's Scheduled Banks' Statement of Position in India as of June 18, 2021. In the previous fortnight ended June 4, 2021, bank credit had grown 5.74 per cent and deposits by 9.73 per cent.

Source: <https://economictimes.indiatimes.com/industry/banking/finance/banking/bank-credit-grows-5-82-deposits-by-10-32/articleshow/84071339.cms>

- **Industrial Sector's Share In Bank Credit Falls Sharply As Corporates Deleverage, Seek Out New Fund Sources:**

Corporates continuing to deleverage their books and scouting more cheaper sources of funding, has led to a sharp fall in the share of the industrial sector in total bank credit. With banks pushing loans in the retail segment, total bank credit to the industrial sector dropped by nearly 14% between 2014-2021. This sure was largely taken up by the housing segment and individual loans, RBI data showed.

Source: <https://economictimes.indiatimes.com/industry/banking/finance/banking/industrial-sectors-share-in-bank-credit-falls-sharply-as-corporates-deleverage-seek-out-new-fund-sources/articleshow/84114367.cms>

- **Airtel Payments Bank Hopeful Of Break-Even In FY 22; Logs Surge In**

### **Business Volumes Amid Pandemic:**

Airtel Payments Bank has seen a surge in business volumes in FY21 as lockdown curbs and migrants heading back to villages spurred new accounts as well as transactions, and the company is eyeing a break-even this fiscal. Factors like growth in revenues, expanded scale of operations, and higher realisation per user from cross selling of products are expected to drive break-even in the current financial year.

Source: <https://economictimes.indiatimes.com/industry/banking/finance/banking/airtel-payments-bank-hopeful-of-break-even-in-fy22-logs-surge-in-business-volumes-amid-pandemic/articleshow/84113096.cms>

- **Razorpay, Mastercard Launch Solution For Recurring Payments; Aims To Integrate With Over 50 Banks:**

Payments solution provider Razorpay, said it has partnered with Mastercard to launch 'MandateHQ' - a payment interface that will help card-issuing banks to enable recurring payments for its customers. Razorpay, which is backed by Sequoia Capital, GIC, and others, aims to integrate MandateHQ with more than 50 banks in the next 12 months. The Reserve Bank of India (RBI) had issued a framework for processing e-mandates on recurring online transactions. It has made AFA (Additional Factor of Authentication) mandatory for all recurring transactions below Rs 5,000 on debit cards, credit cards, UPI, and other Prepaid Payment Instruments (PPIs), and all stakeholders are required to ensure full compliance with the framework by September 30, 2021.

Source: <https://economictimes.indiatimes.com/industry/banking/finance/banking/razorpay-mastercard-launch-solution-for-recurring-payments-aims-to-integrate-with-over-50-banks/articleshow/84174030.cms>

- **RBI Warns Of Stress Build-Up In Consumer Credit:**

The pandemic and its fallout on the economy has made consumer lending riskier for banks even as it has been the only sector to help banks keep their loan books afloat at such times. The delinquency rates for such loans are going up particularly for private sector banks and NBFCs during the pandemic warned the Reserve Bank of India's latest financial stability report.

Source: <https://economictimes.indiatimes.com/industry/banking/finance/banking/rbi-warns-of-stress-build-up-in-consumer-credit/articleshow/84175418.cms>

- **This special SBI savings account can help you earn higher interest rate:**

Amid State Bank of India or SBI savings account interest rate sliding below 3 per cent (2.70 per cent annually), SBI customers are looking for options where they can get more returns without changing their risk appetite. For such SBI customers, there is SBI Savings Plus Account, which is linked to Multi Option Deposit Scheme (MODS), wherein surplus fund above a threshold limit from the Savings Bank Account is transferred automatically to Term Deposits opened in multiples of ₹1000. As per the details of this special SBI savings account available at the official website of SBI — [sbi.co.in](http://sbi.co.in) — period of this term deposit ranges from 1 year to 5 years. One can get loan against the MOD deposits as well.

Source: <https://www.livemint.com/money/personal-finance/this-special-sbi-savings-account-can-help-you-earn-higher-interest-rate-11625720566107.html>

- **RBI issues advisory to banks to prepare for transition from LIBOR**

The Reserve Bank of India (RBI) on July 8 issued an advisory to banks and other RBI-regulated entities emphasizing the need for

preparedness for the transition away from London Interbank Offered Rate (LIBOR). The RBI advisory is part of a worldwide transition of financial institutions from old benchmark to new alternative reference rates. LIBOR is the interest rate average submitted by leading UK banks. The Financial Conduct Authority (FCA), UK, in a press statement dated March 5, 2021 announced that all LIBOR settings will either cease to be provided by any administrator or no longer be representative post December, 2021. The cut off is December 31, 2021, in the case of all Pound sterling, Euro, Swiss franc and Japanese yen settings, and the 1-week and 2-month US dollar settings and June 30, 2023, in the case of the remaining US dollar settings.

Source:- <https://www.moneycontrol.com/news/business/rbi-issues-advisory-to-banks-to-prepare-for-transition-from-libor-7147251.html>

- **National Asset Reconstruction Company to be operationalised in a month**

The National Asset Reconstruction Company (NARCL) is likely to be operationalised in a month, paving the way for the transfer of stressed assets worth about Rs 83,000 crore in the first phase to the so-called bad bank for resolution, sources told FE. "Formalities have been more or less completed. NARCL should take off in a month," said one of the sources. Analysts have called for expeditious operationalisation of the bad bank so that it takes root before the next, Covid-induced surge in bad loans hits the banking system. NARCL is expected to see the transfer of large stressed assets (of at least Rs 500 crore each) worth Rs 2.25 lakh crore in phases.

Source: <https://www.financialexpress.com/economy/stressbuster-national-asset-reconstruction-company-to-be-operationalised-in-a-month/2286061/>

- **Physical bank branches will continue to play key role in rural areas: Bankers**

Physical bank branches will continue to play an important role in rural areas, despite the adoption of digital transactions seeing a significant jump in these areas in the last 18 months, say bankers. "Rural is becoming digital but it needs a physical presence. Rural will always remain a little bit physical," IndusInd Bank Managing director and Chief Executive Officer Sumant Kathpalia said during a panel discussion at the Financial Inclusion Summit organized by The Economic Times. He was speaking on the topic – Taking Digital Banking to Rural India. Kathpalia said in the last 18 months there has been a massive digital transformation in rural India. He said his bank is now able to disburse the loan in seven minutes as against seven days earlier. According to him, the next generation of rural India is mobile-ready. "Don't believe that rural areas are backward. The penetration of the internet is 33 per cent and that of smartphones is 37 per cent in rural India," he said.

Source: [https://economictimes.indiatimes.com/industry/banking/finance/banking/physical-bank-branches-will-continue-to-play-key-role-in-rural-areas-bankers/articleshow/84445360.cms?utm\\_source=contentofinterest&utm\\_medium=text&utm\\_campaign=cppst](https://economictimes.indiatimes.com/industry/banking/finance/banking/physical-bank-branches-will-continue-to-play-key-role-in-rural-areas-bankers/articleshow/84445360.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst)

- **RBI allows SFBs to merge with holding cos; Ujjivan, Equitas Holdings up 20%**

Shares of Equitas Holdings, Ujjivan Financial Services, and IDFC rallied up to 20 per cent on the BSE in the intra-day trade on Monday after the Reserve Bank of India (RBI) allowed small finance banks (SFBs) and respective holding companies to apply for the Amalgamation scheme.

Among individual stocks, Equitas Holdings (at Rs 138.40) and Ujjivan Financial Services

(at Rs 244.90) were locked in the 20 per cent upper circuit, while Equitas SFB surged 17 per cent at Rs 76.25, IDFC (up 13 per cent to Rs 60.05), Ujjivan Small Finance Bank, and IDFC First Bank.

Equitas Holdings, the promoter of Equitas Small Finance Bank (SFB), on Saturday said the bank has received the RBI's nod to apply for amalgamation of the promoter into itself. "RBI has also conveyed that any 'no-objection', if and when given on the Scheme of Amalgamation, would be without prejudice to the powers of RBI to initiate action, if any, for violation of any licensing guidelines or any terms and conditions of license, or any other applicable instruction," Equitas Holdings said in exchange filing on Saturday. According to SFB Licensing Guidelines, a promoter of Small Finance Bank can exit or cease to be a promoter after the mandatory initial lock-in period of five years depending on the RBI's regulatory and supervisory comfort and SEBI Regulations in this regard at that time.

Source: [https://www.business-standard.com/article/markets/rbi-allows-sfbs-to-merge-with-holding-cos-ujjivan-equitas-holdings-up-20-121071200151\\_1.html](https://www.business-standard.com/article/markets/rbi-allows-sfbs-to-merge-with-holding-cos-ujjivan-equitas-holdings-up-20-121071200151_1.html)

#### • **Lenders set up bad bank for loans in default**

Public sector lenders led by Canara Bank have officially formed the bad bank — the National Asset Reconstruction Company (NARC). Their next step now is to obtain approval from the Reserve Bank of India (RBI) to function as an ARC.

In May, banks decided to appoint Padmakumar M Nair, chief general manager in charge of stressed assets in SBI, as the MD of the NARC. According to RBI norms, an ARC should have minimum net-owned funds of not less than 15% of the total financial assets that it plans to acquire on an aggregate basis or Rs 100 crore.

According to industry sources, lenders have identified 22 asset loan accounts worth Rs 82,496 crore. Assuming a book value of half the loan amount, the ARC would have to pay out around Rs 6,000 crore to purchase the assets. This is because the RBI norms require that 15% of the value of the asset has to be paid in cash, while the rest can be paid for by issuing security receipts (SRs). These SRs entitle the holder to a share of the recovery effected by the ARC.

Source: [https://economictimes.indiatimes.com/industry/banking/finance/banking/lenders-set-up-bad-bank-for-loans-in-default/articleshow/84367213.cms?utm\\_source=contentofinterest&utm\\_medium=text&utm\\_campaign=cppst](https://economictimes.indiatimes.com/industry/banking/finance/banking/lenders-set-up-bad-bank-for-loans-in-default/articleshow/84367213.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst)

#### • **RBI penalized SBI, 13 other banks for non-adherence to NBFC lending rules**

The Reserve Bank of India (RBI) has penalized 14 banks including State Bank of India, IndusInd Bank, Bandhan Bank and Bank of Baroda for non-compliance of various lending norms. The Reserve Bank of India (RBI) has penalized 14 banks including State Bank of India, IndusInd Bank, Bandhan Bank and Bank of Baroda for non-compliance of various lending norms. The banks were called out on not adhering to restrictions and provisions on loans as well as advances and reporting to the central database on large exposures.

In view of this, RBI levied a penalty of Rs 2 crore on these 14 banks, the regulator has levied a fine of Rs 1 crore. "A scrutiny in the accounts of the companies of a Group was carried out by RBI and it was observed that the banks had failed to comply with provisions of one or more of the aforesaid directions issued by RBI and/or contravened provisions of the Banking Regulation Act, 1949," RBI said in a statement. The regulator said it had issued notices to these banks

seeking show cause as to why RBI should not impose penalty on them for non-compliance.

Source: <https://www.financialexpress.com/industry/banking-finance/rbi-penalises-sbi-13-other-banks-for-non-adherence-to-nbfc-lending-rules/2286250/>

- **India's risk-averse lenders are emerging as one of the biggest hurdles to its recovery**

India's risk-averse lenders are emerging as one of the biggest hurdles to the speed of the nation's recovery from the pandemic-induced downturn, as they hold back credit when the economy needs it the most. Loans to companies and individuals has been growing at a subdued 5.5%-6% in recent months, which is half the pace seen before

the pandemic struck, Reserve Bank of India data shows. The nation's biggest lender State Bank of India wants to nearly double its credit growth rate to 10% in the year started April 1, but is willing to miss the goal. "It is a very fragile situation," Dinesh Khara, chairman of SBI, said after reporting earnings for the fiscal year ended March. The bank would not "compromise" on asset quality to achieve targets, he said.

Source: [https://economictimes.indiatimes.com/industry/banking/finance/banking/indias-risk-averse-lenders-are-emerging-as-one-of-the-biggest-hurdles-to-its-recovery/articleshow/84256647.cms?utm\\_source=contentofinterest&utm\\_medium=text&utm\\_campaign=cppst](https://economictimes.indiatimes.com/industry/banking/finance/banking/indias-risk-averse-lenders-are-emerging-as-one-of-the-biggest-hurdles-to-its-recovery/articleshow/84256647.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst)



## SELECT RBI CIRCULAR

DATE OF ISSUE	CIRCULAR NUMBER	SUBJECT
29/07/2021	RBI/2021-2022/74 DOR.FIN.REC. No.34/03.10.136/2021-22	Rating of Deposits of HFCs – Approved Credit Rating Agencies and Minimum Investment Grade Credit Rating
28/07/2021	RBI/2021-2022/73 DPSS.CO.LVPD No.S290/04.04.009/2021-22	Access for Non-banks to Centralised Payment Systems
23/07/2021	RBI/2021-2022/72 DOR.CRE.REC. No.33/13.03.00/2021-22	Loans and Advances – Regulatory Restrictions
14/07/2021	RBI/2021-2022/71 DCM (Plg.) No.S39/10.25.007/2021-22	Cassette - Swaps in ATMs
09/07/2021	RBI/2021-2022/70 DoR.ORG. REC.31/21.06.017/2021-22	Mandatory Leave for Employees Posted in Sensitive Positions or Areas of Operation
08/07/2021	RBI/2021-2022/69 CO.FMRD.DIRD. S39/14.02.001/2021-22	Roadmap for LIBOR Transition
08/07/2021	RBI/2021-2022/68 DoR.RET. REC.30/12.07.150/2021-22	Inclusion of “Shivalik Small Finance Bank Limited” in the Second Schedule of the Reserve Bank of India Act, 1934
07/07/2021	RBI/2021-2022/67 FIDD.MSME & NFS. BC.No.13/06.02.31/2021-22	New Definition of Micro, Small and Medium Enterprises - Addition of Retail and Wholesale Trade
02/07/2021	RBI/2021-2022/66 DoR.SPE.REC.29/13.03.00/2021-2022	Review of Instructions on Interest on overdue domestic deposits
01/07/2021	RBI/2021-2022/65 DOR.CRE(DIR). REC.28/04.02.001/2021-22	Interest Equalization Scheme on Pre and Post Shipment Rupee Export Credit - Extension



## WEEKLY STATISTICAL SUPPLEMENT (RBI) – EXTRACT

1. Reserve Bank of India - Liabilities and Assets*					
(₹ Crore)					
Item	2020	2021	Variation		
	Jul. 24	Jul. 16	Jul. 23	Week	Year
	1	2	3	4	5
4 Loans and Advances					
4.1 Central Government	-	-	-	-	-
4.2 State Governments	5651	5827	1181	-4646	-4470
* Data are provisional.					

2. Foreign Exchange Reserves								
Item	As on July 23, 2021		Variation over					
			Week		End-March 2021		Year	
	₹ Cr.	US\$ Mn.	₹ Cr.	US\$ Mn.	₹ Cr.	US\$ Mn.	₹ Cr.	US\$ Mn.
	1	2	3	4	5	6	7	8
1 Total Reserves	4549373	611149	-22726	-1581	330421	34165	638515	88519
1.1 Foreign Currency Assets	4225412	567628	-18502	-1120	301244	30935	629968	87146
1.2 Gold	274565	36884	-4008	-449	26842	3004	4431	784
1.3 SDRs	11506	1546	-49	-3	642	60	553	82
1.4 Reserve Position in the IMF	37891	5091	-167	-9	1693	167	3563	506
*Difference, if any, is due to rounding off								

4. Scheduled Commercial Banks - Business in India						
(₹ Crore)						
Item	Outstanding as on Jul. 16, 2021	Variation over				
		Fortnight	Financial year so far		Year-on-year	
			2020-21	2021-22	2020	2021
	1	2	3	4	5	6
2 Liabilities to Others						
2.1 Aggregate Deposits	15514269	62981	453124	400757	1370025	1493654
2.1a Growth (Per cent)		0.4	3.3	2.7	10.8	10.7
2.1.1 Demand	1848485	98335	-125552	-12707	166548	357034
2.1.2 Time	13665784	-35355	578676	413464	1203477	1136620
2.2 Borrowings	249767	-830	-30472	5742	-72845	-29199
2.3 Other Demand and Time Liabilities	545362	-28613	-106602	-111246	-2373	48288
7 Bank Credit	10878570	-49868	-151749	-70939	560734	659459
7.1a Growth (Per cent)		-0.5	-1.5	-0.6	5.8	6.5
7a.1 Food Credit	85671	2493	34591	24417	20354	-684
7a.2 Non-food credit	10792900	-52361	-186340	-95355	540380	660144

## 6. Money Stock: Components and Sources

(₹ Crore)

Item	Outstanding as on 2021		Variation over									
			Fortnight		Financial Year so far				Year-on-Year			
	2020-21				2021-22		2020		2021			
	Mar. 31	Jul. 16	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	1	2	3	4	5	6	7	8	9	10	11	12
M3	18844594	19375653	63038	0.3	690713	4.1	531060	2.8	1922895	12.4	1884977	10.8
1 Components (1.1.+1.2+1.3+1.4)												
1.1 Currency with the Public	2751828	2874814	-106	0.0	230503	9.8	122986	4.5	481547	22.9	294563	11.4
1.2 Demand Deposits with Banks	1995136	1984387	97957	5.2	-125265	-7.2	-10749	−0.5	172577	12.0	371960	23.1
1.3 Time Deposits with Banks	14050278	14466537	-35985	-0.2	584707	4.6	416258	3.0	1265505	10.6	1207814	9.1
1.4 ‘Other’ Deposits with Reserve Bank	47351	49915	1173	2.4	768	2.0	2564	5.4	3267	9.1	10640	27.1
2 Sources (2.1+2.2+2.3+2.4-2.5)												
2.1 Net Bank Credit to Government	5850374	6046680	-20689	-0.3	538835	10.9	196306	3.4	752425	15.9	547483	10.0
2.1.1 Reserve Bank	1099686	1097776	-10857		84841		-1909		22384		20743	
2.1.2 Other Banks	4750689	4948904	-9832	-0.2	453994	11.4	198215	4.2	730041	19.8	526740	11.9
2.2 Bank Credit to Commercial Sector	11668469	11592290	-50496	-0.4	-160929	-1.5	-76179	−0.7	607059	5.9	714575	6.6
2.2.1 Reserve Bank	8709	9633	1		-1339		924		3876		-2194	
2.2.2 Other Banks	11659760	11582657	-50497	-0.4	-159590	-1.4	-77103	−0.7	603183	5.9	716769	6.6

## 8. Liquidity Operations by RBI

(₹ Crore)

Date	Liquidity Adjustment Facility				MSF*	Standing Liquidity Facilities	Market Stabilisation Scheme	OMO (Outright)		Long Term Repo Operations &	Targeted Long Term Repo Operations#	Special Long-Term Repo Operations for Small Finance Banks	Special Reverse Repo£	Net Injection (+)/ Absorption (-) (1+3+5+6+9+ 10+11+12-2-4-7-8-13)
	Repo	Reverse Repo*	Variable Rate Repo	Variable Rate Reverse Repo				Sale	Purchase					
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Jul. 19, 2021	-	480515	-	-	0	177	-	-	260	-	-	-	-	-480078
Jul. 20, 2021	-	426537	-	-	0	-	-	-	-	-	-	-	-	-426537
Jul. 21, 2021	-	5774	-	-	5678	-	-	-	-	-	-	-	-	-96
Jul. 22, 2021	-	445830	-	-	586	-	-	-	-	-	-	-	-	-445244
Jul. 23, 2021	-	451515	-	-	17	-900	-	-	20000	-	-	-	-	-432398
Jul. 24, 2021	-	2982	-	-	59	-	-	-	-	-	-	-	-	-2923
Jul. 25, 2021	-	1293	-	-	34	-	-	-	-	-	-	-	-	-1259

## NON-BANKING FINANCE COMPANIES & MICRO FINANCE INSTITUTIONS

- **RBI Raises Average Base Rate For NBFC-MFI To 7.98%:**

The Reserve Bank of India (RBI) has fixed the average base rate for NBFC-MFIs to be charged from their borrowers at 7.98 per cent for the quarter starting July 1, 2021. The rate has been increased from 7.81 per cent that was applicable in the April-June quarter. "The Reserve Bank of India has today communicated that the applicable average base rate to be charged by Non-Banking Financial Company - Micro Finance Institutions (NBFC-MFIs) to their borrowers for the quarter beginning July 1, 2021 will be 7.98 per cent," said an RBI statement. The central bank in its circular dated February 7, 2014, issued to NBFC-MFIs regarding pricing of credit, stated that on the last working day of every quarter, it will advise the average of the base rates of the five largest commercial banks for the purpose of arriving at the interest rates to be charged by NBFC-MFIs to their borrowers in the ensuing quarter.

Source: <https://www.timesnownews.com/business-economy/industry/article/rbi-raises-average-base-rate-for-nbfc-mfi-to-7/778260>

- **Mswipe Appoints Cashe's Shri Ketan Patel As CEO, To Apply For NBFC Licence:**

Merchant payments fintech Mswipe has appointed former Cashe CEO Shri Ketan Patel as its new chief executive, with founder and former CEO Shri Manish Patel elevated as the Managing Director. The leadership rejig at Mswipe is with an objective to pivot its business model from a merchant-focused payments firm to a "digital SME bank." The move comes at a time when competitor BharatPe has become the first fintech in India to own a small finance bank (SFB)

license in partnership with Jaspal Bindra-led Centrum Group. Shri Ketan Patel, who has also been with the Kotak Group, told ET that Falcon Edge-backed Mswipe will apply for a Non-Banking Financial Company (NBFC) licence in FY22 and later attempt to convert into an SFB.

Source: <https://economictimes.indiatimes.com/tech/startups/mswipe-appoints-cashes-ketan-patel-as-ceo-to-apply-for-nbfc-licence/articleshow/84013932.cms>

- **NBFC, HFC Collections Drop 35% on Covid Restrictions:**

Domestic rating agency Icria Ratings on Friday said the monthly collection efficiency of its retail loan pools originated by non-banking finance companies (NBFCs) and housing finance companies (HFCs) dropped by around 10-35 per cent across asset classes in May 2021 from March 2021. The agency said a significant rebound in overall collections in the second quarter remains important, to arrest the rising delinquencies as seen in its rated retail pools. The collection efficiency in Icria-rated securitisation transactions began to decline from April 2021 onwards due to the disruption in collection activities of NBFCs and HFCs owing to second wave induced lockdowns/restrictions imposed by several state governments.

Source: <https://www.outlookindia.com/outlookmoney/non-banking/nbfc-hfc-collections-drop-35-on-covid-restrictions-7912>

- **Sumitomo Mitsui To Acquire Temasek India Nbf Arm Fullerton India Credit Company:**

Japan's Sumitomo Mitsui Financial Group (SMFG) and Fullerton Financial Holdings (FFH) July 6 reached an agreement for the former to acquire the latter's 74.9% stake in its

diversified NBFC arm Fullerton India Credit Company. The deal is subject to regulatory approvals and according to sources has been struck for around \$2 billion. SMFG will eventually acquire 100% of Fullerton India Credit Company (FICC). FFH is a wholly-owned independent portfolio company of Singapore-headquartered investment company, Temasek.

Source: <https://www.moneycontrol.com/news/business/sumitomo-mitsui-to-acquire-temasek-india-nbfc-arm-fullerton-india-credit-company-7131381.html>

#### • **NBFCs auction record volume of pawned gold**

Gold loan-focused non-banks like Manappuram Finance have auctioned a record 1 tonne, worth ₹404 crore, of the pawned gold in the last quarter of 2020-21, indicating deepening distress among the public due to the pandemic and have warned that banks are headed to an NPA crisis from September quarter when gold loans with one-year tenure mature. During the first wave of the pandemic, among the many measures the Reserve Bank announced to alleviate the financial distress of the public, one was to allow banks to offer 90 per cent of the value of gold in loans. This helped millions of households, as it came amidst a massive spike in gold prices, which had crossed ₹5,600/gram in the peak of the pandemic last year.

Source: <https://www.livemint.com/market/commodities/nbfc-auction-record-volume-of-pawned-gold-11625713404956.html>

#### • **Govt's steps to ease NBFC liquidity crisis too short-term: Fitch report:**

The government measures to provide partial credit guarantee to public sector bank on their asset purchases from NBFCs can ease funding pressure only for the short-term, says

a report. In the budget, the government had said for purchase of high-rated pooled assets of financially-sound NBFCs, amounting to Rs 1 trillion during the current financial year, it will provide a one-time six months' partial credit guarantee to public sector banks for their first loss of up to 10 percent. The step, however, does not address investors' long-term concerns about the exposure of NBFCs to stressed real estate, rating agency Fitch said in a report Thursday. "The guarantee is more than enough to cover typical losses. The government will cover up to Rs 1 trillion of issuance. We estimate that this will cover their liquidity needs for about six months". The provision refers only to financially-sound NBFCs, which suggests that weaker entities in need of funds may still have to fend for themselves, it noted.

Source: [https://www.business-standard.com/article/finance/govt-s-steps-to-ease-nbfc-liquidity-crisis-too-short-term-fitch-report-119072500767\\_1.html](https://www.business-standard.com/article/finance/govt-s-steps-to-ease-nbfc-liquidity-crisis-too-short-term-fitch-report-119072500767_1.html)

#### • **Securitisation volumes for NBFCs, HFCs surged to Rs 17,500 crore in Q1 FY22: Icra**

Despite the impact of the second wave of COVID-19, securitisation volumes by non-banking financial companies and housing finance companies surged 2.3 times to Rs 17,500 crore of their loan assets in the first quarter of 2021-22, according to a report. During the first quarter of 2020-21, the volumes had significantly fallen to Rs 7,500 crore due to the pandemic and the resultant nationwide lockdown in March 2020, ICRA rating released report on Friday.

Source: [https://economictimes.indiatimes.com/industry/banking/finance/securitisation-volumes-for-nbfc-hfc-surged-to-rs-17500-crore-in-q1-fy22-icra/articleshow/84264787.cms?utm\\_source=contentofinterest&utm\\_medium=text&utm\\_campaign=cppst](https://economictimes.indiatimes.com/industry/banking/finance/securitisation-volumes-for-nbfc-hfc-surged-to-rs-17500-crore-in-q1-fy22-icra/articleshow/84264787.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst)



- **Covid 2.0 unleashes credit stress on MFIs, small NBFCs**

The impact of the second Covid wave has raised concerns over the recovery of the microfinance (MFIs) and the small NBFC sector, which was already battling the elevated credit stress and declining AUM in FY21. Accordingly, out of thirteen issuer downgrades by credit rating agencies during Q1FY22 in the financial sector, ten issuers are smaller MFI and NBFCs engaged in providing unsecured MSME loans, personal and vehicle loans. A report by Acuite Ratings

said that collection efficiencies which were seen recovering above 90 per cent in Mar-21 have dropped to between 65-85 per cent levels during Q1FY22. "Besides the lower collections, the debt raising ability of these smaller players has been impacted with an estimated 50 per cent of players (having a loan portfolio of more than 500 crore) having received adequate funds."

Source : <https://economictimes.indiatimes.com/markets/stocks/news/covid-2-0-unleashes-credit-stress-for-mfis-small-nbfcs/articleshow/84293045.cms>

## INSURANCE

- **Digit Insurance To Raise \$200 Million Funding, Valuation Zooms To \$3.5 Billion:**

Fairfax-backed digital insurance company Digit Insurance is raising up to \$200 million with existing investor Faering Capital and new investors Sequoia Capital India, IIFL Alternate Asset Managers and a few others, in their latest round of funding. This funding round values Digit at \$3.5 billion. This fundraising is subject to the approval of the Insurance Regulatory and Development Authority of India (IRDAI). In January 2021, Digit became the first unicorn of the year with a valuation of \$1.9 billion. The insurer said it achieved the \$1 billion-plus valuation (Rs 14,050 crore to be exact) in three years of operations after existing investors pumped in Rs 135 crore of additional capital in January 2021.

Source: <https://economictimes.indiatimes.com/industry/banking/finance/banking/banks-better-placed-to-handle-shocks-than-six-months-ago-rbi/articleshow/84039885.cms>

- **Big insurance companies launch net-zero climate alliance :**

Eight of the world's leading insurance and reinsurance companies launched an alliance to help speed up a transition to a net zero emissions economy.

The companies, which include Europe's top three insurers by premiums - Allianz, AXA and Generali - said the Net-Zero Insurance Alliance (NZIA) would work to shift underwriting portfolios towards net-zero greenhouse gas emissions by 2050. The move comes as insurers come under increasing pressure to spell out how they plan to decarbonise their businesses amid growing calls for them to stop underwriting and investing in fossil fuel projects. Each of the companies will individually set intermediate targets every five years and report on progress annually in cooperation with competition authorities, the NZIA members said in a statement.

"With this new Net-Zero Insurance Alliance, we are raising our climate ambition further," said Thomas Buberl, Chief Executive of the AXA Group. NZIA members, which also include Aviva, Munich Re, SCOR, Swiss Re and Zurich Insurance Group, will set underwriting criteria for the most carbon-intensive activities in their underwriting portfolios and offer solutions for low-emission and zero-emission technologies.

Source: [https://economictimes.indiatimes.com/industry/banking/finance/insure/big-insurance-companies-launch-net-zero-climatealliance/articleshow/84318266.cms?utm\\_source=contentofinterest&utm\\_medium=text&utm\\_campaign=cppst](https://economictimes.indiatimes.com/industry/banking/finance/insure/big-insurance-companies-launch-net-zero-climatealliance/articleshow/84318266.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst)

- **Non-life insurers' gross direct premium up 7 pc at Rs 14,809 cr in June:**

The gross direct premium written by non-life insurance companies grew nearly 7 per cent to Rs 14,809.27 crore in June this year, data from sectoral regulator Irdai showed. The 32 non-life insurance companies in the country had reported gross direct premium of Rs 13,842.27 crore in June 2020. Of these, the 25 general insurance companies registered 4.9 per cent rise in gross direct premium during the month at Rs 13,041.51 crore as against Rs 12,435.71 crore in the year-ago period.

Source: [https://economictimes.indiatimes.com/industry/banking/finance/insure/non-life-insurers-gross-direct-premium-up-7-pc-at-rs-14809-cr-in-june/articleshow/84268229.cms?utm\\_source=contentofinterest&utm\\_medium=text&utm\\_campaign=cppst](https://economictimes.indiatimes.com/industry/banking/finance/insure/non-life-insurers-gross-direct-premium-up-7-pc-at-rs-14809-cr-in-june/articleshow/84268229.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst)

- **Govt moves Irdai to allow listing of 'corporation' ahead of LIC's IPO:**

The government has approached the insurance regulator to seek an exemption for listing of a 'corporation' as it prepares

for Life Insurance Corporation of India's (LIC) initial public offering (IPO), expected to be the largest offering in the country. The Department of Investment and Public Asset Management (Dipam) is in talks with the Insurance Regulatory and Development Authority of India (Irdai) to seek an exemption for the listing of an insurance 'corporation' on the exchanges, as LIC would be the first insurance corporation coming

Source: [https://www.business-standard.com/article/economy-policy/govt-moves-irdai-to-allow-listing-of-corporation-ahead-of-lic-s-ipo-121070601504\\_1.html](https://www.business-standard.com/article/economy-policy/govt-moves-irdai-to-allow-listing-of-corporation-ahead-of-lic-s-ipo-121070601504_1.html)

- **Govt Readies Amendments To GIBNA For Insurance PSU Privatisation:**

To facilitate privatisation of a public sector general insurance firm, the government is working on amendments to the General Insurance Business (Nationalisation) Act (GIBNA), and a Bill for that is likely to come up in the upcoming monsoon session. The monsoon session is expected to begin from July 19. The Act, which came into force in 1972, provided for the acquisition and transfer of shares of Indian insurance companies and undertakings of other existing insurers in order to serve better the needs of the economy by securing the development of general insurance business. The amendments to the GIBNA are being worked out and may be tabled in the upcoming session to help privatisation of a general insurance company announced in the Budget this year, sources said.

Source: [https://www.business-standard.com/article/economy-policy/govt-readies-amendments-to-gibna-for-insurance-psu-privatisation-121070400231\\_1.html](https://www.business-standard.com/article/economy-policy/govt-readies-amendments-to-gibna-for-insurance-psu-privatisation-121070400231_1.html)

- **Centre to scrap 51% holding clause to privatise insurer**

The government is ready with a proposal to amend insurance laws to privatise one

of the three unlisted general insurance companies. The draft Bill, which has been sent for approval by the Union Cabinet before introducing it in Parliament, seeks to remove the 51% floor on government holding, official sources told TOI. Foreign investors will be able to hold up to 74% in the divested general insurance firm subject to Indian management and control, government sources said, while ruling out any plan to sell New India Assurance.

Source : <https://economictimes.indiatimes.com/markets/stocks/news/centre-to-scrap-51-holding-clause-to-privatise-insurer/articleshow/84746502.cms>

- **Health, term insurance price indices mark a huge jump in Q2:**

Term insurance and health insurance schemes have undergone a major shift when

it comes to premium prices, age category, etc., in the months of April, May and June 2021, according to Insurance Price Index data for the second quarter of 2021 compiled by PolicyX.com, an insurance web aggregator. Unlike the first quarter (Q1) of 2021, the Health Insurance Price Index witnessed a major shift in Q2 with an increase of 4.87%, marking a surge in insurance premium prices to ₹25,197 in the index value. The index of health insurance had been constant in the previous two quarters, namely Q4FY20 and Q1FY21 at ₹24,026, according to the report.

Source :- <https://www.livemint.com/insurance/news/health-and-term-insurance-price-index-marks-a-huge-jump-in-q2-report-11625289079669.html>

## CORPORATE BOND MARKET

- **New Report Outlines Roadmap To Deepen UK-India Capital Markets Link:**

A new report released in London has called for the development of a deep, liquid corporate bond market in India to fund the country's large infrastructure investment needs and its transition to a low carbon economy. 'Unleashing the potential of the Indian Debt Capital Markets' is the first report by the City of London Corporation led UK-India Capital Markets Working Group, which emerged from the India-UK Economic Financial Dialogue last year. City of London Corporation Policy Chair Catherine McGuinness, who launched the report during a virtual event this week, said the recommendations will enhance India's economic growth plans and journey to a low

carbon economy.

Source: <https://www.financialexpress.com/economy/new-report-outlines-roadmap-to-deepen-uk-india-capital-markets-link/2282146/>

- **Demand Dwindles In Tight Corporate Bond Market:**

Aside from the covered bond market, issuance volumes fell away in most corners of the primary market last week as the markets slow for summer. Although most deals were well subscribed, the average oversubscription ratios in each market struggled to maintain previous levels a reflection of the tight spreads on offer in FIG and corporate bond markets.

Source: <https://www.globalcapital.com/article/b1sl8k7m703b0j/pmm-demand-dwindles-in-tight-corporate-bond-market>

- **China Defaults Threaten An Eerily Calm \$12 Trillion Bond Market:**

China's corporate credit market is the world's biggest, after the U.S. It's also one of the safest. The government has backstopped even the most reckless companies, fending off defaults where they were arguably long overdue. But those days are now drawing to a close as Beijing forces more accountability on its weakest companies to reduce moral hazard. The defaults are coming. In China, the current default rate is around 1%; in more developed markets, it's closer to 2% to 3%. Removing government support in order to close that gap is a delicate process. Allow too many firms, or the wrong ones, to fail, and investors' faith in the overall market will wobble, triggering precisely the crisis that Beijing wants to avoid.

Source: <https://www.bloomberg.com/graphics/china-credit-tracker/>

- **Sebi proposes swing pricing mechanism for debt mutual funds:**

Sebi on Monday proposed introducing swing pricing mechanism for open ended mutual fund debt schemes as part of efforts to ensure

fairness in treatment of investors, especially during times of market dislocation. The regulator has suggested partial swing during normal times and a mandatory full swing during times of market dislocation. The suggestion is aimed at ensuring fairness in treatment of entering, exiting and existing investors in mutual fund schemes, particularly during market dislocation, Sebi said in a consultation paper. Generally, swing pricing refers to a process for adjusting a fund's net asset value to effectively pass on transaction costs stemming from net capital activity to the investors concerned. In a liquidity-challenged environment, quoted bid/ask spreads and overall trading cost can widen and may not be representative of the executed prices that can be achieved in the market. A proposal is to mandate swing pricing for high risk open ended debt schemes during market dislocation as they carry high risk securities compared to other schemes which possibly have higher costs of liquidation.

Source : <https://www.financialexpress.com/market/sebi-proposes-swing-pricing-mechanism-for-debt-mutual-funds/2293511/>

## Department of Banking & Financial Services Upcoming Programme

Bi-Monthly Shadow on Monetary policy	03 <sup>rd</sup> August 2021
National Council Meeting on Banking	21 <sup>st</sup> August 2021
National E-summit series on IBC and valuation	06 <sup>th</sup> August 2021 18 <sup>th</sup> August 2021 & 25 <sup>th</sup> August 2021

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