

MONTHLY

Banking, Financial Services & Insurance (BFSI)

E-Bulletin

October 2024


Volume: 41



Department of Banking & Financial Services

The Associated Chambers of Commerce and Industry of India

www.assochem.org



Now, take your business dreams to
new heights.

- End to End Solution for MSME needs
- Attractive ROI and Processing Charges
- Digital Loan Processing - Quick Delivery

FOR MORE DETAILS PLEASE CONTACT THE NEAREST BRANCH OF KVB



Follow us on



The official website of the Bank is www.kvb.co.in and the official helpline number is 1860-258-1916. Customers are requested not to contact any other site / number for their KVB banking requirements. KVB does not ask for PIN, OTP, CVV or other bank details.

**You've arrived in life
Here's an account that
reflects your lifestyle**



Here's what you can enjoy:

- ◆ No charge for cash deposits
- ◆ Choose your favourite account number
- ◆ Debit Card with Airport Lounge access
- ◆ Reward points on card spending
- ◆ Free Personal Accident Insurance Cover



Enjoy Exclusive Privileges

Facilities :

- ◆ Choose your favourite account number
- ◆ Free personal accident insurance cover
- ◆ Get access to privileged services at all TMB branches
- ◆ More feature without charge

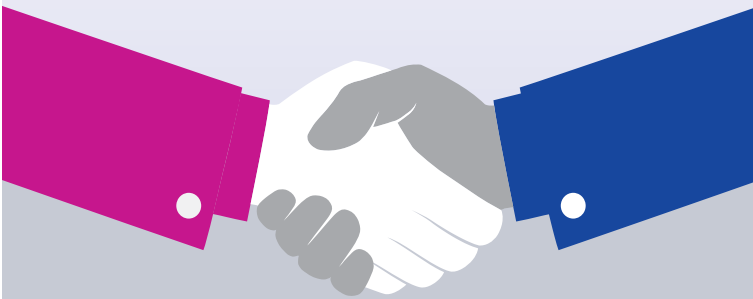


Facilities :

- ◆ Dynamic Free Limit on Cash Deposits
- ◆ Anywhere Banking Facility
- ◆ Free Cheque Books
- ◆ Choose your favourite Account Number



Your Reliable Business Partner



CONTENTS

Industry Article of the Month	05
Top Speeches	07
Top Banking News	13
Select RBI Circular	16
Statistical Supplement – RBI	18
Top NBFC's-MFI News	22
Top Insurance News	25
Top Corporate Bond Market News	28
Branding Opportunity	32

INDUSTRY ARTICLE IN THE MONTH

ESG & Indian Businesses

Environmental, Social, and Governance (ESG) has gained significant importance for businesses worldwide, including in India. The growing emphasis on ESG is driven by multiple factors, such as access to green capital, stakeholders' expectations, regulatory requirements, impact on valuations, operational efficiency and consumer demand. The preservation of environment poses the most pressing challenge of our time due to increasing carbon emissions, rising temperatures, melting glaciers, generation of massive e-waste and non-degradable materials. India has committed to net-zero emissions by 2070, a goal aligned with the Paris Agreement. Due to these developments, most responsible corporates have developed a ESG strategy and action plan with well-defined goals. The measures include a substantial shift towards renewable energy, recycling of waste, effluent treatment plants and afforestation.

Key Factors Driving ESG Initiatives

1. Regulatory Compliance

- **Government Policies:** The Indian government has been increasingly focusing on sustainability and corporate responsibility. The Companies Act, 2013 mandates certain companies to spend on Corporate Social Responsibility (CSR) activities, and SEBI (Securities and Exchange Board of India) has introduced guidelines for Business Responsibility and Sustainability Reporting (BRSR).
- **Environmental Regulations:** India has stringent environmental laws, and businesses are under pressure to reduce their carbon footprint, manage waste, and use resources efficiently. Non-compliance can lead to penalties and damage to reputation.

2. Access to Capital & Better Valuation

- **Investor Expectations:** Global and domestic investors are increasingly incorporating ESG criteria into their investment decisions. Indian companies with strong ESG performance are likely to attract more investment, including from ESG-focused funds.
- **Lower Cost of Capital:** Companies with good ESG ratings may benefit from lower borrowing costs, as lenders perceive them to be lower risk.

3. Reputation and Brand Value

- **Consumer Awareness:** Indian consumers, especially the younger generation, are becoming more conscious of the social and environmental impact of their purchases. Companies with strong ESG credentials can build trust and brand loyalty.
- **Global Standards:** For Indian companies looking to expand internationally, aligning with global ESG standards can enhance their reputation and ease entry into foreign markets.

4. Operational Efficiency

- **Resource Management:** Adopting sustainable practices can lead to cost savings through efficient use of energy, water, and raw materials. For instance, renewable energy adoption can reduce dependency on fossil fuels and lower energy costs.
- **Risk Management:** ESG helps in identifying and managing risks related to environmental impact, social issues, and governance. This proactive approach can prevent disruptions and ensure long-term business sustainability.

Creating an effective ESG strategy and plan involves a comprehensive approach that integrates sustainability and responsible business practices into

the core operations and decision-making processes of an organization. Certain key elements are:

Key Elements of ESG Strategy & Plan

1. Leadership and Governance

- **Tone at the Top & Board Oversight:** Establish a dedicated ESG committee within the board of directors to oversee ESG strategy, policies, and performance and Assign senior executives with clear accountability for ESG initiatives, ensuring alignment with corporate strategy.
- **Policies and Codes of Conduct:** Develop and implement ESG-related policies, such as environmental policies, human rights policies, anti-corruption codes, and diversity and inclusion policies.

2. Environmental Strategy

- **Climate Change Mitigation:** Develop a plan to reduce greenhouse gas emissions, including setting science-based targets for carbon neutrality and investing in renewable energy sources.
- **Resource Efficiency:** Implement initiatives to improve energy efficiency, water conservation, and waste management across operations.
- **Sustainable Sourcing:** Ensure that raw materials and products are sourced responsibly,

minimizing environmental impact and promoting sustainability throughout the supply chain.

- **Biodiversity and Ecosystems:** Develop strategies to protect and restore natural habitats and ecosystems affected by business activities.

3. Social Strategy

- Human Rights and Labor Practices, Diversity, Equity, and Inclusion (DEI).

4. Governance Strategy

- Ethical Business Practices
- Corporate Governance, Compliance and Risk Management

5. ESG Performance Metrics and Reporting

Conclusion

An effective ESG strategy and plan requires a holistic approach that integrates environmental, social, and governance considerations into the core business model. By addressing these key elements, companies can not only enhance their ESG performance but also drive long-term sustainability, resilience, and value creation. The ESG journey for every corporate is unique and a customized strategy and plan is necessary to create lasting value.



Nariman Point: 8th Floor, Bakhtawar, 229, Nariman Point, Mumbai 400 021.

Andheri: 3rd Floor, Technopolis Knowledge Park, A Wing, MIDC, Andheri (E), Mumbai 400 093.

Tel.: +91 22 6121 4444 • www.rsmindia.in

Offices: Mumbai, New Delhi – NCR, Chennai, Kolkata, Bengaluru, Navi Mumbai, Surat, Hyderabad, Ahmedabad, Pune, Gandhidham, Jaipur and Vijayanagar

TOP SPEECHES

Central Banks and Financial Stability

(Address by Shri Swaminathan J, Deputy Governor, Reserve Bank of India - October 14, 2024 - at the RBI@90 High Level Conference on "Central banking at Cross Roads" in New Delhi)

Distinguished panellists - Prof. Randall S. Kroszner, Professor, University of Chicago and Former Governor, Federal Reserve Board; Ms. Emmanuelle Assouan, Director General, Financial Stability and Operations, Banque de France; Ms. Sarah Breeden, Deputy Governor for Financial Stability, Bank of England; Dr. Sajjid Chinoy, Managing Director and Chief Economist India, JP Morgan; esteemed delegates and colleagues from the Reserve Bank. A very good afternoon to all of you.

It is an honour to open this discussion on this very important and pertinent topic in today's financial world - "Central Banks and Financial Stability: Assessing Risks and Building Resilience."

The financial sector is the backbone of the economy, enabling efficient allocation of resources, managing risks through various instruments, and ensuring smooth payments and settlements. It performs crucial functions that support investments and drives economic growth. Therefore, the financial sector becomes the cornerstone of a well-functioning economy.

The financial sector is vulnerable to risks – especially systemic ones that, which if left unchecked, can have far-reaching consequences. As you are aware these systemic risks manifest across two dimensions: time and interconnectedness. On the one hand, financial risks can build up over time, especially in periods of economic euphoria. On the other, the growing interconnections between financial institutions, markets, and the broader economy make the system more open to shocks.

In today's world, challenges are more complex and unpredictable than ever. Traditional risks, like

credit and liquidity risks, now have new and faster drivers. For example, bank runs that once unfolded over days, giving regulators time to respond, can now occur within hours due to the speed of internet and mobile banking. The increasing reliance on technology also introduces vulnerabilities, such as dependence on third-party service providers and heightened cybersecurity threats, all while customers expect uninterrupted services. Additionally, we face emerging risks, such as climate risk.

In this increasingly volatile environment, building resilience is crucial to maintaining financial stability. However, resilience is a balancing act – too much emphasis on safeguarding can stifle innovation and growth, while too little can expose the system to significant vulnerabilities. Finding that right balance so that we can have a robust financial system that can weather crises without constraining economic progress is one of the key challenges that we face today.

Indeed, central banks are much like wicketkeepers in cricket or goalkeepers in football—often unnoticed in success but always in the spotlight during failure. When everything works seamlessly, their efforts remain behind the scenes, often taken for granted. However, when a crisis occurs, they are asked as to how they could allow the ball to slip through their fingers! In addition, Central Bankers are also tasked with preventing further damage and restoring stability quickly.

Let me offer an analogy: imagine a person teetering on the edge of a cliff, seemingly about to fall, only to be pulled back just in time by a watchful observer. When central banks intervene in such a manner to prevent a potential crisis, those they

protect may claim they didn't need saving at all. This highlights a common paradox—while regulators work tirelessly to maintain stability and avert disasters, their successes often go unnoticed, and their actions are sometimes viewed as unnecessary, intrusive or excessive by those unaware of the risks. Yet it is precisely this proactive oversight that ensures the safety and soundness of the financial system, allowing it to function smoothly even in times of uncertainty.

Over the years, the role of central banks has significantly evolved. Initially seen as the lender of last resort, today, central banks are equipped with a broad range of tools—regulatory, supervisory, and monetary—to ensure the stability of the financial system. In some countries, central banks do not have supervisory roles, with the supervision being carried out by a separate agency, but a coordinated approach is essential. Governments, central banks, financial regulators, and the industry must all work together to ensure appropriate and timely action is taken to safeguard financial stability.

In India, the Financial Stability and Development Council (FSDC), chaired by the Union Finance Minister, along with its sub-committee led by the Governor of the Reserve Bank, has been effectively facilitating discussions and enhanced understanding of risks across the financial sector. Biannually, Reserve Bank publishes Financial Stability Reports that deliver a thorough risk assessment of India's financial landscape. These reports utilise macro stress tests, sensitivity analyses, network and contagion assessments, and systemic risk surveys to provide valuable insights into potential vulnerabilities that affect the financial sector. Apart from inter-regulatory coordination, RBI also actively engages with the industry through regular engagements/ interactions including conferences with the Boards of supervised entities, periodic meetings with the MDs & CEOs, Heads of Assurance functions as well as interactions with auditors.

Having discussed the importance of domestic coordination, I would also like to emphasise the

significance of global supervisory cooperation. Historically, crises have acted as catalysts for bringing supervisors together to address shared challenges. For instance, the Basel Committee on Banking Supervision was formed in the aftermath of the Herstatt Bank failure, highlighting the necessity for a coordinated response to systemic risks. However, we should not wait for crises to play out before strengthening international collaboration. Greater engagement for proactive horizon scanning of potential risks and vulnerabilities, along with discussions on strategies to mitigate and address these challenges, can enhance our collective resilience and crisis preparedness.

Indeed, as a part of our agenda for the next decade, RBI@100, the Reserve Bank intends to engage more with the central banks of the global south. The Reserve Bank also aims to establish a global model of risk-focused supervision by fostering a strong risk discovery and compliance culture, building a "through-the-cycle" risk assessment framework. Reserve Bank is working to create a comprehensive data analytics ecosystem to support its supervisory functions.

With these thoughts in mind, I look forward to a rich and insightful panel discussion on how central banks can continue to enhance financial stability and build a resilient global financial system. Thank you!

Source - https://rbi.org.in/Scripts/BS_SpeechesView.aspx?Id=1472

Shaktikanta Das: Central Banking at Crossroads

(Keynote address by Mr Shaktikanta Das, Governor of the Reserve Bank of India, at the RBI@90 High-Level Conference on "Central banking at crossroads", organised by the Reserve Bank of India, New Delhi, 14 October 2024)

The views expressed in this speech are those of the speaker and not the view of the BIS.

I feel highly privileged to be here at this High Level Conference on 'Central Banking at Crossroads' and share some of my thoughts. When the definitive history of our times is written, the turn of the current decade will, in all probability, be regarded as a watershed in the evolution of central banking. In the aftermath of the COVID-19 pandemic and the persistent geopolitical strife thereafter, central banks are treading in the uncharted terrain of a twilight zone. Today, like never before in the five centuries of their existence, central banks are confronted with a future where their mandates, their functions and their performances are all up for unforgiving scrutiny.

Around them, the environment in which central banks have been operating is undergoing tectonic transformations. Structural changes are underway that have the power to fundamentally alter the context of central banking with headwinds from geo-economic fragmentation; muscular industrial, trade and financial policies that are already reshaping supply chains and the availability of critical minerals, intermediates, resources and services; new technologies; and climate change. In this rapidly evolving environment, central banks are required to navigate not just known unknowns but unknown unknowns too.

Yet, even at these exceptional intersections, central banks are exploring new pathways and striving to reinvent their remit and functioning as the guardians of financial stability. Their effort is to stay ahead of these developments by strengthening guardrails and leveraging on technological innovations.

For the Reserve Bank of India (RBI), as we commemorate its 90th year, it has been an eventful journey since its establishment in 1935. In many

significant ways, the Reserve Bank embodies the developmental aspirations of India. The landmarks of its journey are equally milestones in the progress of India. At the current juncture and looking ahead, developments around the world are impacting India on a continuous basis and challenging us as practitioners of central banking.

Today's conference gives us an opportunity to introspect on the journey of central banking so far and how we want to visualise and shape our role in the future. In my remarks today, I propose to briefly focus on three areas where central banking is likely to be redefined in the future: monetary policy; financial stability; and new technologies. In fact, these are among the themes of specific sessions in today's conference. My observations would be mainly in the context of central banking across countries.

Monetary Policy

The three decades of restrained volatility of business cycles and the co-existence of price stability and uninterrupted growth that preceded the global financial crisis (GFC), perhaps lulled central banks into the belief that inflation expectations are enduringly anchored. The beast of inflation of the 1970s and early 1980s seemed completely behind our times. Conditioned by that experience, central banks shed their role of 'lender of the last resort' and became lender of the first resort to defend their financial systems when they responded to the GFC. They continued from their GFC moment and once again rushed to the frontline as warriors of the first resort to protect and preserve lives and livelihood when the COVID-19 pandemic hit the world. They took interest rates to all-time lows, undertook unconventional policy measures to reach out to interest rates across the spectrum, including at the longer end, and gave

assurances about low for longer interest rates. This was an uncharacteristic departure from the monetary mysticism that had prevailed up to the 1990s. Clearly, central banking has evolved in line with the developments of the 21st century.

While the pandemic time measures provided the much needed support to the economies, in the aftermath of the pandemic the limits and downsides of easy monetary policy in protecting economic activity in a crisis period became evident. Today, rightly or wrongly, the central banks are accused of distributional consequences of their actions. The negative equity that weighs in the balance sheets of certain central banks is seen as compromising their independence in the conduct of monetary policy. The story in India was, however, different as most of our liquidity measures were calibrated and carried end dates at the time of their announcement itself.

Another challenge staring at central banks today emanates from soaring public debt caused, in a considerable measure, by the pandemic-related fiscal stimuli and the subsequent efforts for fiscal consolidation not gaining adequate traction. Such a situation is becoming a binding constraint on monetary policy in several countries. Global public debt has surged post the pandemic to 93.2 per cent of GDP in 2023 and is likely to increase to 100 per cent of GDP by 2029¹. In major economies, debt-GDP ratios are on an upward trajectory, raising concerns about their sustainability and their negative spillovers for the broader global economy. In several other countries, central banks are willy-nilly expected to facilitate financing of such huge public debts. In fact, the debt overhang is simmering underneath the radar of central banks, threatening to un-anchor inflation expectations and undermine macroeconomic stability.

For emerging market economy (EME) central banks, the international dimensions of monetary policy continues to be a testing challenge. For them, the trilemma is real. Today the global economy is more financially integrated than ever before. Monetary policy actions in systemic economies produce large fluctuations in capital flows and exchange rates, which

can then feed into domestic liquidity, inflation and eventually affect the real economy. While monetary policies in the systemic economies are determined by their domestic inflation-growth considerations, they have large spillovers to the emerging and developing economies and even to other advanced economies. These spillovers can be expected to accentuate as capital flows dwarf trade flows. Quite naturally, emerging economies are having to strengthen their policy frameworks and buffers to manage this external flux and mitigate its adverse consequences.

Financial Stability

Financial stability is the essential reason why central banks exist. Price stability as a central bank objective is of more recent vintage. There is a growing opinion today that 'low for long' policies practiced during the GFC and again during the pandemic, apart from providing support to the real economy, also produced exuberant financial asset prices that have come back to haunt central banks in their role as guardians of financial stability. Amidst ultra-low interest rates and super abundant liquidity, leveraging and risk-taking were celebrated as if there is no tomorrow. Consequently, when central banks were confronted with inflation surges in 2022 in the shadow of the war in Ukraine, they reacted with one of the most aggressive and synchronised tightening of monetary policies in history. This resulted in risks to financial stability, especially when these risks morphed into banking crises in certain countries in March 2023 and sell-offs in financial markets in August and September 2024. These developments have once again brought to fore the role of central banks in securing and preserving financial stability. Specifically, how should they account for financial stability considerations in their pursuit of price stability?

Let me now address some of the emerging risks to financial stability. First, the divergence in global monetary policies – monetary easing in some economies, tightening in a few, and pause in several other economies – can be expected to lead to volatility in capital flows and exchange rates, which may disrupt

financial stability. We saw a glimpse of this with the sharp appreciation of the Japanese Yen in early August which led to disruptive reversals in the Yen carry trade and rattled financial markets across the globe.

Second, private credit markets have expanded rapidly with limited regulation. They pose significant risks to financial stability, particularly since they have not been stress-tested in a downturn.

Third, higher interest rates, aimed at curtailing inflationary pressures, have led to increase in debt servicing costs, financial market volatility, and risks to asset quality. Stretched asset valuations in some jurisdictions could trigger contagion across financial markets, creating further instability. The correction in commercial real estate (CRE) prices in some jurisdictions can put small and medium-sized banks under stress, given their large exposures to this sector. The interconnectedness between CRE, non-bank financial institutions (NBFIs), and the broader banking system amplifies these risks.

New Technologies

In recent years, the technology-driven digitalisation wave in the payments sphere has been revolutionary. While most of the innovations have been at the national level focusing on retail payments, the market for cross-border payments has also expanded substantially. The significant volume of cross-border worker remittances, the growing size of gross flows of capital, and the increasing importance of cross-border e-commerce have acted as catalysts to this growth.^{2 3} Remittances are the starting point for many emerging and developing economies, including India, to explore cross-border peer-to-peer (P2P) payments. We believe there is immense scope to significantly reduce the cost and time for such remittances.

India is one of the few large economies with a 24x7 real time gross settlement (RTGS) system. The feasibility of expanding RTGS to settle transactions in major trade currencies such as USD, EUR and GBP can be explored through bilateral or multilateral arrangements. India and a few other economies have already commenced efforts to expand linkage of cross-

border fast payment systems both in the bilateral and multilateral modes.⁴

India has developed a world-class digital public infrastructure (DPI), which has facilitated the development of high-quality digital financial products with enormous potential for cross-border payments. India is now home to the world's third most vibrant startup ecosystem, with over 140,000 recognised startups, more than a hundred unicorns, and over US\$150 billion in funding raised. India's experience in DPI can be leveraged by other countries to improve and usher in a global digital revolution.

Central bank digital currencies (CBDCs) is another area which has the potential to facilitate efficient cross-border payments. India is one of the few countries that have launched both wholesale and retail CBDCs. Programmability, interoperability with the UPI retail fast payment system and development of offline solutions for remote areas and underserved segments of the population, are some of the value added services which we are now experimenting as part of our CBDC pilot.

Going forward, harmonisation of standards and interoperability would be important for CBDCs for cross-border payments and to overcome the serious financial stability concerns associated with cryptocurrencies. A key challenge could be the fact that countries may prefer to design their own systems as per their domestic considerations. I feel we can overcome this challenge by developing a plug-and-play system that allows replicability of India's experience while also maintaining the sovereignty of respective countries.

It is well recognised that growing digitalisation of financial services has enhanced the efficiency of the financial sector across the globe. At the same time, it has brought in several challenges which central banks have to deal with. For instance, in the modern world with deep social media presence and vast access to online banking with money transfer happening in seconds, rumours and misinformation can spread very quickly and can cause liquidity stress. Banks have

to remain alert in the social media space and also strengthen their liquidity buffers.

Latest technological advancements such as artificial intelligence (AI) and machine learning (ML) have opened new avenues of business and profit expansion for financial institutions. At the same time, these technologies also pose financial stability risks. The heavy reliance on AI can lead to concentration risks, especially when a small number of tech providers dominate the market. This could amplify systemic risks, as failures or disruptions in these systems may cascade across the entire financial sector. Moreover, the growing use of AI introduces new vulnerabilities, such as increased susceptibility to cyberattacks and data breaches. Additionally, AI's opacity makes it difficult to audit or interpret the algorithms which drive decisions. This could potentially lead to unpredictable consequences in the markets. Banks and other financial institutions must put in place adequate risk mitigation measures against all these risks. In the ultimate analysis, banks have to ride on the advantages of AI and Bigtech and not allow the latter to ride on them.

Conclusion

Despite the difficult trials and trade-offs, central banking in the current decade is a success story. In the realm of monetary policy, central banks have been successful in bringing inflation closer to targets. Major financial collapses or recessions, seen during earlier episodes of crisis, have been averted. Central banks are now at the forefront of technological innovations and are driving them through sandboxes, innovation hubs and hackathons.

As we navigate the high intensity tail events and black swans of the current decade, the lessons imbibed can well form the basis of our deliberations today to chart out a course for the future. Central banks must remain vigilant, adaptable, continuously assess risks and build resilience. They should remain prepared to navigate complex challenges, support sustainable growth, maintain price stability and promote sound and vibrant financial systems.

Thank you.

Source: <https://www.bis.org/review/r241014m.htm>

-
1. IMF Fiscal Monitor, April 2024.
 2. The value of global cross-border payments is estimated to surpass US\$ 250 trillion by 2027 (Cross-border payments | Bank of England)
 3. The global cross-border B2C e-commerce market which was valued at US\$ 889 billion in 2022 is estimated to grow by more than six times to US\$ 5.6 trillion in revenue by 2030 (Cross-border B2C E-commerce Market Size Report, 2030)
 4. These include Project Nexus, a multilateral international initiative to enable instant cross-border retail payments by interlinking domestic Instant Payment Systems (IPSs) of four ASEAN countries (Malaysia, Philippines, Singapore, and Thailand) and India. Under bilateral arrangements, cross-border payment linkages have already been established by India with Singapore, UAE, Mauritius, Sri Lanka, Nepal, etc.

TOP BANKING NEWS

- **Use of AI in banking poses challenges around bias and data ethics: RBI bulletin**

Mumbai: While artificial intelligence is expected to have a big impact on risk assessment and fraud detection in banking and finance, it will also pose challenges such as the possibility of bias and issues related to the ethical use of data, said an article in the Reserve Bank of India's (RBI's) October bulletin, published on Monday.

Written by RBI officials from the Department of Economic and Policy Research, the article had the usual disclaimer that the views were those of the authors and not of the central bank. It said AI has the potential to reduce inefficiencies through automation, by minimising errors in human decision-making and providing cost-effective solutions.

"It is also expected to make banking services accessible to the population at the bottom of the pyramid," it said, adding that RBI has recognised the potential of artificial intelligence and machine learning (AI/ML) and related technologies, and has encouraged banks to use them for due diligence and monitoring for know-your-customer (KYC) and anti-money laundering (AML) norms.

According to the article, annual reports of Indian banks from FY16 to FY23 showed that both private and public banks were increasingly emphasising AI and related technologies. That said, the pace of adoption has been quicker among private sector banks, it added.

"The greater adoption of AI in private-sector banks could be due to a larger proportion of their clientele being better equipped to access digital services and more comfortable with modern technology-based solutions," it said.

Private banks lead the way

According to the article, private banks often cater to more financially aware and affluent customers and therefore could see higher potential for AI-based solutions such as customer segmentation, robo-advisory, and robo wealth management tools to cross-sell or provide other financial services. It added that private banks, especially those with relatively fewer branches, were much more likely to adopt AI-based solutions to gain new customers or cross-sell different products as it would be more cost-effective.

The authors found that initially (FY16), public-sector banks were proactively considering AI/ML and related technologies, with a similar number of AI-related keywords (AI score) as their private counterparts. However, from FY17 to FY23 the number of AI-related words in the annual reports of private banks picked up

"The usage of AI-related keywords in the annual reports of private-sector banks increased approximately six-fold in FY23 reports as compared to FY16 level. This may be due to a combination of recognition of additional use cases of existing AI-based technologies along with more agility in adopting newer and more advanced AI techniques and models," the article said.

Source: <https://www.livemint.com/industry/banking/use-of-ai-in-banking-poses-challenges-around-bias-and-data-ethics-rbi-bulletin-11729518658876.html>

- **India is StanC's top 2 sustainable finance market, says top executive**

Mumbai: India is the largest market for sustainable lending for Standard Chartered along with China, partly driven by the government's policy push towards net-zero emissions, according to the British multinational lender's chief sustainability officer (CSO).

Policies like support for electric vehicles and related charging infrastructure and the push towards renewable energy are creating "enormous" potential for sustainable finance for the bank to cater to, CSO Marisa Drew said in an interview.

The overseas lender has a diversified customer and product base in the country, she said. It caters to large and small corporate clients and financial institutions in India and offers instruments like loans, bonds and trade finance, she said.

"India is a massive market for us, and has continued to grow very, very healthily," she told Mint.

Sustainability targets

Standard Chartered has set a target of \$1 billion income from sustainable finance by 2025 and hit \$720 million in 2023. India and China were the two largest contributors to this pie, she said.

The bank will be focusing on lending to hard-to-abate sectors like metals and mining for emission reduction, to the renewable energy sector and to new technologies like battery energy storage systems (BESS), Drew said.

The focus of the local industry on vertical integration of the renewable energy supply chain – right from production of components that go into solar and wind energy farms to the consumption of this energy for manufacturing – holds potential for significant future investments, she said.

Speaking about role finance in the global economy's transition to net zero, Drew, who earlier headed sustainability at Credit Suisse, said that it must be a collaborative effort between different agencies, including those who lend at a concessionary rate to catalyze transition. While private banks like Standard Chartered will always look at commercial prospects of any project, they can have a bias towards funding projects that are sustainable, she said.

"We enter everything thinking with a commercial mindset," said Drew.

"But we're also very willing to think about participating in projects with other partners who provide catalytic capital. That can be philanthropists, or funds that are designed to be either 'no return' or 'concessionary return', or the multilateral development bank community," she said.

A key upcoming area of focus for Drew is adaptation finance. It refers to the idea that even if the world manages to limit global warming to 1.5 degrees celsius in line with Paris Agreement, there will be climate change effects that need to be built into business models. In a white paper, Drew estimated that even in the best-case scenario, 10 of the worst-hit markets by climate change including India, Bangladesh, China and Pakistan, will incur an estimated cost of \$377 billion in damages and lost economic growth by 2030.

"Adaptation finance has just not been in the sphere of the private sector to date. We need to mobilize capital in hundreds of billions, if not trillions. And if the world continues to heat up, we're going to need to do it faster," she said.

Making a case for lenders to favour adaptation finance, she explained that unless new projects coming up build climate change into their risk matrix, they run the risk of becoming stranded assets. Similarly, businesses that incorporate sustainability and climate change into their model reduce the risk for the lenders, thus deserving reward in terms of preferential lending rates, she said.

Source: <https://www.livemint.com/industry/banking/sustainability-adaptation-finance-climate-change-global-warming-standard-chartered-renewable-energy-india-marisa-drew-11728904325202.html>

- **Private banks leading AI adoption in banking services, says RBI study**

Private sector banks in India are taking the lead in the adoption of Artificial Intelligence (AI) in areas like fraud detection, customer segmentation, and chat automation, according to a Reserve Bank of India (RBI) study.

The asset size and capital adequacy ratio are influencing the rate of adoption. The size and financial health had a positive influence on the banks' focus on AI, reflecting the impact of economies of scale and the availability of investment on technological advancement, notes the study titled 'How Indian Banks are Adopting Artificial Intelligence?'.

Private banks often cater to more financially aware and affluent customers and therefore could see higher potential for leveraging AI-based solutions like customer segmentation, robo-advisory, and robo-wealth management tools to cross-sell or provide other financial services. Private banks, especially those with a smaller branch network, are also much more likely to adopt AI-based solutions to gain new customers or cross-sell different products, as it represents a more cost-effective solution, it said.

On the other hand, public sector banks (PSBs) already have well-established offline channels, especially in rural and semi-urban areas. However, with the rapid advancements in AI, especially Generative AI and Large Language Models in the last two years, public sector banks also appear to be increasing their usage of AI-based solutions.

AI is expected to have the potential to reduce inefficiencies through automation by minimising errors in human decision-making and by providing cost-effective solutions. AI is expected to make banking services accessible to the population at the bottom of the pyramid, the study said.

While the integration of AI into banking and finance offers immense opportunities, it also presents challenges such as the possibility of bias, lack of transparency, and issues surrounding the ethical use of data. The ethical use of data requires an in-depth evaluation in view of its implications for the financial sector and the overall economy, the study added.

Source: https://www.business-standard.com/technology/tech-news/private-banks-leading-ai-adoption-in-banking-services-says-rbi-study-124102101247_1.html

SELECT RBI CIRCULAR

Circular Number	Date of Issue	Department	Subject	Meant For
RBI/2024-2025/86 DCM (NPD) No.S2193/09.45.000/2024-25	30.10.2024	Department of Currency Management	Note Sorting Machines: Standards issued by the Bureau of Indian Standards	The Chairman/ Managing Director/ Chief Executive Officer
https://www.rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx?Id=12745				
RBI/2024-2025/85 DPSS.CO.RLVPD. No.S789/02.07.038/2024-25	28.10.2024	Department of Payment and Settlement Systems	Directions for Central Counterparties (CCPs)	Central Counterparties authorised by RBI / Central Counterparties seeking authorisation from RBI / Foreign Central Counterparties seeking recognition from RBI
https://www.rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx?Id=12744				
RBI/2024-2025/84 DOR.AML. REC.48/14.06.001/2024-25	19.10.2024	Department of Regulation	Designation of one organisation under Section 35(1) (a) and 2(1) (m) of the Unlawful Activities (Prevention) Act, 1967 and its listing in the First Schedule of the Act- Reg.	The Chairpersons/ CEOs of all the Regulated Entities
https://www.rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx?Id=12743				
RBI/2024-2025/83 CO.DPSS.POLC.No.S-708/02-12-004/2024-25	11.10.2024	Department of Payment and Settlement Systems	Facilitating accessibility to digital payment systems for Persons with Disabilities - Guidelines	All Payment System Participants
https://www.rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx?Id=12741				
RBI/2024-2025/82 DoR.FIN.REC. No.46/26.03.001/2024-25	10.10.2024	Department of Regulation	Submission of information to Credit Information Companies (CICs) by ARCs	All Asset Reconstruction Companies (ARCs)
https://www.rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx?Id=12740				

RBI/2024-2025/81 DoR.FIN. REC.47/20.16.042/2024-25	10.10.2024	Department of Regulation	Implementation of Credit Information Reporting Mechanism subsequent to cancellation of licence or Certificate of Registration	All Commercial Banks (including Small Finance Banks, Local Area Banks and Regional Rural Banks, and excluding Payments Banks) All Primary (Urban) Co-operative Banks/ State Co-operative Banks/ Central Co-operative Banks All Non-Banking Financial Companies (including Housing Finance Companies) All Asset Reconstruction Companies All Credit Information Companies
https://www.rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx?Id=12739				
RBI/2024-2025/80 DOR.STR. REC.45/04.02.001/2024-25	09.10.2024	Department of Regulation	Interest Equalization Scheme (IES) on Pre and Post Shipment Rupee Export Credit	All Scheduled Commercial Banks (excluding RRBs), Primary (Urban) Cooperative Banks & State Cooperative Banks (scheduled banks having AD category-I license), and Exim Bank
https://www.rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx?Id=12738				
RBI/2024-2025/79 A.P. (DIR Series) Circular No. 18	04.10.2024	Foreign Exchange Department	Due diligence in relation to non-resident guarantees availed by persons resident in India	All Category - I Authorised Dealer Banks
https://www.rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx?Id=12737				
RBI/FED/2024-2025/78 A.P. (DIR Series) Circular No. 17	01.10.2024	Foreign Exchange Department	Directions - Compounding of Contraventions under FEMA, 1999	
https://www.rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx?Id=12736				

Source: https://www.rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx

STATISTICAL SUPPLEMENT – RBI

Reserve Bank of India – Bulletin Weekly Statistical Supplement – Extract					
1. Reserve Bank of India - Liabilities and Assets*					
(₹ Crore)					
Item	2023	2024		Variation	
	Oct. 27	Oct. 18	Oct. 25	Week	Year
	1	2	3	4	5
4 Loans and Advances					
4.1 Central Government	0	0	0	0	0
4.2 State Governments	21871	23398	24079	682	2208
* Data are provisional; difference, if any, is due to rounding off.					

2. Foreign Exchange Reserves*								
Item	As on Oct. 25, 2024		Variation over					
			Week		End-March 2024		Year	
	₹ Cr.	US\$ Mn.	₹ Cr.	US\$ Mn.	₹ Cr.	US\$ Mn.	₹ Cr.	US\$ Mn.
	1	2	3	4	5	6	7	8
1 Total Reserves	5757912	684805	-28619	-3463	366656	38386	878824	98694
1.1 Foreign Currency Assets #	4992326	593751	-37275	-4484	230482	22801	684356	76247
1.2 Gold	576181	68527	9149	1082	136861	15852	193892	22603
1.3 SDRs	153190	18219	-420	-52	1967	88	4095	309
1.4 Reserve Position in the IMF	36215	4307	-74	-9	-2654	-355	-3518	-465
* Difference, if any, is due to rounding off.								
# Excludes (a) SDR holdings of the Reserve Bank, as they are included under the SDR holdings; (b) investment in bonds issued by IIFC (UK); and (c) amounts lent under the SAARC and ACU currency swap arrangements.								

3. Scheduled Commercial Banks - Business in India

(₹ Crore)

Item	Outstanding as on Oct. 18, 2024	Variation over				
		Fortnight	Financial year so far		Year-on-Year	
			2023-24	2024-25	2023	2024
	1	2	3	4	5	6
2 Liabilities to Others						
2.1 Aggregate Deposits	21807565	-112561	1471896	1332339	2311707	2291755
	(21734994)		(1337701)		(2177512)	(2353379)
2.1a Growth (Per cent)		-0.5	8.2	6.5	13.4	11.7
			(7.4)		(12.7)	(12.1)
2.1.1 Demand	2544470	-47428	68307	100616	223089	295732
2.1.2 Time	19263096	-65133	1403589	1231722	2088618	1996023
2.2 Borrowings	865397	9659	378553	87455	275801	41515
2.3 Other Demand and Time Liabilities	949790	-18247	110472	12362	188351	49668
7 Bank Credit	17238250	-59528	1782651	806086	2574483	1780363
	(16772606)		(1196221)		(1988053)	(1901149)
7.1a Growth (Per cent)		-0.3	13.0	4.9	20.0	11.5
			(8.7)		(15.4)	(12.8)
7a.1 Food Credit	18654	853	-65	-4427	-5814	-1187
7a.2 Non-food Credit	17219596	-60381	1782716	810513	2580296	1781550

1. Data since July 14, 2023 include the impact of the merger of a non-bank with a bank.

2. Figures in parentheses exclude the impact of the merger.

4. Money Stock: Components and Sources

(₹ Crore)

Item	Outstanding as on		Variation over									
	2024	Fortnight	Financial Year so far		Year-on-Year				Year-on-Year			
					2023-24		2024-25		2023		2024	
	Mar. 31	Oct. 18	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	1	2	3	4	5	6	7	8	9	10	11	12
M3	24831618	26215944	-78660	-0.3	1261978	5.6	1384326	5.6	2303789	10.8	2610206	11.1
	(24939860)	(26288515)	(-80157)	(-0.3)			(1348655)	(5.4)			(2548582)	(10.7)
1 Components (1.1.+1.2+1.3+1.4)												
1.1 Currency with the Public	3410276	3415233	29825	0.9	-74753	-2.3	4957	0.1	112929	3.7	213550	6.7
1.2 Demand Deposits with Banks	2586888	2687848	-47824	-1.7	69816	3.0	100960	3.9	223200	10.3	297435	12.4
1.3 Time Deposits with Banks	18739918	20014571	-63094	-0.3	1271736	7.6	1274654	6.8	1964721	12.3	2073869	11.6
	(18848160)	(20087143)	(-64591)	(-0.3)			(1238983)	(6.6)			(2012246)	(11.1)
1.4 'Other' Deposits with Reserve Bank	94536	98292	2433	2.5	-4821	-6.2	3755	4.0	2939	4.2	25352	34.8
2 Sources (2.1+2.2+2.3+2.4-2.5)												
2.1 Net Bank Credit to Government	7512016	7860600	35587	0.5	98591	1.4	348585	4.6	819520	12.7	596477	8.2
	(7603571)	(7922190)	(33622)	(0.4)			(318619)	(4.2)			(546810)	(7.4)
2.1.1 Reserve Bank	1193213	1132433	4457		-432552		-60780		-72974		113859	
2.1.2 Other Banks	6318803	6728167	31130	0.5	531143	9.3	409365	6.5	892494	16.7	482618	7.7
	(6410358)	(6789757)	(29165)	(0.4)			(379399)	(5.9)			(432951)	(6.8)
2.2 Bank Credit to Commercial Sector	16672145	17540200	-55894	-0.3	1177138	8.2	868055	5.2	1986338	14.6	1933426	12.4
	(17202832)	(18005845)	(-57945)	(-0.3)			(803013)	(4.7)			(1812641)	(11.2)
2.2.1 Reserve Bank	14406	9175	460		-21304		-5231		-13709		3931	
2.2.2 Other Banks	16657739	17531025	-56354	-0.3	1198442	8.3	873286	5.2	2000047	14.7	1929496	12.4
	(17188426)	(17996669)	(-58405)	(-0.3)			(808244)	(4.7)			(1808710)	(11.2)

Note: Figures in parentheses include the impact of merger of a non-bank with a bank.

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		8	9	
Oct. 21, 2024	-	-	-	-	18597	88775	-	-	-	-70178
Oct. 22, 2024	-	-	-	-	2603	67234	166	-	-	-64465
Oct. 23, 2024	-	-	-	-	4620	54112	1208	-	-	-48284
Oct. 24, 2024	-	-	-	-	6800	66081	-	-	-	-59281
Oct. 25, 2024	-	-	25005	-	2403	68481	102	-	-	-40971
Oct. 26, 2024	-	-	-	-	521	71862	-	-	-	-71341
Oct. 27, 2024	-	-	-	-	534	75425	-	-	-	-74891
SDF: Standing Deposit Facility; MSF: Marginal Standing Facility.										

The above information can be accessed on Internet at <https://wss.rbi.org.in/>.

The concepts and methodologies for WSS are available in Handbook on WSS (<https://rbi.org.in/scripts/PublicationsView.aspx?id=15762>).

Time series data are available at <https://data.rbi.org.in>.

Ajit Prasad
Deputy General Manager
(Communications)

Press Release: 2024-2025/1414

Reserve Bank of India – Bulletin Weekly Statistical Supplement – Extract

Source: https://rbi.org.in/Scripts/BS_ViewWssExtractdetails.aspx?id=59012

TOP NON-BANKING FINANCE COMPANIES & MICRO FINANCE INSTITUTIONS NEWS

- **NBFCs told to play fair and square**

The central bank on Wednesday issued a strong advisory to non-banking financial companies (NBFCs), including microfinance institutions (MFIs) and housing finance companies (HFCs), to follow a 'compliance first' culture, adhere to fair practices code, and take a sincere approach to customer grievances.

While the Reserve Bank of India (RBI) is closely monitoring NBFCs and has asked them to assess their exposures, particularly in areas such as underwriting standards and post-sanction monitoring, to avoid systemic risks, the regulator says self-correction by NBFCs would be the desired option.

"The Reserve Bank of India is closely monitoring the incoming information and will take measures, as may be considered necessary," said RBI governor Shaktikanta Das. "Banks and NBFCs, on their part, need to carefully assess their individual exposures in these areas, both in terms of size and quality. Their underwriting standards and post-sanction monitoring have to be robust. Continued attention also needs to be given to potential risks from inoperative deposit accounts, cybersecurity landscape, mule accounts, etc."

NBFCs have shown impressive growth in recent years, driving credit flow to underserved segments and aiding financial inclusion. However, the RBI has observed that some NBFCs are chasing growth at the cost of sustainable business practices and risk management framework. "An imprudent growth at any cost approach could prove counterproductive for their own health," the central bank warned.

Also, the RBI observed that certain NBFCs, including MFIs and HFCs, are chasing excessive returns, leading to higher interest rates which "become usurious and get combined with unreasonably high processing fees and frivolous penalties". RBI believes that consequent high-cost and high indebtedness could pose financial stability risks, if not addressed by these NBFCs. The regulator has also asked NBFCs to review the prevailing target-driven compensation structures, which may adversely affect customer service and work culture.

The RBI has been warning the finance companies against the likelihood of stress buildup in unsecured loan segments like loan for consumption purposes, MFIs and credit card outstanding. However, the NBFC sector's asset quality is strong, with gross and net non-performing assets (GNPA and NNPA) ratios at 2.6% and 1.1% as of June 2024, down from 3.2% and 1.2% a year earlier.

"Given the wider purpose for credit inclusion served by MFIs and HFCs, we do not expect a general tightening of guidelines for the sector," said Anil Gupta, senior vice-president, co group head, financial sector ratings, ICRA. "However, given the cautionary statements by the regulator, there could be more regulatory scrutiny around the business models and risk practices of some specific NBFCs. If the regulatory concerns remain unaddressed, entity-specific action cannot be ruled out.

Source: <https://economictimes.indiatimes.com/industry/banking/finance/nbfc-told-to-play-fair-and-square/articleshow/114096883.cms>

- **Gold NBFCs will benefit from potential rate cuts and prices surge: Jefferies**

The non-banking financial companies (NBFCs) that focus on gold loans are poised to gain from the dual tailwinds of rising gold prices and potential rate cuts in the near future, Jefferies said in a report.

New Delhi [India], October 19 (ANI): Non-banking financial companies (NBFCs) which focus on gold loans are poised to gain from the dual tailwinds of rising gold prices and potential rate cuts in the near future, Jefferies said in a report.

It added that the rise in gold prices because of the U.S. Fed's rate cut decision and increasing geopolitical tension will drive the demand for gold loans.

As global gold prices are expected to average USD 2,700/oz in the first half of 2025, Jefferies stated that the future looks bright for gold loan NBFCs amid strengthening market conditions.

With global gold prices soaring 13 per cent since June to a record high of USD 2,670/oz, gold NBFCs such as Muthoot Finance and Manappuram Finance are expected to see accelerated loan growth and improved profitability in the coming quarters, the report added.

The domestic gold prices, which have risen 20 per cent year-to-date, have lagged slightly behind global prices due to a recent 10 per cent import duty cut but have still increased 6 per cent since the end of June.

Gold loan growth at the prominent gold NBFC companies is projected to pick up in the third quarter, as per the report.

Moreover, gold NBFCs are well-positioned to benefit from potential interest rate cuts. As 31-46 per cent of their liabilities have maturities under six months, any reduction in short-term

rates is expected to ease net interest margin (NIM) pressure and improve profitability.

Despite some near-term headwinds, including the Reserve Bank of India's (RBI) directives, traditional gold loan NBFCs are better placed to capitalise on these favourable conditions.

As per the report, the loan losses in the gold NBFC sector remain limited due to the secured nature of their lending, backed by gold collateral. It further adds that the loan losses were limited even as gross non-performing asset (GNPA) levels experienced some volatility.

The favourable outlook for both gold prices and interest rate cuts suggests healthy earnings growth and return on equity (RoE) for key players in the sector, the report added.

Earlier on Friday, RBI Governor Shaktikanta Das had said that the interest rate cut at this stage will be 'premature, and very, very risky'. He added that the central bank will be watchful on the inflation rate for any decision on rate cut. (ANI)

Source: <https://bfsi.economictimes.indiatimes.com/news/nbfc/gold-nbfc-will-benefit-from-potential-rate-cuts-and-prices-surge-jefferies/114395124>

- **RBI to review feedbacks on MFI guidelines when needed, says deputy governor Rao**

Feedbacks on guidelines issued for banks and non-bank financiers on microlending have begun coming in and the Reserve Bank of India (RBI) said those will be reviewed if and when needed

"The lenders are expected to price the true risk of exposure and the interest rates cannot be disproportionate to the risks. The higher credit losses cater to poor underwriting standards and that's exactly the message we are giving that underwriting standards need to be strengthened and risk is properly priced. We are getting

feedback on MFI guidelines and we will review at the appropriate time and see if any revision is warranted at the juncture,” deputy governor M Rajeshwar Rao said in a post monetary policy press conference on October 9.

The RBI had issued the guidelines on March 14, 2022, when it said that microfinance lending for all entities, including banks, NBFCs and microfinance institutions (MFIs) are subject to the same regulations. It said that a microfinance loan is defined by the RBI as a collateral-free loan granted to a household with an annual income of up to Rs 3 lakh. Earlier, the urban household income limit was Rs 2 lakh, while the rural household income limit was Rs 1.6 lakh. The new rule said that all collateral-free loans offered to low-income households, regardless of the end-use and mode of application or processing or disbursal, are considered microfinance loans.

Some NBFC-MFIs have been requesting the regulator to revise the criteria relating to annual

household income limit for giving microloans in view of their growing needs of individual borrowers. They want this limit upped from the existing Rs 3 lakh to about Rs 5 lakh.

The central bank had also said that the financial entities should have a board-approved policy to provide the flexibility of repayment periodicity on microfinance loans as per borrowers’ requirements. They should also have a board-approved policy for the assessment of household income.

The guidelines also mentioned that all banks, NBFCs must provide reasons for the income discrepancy of borrowers, if any. All regulated entities must submit information on the household income of borrowers. The RBI has also said there shall be no pre-payment penalty on microfinance loans.

Source: <https://www.moneycontrol.com/banking/rbi-to-review-feedbacks-on-mfi-guidelines-when-needed-says-deputy-governor-rao-article-12838735.html>

TOP INSURANCE NEWS

- **Labour minister meets employee associations of gig workers to discuss health insurance, pension benefits**

Labour minister Mansukh Mandaviya on Thursday met with employee associations of gig and platform workers to discuss possible options to provide them social security benefits like health insurance and pension.

According to sources, various options have been discussed such as deducting contribution per transaction undertaken by the gig worker or levying a cess.

"Since a gig or platform worker can be working on several platforms, they cannot be brought under the employer and employee relationship. Accordingly different options are being looked into," said the source.

One of the options is to assign a unique ID to such workers based on which contributions per transaction can be deducted through the platform. Sources indicated that this may not be deducted from the customer.

This is being seen as one of the top priorities for the government and the scheme could be ready by early next year.

For generation of a unique ID, aggregators have already been asked by the ministry to register these workers on the e-Shram portal.

The new version - e Shram 2.0 is set to be launched by the labour minister on Monday. Sources said the portal will not only onboard several schemes for unorganised sector workers but will also enable registration of gig and platform workers.

"This will also enable the ministry to understand how many such workers are there in the country. Social security benefits will accordingly be formulated," the source explained.

While NITI Aayog had estimated such workers at 7.7 million in 2020-21, sources said they could have possibly increased to 2 crore by now.

The Code on Social Security, 2020 provides for framing of suitable social security measures for gig workers and platform workers for life and disability cover, accident insurance, health and maternity benefits as well as old age protection. It also provides for setting up a Social Security Fund to finance the welfare scheme.

Source <https://www.businesstoday.in/personal-finance/insurance/story/labour-minister-meets-employee-associations-of-gig-workers-to-discuss-health-insurance-pension-benefits-450536-2024-10-17>

- **IRDAI tightens fraud rules post hacking incidents**

The Insurance Regulatory and Development Authority of India (IRDAI) has proposed stricter guidelines in an effort to stem online fraud after recent high-profile cases at insurers like Star Health Insurance Company.

The Insurance Fraud Monitoring Framework Guidelines, 2024 requires insurers to adopt strict measures, including board-approved anti-fraud policies, independent Fraud Monitoring Units (FMUs), enhanced cybersecurity defences, and regular fraud awareness programmes.

"Cyberfraud can have far-reaching consequences, including identity impersonation, financial frauds, reputational damage etc," IRDAI said in the draft guidelines. "Personal information such as KYC details, financial details, and medical records are highly coveted by cybercriminals, who exploit vulnerabilities in security defences to gain unauthorised access to these sensitive data available with insurers or distribution channels."

The initiatives by IRDAI follow a breach linked to Star Health Insurance's chief information security officer after a hacker going by the alias "xenZen" claimed that the company executive had sold the data, and later tried to renegotiate for more money in exchange for continued backdoor access. The hacker has now posted the data for sale at \$150,000, or in smaller chunks for \$10,000 each, threatening widespread exposure of policyholder data.

The regulator has asked insurers to implement a board-approved anti-fraud policy aimed at ensuring zero tolerance for fraud, outline steps for fraud detection, internal controls, and investigative processes

IRDAI has also asked insurers to set up fraud monitoring units (FMUs) to oversee all fraud-related activities, including monitoring, investigation, and collaboration with law enforcement. The FMUs will work alongside the Fraud Monitoring Committee (FMC), which will report every quarter to the risk management committee on all fraud cases.

The regulator has asked insurers to raise their defences against digital fraud, with robust cybersecurity frameworks that protect sensitive data and detect fraud risks from digital channels. Insurers must ensure regular audits and use advanced technologies to identify suspicious activities.

IRDAI also asked insurers to conduct regular fraud awareness programmes for employees, agents, and policyholders. The goal is to foster a culture of vigilance and transparency within the insurance industry to mitigate potential fraud risks.

Source: <https://economictimes.indiatimes.com/industry/banking/finance/insure/irdai-tightens-fraud-rules-post-hacking-incidents/articleshow/114598551.cms>

● Irdai raises concerns over high auto cover commissions

India's insurance regulator in a meeting with top executives from non-life insurance companies on Monday expressed concerns over high commission payouts to motor insurance service providers (MISP) in the 'motor own damage' segment.

The Insurance Regulatory and Development Authority of India (Irdai) presented data showing that commissions paid by insurers to MISPs for new private car insurance policies ranged from 25% to 57%.

The meeting was to discuss industry issues.

India's automotive industry, which accounts for 7.1% of the nation's GDP, has boosted the growth of motor insurance. This sector now represents around 45% of the total business of general insurance companies. Car dealers, as primary intermediaries in the customer purchasing journey, have become a critical distribution channel for motor insurance.

Executives who attended the meeting said the regulator was particularly concerned about the excessive commission payouts to MISPs, which are seen as inflating the cost of motor insurance for customers.

"These payouts often lead to higher premiums for customers, as insurers pass on the additional costs," said an executive. "By reining in excessive commissions, Irdai hopes to ensure that the benefits are passed on to customers."

At the meeting, the regulator said Bima Sugam could reduce these commission rates and help pass on savings to policyholders. Bima Sugam is a comprehensive digital marketplace for insurance policies. Slated to debut in April 2025, this platform will serve as an ecommerce hub where customers can access offerings from

multiple insurers, promoting competition and transparency.

In the past, there have been complaints regarding MISPs coercing customers into buying specific insurance policies at marked-up prices. In some instances, dealers have reportedly refused to complete vehicle sales unless customers purchased insurance through their affiliated MISPs. While customers have the right to buy insurance from any provider, such high-pressure tactics have raised red flags for the regulator.

In 2019, Irdai set up a committee to review MISP guidelines, following complaints of malpractice. The committee's findings, submitted in January

2021, found that MISPs failed to offer customers a choice of motor insurance policies from different insurers leading to stricter oversight.

In the past, the regulator has taken punitive action in such cases. The regulator fined Maruti Insurance Broking Rs 3 crore after it was found that the company was denying cashless claims to policyholders who opted not to purchase insurance from MISPs linked to Maruti. Similarly, the regulator had penalised Hero Insurance Broking and Toyota Tsusho Insurance Broker for violating MISP guidelines.

Source: <https://economictimes.indiatimes.com/industry/banking/finance/insure/irdai-raises-concerns-over-high-auto-cover-commissions/articleshow/114517425.cms>

TOP CORPORATE BOND MARKET NEWS

- **India boom set to drive private credit and bond expansion**

Talk with anyone in international finance now, and the discussion will sooner or later turn to India. The country's bonds are being added to global indexes, drawing some of the market's biggest fund managers who are betting on strong economic growth.

And Prime Minister Narendra Modi's ambitions to fashion a developed nation by 2047 – India's centennial as an independent country – has some of the world's most deep-pocketed investment firms lining up to get a piece of the action. They're betting the transformation will inevitably lean heavily on the country's developing credit market.

But it's a story fraught with risks. India need only look north to China to see what can go wrong and to understand the bumps it may hit along the way.

Bloomberg News gathered some of the most important names in India's financial market on Friday in Mumbai to ascertain the role that credit will play in building Modi's Road to 2047, as well as who the winners might be along the way and what could happen if things veer off course.

The country will need to tap foreign capital and open up markets further as it develops, Reserve Bank of India Governor Shaktikanta Das said in an interview at the India Credit Forum.

The media could not be loaded, either because the server or network failed or because the format is not supported.

One obstacle facing India is the perception that its markets are overly bureaucratic. Ananth Narayan, who looks after market regulation at the Securities and Exchange Board of India, told the forum he's open to suggestions about how the regulatory burden on foreign investors can be reduced.

A major opportunity for overseas capital will be funding infrastructure and the companies involved in its construction, in part because the corporate

bond market isn't deep enough at present. More measures to enable its expansion are a work in progress, Das said.

Traditional lenders are somewhat constrained amid a struggle to increase deposits as savers instead flock to a booming stock market, with the NIFTY 50 gaining about 28% over the past year, including dividends. That dynamic is creating opportunities for local players in India's private credit market, which is headed for its first \$10 billion year. It's also drawn BlackRock Inc., which plans to tap direct lending opportunities through a venture with billionaire Mukesh Ambani's Jio Financial Services Ltd.

There will be a boom in private credit in the country over the coming years, said Prasanna Balachander, group head for global market sales, trading and research at ICICI Bank Ltd. India needs to make more debt available to high-yield companies, he said.

- **For now, watchdogs remain somewhat wary of the asset class.**

"At a global level, I think private credit is increasingly posing certain risks and I think every central bank and regulator should be looking into it," Das said.

The RBI has urged shadow lenders to put in place robust risk mitigating systems like assessing credit worthiness of individual borrowers in a more comprehensive manner. The central bank also tightened regulations late last year, which slowed bank lending to those non-bank financial institutions.

The RBI is watching over the credit market very closely, said Das. "When there's a moment, when necessary, we take action."

Source: <https://economictimes.indiatimes.com/markets/bonds/india-boom-set-to-drive-private-credit-and-bond-expansion/articleshow/114389198.cms>

- **The rising impact of retail investors on debt capital markets**

Traditionally, the debt market has been the domain of banks, mutual funds, pension funds, and insurance companies, which are the primary institutional heavyweights. However, times are changing. The Rs 2.64 trillion debt market (Source: SEBI and ICCL) is seen as a significant opportunity for retail investors and is on the cusp of a major transformation. It's encouraging to see the regulator stepping forward with substantial reforms that have driven the 'retailization' of the bond market, the most notable being the reduction of the face value for retail debt participation from Rs 10,00,000 until January 2023 to Rs 10,000 now.

To provide some context, a total of 45 NCD corporate public issues were conducted by 25 issuers, raising Rs 19,167 crores (+2.08x growth YoY as per SEBI) in FY 2023-24. The outstanding corporate bond market now stands at US\$ 576 billion. Many smaller companies are now able to raise funds from debt capital markets via public issues directed at retail investors. Several factors are driving this shift, and in the long term, it will create a ripple effect on the country's economy, how issuers release new NCDs, and the overall development of India's debt market.

Why the Rise?

The surge in retail participation is largely driven by the emergence of SEBI-regulated Online Bond Platform Providers (OBPPs), combined with proactive regulatory enhancements. These platforms have democratized access to bonds, allowing retail investors to make their mark in what was once an opaque, institution-dominated process, making it as simple as buying stocks with just a few clicks. Today, platforms like IndiaBonds harness technology to disseminate information and provide easy access to bonds, allowing retail investors to make their mark in what was once an opaque, institution-dominated process, making

it as simple as buying stocks with just a few clicks. Today, platforms like IndiaBonds harness technology to disseminate information and provide easy access to bonds, enabling investors to purchase them in a few minutes with absolute transparency.

However, despite the massive market size, retail participation remains surprisingly low—less than 2% (Source: NSDL). This stark underrepresentation highlights a vast untapped potential, and as technology, education, and regulatory support continue to converge, retail investors are set to play a pivotal role in the future of India's bond market.

Factors Influencing Retail Participation in the Bond Market

1. The Rise of OBPPs

SEBI introduced the OBPP framework in 2022, and since then, a series of circulars defining disclosure norms, compliance policies, reductions in bond face value, and liquidity windows have been introduced. Online Bond Platforms have positively transformed the bond market by lowering the barriers to entry that previously restricted retail investors. The formation of the OBPP Association of India, led by market participants, is fast-tracking the development of a vibrant bond industry that caters to participation of retail investors.

2. A Robust Regulatory Environment

The regulatory framework established by SEBI has been crucial in fostering trust and safety for retail bond investors. SEBI's proactive steps, such as mandating that all OBPPs must be SEBI-registered stockbrokers with an additional license to operate, ensure investor protection. Creating appropriate digital infrastructure through stock exchanges, clearing houses, and payment gateways has enabled bonds to be bought online in just minutes, empowering retail investors to participate confidently in the debt market.

3. Wealth Creation and Diversification

Wealth creation in India has accelerated due to economic growth and a burgeoning stock market. As India's wealth creation continues to rise, investors need more avenues to park their capital.

With real estate, the equity market, and other traditional assets reaching lifetime highs, the need for portfolio diversification has never been more pressing.

Bonds, offering stable and predictable income, have emerged as an appealing alternative. Investors have gained experience in financial markets, as evidenced by the number of demat accounts growing to 175 million (Source: ET). This savvy new wave of retail investors increasingly seeks diversified investments—bonds serve as a low-risk, long-term option.

4. Technology Penetration

According to RBI data, India accounted for 46% of the world's digital transactions, a testament to the country's technological prowess. With AI and technology driving innovation, the financial services sector has recently experienced significant growth. OBPP platforms have rapidly emerged over the past three years, placing bonds in the hands of investors and offering a variety of options. This behavioral shift is leading to rapid education coupled with easy access to fixed-income investments.

Democratization of the Bond Market

The democratization of the bond market has opened up new avenues for growth, with high-yielding companies increasingly relying on retail participation for bond issuances. This shift is partly driven by restrictions on bank lending to NBFCs and their desire to diversify their investor base. As a result, CFOs are now focusing on the retail segment, dedicating time and resources to tap into this pool of capital. Platforms like

IndiaBonds have been instrumental in this transformation, offering educational initiatives such as fixed-income webinars in collaboration with NISM (a SEBI initiative).

Global democratization has occurred by including Indian fixed income in global indices like JP Morgan, Bloomberg, and FTSE Russell, which has significantly boosted the demand for bond products. Global investors typically begin with government bonds and then move down the credit spectrum to corporate bonds. This investor class is set to play a crucial role in the market. With a steady government yield curve, companies find it easier to issue bonds at a spread over this stable, risk-free benchmark.

Benefits of Increased Retail Participation

1. Issuer's Perspective

The increasing number of retail investors presents a significant opportunity for issuers seeking to raise funds through debt. Expanding their investor base beyond institutional players makes capital-raising efforts more competitive and cost-effective. Retail investors, recognized for their long-term holding tendencies, contribute stability and enhance liquidity—both of which are crucial for a well-functioning bond market.

2. Retail Investor's Perspective

For retail investors, bonds represent a safer alternative to volatile equity markets and low-yielding fixed deposits. They offer a predictable income stream and the flexibility to meet specific investment goals, such as preserving capital or generating regular income. As Online Bond Platform Providers (OBPPs) continue to enhance the accessibility of bonds, they become an attractive diversification option for retail investors seeking lower-risk assets.

3. Economic Growth

The rise of retail participation is vital for India's economic growth. A liquid and vibrant bond

market facilitates efficient capital raising, which is essential for financing critical infrastructure and development projects. As India evolves into a \$6-8 trillion economy, retail investors will play a key role in ensuring that the country's capital needs are met through a thriving debt capital market.

Challenges That Still Remain

Despite the rapid rise in retail participation, several challenges persist. Awareness and education are significant hurdles, as many retail investors remain unaware of the benefits of bonds and lack access to consistent financial education. Additionally, the bond market's fragmentation across various segments—such as RFQs, OTC, and capital markets—poses obstacles to effective participation.

To fully harness retail involvement, harmonization across these segments and greater transparency are essential. Moreover, the distribution of fixed-income products remains unorganized and unregulated, unlike equity and mutual funds. Establishing a safe and transparent framework is

critical for fostering broader adoption of bonds among the majority of investors. Addressing these issues will be key to unlocking the bond market's potential for economic growth.

Way Forward

As India advances toward becoming a \$6-8 trillion economy, the bond market is set to expand by at least \$1 trillion in the next three years. Retail investors will be crucial in this growth, funding capital and infrastructure needs. Their increasing participation will enhance the vibrancy, diversification, and resilience of the debt market, contributing significantly to economic growth and financial inclusion.

In summary, retail investors are not just a fleeting trend in the Indian debt market; their role signifies a lasting transformation with profound implications for the financial ecosystem.

Source: <https://economictimes.indiatimes.com/markets/stocks/news/the-rising-impact-of-retail-investors-on-debt-capital-markets/articleshow/114647052.cms>

Department of Banking & Financial Services Upcoming Programme

4 th Green Investment and Sustainability Summit	29 th November 2024
ASSOCHAM 16 th Global Insurance Summit & Awards	12 th December 2024

BRANDING OPPORTUNITY (ANNUAL CHARGE FOR 12 EDITION)

Full Page Advertisement	₹1 Lakh/-+ GST
-------------------------	----------------

For Branding and speaker opportunities:

Mr. Kushagra Joshi
Mobile: 84473 65357
Email: kushagra.joshi@assochem.com

Mr. Vishal Kumar
Mobile: 88516 20732
Email: vishal.kumar@assochem.com

Further Details Please Contact:

Dr Rajesh Singh
(Department of Banking & Financial Services)
Mobile: 9871204880 | Email: rajesh.singh@assochem.com

CORPORATE OFFICE:

THE ASSOCIATED CHAMBERS OF COMMERCE AND INDUSTRY OF INDIA

4th Floor, YMCA Cultural Centre and Library Building, 01, Jai Singh Road, New Delhi – 110001

Website: <https://www.assochem.org/>

Follow Us On:-



<https://www.linkedin.com/company/assochemforindia>



<https://twitter.com/ASSOCHAM4India>



<https://www.instagram.com/assochem/?igshid=ccq05i89fkt>



<https://www.facebook.com/ASSOCHAM4India>



https://www.youtube.com/channel/UC13mKQdyERtdTEXL3uP_Q