2020

Volume 6

APAS MONTHLY

THIS MONTH

Season’s greetings!

In this issue, we have a special column. Mr. Rajesh Narain Gupta, Managing Partner, SNG & Partners, has presented his thoughts on ‘The emerging laws and regulations in the backdrop of Covid-19 and the India stimulus program’.

In addition, Mr. Umesh Revankar, MD& CEO, Shriram Transport Finance, has presented his thoughts on ‘Current NBFC scenario’.

We thank Mr. Gupta and Mr. Revankar for their contributions to the APAS Monthly.

This month, the APAS column presents its views on ‘Growth of public and private sector banks’.

Amidst the global crisis caused by the pandemic COVID – 19, quite a few changes in the economy are taking place and many more to come in the coming months. This edition and the future editions of our newsletter will try to give you the economic snapshot, changing parameters and a snapshot of the regulations and government measures to fight the pandemic and make positive impact on the economy and various sectors.

The economic indicators showed mixed performance. Manufacturing PMI rose to 30.8 in May from 27.4 in April. India’s annual infrastructure output in May contracted by 23.4%. The government held back the release of complete data of India's Index of Industrial Production (IIP) for April, saying it is not appropriate to compare the IIP data with earlier months due to Covid-19 lockdown. PMI services rose to 12.6 in May from 5.4 in April, while composite PMI rose to 14.8 in May from 7.2 in April. The government withheld the May CPI inflation figures, as it did for the prior month as well, due to the lack of data owing to lockdown restrictions. WPI witnessed a deflation of 3.21% in May.

The President Promulgated Banking Regulation (Amendment) Ordinance, 2020. The Reserve Bank of India (RBI) announced creation of Payments Infrastructure Development Fund. RBI released Monthly Bulletin for June 2020. RBI released guidelines on Loans Sourced by Banks and NBFCs over Digital Lending Platforms. RBI published the Oversight Framework for Financial Market Infrastructures and Retail Payment Systems. RBI released proposed changes in regulations applicable to Housing Finance Companies (HFCs) for public comments.

The Insurance Regulatory Development Authority of India (IRDAI) released agendas and minutes of the 107th Meeting of the Authority. IRDAI allotted Filing Reference Number (FRN) for Cross Border Reinsurers. IRDAI released Guidelines on COVID-19 Standard Health Policy. IRDAI released Advisory on COVID-19-related Phishing Attack Campaign by Malicious Actors. IRDAI released Guidelines on introduction of short-term health insurance policies providing coverage for COVID-19 disease. IRDAI released Guidelines on Telemedicine. IRDAI released Guidelines on Standardization of General Terms and Clauses in Health Insurance Policy Contracts. IRDAI released Guidelines on Public Disclosures by Insurers on the qualitative and quantitative parameters of the health services rendered to policyholders. IRDAI released disclosure of underwriting philosophy of offering Insurance coverage to Persons with Disability (PWD) and people affected with HIV/AIDS and Mental Illness diseases. IRDAI released Master circular for TPAs.

Cabinet approved upward revision of MSME definition. Government announced Implementation of Amendments in the Indian Stamp Act, 1899. Government announced sanctions under Emergency Credit Line Guarantee Scheme (ECLGS) cross INR 79,000 crore.

In line with Government announcement of amendments in the Indian Stamp Act, 1899, Securities Exchange Board of India (SEBI) announced changes in Collection of stamp duty on issue, transfer and sale of units of AIFs. SEBI released the outcome of its Board Meeting. SEBI released Guidelines for Order-to-trade ratio (OTR) for Algorithmic Trading. SEBI announced extension in deadline on Temporary relaxation in processing of documents pertaining to FPIs due to COVID-19. SEBI announced operational framework for transactions in defaulted debt securities post maturity date/ redemption date. SEBI announced Issue of Capital and Disclosure Requirements (Second Amendment) Regulations, 2020. SEBI announced Infrastructure Investment Trusts (Second Amendment) Regulations, 2020. SEBI announced Report of High-Level Committee on the Measures for Strengthening the Enforcement Mechanism of the Board and Incidental Issues. SEBI announced norms on Investment by the sponsor or asset management company in the scheme. SEBI announced norms on Participation of Mutual Funds in Commodity Derivatives Market in India. SEBI announced Framework for Regulatory Sandbox. SEBI announced Report of the working group on Social Stock Exchange.

Our newsletter is focused on tracking the performance of the economy and the regulations and laws governing the Banking and Financial Services companies. We hope that this APAS Monthly is insightful.

We welcome your inputs and thoughts and encourage you to share them with us.

Ashvin parekh

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On the cover

SPECIAL COLUMN

Rajesh Narain Gupta
Managing Partner
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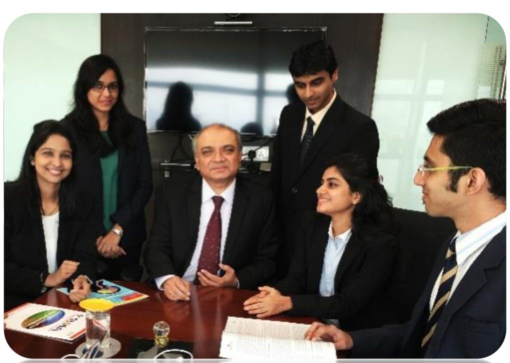
The emerging laws and regulations in the backdrop of Covid-19 and the India stimulus program

GUEST COLUMN

Umesh Revankar
MD & CEO
Shriram Transport Finance

Note on current NBFC scenario



APAS COLUMN

Growth of public and private sector banks

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ECONOMY

- Index of Industrial Production – April
- Inflation update – May
- PMI update – May
- Core Sector – May

BANKING

- President Promulgates Banking Regulation (Amendment) Ordinance, 2020
- RBI announces creation of Payments Infrastructure Development Fund
- Monthly Bulletin for June 2020
- Loans Sourced by Banks and NBFCs over Digital Lending Platforms: Adherence to Fair Practices Code and Outsourcing Guidelines
- Reserve Bank of India publishes the Oversight Framework for Financial Market Infrastructures and Retail Payment Systems
- RBI releases proposed changes in regulations applicable to Housing Finance Companies (HFCs) for public comments

INSURANCE

- Agendas and minutes of the 107th Meeting of the Authority
- Allotment of Filing Reference Number (FRN) for Cross Border Reinsurers
- Guidelines on COVID-19 Standard Health Policy
- Advisory on COVID-19-related Phishing Attack Campaign by Malicious Actors
- Guidelines on introduction of short-term health insurance policies providing coverage for COVID-19 disease
- Guidelines on Telemedicine
- Guidelines on Standardization of General Terms and Clauses in Health Insurance Policy Contracts
- Guidelines on Public Disclosures by Insurers on the qualitative and quantitative parameters of the health services rendered to policyholders
- Disclosure of underwriting philosophy of offering Insurance coverage to Persons with Disability (PWD) and people affected with HIV/AIDS and Mental Illness diseases
- Master circular for TPAs

INFRASTRUCTURE & OTHER GOVT. INITIATIVES

- Cabinet approves upward revision of MSME definition
- Implementation of Amendments in the Indian Stamp Act, 1899
- Sanctions under Emergency Credit Line Guarantee Scheme (ECLGS) cross INR 79,000 crore

CAPITAL MARKETS

- Collection of stamp duty on issue, transfer and sale of units of AIFs
- SEBI Board Meeting
- Guidelines for Order-to-trade ratio (OTR) for Algorithmic Trading
- Temporary relaxation in processing of documents pertaining to FPIs due to COVID-19
- Operational framework for transactions in defaulted debt securities post maturity date/ redemption date
- Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Second Amendment) Regulations, 2020
- Securities and Exchange Board of India (Infrastructure Investment Trusts) (Second Amendment) Regulations, 2020
- Report of High-Level Committee on the Measures for Strengthening the Enforcement Mechanism of the Board and Incidental Issues
- Investment by the sponsor or asset management company in the scheme
- Participation of Mutual Funds in Commodity Derivatives Market in India
- Framework for Regulatory Sandbox
- Report of the working group on Social Stock Exchange

CAPITAL MARKETS SNAPSHOT

- CNX Nifty, BSE Sensex, India VIX, $/₹, GIND 10Y

Countries	GDP			CPI		Current Account Balance	Budget Balance	Interest Rates
	Latest	2016*	2017*	Latest	2016*	% of GDP, 2016*	% of GDP, 2016*	(10YGov), Latest
Brazil	-2.9Q3	-3.4	0.9	7.0 Nov	8.3	-1.1	-6.4	11.8
Russia	-0.4Q3	-0.5	1.2	5.8 Nov	7.0	2.4	-3.7	8.60
India	7.3 Q3	7.2	7.5	3.6 Nov	4.9	-0.9	-3.8	6.51
China	6.7 Q3	6.7	6.4	2.3 Nov	2.0	2.5	-3.8	3.10^
S Africa	0.7 Q3	0.4	1.3	6.6 Nov	6.3	-4.0	-3.4	9.00
USA	1.6 Q3	1.6	2.2	1.7 Nov	1.3	-2.6	-3.2	2.56
Canada	1.3 Q3	1.2	1.9	1.5 Oct	1.5	-3.5	-2.5	1.78
Mexico	2.0 Q3	2.1	1.9	3.3 Nov	2.8	-2.8	-3.0	7.31
Euro Area	1.7 Q3	1.6	1.3	0.6 Nov	0.2	3.2	-1.8	0.25
Germany	1.7 Q3	1.8	1.4	0.8 Nov	0.4	8.8	1.0	0.25
Britain	2.3 Q3	2.0	1.1	1.2 Nov	0.6	-5.7	-3.7	1.55
Australia	1.8 Q3	2.9	2.8	1.3 Q3	1.3	-3.5	-2.1	2.86
Indonesia	5.0 Q3	5.0	5.2	3.6 Nov	3.5	-2.1	-2.6	7.93
Malaysia	4.3 Q3	4.3	4.6	1.4 Oct	1.9	1.8	-3.4	4.31
Singapore	1.1 Q3	1.3	2.0	-0.1 Oct	-0.6	21.5	21.5	2.49
S Korea	2.6 Q3	2.7	2.5	1.5 Nov	0.9	7.2	-1.3	2.17

ECONOMIC DATA SNAPSHOT

- Global GDP, CPI, Current account balance, budget balance, Interest rates

The emerging laws and regulations in the backdrop of COVID-19 and the India stimulus program

Rajesh Narain Gupta
Managing Partner
SNG & Partners

In India, various High Courts and the Supreme Court have acted in several matters by exercising suo moto jurisdictions on various fronts. The Latin maxim "*Salus populi suprema lex esto*" (the health / safety of the people should be supreme law) has been heavily relied upon. The government and the judiciary have actively put to use the laws like, "Disaster Management Act, 2005", Indian Epidemics Act, 1897. By declaring Covid as a "notified disaster", the States are expected to have access to the "State Disaster Relief Fund". The Essential Commodities Act, 1955, has been invoked.

This article touches upon and highlights the various new laws, enactments, rules and regulations which relate to Covid period and which are mentioned below:

1. **GOVERNMENT ACTIONS ON FORCE MAJEURE:**

   - Ministry of Finance, Department of Expenditure Procurement Policy Division, Government of India ("**MOF**") on February 19, 2020 has clarified that the disruption of the supply chains due to spread of coronavirus in China or any other country should be considered as a case of natural calamity and Force Majeure Clause may be invoked, wherever considered appropriate, following the due procedure. Subsequently, various ministries including Ministry of New and Renewable Energy, Ministry of Shipping, Ministry of Railways, Ministry of Environment, Forest & Climate Change, Ministry of Road Transport and Highways had granted appropriate time-extension, or provided exemptions/remission of charges for any delay caused due to COVID-19 pandemic, or has issued general directions as to how the same was to be treated contractually in public sector contracts.

   - Even the Foreign Trade Policy 2015-2020 has been extended by the Ministry of Commerce and Industry up to March 31, 2021. Further, Ministry of Housing & Urban Affairs issued advisory for extension of registration of real estate projects due to 'Force Majeure' under the provisions of Real Estate (Regulation and Development) Act, 2016.

- Finance Ministry has announced relaxations on the due dates for payment of Income Tax, payment of TDS, reductions in TDS etc to partially address the stress.
- By means of Ordinance dated June 5, 2020 GOI has suspended Sections 7, 9 and 10 of the IBC for six months.

Actions By Regulators:

a) Reserve Bank of India ('**RBI**') vide several notifications:

i) Issued detailed instructions to ensure the continuity of viable businesses, such as:

a) Moratorium / Deferment for term loans and working capital loans extended till August 31, 2020

b) Easing of Working Capital Financing; and

c) Asset Classification as NPA and SMA and Revised Resolution Timelines.

ii) Reviewed resolution timelines under the Prudential Framework on Resolution of Stressed Assets specified in the circular dated June 7, 2019.

iii) Reviewed the asset classification and provisioning under Prudential Norms on Income Recognition, Asset Classification.

b) Ministry of Corporate Affairs ('**MCA**') **vide several notifications**:

i) Allowed companies to hold board meetings through video conferencing till June 2020.

ii) Certain provisions of the Companies Act,2013 as well as the Limited Liability Partnership Act, 2008 have been relaxed-

a) independent director's unable to hold one meeting in FY19-20 in compliance with Schedule 4 of the Companies Act will not be held in violation

b) the Companies (Auditor's Report) Order, 2020 will be applicable from FY20-21

c) no additional fees for late filing during April 1 to September 30, 2020, etc.

iii) Specified Rs. 1 crore as the new minimum amount of default under Insolvency and Bankruptcy Code, 2016.

iv) If the companies whose financial year has ended on 31st December, 2019, hold their AGM for such financial year within a period of nine months from the closure of the financial year (i.e. by 30th September, 2020), the same will not be viewed as a violation.

v) Allowed companies to conduct their AGMs through video conferencing; or other audio-visual means, during the calendar year 2020.

c) **Securities Exchange Bureau of India ('SEBI') vide Press Release and Circulars**:

i) has decided to grant certain temporary relaxations from the regulatory provisions related to rights/ public issuances by listed entities in order to further facilitate fund raising from capital markets in the backdrop of COVID-19 pandemic,

ii) relaxed the timelines for top 100 listed entities by market capitalization whose financial year ended on December 31, 2019 for holding the AGM within a period of nine (9) months from the closure of the financial year.

iii) relaxed action for non-compliance with minimum public shareholding requirements during the period March 1, 2020 to August 31, 2020.

iv) issued an advisory on disclosure of material impact of COVID-19 pandemic on listed entities under SEBI.

d) **Insolvency and Bankruptcy Board of India (IBBI) vide several notifications stated that:** Period of lockdown to be excluded from timeline under IBC if activity in relation to CIRP could not be completed due to the lockdown.

e) **MOF vide several notifications:**

i) Amended the Foreign Exchange Management (Non-debt Instruments) Rules, 2019.

ii) Issued Non – Debt Instrument Rules to curb opportunistic takeovers.

iii) Introduced the Insolvency and Bankruptcy Code (Amendment) Ordinance, 2020 to implement the changes as announced by MOF.

f) **RERA:** Several RERA authorities have extended projects' completion deadlines and the time limits for all statutory compliances.

2. Self-Reliant India packages

Key takeaways from the Finance Minister's announcements on Self-Reliant India:

(i) Major Steps for Micro Small and Medium Enterprises ('**MSMEs'**) was announced such new definition of MSMEs; Rs. 3 lakh crores collateral free automatic loans for business, including MSME; Rs. 20,000 crores Subordinate Debt for MSMEs; Rs. 50,000 crores equity infusion through MSME Fund of Funds and global tenders to be disallowed upto Rs. 200 crores.

(ii) Other interventions for MSMEs

(iii) Rs. 2500 crores EPF support for Businesses and Organised Workers extended by three (3) more months and EPF Contribution to be reduced from 12% to 10% for Employers and Employees for three (3) months

(iv) Rs. 30,000 crores liquidity facility for NBFC/HCs/MFIs under Special Liquidity Scheme, through RBI

(v) Rs. 45,000 crores partial credit guarantee scheme 2.0 for NBFC

(vi) Rs. 90,000 crores liquidity injection for DISCOMs

(vii) As a relief to contractors, extension of up to six (6) months (without costs to contractor) to be provided by all Central Agencies

(viii) Extension of Registration and Completion Date of Real Estate Projects under RERA due to 'Force Majeure' event

(ix) Rs. 50,000 crore liquidity through TDS/TCS reductions

(x) Other Direct Tax Measures (such as reductions in the existing rates of TDS, extension of due date for filing all IT returns for FY 2019-20 and immediate issue of pending Tax refunds)

(xi) Reliefs for Farmers, Rural Economy, Migrants, Urban Poor, Small Businesses and Street Vendors

(xii) Extension of credit linked subsidy scheme for middle income group up to 31st March 2020

(xiii) Policy reforms to fast track investment; and

(xiv) Structural reforms in coal, mineral, defence, civil aviation, power, social infrastructure, space and atomic energy sectors.

There has been plethora of laws and regulations which have come up during these challenging times. Unfortunately, it is not clear as to how much benefit has been actually passed on to the people.

Note on Current NBFC Scenario

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The COVID-19 pandemic and the consequent lockdown and restrictions imposed by national and the state governments during March 24, 2020 to June 30, 2020 have impacted businesses and social life in the country. In view of nationwide lock down due to pandemic and the consequential disruptions and liquidity stress, the Reserve Bank of India had issued certain regulatory measures to mitigate the burden of debt servicing brought about by disruptions on account of COVID 19 pandemic to ensure the continuity of viable business and had advised Banks and NBFCs to offer to its borrowers a Moratorium of three months from March 01, 2020 to May 31, 2020 for repayment of loans. Subsequently, the Moratorium period was extended up to August 31, 2020 after extension of the lock down. As NBFC activities were declared as essential activities in April 2020, most of the NBFCs have been working with minimal staff and alternate schedules.

In the past few years, NBFCs have been increasingly turning to MSMEs as an avenue for growth. Part of this growth has been fuelled by the alternative credit assessment processes NBFCs use. This is a key distinguishing factor between banks and NBFCs. Banks largely look at enterprise balance sheets and accounts, as well as collateral to make a credit decision. On the other hand, NBFCs also factor in cash flows, future potential of the company, and assets other than immovable collateral. The Government package of Rs 3 lakh crore of credit guaranteed directed at MSME will provide support to the MSMEs. The segment, among the worst impacted in Covid-19 lockdown, is critical for getting the economy back on its feet. The government package is likely to have a multiplier effect on SME credit demand and supply.

The rural demand sentiment is witnessing an uptick in recent months due to bumper rabi crop and supported by expectations of a healthy kharif output with normal monsoon being predicted. We expects the outbreak of novel coronavirus and the associated lockdown and restricted movement of goods to have a bearing on the new CV sales, till any meaningful pick-up in the economy and infrastructure projects fructifies. This would help the existing fleets in better utilisation and used vehicle operators would be at an added advantage. The company's which have strong rural connect and that are engaged in used vehicle/asset financing are in better position to increase their presence.

In case of Retail NBFCs currently, CV financiers and consumer financiers focussing on non-salaried/unsecured segments have reported collections lower than the median, whereas education loans (mainly for overseas students), gold loans and some segments of loans in the secured/salaried individual categories have reported collections better than the median. These are all temporary situation, ultimately the sustainable income generation by the borrower would be key to success of borrower and lender.

The innovation is key for success in the current environment like social distancing and hygiene environment. Bringing customers on digital platform through mobile to be explored and implemented. The company which are adaptable and invest on right technology would be the winner. Retraining manpower in new environment is equally important and key to success.

Funding option to NBFC's are restricted which need to be expanded. The NBFC's play complimentary role alongside formal banking in trying to reach underserved/unserved customers for reaching the banking services. The NBFC's should become part of priority sector lending without putting any caps and also become part of PLC's trading. The NBFC's who have deposit taking franchise should expand their reach and service levels to attract fresh depositors. Public issue of NCD's is another avenue to reach retail investors, however the current restrictions like compulsory demat account and investing through ASBA accounts is creating certain hurdles for investors from smaller towns. We expect SEBI to come with some relaxations and also changes in public issue like on tap issuances to improve the public offering.

Growth of public and private sector banks

The pace at which private sector banks are gaining market share at the expense of their public sector counterparts is staggering. Deposits of the top 8 private sector banks rose by INR 2.68 lakh crore between July and December 2019, higher than the INR 2.58 lakh crore increase in the top 8 public sector banks (PSBs). Over the past few years, incremental growth of private banks in both deposits and advances has far outstripped that of PSBs. In 2016-19, the share of private banks in incremental deposits rose to 81%, up from 19% in 2011-15, while their share in incremental loans stood at 69% in 2018-19. At the aggregate level, PSBs accounted for roughly 65% of total deposits at the end of 2019.

Private sector banks have overtaken PSBs in the country in terms of number of borrowers and expanded their share in loan outstanding in year 2019. An RBI report states that private sector banks led the credit expansion, with their share in the total credit successively expanding to 35.7% in December 2019, from 32.2% a year ago and 30% two years ago. State-owned banks' share has fallen from 70% to less than 65% now. Private lenders reported a big expansion of their borrower base to 12.6 crore in December 2019 from 8.68 crore a year ago. PSBs just managed to increase their number of borrowers from 9.17 crore to 9.32 crore during the year.

There are several possible explanations for this dramatic shift, which has accelerated post 2015. First, the Reserve Bank of India's (RBI) determined push to clean up the balance sheets of PSBs, which forced them to recognise the true extent of bad loans in the system, left them with little funds for expansion. Then, placing several of these banks under the RBI's corrective action framework restricted their banking activities. Along with these, other factors such as personalised services, extensive use of technology and the relatively higher interest rates offered by private banks could have aided in this shift. This shift, dubbed by some as privatisation by stealth, would have far reaching ramifications for both PSBs as well as their owner, the government, as gains by private banks would come at the expense of PSBs, leading to an erosion in their value.

So far, the government's strategy of turning around PSBs, which rests on 4 pillars – recognition of bad loans, resolution and thus, recovery of value from these stressed loans, and recapitalisation and reforms in banks – has not had the effect it had hoped for, largely because of the lack of reforms to address structural issues that continue to plague state-controlled banks. While improving governance standards and allowing banks to function as independent and autonomous entities should be a top priority, it is unlikely to happen, with the government continuing to hold a controlling stake in banks.

Consolidation of PSBs is another factor. First announced in August 2019, the government's ambitious plan to merge 10 state-owned banks into 4, came into effect from April 1, 2020. The move, aimed at strengthening the banking system and creating more large institutions with size and scale, has seen Oriental Bank of Commerce and United Bank of India merge into Punjab National Bank; Andhra Bank and Corporation Bank merge into Union Bank of India; Allahabad Bank merge into Indian Bank and Syndicate Bank merge into Canara Bank. This is the third such move to consolidate PSBs. Earlier, the associate banks and Bharatiya Mahila Bank were merged into State Bank of India. Then, Vijaya Bank and Dena Bank were merged into Bank of Baroda.

The latest set of mergers will change the pecking order among the country's nationalised banks and give many of them a wider geographical reach and make balance sheets stronger.

Merger of such huge scale is bound to have some impact on the network and employees. The government has already clarified that there will not be any job losses. However, there will surely be overlapping roles, which will be reassigned. Some of the employees may also be transferred to different departments or branches as the transition process takes shape. There may be some impact on new hiring too. While banks say branches are unlikely to be closed right away, there will be some overlap and therefore, some restructuring will happen in due course.

While the merger may have been effective from April 1, the integration of all the processes and technology can take months.

This mega merger of PSBs came into effect at a time the country is in a lockdown to control the spread of Covid-19 outbreak and banks are functioning with limited manpower and shorter working hours than normal. Implementation of the merger decision during this abnormal period could severely impair the normal activities of the PSBs and impose burdens on the bank officers and employees. Training and integration of technology platforms following the merger cannot proceed smoothly till the time lockdown restrictions are in place.

Another factor is government schemes. India's public sector lenders were barely breathing easy from a crippling bad loan crisis, when the Covid-19 disruption hit them along with other sectors of the economy. Now, the government expects these lenders to do the heavy lifting in efforts to revive the economy by lending proactively to MSMEs.

The government has announced an INR 3 lakh crore emergency credit guarantee scheme, that provides 100% guarantee coverage through the National Credit Guarantee Trust Company (NCGTC) in the form of a guaranteed emergency credit line (GECL) facility.

The fear is that aggressive lending to the MSMEs would only add to the pain of these lenders, which are already ailing because of lack of capital, mounting NPAs, declining asset quality and weak balance sheets. Some of them are still adjusting to a new business environment, following the merger of multiple lenders into some large entities.

PSBs have been lending to MSMEs on a large scale. Due to bleak outlook for the sector post Covid-19, it is expected to be a tough road ahead for them.

PSBs have always been the flag bearers of various government schemes for MSMEs, the backbone of the Indian economy. This is expected to continue in the coming years too. Due to their socio-economic compulsions, PSBs are expected to play a bigger role in implementing government schemes.

The Covid-19 pandemic and the extended lockdown has adversely impacted business activities of PSBs due to weak demand and increased risk aversion. PSBs have higher loan loss provisions to operating profit ratios, which make them more vulnerable to profitability headwinds, should asset quality deteriorate further. PSBs are suffering due to higher gross NPAs and provision coverage ratio (PCR). Thus, PSBs have a smaller room to commit mistakes. Underwriting process of state-run banks is not very healthy.

If these trends persist, it is conceivable that the next few years belong to the private banks and in the coming years, the share of private banks in both deposits and advances would be at par with that of PSBs, fundamentally altering the structure of the banking sector in India.

-APAS

ECONOMY

IIP (Index of Industrial Production) – April

The government held back the release of complete data of Index of Industrial Production (IIP) for April, saying it is not appropriate to compare the IIP data with earlier months due to Covid-19 lockdown.

IIP, which measures factory output in the country, stood at 56.3 points in April 2020, compared to 126 in the same month a year ago.

In view of the preventive measures and announcement of nationwide lockdown by the government to contain spread of Covid-19 pandemic, majority of the industrial sector establishments were not operating from the end of March 2020 onwards.

This has had an impact on the items being produced by the establishments during the month of April 2020, where a number of responding units have reported nil production.

Consequently, it is not appropriate to compare the IIP of April 2020 with earlier months and users may like to observe the changes in IIP in the following months.

These quick estimates will undergo revision in subsequent releases as per the revision policy of IIP.

The IIP for mining, manufacturing and electricity sectors for April stand at 78.3, 45.1 and 126.1, respectively.

As per Use-based classification, the indices stand at 92.3 for primary goods, 7.7 for capital goods, 42 for intermediate goods and 21.7 for infrastructure/construction goods for April.

Further, the indices for consumer durables and consumer non-durables were at 5.5 and 89.4, respectively.

It is reiterated that in the circumstances, the IIP for April 2020 ought not to be compared with that of earlier months.

Along with the quick estimates of IIP for April 2020, the indices for March 2020 have undergone the first revision and those for January 2020 have undergone the final revision in the light of the updated data received from the source agencies.

CPI (Consumer Price Index) – May

The government withheld the headline retail inflation figures for May, as it did for the prior month as well, due to the lack of data owing to lockdown restrictions.

However, the country's Consumer Food Price Index (CFPI) for the month of May rose 9.28% year on year.

However, in comparison to April 2020, the food inflation rose 0.13%.

While this figure stood at 8.36% for urban areas, food inflation was at 9.69% in rural areas.

In view of the preventive measures and announcement of nationwide lockdown by the government to contain spread of Covid-19 pandemic, the price collection of Consumer Price Index (CPI) through personal visits of price collectors was suspended with effect from 19th March 2020.

In May, the data was collected to the extent feasible through personal visits of field staff of National Statistical Office (NSO) and telephone calls from the designated outlets in selected markets.

This data was supplemented by information collected during the personal purchase of field staff for the items being transacted from neighbourhood outlets, keeping in view the travel advisories.

The double-digit inflation levels for pulses, meat and fish, and oils and fats in May were a cause of concern, while prices of other sub-groups moderated month on month.

In particular, vegetable prices corrected appreciably in May 2020, relative to the previous month, suggesting an easing of supply disruptions, amid low demand from the restaurants and hotels segment.

Data for certain groups and sub-groups in the basket of items of the CPI and CFPI were unavailable. These included 'prepared meals, snacks, sweets, etc.' and 'clothing and footwear'.

Continuing the trend from the previous month, the NSO released only limited data where it had received enough inputs to be able to draw inferences. Whereas it collects price data from selected 1114 urban markets and 1181 villages through personal visits by field staff, it only received data from 987 urban markets and 836 villages, for commodities which were available and being transacted during the month of May.

It is, however, observed that transactions were largely focussed on essential purchases.

WPI (Wholesale Price Index) – May

Wholesale prices in the country witnessed a deflation of 3.21% in May due to sharp decline in prices of fuel and power, even as food articles turned expensive.

The annual rate of inflation, based on monthly Wholesale Price Index (WPI), stood at (-) 3.21% for May 2020, as compared to 2.79% during May 2019.

Inflation in food articles during May stood at 1.13%, as against 2.55% in April. In fuel and power basket, deflation stood at 19.83% in May, as against 10.12% in April.

Manufactured products witnessed a deflation of 0.42% in May.

Due to the nationwide lockdown imposed since March 25, the ministry had released truncated WPI inflation data for April, with figures of food, primary articles and fuel and power.

However, it has advised its field offices to collect price data through electronic means and the final index for the month would be released next month.

Price data is collected from selected institutional sources and industrial establishments spread across the country online through web-based portal maintained by the National Informatics Centre (NIC).

The final print of March WPI inflation stood at 0.42%, as compared to its provisional levels of 1% reported on April 14, 2020.

The annual rate of inflation based on WPI Food Index decreased from 5.2% in March 2020 to 2.31% in May 2020.

Manufacturing PMI – May

The Nikkei India Manufacturing Purchasing Managers' Index (PMI) contracted sharply in May after a historic dip in April, amid the ongoing coronavirus lockdown.

The Manufacturing PMI rose to 30.8 in May 2020 from 27.4 in April 2020. It stayed below the 50 level, that separates expansion from contraction, for the second consecutive month.

The latest reading pointed to another substantial decline in the health of the Indian manufacturing sector, albeit one that was slightly softer than recorded in April.

New orders placed with goods producers continued to fall after April's record contraction. The rate of decline decelerated but was still the second fastest since the series' inception in March 2005.

Firms cut staff at the quickest pace since data collection began over 15 years ago. The rate of workforce contraction accelerated to the fastest in the survey's history, eclipsing the previous record set in April.

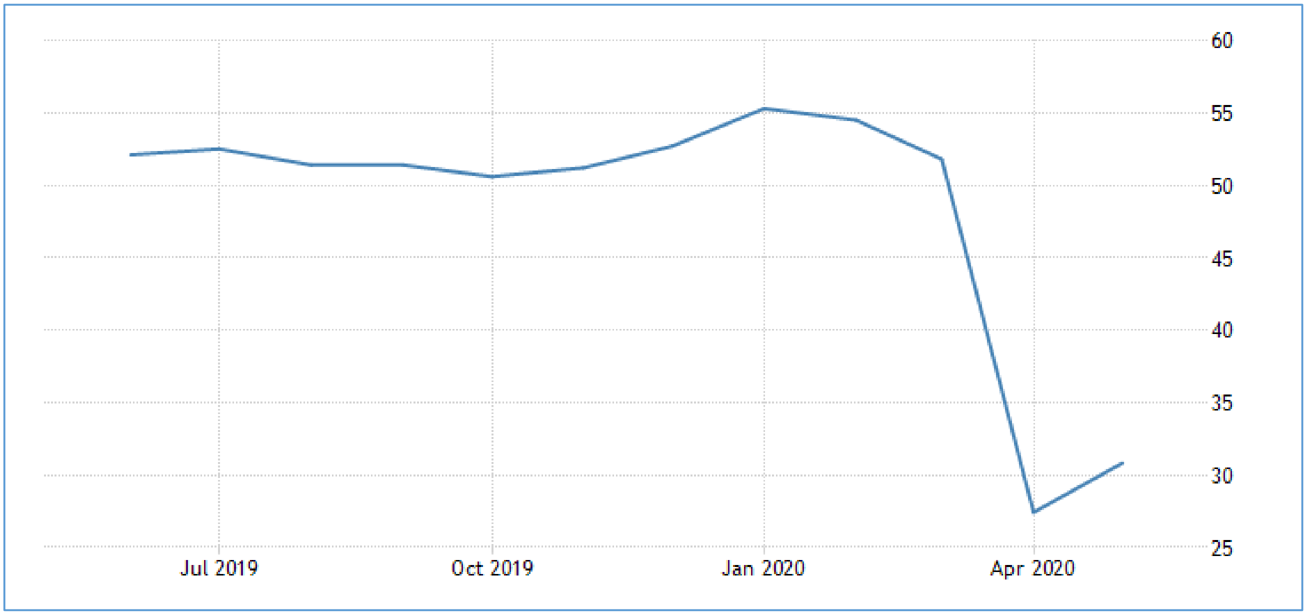
The latest PMI data suggested that India's manufacturing output fell further in May. This is particularly poignant, given the record contraction in April, which was driven by widespread business closures.

The further reduction in May highlights the challenges that businesses might face in recovery from this crisis, with demand remaining subdued, while the longevity of the pandemic remains uncertain.

Exports remained a drag, with weak demand from international markets adding to the deteriorating sales trend. Anecdotal evidence suggested that global measures to stem the spread of Covid-19 continued to stifle exports.

Input prices faced by Indian manufacturers continued to fall in May, but the pace eased over the previous month. Manufacturers also cut prices of products to secure orders.

For the one-year business outlook, manufacturers remained optimistic. Confidence was supported by expectations for a return to growth once all coronavirus related restrictions are lifted. The degree of positivity, however, eased slightly from April and remained historically subdued.



Source: www.tradingeconomics.com

Services PMI – May

The Indian services sector activity continued to contract in May as Covid-19 led shutdowns impaired business operations, restricted consumer footfall and led to a demand collapse along with job cuts.

The Nikkei India Services Purchasing Managers' Index (PMI) Business Activity Index rose to 12.6 in May 2020 from 5.4 in April 2020. The index remained below the neutral mark of 50, which separates expansion from contraction.

Although the headline figure rose from April's unprecedented low of 5.4, it remained at a level which, prior to the coronavirus pandemic, was unparalleled in over 14 years of data collection and pointed to an extreme drop in services activity across India.

Given the stringency of the lockdown measures imposed in India, it is no surprise to see the severity of the declines in April and May.

There was a substantial decline in new work intakes at Indian service providers in May. Foreign demand, too, continued to remain a drag.

Despite some easing in restrictions in May, a number of firms reported a build-up in unfinished work due to idle operations. But overall backlogs of work declined.

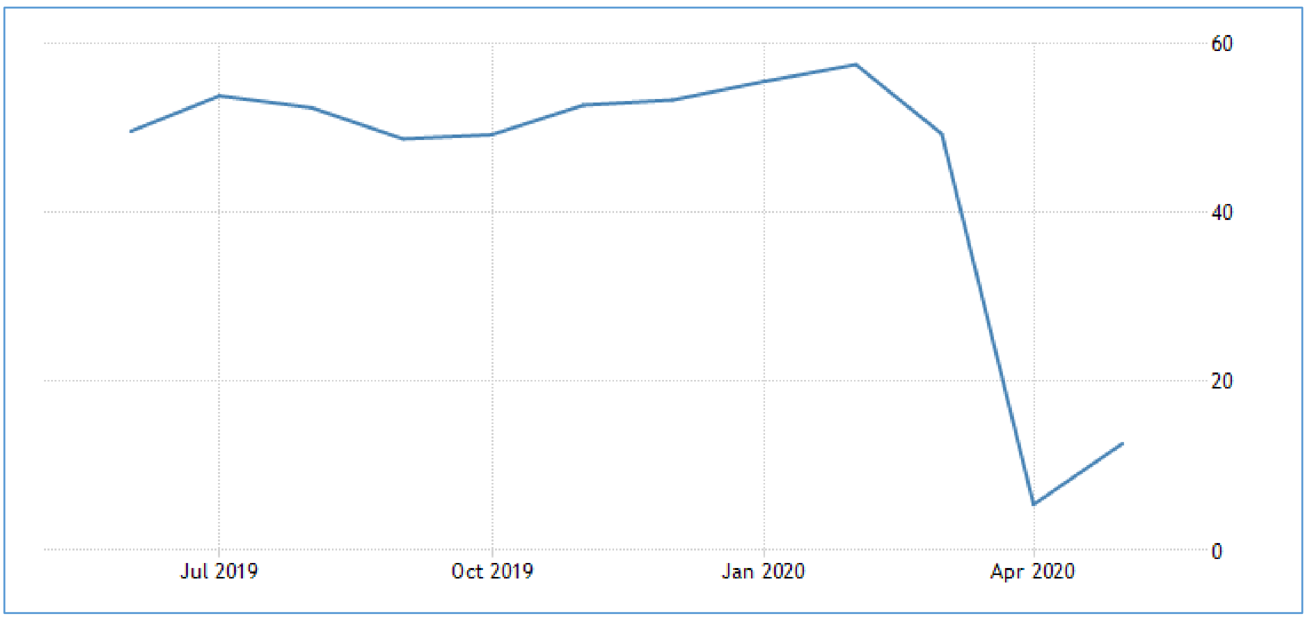
The rate of job shedding remained strong by historical comparisons, despite easing since April.

Lower staffing levels also coincided with a further deterioration in business sentiment.

Output expectations for the coming 12 months slumped to their most negative since records began in December 2005 amid forecasts of prolonged economic weakness domestically and overseas.

Prices data showed deflationary trends across input costs and output charges midway through the second quarter. While the rate at which output prices fell eased, operating expenses dropped at the fastest pace in the survey's history.

The seasonally adjusted Nikkei India Composite PMI Output Index rose to 14.8 in May from 7.2 in April.



Source: www.tradingeconomics.com

Core Sector Data – May

Growth of eight infrastructure sectors contracted by 23.4% in May 2020, as the coronavirus crisis continued to batter the economy.

The eight core sectors – coal, crude oil, natural gas, refinery products, fertilizers, steel, cement and electricity – had declined by 37% in April 2020 and grown by 3.8% in May 2019.

In view of the nationwide lockdown during April and May 2020 due to Covid-19 pandemic, various industries experienced substantial loss of production.

Except fertiliser, there was a massive decline in production in all seven sectors.

The steepest decline was observed in steel production, which fell 48.4%.

This was followed by cement, which saw a 22.2% drop.

Fertiliser production showed growth at 7.5% after two consecutive months of contraction.

The Centre also revised growth in core sector output in February to a final 6.4% from a provisional 5.5%.

Cumulatively, the growth in the eight core sectors during April-May 2020-21 contracted by 30%, as against an expansion of 4.5% in the same period last financial year.

Source: APAS BRT, www.eaindustry.nic.in

BANKING

President Promulgates Banking Regulation (Amendment) Ordinance, 2020

In pursuance of the commitment to ensure safety of depositors across banks, the President has promulgated the Banking Regulation (Amendment) Ordinance, 2020.

The Ordinance amends the Banking Regulation Act, 1949 as applicable to Cooperative Banks. The Ordinance seeks to protect the interests of depositors and strengthen cooperative banks by improving governance and oversight by extending powers already available with RBI in respect of other banks to Co-operative Banks as well for sound banking regulation, and by ensuring professionalism and enabling their access to capital. The amendments do not affect existing powers of the State Registrars of Co-operative Societies under state co-operative laws. The amendments do not apply to Primary Agricultural Credit Societies (PACS) or co-operative societies whose primary object and principal business is long-term finance for agricultural development, and which do not use the word “bank” or “banker” or “banking” and do not act as drawees of cheques.

The Ordinance also amends Section 45 of the Banking Regulation Act, to enable making of a scheme of reconstruction or amalgamation of a banking company for protecting the interest of the public, depositors and the banking system and for securing its proper management, even without making an order of moratorium, so as to avoid disruption of the financial system. The detailed gazette can be referred in the above mentioned link.

RBI announces creation of Payments Infrastructure Development Fund

The Reserve Bank announced creation of a Payments Infrastructure Development Fund (PIDF) to encourage acquirers to deploy Points of Sale (PoS) infrastructure (both physical and digital modes) in tier-3 to tier-6 centres and north eastern states.

Over the years, payments ecosystem in the country has evolved with a wide range of options such as bank accounts, mobile phones, cards, etc. To provide further fillip to digitisation of payment systems, it is necessary to give impetus to acceptance infrastructure across the country, more so in underserved areas.

The Reserve Bank will make an initial contribution of ₹250 crores to the PIDF covering half the fund and remaining contribution will be from card issuing banks and card networks operating in the country. The PIDF will also receive recurring contributions to cover operational expenses from card issuing banks and card networks. The Reserve Bank will also contribute to yearly shortfalls, if necessary.

The PIDF will be governed through an Advisory Council and managed and administered by Reserve Bank.

Monthly Bulletin for June 2020

The Reserve Bank of India released the June 2020 issue of its monthly Bulletin. The Bulletin includes RBI Governor's statement, Monetary Policy Statement, 2020-21, Statement on Developmental and Regulatory Policies, four Articles and Current Statistics.

The bulletin covers four articles in area of:

I. Quarterly Estimates of Households' Financial Assets and Liabilities

Key highlights of the article are:

- Net financial assets of Indian households after having moderated in 2018-19, gathered pace in 2019-20 touching the levels reached in 2017-18, i.e., 7.7 per cent of GDP. The improvement has occurred due to moderation in household bank borrowings being sharper than those in bank deposits.
- Households' gross financial liabilities turned negative in Q1:2019-20 owing mainly to contraction in borrowings from commercial banks, but picked up thereafter and peaked in Q4:2019-20, reflecting apart from the seasonal uptick, higher borrowings induced by COVID-19-19 related hardships.
- Both financial assets and liabilities of households remain bank-centric, with some shift in favour of mutual funds and insurance in recent quarters.
- A seasonal pattern is discernible in at least three financial instruments, namely, currency and bank deposits on the assets side, and bank borrowings on the liabilities side.
- While acquisition of currency peaks in the first quarter, deposits and loans from the banks expand in the last quarter of the financial year.

II. Issues in Non-Bank Financial Intermediation

Key highlights of the article are:

- Institutions and high net-worth individuals dominate the investor profile of open-ended debt mutual funds. Such investor profile makes these funds more susceptible to correlated withdrawals. Such withdrawals during stressed times lead to lack of tradeable counterparties due to risk aversion, which may result in large swings in prices further accentuating the trend. This can have further implications given the increasing interconnectivity between Non-Banking Financial Companies (NBFCs)/Housing Finance Companies (HFCs) and mutual funds.
- Offering Mutual Fund units repayable on demand where the net asset value (NAV) impact is passed through to the investor is akin to offering deposits repayable on demand as in banks but without the cushion of high-quality liquid assets (HQLAs)/ reserve requirements / lender of last resort and hence amounts to significant regulatory advantage. The issue is particularly relevant for jurisdictions where the investor base is narrow/concentrated and secondary debt markets are illiquid.

- Given the dichotomy between economies of scale of a fund with large assets under management (AUM) and its adverse spillovers leading to macro prudential concerns during stressed times, there's need for a holistic approach, balancing the size and vulnerability, specifically with regard to open-ended debt funds. One particular way to address the same may be through stipulating that the ratio of government securities in incremental holding should increase as the size of a debt scheme increases.

III. Market Financing Conditions for NBFCs: Issues and Policy Options

Key highlights of the article are:

- Market financing conditions for NBFCs, assessed through various market metrics, have shown sign of deterioration post the outbreak of COVID-19-19, especially for lower rated /private sector NBFCs.
- There are near-term scheduled redemptions of commercial papers and corporate bonds issued by NBFCs. To a certain extent, these could be bridged through increased bank borrowing and / or group support by some NBFCs. However, given the current financing conditions and developments in the mutual fund sector, the possibility of liquidity pressures remaining elevated for some of these NBFCs, especially those with high dependencies on market borrowing, cannot be ruled out.
- Regulatory / liquidity measures taken by the Reserve Bank have had a salutary impact on financial markets. However, stress is still visible in certain areas of the market. The emerging developments indicate the need for policy interventions, which go beyond liquidity related measures to credit related ones. There is a need for ensuring flow of credit/liquidity to NBFCs with concrete credit backstop to address the risk aversion in the system.
- Recent Government measures for NBFCs, such as the Special Liquidity Scheme and the Partial Credit Guarantee Scheme are expected to improve the market financing conditions for the sector.

IV. Provisional Accounts of Central Government Finances 2019-20: An Assessment

Key highlights of the article are:

- The provisional accounts place Centre's gross fiscal deficit (GFD) at 4.6 per cent of GDP for 2019-20, overshooting both the revised estimates (3.8 per cent of GDP) and the budget estimates (3.3 per cent of GDP).
- Cyclical factors driven by growth slowdown and structural factors driven primarily by corporate tax reform measures have equally shared in the fiscal slippage during 2019-20 BE to PA. Adjusting for the cyclical effects, the GFD works out to 4.0 per cent of GDP, lower by 61 basis points than the provisional estimates.
- While tax buoyancies have seen a significant decline, any significant curtailment in expenditure has been avoided in view of the economic slowdown that became accentuated from the second half of 2018-19.
- With these revised fiscal figures, it may be pertinent to observe that India has entered the COVID-19-19 pandemic at a relatively weaker starting position when compared with the pre-global financial crisis period and also vis-à-vis some of its peers.

Loans Sourced by Banks and NBFCs over Digital Lending Platforms: Adherence to Fair Practices Code and Outsourcing Guidelines

RBI has observed that many digital platforms have emerged in the financial sector claiming to offer hassle free loans to retail individuals, small traders, and other borrowers. Banks and NBFCs are also seen to be engaging digital platforms to provide loans to their customers. In addition, some NBFCs have been registered with Reserve Bank as 'digital-only' lending entities while some NBFCs are registered to work both on digital and brick-mortar channels of credit delivery. Thus banks and NBFCs are observed to lend either directly through their own digital platforms or through a digital lending platform under an outsourcing arrangement.

RBI has further observed that the lending platforms tend to portray themselves as lenders without disclosing the name of the bank/ NBFC at the backend, as a consequence of which, customers are not able to access grievance redressal avenues available under the regulatory framework. The complaints registered against the lending platforms relate to exorbitant interest rates, non-transparent methods to calculate interest, harsh recovery measures, unauthorised use of personal data and bad behavior.

Although digital banking is an appreciated development, RBI has expressed its concerns regarding non-transparency of transactions and violation of extant guidelines on outsourcing of financial services and Fair Practices Code, etc. issued to banks and NBFCs, covered in detail in above link.

Therefore, RBI has instructed that banks and NBFCs, irrespective of whether they lend through their own digital lending platform or through an outsourced lending program, must adhere to the Fair practices Code guidelines. They must also meticulously follow regulatory instructions on outsourcing of financial services and IT services. Therefore, in light of such activities, RBI has instructed banks/NBFCs to follow below given instructions:

a) Names of digital lending platforms engaged as agents shall be disclosed on the website of banks/ NBFCs.

b) Digital lending platforms engaged as agents shall be directed to disclose upfront to the customer, the name of the bank/ NBFC on whose behalf they are interacting with him.

c) Immediately after sanction but before execution of the loan agreement, the sanction letter shall be issued to the borrower on the letter head of the bank/ NBFC concerned.

d) A copy of the loan agreement along with a copy each of all enclosures quoted in the loan agreement shall be furnished to all borrowers at the time of sanction/ disbursement of loans.

e) Effective oversight and monitoring shall be ensured over the digital lending platforms engaged by the banks/ NBFCs.

f) Adequate efforts shall be made towards creation of awareness about the grievance redressal mechanism.

Reserve Bank of India publishes the Oversight Framework for Financial Market Infrastructures and Retail Payment Systems

A Financial Market Infrastructure (FMI) is defined as a multilateral system among participating institutions, including the operator of the system, used for the purposes of clearing, settling, or recording payments, securities, derivatives, or other financial transactions. The term FMI generally refers to Systemically Important Payment Systems (SIPS), Central Securities Depositories (CSDs), Securities Settlement Systems (SSSs), Central Counter Parties (CCPs), and Trade Repositories (TRs) that facilitate the clearing, settlement, and recording of financial transactions.

RBI has released framework for oversight for financial market infrastructure and retail payment systems. The key sections included in the report are as follows:

1. Background
2. Introduction
3. Legal framework for oversight
4. Designation of FMIs regulated by RBI
5. Definition and scope of oversight
6. Oversight activities
7. Cooperation with other regulatory authorities
8. Organization of the oversight function

RBI releases proposed changes in regulations applicable to Housing Finance Companies (HFCs) for public comments

Post transfer of regulation of HFCs from National Housing Bank (NHB) to Reserve Bank with effect from August 09, 2019, RBI stated that it will carry out a review of the extant regulatory framework applicable to HFCs and come out with revised regulations in due course, and till such time HFCs shall continue to comply with the directions and instructions issued by NHB.

The Reserve Bank has undertaken the said review and has identified a few changes which are proposed to be prescribed for HFCs. These are as follows:

a. Defining principal business and qualifying assets for HFCs
b. Defining the phrase ‘providing finance for housing’ or ‘housing finance’
c. Classifying HFCs as systemically important (asset size of ₹500 crore & above) and non-systemically important (asset size less than ₹500 crore); and
d. Reserve Bank’s directions on Liquidity Risk framework &, LCR, securitization, etc., for NBFCs, to be made applicable to HFCs.

INSURANCE

Agendas and minutes of the 107th Meeting of the Authority

Following areas were discussed during 107th Meeting of the Authority:

1. Annual Statement of Accounts for the year ended 31st March 2019
2. Quarterly statement of foreign tours undertaken by Chairman and Members for the period from 1st July 2019 to 30th September 2019
3. Quarterly Statement of regulatory actions taken by Nodal Departments, for the period from 1st July 2019 to 30th September 2019
4. List of Circulars/Guidelines issued subsequent to 16th September 2019 to 10th December 2019
5. Draft IRDAI (Third Party Administrators - Health Services) (Amendment) Regulations, 2019
6. Status of Public Disclosures by Non-Life and Life insurers for the Quarter ended June 2019 and Half Year ended September 2019
7. Implementation of Ind-AS in Insurance Sector

Allotment of Filing Reference Number (FRN) for Cross Border Reinsurers

On the basis of the submissions made by Cross Border Reinsurer (CBR) and recommendations of the insurers, the Authority has granted approval to the below mentioned CBR's, who do not fulfil stipulated eligibility criteria.

Sr. No.	FRN	Name of CBR #	Country
1	CBR00270318/202021	PT Reasuransi Indonesia Utama	Indonesia
2	CBR00590317/202021	Russian National Reinsurance Company	Russia

The approval was subject to an assurance that reinsurance placements by an insurer to the above stated CBR's shall not exceed two percent (2%) of the total reinsurance premium ceded outside India.

Guidelines on COVID-19 Standard Health Policy

Key aspects of COVID-19 Standard Health Policy are as follows:

A. Preamble:

1. In view of the global pandemic COVID-19, the Authority has decided to mandate all general and health insurers to offer Individual COVID-19 Standard Health Policy with the following objectives:

- To have a COVID-19 specific product addressing basic health insurance needs of insuring public related to COVID-19.
- To have a standard product with common policy wordings across the industry

Key guidelines for insurers under the policy are as follows:

I. Construct of COVID-19 Standard Health Policy

   a. Base Policy
   b. COVID-19 Hospitalization Expenses
   c. Home Care Treatment Expenses
   d. AYUSH Treatment
   e. Pre-Hospitalization
   f. Post-Hospitalization

II. Optional cover

   g. Hospital Daily Cash

III. Other Norms applicable

   h. Construct of Terms and Conditions for COVID-19 Standard Health Policy
   i. Other Norms

Advisory on COVID-19-related Phishing Attack Campaign by Malicious Actors

Cert-In has recently issued an advisory to guard against large-scale phishing attack campaign against Indian individuals and businesses (small, medium, and large enterprises).

All insurers and the regulated entities have been advised to alert their staff, attached and subordinate offices to exercise extreme caution to prevent any such malicious activities. IRDAI has advised to scrupulously follow the best practices stated in the Cert-In advisory.

Insurers should report any unusual activity or attack immediately to Cert-In at incident@cert-in.org.in in the format prescribed by Cert-In (https://www.cert-in.org.in/PDF/certinirform.pdf) under intimation to IRDAI at infosec@irdai.gov.in.

Guidelines on introduction of short-term health insurance policies providing coverage for COVID-19 disease

With reference to an earlier circular issued by IRDAI advising the general and health insurers to design need based products covering costs of treatment of corona virus (COVID-19) disease.

With an objective of making available insurance protection to various sections of people in the prevailing COVID-19 pandemic, it is considered that short term health insurance policies providing coverage specific to COVID-19 disease is the need of the hour. Accordingly, IRDAI has allowed all insurers (Life, General and Health Insurers) to offer COVID – 19 specific short-term health insurance policies. The guidelines related to the short term policy are covered in detail below.

Short term health policy for the purpose of these guidelines means any health insurance policy contract which has been issued for a policy term of less than 12 months. The following conditions shall guide the policy formation process of the insurers:

1. Short term health insurance policies are permitted to be devised offering health insurance cover specific to only COVID-19.
2. Short term policies are permitted to be offered both as individual or group products.
3. Short term policies may be issued for a minimum term of three months to a maximum term of eleven months. In between three months and eleven months, the policy term shall be in multiples of completed months.
4. A policy term less than three months is not permitted.
5. Where the term of policy is fixed as 12 months, the same is not considered as short term health policy.
6. Optional covers that enhance the health insurance coverage are permitted to be offered for the same policy duration.
7. No separate add-ons are permitted.
8. Insurers are advised to devise inclusive short-term health insurance products. Where waiting periods are part of the product, such waiting period shall not exceed fifteen days.
9. In light of the provisions of Regulation 3 (b) of IRDAI (Health Insurance) Regulations, 2016 life insurers are permitted to offer only benefit based short term health insurance policies.
10. General and Health Insurers are permitted to offer both indemnity-based and benefit based short term health insurance policies.
11. Lifelong renewability, migration and portability stipulated under Regulation 13 and 17 of IRDAI (Health Insurance) Regulations, 2016 respectively are not applicable to the short-term health policies offered by general and health insurers.
12. Insurers shall ensure that short term health insurance products comply with the norms on pricing stipulated in IRDAI (Health Insurance) Regulations, 2016 and Guidelines on Product Filing in Health Insurance Business.
13. Short term health insurance products shall be filed as per Chapter III (File and Use Procedure) of Guidelines on Product Filing in Health Insurance Business and shall be launched only after prior approval of the Authority.
14. These guidelines will remain valid for issue of short-term policies till 31st March, 2021 unless extended further.

Guidelines on Telemedicine

1. Medical Council of India has issued 'Tele Medicine practice guidelines' on 25th of March 2020, enabling registered Medical Practitioners to provide Healthcare using Tele Medicine.

2. In the above background, IRDAI has advised insurers are advised to allow telemedicine wherever consultation with a medical practitioner is allowed in the terms and conditions of policy contract.

3. Telemedicine offered shall be in compliance with the Telemedicine Practice Guidelines dated 25th of March 2020 and as amended from time to time.

4. IRDAI has guided that provision of allowing telemedicine shall be part of claim settlement of policy of the insurers and need not be filed separately with the Authority for any modification. However, the norms of sub limits, monthly/ annual limits etc. of the product shall apply without any relaxation.

Guidelines on Standardization of General Terms and Clauses in Health Insurance Policy Contracts

IRDAI has introduced norms on standardization of general terms and clauses in health insurance policy contracts. The key areas included in the guidelines are as follows:

Objective:

The Objective of these guidelines is to standardize the general terms and clauses incorporated in indemnity based Health Insurance [excluding Personal Accident (hereinafter called as PA) and Domestic / Overseas Travel] products by simplifying the wordings of general terms and clauses of the policy contracts and ensure uniformity across the industry.

These Guidelines are issued under the provisions of Section 34(1) of the Insurance Act, 1938 read with Regulation 20 and Schedule III of IRDAI (Health Insurance) Regulations, 2016.

Applicability

These Guidelines are applicable to all general and Health Insurers offering indemnity based Health Insurance (excluding PA and Domestic / Overseas Travel) products (both Individual and Group).

The provisions of these guidelines shall be applicable to the indemnity based Health Insurance [excluding Personal Accident (hereinafter called as PA) and Domestic / Overseas Travel] products filed as per Guidelines on Product Filing in Health Insurance Business on or after 01st October, 2020. The detailed guidelines are attached in the link above.

Guidelines on Public Disclosures by Insurers on the qualitative and quantitative parameters of the health services rendered to policyholders

IRDAI has instructed all general and health insurers registered with IRDAI rendering health services both through TPA and/or in-house to make the captioned TPA-wise public disclosures in the format specified at Annexure -1 attached in the circular above. The data in the specified format shall be duly signed by either CEO or one of the Whole Time Directors of the Insurer. Key aspects to such disclosures are as follows:

1. The information shall be published within a period of ninety days after the close of every financial year.
2. All TPAs shall provide the link of every insurance company where the said information is available. The link shall be made available in respect of the insurers with whom the TPA had a service level agreement.
3. The policyholders desirous of knowing the details referred in Annexure-1 shall be able to access all the above information on visiting the website of respective Insurer or the TPA.
4. In case of termination of services of a TPA, the Insurer shall publish the same in its website along with the reasons for termination within three days from the effective date of termination.

Disclosure of underwriting philosophy of offering Insurance coverage to Persons with Disability (PWD) and people affected with HIV/AIDS and Mental Illness diseases.

IRDAI has issued guidelines to insurers to evolve a health insurance underwriting policy covering approach and aspects relating to offering health insurance coverage not only to standard lives but also to substandard lives. Further insurance companies shall also comply with various provisions of HIV and AIDS Prevention and Control Act, 2017 and Mental healthcare Act, 2017.

In furtherance regulator has instructed all Insurers to publish on their respective websites the underwriting philosophy and approach with regard to offering insurance coverage to the following category of population:

a. Persons with Disabilities (PWD)

b. Persons affected with HIV /AIDS

c. Persons affected with Mental Illness diseases.

Master circular for TPAs

The regulator has combined all the annexures related to the functioning of TPAs for the ease of reference. The key objective of the master circular is to consolidate all the regulatory requirements stipulated under various circulars and to enable the concerned entity to comply with.

This shall be applicable to all applicant TPAs, registered TPAs and the insurers.

INFRASTRUCTURE & OTHER GOVT. INITIATIVES

Cabinet approves upward revision of MSME definition

In line with Government of India's top focus on energizing MSMEs in the country, a special meeting of Cabinet Committee on Economic Affairs (CCEA) was convened under the Chairmanship of Prime Minister Shri Narendra Modi, which approved the upward revision of MSME definition and modalities/ road map for laying down effective implementation mechanism for the remaining two announcements under the Atmanirbhar Bharat Package. These include:

In the package announcement, the definition of micro manufacturing and services unit was increased to Rs. 1 crore of investment and Rs. 5 crore of turnover. The limit of small unit was increased to Rs. 10 crore of investment and Rs 50 crore of turnover. Similarly, the limit of a medium unit was increased to Rs 20 crore of investment and Rs. 100 crore of turnover. This revision was done after 14 years since the MSME Development Act came into existence in 2006. After the package announcement on 13th May 2020, there were several representations that the announced revision is still not in tune with market and pricing conditions and it should be further revised upwards. Keeping in mind these representations, Government decided to further increase the limit for medium manufacturing and service units. Now it will be Rs. 50 crore of investment and Rs. 250 crore of turnover. Government has also decided that the turnover with respect to exports will not be counted in the limits of turnover for any category of MSME units whether micro, small or medium. This is yet another step towards ease of doing business. This will help in attracting investments and creating more jobs in the MSME sector. The following table provides the details of revised limits:

Category	Old Capital	Old Turnover	New Capital	New Turnover
Micro	25 Lakh	10 Lakh	1 Crore	5 Crore
Small	5 Crore	2 Crore	10 Crore	50 Crore
Medium	10 crore	5 Crore	50 Crore	250 Crore

Approval for provisioning of Rs 20,000 crore as subordinate debt to provide equity support to the stressed MSMEs. This will benefit 2 lakh stressed MSMEs.

Approval for equity infusion of Rs. 50,000 crore for MSMEs through Fund of Funds (FoF). This will establish a framework to help MSMEs in capacity augmentation. This will also provide an opportunity to get listed in stock exchanges.

With this modification, implementation Modalities and Road Map for entire components of the Atmanirbhar Bharat Abhiyan package are in place. This will help in attracting investments and creating more jobs in the MSME sector.

In the aftermath of COVID-19 pandemic, Prime Minister Shri Modi was quick to recognise the role of MSMEs in building the Nation. As such, MSMEs formed a very prominent part of the announcements made under the Atmanirbhar Bharat Abhiyaan. Under this package, the MSME sector has not only been given substantial allocation but has also been accorded priority in implementation of the measures to revive the economy.

Background:

Micro, small and Medium Enterprises (MSMEs) popularly called as MSMEs are the backbone of Indian economy. Silently operating in different areas across the country, more than 6 crore MSMEs have a crucial role to play in building a stronger and self-reliant India. These small economic engines have a huge impact on the country's GDP-making a contribution of 29 percent. They contribute to almost half of exports from the country. Additionally, more than 11 crore people are employed in the MSME sector.

Implementation of Amendments in the Indian Stamp Act, 1899

The Amendments in the Indian Stamp Act, 1899 brought through Finance Act 2019 and Rules made thereunder will come into effect from tomorrow, i.e. 1st July, 2020 vide notifications dated 30th March, 2020.

In order to facilitate ease of doing business and to bring in uniformity of the stamp duty on securities across States and thereby build a pan-India securities market, the Central Government, after due deliberations and consultations with the States, through requisite amendments in the Indian Stamp Act, 1899 and Rules made thereunder, has created the legal and institutional mechanism to enable states to collect stamp duty on securities market instruments at one place by one agency (through Stock Exchange or Clearing Corporation authorized by it or by the Depository) on one Instrument. A mechanism for appropriately sharing the stamp duty with relevant State Governments has also been developed which is based on the state of domicile of the buyer.

The present system of collection of stamp duty on securities market transactions led to multiple rates for the same instrument, resulting in jurisdictional disputes and multiple incidences of duty, thereby raising the transaction costs in the securities market and hurting capital formation.

Potential Impact

This rationalized and harmonized system through centralized collection mechanism is expected to ensure minimize cost of collection and enhance revenue productivity. Further, this system will help develop equity markets and equity culture across the length and breadth of the country, ushering in balanced regional development.

Salient Features

To achieve the rationalization of stamp duty structures, the amendments, inter-alia, provide for the following structural reforms; —

- The stamp-duty on sale, transfer and issue of securities shall be collected on behalf of the State Government by the collecting agents who then shall transfer the collected stamp-duty in the account of the concerned State Government.
- In order to prevent multiple incidences of taxation, no stamp duty shall be collected by the States on any secondary record of transaction associated with a transaction on which the depository / stock exchange has been authorised to collect the stamp duty.
- In the extant scenario, stamp duty was payable by both seller and buyer whereas in the new system it is levied only on one side (payable either by the buyer or by the seller but not by both, except in case of certain instrument of exchange where the stamp duty shall be borne by both parties in equal proportion).
- The collecting agents shall be the Stock Exchanges or authorized Clearing Corporations and the Depositories.
- For all exchange based secondary market transactions in securities, Stock Exchanges shall collect the stamp duty; and for off-market transactions (which are made for a consideration as disclosed by trading parties) and initial issue of securities happening in demat form, Depositories shall collect the stamp duty.
- The Central Government has also notified the Clearing Corporation of India Limited (CCIL) under the jurisdiction of RBI and the Registrars to an Issue and/or Share Transfer Agents (RTI/STAs) to act as a collecting agent. The objective is to bring OTC derivative transactions reported to CCIL and physical space (non-demat) transactions in mutual funds handled through RTI/STAs under the ambit of stamp duty regime so as to avoid any tax arbitrage.
- The collecting agents shall within three weeks of the end of each month transfer the stamp-duty collected to the State Government where the residence of the buyer is located and in case the buyer is located outside India, to the State Government having the registered office of the trading member or broker of such buyer and in case where there is no such trading member of the buyer, to the State Government having the registered office of the participant.
- The collecting agent shall transfer the collected stamp-duty in the account of concerned State Government with the Reserve Bank of India or any scheduled commercial bank, as informed to the collecting agent by the Reserve Bank of India or the concerned State Government.
- The collecting agent may deduct 0.2 per cent of the stamp-duty collected on behalf of the State Government towards facilitation charges before transferring the same to such State Government.
- For many segments, there is reduction in duty. For example, the rate prescribed is lower for issue of equity/debentures and for transfer of debentures (including re-issue) to aid capital formation and to promote corporate bond market.

- For equity cash segment trading (both delivery and non-delivery-based transactions) and options, since rates are to be charged only on one side in line with the new scheme, it can be stated that there is an overall reduction in tax burden.
- Secondary market transfer of instruments which are traded with differences in a few basis points, like interest rate / currency derivatives or corporate bonds are being charged at a very lower rate from the existing rates. For the newly introduced 'repo on corporate bonds', a far lower rate is specified, since similarly positioned repo on Government Securities is not subject to duty.
- No stamp duty shall be chargeable in respect of the Instruments of transaction in stock exchanges and depositories established in any International Financial Services Centers
- Tax arbitrage is avoided by providing the same rate of stamp duty for issue or re-issue or sale or transfer of securities happening outside stock exchanges and depositories.
- Mutual funds, being delivery-based transactions in securities, were supposed to have been paying the duty as per various State Acts. All mutual fund transactions are thus liable for stamp duty and the new system has only standardized the charges across states and the manner of collection of stamp duty.

Sanctions under Emergency Credit Line Guarantee Scheme (ECLGS) cross INR 79,000 crore

The interventions by Government for MSMEs, have been gaining rapid traction. Under the Emergency Credit Line backed by a Government guarantee, Banks from Public & Private Sectors have so far already sanctioned loans worth over Rs. 79,000 crore as of June 20, 2020, of which more than Rs 35,000 crore has already been disbursed.

The top lenders under the Scheme are SBI, HDFC Bank, Bank of Baroda, PNB & Canara Bank. This has helped 19 lakh MSMEs & other businesses restart their businesses post the lockdown. As part of the Aatmanirbhar package Government had announced its plans for Rs. 3 lakh Crore as additional credit to MSMEs and small businesses. Such enterprises were to be eligible to receive up to 20% of their existing borrowing as additional loans at interest rates which were capped.

Separately, under RBI's Special Liquidity Facility announced in March-April 2020, SIDBI has sanctioned over Rs. 10,220 crore to NBFCs, Micro Finance Institutions & Banks for lending to MSME& small borrowers. National Housing Bank (NHB) has sanctioned its entire facility of Rs. 10,000 crore to Housing Finance Companies. This refinance by SIDBI & NHB is in addition to ongoing schemes through which over Rs. 30,000 crore has been sanctioned. NBFCs & MFIs are being further helped under the Extended Partial Guarantee Scheme where approvals have crossed Rs. 5500 crore. Transactions for another Rs. 5000 crore are under process of approval while certain other deals are currently under negotiation.

CAPITAL MARKETS

Collection of stamp duty on issue, transfer and sale of units of AIFs

As per a previous Government notification directed towards Registrars to an issue and/or share transfer agents (RTA) under Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 as a “depository” for the limited purposes of acting as a “collecting agent” under the Indian Stamp Act, 1899 and the Rules made thereunder, only in case of instruments of transaction otherwise than through a recognised stock exchange or depository.

In this regard, AIFs have been directed by SEBI to comply with the applicable provisions of the Indian Stamp Act, 1899 and the Rules made thereunder regarding collection of stamp duty on sale, transfer and issue of units of AIFs w.e.f. July 01, 2020. RTA already appointed by AIFs shall collect the stamp duty on issue, transfer and sale of units of AIFs as stated above.

AIFs, where RTA have not been appointed so far, shall appoint RTA, at the earliest, but not later than July 15, 2020 to enable collection of applicable stamp duty on issue, transfer and sale of units of AIFs in compliance with the applicable provisions of the Indian Stamp Act, 1899 and the Rules made thereunder.

As the provisions of the amended Indian Stamp Act, 1899 and the Rules made thereunder are to be implemented and enforced w.e.f. July 01, 2020, till such time RTA are appointed, as an interim measure, AIFs shall keep the applicable stamp duty on issue, transfer and sale of units of AIFs in a designated bank account. AIFs shall transfer the said amount to RTA upon appointment for onward remittance to States / Union Territories as per the provisions of Indian Stamp Act, 1899 and the Rules made thereunder.

As regards transactions (issue, transfer and sale of units of AIFs in demat mode) through recognized Stock Exchange or Depository the respective Stock Exchange/authorized Clearing Corporation or a Depository is already empowered to collect stamp duty as per the amended Indian Stamp Act, 1899 and the Rules made thereunder.

SEBI Board Meeting

The SEBI Board discussed following issues at their meeting:

I. Pricing of preferential issues – Temporary relaxation due to COVID-19

In wake of several issues being received by SEBI, it has decided to provide an additional option to the existing pricing methodology for preferential issuance as under:

i. In case of frequently traded shares, the price of the equity shares to be allotted pursuant to the preferential issue shall be not less than higher of the following:
   a. The average of the weekly high and low of the volume weighted average price of the related equity shares quoted on the recognized stock exchange during the twelve weeks preceding the relevant date; or
   b. The average of the weekly high and low of the volume weighted average prices of the related equity shares quoted on a recognized stock exchange during the two weeks preceding the relevant date.
ii. The specified securities allotted on preferential basis using the above pricing formula shall be locked-in for a period of three years.

The said option in pricing shall be available for the preferential issues made between July 1, 2020 or date of notification of amendment to the Regulations, whichever is later and December 31, 2020.

II. Amendments to the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011

The Board approved the following amendments to SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 ("Takeover Regulations"):

i. Acquisition through stock exchange settlement process through bulk and/or block deals shall be permitted during the open offer
ii. In case of indirect acquisitions where public announcement of an open offer has been made, an amount equivalent to 100% of the consideration payable under the open offer must be deposited 2 working days before the date of detailed public statement. The escrow account shall be in the form of cash and/ or bank guarantee.
iii. In case of delays in making open offer attributable to the acts of omission or commission of the acquirer, a simple interest of 10% shall be paid to all the shareholders who have tendered the shares in the open offer.

III. Amendments to SEBI (Prohibition of Insider Trading) Regulations, 2015

The Board considered and approved amendments to SEBI (Prohibition of Insider Trading) Regulations, 2015. The amendments include maintaining a structured digital database containing nature of unpublished price sensitive information and the names of persons who have shared the information; automation of process of filing disclosures to stock exchanges, restriction on trading window not to be made applicable for transactions as prescribed by SEBI, entities to file the non-compliances of Code of Conduct with the stock exchanges and amounts if any collected for such non compliances shall be credited to Investor Protection Education Fund administered by Board under the SEBI Act.

IV. Securities and Exchange Board of India (Settlement Proceedings) (Amendment) Regulations, 2020

The Securities and Exchange Board of India (Settlement Proceedings) Regulations, 2018 (Settlement Regulations) which came into force with effect from January 1, 2019 provides for the settlement of the proceedings initiated or to be initiated for the contravention of the securities laws. The experience gained in handling the settlement matters during the past one year has necessitated the need to amend certain provisions of the Regulations in order to streamline the settlement procedures. The Board approved some amendments to the Settlement Regulations including - Promoters to be included along with the Principal Officer for the purpose of calculation of the base amount; Base Amount for alleged defaults relating to open offer violations, where the making of the open offer has become infructuous, to be rationalized and benchmark for certain Base Amount to be suitably amended; In order to save time, instead of issuing settlement notice, a paragraph shall be included in the show cause notice, informing the noticee about the option to file a settlement application; etc.

V. Annual Report: 2019-20

The Board considered and approved the SEBI Annual Report: 2019-20.

Guidelines for Order-to-trade ratio (OTR) for Algorithmic Trading

SEBI reviewed several requests from stock exchange(s) for reviewing the mechanism for order-to-trade ratio (OTR). Accordingly, the regulator has announced following changes in the current OTR framework:

a. Stock exchanges may be permitted to introduce additional slabs up to OTR of 2000 (from existing OTR of 500), and for OTR more than 2000. Such slabs can be introduced with deterrent incremental penalty, which stock exchanges may decide jointly.
b. On the third instance of OTR being 2000 or more, in last 30 days (rolling basis), the concerned member shall not be permitted to place any orders for the first 15 minutes on the next trading day as a cooling off action

Temporary relaxation in processing of documents pertaining to FPIs due to COVID-19

In prevailing situation of COVID-19, SEBI has decided to extend the temporary relaxation offered to Foreign Portfolio investors (FPIs) until August 31, 2020.

Operational framework for transactions in defaulted debt securities post maturity date/ redemption date

After several representations and discussions with market representatives and other intermediaries, SEBI has decided to introduce an operational framework for transactions in defaulted debt securities post maturity date/redemption date.

The operational framework consists of following sections:

1. Temporary restriction on transactions in debt securities
2. Intimation on status of payments
3. Role of debenture trustee(s)
4. Default in payment of redemption amount and resumption of transaction on defaulted debt securities
5. Reporting of trades in defaulted Debt Securities on stock exchange platform
6. Continuous assessment of default status
7. Payment of debt securities or subsequent payment of defaulted debt securities

Annexure B of the circular attached above includes detailed timelines for relevant market participants.

Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Second Amendment) Regulations, 2020

The regulator has introduced reforms in the following reforms in the Securities and Exchange Board of India (Issue of Capital and Disclosure requirements) (Second Amendment) Regulations, 2020.

"Pricing in preferential issue of shares of companies having stressed assets"

1. In case of frequently traded shares, the price of the equity shares to be allotted pursuant to the preferential issue shall not be less than the average of the weekly high and low of the volume weighted average price of the related equity shares quoted on a recognized stock exchange during the two weeks preceding the relevant date.
2. No allotment of equity shares shall be made unless the issuer company meets any two of the following criteria:
    a. the issuer has disclosed all the defaults relating to the payment of interest/ repayment of principal amount on loans from banks / financial institutions/ Systemically Important Non-Deposit taking Non-banking financial companies/ Deposit taking Non-banking financial companies and /or listed or unlisted debt securities and such payment default is continuing for a period of at least 90 calendar days after the occurrence of such default;
    b. There is an Inter-creditor agreement
    c. The credit rating of the financial instruments (listed or unlisted), credit instruments / borrowings (listed or unlisted) of the listed company has been downgraded to "D".

3. The revised regulations state conditions on which company making preferential issue shall have to comply with.
4. The regulations also state resolutions for the preferential issue and exemption from open offer shall have to provide
5. The proceeds of such preferential issue shall not be used for any repayment of loans taken from promoters/ promoter group/ group companies. The proposed use of proceeds shall be disclosed in the explanatory statement sent for the purpose of the shareholder resolution.
6. The issuer shall make arrangements for monitoring the use of proceeds of the issue by a public financial institution or by a scheduled commercial bank, which is not a related party to the issuer
7. The allotment made shall be locked-in for a period of three years from the last date of trading approval.

Securities and Exchange Board of India (Infrastructure Investment Trusts) (Second Amendment) Regulations, 2020

SEBI has introduced following items in Securities and exchange Board of India (Infrastructure Investment Trusts) (Second Amendment) Regulations, 2020. The major insertions are as follows:

"De-classification of the status of sponsor"

1. De-classification of the status of a sponsor(s) of an InvIT whose units have been listed on the stock exchanges for a period of three years shall be permitted upon receipt of an application from the InvIT and subject to compliance with the following conditions:
    a. The unit holding of such sponsor and its associates taken together does not exceed 10% of the outstanding units of the InvIT;
    b. The investment manager of the InvIT is not an entity controlled by such sponsor or its associates;
    c. Approval of unit holders has been obtained
2. "(5C) No person, other than sponsor(s), its related parties and its associates, shall acquire units of an InvIT which taken together with units held by such person and by persons acting in concert with such person in such InvIT, exceeds twenty-five per cent of the value of outstanding InvIT units unless approval from seventy five per cent. of the unit holders by value excluding the value of units held by parties related to the transaction, is obtained: Provided that if the required approval is not received, the person acquiring the units shall provide an exit option to the dissenting unit holders to the extent and in the manner as may be specified by the Board."
3. "(7) In case of any change in sponsor or inducted sponsor or change in control of sponsor or inducted sponsor, -
    a. prior to such change, approval from seventy-five per cent. of the unit holders by value excluding the value of units held by parties related to the transaction shall be obtained
    b. if the required approval is not received, -

i. in case of change of sponsor or inducted sponsor, the proposed inducted sponsor shall provide the dissenting unit holders an option to exit by buying their units in the manner specified by the Board.
ii. in case of change in control of the sponsor or inducted sponsor, the said sponsor or inducted sponsor shall provide the dissenting unit holders an option to exit by buying their units in the manner specified by the Board.

Report of High-Level Committee under the Chairmanship of Justice (Retd.) Anil R. Dave on the Measures for Strengthening the Enforcement Mechanism of the Board and Incidental Issues

The high-level committee has considered various issues pertaining to the enforcement mechanism of the Board and made recommendations thereon to make it more robust and efficient. These recommendations seek to introduce tactical, strategic and systemic changes in the enforcement process spread over a period of few years, to enhance and improve the capabilities of the Board in protecting the investors and indicting the defaulters.

The terms of reference for the committee were as follows:

1. Review of the Securities and Exchange Board of India (Settlement of Administrative and Civil Proceedings) Regulations, 2014)
2. Review the enforcement mechanism of the Board, in particular, the Recovery mechanism under the securities laws
3. Explore means of legislating a methodology for quantification of the factors indicated in Section 15J of the Securities and Exchange Board of India Act, 1992,
4. Section 19I of the Depositories Act, 1996 and Section 23J of the Securities Contracts (Regulation) Act, 1956; and
5. Any other matter, as the Committee deems fit relating to the terms of reference.

The report is divided into following sections:

Part A: Review of intermediaries regulations

Part B: Recoveries of monies due under securities law

Part C: Quantification of profit and loss related issues

Part D: Interface between securities law and insolvency law

Investment by the sponsor or asset management company in the scheme

As per earlier SEBI circular, the sponsor or asset management company is required to invest not less than one percent of the amount which would be raised in the new fund offer or fifty lakh rupees, whichever is less in such option of the scheme, as may be specified by the Board

In this regard, SEBI has decided that the above referred investment shall be made in growth option of the scheme. For such schemes where growth option is not available the investment shall be made in the dividend reinvestment option of the scheme. Further, for such schemes where growth option as well as dividend reinvestment option are not available the investment shall be made in the dividend option of the scheme.

Participation of Mutual Funds in Commodity Derivatives Market in India

In partial modification to an earlier SEBI Circular, regarding holding of physical goods by mutual fund schemes, is modified as under:

"3(iii) No Mutual fund schemes shall invest in physical goods except in 'gold' through Gold ETFs. However, as mutual fund schemes participating in ETCDs may hold the underlying goods in case of physical settlement of contracts, in that case mutual funds shall dispose of such goods from the books of the scheme, at the earliest, not exceeding the timeline prescribed below: -

a) For Gold and Silver: 180 days from the date of holding of physical goods,

b) For other goods (except for Gold and Silver):

   1) By the immediate next expiry day of the same contract series of the said commodity.

   2) However, if Final Expiry Date (FED) of the goods falls before the immediate next expiry day of the same contract series of the said commodity, then within 30 days from the date of holding of physical goods.

Framework for Regulatory Sandbox

Participants in the capital market in India have been early adopters of technology. SEBI believes that encouraging adoption and usage of financial technologies ('FinTech') can act as an instrument to further develop and maintain an efficient, fair and transparent securities market ecosystem. Thereby, SEBI has introduced framework for regulatory sandbox for these Fintech firms.

The key sections of this framework are as follows:

1. Applicability
2. Eligibility criteria for the project
3. Application and approval process
4. Evaluation criteria
5. Regulatory exemptions
6. Submissions of test related information and reports

7. Obligations of applicant towards the user
8. Extending or exiting the sandbox
9. Revocation of approval

Annexure 1 to the circular includes Regulatory sandbox application form

Annexure 2 to the circular includes Flowchart for Application and approval process

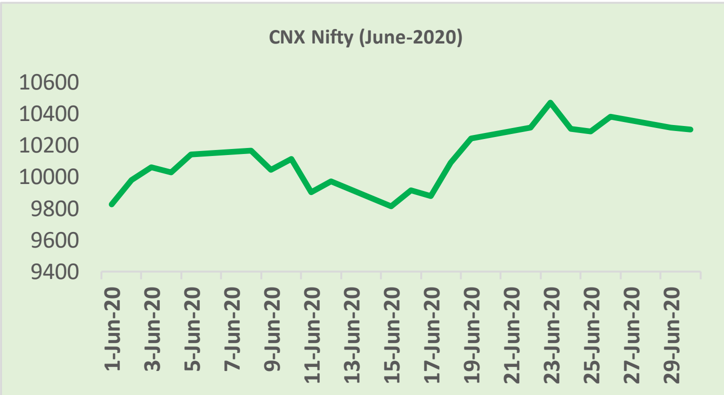
Report of the working group on Social Stock Exchange

The SEBI SSE working group presented its report on the topic of Social Stock Exchange (SSE). In the report, the Working Group has laid out the modalities for creating a Social Stock Exchange that will serve as a platform for fundraising and also incorporate a set of procedures by which social impact will be measured and reported.

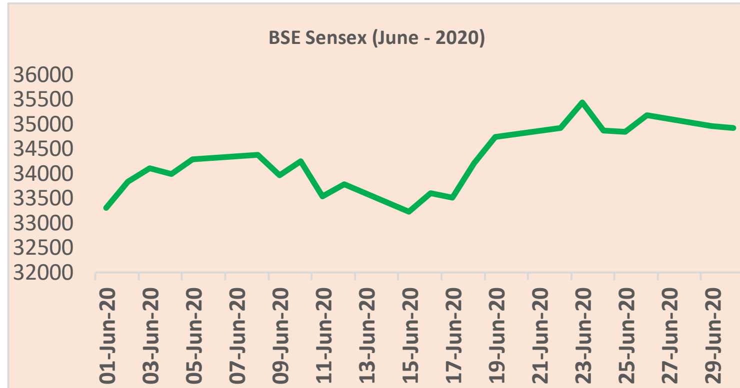
The key areas covered by the report include:

1. Introduction
2. The imperative and the opportunity
3. A minimum reporting standard
4. Non-profit organization
5. For profit enterprises
6. Policy recommendation
7. The road not taken

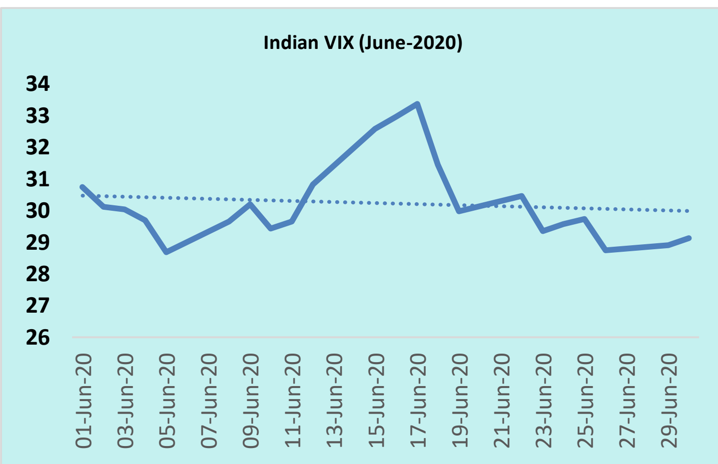
CAPITAL MARKETS SNAPSHOT



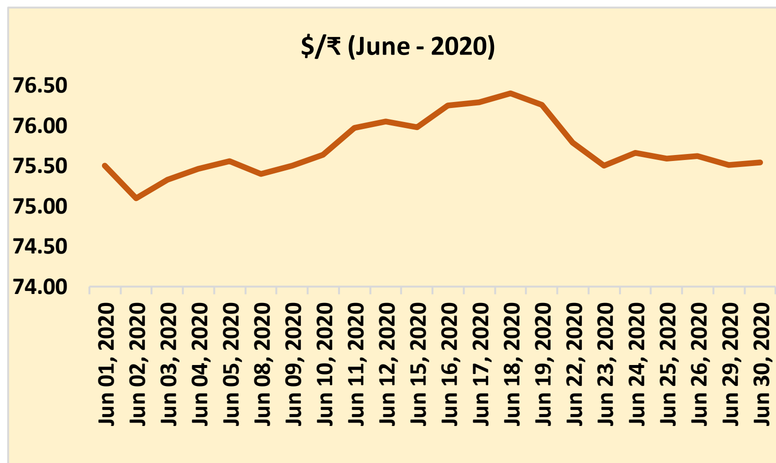
Source: National Stock Exchange



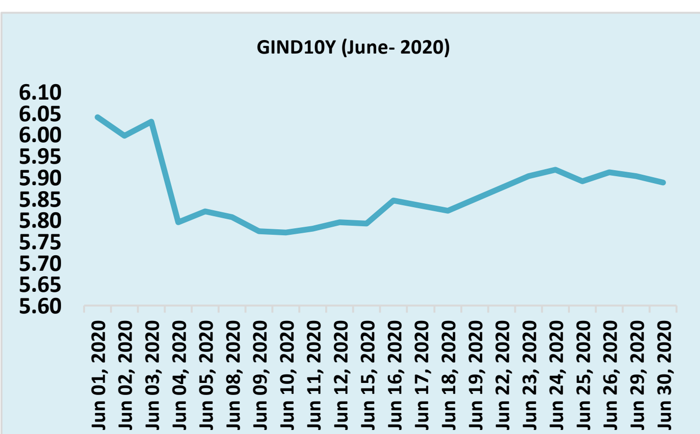
Source: Bombay Stock Exchange



Source: National Stock Exchange



Sources: APAS Business Research Team



Sources: APAS Business Research Team

Markets showed some strength mid-June, as US announced that trade deal with China was intact. Moody's projected India's gross domestic product (GDP) to contract 3.1% in 2020 and rebound 6.9% next year. Ministry of Statistics and Programme Implementation said India has retained its position as the third-largest economy in the world in terms of purchasing power parity. The government's approval for a scheme to improve the liquidity position of non-banking financial companies/ housing finance companies through a special purpose vehicle also cheered the investors. Further gains were restrained as spike in Covid-19 cases back home and globally raised fears of renewed lockdown restrictions and derailed hopes of an economic recovery.

ECONOMIC DATA SNAPSHOT

Countries	GDP			CPI		Current Account Balance	Budget Balance	Interest Rates
	Latest	2020*	2021*	Latest	2020*	% of GDP, 2020*	% of GDP, 2020*	(10YGov), Latest
Brazil	-0.3 Q1	-7.5	4.0	1.9 May	2.6	-2.4	-16.3	2.07
Russia	1.6 Q1	-5.2	1.6	3.0 May	4.2	0.2	-4.2	6.08
India	**3.1 Q1**	**-5.8**	**9.4**	**5.8 Mar**	**3.4**	**-0.4**	**-7.4**	**5.79**
China	-6.8 Q1	1.4	8.0	2.4 May	3.7	0.7	-6.0	2.81^
S Africa	-0.1 Q1	-7.0	1.4	2.9 Apr	3.6	-2.6	-12.4	9.69
USA	0.3 Q1	-5.3	3.7	0.1 May	0.7	-1.7	-15.9	0.65
Canada	-0.9 Q1	-5.1	3.6	-0.4May	0.5	-3.4	-9.3	0.51
Mexico	-1.4 Q1	-9.7	2.1	2.8 May	3.0	-2.0	-4.6	5.67
Euro Area	-3.1 Q1	-8.3	5.5	0.3 Jun	0.3	2.0	-8.7	0.0
Germany	-2.3 Q1	-5.8	4.9	0.9 Jun	0.8	5.4	-6.1	0.0
Britain	-1.7 Q1	-9.0	6.0	0.5 May	0.7	-2.2	-15.9	0.22
Australia	1.4 Q1	-4.1	1.8	2.2 Q1	1.7	-1.9	-7.5	0.89
Indonesia	3.0 Q1	0.2	5.2	2.0 Jun	1.3	-1.6	-6.6	7.09
Malaysia	0.7 Q1	-5.1	1.9	-2.9May	-1.1	2.1	-7.6	2.91
Singapore	-0.7 Q1	-6.0	4.1	-0.8 Apr	0.2	19.1	-13.5	0.88
S Korea	1.4 Q1	-2.1	3.4	Nil Jun	0.4	2.5	-5.7	1.39

Sources: The Economist

**** The Economist poll or Economist Intelligence Unit estimate/forecast;***

^ 5-year yield

Quarter represents a three-month period of a financial year beginning 1st April

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ABOUT APAS

APAS is a management advisory firm specializing in banking, financial services and the insurance space. APAS assists business leaders of some of the leading domestic and global organizations, acting as an extended arm to the management in coping with the ever changing internal and external dynamics. Leveraging deep business insights APAS develops business and operational strategy for its clients. APAS provides transaction advisory services (Buy, sell and merge), and also specializes in governance and board training. APAS facilitates investors and sellers with directional guidelines of pursuing transactions, by utilizing subject knowledge, vast experience and deep market outreach. APAS has capability to identify and analyze key transaction drivers, recognize possible partnerships, and initiate discussions with them for possible growth opportunity. We help major insurance companies, payment institutions, and other financial organizations to identify their growth potential, innovative opportunity and possible benefits of consolidation, and hence comprehend the possible merger or acquisition. Buying or selling a major asset or a business, undertaking a merger, or performing an IPO can be risky and complex especially in this globalization era. Hence, the need of a trusted advisor who can help clients preserve, create and enhance value in transactions.

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