2020

Volume 8

APAS MONTHLY

THIS MONTH

Season's greetings!

In this issue, Mr. Ritesh Kumar, MD & CEO, HDFC ERGO, has presented his thoughts on 'Trends in general insurance industry: Shape of things to come'. We thank Mr. Kumar for his contribution to the APAS Monthly.

This month, the APAS column presents its views on 'Atmanirbhar Bharat opportunities'.

The economic indicators showed mixed performance. Manufacturing PMI fell to 46 in July from 47.2 in June. India's annual infrastructure output in July contracted by 9.6%. India's Index of Industrial Production (IIP) declined by 16.6% in June. PMI services rose to 34.2 in July from 33.7 in June, while composite PMI fell to 37.2 in July from 37.8 in June. CPI inflation spiked to 6.93% in July. WPI inflation stood at (-) 0.58% in July, as compared to (-) 1.81% in June.

The Gross Domestic Product (GDP) growth rate for the first quarter (April-June) of 2020-21 contracted 23.9%.

The Reserve Bank of India (RBI) announced (1) National Strategy for Financial Education: 2020-2025 (2) Resolution Framework for COVID-19-related Stress (3) Procedure on Offline Retail Payments using Cards / Wallets / Mobile Devices – Pilot (4) Clarifications on new definition of Micro, Small and Medium Enterprises (MSMEs) (5) Measures on MSME sector – Restructuring of Advances

(6) Norms on treatment of debt mutual funds / ETFs under Basel III capital regulations (7) Revision in LTV ratio for Loans against Gold Ornaments and Jewelry for Non-Agricultural end-uses.

The Insurance Regulatory Development Authority of India (IRDAI) announced dividend Criteria for Equity Investment under "Approved Investment". IRDAI announced dispensing with physical signature on proposal forms. IRDAI announced norms on issuance of electronic policies.

Ministry of Corporate Affairs released the Report of the Committee on Business Responsibility Reporting. IBBI amended the Insolvency and Bankruptcy Board of India (Insolvency Resolution Process for Corporate Persons) Regulations, 2016. Cabinet approved measures to provide liquidity in the Power Sector Due to the financial stress caused by COVID-19. IBBI amended the Insolvency and Bankruptcy Board of India (Voluntary Liquidation Process) Regulations, 2017. IBBI amended the Insolvency and Bankruptcy Board of India (Liquidation Process) Regulations, 2016.

SEBI released (1) SEBI Bulletin – July 2020 (2) Norms on Investor grievances redressal mechanism (3) Guidelines on resources for Trustees of Mutual Funds (4) Guidelines on Administration and Supervision of Investment Advisers (5) Procedural Guidelines for Proxy Advisors.

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

On the cover

GUEST COLUMN

[*Trends in general insurance industry: Shape of things to come*]

Ritesh Kumar
MD & CEO
HDFC ERGO

APAS COLUMN

[*Atmanirbhar Bharat opportunities*]

ECONOMY

- *Index of Industrial Production – June*
- *Inflation update – July*
- *PMI update – July*
- *Core Sector – July*
- *GDP – Q1 – FY 20-21*

BANKING

- National Strategy for Financial Education: 2020-2025
- Resolution Framework for COVID-19-related Stress
- Offline Retail Payments using Cards / Wallets / Mobile Devices – Pilot
- New Definition of Micro, Small and Medium Enterprises – clarifications
- Micro, Small and Medium Enterprises (MSME) sector – Restructuring of Advances
- Basel III Capital Regulations – Treatment of debt mutual funds/ETFs
- Revision in permissible LTV ratio for Loans against Gold Ornaments and Jewelry for Non-Agricultural End-uses

INSURANCE

- Dividend Criteria for Equity Investment under "Approved Investment"
- Dispensing with physical signature on proposal forms
- Issuance of Electronic Policies

INFRASTRUCTURE & OTHER GOVT. INITIATIVES

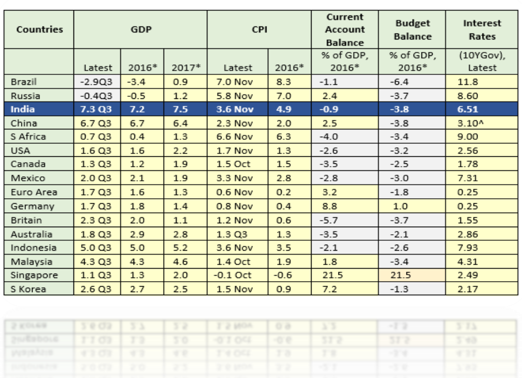
- Ministry of Corporate Affairs releases the Report of the Committee on Business Responsibility Reporting
- IBBI amends the Insolvency and Bankruptcy Board of India (Insolvency Resolution Process for Corporate Persons) Regulations, 2016
- Cabinet approves measures to provide liquidity in the Power Sector due to the financial stress caused by COVID-19
- IBBI amends the Insolvency and Bankruptcy Board of India (Voluntary Liquidation Process) Regulations, 2017
- IBBI amends the Insolvency and Bankruptcy Board of India (Liquidation Process) Regulations, 2016

CAPITAL MARKETS

- *SEBI Bulletin – July 2020*
- *Investor grievances redressal mechanism*
- *Resources for Trustees of Mutual Funds*
- *Administration and Supervision of Investment Advisers*
- *Procedural Guidelines for Proxy Advisors*

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*

Trends in general insurance industry: Shape of things to come

Ritesh Kumar
MD & CEO
HDFC ERGO

The Indian insurance sector was opened up to private sector in the year 2000. As we celebrate 20 years of this milestone this year, it may be worthwhile to evaluate what we have achieved in these past two decades and do some crystal-ball gazing about where we could be in the next ten years.

The non-life insurance industry has grown from ~Rs 9200 crore in FY2000 to ~Rs 190,000 crore in FY2020, at a CAGR of ~17%. The industry growth has been ~4% faster than the nominal GDP growth rate of our domestic economy, resulting in an improvement in non-life insurance penetration to GDP from 0.5% to slightly lower than 1% in this period. Our share in global non-life premium has grown three fold from 0.25% to 0.8%, improving our country ranking to 15th from 28th over this period.

The industry has undergone structural changes too. Crop and health insurance contributed a mere 10% to the industry in FY2000; they contribute half of the industry premiums now. The Brokers and bancassurance channel did not exist in FY2000; they have a share of more than one-third of our industry premiums now (37%). Also, the private sector, which entered the industry at the start of the millennium, has a ~56% share of the industry presently.

While one needs to caveat the uncertainty attached to predicting the future, I believe that certain trends will continue to play out.

Given the significant under-penetration of insurance across motor (~50% un-insured vehicles), and health (~14 crore insured besides ayushman bharat/other state coverage to ~60 crore population) and other economic and demographic factors, one is of the view that this sector would continue to grow faster than the nominal GDP growth rate by ~3%-4% over the next decade. This would mean that in 2030, the non-life industry would be around Rs 750,000 crores; our penetration to GDP at ~1.5%. Our share in global premiums would grow three-fold to ~2.5%+, and country ranking would improve to 6th or 7th from 15th presently.

Reflect on these numbers - the industry is on track to achieve the same leap in this coming decade which it achieved in the last two decades! Such is the long-term growth potential of the non-life insurance industry.

There is scope to significantly improve the health insurance penetration in India – both in terms of bringing more individuals under the ambit of insurance, and in terms of ensuring that the insureds are adequately insured. Accident and Health insurance, which has been the fastest growing industry segment for many years now, is likely to continue to be the growth engine of the industry. In fact, this segment can be expected to be the largest product segment over the next 5 years itself by when it would overtake motor.

Secondly, considering the increased propensity of customers to purchase insurance online, the Online channel is likely to emerge as the largest retail channel over the next 10 years. I will not be surprised if it would be sourcing over 30% of the retail premiums by FY2030. On the product front, the customer of today expects a 'get-what-you-see' product with transparent communication without hidden surprises. Towards this, base covers such as motor and health insurance are getting standardised to ensure simplicity and deeper reach. For example, the base indemnity health cover (titled Arogya Sanjeevani) was standardised by the IRDAI earlier this year. In order to reduce the under-insurance of vehicles plying on the road, the IRDAI also introduced mandatory long term third party motor insurance for new cars and two wheelers. While this happens at one end, innovative products / add-ons are being launched, be it under the sandbox approach or in terms of sachet products, to cater to the complete needs of the customers. I believe this trend of standard base covers and innovative niche covers will continue in other retail segments as well – home insurance, retail cyber insurance, etc. – as customers become increasingly aware of the importance of staying protected against such risks. It is important to acknowledge the constructive role played by the insurance regulator, IRDAI in nudging the industry towards standardisation of products and at the same time encouraging innovation.

Today's customer also expects a seamless buying and servicing experience. Providing a smooth customer experience has become a must-have for insurers, and the industry has had to relook at its systems and processes so as to meet customer expectations. There is scope for the industry to move from 'customer satisfaction' to 'customer delight', and it is taking the first few steps in the right direction. Digitisation, supported by Ai and higher use of robotic, will drive self-service initiatives as also reduce fraud.

At HDFC ERGO, we have undertaken various initiatives which have helped us consistently deliver high quality customer service – such as increasing extent of digitisation across our functions, taking our claims servicing to a different level both in terms of turnaround times (whether pre-auth in health claims or surveying in motor claims), ensuring transparency and creating the largest network of >10,000 cashless hospitals.

To summarize, the next decade is going to be a decade of transformation, supported by enabling regulatory changes and high use of digital tools. As an industry, we shall continue to strive to improve the insurance penetration so that insurance is also well understood as a universal offering, similar to what banking is today.

*Views are personal. Neither APAS nor any of its employees endorse any view, products or services mentioned in the article.

Atmanirbhar Bharat opportunities

On May 12, Prime Minister Narendra Modi announced Atmanirbhar Bharat Abhiyan, a special economic package of INR 20 lakh crore, equivalent to 10% of India's GDP, with the aim of making the country independent against the tough competition in the global supply chain and to help in empowering those who have been adversely affected by Covid-19. Following this, Finance Minister Nirmala Sitharaman, through 5 press conferences, announced the detailed measures under the economic package.

During July, the prime minister invited US firms to invest in different sectors in India, ranging from healthcare to civil aviation to defence, as he called the country 'a land of opportunities'. He said that even during the Covid times, when the global economies have gone for a toss, India attracted foreign investment of over USD 20 billion.

The strong pitch for foreign investment from the US comes as an indirect message to China amid the ongoing border row with China. India has stepped up an economic offensive against China.

The rising sentiment for boycotting Chinese products and relying more and more on Made in India products is something that will eventually lead to a decline in Chinese investment in the country and also send a clear message to China against its preferential treatment on cross-border trade.

Meanwhile, the Trump administration, which has been blaming China for the coronavirus pandemic, has also stepped up its offensive against China, curtailing its financial activities in the US.

In the light of the current geopolitical tensions and the impact of Covid-19, it is an opportune time for India to join hands with the US to achieve the dream vision of Atmanirbhar Bharat through technology collaborations and investments with US.

The biggest US technology companies in Silicon Valley, like Google, Facebook, Amazon, have invested around USD 17 billion in India since the start of 2020. This could be a turning point in the India-US relationship as they capitalise on the large Indian digital market. The Trump administration is making it harder to bring the best talents from the world to Silicon Valley. This can be an opportunity for India to improve its R&D ecosystem to attract, encourage and nurture the best brains in the world.

US tech companies have invested billions of dollars into India in the past few months and this bodes well for a lot more future investments from MNCs, private equity and venture investors. India should leverage this opportunity by streamlining regulations and setting clear tech policies.

Addressing the nation on Independence Day, the prime minister said major global firms are looking at India as a major investment destination, which is reflected by a robust inflow of FDI last financial year and through Atmanirbhar Bharat Abhiyan, the country is shifting its focus from 'Make in India' to 'Make for world'. He said that the country has made a series of economic reforms, such as one nation one tax, IBC and bank mergers, which have caught attention of the global investors. As a result, India attracted huge amount of FDI last year. According to the latest FDI data issued by the RBI, overall FDI flow in India in 2019-20 was about USD 74.4 billion in 2019-20, a 20% jump over the last year.

He said independent India should be 'vocal for local' and asked citizens to glorify Indian products to promote Atmanirbhar Bharat. He gave the example of N-95 masks, PPEs and ventilators. Indian entrepreneurs came up at the time of global Covid-19 urgency and not only met the domestic demand, but also exported them to the world.

Unveiling his vision of a self-reliant India, he said that the government has unveiled over INR 110 lakh crore National Infrastructure Pipeline (NIP) to boost the economy and create jobs. Over 7000 projects under NIP have already been identified. NIP will play a crucial role in overcoming the adverse impact of Covid-19 on the economy and catapult the economy in a higher growth trajectory.

The government has identified 12 sectors, including auto components, textiles, industrial machinery and furniture, where focus would be given with a view to make India a self-reliant country and a global supplier.

Large global players are actively working on establishing world class manufacture in India for diverse products like cell phones, consumer electronics and solar cells. Global mobile manufacturing firms like Samsung and Apple phone component manufacturers like Foxconn, Wistron and Pegatron have evinced interest in stepping up investments in India. India is already globally competitive in auto component and two wheelers. If such technology driven products can lead the way, lower tech segments like furniture, toys, lights and so on, which account for several billions of rupees of imports, can follow.

The government has, so far, taken many steps to reduce dependence on imports. These include curbing imports of 101 defence related items as well as restrictions on imports of television.

The coronavirus pandemic has once again shown that India's pharma industry is an asset, not just for India, but for the entire world. It has played a leading role in reducing the cost of medicine, especially for the developing countries. Vaccines made in India are responsible for two-third of the vaccine needs of the world's children. Today also, our companies are active in international efforts for development and production of Covid-19 vaccine. India will have an important role in developing and scaling up production once it is discovered.

Due to recent events, many foreign companies are looking to shift their base from China to India. While India has the potential to develop in manufacturing, it needs adequate foreign investments and technology transfers. A favourable climate has to be created for foreign investments in order to recover the economy from the pandemic and work towards self-reliance.

India is working towards creating a business climate suitable for foreign investments. In the Ease of Doing Business Index 2020 report, India has improved by 23 places to the 63rd position.

Atmanirbhar Bharat provides a truly watershed moment in our history to ignite the innovative entrepreneurial spirit of new India, which would ensure an unprecedented wave of long deserved growth, prosperity and well-being, that can serve the interests of the rest of the world as well.

-APAS

ECONOMY

<u>IIP (Index of Industrial Production) – June</u>

Index of Industrial Production (IIP) or factory output for the month of June 2020 declined by 16.6%, compared to a contraction of 33.8% in May 2020 and an expansion of 1.3% in June 2019.

The General Index for the month of June 2020 stands at 107.8, which is 16.6% lower as compared to June 2019.

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.

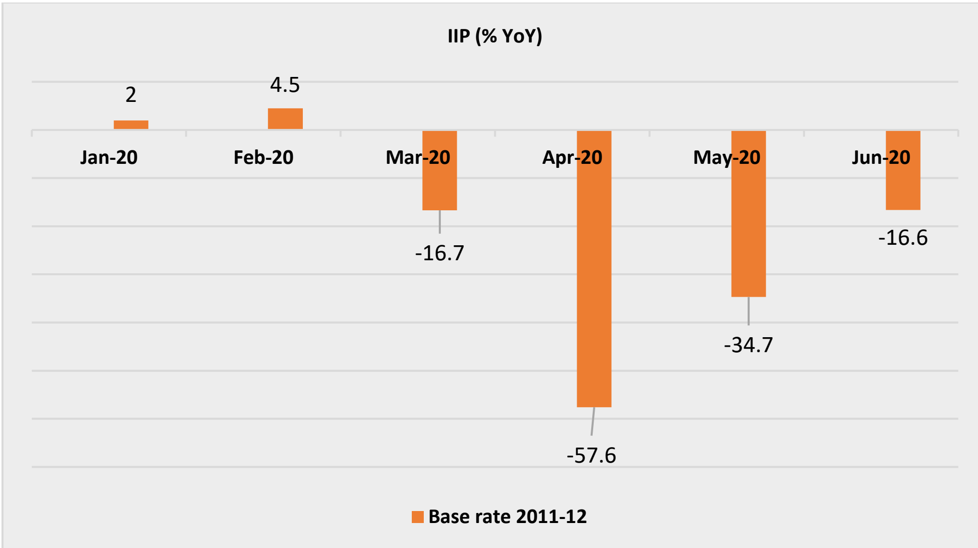
This has had an impact on the items being produced by the establishments during the period of lockdown.

With the lifting of restrictions in the subsequent periods, industrial activity is now resuming.

Manufacturing sector production registered a decline of 17.1%, while the output of mining and power fell 19.8% and 10%, respectively.

As per Use-based classification, the indices stand at 109.2 for primary goods, 64.3 for capital goods, 102.2 for intermediate goods and 110.7 for infrastructure/construction goods for June.

Further, the indices for consumer durables and consumer non-durables were at 77.4 and 157.3, respectively.



Source: APAS BRT, www.mospi.gov.in

CPI (Consumer Price Index) – July

India's consumer price index (CPI) or retail inflation spiked to 6.93% in July 2020.

The CPI for June was also revised to 6.23% from 6.09%.

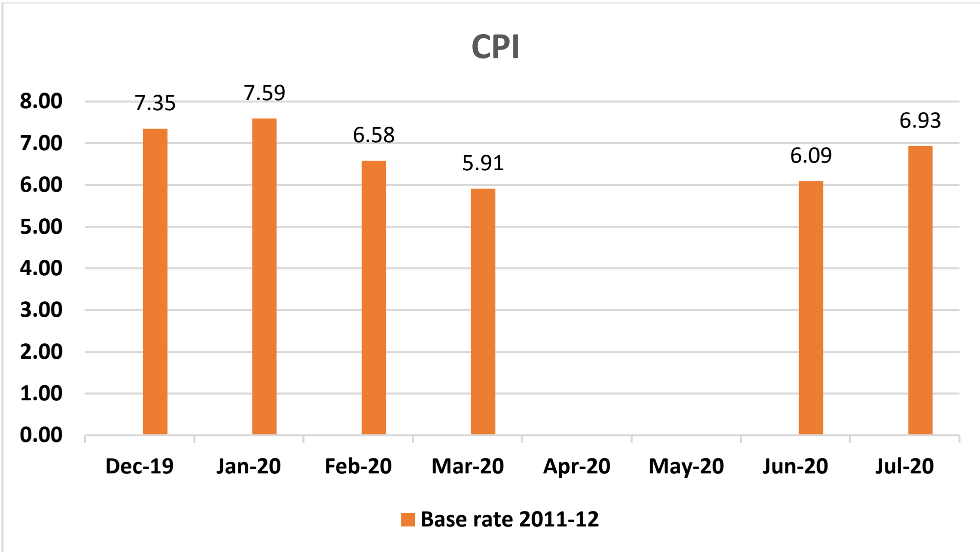
The government had not released the headline retail inflation data in April and May. However, in April, it had revised the CPI data for the month of March to 5.84% from 5.91%.

The corresponding provisional inflation rates for rural and urban areas are 7.04% and 6.84% respectively.

The Consumer Food Price Index (CFPI) surged to 9.62% in the month of July. The CFPI for June was revised to 8.72% from 7.87%.

The retail inflation growth was mainly due to a rise in pulses and products prices, that saw a 15.92% yearly rise in July. Apart from pulses and products segment, the meat and fish segment saw a rise of 18.81%, while that of oils and fats rose 12.41% and spices prices gained 13.27%. The vegetables segment also witnessed a rise of 11.29%.

Prices of personal care products and services rose 13.6%.



Source: APAS BRT, www.mospi.gov.in

WPI (Wholesale Price Index) – July

India's wholesale price index (WPI) inflation stood at (-) 0.58% in July 2020, as compared to (-) 1.81% in June 2020 and 1.17% in July 2019.

The rate of inflation based on WPI Food Index increased to 4.32% in July 2020 from 3.05% in June 2020.

The index for primary articles increased by 3.16% from the previous month.

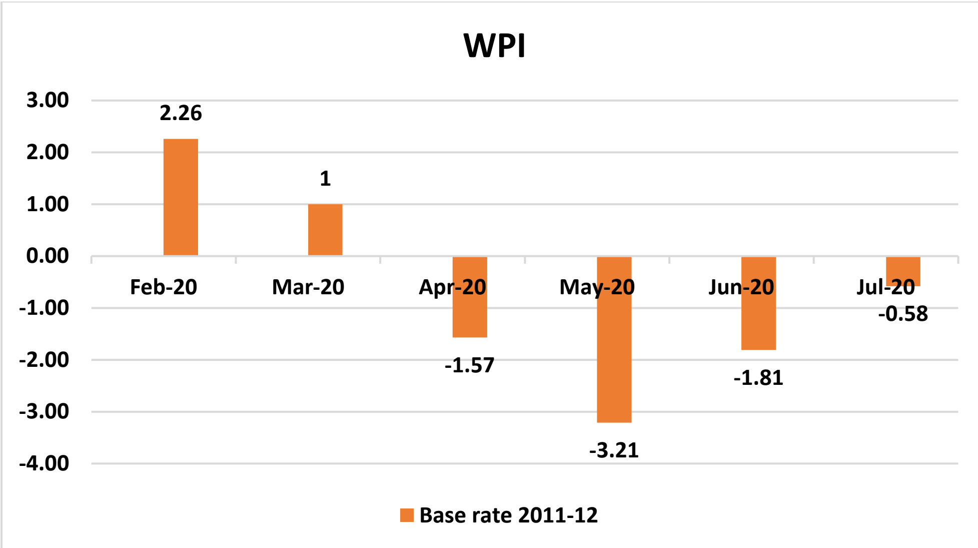
Prices increased for crude petroleum and natural gas (17.3%), food articles (3.41%), while prices decreased for non-food articles (-0.8%) and minerals (-2.08%) groups.

The index for fuel and power increased by 2.72% from the previous month.

Prices increased for mineral oils group (13.2%), while prices decreased for coal (-0.08%) and electricity (-11.33%).

The index for manufactured products remained unchanged from the previous month.

The final print of May WPI inflation stood at (-) 3.37%.



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

Manufacturing PMI – July

The Nikkei India Manufacturing Purchasing Managers' Index (PMI) hit a speed bump in July after being on the slow road to improvement in the previous 2 months as regional lockdowns severely held back demand, leading to contraction in output.

The Manufacturing PMI fell to 46 in July 2020 from 47.2 in June 2020. It stayed below the 50 level, that separates expansion from contraction, for the fourth consecutive month.

Business conditions continued to deteriorate in July amid prolonged closures and the health of the manufacturing sector declined at a slightly quicker pace.

Both output and new orders continued to fall markedly and business sentiment remained historically subdued despite improving.

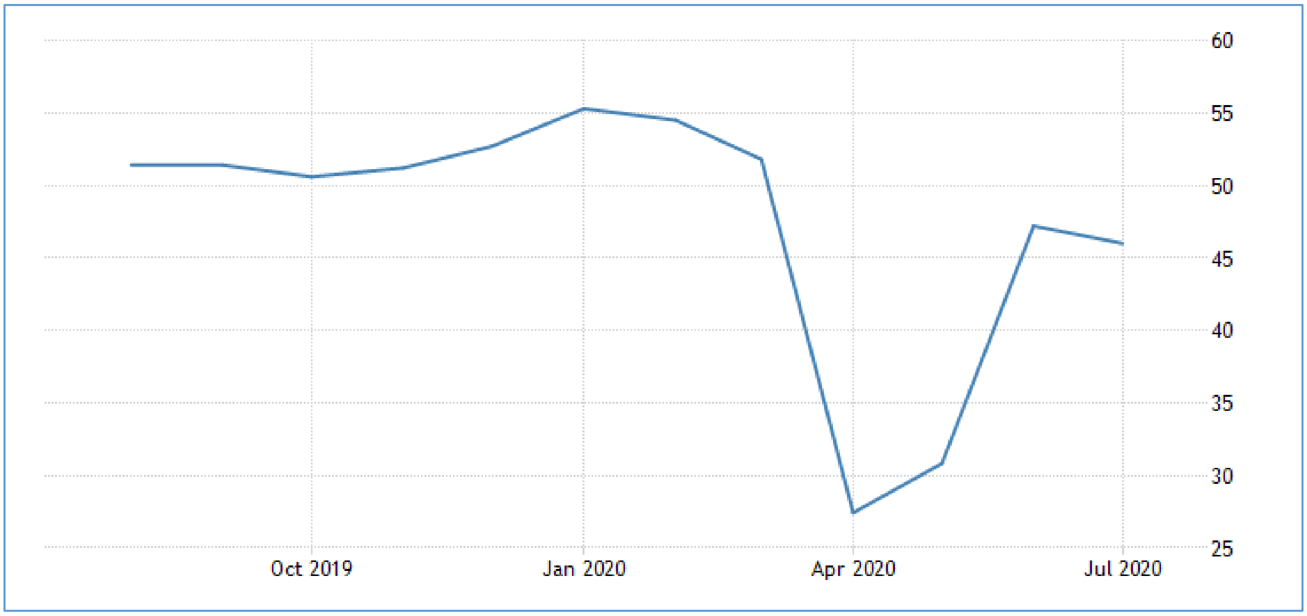
There was a reacceleration of declines in the key indices of output and new orders, undermining the trend towards stabilisation seen over the past 2 months.

Firms were struggling to obtain work, with some of their clients remaining in lockdown, suggesting that there will not be a pick-up in activity until infection rates are quelled and restrictions can be further removed.

Any more spikes in cases may bring further lockdowns, which would derail a recovery in the sector.

Meanwhile, despite the deteriorating operating conditions, manufacturers were increasingly optimistic regarding future activity. Sentiment towards the 12-month business outlook improved for the second month in a row to reach a 5-month high in the month of July 2020.

However, the curse of low production is still dominant on the employment front. Deteriorating demand conditions led Indian manufacturers to continue cutting staff numbers during July.



Source: www.tradingeconomics.com

Services PMI – July

The Indian services sector activity shrank for a fifth straight month in July as restraining measures to stop the spread of the coronavirus hurt business activity and led to record job cuts.

The Nikkei India Services Purchasing Managers' Index (PMI) Business Activity Index rose to 34.2 in July 2020 from 33.7 in June 2020. The index stayed below the neutral mark of 50, which separates expansion from contraction.

The latest reading was among the lowest recorded in the nearly 15 years of data collection, surpassed only by the unprecedented falls in the previous 3 months.

Further substantial reductions in both activity and inflows of new work were recorded, as ongoing lockdown restrictions stifled demand and forced companies to cease operations.

Subsequently, firms made further cuts to staff numbers, with the rate of job shedding the most marked on record.

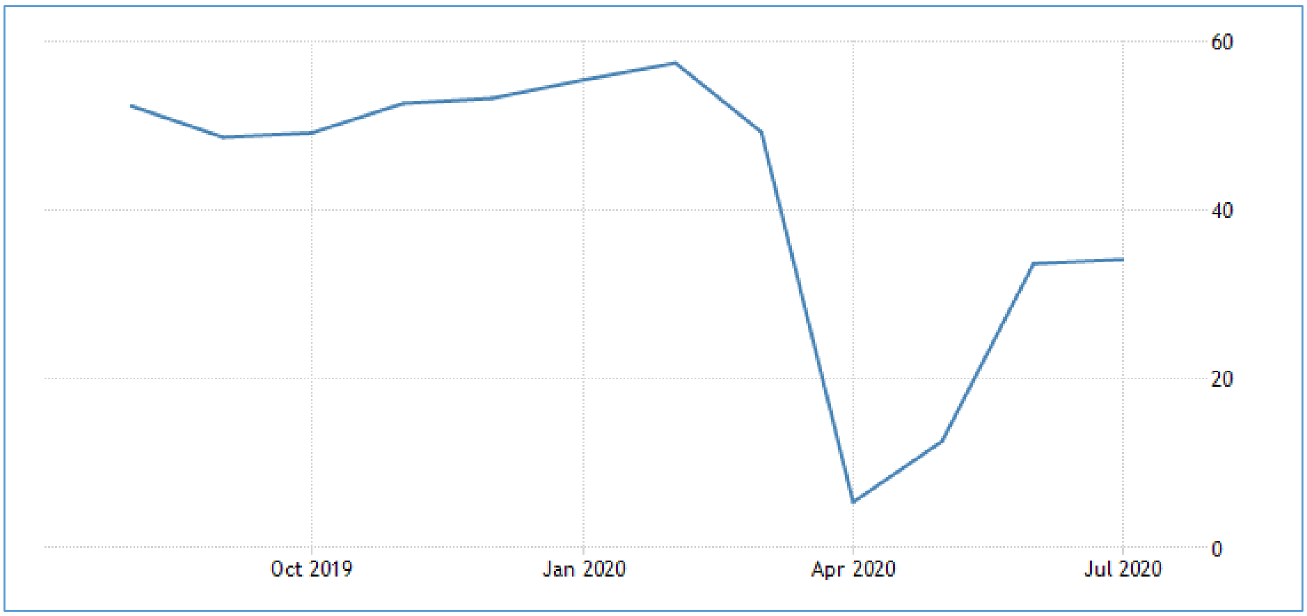
Looking ahead, the 12-month outlook for the output was negative for a third successive month, with fears of a substantial economic downturn common.

Faring worse still was foreign demand for Indian services. The latest decline in new export orders was steeper than that for total new business, but the least severe since March. With overall demand conditions severely muted, service providers made further job cuts in July. The rate of job shedding was the fastest on record, due to weak client demand and temporary business closures.

With capacity being restricted further, firms struggled to process backlogs in July. The level of outstanding business rose again, with the rate of expansion the quickest since October 2017.

Services firms remained pessimistic with regards to activity over the year ahead for a third consecutive month in July. Negative sentiment was linked to substantial uncertainty, lockdown measures and expectations of a severe economic recession.

The seasonally adjusted Nikkei India Composite PMI Output Index fell to 37.2 in July from 37.8 in June.



Source: www.tradingeconomics.com

Core Sector Data – July

Growth of eight infrastructure sectors contracted by 9.6% in July 2020, shrinking for the fifth straight month.

However, the rate of decline slowed as further easing of restrictions lifted economic activity.

The eight core sectors – coal, crude oil, natural gas, refinery products, fertilizers, steel, cement and electricity – had declined by 12.9% in June 2020 and grown by 2.6% in July 2019.

Barring fertiliser, all seven sectors recorded negative growth in July.

The output of coal, crude oil, natural gas, refinery products, steel, cement and electricity declined by 5.7%, 4.9%, 10.2%, 13.9%, 16.4%, 13.5% and 2.3%, respectively.

Fertiliser production grew by 6.9% in July.

Cumulatively, the growth in the eight core sectors during April-July 2020-21 contracted by 20.5%, as against an expansion of 3.2% in the same period last financial year.

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

GDP – Quarter 1 – FY 2020-21

The country's Gross Domestic Product (GDP) growth rate for the first quarter (April-June) of fiscal year 2020-21 contracted 23.9%, mainly due to limited economic activity in the country during the quarter amid lockdowns to control the spread of the coronavirus pandemic.

This is the first instance of an economic contraction for the country in at least 4 decades and also the first GDP decline since India began publishing quarterly numbers in 1996.

The GDP growth rate in Q1 FY 2019-20 was 5.2% and in Q4 FY 2019-20 was 3.1%.

GDP (at constant prices) during Q1 FY 2020-21 was pegged at INR 26.9 lakh crore, as against INR 35.35 lakh crore in Q1 FY 2019-20.

Quarterly gross value added (GVA) showed a contraction of 22.8% YoY.

Manufacturing declined by 39.3% and mining by 23.3%.

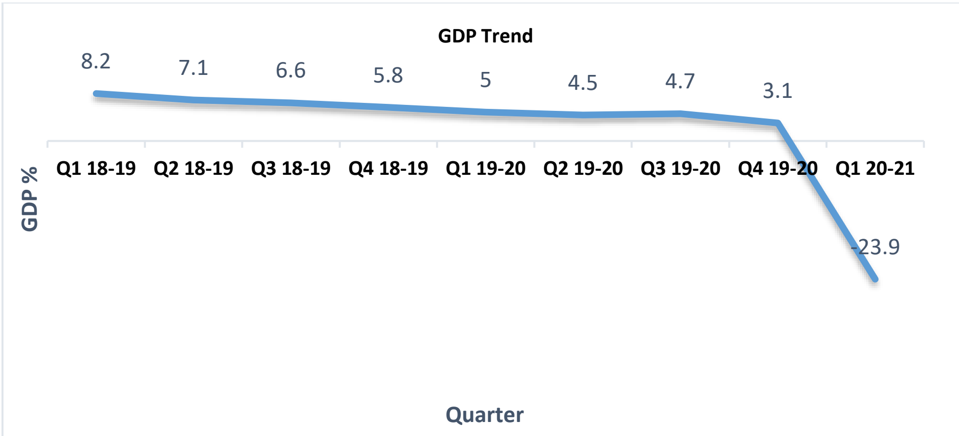
Gross fixed capital formation (GFCF) contracted by 52.9%.

Electricity contracted by 7% and construction activities by 50.3%.

Trade (hotels, transport, communication and services related to broadcasting) shrank by 47%.

Government expenditure during the quarter also contracted by 10.3%.

Meanwhile, agriculture and allied activities were a bright spot, growing 3.4% during the quarter.



Source: APAS BRT, www.mospi.gov.in

BANKING

National Strategy for Financial Education: 2020-2025

Strengthening Financial Inclusion in the country has been one of the important developmental agendas of both the Government of India and the four Financial Sector Regulators (viz. RBI, SEBI, IRDAI and PFRDA). Financial literacy supports the pursuit of financial inclusion by empowering the customers to make informed choices leading to their financial well-being.

Subsequent to completion of the period of the first National Strategy for Financial Education (NSFE: 2013-2018), a review of the progress made was undertaken by the Technical Group on Financial Inclusion and Financial Literacy (TGFIFL- Chair: Deputy Governor, RBI) under the Financial Stability and Development Council (FSDC-Chair: Hon'ble Union Finance Minister). Based on the review of progress made under the Strategy and keeping in view the various developments that have taken place over the last 5 years1, notably the Pradhan Mantri Jan Dhan Yojana (PMJDY)2, the National Centre for Financial Education (NCFE) in consultation with the four Financial Sector Regulators and other relevant stakeholders has prepared the revised NSFE (2020-2025).

The NSFE document intends to support the Vision of the Government of India and Financial Sector Regulators by empowering various sections of the population to develop adequate knowledge, skills, attitude and behaviour which are needed to manage their money better and plan for their future. The Strategy recommends adoption of a Multi-Stakeholder Approach to achieve financial well-being of all Indians.

To achieve the vision of creating a financially aware and empowered India, the following Strategic Objectives have been laid down:

I. Inculcate financial literacy concepts among the various sections of the population through financial education to make it an important life skill
II. Encourage active savings behavior
III. Encourage participation in financial markets to meet financial goals and objectives
IV. Develop credit discipline and encourage availing credit from formal financial institutions as per requirement
V. Improve usage of digital financial services in a safe and secure manner
VI. Manage risk at various life stages through relevant and suitable insurance cover
VII. Plan for old age and retirement through coverage of suitable pension products
VIII. Knowledge about rights, duties and avenues for grievance redressal

IX. Improve research and evaluation methods to assess progress in financial education

In order to achieve the Strategic Objectives laid down, the document recommends adoption of a '5 C' approach for dissemination of financial education through emphasis on development of relevant Content (including Curriculum in schools, colleges and training establishments), developing Capacity among the intermediaries involved in providing financial services, leveraging on the positive effect of Community led model for financial literacy through appropriate Communication Strategy, and lastly, enhancing Collaboration among various stakeholders.

The recommendations laid down in the Strategy under each of the '5 Cs' are as under:

- **Content**
    - Financial Literacy content for school children (including curriculum and co-scholastic), teachers, young adults, women, new entrants at workplace/entrepreneurs (MSMEs), senior citizens, persons with disabilities, illiterate people, etc.
- **Capacity**
    - Develop the capacity of various intermediaries who can be involved in providing financial literacy.
    - Develop a 'Code of Conduct' for financial education providers.
- **Community**
    - Evolve community led approaches for disseminating financial literacy in a sustainable manner.
- **Communication**
    - Use technology, mass media channels and innovative ways of communication for dissemination of financial education messages.
    - Identify a specific period in the year to disseminate financial literacy messages on a large/ focused scale.
    - Leverage on Public Places with greater visibility (e.g. Bus Stands, Railway Stations, etc.) for meaningful dissemination of financial literacy messages.
- **Collaboration**
    - Preparation of an Information Dashboard.
    - Integrate financial education content in school curriculum, various Professional and Vocational courses (undertaken by Ministry of Skill Development and Entrepreneurship (MSD&E) through their Sector Skilling Missions and the likes of B.Ed./M.Ed. programmes.
    - Integrate financial education dissemination as part of various on-going programmes.
    - Streamline efforts of other stakeholders for financial literacy.

The Strategy also suggests adoption of a robust 'Monitoring and Evaluation Framework' to assess the progress made under the Strategy.

Resolution Framework for COVID-19-related Stress

The RBI, in its earlier circular provided prudential framework for stressed assets. It provides a principle-based resolution framework for addressing borrower defaults under a normal scenario. Any resolution plan implemented under guidelines of "Prudential Framework" mentioned above which involves granting of any concession on account of financial difficulty of the borrower entails an asset classification downgrade, except when it is accompanied by a change in ownership, which allows the asset classification to be retained as or upgraded to Standard, shall be subject to the prescribed conditions in the circular attached in the link above.

The economic fallout on account of the COVID-19 pandemic has led to significant financial stress for borrowers across the board. The resultant stress can potentially impact the long-term viability of many firms, otherwise having a good track record under the existing promoters, due to their debt burden becoming disproportionate relative to their cash flow generation abilities. Such wide spread impact could impair the entire recovery process, posing significant financial stability risks.

Considering the above, with the intent to facilitate revival of real sector activities and mitigate the impact on the ultimate borrowers, RBI has decided to provide a window under the Prudential Framework to enable the lenders to implement a resolution plan in respect of eligible corporate exposures without change in ownership, and personal loans, while classifying such exposures as Standard, subject to specified conditions.

The lending institutions shall ensure that the resolution under this facility is extended only to borrowers having stress on account of COVID-19. Further, the lending institutions will be required to assess the viability of the resolution plan, subject to the prudential boundaries laid out in the document above. Towards this end, each lending institution shall put in place a Board approved policy detailing the manner in which such evaluation may be done and the objective criteria that may be applied while considering the resolution plan in each case.

Accounts which do not fulfill the required eligibility conditions to be considered for resolution under this framework may continue to be considered for resolution under the Prudential Framework, or the relevant instructions as applicable to specific category of lending institutions where the Prudential Framework is not applicable.

Offline Retail Payments using Cards / Wallets / Mobile Devices – Pilot

As a part of Statement of developmental and regulatory policies issued along with Monetary Policy, RBI had announced that it would allow a pilot scheme for small value payments in offline mode.

Over the years, the Reserve Bank has prioritized security measures for digital payments such as the requirement of additional factor of authentication and online alerts for every transaction. These measures have significantly increased customer confidence and safety leading to increased adoption of digital payments.

Absence of, or erratic, internet connectivity, especially in remote areas, is a major impediment for adoption of digital payments. Availability of options to make offline payments, using cards, wallets or mobile devices could boost the adoption of digital payments.

To encourage technological innovations that enable offline digital transactions, Reserve Bank shall permit a pilot scheme to be conducted for a limited period. Under the pilot scheme, authorized Payment System Operators (PSOs) – banks and non-banks – will be able to provide offline payment solutions using cards, wallets or mobile devices for remote or proximity payments. The scheme would be subject to the conditions detailed in the Annex attached in the circular in link above. Other entities having innovative solutions shall tie-up with the authorized PSOs.

The pilot scheme shall be undertaken till March 31, 2021 only. The Reserve Bank shall decide on formalizing such a system based on the experience gained under the pilot.

New Definition of Micro, Small and Medium Enterprises – clarifications

As per earlier circular by Ministry of MSME on new criteria for classifying the enterprises as micro, small and medium enterprises, Ministry had introduced new reforms on classification criteria of MSMEs. With respect to same, Reserve Bank of India (RBI) has clarified on certain areas as follows:

I. Classification of Enterprises as per new definition

(i) Classification / re-classification of MSMEs is the statutory responsibility of the GoI, Ministry of MSME, as per the provisions of the MSMED Act, 2006.

(ii) As per the Gazette notification all enterprises are required to register online and obtain 'Udyam Registration Certificate'. All lenders may, therefore, obtain 'Udyam Registration Certificate' from the entrepreneurs.

II. Validity of Existing Memorandum (EM) Part II and UAMs issued till June 30, 2020

(iii) The existing EM Part II and Udyog Aadhaar Memorandum (UAMs) of the MSMEs obtained till June 30, 2020 shall remain valid till March 31, 2021. Further, all enterprises registered till June 30, 2020, shall file new registration in the Udyam Registration Portal well before March 31, 2021.

(iv) 'Udyam Registration Certificate' issued on self-declaration basis for enterprises exempted from filing GSTR and / or ITR returns will be valid for the time being, up to March 31, 2021.

III. Value of Plant and Machinery or Equipment

The online form for Udyam Registration captures depreciated cost as on 31st March each year of the relevant previous year. Therefore, the value of Plant and Machinery or Equipment for all purposes and for all the enterprises shall mean the Written Down Value (WDV) as at the end of the Financial Year as defined in the Income Tax Act and not cost of acquisition or original price, which was applicable in the context of the earlier classification criteria.

Micro, Small and Medium Enterprises (MSME) sector – Restructuring of Advances

In view of the continued need to support the viable MSME entities on account of the fallout of COVID-19 and to align these guidelines with the Resolution Framework for COVID 19 – related Stress announced for other advances, RBI has decided to extend the scheme permitted in terms of an earlier circular. Accordingly, existing loans to MSMEs classified as 'standard' may be restructured without a downgrade in the asset classification, subject to the following conditions:

I. The aggregate exposure, including non-fund based facilities, of banks and NBFCs to the borrower does not exceed ₹25 crore as on March 1, 2020.
II. The borrower's account was a 'standard asset' as on March 1, 2020.
III. The restructuring of the borrower account is implemented by March 31, 2021.
IV. The borrowing entity is GST-registered on the date of implementation of the restructuring. However, this condition will not apply to MSMEs that are exempt from GST-registration. This shall be determined on the basis of exemption limit obtaining as on March 1, 2020.
V. Asset classification of borrowers classified as standard may be retained as such, whereas the accounts which may have slipped into NPA category between March 2, 2020 and date of implementation may be upgraded as 'standard asset', as on the date of implementation of the restructuring plan. The asset classification benefit will be available only if the restructuring is done as per provisions of this circular.
VI. As hitherto, for accounts restructured under these guidelines, banks shall maintain additional provision of 5% over and above the provision already held by them.

Basel III Capital Regulations – Treatment of debt mutual funds/ETFs

As per an earlier circular by RBI, capital charge for equities is applicable to units of mutual funds. RBI has now decided that the banks investing in debt mutual fund/exchange traded fund (ETF) with underlying comprising of (i) Central, State and Foreign Central Governments' bonds (ii) Bank's Bonds and (iii) Corporate Bonds (other than Bank Bonds) shall compute capital charge for market risk as under:

a) Investment in debt mutual fund/ETF for which full constituent debt details are available shall attract general market risk charge of 9 per cent, as hitherto. Specific risk capital charge for various kinds of exposures would be applied as mentioned in link above.

b) In case of debt mutual fund/ETF which contains a mix of the above debt instruments, the specific risk capital charge shall be computed based on the lowest rated debt instrument/ instrument attracting the highest specific risk capital charge in the fund.

Revision in permissible LTV ratio for Loans against Gold Ornaments and Jewelry for Non-Agricultural End-uses

With a view to further mitigate the economic impact of the COVID-19 pandemic on households, entrepreneurs and small businesses, RBI has decided to increase the permissible loan to value ratio (LTV) for loans against pledge of gold ornaments and jewelry for non-agricultural purposes from 75 per cent to 90 per cent. This enhanced LTV ratio will be applicable up to March 31, 2021 to enable the borrowers to tide over their temporary liquidity mismatches on account of COVID 19. Accordingly, fresh gold loans sanctioned on and after April 1, 2021 shall attract LTV ratio of 75 per cent.

INSURANCE

Dividend Criteria for Equity Investment under "Approved Investment"

Considering the representations made by Life and General Insurance Councils, the regulator has permitted Insurers to classify investments in Preference Shares and Equity Shares as a part of "Approved Investment" if such Shares have paid dividend "for at least 2 years out of 3 consecutive years immediately preceding" instead of "for at least 2 consecutive years immediately preceding".

Dispensing with physical signature on proposal forms

In view of COVID-19, the regulator recognizes that the traditional manner of canvassing life insurance policies by agents and intermediaries have been impacted.

In particular, the filling-in of the physical proposal forms, obtaining wet signatures on them and subsequent movement of such physical papers, etc., are severely affected. In this backdrop, the life insurers have represented to the Authority to allow the option of authenticating the proposals for life insurance through electronic means, in place of physical signature, for the sales made by insurance agents and intermediaries, in addition to the methods presently allowed.

After examining the suggestions received from life insurers, the Competent Authority issues the following instructions under Regulation 18, read together with Regulation 8 (1), of IRDAI (Protection of Policyholders' Interests) Regulations, 2017:

1. Life Insurers are allowed to obtain the customer's consent without requiring wet signature on the hard copy of the proposal form, for the business solicited by insurance agents / intermediaries subject to following:

a. The completed proposal form shall be sent to the prospect on his/ her registered e-mail ID or mobile number in the form of an e-mail or a message with a link as the case may be.

b. The prospect, if he / she wishes to consent to the proposal, may do so by clicking the confirmation link or by validating the OTP shared. The Insurer shall maintain verifiable, legally valid evidence for the proposer's consent received for the fully completed proposal form. Further, the insurer shall not accept any payment of moneys towards proposal deposit till the receipt of consent of the proposer.

c. In all such cases, the agent / intermediary shall confirm that only the approved sales material has been used during the solicitation process. They shall also certify the authenticity of the e-mail ID and/or mobile number of the prospect.

2. The Insurers shall be responsible for:

a. Providing to the insurance agents / intermediaries approved digital sales material and ensuring that only such material is used while soliciting the business;

b. Authenticating the e-mail IDs / mobile numbers of the prospects by conducting de-duplication of such data and other such means;

c. Ensuring the suitability of the product being purchased;

d. Carrying out pre-issuance verification calls in respect of all such proposals.

3. The above facilitation is allowed on an experimental basis with immediate effect till 31st December, 2020, and is limited to pure risk products, i.e., products that do not involve any savings element. Grievances pertaining to sales logged in through the above method shall be separately maintained by the Life Insurers and a monthly statement shall be submitted to the Authority. Further, the Authority reserves the right to revoke the above facilitation in respect of any individual Insurer or for all Insurers any time.

Issuance of Electronic Policies

As per an earlier circular by IRDAI on issuance of electronic policies, IRDAI has further revived exemption on issuance of physical form of policy. In the wake of emerging situation of Covid19 Global Pandemic and taking into account (i) and (ii) below,

i) The feedback received from the Life Insurers expressing difficulties in printing and dispatch of policy documents

ii) The desirability of adopting digital means of doing business in the interests of policyholders and other stakeholders

Exemption has been allowed by Competent Authority, from the requirement to issue policy document, copy of proposal form in physical form. The exemption is subject to

a) Life Insurer confirming the date of receipt of electronic policy document by the policyholder through PIVC or other means and preserving the proof so that Free Look period may be calculated from that date.

b) Thirty (30) days Free Look period may be allowed for all such electronic policy documents.

c) Return of electronic policy document by mail by policyholder with clear intention of cancellation of policy shall be valid for Free Look Cancellation.

d) Express consent of the policyholder to receive electronic policy bond is required. If a policyholder insists on hard copy, the same has to be issued without any charges.

e) Policy document shall be sent to the email id submitted by the proposer.

The exemption shall be valid for all policies issued during FY 2020-21.

INFRASTRUCTURE & OTHER GOVT. INITIATIVES

Ministry of Corporate Affairs releases the Report of the Committee on Business Responsibility Reporting

Shri Rajesh Verma, Secretary, Ministry of Corporate Affairs (MCA) released the '[Report of the Committee on Business Responsibility Reporting (BRR)]' here today.

The BRR was released in the presence of Dr. Sameer Sharma, DG, IICA; Shri Amarjeet Singh, Executive Director, SEBI; Shri Atul Gupta, president, ICAI: Shri Ashish Garg, president, ICSI and Shri R. Mukundan, CEO, Tata Chemicals, besides representatives from CII, FICCI, ASSOCHAM and individuals from business, academia and civil society organisations.

The Report of the Committee is available on the website of the Ministry of Corporate Affairs i.e. www.mca.gov.in.

Background

The Ministry of Corporate Affairs has been taking various initiatives for ensuring responsible business conduct by companies. As a first step towards mainstreaming the concept of business responsibility, the 'Voluntary Guidelines on Corporate Social Responsibility' were issued in 2009. These guidelines were subsequently revised as 'National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business, 2011 (NVGS)' after extensive consultations with business, academia, civil society organizations and the government.

The Securities and Exchange Board of India (SEBI) through its 'Listing Regulations' in 2012 mandated the top 100 listed entities by market capitalization to file Business Responsibility Reports (BRRs) from an environmental, social and governance perspective. These BRRs enabled business to demonstrate the adoption of the NVG principles and the attendant core elements with the intent of engaging businesses more meaningfully with their stakeholders going beyond regulatory financial compliance. This was extended to top 500 companies in FY 2015-16 and further extended to top 1000 companies in December, 2019.

Taking into account the national and international developments in the arena of business and human rights since 2011, the NVGs have been updated and released as *NGRBC* (National Guidelines on Responsible Business Conduct) in March 2019 to reveal alignments with the UNGPs, UN Sustainable Development Goals (SDGs), Paris Agreement on Climate change etc.

In furtherance to updation and formulation of the NGRBCs, the Ministry of Corporate Affairs had constituted a 'Committee on Business Responsibility Reporting' to develop new BRR formats for listed and unlisted companies. The Committee comprised of representatives from MCA, SEBI, three professional institutes, and two eminent professionals who had worked on developing the NGRBCs.

After extensive consultations with various stakeholders including businesses and their associations, professional institutes, academia, civil society organizations, central Ministries and Departments, the Committee submitted its Report to the Central Government. In its Report, the Committee recommended a new reporting framework called as the 'Business Responsibility and Sustainability Report (BRSR)' to better reflect the intent and scope of reporting on non-financial parameters. The Committee recommended two formats for disclosures: one 'comprehensive format' and the second a 'Lite version'. The Committee further recommended that the implementation of the reporting requirements should be done in a gradual and phased manner. The Committee also recommended that the BRSR be integrated with the MCA21 portal. As a long-term measure, the Committee envisions that the information captured through BRSR filings be used to develop a Business Responsibility-Sustainability Index for companies.

IBBI amends the Insolvency and Bankruptcy Board of India (Insolvency Resolution Process for Corporate Persons) Regulations, 2016

The Insolvency and Bankruptcy Board of India (IBBI) notified the Insolvency and Bankruptcy Board of India (Insolvency Resolution Process for Corporate Persons) (Fourth Amendment) Regulations, 2020.

The Insolvency and Bankruptcy Code, 2016 (Code) envisages appointment of an authorized representative (AR) by the Adjudicating Authority to represent financial creditors in a class, like allottees under a real estate project, in the committee of creditors. For this purpose, the Regulations require the interim resolution professional to offer a choice of three Insolvency Professionals (IP) in the public announcement, and the creditors in a class to choose one of them to act as their authorised representative. The amendment made to the Regulations today provides that the three IPs offered by the interim resolution professional must be from the State or Union Territory, which has the highest number of creditors in the class as per records of the corporate debtor. This will facilitate ease of coordination and communication between the AR and the creditors in the class he represents.

The Regulations currently envisage that the authorised representative shall seek voting instructions from creditors in a class at two stages, namely, (i) before the meeting; and (ii) after circulation of minutes of meeting. The amendment made to the Regulations today provides that the authorised representative shall seek voting instructions only after circulation of minutes of meeting and vote accordingly. He shall, however, circulate the agenda, and may seek preliminary views of creditors in the class before the meeting, to enable him to effectively participate in the meeting.

The Regulations provide that the committee of creditors shall evaluate all compliant resolution plans as per evaluation matrix to identify the best of them and may approve it. The amendment made to the Regulations provides that after evaluation of all compliant resolution plans as per evaluation matrix, the committee of creditors shall vote on all compliant resolution plans simultaneously. The resolution plan, which receives the highest votes, but not less than sixty-six percent of voting share, shall be considered as approved.

Cabinet approves measures to provide liquidity in the Power Sector due to the financial stress caused by COVID-19

The Cabinet Committee on Economic Affairs, chaired by Prime Minister Shri Narendra Modi, has approved a one-time relaxation to Power Finance Corporation (PFC) and Rural Electrification Corporation (REC) for extending loans to Distribution Companies (DISCOMs) above limits of working capital cap of 25% of last year's revenues under Ujwal DISCOM Assurance Yojana (UDAY).

One-time relaxation would help in providing liquidity to the power sector and ensure payments by State Governments to DISCOMs.

Background:

The outbreak of the global pandemic COVID-19 in the country and the consequent nationwide lockdown has exacerbated the liquidity problems for the power sector. Revenues of the power distribution companies have nosedived as people are unable to pay for the electricity consumed while power supplies, being an essential service, have been maintained. Energy consumption has decreased substantially. The liquidity of the power sector is not expected to improve in the short term, as economic activity and power demand will take some time to pick up. There is, thus, an immediate need to infuse liquidity in the power sector for continuation of power supply.

IBBI amends the Insolvency and Bankruptcy Board of India (Voluntary Liquidation Process) Regulations, 2017

The Insolvency and Bankruptcy Board of India (IBBI) notified the Insolvency and Bankruptcy Board of India (Voluntary Liquidation Process) (Second Amendment) Regulations, 2020.

The Insolvency and Bankruptcy Code, 2016 enables a corporate person to initiate voluntary liquidation process if it has no debt or it will be able to pay its debts fully from the proceeds of the assets. The corporate person appoints an insolvency professional to conduct the voluntary liquidation process by a resolution of members or partners, or contributories, as the case may be. However, there can be situations which may require appointment of another resolution professional as the liquidator. The amendment made to the Regulations provides that the corporate person may replace the liquidator by appointing another insolvency professional as liquidator by a resolution of members or partners, or contributories, as the case may be.

IBBI amends the Insolvency and Bankruptcy Board of India (Liquidation Process) Regulations, 2016

The Insolvency and Bankruptcy Board of India (IBBI) notified the Insolvency and Bankruptcy Board of India (Liquidation Process) (Third Amendment) Regulations, 2020 today.

The Regulations require the committee of creditors to fix the fee payable to the liquidator. Where the fee has not been fixed by the committee of creditors, the Regulations provide for a fee as a percentage of the amount realised and of the amount distributed by the liquidator. There have been instances where a liquidator realizes the amount while another liquidator distributes the same to stakeholders. The amendment made to the Regulations today clarifies that where a liquidator realizes any amount, but does not distribute the same, he shall be entitled to a fee corresponding to the amount realized by him. Likewise, where a liquidator distributes any amount, which is not realized by him, he shall be entitled to a fee corresponding to the amount distributed by him.

CAPITAL MARKETS

SEBI Bulletin – July 2020

SEBI released its bi-monthly bulletin for month of July 2020. Key areas covered in the bulletin are:

1. Capital market review
2. Review of global financial markets
3. Highlights of developments in international securities markets
4. Policy developments at SEBI

Investor grievances redressal mechanism

This circular lays down redressal mechanism for resolving investor grievances in areas of handling of SEBI Complaints redress system (SCORES) platform and a SEBI circular on non-compliance with certain provisions of SEBI (Listing obligations and disclosure requirements) regulations 2015 (Listing regulations). This circular lays down the procedure for handling complaints by the stock exchanges as well as standard operating procedure for actions to be taken against listed companies for failure to redress investor grievances.

Key areas covered in this circular are as follows:

1. Handling of complaints by stock exchanges
2. Action for failure to redress investor complaints
3. Action after redressal of investor grievance by the company

Resources for Trustees of Mutual Funds

SEBI via its earlier circular has allowed Trustees of Mutual funds to appoint independent auditors to independently asses the performance of mutual funds. In same regard, Trustees have raised a concern in front of SEBI on providing administrative assistance to Trustees in monitoring various activities of the AMCs.

In view of the above, in addition to the above mentioned provisions, SEBI has been decided that –

1. Trustees shall appoint a dedicated officer having professional qualification and minimum 5 years of experience in finance and financial services related field.
2. The officer so appointed, shall be an employee of the trustees and directly report to the trustees
3. The scope of work for the said officers shall be specified by the trustees from time to time to support the roles and responsibilities of the trustees. The officer shall accordingly assist the trustees and discharge the activities assigned to him.
4. The trustee shall have standing arrangements with independent firms for special purpose audit and / or seek legal advice in case of any requirement as identified and whenever considered necessary.
5. The expenditure incurred for the above shall arranged from the 'fees and expenses for trustees' as specified under SEBI Mutual Funds regulations 1996.
6. The Trustees shall however continue to be liable for discharge of various fiduciary responsibilities as cast upon them in the SEBI (Mutual Funds) Regulations, 1996.

Administration and Supervision of Investment Advisers

SEBI via one of its earlier circular, allowed registered Investment Advisers (IAs) to use infrastructure of the stock exchanges to purchase and redeem MF units directly from Asset Management Companies on behalf of their clients.

Further, SEBI can recognize any body/body corporate for the purpose of regulating IAs. The regulations further provides that SEBI may, at the time of recognition of such body or body corporate, delegate administration and supervision of IAs to such body or body corporate on such terms and conditions as may be specified.

Considering the growing number of registered investment advisers and the above mentioned provisions, SEBI has decided to recognize a wholly-owned subsidiary of the stock exchange (stock exchange subsidiary) to administer and supervise IAs registered with SEBI.

Key factors validating such cognizance are as follows:

1. Criteria for grant of recognition
2. Setting up requisite systems by stock exchanges for the purpose
3. Responsibilities of subsidiary of a stock-exchange

Procedural Guidelines for Proxy Advisors

As per SEBI regulations, SEBI mandates proxy advisors to abide by Code of Conduct specified therein. SEBI has decided that proxy advisors shall also comply with the following procedural guidelines:

(a) Proxy Advisors shall formulate the voting recommendation policies and disclose the updated voting recommendation policies to its clients. Proxy Advisors shall ensure that the policies should be reviewed at least once annually. The voting recommendation policies shall also disclose the circumstances when not to provide a voting recommendation.

(b) Proxy Advisors shall disclose the methodologies and processes followed in the development of their research and corresponding recommendations to its clients.

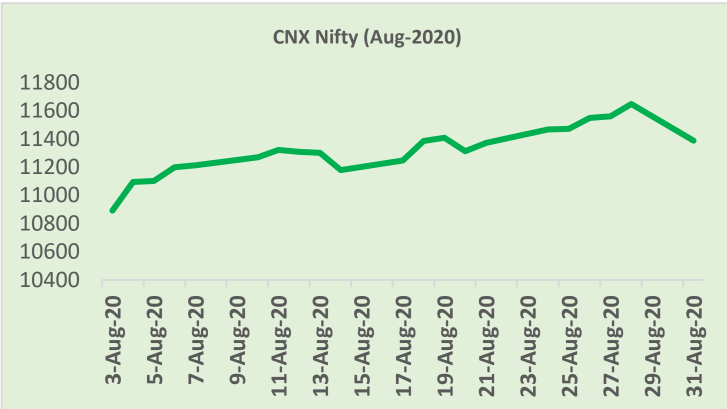
(c) Proxy Advisors shall alert clients, within 24 hours of receipt of information, about any factual errors or material revisions to the report.

(d) Proxy Advisors shall have a stated process to communicate with its clients and the company.

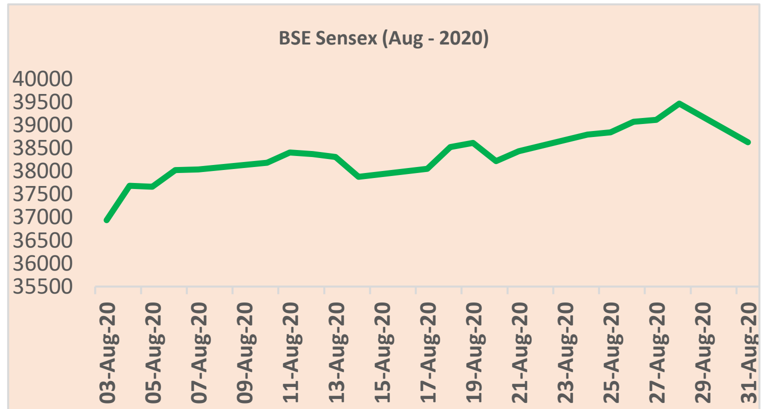
(e) Proxy Advisors shall share their report with its clients and the company at the same time. This sharing policy should be disclosed by proxy advisors on their website. Timeline to receive comments from company may be defined by proxy advisors and all comments/clarifications received from the company, within timeline, shall be included as an addendum to the report. If the company has a different viewpoint on the recommendations stated in the report of the proxy advisors, then proxy advisors, after taking into account the said viewpoint, may either revise the recommendation in the addendum report or issue an addendum to the report with its remarks, as considered appropriate.

(f) Proxy Advisors shall clearly disclose in their recommendations the legal requirement vis-a-vis higher standard they are suggesting if any, and the rationale behind the recommendation of higher standards.

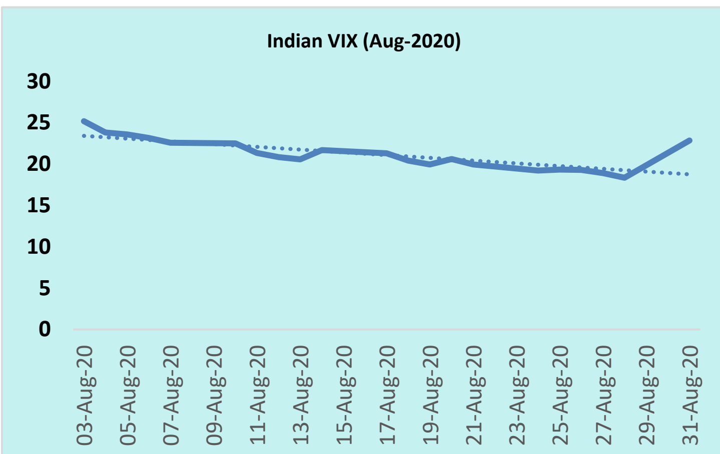
CAPITAL MARKETS SNAPSHOT



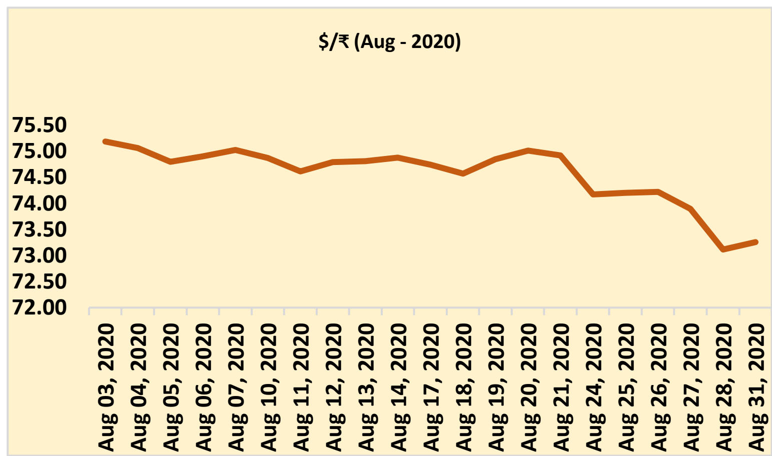
Source: National Stock Exchange



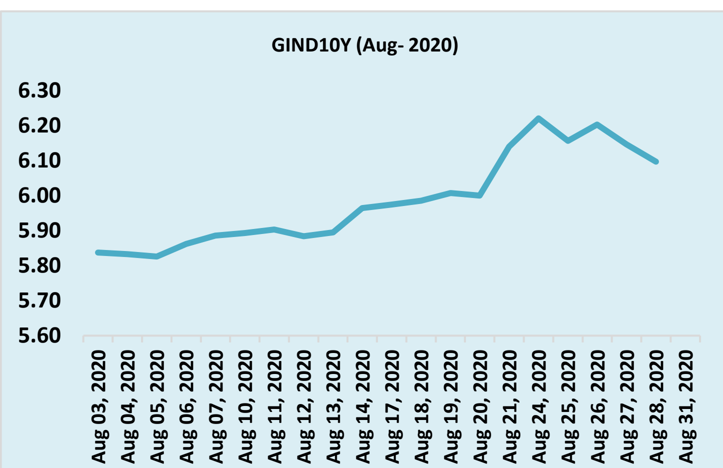
Source: Bombay Stock Exchange



Source: National Stock Exchange



Sources: APAS Business Research Team



Sources: APAS Business Research Team

August saw a rally in realty stocks after Maharashtra government reduced stamp duty and other levies for buying and selling of properties in urban and rural areas. S&P BSE Realty rose 4.3%. Gains in global equities amid hopes for a COVID-19 treatment and easing tensions between the US and China also boosted the sentiments. Optimism regarding additional spending plans by the government to prop up the economy also boosted sentiment. The RBI, in its 2019-20 annual report, cautions that India's potential output may undergo a structural downshift due to the pandemic, with the GDP likely to contract in the second quarter as well, which makes a strong case for reforms to return to growth path.

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	-11.4 Q2	-5.5	2.7	2.3 Jul	2.8	-0.8	-15.7	2.05
Russia	-8.5 Q2	-5.7	3.0	3.4 Jul	3.4	1.8	-4.3	6.22
India	**-23.9 Q2**	**-8.5**	**9.1**	**6.9 Jul**	**5.1**	**0.9**	**-7.8**	**5.94**
China	3.2 Q2	1.7	7.7	2.7 Jul	3.6	1.3	-5.3	2.96^
S Africa	-0.1 Q1	-8.0	1.5	3.2 Jul	3.3	-2.3	-16.0	9.14
USA	-9.1 Q2	-5.3	4.0	1.0 Jul	0.7	-1.9	-15.9	0.68
Canada	-13.0 Q2	-5.8	3.7	0.1 Jul	0.7	-2.9	-11.0	0.58
Mexico	-18.7 Q2	-9.7	2.1	3.6 Jul	3.4	0.0	-4.5	5.79
Euro Area	-15.0 Q2	-8.7	5.5	-0.2 Aug	0.4	2.3	-9.5	0.0
Germany	-11.3 Q2	-5.9	4.5	nil Aug	0.8	5.9	-7.2	0.0
Britain	-21.7 Q2	-9.5	6.9	1.0 Jul	0.8	-1.7	-18.2	0.39
Australia	-6.3 Q2	-4.4	1.6	-0.3 Q2	1.7	-1.3	-7.6	0.97
Indonesia	-5.3 Q2	-1.6	4.7	1.3 Aug	2.2	-1.1	-7.0	6.85
Malaysia	-17.1 Q1	-5.1	1.9	-1.3 Jul	-1.1	1.4	-7.7	2.66
Singapore	-13.2 Q2	-6.0	3.9	-0.4 Jul	-0.2	19.0	-13.5	1.00
S Korea	-2.8 Q2	-1.8	2.6	0.7 Aug	0.4	2.4	-5.6	1.59

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

APAS
ashvin parekh advisory services

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.

Contact Us: 022-6789 1000

info@ap-as.com

www.ap-as.com

APAS
ashvin parekh advisory services