2021

Volume 12

APAS MONTHLY

THIS MONTH

In this issue, Mr. Ritesh Kumar, MD & CEO, HDFC ERGO, has presented his thoughts on 'Trends in health insurance industry and way forward: 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 'PCA Framework for NBFCs'.

The economic indicators showed mixed performance. Manufacturing PMI increased to a 10-month high of 57.6 in November from 55.9 in October. India's annual infrastructure output in November rose by 3.1%. India's Index of Industrial Production (IIP) rose 3.2% in October. PMI services inched down to 58.1 in November from 58.4 in October, while composite PMI rose to a near 10-year high of 59.2 in November from 58.7 in October. CPI inflation rose to a 3-month high of 4.91% in November from 4.48% in October. WPI inflation rose to a record high of 14.23% in November from 12.54% in October.

The Reserve Bank of India (RBI) announced PCA Framework for NBFCs and Update on restriction on storage of actual card data [i.e., Card-on-File (CoF)].

The Insurance Regulatory and Development Authority of India (IRDAI) released 2021-22 – List of Domestic Systemically Important Insurers (D-SIIs).

Cabinet announced that more than 7 lakh companies incorporated after announcement of Make in India programme.

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Securities and Exchange Board of India (SEBI) announced (i) Publishing of Investor Charter and Disclosure of Complaints by Custodians and DDPs on their websites (ii) Circular on Mutual Funds (iii) Transaction in Corporate Bonds through Request for Quote platform by Portfolio Management Services (PMS).

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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MD & CEO
HDFC ERGO

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- [IRDAI releases 2021-22 – List of Domestic Systemically Important Insurers (D-SIIs)]

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- [More than 7 lakh companies incorporated after announcement of Make in India programme]

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- Publishing of Investor Charter and Disclosure of Complaints by Custodians and DDPs on their websites
- Circular on Mutual Funds
- Transaction in Corporate Bonds through Request for Quote platform by Portfolio Management Services (PMS)

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

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Trends in health insurance industry and way forward: Shape of things to come

Ritesh Kumar
MD & CEO
HDFC ERGO

Health Insurance industry is the fastest growing segment of the Indian General Insurance industry. Over the last 20 years, the Health Insurance industry has grown at a 23% CAGR, from an ~INR 1,000 Cr industry (by insurance premiums) in 2001 to ~INR 60,000 Cr presently. Today, the industry comprises 30 Insurers that offer health insurance products. Over the next five years, this industry is expected to grow at a CAGR of ~20% to ~INR 150,000 Cr, and become the largest segment in the General Insurance industry.

More importantly, this change will not be a continuation of the way things were. Instead, there will be significant transformation in the way Health Insurance is understood, purchased, serviced and managed. All of this presents opportunities for all stakeholders in the healthcare ecosystem to grow and evolve in light of the emerging dynamics.

The growth of health insurance industry will be driven by 5 factors that will converge.

COVID-19 and lifestyle conditions make health insurance a necessity for all

The cost of treatment for COVID-19 and emerging lifestyle conditions such as diabetes, hypertension and obesity, have made people aware of the benefit of health insurance, namely financial protection from unexpected medical bills, and access to the best possible healthcare. This is making Health Insurance from a push product to a pull product.

Despite the strong growth of the industry over the last two decades, ~40 crore Indians, i.e., ~30% of the population is currently devoid of health insurance; most of these fellow citizens reside outside Metro and Tier-1 cities. This number will be significantly higher if one includes citizens who do not have adequate health insurance.

As the healthcare infrastructure in the country improves, people will have access to better care, and it is expected that more people would seek to finance their healthcare costs with health insurance and get access to the best care.

Health Insurers to evolve from insurance providers to wellness partners

There is a global movement for health insurers to move away from simply providing insurance coverage to becoming partners for their customers as they try to lead healthier and safer lives. The same trend is likely to develop in India as well over the next few years. The result of this will be for financial protection to be only one part of the relationship between a health insurer and the customer. As Health Insurers become partners with their customers in helping them stay healthy, there will be an impact on their ability to manage risks and offer a broader suite of products and services. This in turn will make the health insurance proposition more exciting for customers, and will lead to higher growth of the industry. It may be noteworthy to mention here that this journey would need to be supported by the Insurance Regulator (IRDAI) by putting in place necessary enabling regulations.

Industry consolidation and entry of new insurers likely to expand the health insurance pie

The recent shareholder actions (mergers, takeovers, IPOs) have demonstrated that there is a strong investor interest in the health insurance industry. In the last few years, we have seen shareholder action in all but one stand-alone health insurer, and several general insurance players have taken meaningful steps to enhance their health insurance portfolios. At the same time, fintech and other new age players are exploring ways to enter the health insurance sector. All this is likely to give customers more choice in the coming days and further enhance the growth of the health insurance market.

Healthcare regulations likely to make health insurance pricing more predictable

It is noteworthy that while the pricing and coverage of health insurance policies is governed by the IRDAI, the supplier side of the equation (i.e., Hospitals and other medical providers) is completely unregulated. During COVID, there were instances of some hospitals wantonly raising their prices while Health Insurers did not raise their prices keeping public interest in mind. In this context, it is encouraging to note the recent suggestions from the IRDAI, suggesting to the Government that Healthcare providers should be regulated, and also offering the services of the IRDAI to do so. Given that the IRDAI regulates the insurance companies and therefore their health insurance products, it is logical that they also regulate the hospitals to ensure orderly conduct. This would repose public faith in the healthcare market, make the cost of health insurance more predictable, and improve the health insurance penetration in the country.

The Digital Health Technology Stack and Health Exchange to improve customer experience

Efforts by the National Digital Health Mission to allow Health Insurers and other stakeholders access to the Digital Health Stack are gaining traction. Elements of this include a Health ID, Electronic Health Records, and standardized forms. At the same time, key stakeholders are collaborating on using secure, blockchain based technology to ensure a seamless experience for network hospitals and customers at the time of claim. Efforts are also on to create a seamless health exchange from hospitals to insurers based on standardized formats. As these digital initiatives gain speed and converge, there will be marked improvement in the service levels customers receive, as well as the ability of insurers to manage risks and fraud. This will lead to a virtuous cycle of better priced products and better experience drawing more people into the insurance fold, which in turn will further support efficient pricing and improve services.

Conclusion

In the coming years, customers can look forward to enhanced health insurance and wellness offerings, along with improved service delivery. This is likely to result in improved health insurance penetration in the country.

The health insurance industry in India is expected to expand at a CAGR of ~20% in the next five years to become an ~INR 150,000 Cr industry. This growth will be driven by better propositions and experiences for the customer. Key factors shaping this will include the digital health stack, the focus on healthy living, prevalence of lifestyle diseases making health insurance protection a necessity, emerging healthcare regulations and entry of new players.

PCA Framework for NBFCs

The Reserve Bank of India (RBI) introduced a prompt corrective action (PCA) framework for large NBFCs, putting restrictions on them whenever vital financial metrics dip below the prescribed threshold.

This brings them almost on a par with banks in terms of supervision and regulatory reach. This follows the scale-based regulations and revision in NPA norms brought in by the RBI for the NBFC sector.

The PCA framework for NBFCs comes into effect on October 1, 2022, on the basis of their financial position on or after March 31. It will be applicable for all NBFC-D and NBFC-ND (middle, upper and top layers). However, those not taking deposits and with an asset size of less than INR 1000 crore, primary dealers, government owned NBFCs and HFCs are exempt from this framework. Therefore, this will be applicable for only a few NBFCs, while the vast majority of the nearly 10,000 NBFCs will be excluded. However, the RBI can take any action, irrespective of the size of an NBFC.

The move to NBFCs was prompted by the growing importance of NBFCs in the Indian financial ecosystem. These NBFCs have rapidly expanded over the last few years with lower regulatory constraints as compared to banks.

Possibly, the move follows from a flurry of serious financial problems at NBFCs such as DHFL, IL&FS, SREI, Reliance Capital and other smaller companies. The IL&FS crisis had caused public markets to plunge as it was one of the largest Indian NBFCs. These firms are collectively yet to pay around INR 1 lakh crore to investors. With multiple privately run NBFCs potentially becoming ‘too big to fail’, the RBI had to find ways to prevent any permanent damage from them.

Under the framework, there will be 3 risk thresholds and 3 yardsticks to measure them. The restrictions against an NBFC get progressively tightened as it breaches higher threshold levels. A breach of any criterion, such as capital adequacy ratio, tier-1 capital, net NPA ratio, triggers PCA action.

The first risk threshold of the PCA will be triggered when the capital adequacy ratio of the NBFC falls below the regulatory minimum of 15%, second if it falls below 12% and third below 9%. Similarly, there are trigger points for tier-1 capital and net NPA ratio as well. For core investment companies, leverage and asset quality will be the core criteria for evaluation.

An NBFC under the PCA framework, caused by triggering the first threshold, will face restrictions on dividend distribution and promoters will be asked to infuse capital and reduce leverage. Upon hitting risk threshold 2, the NBFC will be prohibited from opening branches, while on risk threshold 3, capital expenditure will be stopped, other than for a technological upgrade.

In case of banks, currently, there is just a single bank under the PCA framework – Central Bank of India (CBI). In the past, 11 badly performing PSU banks and a couple of private banks had been brought under the PCA framework. The controls put on these banks helped them improve their financial status. Even CBI has improved its financial condition and is no longer required to work under the PCA. As a result, it has requested to be taken out of PCA.

A result of the framework would be better regulation of NBFCs that could potentially face financial issues and would come under the purview of the RBI. In addition, the RBI has provided a window for NBFCs to shore up their finances as per the new changes to avoid any issues. The larger NBFCs have managed to maintain asset quality, raise capital, while growing the loan books.

Once an NBFC demonstrates no breaches of the terms and thresholds laid out by the RBI, it would be allowed to move out of the system. The central bank wants NBFCs under the PCA to show no breach of thresholds for four continuous quarterly financial statements, and one audited annual statement.

As of now, most of the large NBFCs are comfortably poised to comply with the regulations. Many NBFCs have raised capital before and during pandemic, leading to an improvement in their capital buffers, and carried excess expected credit loss provisions to navigate the pandemic impact on asset quality. However, any increase in the asset quality challenges in form of slippage from the restructured books will lead to NBFCs turning cautious in terms of increasing provisions to maintain the risk threshold within the permitted limits on the asset quality side.

-APAS

ECONOMY

IIP (Index of Industrial Production) – October

Index of Industrial Production (IIP) or factory output for the month of October 2021 rose 3.2%, compared to 3.3% in September 2021 and 4.5% in October 2020.

The General Index for the month of October 2021 stands at 133.7, which is 3.2% higher as compared to October 2020.

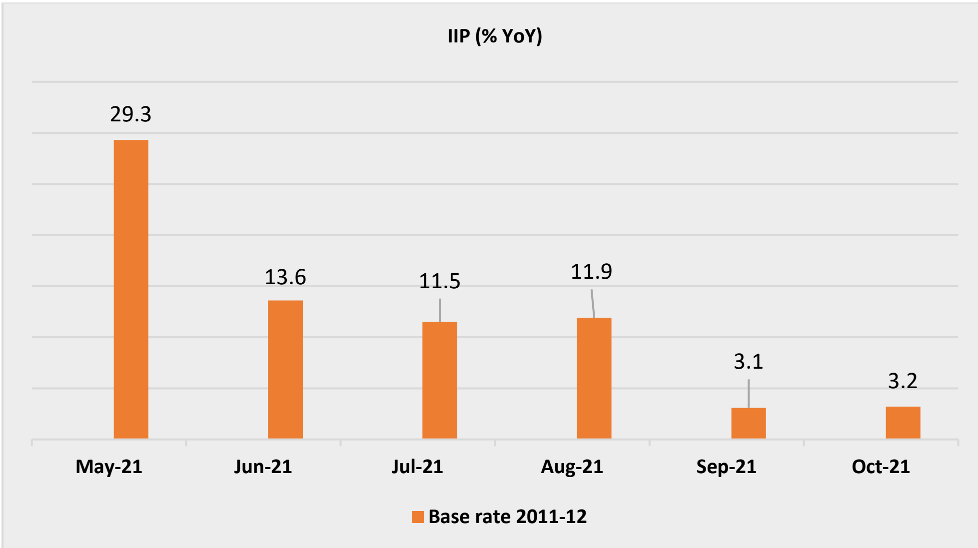
The manufacturing sector, which constitutes 77.63% of the index, went up by 2% in October, to 134.7.

Mining sector output grew by 11.4%, to 109.7.

Electricity generation rose by 3.1%, to 167.3.

As per Use-based classification, the indices stand at 128.5 for primary goods, 90.3 for capital goods, 143.7 for intermediate goods and 151.8 for infrastructure/construction goods for October.

Further, the indices for consumer durables and consumer non-durables were at 125.6 and 149.5, respectively.



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

CPI (Consumer Price Index) – November

India's consumer price index (CPI) or retail inflation rose to a 3-month high of 4.91% in November 2021, compared to 4.48% in October 2021 and 6.93% in November 2020.

The corresponding provisional inflation rates for rural and urban areas are 4.29% and 5.54% respectively.

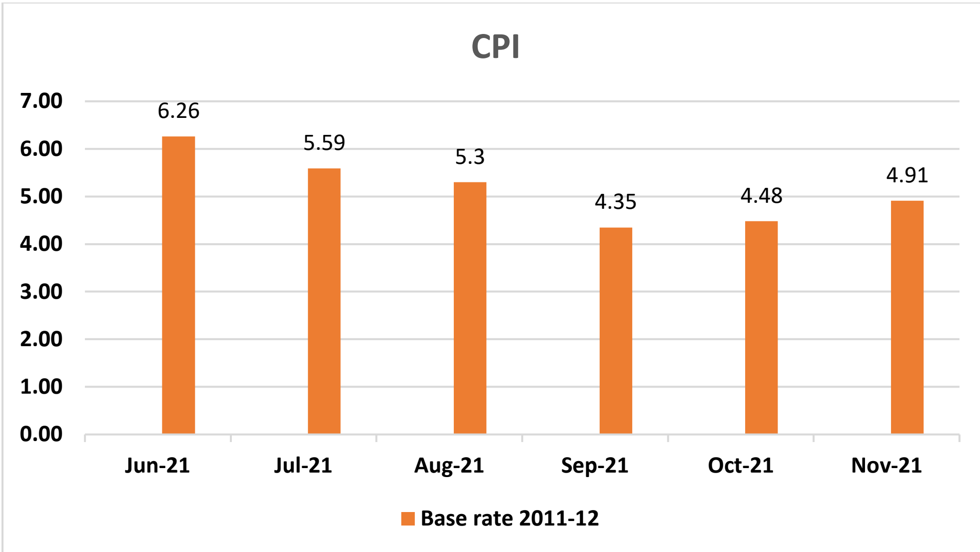
The Consumer Food Price Index (CFPI) rose to 1.87% in November from 0.85% in October.

The core CPI inflation rose to 6.08% in November 2021.

Among the CPI components, a moderation in the inflation for fuel and light, pan, tobacco and intoxicants and miscellaneous items, was outpaced by a rise in inflation for food and beverages, housing, clothing and footwear.

Fuel and light inflation stood at 13.35% in November, as against 14.35% in October, while vegetables inflation was recorded at -13.62%, as against -19.4% in October.

Clothing and footwear inflation was at 7.94% in November, compared with 7.5% in October, while transport and communication inflation was at 10.02%, as against 10.9% in October.



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

WPI (Wholesale Price Index) – November

India's wholesale price index (WPI) inflation rose to a record high of 14.23% in November 2021, as compared to 12.54% in October 2021 and 2.29% in November 2020.

The rate of inflation based on WPI Food Index increased to 6.7% in November 2021 from 3.06% in October 2021.

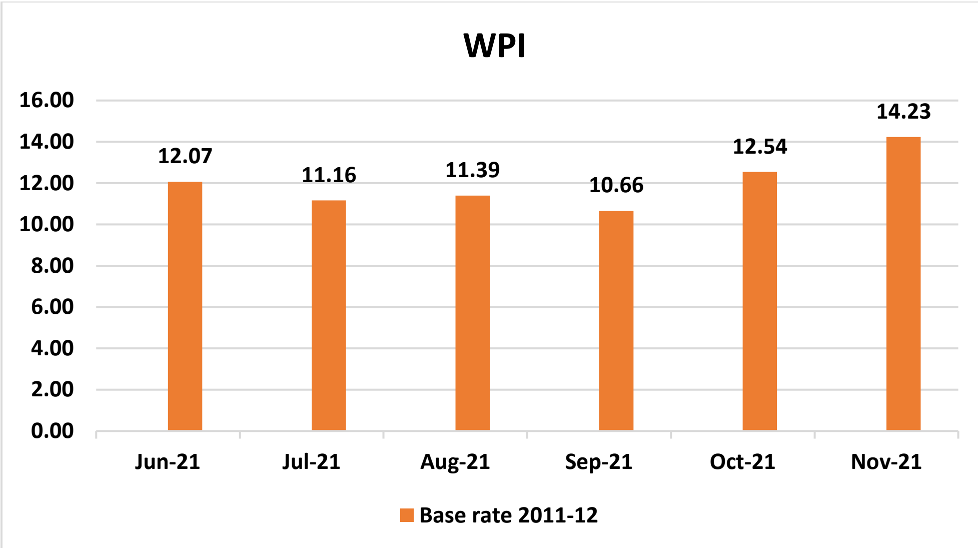
The index for primary articles increased by 5.57% from the previous month.

Prices increased for crude petroleum and natural gas (12.24%), minerals (5.96%), food articles (5.81%) and non-food articles (2.15%).

The index for fuel and power increased by 5.61% from the previous month.

Prices increased for mineral oils (8.76%) and coal (1.16%). Prices remained unchanged for electricity.

The index for manufactured products increased by 0.89% from the previous month.



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

Manufacturing PMI – November

The Nikkei India Manufacturing Purchasing Managers' Index (PMI) in November continued to expand strongly as an accelerated rise in sales supported the fastest upturn in production for 9 months.

The Manufacturing PMI increased to a 10-month high of 57.6 in November 2021 from 55.9 in October 2021. It remained above the 50 level, that separates expansion from contraction, for the fifth straight month.

The growth was at the steepest pace since February and well above its long run average of 53.6.

Output rose sharply and at the fastest rate in 9 months, while the domestic market was the main source of sales growth as new export orders rose at a slight pace that was weaker than in October.

At the same time, buying activity outpaced its long run average.

Meanwhile, there were tentative signs of progress in hiring activity after 3 straight months of job shedding.

On the price front, input prices gained at a rate that was broadly similar to October's 92-month high.

Meanwhile, output charges rose only moderately.

Finally, confidence eased to a 17-month high, amid concerns that inflationary pressures could dampen demand and restrict output in the year ahead.

Source: www.tradingeconomics.com

Services PMI – November

The Indian services sector activity in November remained elevated, recording a marginal drop from October, after registering the strongest growth in more than a decade.

The Nikkei India Services Purchasing Managers' Index (PMI) Business Activity Index inched down to 58.1 in November 2021 from 58.4 in October 2021. The index stayed above the neutral mark of 50, which separates expansion from contraction, for the fourth straight month.

This expansion was the second fastest rise since July 2011.

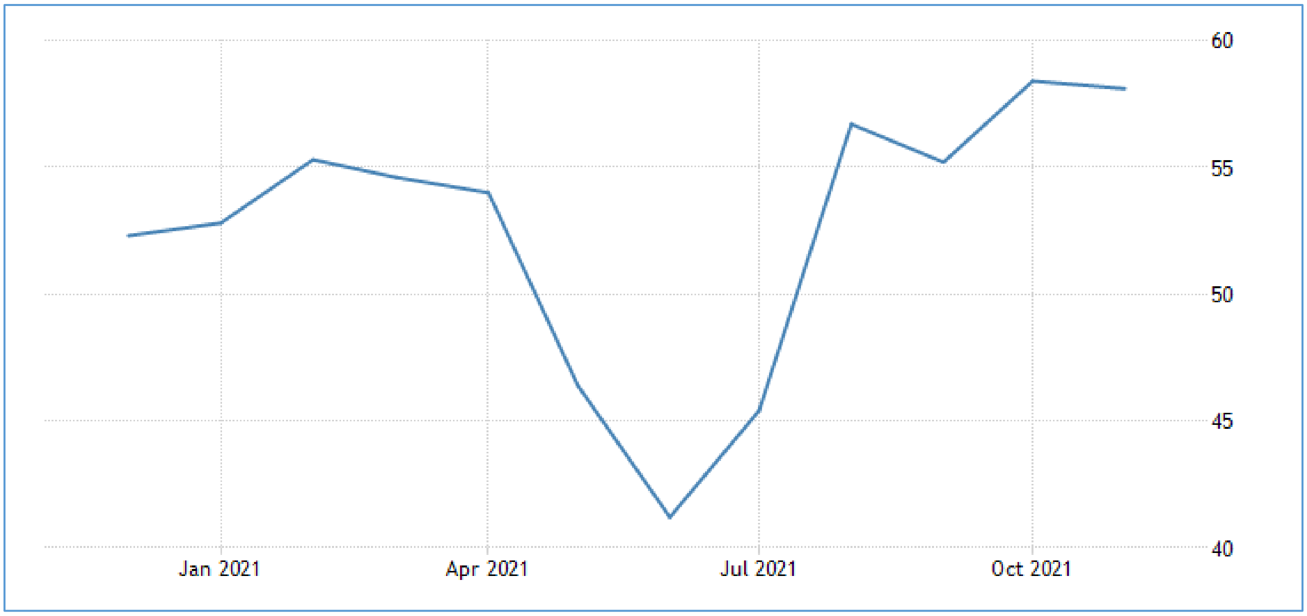
Both output and new orders continued to expand, while employment levels were little changed.

Meanwhile, international sales declined, due to travel restrictions.

On the price front, input price inflation accelerated to the second strongest in almost a decade, due to higher fuel, labour, raw materials, retail and transportation costs, while output charges rose modestly.

Looking ahead, although business sentiment improved to a 3-month high, the overall level of positive sentiment was well below its log run average, amid worries of impact of inflationary pressures on the recovery.

The seasonally adjusted Nikkei India Composite PMI Output Index rose to a near 10-year high of 59.2 in November from 58.7 in October, signalling the strongest monthly expansion since January 2012.



Source: www.tradingeconomics.com

Core Sector Data – November

Growth of eight infrastructure sectors rose by 3.1% in November 2021.

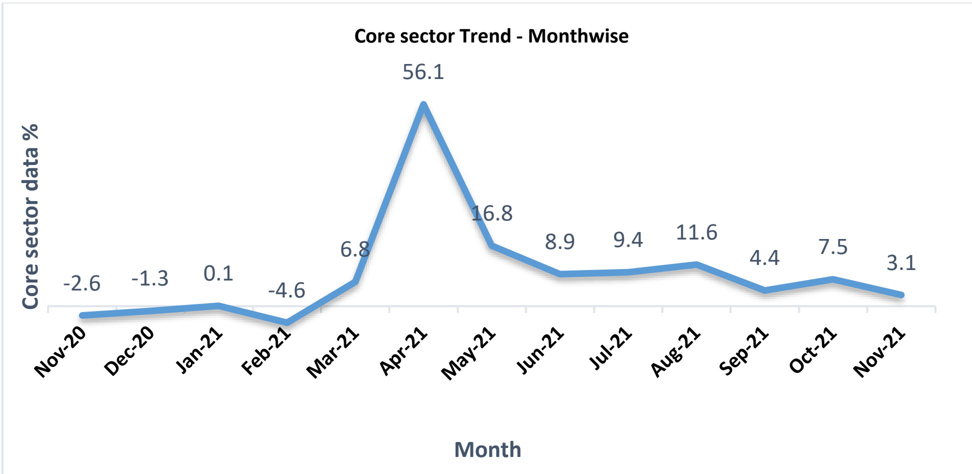
The eight core sectors – coal, crude oil, natural gas, refinery products, fertilizers, steel, cement and electricity – had grown by 8.4% in October 2021 and contracted by 1.1% in November 2020.

The production of coal, natural gas, refinery products, fertilisers, steel and electricity increased in November 2021.

The output of crude oil and cement contracted by 2.2% and 3.2%, respectively.

The production of coal, natural gas, refinery products, fertilisers, steel and electricity rose by 8.2%, 23.7%, 4.3%, 2.5%, 0.8% and 1.5%, respectively.

Cumulatively, the growth in the eight core sectors during April-November 2021-22 grew by 13.7%, as against a contraction of 11.1% in the same period last financial year.



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

BANKING

PCA Framework for NBFCs

RBI has instituted Prompt corrective action framework (PCA) for NBFCs. The framework derives its character from PCA for banks and is a progression towards greater alignment of regulations between NBFCs and banks. The regulator has concentrated on bringing in parity in the regulatory framework for banks and NBFCs to drive towards more stringent regulatory environment and interconnectedness in the financial sector.

The PCA framework establishes a regulatory course of action in an event of breach of certain parameters, thus acting as an early warning signal. In case of breach, the NBFC shall be monitored over a period of four consecutive quarters on risk threshold parameters to declassify the NBFC placed under PCA.

The PCA Framework is applicable to the following category of NBFCs:

a. All Deposit Taking NBFCs [Excluding Government Companies] (NBFCs-D)

b. All Non-Deposit Taking NBFCs in Middle, Upper and Top Layers3 (NBFCs-ND);

[Including Investment and Credit Companies, Core Investment Companies (CICs), Infrastructure Debt Funds, Infrastructure Finance Companies, Micro Finance Institutions and Factors]; but

[Excluding – (i) NBFCs not accepting/not intending to accept public funds; (ii) Government Companies, (iii) Primary Dealers and (iv) Housing Finance Companies]

c. For NBFCs-D and NBFCs-ND, Capital and Asset Quality would be the key areas for monitoring in PCA Framework.

For CICs, Capital, Leverage and Asset Quality would be the key areas for monitoring in PCA Framework.

For NBFCs-D and NBFCs-ND, indicators to be tracked would be Capital to Risk Weighted Assets Ratio (CRAR), Tier I Capital Ratio and Net NPA Ratio (NNPA). For CICs, indicators to be tracked would be Adjusted Net Worth/Aggregate Risk Weighted Assets, Leverage Ratio and NNPA.

A NBFC will generally be placed under PCA Framework based on the audited Annual Financial Results and/or the Supervisory Assessment made by the RBI. However, the RBI may impose PCA on any NBFC during the course of a year (including migration from one threshold to another) in case the circumstances so warrant.

Restriction on storage of actual card data [i.e., Card-on-File (CoF)]

As per RBI's earlier circular on Guidelines on regulation of payment aggregators and payment gateways, the authorised non-bank payment aggregators and merchants on-boarded by them were prohibited from storing card data (CoF) from June 30, 2021. At the request of industry stakeholders, this timeline was extended to December 31, 2021. Further, RBI had issued regulations on tokenization as "Tokenization – Card Transactions: Permitting Card-on-File Tokenization (CoFT) Services".

In light of various representations received in this regard, RBI has advised as under:

- The timeline for storing of CoF data is extended by six months, i.e., till June 30, 2022; post this, such data shall be purged; and
- In addition to tokenization, industry stakeholders may devise alternate mechanism(s) to handle any use case (including recurring e-mandates, EMI option, etc.) or post-transaction activity (including chargeback handling, dispute resolution, reward / loyalty programme, etc.) that currently involves / requires storage of CoF data by entities other than card issuers and card networks.

INSURANCE

IRDAI releases 2021-22 – List of Domestic Systemically Important Insurers (D-SIIs)

LIC, GIC Re and New India continue to be identified as Domestic Systemically Important Insurers (D-SIIs), as in the 2020-21 list of D-SIIs.

The list of D-SIIs for the year 2021-22 is as follows:

1. Life Insurance Corporation of India
2. General Insurance Corporation of India; and
3. New India Assurance Co. Ltd.

Background

1. Domestic Systemically Important Insurers (D-SIIs) refer to insurers of such size, market importance and domestic and global inter connectedness, whose distress or failure would cause a significant dislocation in the domestic financial system. Therefore, the continued functioning of D-SIIs is critical for the uninterrupted availability of insurance services to the national economy.

2. D-SIIs are perceived as insurers that are ‘too big or too important to fail’ (TBTF). This perception and the perceived expectation of government support may amplify risk taking, reduce market discipline, create competitive distortions, and increase the possibility of distress in future. These considerations require that D-SIIs should be subjected to additional regulatory measures to deal with the systemic risks and moral hazard issues.

3. Given the nature of their operations and the systemic importance of the D-SIIs, these insurers have to carry forward their efforts on the following:
   (i) Raise the level of corporate governance
   (ii) Identify all relevant risks and promote a sound risk management framework and culture.

4. D-SIIs are being subjected to enhanced regulatory supervision.

INFRASTRUCTURE & OTHER GOVT. INITIATIVES

More than 7 lakh companies incorporated after announcement of Make in India programme

'Make in India' is an initiative launched on 25th September 2014, a major national programme of the Government of India designed to facilitate investment, foster innovation, build best in class infrastructure, and make India a hub for manufacturing, design, and innovation.

The Minister further stated that the number of companies incorporated after the announcement of 'Make in India' programme are as under: -

Period	No. of companies incorporated
25.09.2014 to 31.03.2021	7,30,013
01.04.2021 to 01.12.2021	1,12,697

There are 6,69,819 number of Companies having Active status out of the 7,30,013 new companies incorporated during the period 25.09.2014 to 31.03.2021 and 1,12,207 companies are having active status out of the 1,12,697 new companies incorporated during the period 01.04.2021 to 01.12.2021.

CAPITAL MARKETS

Publishing of Investor Charter and Disclosure of Complaints by Custodians and DDPs on their websites

In order to facilitate awareness among investors about the details of activities carried and services provided by Custodians and Designated Depository Participants (DDPs), SEBI after due consultation has developed Investor Charters for Custodians and DDPs which inter-alia deals with services provided to investors with timelines and general guidance for Investors.

In this regard, all the registered Custodians and DDPs shall take necessary steps to bring the Investor Charter, to the notice of their clients and ensure that the Investor Charter is prominently displayed on their respective website for ease of accessibility of investors.

Additionally, in order to bring about transparency in the Investor Grievance Redressal Mechanism, SEBI has decided that all Custodians and DDPs shall disclose on their respective websites, the monthly data on complaints received and redressal thereof, latest by 7th of succeeding month, as per the format provided.

Circular on Mutual Funds

Usage of pool accounts by Mutual Funds

As per an earlier SEBI circular, it is stipulated that:

"Trustees and asset management companies shall ensure that the assets and liabilities of each scheme are segregated and ring-fenced from other schemes of the mutual fund; and bank accounts and securities accounts of each scheme are segregated and ring-fenced."

Keeping in view the representations from industry, the issue was discussed in Mutual Funds Advisory Committee (MFAC). Based on the recommendations of MFAC, SEBI has decided the following:

1. "Mutual Funds may use pool accounts, only for such transactions which are executed at mutual fund level owing to certain operational and regulatory requirements subject to certain conditions"

2. Investments in unrated debt and money market instruments, other than government securities, treasury bills, derivative products such as Interest Rate Swaps (IRS), Interest Rate Futures (IRF), etc. can only be made in instruments like bills re-discounting, usance bills, etc., that are generally not rated and for which separate

investment norms are not provided in MF Regulations and various circulars issued thereunder and exposure of mutual fund schemes in such instruments, shall not exceed 5% of the net assets of the schemes. In this regard SEBI has decided following:

"The single issuer limit and the group exposure limit shall be calculated at the issuing bank level as BRDS are issued with recourse to the issuing bank."

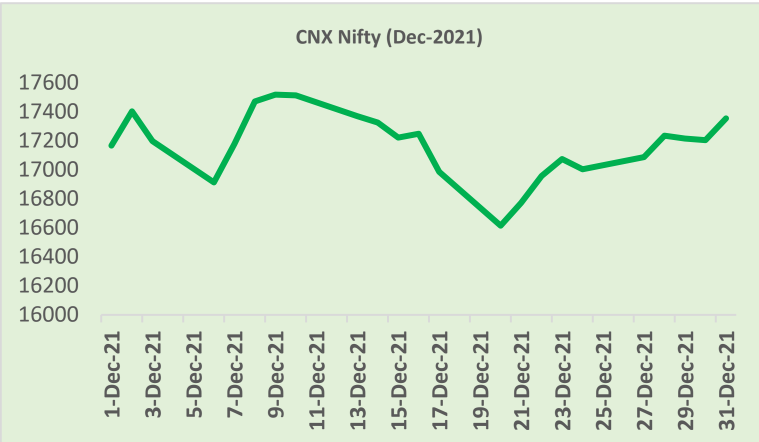
"Investment in BRDS by debt schemes of mutual funds shall be considered as exposure to financial services sector for the purpose of sector exposure limits."

Transaction in Corporate Bonds through Request for Quote platform by Portfolio Management Services (PMS)

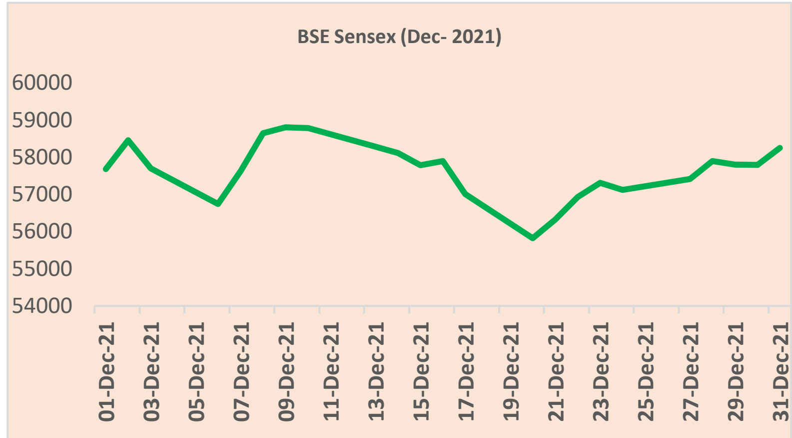
In order to enhance transparency pertaining to debt investments by Portfolio Management Services (PMS) in Corporate Bonds (CBs) and to increase liquidity on exchange platform, it is decided as under:

i. On a monthly basis, PMS shall undertake at least 10% of their total secondary market trades by value in CBs in that month by placing/seeking quotes through one to-one (OTO) or one-to-many (OTM) mode on the Request for Quote platform of stock exchanges (RFQ).
ii. In order to ensure compliance with the abovementioned 10 percent requirement, PMS shall consider the trades executed by value through OTO or OTM mode of RFQ with respect to the total secondary market trades in CBs, during the current month and immediately preceding two months on a rolling basis.
iii. All transactions in CBs wherein PMS is on both sides of the trade shall be executed through RFQ in OTO mode. However, any transaction entered by PMS in CBs in OTM mode which gets executed with another PMS, shall be counted in OTM mode.
iv. PMS are permitted to accept the Contract Note from the stockbrokers for transactions carried out in OTO and OTM modes of RFQ.

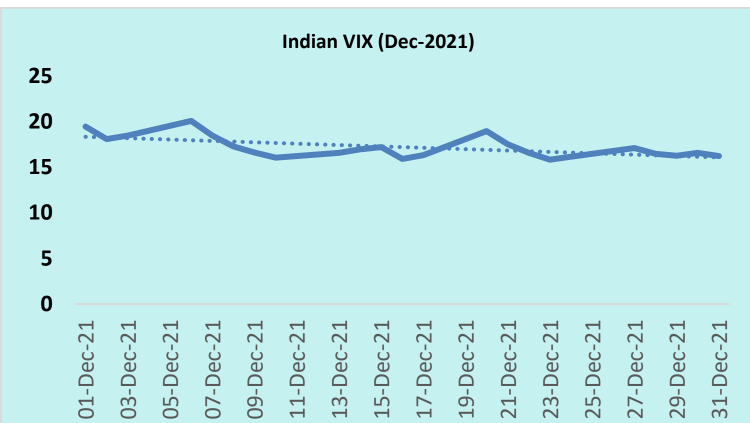
CAPITAL MARKETS SNAPSHOT



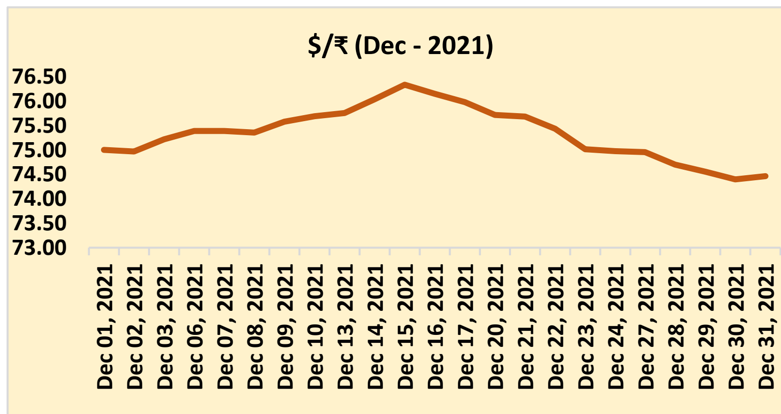
Source: National Stock Exchange



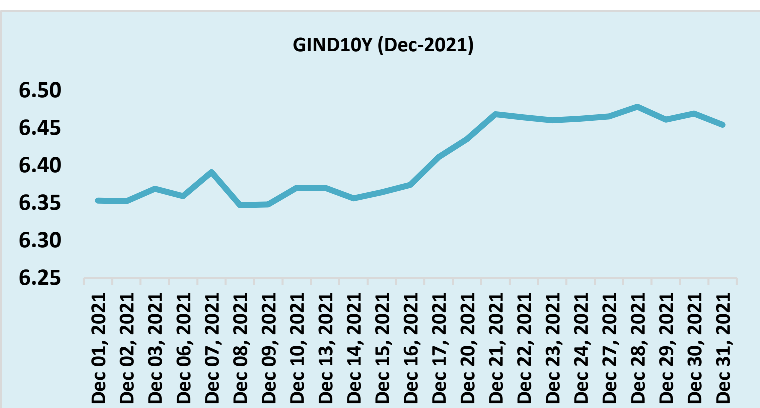
Source: Bombay Stock Exchange



Source: National Stock Exchange



Sources: APAS Business Research Team



Sources: APAS Business Research Team

Indian equities ended higher after two international studies showed that the impact of the fast-spreading Omicron cases is less risker compared with the Delta variant. S&P BSE Sensex rose 0.2% and Nifty 50 gained 0.1%. However, some gains were reversed as investors fretted over rising Omicron cases in India that prompted a few states to impose pandemic restrictions. Further, persistent selling by foreign investors and a hawkish stance of global central banks also dented investor sentiments. According to the Reserve Bank of India's (RBI) financial stability report (FSR), though economic recovery has been uneven so far during the pandemic period, the omicron variant remains the major challenge along with rising inflation pressures

ECONOMIC DATA SNAPSHOT

Countries	GDP			CPI		Current Account Balance	Budget Balance	Interest Rates
	Latest	2022*	2023*	Latest	2022*	% of GDP, 2022*	% of GDP, 2022*	(10YGov), Latest
Brazil	4.0 Q3	0.7	2.0	10.7Nov	7.7	-0.7	-7.2	11
Russia	4.3 Q3	2.4	2.4	8.4 Dec	4.9	6.3	0.2	8.37
India	**8.4 Q3**	**7.0**	**5.1**	**4.9 Nov**	**4.6**	**-1.6**	**-5.9**	**6.52**
China	4.9 Q3	5.3	4.9	2.3 Nov	2.3	2.3	-4.7	2.58^
S Africa	2.9 Q3	2.1	2.5	5.5 Nov	4.7	-0.3	-6.3	9.41
USA	4.9 Q3	3.8	2.2	6.8 Nov	4.3	-3.7	-7.8	1.66
Canada	4.0 Q3	3.5	2.5	4.7 Nov	2.8	-0.4	-7.5	1.59
Mexico	4.5 Q3	2.9	2.1	7.4 Nov	4.6	0.8	-3.4	7.77
Euro Area	3.9 Q3	3.9	2.6	4.9 Nov	2.6	3.1	-4.2	0.0
Germany	2.6 Q3	3.3	2.9	5.2 Nov	3.5	6.5	-2.7	0.0
Britain	6.8 Q3	3.6	2.3	4.7 Nov	2.3	-2.6	-6.7	1.01
Australia	3.9 Q3	3.1	2.6	3.0 Q3	2.7	1.9	-4.5	1.73
Indonesia	3.5 Q3	5.3	5.0	1.9 Dec	3.5	-0.5	-4.9	6.35
Malaysia	-4.5 Q3	4.5	4.3	3.3 Nov	2.8	3.3	-6.2	3.64
Singapore	5.9 Q4	3.8	3.2	3.9 Nov	2.2	17.6	-2.0	1.72
S Korea	4.0 Q3	2.8	2.4	3.7 Dec	1.9	4.2	-2.7	2.31

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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