2022

Volume 6

APAS MONTHLY

THIS MONTH

We invite our readers and patrons to visit our wealth of knowledge by tuning into our APAS podcasts – "Demystifying Reforms" and "BFSI insights", where we help demystify the latest reforms and bring market insights of the BFSI sector in India. Hope you will find it insightful. Keep tuning in for more.

https://podcasts.google.com/feed/aHR0cHM6Ly9hdWRpb2Jvb20uY29tL2NoYW5uZWxzLzUwNzEwMDMucnNz?sa=X&ved=0CAMQ4aUDahcKEwjIpO6SwP71AhUAAAAAHQAAAAAQOQ

Also, do visit our APAS blog. It is a place where you will find articles on the latest happenings in the financial sector.

https://ap-as.com/apas-blog/

In this issue, Mr. Anup Bagchi, ED, ICICI Bank, has presented his thoughts on 'Trends in corporate banking and way forward: Shape of things to come'. We thank Mr. Bagchi for his contribution to the APAS Monthly.

This month, the APAS column presents its views on 'IRDAI Reforms'.

The economic indicators showed mixed performance. Manufacturing PMI was little changed to 54.6 in May from 54.7 in April. India's annual infrastructure output in May rose to a 13-month high of 18.1%. India's Index of Industrial Production (IIP) rose to an 8-month high of 7.1% in April. PMI services rose to a 11-year high of 58.9 in May from 57.9 in April, while composite PMI rose to a 6-

month high of 58.3 in May from 57.6 in April. CPI inflation eased down to 7.04% in May from 7.79% in April. WPI inflation rose to a record high of 15.88% in May from 15.08% in April.

The Reserve Bank of India (RBI) released circulars on (i) Restriction on storage of actual card data, i.e., Card-on-File (CoF) (ii) Processing of e-mandates for recurring transactions.

Insurance Regulatory Development Authority of India (IRDAI) issued circulars on (i) Use and file (U&F) procedure for all categories of products under health insurance business (ii) U&F procedure for life insurance products & riders (iii) Easing capital requirement under PMJJBY.

Cabinet approved auction of IMT/ 5G spectrum.

Securities and Exchange Board of India (SEBI) Board had a meeting.

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

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

Ashvin parekh

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On the cover

GUEST COLUMN

[Trends in corporate banking and way forward: Shape of things to come]

Anup Bagchi
ED
ICICI Bank

APAS COLUMN

[IRDAI Reforms]

ECONOMY

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

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BANKING

- [Restriction on storage of actual card data, i.e., Card-on-File (CoF)]
- [Processing of e-mandates for recurring transactions]

INSURANCE

- [Use and file procedure for all categories of products under health insurance business]
- [Use and file (U&F) procedure for life insurance products & riders]
- [IRDAI eases capital requirement under PMJJBY]

INFRASTRUCTURE & OTHER GOVT. INITIATIVES

- [Cabinet approves auction of IMT/ 5G Spectrum]

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CAPITAL MARKETS

- *SEBI Board Meeting*

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 corporate banking and way forward: Shape of things to come

Anup Bagchi
ED
ICICI Bank

Over the last decade the corporates have morphed considerably and with that the role of banks supporting the clients have also undergone changes.

As a first corporate balance sheets have deleveraged substantially due to fiscal prudence, commodity cycles leading to cash flows, absence of large capital expenditure and absence of large overseas M&A.

There was further belt tightening and focus on efficiency and risk management due to Covid shock and most recent supply chain shock. Further due to external volatility and shocks only the strongest have been able to withstand the shocks.

On the other hand, we have seen emergence of new age companies funded by a different texture of capital playing market capture game in an accelerated way.

There are three areas where there are actions. Firstly, due to tectonic demographic shifts and consumer preference driven by affluence movements new latent demands are being uncovered and services and thus new markets are being created. Secondly, due to public digital infrastructure created over last many years processes are being decongested bringing enhanced user experience. Thirdly, due to easier capital availability easy profit pools are being attacked.

As a bank the trends are following our client needs. The focus has shifted from pure project related lending and supporting working capital requirement to more solutions around payment solutions and integrating clients accounting systems to banking to enable lower reconciliation and precise mis.

The second new area is around structured trade finance solutions to optimise risk and balance sheet considerations of the clients.

Thirdly, the whole area of supply chain finance is undergoing rapid solutioning as corporates rely more and more on complex local and global supply chains for their operations. There is a deep embedded risk management solutions as well.

Lastly large banks are able to add tremendous value in employee value proposition of our clients as in many sectors the biggest source of strength are their own employees.

Our clients are living in interesting times and with new global changes the attention is shifting to India. This is further supported by many good government initiatives and schemes which will spur investments in import substitution areas and value addition areas. The advent of ESG and carbon neutrality is also forcing clients to rethink on their strategies.

Due to increased demand the capacity utilisation is creeping up leading to requirement of brownfield/greenfield investments

Banks are watching this space as well as it will require deep understanding of risk as well as funding and other solutioning.

IRDAI Reforms

In one of the first major reforms taken up by the new IRDAI chairman, the IRDAI tweaked the 'use and file' procedure for all the health insurance products and almost all the general insurance products, allowing them to introduce new products without seeking prior approval from the regulator. It later extended this framework to life insurance policies as well. This is considered a game changer for the industry and has opened doors for more innovation.

The new rule will cover all health plans and fire, engineering, marine and motor plans offered by general insurance companies. Only a small minority of plans below INR 5 crore sum insured are exempt from the new reform because of some operational purposes. Life insurers will now be able to launch individual and group pure term insurance, individual return of premium term insurance, unit linked insurance policies with already approved fund options, non-linked health policies, group non-linked superannuation, credit life, gratuity products and so on. In addition, they can also launch riders, or add-ons, such as accidental death benefit, accidental total/ partial permanent disability and critical illness. Individual savings, individual pensions and annuity are exempt from this reform.

Previously, insurance firms had to obtain prior approval from IRDAI to launch new products. IRDAI said that this reform is a stepping stone towards improving the ease of doing business in the insurance sector by moving from the regime requiring approval for launching the products to a regime where products could be launched without any prior approval.

This move is aimed at increasing insurance penetration in the country. The IRDAI has made it clear that it expects the insurance industry to use this opportunity to introduce customized and innovative products so that policyholders have more choice.

While this is a new development for retail or individual insurance products, insurers were already following the use-and-file system for launching group insurance products. Now, it will be applicable to retail products, including add-on covers, pilot and combi products. This is applicable for both fresh filing and also in case of modification or revision of policies. Insurers will now need to file the product within 7 days of launch. The new guidelines would help the industry to launch products faster.

Getting approvals for their products on time was a challenge that many insurers faced, so the new framework is a source of relief for them. In the past, it has been seen that the approval process generally takes at least a year to be completed. But with this new circular, insurers would be able to launch their products quickly.

Flexibility to launch products without prior approval could spawn innovative offerings. There could be novel products such as more ‘pay as you use’ motor insurance policies, better wellness-based products that offer discounts on maintaining healthy lifestyle and so on.

While allowing insurance companies more freedom to launch products, the regulator has also tried to put some safeguards to protect policyholders’ interests. Insurers will have to put in place their board approved policy for products that are to be filed, modified or revised. This policy will have to focus on enhancing insurance penetration, health insurance needs of people, providing simple products.

If insurers follow the circular in letter and spirit, they will not be able to raise premiums arbitrarily. Any increase will have to be based on their incurred claims ratio for that particular product. The regulator has also specified the penal action against insurance companies who fail to adhere to these norms. IRDAI can ask them to withdraw the product, besides rolling back the flexibility given to the insurer for some time.

Since the products will be launched without prior IRDAI approval, policyholders need to be more vigilant while buying a product. It would be all the more important now to read the product features and exclusion clauses carefully. IRDAI is also expected to ensure that insurers do not put unfair clauses or price products inappropriately.

-APAS

ECONOMY

IIP (Index of Industrial Production) – April

Index of Industrial Production (IIP) or factory output for the month of April 2022 rose to an 8-month high of 7.1%, compared to 2.2% in March 2022.

The General Index for the month of April 2022 stands at 135.1, which is 7.1% higher as compared to April 2021.

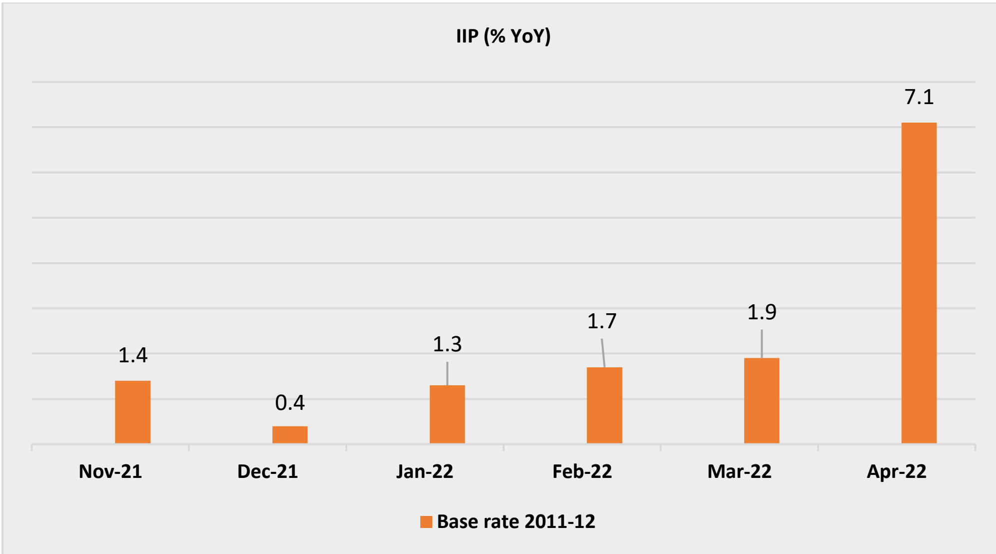
The manufacturing sector, which constitutes 77.63% of the index, grew by 6.3% in April, to 132.5.

Mining sector output grew by 7.8%, to 116.

Electricity generation rose by 11.8%, to 194.5.

As per Use-based classification, the indices stand at 139.3 for primary goods, 90.6 for capital goods, 150.2 for intermediate goods and 149.4 for infrastructure/construction goods for April.

Further, the indices for consumer durables and consumer non-durables were at 112.1 and 140.4, respectively.



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

CPI (Consumer Price Index) – May

India's consumer price index (CPI) or retail inflation eased down to 7.04% in May 2022, compared to 7.79% in April 2022. It was 6.3% in May 2021.

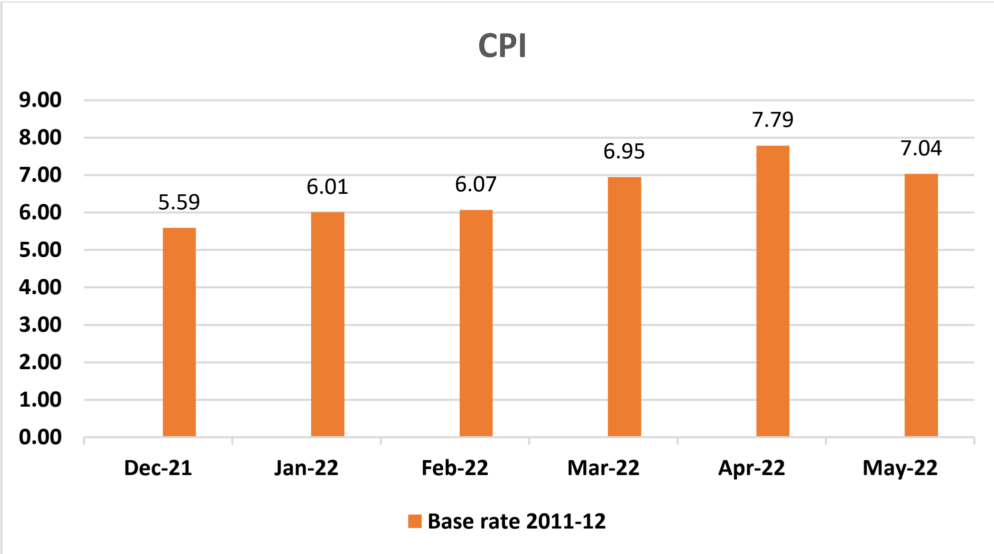
The corresponding provisional inflation rates for rural and urban areas are 7.01% and 7.08% respectively.

The Consumer Food Price Index (CFPI) fell to 7.97% in May from 8.31% in April.

Prices of food rose 7.84%, particularly vegetables (18.26%), oils and fats (13.26%) and spices (9.93%).

Additional upward pressure came from costs of transportation & communication (9.54%), clothing (8.53%) and health (5.49%).

On a monthly basis, consumer prices went up 0.93%, after a 1.43% advance in April.



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

WPI (Wholesale Price Index) – May

India's wholesale price index (WPI) inflation rose to a record high of 15.88% in May 2022, as compared to 15.08% in April 2022 and 13.11% in May 2021.

The rate of inflation based on WPI Food Index increased to 10.89% in May 2022 from 8.88% in April 2022.

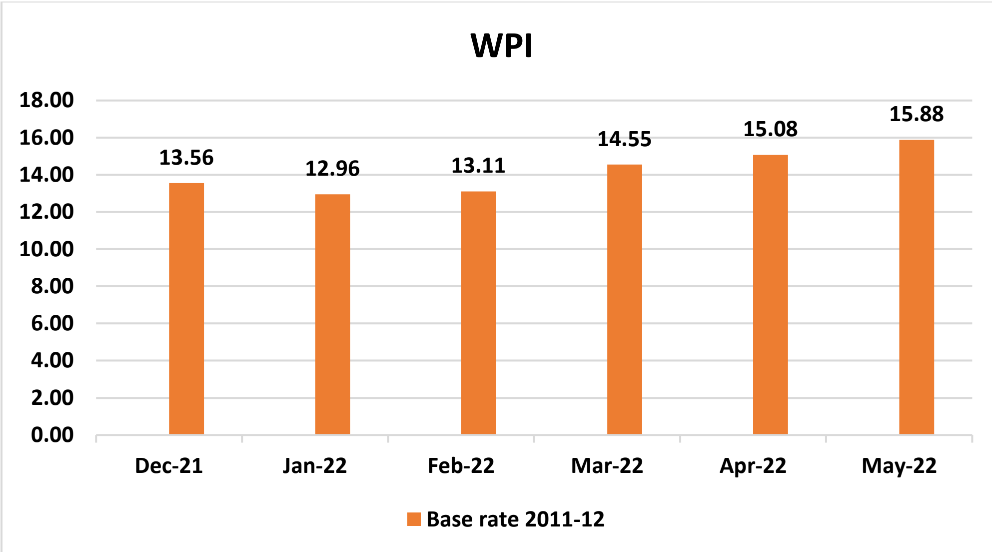
The index for primary articles increased by 2.8% from the previous month.

Prices increased for crude petroleum & natural gas (8.52%), food articles (2.4%), minerals (1.73%) and non-food articles (1.52%).

The index for fuel and power increased by 2.25% from the previous month.

Prices increased for mineral oils (3.34%). Prices remained unchanged for coal and electricity.

The index for manufactured products increased by 0.56% from the previous month.



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

Manufacturing PMI – May

The Nikkei India Manufacturing Purchasing Managers' Index (PMI) in May was little changed, as both output and new orders grew at the same pace in the prior month, with new export orders rising to the fastest since April 2011, amid loosening of Covid-19 restrictions.

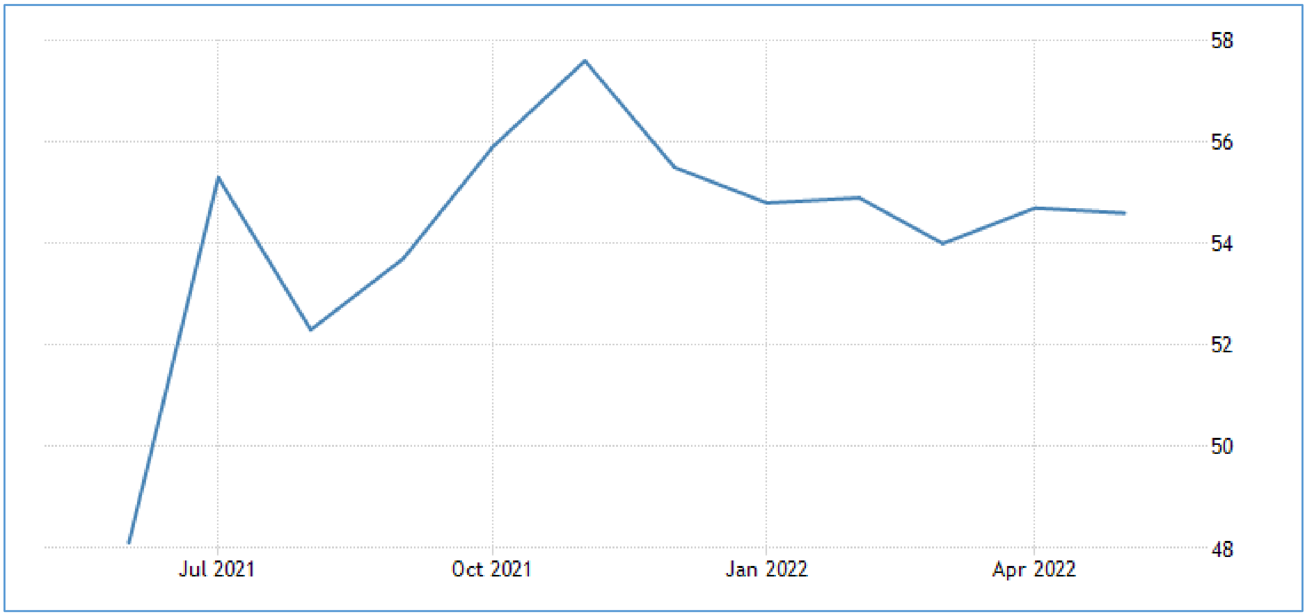
The Manufacturing PMI was little changed to 54.6 in May 2022 from 54.7 in April 2022. It remained above the 50 level, that separates expansion from contraction, for the eleventh straight month.

At the same time, input purchasing rose sharply and the quickest since last November, with supplier delivery times further lengthening and employment increased to the strongest since January.

On the price side, input prices continued to rise due to higher prices in electronic components, energy, freight, foodstuff, metals and textiles.

Meanwhile, output price inflation accelerated to an over 8-½-year high, as companies continued to transfer additional cost burdens to their clients.

Finally, sentiment weakened to the second lowest in just over 2 years on inflationary concerns.



Source: www.tradingeconomics.com

Services PMI – May

The Indian services sector activity in May increased to the highest since April 2011, buoyed by a substantial pick-up in new business growth as demand continued to recover, following the reopening of the economy after Covid-19 lockdowns.

The Nikkei India Services Purchasing Managers' Index (PMI) Business Activity Index rose to a 11-year high of 58.9 in May 2022 from 57.9 in April 2022. The index stayed above the neutral mark of 50, which separates expansion from contraction, for the tenth straight month.

Meanwhile, foreign demand declined in each month since the onset of the pandemic in March 2020, amid mounting global uncertainty from the war in Ukraine and persistent supply chain issues.

At the same time, employment fell marginally, with backlogs of work expanding for the 5th straight month and the fastest in a year.

On the price front, input price inflation accelerated to the highest in 16-½ years on a higher food, fuel, labour, raw material and transport costs.

In turn, output cost inflation hit the second highest in near 5 years.

Looking ahead, business sentiment remained subdued as concerns lingered over inflationary pressures.

The seasonally adjusted Nikkei India Composite PMI Output Index rose to a 6-month high of 58.3 in May from 57.6 in April, its highest since November.

Source: www.tradingeconomics.com

Core Sector Data – May

Growth of eight infrastructure sectors rose to a 13-month high of 18.1% in May 2022.

The eight core sectors – coal, crude oil, natural gas, refinery products, fertilizers, steel, cement and electricity – had grown by 9.3% in April 2022 and 16.4% in May 2021.

The production of coal, crude oil, natural gas, refinery products, fertilisers, steel, cement and electricity rose by 25.1%, 4.6%, 7%, 16.7%, 22.8%, 15%, 26.3% and 22%, respectively.

Cumulatively, the growth in the eight core sectors during April-March 2022-23 stood at 13.6%, as against 36.3% in the same period last financial year.

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

BANKING

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

In terms of circulars issued earlier, with effect from January 1, 2022, no entity in the card transaction / payment chain, other than the card issuers and / or card networks, shall store the CoF data, and any such data stored previously shall be purged. Subsequently, to allow more time to the industry stakeholders for devising alternate mechanism(s) to handle any use case or post-transaction activity, this timeline was extended to June 30, 2022, vide another circular on "Restriction on storage of actual card data [i.e., Card-on-File (CoF)]".

On a review of the issues involved and after detailed discussions with all stakeholders, it is observed that considerable progress has been made in terms of token creation. Transaction processing based on these tokens has also commenced, though it is yet to gain traction across all categories of merchants. Further, an alternate system in respect of transactions where cardholders decide to enter the card details manually at the time of undertaking the transaction (commonly referred to as "guest checkout transactions") has not been implemented by the industry stakeholders, so far.

Given the above, it has been decided to extend the timeline for storing of CoF data by three months, i.e., till September 30, 2022, after which such data shall be purged.

This directive is issued under Section 10 (2) read with Section 18 of Payment and Settlement Systems Act, 2007 (Act 51 of 2007).

Processing of e-mandates for recurring transactions

The e-mandate framework prescribed an Additional Factor of Authentication (AFA), inter alia, while processing the first transaction in case of e-mandates / standing instructions on cards, prepaid payment instruments and Unified Payments Interface. For subsequent transactions with transaction values up to INR 5,000/- (AFA limit), prescription of AFA was waived.

On a review of implementation of the e-mandate framework and the protection available to customers, it has been decided to increase the aforesaid AFA limit from INR 5,000/- to INR 15,000/- per transaction.

This circular is issued under Section 10 (2) read with Section 18 of the Payment and Settlement Systems Act, 2007 (Act 51 of 2007), and shall come into effect immediately.

INSURANCE

Use and file procedure for all categories of products under health insurance business

All categories of products and add-ons or riders to be introduced or modified / revised under health insurance business and offered by General and Health Insurance Companies are permitted to be launched through “Use and File” by duly complying with the following norms.

1. Insurers shall have in place the Board approved policy of products that are to be offered or modified/ revised which shall at minimum address (i) the philosophy of the company in enhancing the insurance penetration (ii) the health insurance needs of the insurable population (iii) provision of inclusive insurance to all the market segments (iv) the need for providing simple and easily comprehendible products. The Board approved policy shall also comply with the norms specified herein and the same shall be complied at the point of launching the products or modification / revision of the products. The Product Management Committee of the insurer shall ensure compliance to the policy of the board while signing of the new products or modification of products.
2. Insurers shall file the proposed name of the product, date of approval by Product Management Committee and shall obtain the UIN. Thereafter, Insurers shall file the product along with all other documents specified in Consolidated Guidelines on Product Filing in Health Insurance Business dated 22 July 2020 with the Authority within 7 days of launch of the product.
3. Insurers shall ensure that the product pricing is viable, self-sustainable and affordable to the targeted market.
4. The revision in the price, if any, shall be effected only based on the underlying claims experience (Incurred Claims Ratio) and to make the product viable and self-sustainable. Insurers shall disclose the rationale for revision in price along with the underlying claim experience (Incurred Claims Ratio) of the product that led to the revision in the price in their website.
5. Where optional covers or add-ons are offered with very low premium rates giving an indication that coverage is not material under the said add-on or optional cover, Insurers are advised to consider subsuming such add-ons or optional covers into base cover of the product.
6. Pricing of the products/add-ons shall be based on the generally accepted actuarial principles.
7. The premium rates shall appropriately reflect the benefits, terms and conditions of the underlying products/add-ons and shall not be discriminatory.
8. Management Expenses loading for add-ons to be considered on marginal basis.

9. No two risks with identical risk characteristics shall be rated differently.
10. The insurer shall build-up, maintain and monitor the experience under all the base and add-on covers separately.
11. All categories of the products, namely, Pilot Products, Health plus Life Combi Products and Health Package Products are also allowed to be launched under the above procedure. Non-life package products where UIN is already obtained for non-life covers are also permitted to be launched in accordance to the norms specified herein.

Insurers shall comply with the provisions of Insurance Act, 1938, all other applicable regulations and guidelines/ circulars notified thereunder while launching the products. Insurers shall also comply with all the requirements specified in the standard technical note issued vide circular ref: IRDAI/ACT/CIR/MISC/069/04/2021 dated 1st April 2021.

Where any Insurer is found to be non-compliant with the extant regulations or guidelines, the Authority notwithstanding the action that may be taken under the provisions of Insurance Act 1938, may take one or more of the following actions.

1. Direct the insurer to withdraw the product.
2. Withdraw the Use and File facility specified as per the norms specified herein for such insurer for a period as may be determined.

These norms shall come in to force with immediate effect. All existing products filed under File and Use procedure and whose UIN are yet to be issued are deemed withdrawn and insurers may launch the same under the Use and File procedure specified under these guidelines.

Use and file (U&F) procedure for life insurance products & riders

In order to facilitate the life insurance industry to respond faster to the emerging market needs, in terms of designing and pricing of insurance products and to promote ease of doing business, it is decided to expand the scope of Use & File procedure for life insurance products.

This circular shall come into force with immediate effect.

The Insurer shall have a Board Approved Product Management & Pricing Policy (BAPMPP).

The Board of insurer shall constitute a Product Management Committee (PMC), which shall have Appointed Actuary, Chief Risk Officer, Chief Marketing/Distribution Officer, Chief Technology Officer and Chief Compliance Officer of the insurer as members. In addition to the above, the insurer may include other members of its senior management in the PMC as members or as invitees.

The PMC shall review and approve the products/riders in line with BAPMPP before filing with the Authority under Use & File procedure. The PMC shall ensure that the Benefits reflecting in sales literature, Terms and Conditions reflecting in Policy document shall be consistent with the design approved.

The PMC shall carry out a due diligence process and record its concurrence/sign off on various product related risks (such as risks related to capital requirements, profitability, underwriting, reinsurance, etc.) to ensure proper product design, appropriate pricing, and filing with the Authority with complete compliance of regulatory requirements.

The CEO of the insurer shall have an overall responsibility for ensuring that a robust due diligence process is in place to mitigate risks arising from the products.

The quorum for the PMC shall be 3 members in addition to Appointed Actuary.

IRDAI eases capital requirement under PMJJBY

In order to facilitate more participation of insurers in Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY), Insurance Regulatory and Development Authority of India (IRDAI) has reduced the capital required to be held by insurers offering PMJJBY, by almost 50%. This move will enable life insurers to offer more policies under the scheme and provide financial security to bottom of the pyramid of Indian population, through life insurance.

This step by IRDAI will supplement the recent revision of premium rates by Government of India for the two flagship schemes – PMJJBY and Pradhan Mantri Suraksha Bima Yojana (PMSBY) to make these schemes economically viable.

The easing of capital requirement by IRDAI will accelerate the penetration of life insurance in India and will support the life insurers in achieving the target set by the Government.

INFRASTRUCTURE & OTHER GOVT. INITIATIVES

Cabinet approves auction of IMT/ 5G Spectrum

The Union Cabinet chaired by the Prime Minister Shri Narendra Modi has approved a proposal of the Department of Telecommunications to conduct spectrum auction through which spectrum will be assigned to the successful bidders for providing 5G services to public and enterprises.

Digital connectivity has been an important part of policy initiatives of Government through its flagship programs such as Digital India, Start-up India, Make in India etc.

Broadband, especially the mobile broadband, has become integral part of the daily lives of the citizens. This received a big boost through the rapid expansion of 4G services across the country since 2015. Eighty crore subscribers have access to broadband today compared to ten crore subscribers in 2014.

Through such pathbreaking policy initiatives, the Government has been able to promote access to mobile banking, online education, telemedicine, e-Ration etc. to Antyoday families.

The 4G ecosystem created in the country is now leading to 5G indigenous development. The 5G test bed setup in 8 top technology institutes of India is speeding up the launch of domestic 5G technology in India. The PLI (Production-Linked Incentives) schemes for mobile handsets, telecom equipments and the launch of the India Semiconductor Mission is expected to help build a strong ecosystem for the launch of 5G services in India. The time is not far away when India is going to emerge as a leading country in field of 5G technology and the upcoming 6G technology.

Spectrum is an integral and necessary part of the entire 5G eco-system. The upcoming 5G services have the potential to create new age businesses, generate additional revenue for enterprises and provide employment arising from the deployment of innovative use-cases and technologies.

A total of 72097.85 MHz of spectrum with a validity period of 20 years will be put to auction to be held by the end of July 2022. The auction will be held for spectrum in various Low (600 MHz, 700 MHz, 800 MHz, 900 MHz, 1800 MHz, 2100 MHz, 2300 MHz), Mid (3300 MHz) and High (26 GHz) frequency bands.

It is expected that the Mid and High band spectrum will be utilised by Telecom Service Providers to roll-out of 5G technology-based services capable of providing speed and capacities which would be about 10 times higher than what is possible through the current 4G services.

The spectrum auction will be benefitted by the Telecom Sector Reforms announced in September 2021. The reforms include zero Spectrum Usage Charges (SUC) on the spectrum acquired in the upcoming auction, providing a significant relief to the service providers in terms of the operating cost of telecom networks. Further, the requirement of submitting a financial bank guarantee equivalent to one annual instalment has also been done away with.

Continuing the pace of Telecom Sector reforms, the Cabinet announced various progressive options with regard to the spectrum to be acquired by bidders through the forthcoming spectrum auction for facilitating ease of doing business. For the first time ever, there is no mandatory requirement to make upfront payment by the successful bidders. Payments for spectrum can be made in 20 equal annual instalments to be paid in advance at the beginning of each year. This is expected to significantly ease cash flow requirements and lower the cost of doing business in this sector. The bidders would be given an option to surrender the spectrum after 10 years with no future liabilities with respect to balance instalments.

The availability of sufficient backhaul spectrum is also necessary to enable the roll-out of 5G services. To meet the backhaul demand, the Cabinet has decided to provisionally allot 2 carriers of 250 MHz each in E-band to the Telecom Service Providers. The Cabinet also decided to double the number of traditional Microwave backhaul carriers in the existing frequency bands of 13, 15, 18 and 21 GHz bands.

The Cabinet also decided to enable the development and setting up of Private Captive Networks to spur a new wave of innovations in Industry 4.0 applications such as machine to machine communications, Internet of Things (IoT), Artificial Intelligence (AI) across automotive, healthcare, agriculture, energy, and other sectors.

CAPITAL MARKETS

SEBI Board Meeting

The SEBI Board met in Mumbai and inter-alia, took the following decisions:

1. **Allowing FPIs to participate in Exchange Traded Commodity Derivatives market**

The Board, after deliberations, approved the participation of Foreign Portfolio Investors (FPIs) in Exchange Traded Commodity Derivatives (ETCDs).

The participation of FPIs in ETCDs is expected to enhance liquidity and market depth as well as promote efficient price discovery. SEBI has already allowed institutional investors such as Category III AIFs, Portfolio Management Services and Mutual Funds to participate in ETCDs.

Effective date will be notified vide a Circular.

2. **Amendments to Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 (SECC Regulations) – provisions relating to Limited Purpose Clearing Corporation (LPCC) for clearing and settlement of Corporate Bond Repo Transactions**

The Board considered and approved the proposals for making amendments to the provisions of the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 to align the provisions of the SECC regulations with those of the RBI Central Counter Party Directions, 2018.

In respect of the requirements of the RBI's Directions for Central Counterparties and the Payment and Settlements Systems Act, 2007 (PSS Act) administered by RBI, the Board considered and approved the following proposals:

a. Over time, the LPCC shall put in place a mechanism for infusion of additional capital in a phased manner, in line with the risk management and increasing trading volumes in order to meet the net worth requirements under the PSS Act and
b. SEBI, in consultation with RBI, will review the outsourcing agreements of the LPCC in relation to its core and critical IT support infrastructure / activities for running the core activities (transaction process, clearing and settlement) after two or three years.

3. Amendment to SEBI (Mutual Funds) Regulations, 1996

The Board approved amendment to SEBI (Mutual Funds) Regulations, 1996 to remove applicability of the definition of "associate" as per the said regulations to such sponsors, which invest in various companies on behalf of the beneficiaries of insurance policies or such other schemes as may be specified by the Board from time to time.

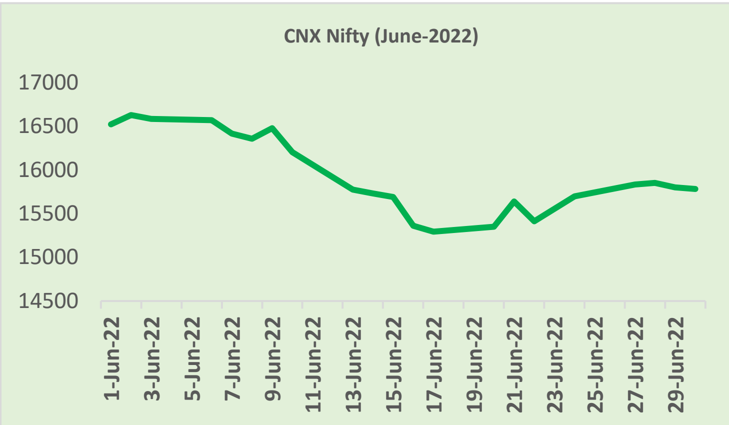
4. Amendment to SEBI (Portfolio Managers) Regulations, 2020

The Board considered the proposals and approved the amendments to the SEBI (Portfolio Managers) Regulations, 2020, to enhance prudential norms for investments by portfolio managers including investments in associates/ related parties.

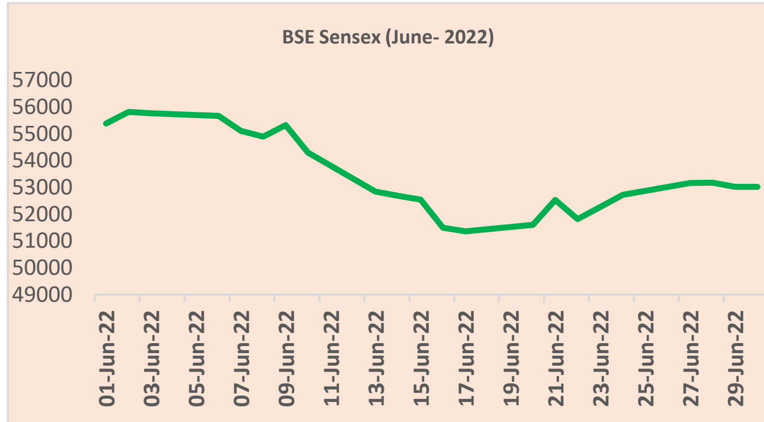
5. SEBI Annual Report: 2021-22

The Board considered and approved the SEBI Annual Report: 2021-22. In compliance with Section 18(2) of SEBI Act, 1992, the Annual Report would be submitted to the Central Government.

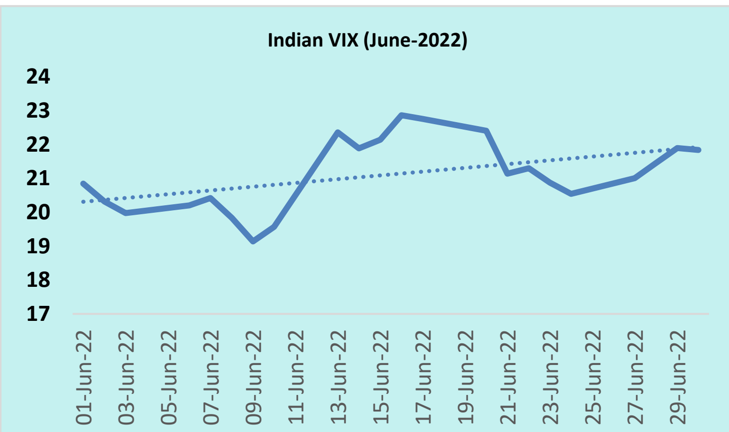
CAPITAL MARKETS SNAPSHOT



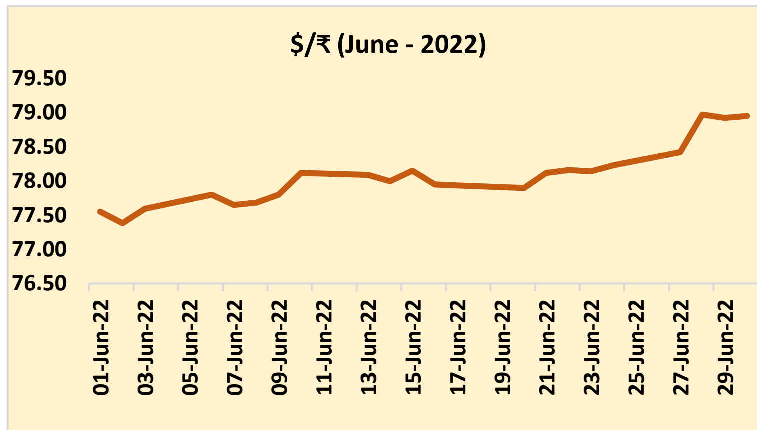
Source: National Stock Exchange



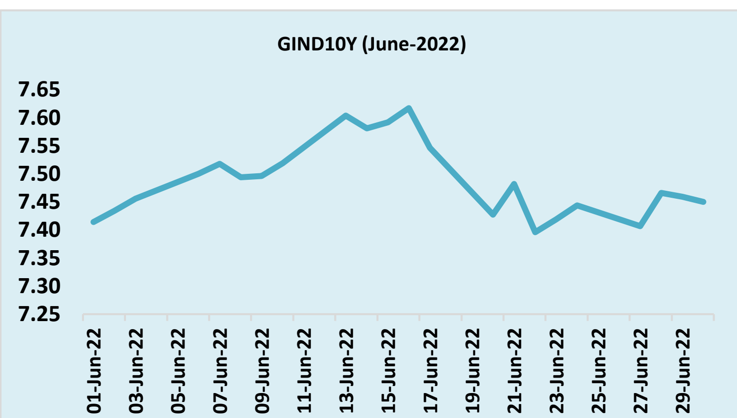
Source: Bombay Stock Exchange



Source: National Stock Exchange



Sources: APAS Business Research Team



Sources: APAS Business Research Team

In June 2022, the Nifty fell by 4.85%. This comes on top of fall of 3.03% in May 2022 and 2.07% in April 2022. June 2022 also marked the fourth consecutive month that the Nifty gave negative returns. The pressure was also visible in the smaller indices. In June 2022, the mid-cap index fell by 6.24%, while the small cap index fell by 8.29%, as smaller stocks saw their vulnerability exposed in a highly volatile market. FPI selling continued relentlessly in June 2022 with FPIs selling off USD 6.43 billion on top of USD 5.86 billion selling in equities in the month of May 2022. The selling got amplified after the RBI went aggressive on rate hikes. During the latter part of the month, the market did attempt a bounce from lower levels, but the weakness in the Indian rupee, which cracked beyond the 79/USD mark, only worsened the scenario for the equity markets.

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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	1.7 Q1	1.3	1.1	11.7 May	10.4	0.0	-6.7	12
Russia	3.5 Q1	-10.0	-2.0	17.1 May	21.0	9.9	-4.4	8.94
India	**4.1 Q1**	**6.9**	**5.0**	**7.0 May**	**7.3**	**-1.5**	**-6.6**	**7.40**
China	4.8 Q1	4.0	5.5	2.1 May	2.1	2.5	-6.2	2.59^
S Africa	3.0 Q1	1.9	2.4	6.6 May	6.0	-1.1	-6.1	10.0
USA	3.5 Q1	2.3	1.3	8.6 May	7.8	-4.3	-5.9	3.16
Canada	2.9 Q1	3.8	2.8	7.7 May	6.2	1.1	-3.6	3.42
Mexico	1.8 Q1	1.9	2.2	7.7 May	7.6	-0.6	-3.2	9.16
Euro Area	5.4 Q1	2.3	1.6	8.1 May	7.1	2.3	-4.4	1.62
Germany	3.8 Q1	1.3	0.9	7.9 May	7.7	6.3	-3.2	1.62
Britain	8.7 Q1	3.6	0.5	9.1 May	7.2	-2.7	-5.5	2.63
Australia	3.3 Q1	3.0	2.5	5.1 Q1	5.0	3.1	-3.2	3.99
Indonesia	5.0 Q1	5.1	4.6	3.6 May	5.3	0.2	-4.8	7.47
Malaysia	5.0 Q1	5.0	4.2	2.3 Apr	3.0	2.8	-6.2	4.27
Singapore	3.7 Q1	3.6	3.1	5.6 May	6.0	18.3	-0.9	3.05
S Korea	3.0 Q1	2.7	2.5	5.4 May	4.4	3.4	-2.3	3.70

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

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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