2022

Volume 10

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.

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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/

Editorial

In this issue, Mr. Sundeep Sikka - MD, has presented his thoughts on ‘Trends in the asset management sector and next 3 upcoming major developments to watch’. We thank Mr. Sundeep Sikka for his contribution to the APAS Monthly.

This month, the APAS column covers the new and evolving concept ‘Open Network for Digital Commerce (ONDC)’.

The economic indicators showed mixed performance. Manufacturing fell to a three-month low of 55.1 in September 2022 from 56.2 in August. India’s infrastructure output increased 7.9% year-on-year in September of 2022, following an upwardly revised 4.1% rise in August. It is the highest growth rate in three months. India's Index of Industrial Production (IIP) or factory output for the month of August 2022 shrinks by 0.8 %. PMI services declined to 54.3 in September 2022 from August’s of 57.2, and below market consensus of 57, while Composite PMI came in at 55.1 in September, down from August's 58.2. India's consumer price index (CPI) or retail inflation rose to 7.41 % in September 2022, compared to 7.00 % in August 2022. WPI inflation eased to 10.7% in September 2022, as compared to 12.41 % in August 2022.

The Reserve Bank of India (RBI) introduces Internal Ombudsman mechanism for Credit Information Companies (CICs) and launched दक्ष (DAKSH) - Reserve Bank’s Advanced Supervisory Monitoring System.

Insurance Regulatory Development Authority of India (IRDAI) released a circular on Standard Operating Procedure for Inter-operable Regulatory Sandbox (IoRS).

Cabinet approves new Scheme “Prime Minister’s Development Initiative for North East Region (PM-DevINE) for the remaining four years of the 15th Finance Commission from 2022-23 to 2025-26.

Securities and Exchange Board of India (SEBI) Board announces - Secondary market in corporate bonds to get a boost.

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 the asset management sector and next 3 upcoming major developments to watch

Sundeep Sikka
Executive Director & CEO
Nippon Life India Asset Management Limited

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- *RBI launches दक्ष (DAKSH) - Reserve Bank's Advanced Supervisory Monitoring System*

INSURANCE

- *Standard Operating Procedure for Inter-operable Regulatory Sandbox (IoRS)*

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- *1,51,718 crore gross GST revenue collected for October 2022*
- *PM launches 5G Services*

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- Secondary market in corporate bonds to get a boost
- Standard Operating Procedure for Inter - operable Regulatory Sandbox (IoRS)

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 the asset management sector and next 3 upcoming major developments to watch

Sundeep Sikka
Executive Director & CEO
Nippon Life India Asset Management Limited

India's Mutual Fund industry has shown a spectacular growth over the past few years. With Assets Under Management ('AUM') of INR 39.88 trillion as of Sep 2022, the industry size has become ~more than 5 times of what it was a decade ago. The monthly SIP Amount today is at its all-time high of 12,976 Cr vs. 5,516 Cr just 5 years ago. Despite all this growth, the penetration of mutual funds in India is still quite low -

- In a country with population of ~140 Crore, there are only 3.6 Cr mutual fund investors i.e less than 3% population.
- The penetration of mutual fund in India in terms of size is only ~ 16% of GDP, much lower than the global average of ~ 74%.
- Compared to the Industry AUM of INR 39.88 trillion, the banking industry has deposits of INR 170 trillion which also highlights the huge runway for growth.

Some of the key trends that are emerging in the asset management space that will enable this growth are -

1. Digitization

India's solid digital infrastructure, backed by availability of affordable smartphones and low-cost internet has enabled Indians to embrace digital applications. Today, India has ~ 69 Cr active internet users, more than 50% of which are from the rural pockets. Improved digital penetration has made access to information and digital services easier across the country. Digital Investment platforms supported by increasing financial services have helped accelerate Mutual Fund Industry's growth. Over the last 3 years alone, Industry's unique investor count has grown by 81% to 3.6 Cr, while the investor folio count has grown by 61% to 13.81 Cr. A good amount of this growth has been driven by digital investment platforms such as Zerodha, Groww, Paytm and ET Money who have ~ 1.35 Crore Investor folios i.e ~10% of Industry's investor folios.

2. Increasing Popularity of Passives

With reducing information asymmetry, alpha generation in the asset management industry has become incrementally more difficult. As per a latest Industry report that compared the performance of actively managed funds to their benchmark, over 89% of actively managed Large Cap funds underperformed their benchmark in the 5-year period. With alpha generation becoming more challenging, Passives are gaining popularity given their low cost, simplicity, and absence of any fund manager bias. ETF AUM stands at INR 4.79 trillion, forming ~12% to Industry's Assets vs. only 3% 5 years ago. Popularity of ETFs among retail investors is also highlighted by its 1.63 Cr investor folio count.

3. Hyper personalized Investments & Technological Advancements

Advanced Artificial intelligence and Machine Learning technologies are being leveraged to offer hyper personalized or tailored offerings across industries. Many investment platforms and distributors have also started using these technologies to offer hyper-personalized investment solutions to every individual — at scale. This feature will bring in more investors into the gamut of mutual funds and help new investors create and manage their investment portfolio depending on their personal requirements

4. Huge untapped Potential in Smaller Towns and Cities

Beyond 30 ('B30') locations where ~90% of Indian households are located contribute ~17% to Mutual Fund Industry's AUM. However, when it comes to Bank deposits, these locations contribute ~50% to total Savings and Fixed Deposits in Banks.

With increasing financial awareness, growing consumer affluence especially in smaller towns, and strong digital penetration, the next leg of Mutual Fund Industry's growth is expected to come from these locations.

5. Direct Investments

Investor awareness initiatives and campaigns undertaken by regulators, AMFI and Asset Management Companies have increased financial awareness and have also led many investors to invest directly in Mutual Funds. Today ~19% of Retail Mutual Fund AUM is direct vs. only 9.3% 5 years ago. Having said that, many retail investors will continue to rely on mutual fund distributors for handholding and guiding them through their financial planning and wealth creation journey.

Despite the growth that the Indian mutual fund industry has shown over the last few years, it has a long way to go. Increasing digitalization, rising financial awareness, growing affluence in smaller towns and cities, and technological advancements enabling customized investment solutions can significantly increase MF penetration in India. With the right alignment of these factors and numerous opportunities for growth ahead, India's asset management industry is well placed for an exponential growth.

Open Network for Digital Commerce (ONDC)

Open Network for Digital Commerce (ONDC) is an initiative aiming at promoting open networks for all aspects of exchange of goods and services over digital or electronic networks. ONDC is to be based on open-sourced methodology, using open specifications and open network protocols independent of any specific platform.

ONDC, a UPI-type protocol, is a set of standards for voluntary adoption by sellers or logistics providers or payment gateways. It is a market and community-led network that aims to create an open, inclusive and competitive marketplace. Still at a nascent stage, it is being pitched as a solution to break the dominance of large e-commerce firms like Flipkart, Amazon and others in India. The network aims to democratise e-commerce by putting more kiranas and unorganized retailers online.

ONDC is being pitched as a non-profit e-commerce network that will display products and services from all participating e-commerce platforms in search results. For example, if both Amazon and Flipkart integrate their platforms with ONDC, a user searching for a Bluetooth headset on Amazon would also see results from Flipkart on the Amazon app. Set up as a non-profit company, ONDC would let sellers voluntarily display their products and services across all participating apps and platforms. Since this network uses open specifications and protocols, and is not tied down to any platform, it does not require buyers and sellers to use the same platform to complete a transaction. So long as the platforms are connected to this open network, buyers and sellers can transact, irrespective of the applications they use.

9 banks have picked up stakes in the ONDC network. SBI, BOB, PNB, Kotak Mahindra Bank, Axis Bank, HDFC Bank, IDFC First Bank and ICICI Bank own a 6.35% stake each in the network, while UCO Bank has picked up 3.17%. SIDBI and NABARD also own a 6.35% stake each.

National Payments Corporation of India (NPCI) has evinced interest in developing the payment and settlement architecture of the ONDC network. However, the RBI has raised concerns over its plans to buy a 10% stake in ONDC over a potential conflict of interest.

As NPCI wants to develop payments and settlement system for ONDC, RBI feels that if it acquires a stake in ONDC, then it will cease to be a neutral party. The RBI has sought more time to study the proposal.

ONDC is expected to make e-Commerce more inclusive and accessible for consumers. Consumers can potentially discover any seller, product or service by using any compatible application or platform, thus increasing freedom of choice for consumers. It will enable the consumers to match demand with the nearest available supply. This would also give consumers the liberty to choose their preferred local businesses. Thus, ONDC would standardize operations, promote inclusion of local suppliers, drive efficiencies in logistics and lead to enhancement of value for consumers.

-APAS

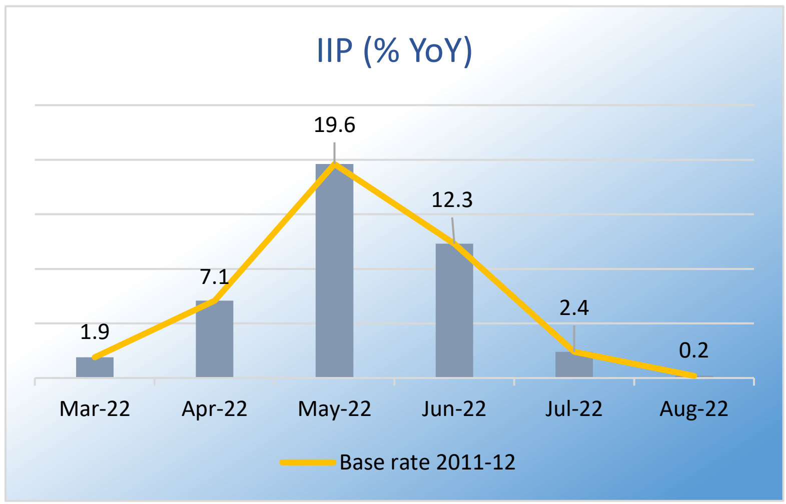
ECONOMY

IIP (Index of Industrial Production) – September

Index of Industrial Production (IIP) or factory output for the month of August 2022 shrinks by 0.8 %, compared to 2.2% in July 2022 and 13.0% in August 2021.

For the month of August 2022, the Quick Estimates of Index of Industrial Production (IIP) with base 2011-12 stands at 131.3, which is 0.2% higher as compared to August 2021, suggesting a flat movement.

The manufacturing sector, declined from 135.2 in August to 131.0 in September by 3.1 %.



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

Mining sector output contracted by 1.01%, to 99.6. Electricity generation rose by 1.01 %, to 191.3.

As per Use-based classification, the indices stand at 129.4 for Primary Goods, 95.7 for Capital Goods, 145.6 for Intermediate Goods and 150.8 for Infrastructure/ Construction Goods for the month of August 2022.

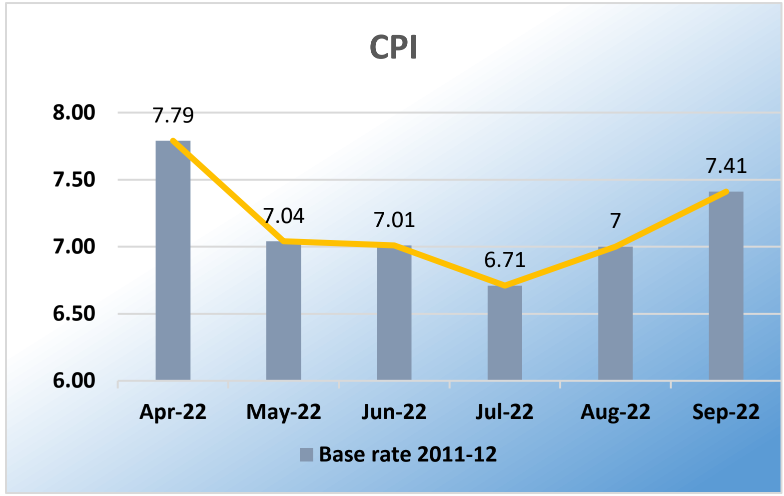
Further, the indices for Consumer durables and Consumer non-durables stand at 118.6 and 133.6 respectively for the month of August 2022.

CPI (Consumer Price Index) – September

India's consumer price index (CPI) or retail inflation rose to 7.41 % in September 2022, compared to 7.00 % in August 2022 and 4.35 % in September 2021.

The corresponding provisional inflation rates for rural and urban areas are 7.56 % and 7.27% respectively.

The Consumer Food Price Index (CFPI) rose to 8.60% in September 2022 from 7.62 % in August 2022.



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

Prices increased faster for food (8.6% vs 7.62% in August), with vegetables (18.05%), spices (16.88%), cereals and products (11.53%) recording the biggest rises as erratic rainfall impacted the local crops and supply shock from the Russian invasion of Ukraine remained.

Prices of housing (4.57% vs 4.06%); education (5.68% vs 5.51%); transportation & communication (5.39% vs 5.2%); and health (5.52% vs 5.43%) also accelerated.

On the other hand, the cost of fuel and light grew at a slightly slower pace (10.39% vs 10.78%).

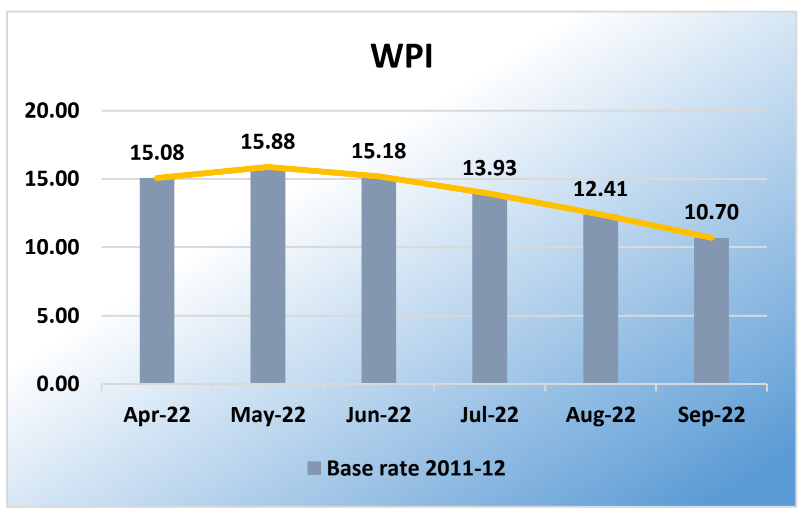
Compared to the previous month, consumer prices were up 0.57%.

WPI (Wholesale Price Index) – September

India's wholesale price index (WPI) inflation eased to 10.7% in September 2022, as compared to 12.41 % in August 2022. It was 10.66% in September 2021.

The rate of inflation based on WPI Food Index increased to 8.08% in September 2022 from 9.93% in August 2022.

The index for this major group declined by (- 1.34%) to 176.2 (provisional) in September 2022 from 178.6 (provisional) for the month of August 2022.



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

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Prices of Food Articles (0.28%) increased in September 2022 as compared to August 2022. Prices of Non-food Articles (-3.60%), Crude Petroleum & Natural Gas (-6.38%) and Minerals (-6.45%) declined in September 2022 as compared to August 2022.

The index for fuel and power increased by 0.13% from the previous month.

Prices increased for electricity (5.16%). Prices declined for mineral oils (-1.32%).

The index for manufactured products declined by 0.49% from the previous month.

Manufacturing PMI – September

The S&P Global India Manufacturing fell to a three-month low of 55.1 in September 2022 from 56.2 in August, missing market estimates of 55.8. Still, this was the 15th straight month of increase in factory activity, despite global headwinds and growing recession risks.

Firms stepped up output in tandem with a sustained gain in new orders. Rates of growth stayed historically high, despite easing from August.

Source: www.tradingeconomics.com

Meantime, new export orders rose for the sixth straight month, growing the most since May.

Also, employment growth hit a 3-month high, with backlogs increasing at a softer rate. There was a marginal deterioration in vendor performance following improvements in the prior three months.

On prices, input costs rose at the slowest pace since October 2020 while selling prices went up at the softest pace in 7 months.

Finally, sentiment improved for the third month in a row to its highest level in over 7-1/2 years, on marketing efforts, expanded client bases, and greater demand.

Services PMI – September

The S&P Global India Services PMI declined to 54.3 in September 2022 from August's of 57.2, and below market consensus of 57.

The latest reading was the weakest expansion in the sector in six months, as both output and new orders grew at the slowest rates since March, amid inflationary pressures and competitive conditions, which in turn dampened job creation.

Source: www.tradingeconomics.com

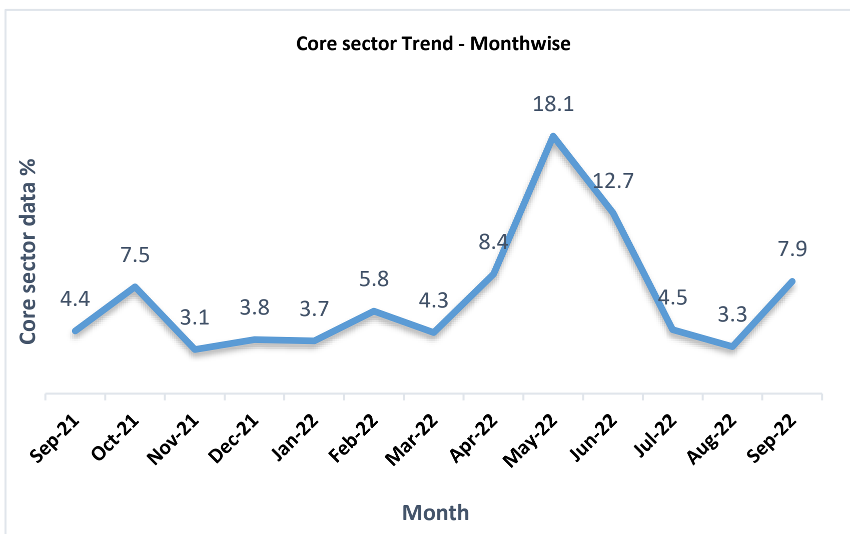
Growth in new orders was marked and accelerated from September, while employment rose for the fifth month in a row and at the second-fastest pace in over three years. Meantime, capacity pressures stayed mild as backlogs rose at a slight pace that was broadly similar to September.

On the price front, input price inflation eased to an 11-month low, while output cost inflation slowed to a six-month low.

Looking ahead, sentiment strengthened to an over seven-and-a-half years on marketing efforts and forecasts of sales.

Core Sector Data – September

The combined Index of Eight Core Industries increased by 7.9 per cent (provisional) in September 2022 as compared to the Index of September 2021. The production of Cement, Coal, Fertilizers, Electricity, Steel and Refinery Products industries increased in September 2022 over the corresponding month of last year. ICI measures combined and individual performance of production in selected eight core industries viz. Coal, Crude Oil, Natural Gas, Refinery Products, Fertilizers, Steel, Cement and Electricity.



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

The Eight Core Industries comprise 40.27 percent of the weight of items included in the Index of Industrial Production (IIP). Details of yearly and monthly indices and growth rates are provided at Annex I & II respectively.

2. Final growth rate of Index of Eight Core Industries for June 2022 is revised to 13.1% from its provisional level 12.7%. The cumulative growth rate of ICI during April-September 2022-23 was 9.6% (P) as compared to the corresponding period of last year.

3. The summary of the Index of Eight Core Industries is given below:

Coal – Coal production (weight: 10.33 per cent) increased by 12.0 per cent in September 2022 over September 2021. Its cumulative index increased by 21.0 per cent during April to September, 2022-23 over corresponding period of the previous year.

Crude Oil – Crude Oil production (weight: 8.98 per cent) declined by 2.3 per cent in September 2022 over September 2021. Its cumulative index declined by 1.3 per cent during April to September, 2022-23 over the corresponding period of previous year.

Natural Gas - Natural Gas production (weight: 6.88 per cent) declined by 1.7 per cent in September 2022 over September 2021. Its cumulative index increased by 1.8 per cent during April to September, 2022-23 over the corresponding period of previous year.

Petroleum Refinery Products–Petroleum Refinery production (weight: 28.04 per cent) increased by 6.6 per cent in September 2022 over September 2021. Its cumulative index increased by 10.1 per cent during April to September, 2022-23 over the corresponding period of previous year.

Fertilizers –Fertilizers production (weight: 2.63 per cent) increased by 11.8 per cent in September 2022 over September 2021. Its cumulative index increased by 11.5 per cent during April to September, 2022-23 over the corresponding period of previous year.

Steel –Steel production (weight: 17.92 per cent) increased by 6.7 per cent in September 2022 over September,2021. Its cumulative index increased by 6.4 per cent during April to September, 2022-23 over the corresponding period of previous year.

Cement –Cement production (weight: 5.37 per cent) increased by 12.1 per cent in September 2022 over September 2021. Its cumulative index increased by 10.9 per cent during April to September, 2022-23 over the corresponding period of previous year.

Electricity –Electricity generation (weight: 19.85 per cent) increased by 11.0 per cent in September 2022 over September 2021. Its cumulative index increased by 10.7 per cent during April to September, 2022-23 over the corresponding period of previous year.

BANKING

The Reserve Bank introduces Internal Ombudsman mechanism for Credit Information Companies (CICs)

As announced in the 'Statement on Developmental and Regulatory Policies' issued as part of the Monetary Policy statement dated August 5, 2022, the Reserve Bank, in exercise of the powers conferred by sub section (1) of Section 11 of the Credit Information Companies (Regulation) Act, 2005 (the Act), being satisfied that it is necessary in the public interest to do so, directs all Credit Information Companies (CICs) holding a Certificate of Registration under sub-section (2) of Section 5 of the Act, to appoint Internal Ombudsman (IO) at the apex of their internal grievance redress mechanism by April 1, 2023.

2. The Direction covers, inter-alia, the appointment/tenure, role and responsibilities, procedural guidelines, and oversight mechanism for the IO. Under the mechanism, all complaints that are partly or wholly rejected by CICs will be reviewed by the IO before the final decision of the CIC is conveyed to the complainant. The IO will not entertain any complaints directly from the members of public.

3. The implementation of the IO mechanism will be monitored by the CIC's internal audit system, apart from regulatory oversight by RBI.

RBI launches दक्ष (DAKSH) - Reserve Bank's Advanced Supervisory Monitoring System

The Reserve Bank of India has been taking various initiatives in strengthening supervision, which among other initiatives include adoption of latest data and analytical tools as well as leveraging technology for implementing more efficient and automated work processes. In continuation of this effort, Shri Shaktikanta Das, Governor, has launched a new SupTech initiative named "दक्ष (DAKSH) - Reserve Bank's Advanced Supervisory Monitoring System", which is expected to make the Supervisory processes more robust.

'दक्ष (DAKSH)' means 'efficient' & 'competent', reflecting the underlying capabilities of the application. 'दक्ष (DAKSH)' is a web-based end-to-end workflow application through which RBI shall monitor compliance requirements in a more focused manner with the objective of further improving the compliance culture in Supervised Entities (SEs) like Banks, NBFCs, etc. The application will also enable seamless communication, inspection planning and execution, cyber incident reporting and analysis, provision of various MIS reports etc., through a Platform which enables anytime-anywhere secure access.

INSURANCE

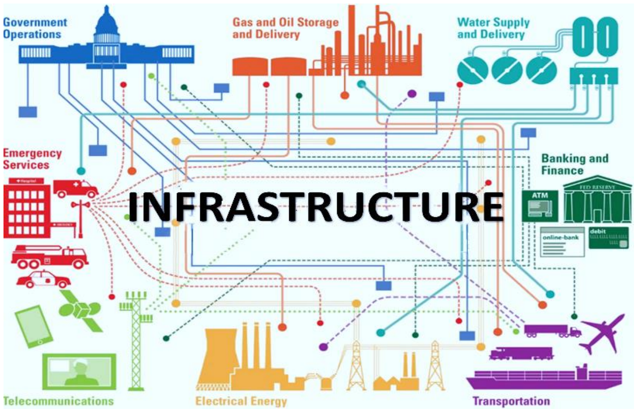
Standard Operating Procedure for Inter-operable Regulatory Sandbox (IoRS)

An Inter-Regulatory Technical Group on FinTech (IRTG on FinTech) had been constituted under the aegis of the Financial Stability and Development Council- Sub Committee (FSDC-SC).

The terms of reference (ToR) of IRTG on FinTech include discussion on issues relating to hybrid product/ service falling under the regulatory ambit of different financial sector regulators for admission in Regulatory Sandbox and framing of Standard Operating Procedure (SOP) for IoRS for hybrid products/services. The group, in addition to the members from Financial Sector Regulators, has representation from Department of Economic Affairs (DEA), Ministry of Finance and Ministry of Electronics and Information Technology (**MeITY**), GoI.

2. In order to facilitate testing of innovative products/services falling within the regulatory ambit of more than one financial sector regulators viz. RBI, SEBI, IRDAI, IFSCA and PFRDA, a Standard Operating Procedure (SOP) for IoRS has been prepared by the Inter-Regulatory Technical Group on FinTech (IRTG on FinTech). The Insurance Regulatory and Development Authority of India has placed on its website the SOP for IORS.

3. The Common Application form for participating in the IoRS is attached. The entities meeting the minimum eligibility criteria for participating in the RS of the Principal Regulator (as defined in the SOP), may apply, along with requisite documents through email at iors@rbi.org.in (maximum size 10 MB). Additional information and/ or documents, as and when required, will have to be furnished by the applicant. The Principal Regulator/ Associate Regulators shall reserve the right on admissibility of the hybrid product / solution / innovation as per their RS framework.



INFRASTRUCTURE & OTHER GOVT. INITIATIVES

Cabinet approves new Scheme "Prime Minister's Development Initiative for North East Region (PM-DevINE) for the remaining four years of the 15th Finance Commission from 2022-23 to 2025-26

The Union Cabinet, chaired by the Prime Minister Shri Narendra Modi, has approved a new Scheme, Prime Minister's Development Initiative for North East Region (PM-DevINE) for the remaining four years of the 15th Finance Commission from 2022-23 to 2025-26. The new Scheme, PM-DevINE, is a Central Sector Scheme with 100% Central funding and will be implemented by Ministry of Development of North Eastern Region (DoNER).

The PM-DevINE Scheme will have an outlay of Rs.6,600 crore for the four-year period from 2022-23 to 2025-26 (remaining years of 15th Finance Commission period).

Efforts will be made to complete the PM-DevINE projects by 2025-26 so that there are no committed liabilities beyond this year. This implies front-loading of the sanctions under the Scheme in 2022-23 and 2023-24 primarily. While expenditure would continue to be incurred during 2024-25 and 2025-26, focused attention will be given to complete the sanctioned PM-DevINE projects.

PM-DevINE will lead to creation of infrastructure, support industries, social development projects and create livelihood activities for youth and women, thus leading to employment generation.

PM-DevINE will be implemented by Ministry of DoNER through North Eastern Council or Central Ministries/ agencies. Measures would be taken to ensure adequate operation and maintenance of the projects sanctioned under PM-DevINE so that they are sustainable. To limit construction risks of time and cost overrun, falling on the Government projects would be implemented on Engineering-procurement-Construction (EPC) basis, to the extent possible.

The objectives of PM-DevINE are to:

(a) Fund infrastructure convergently, in the spirit of PM Gati Shakti.

(b) Support social development projects based on felt needs of the NER.

(c) Enable livelihood activities for youth and women.

(d) Fill the development gaps in various sectors.

There are other MDoNER Schemes for the development of North Eastern Region. The average size of projects under other MDoNER Schemes is about Rs.12 crore only. PM-DevINE will provide support to infrastructure and social development projects which may be larger in size and will also provide an end-to-end development solution instead of isolated projects. It will be ensured that there is no duplication of project support under PM-DevINE with any of the other schemes of MDoNER or those of any other Ministry/Department.

PM-DevINE, was announced in the Union Budget 2022-23 to address development gaps in the North Eastern Region (NER). Announcement of PM-DevINE is yet another instance of the importance being attached to the development of NE Region by the Government.

PM-DevINE is an additionality to the quantum of resources available for the development of the NER. It will not be a substitute for existing Central and State Schemes.

While some of the projects to be approved for 2022-23 under PM-DevINE are part of the Budget announcement, projects with substantial socio-economic impact or sustainable livelihood opportunities for the general public (e.g., basic infrastructure in all Primary Health Care Centers, comprehensive facilities in Government Primary and Secondary Schools, etc.) may be considered in the future.

The justification for announcement of PM-DevINE is that the parameters of NE States in respect of Basic Minimum Services (BMS) are well below the national average and there are critical development gaps as per the BER District Sustainable Development Goad (SDG) Index 2021-22 prepared by NITI Aayog, UNDP and MDoNER. The new Scheme, PM-DevINE was announced to address these BMS shortfalls and development gaps.

PM launches 5G Services

Ushering in a new technological era, the Prime Minister, Shri Narendra Modi launched 5G services in New Delhi. The Prime Minister also inaugurated the sixth edition of the India Mobile Congress.

5G technology will offer a wide range of benefits to the common people. It will help in providing seamless coverage, high data rate, low latency, and highly reliable communications. Also, it will increase energy efficiency, spectrum efficiency and network efficiency. 5G technology will help in connecting billions of Internet of Things devices, will allow higher quality video services with mobility at high speed, and delivery of critical services such as telesurgery and autonomous cars among others. 5G will help in real-time monitoring of disasters, precision agriculture, and minimizing the role of humans in dangerous industrial operations such as in deep mines, offshore activities etc. Unlike existing mobile communication networks, 5G networks will allow tailoring of requirements for each of these different use cases within the same network

CAPITAL MARKETS

Secondary market in corporate bonds to get a boost

SEBI has allowed stockbrokers registered under the debt segment of the Stock Exchange(s)to place/seek bids on the Request for Quote (RFQ)platform on behalf of client(s), in addition to the existing option of placing bids in a proprietary capacity. The new norm that will come into effect from January 1, 2023, is expected to result in enhanced participation by public at large as well as in the deepening of the secondary market in corporate bonds.

RFQ is an electronic platform that enables multilateral negotiations to take place on a centralized online trading platform with straight through processing of clearing and settlement to complete trades. In February 2020, pursuant to approvals from SEBI, both National Stock Exchange of India Limited and BSE Limited launched RFQ platforms, as an extension of their existing trade execution and settlement platforms, to bring in transparency in "Over the Counter" deals in corporate bonds, which were negotiated bilaterally.

The platform provides participants a range of options to seek a quote and to respond to a quote, while keeping an audit trail of all interactions i.e. quoted yield, mutually agreed price, deal terms etc. The quotes are bilaterally negotiated between the counterparties. Presently, the RFQ platform runs as a 'participant-based' model wherein all regulated entities, listed corporate bodies, institutional investors and all India financial institutions are eligible to register, access and transact.

To enhance liquidity on the RFQ platforms of the stock exchanges, SEBI has mandated registered Mutual Funds and Portfolio Management Services, to undertake a specified percentage of their total secondary market trades in Corporate Bonds through RFQ platform of stock exchanges. IRDAI has also prescribed similar stipulations for Insurers. Since its introduction, the percentage of RFQ trades to total trades in the bond market has been growing and presently stands around 30%. SEBI has been receiving representations from market participants to permit stock brokers to place bids on behalf of their clients to facilitate wider market participation in the corporate bond market. Hence, it has been decided to allow stockbrokers to place bids on RFQ platform.

Standard Operating Procedure for Inter - operable Regulatory Sandbox (IoRS)

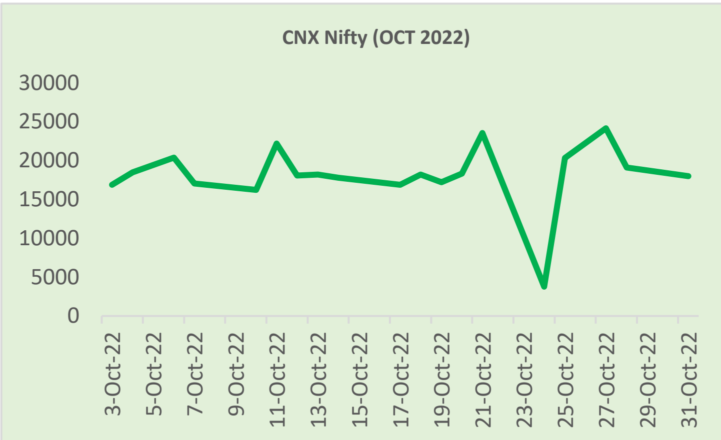
An Inter - Regulatory Technical Group on FinTech (IRTG on FinTech) had been constituted under the aegis of the Financial Stability and Development Council- Sub Committee (FSDC-SC).

The terms of reference (ToR) of IRTG on FinTech include discussion on issues relating to hybrid product/ service falling under the regulatory ambit of different financial sector regulators for admission in Regulatory Sandbox (RS) and framing of Standard Operating Procedure (SOP) for Inter-operable Regulatory Sandbox (IoRS) for hybrid products/services. The group, in addition to the members from Financial Sector Regulators, has representation from Department of Economic Affairs (DEA), Ministry of Finance and Ministry of Electronics and Information Technology (MeitY), Government of India.

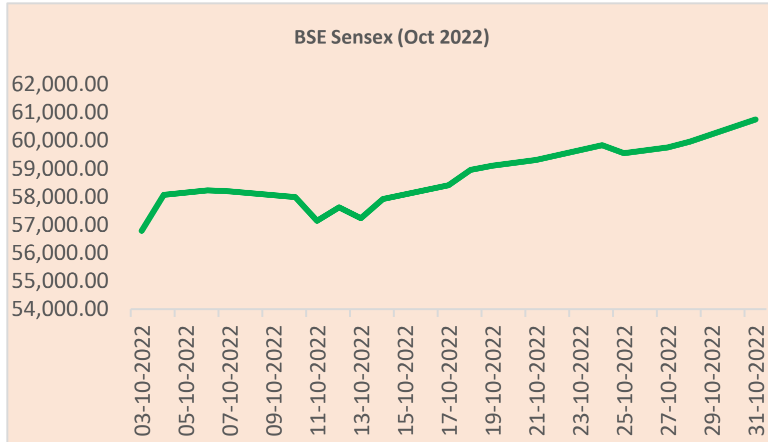
2. In order to facilitate testing of innovative products/ services falling within the regulatory ambit of more than one financial sector regulators viz. RBI, SEBI, IRDAI, IFSCA and PFRDA, a Standard Operating Procedure (SOP) for IoRS has been prepared by the Inter-Regulatory Technical Group on FinTech (IRTG on FinTech). The Securities and Exchange Board of India has placed on its website the SOP for IoRS.

3. The Common Application form for participating in the IoRS is attached. The entities meeting the minimum eligibility criteria for participating in the RS of the Principal Regulator (as defined in the SOP), may apply, along with requisite documents through email at iors@rbi.org.in (maximum size 10 MB). Additional information and / or documents, as and when required, will have to be furnished by the applicant. The Principal Regulator/ Associate Regulators shall reserve the right on admissibility of the hybrid product / solution / innovation as per their RS framework.

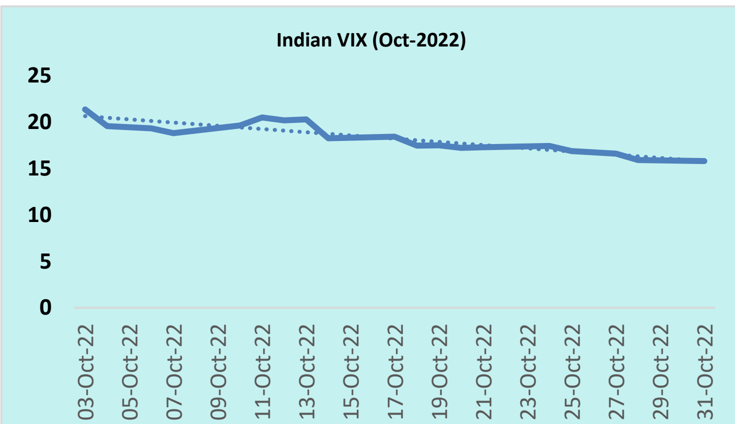
CAPITAL MARKETS SNAPSHOT



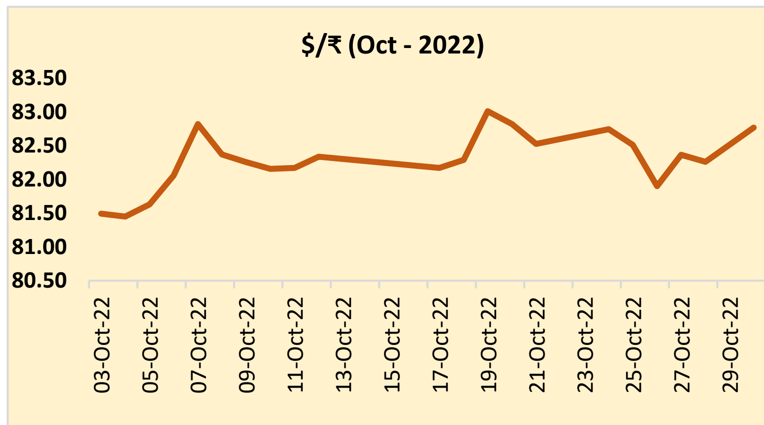
Source: National Stock Exchange



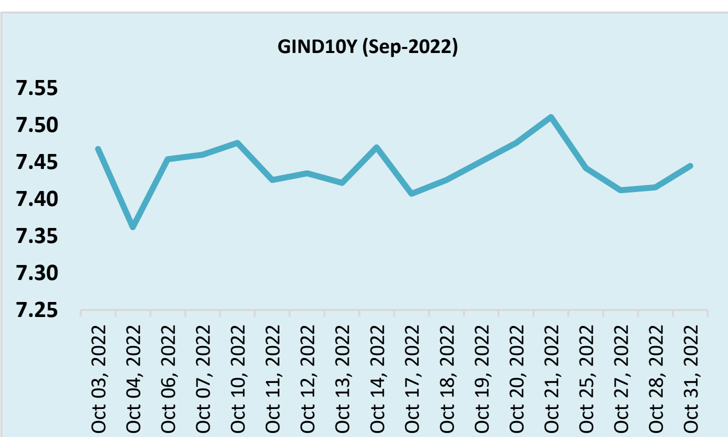
Source: Bombay Stock Exchange



Source: National Stock Exchange



Sources: APAS Business Research Team



Sources: APAS Business Research Team

It was a reversal of the previous month trend as it was the rate sensitive stock like PSU banks, Private banks, NBFCs and auto stocks that triggered the sharp rally.

CNX Nifty rallied during the month and showed gains towards the end of the month.

BSE Sensex suggested an upward movement with participation from FPIs and other domestic retail investors.

Dollar continued to strengthen vis-a-vis with rupee and moved in the range of 81.50 to 83.00.

The G-sec yields rallied between 7.35 to 7.50 showing signs of stability.

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ECONOMIC DATA SNAPSHOT

Countries	GDP		CPI		Current Account Balance	Budget Balance	Interest Rates
	Latest	2022*	Latest	2022*	% of GDP, 2022*	% of GDP, 2022*	(10YGov), Latest
Brazil	3.2 Q2	2.6	7.2 Sept	9.6	-0.4	-6.2	12.2
Russia	- 4.1 Q2	-4.4	13.7 Sept	14	12.9	-3.1	10.2
India	13.5 Q2	6.9	7.4 Sept	7.1	-2.3	-6.4	7.4
China	3.9 Q2	3.3	2.8 Sept	2.1	2.0	-7.1	2.5^
S Africa	0.2 Q2	1.9	7.8 Sept	6.9	-1.3	6.2	10.7
USA	1.8 Q2	1.5	8.2 Sept	8	-3.7	-3.7	4.0
Canada	4.6 Q2	3.1	6.9 Sept	6.8	1.3	-3.3	3.3
Mexico	2.0 Q2	2.2	8.7 Sept	8	-1.0	-2.4	9.8
Euro Area	4.3 Q2	3	9.9 Sept	8.3	1.4	-4.4	2.1
Germany	1.7 Q2	1.4	10.3 Sept	8.3	3.9	-4.4	2.1
Britain	4.4 Q2	4.4	10.1 Sept	8.4	-6.2	-6.9	3.9
Australia	3.6 Q2	3.5	7.3 Q3	6	2.3	-1.7	3.9
Indonesia	5.4 Q2	5	6.0 Sept	4.9	1.2	-3.9	7.6
Malaysia	8.9 Q2	6	4.5 Sept	3.4	1.9	-6.1	4.4
Singapore	4.4 Q2	3.5	7.5 Sept	5.7	19.2	-1.0	3.5
S Korea	3.0 Q2	2.6	5.6 Sept	5.1	1.8	-3.3	4.3

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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