NEWSLETTER

APAS MONTHLY

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ASHVIN PAREKH

THIS MONTH

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"Demystifying Reforms" and "BFSI insights"

We help demystify the latest reforms and bring market insights of the BFSI sector in India.

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EDITORIAL

In this issue, Dr. Rabi N. Mishra, Director, College of Supervisors, Reserve Bank of India has presented his thoughts on **'FinTech - New Opportunities and Challenges for Financial Services Space'**. We thank Dr Mishra for his contribution to the APAS Monthly.

This month, the APAS column covers '**Shaping a Sustainable Future: The Rise of ESG Banking in India'**.

The economic indicators showed mixed performance. Manufacturing PMI ticked lower to a 3-month low of 57.7 in July 2023 from 57.8 in June. Services PMI unexpectedly rose to 62.3 in July 2023 from June's three-month low of 58.5, exceeding market forecasts of 58. Infrastructure output in India increased 8% in July of 2023 over the same month in the previous year. Index of Industrial Production (IIP) increased 3.7% year-on-year in June 2023, easing from an upwardly revised 5.3% rise in the previous month and below market expectations of 4.8 percent. India's retail price inflation (CPI) jumped to 7.44% in July 2023, the highest since April 2022, compared to an upwardly revised 4.87% in June and market forecasts of 6.4%. India Wholesale Price Index (WPI) dropped by 1.36% year-on-year in July 2023, compared with market estimates of a 2.7% decline, following a 4.12% fall in the prior month.

The Gross Domestic Product (GDP) growth rate for the first quarter (April-June) of 2023-24 grew at 7.8 %.

Reserve Bank of India launched the Pilot Project for Public Tech Platform for Frictionless Credit. The survey of foreign liabilities and assets of mutual fund companies – 2022-23 was conducted by RBI. RBI published the Statement on Developmental and Regulatory Policies.

The Global Fintech Fest 2023 discussed some interesting initiatives. RBI Governor Launches Key Digital Payment Initiatives at Global Fintech Fest 2023. NPCI Reinforces its Commitment to Revolutionize India's Digital and Financial Landscape at the Global Fintech Fest 2023.

IRDAI is actively working towards the development and implementation of the Indian Risk-Based Capital (Ind-RBC) Framework for the Indian Insurance Industry, IRDAI recently approved a series of amendments to the Reinsurance Regulations.

SEBI proposed the formation of an Industry Standards Forum to facilitate ease of implementation of regulations: Industry Associations take next steps.

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

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Director, College of Supervisors,
Reserve Bank of India

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NPCI Reinforces its Commitment to Revolutionize India's Digital and Financial Landscape at the Global Fintech Fest 2023

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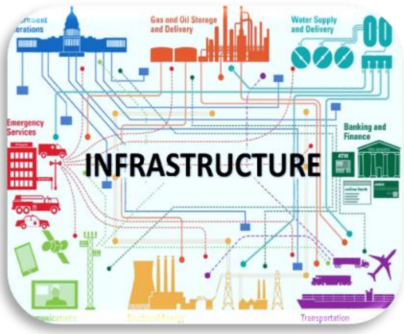
Move towards Indian Risk Based Capital (Ind-RBC) Framework

Revamped landscape for reinsurance market



INFRASTRUCTURE & OTHER GOVT. INITIATIVES

Roadmap to making India a $5 trillion economy

Union Cabinet approves expansion of the Digital India programme with an outlay of ₹ 14,903 crore

CBDT launches revamped National Website of the Income Tax Department

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Industry Standards Forum to facilitate ease of implementation of regulations: Industry Associations take next steps

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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FinTech - New Opportunities and Challenges for Financial Services Space

Dr. Rabi N. Mishra
Director of College of Supervisors,
Reserve Bank of India

FinTech - New Opportunities and Challenges for Financial Services Space

The digitisation of finance has been the new wave in the financial space. While FinTech is considered as its catalyst, it carries the potentials for generating scope for the potential abusers of the new innovations to play havoc. FinTech in the form of decentralized digital solutions give rise to risks of cybersecurity, as well as Anti-Money Laundering and Counter-Terrorism Financing (AML-CTF). On the other hand, the live example of the perverse side being the mushrooming domestic P2P lending platforms in the People's Republic of China, which have tended to crash by one-third due to concurrent fraudulent activities thus challenging both the stability of both financial entities and the system.

FinTech firms are beginning to encroach on the territory of traditional financial service providers thus adding risks to the system. Not only do they take on more risks themselves, they have contributed to the risk volume of their long-established industry rivals. The most revealing example to corroborate this trend could be the American FinTech mortgage originators who pursue an aggressive growth strategy in periods when home lending is in its boom, thus creating a perverse competitive pressure for the traditional banks, who tend to lend without regard to their risk tolerance in pursuit of profitability to stay on in the business. Benefit of regulatory and supervisory arbitrage put paid to their plight. In fact, the two often remain intertwined, including through the provision of liquidity and leverage by banks to FinTechs.

The perceived risks-inter connectedness that a bank-FinTech collaboration would entail could prove to be too complex to measure and hence manage. In the similar plane, there are visible instances of the risks emanating from third-party service providers (for example cloud vendors) creating an element of operational risk around third-party governance. As such, use of big data computation and complexity of algorithms create opacity which could make regulatory disclosure more challenging. The rise of the so called Platformisation - the TechFins and digital financial platforms - would often be systemically significant without activating the traditional triggers for financial regulation – and thus will lie outside the purview of financial regulation and hence would require (as also dynamic) a fundamental readjustment of approaches to the regulation of finance and technology.

There is a need to evolve policies that target both FinTech firms and traditional banks proportionately to acquire the benefits of the opportunities that FinTech offers, while containing the overall risks to the both and hence to the system. For example, for the neo-banks, this would mean stronger capital, liquidity, and risk-management requirements commensurate with their risks. For the incumbent banks and other established entities, prudential supervision may need greater focus on the health of less technologically advanced banks, as their existing business models may be less sustainable over the long term.

Business Strategy and Model Risks is a new entrant to the Risks space. Any change in business strategy and in its response business model per se as the idea of use of FinTech would entail should be backed by a codified Board's decision with required assessment and identification of risks that these may themselves entail. Such analysis should be dovetailed into the existing Risk Appetite Framework (RAF) by integrating such incremental risks thereinto and aligning it to a dynamic Capital Allocation Framework (CAF). This would be a crying need to keep both the entities and the system reasonably resilient.

Interestingly, FinTech has ushered in the evolution of the use of technology for regulatory and supervisory purposes. RegTech uses of technology for monitoring regulatory reporting and compliance by the financial entities and SupTech could be used to boost the intensity of supervision by cutting-edge techniques and tools to deep dive into the possible root cause of brewing disquieting financial operations and devising suitable financial enforcement actions. As such, in a substantial sense, it can be surmised that FinTech demands more and more of RegTech and SupTech as a paradigm shift involving a re-conceptualisation of the new-age techniques and tools for the space of financial regulation and supervision. Pursuance of the objectives of financial stability, consumer protection, market integrity, and support for growth and development increasingly requires the deployment of sophisticated technology by both reporting entities and regulators.

Do we see the growth of FinTech as an opportunity or threat?
Both, perhaps?
It is in fact both, an opportunity and also a threat.
It is a double-edged sword.

APAS COLUMN

Shaping a Sustainable Future: The Rise of ESG Banking in India

In an era of growing environmental concerns, social responsibility, and corporate governance, the concept of Environmental, Social, and Governance (ESG) banking has emerged as a pivotal force in India's financial landscape. ESG banking entails integrating ESG criteria into lending, investments, and operational decisions, while also transparently disclosing ESG performance and impact. The following explores the significance of ESG banking in India, its benefits, challenges, prominent examples, initiatives, and the transformative potential it holds for both banks and society.

The Benefits of ESG Banking -

ESG banking offers a range of benefits for financial institutions. Firstly, it allows banks to proactively address environmental and social risks, including climate change, pollution, human rights violations, and corruption, which in turn helps safeguard their financial stability and reputation, ensuring long-term sustainability. Secondly, ESG banking opens up opportunities for green and social finance, enabling banks to invest in projects like renewable energy, affordable housing, and microfinance, leading to positive environmental and social outcomes and fostering customer loyalty. Thirdly, it aligns with regulatory expectations from bodies like the Reserve Bank of India (RBI) and the Securities and Exchange Board of India (SEBI), encompassing guidelines on climate risk, sustainable finance, business responsibility, and sustainability reporting. Finally, ESG adoption can enhance operational efficiency through measures like energy-efficient technologies, digital banking promotion, and reduced paper consumption, minimizing environmental impact while optimizing processes.

Challenges in Adopting ESG Norms -

The adoption of ESG norms by Indian banks presents various challenges, particularly among mid-sized and small institutions. A survey conducted on behalf of the RBI highlights these hurdles, including a lack of clarity and understanding regarding how ESG norms apply to lenders, leading to confusion within the domestic banking sector. Integrating ESG criteria into lending decisions poses difficulties for many banks, hindering the incorporation of sustainable practices. Additionally, a significant number of banks lack the necessary technological infrastructure and systems to effectively implement ESG norms. Furthermore, a low incentive structure exists for banks to transition to ESG norms, contributing to a slower adoption rate across the industry.

Regulatory Impetus and Global Trends -

Recognizing these challenges, the RBI plans to leverage survey findings to create the first set of guidelines for promoting green finance. These guidelines are expected to be issued later this year, providing banks with a clearer framework for integrating ESG principles.

Some larger Indian banks have already embarked on ESG-related projects. However, the majority of banks face obstacles in monitoring ESG parameters. The transition to ESG banking is likely to be gradual, starting with larger banks and eventually extending to micro borrowers and retail customers.

Initiatives Driving ESG Banking -

Several Indian banks are taking proactive steps to incorporate ESG (Environmental, Social, and Governance) principles into their operations. The State Bank of India (SBI), the country's largest public sector bank, has issued $1.25 billion in green bonds to support renewable energy projects and encourages customers to opt for electric vehicles through its green car loan scheme, aiming for carbon neutrality in 2023. IndusInd Bank, a private sector institution, has embraced a comprehensive sustainable banking policy, which includes environmental and social risk assessments, green products, and support for various social initiatives. HDFC Bank, another private sector leader, has launched the Parivartan sustainability strategy, integrating ESG principles into its operations, products, services, and community development efforts, emphasizing transparency and commitment to sustainability in its first sustainability report released in 2023.

Transformative Potential and India's Environmental Goals -

ESG banking in India has the potential to bring about transformative change that goes beyond financial gains. It can positively impact the economy and society by promoting sustainable development, environmental conservation, and social welfare, aligning with global goals like the Sustainable Development Goals and the Paris Agreement. Additionally, embracing ESG principles can enhance a bank's reputation and trust among stakeholders, attracting socially conscious investors. Furthermore, ESG banking drives innovation and competitiveness in the sector, positioning banks for long-term success as societal expectations evolve.

Conclusion -

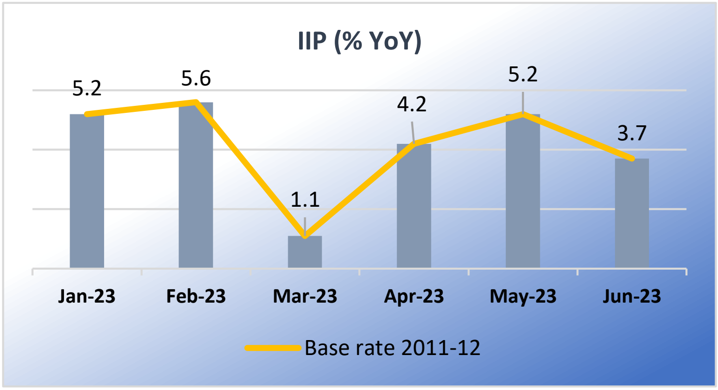
ESG banking in India signifies a progressive stride towards sustainable development, environmental preservation, and responsible corporate conduct. As banks align their practices with ESG principles, they not only contribute to societal welfare but also secure their own longevity in an evolving financial landscape. The momentum of ESG banking promises to reshape the way financial institutions operate, placing ethical considerations at the forefront of decision-making processes. While challenges persist, the regulatory drive, global trends, and transformative initiatives indicate a promising future for ESG banking in India, aligning with the nation's commitment to reducing carbon emissions to net zero by 2070.

Team APAS

ECONOMY

IIP (Index of Industrial Production) – June

Industrial production in India increased 3.7 % year-on-year in June 2023, easing from an upwardly revised 5.3 percent rise in the previous month and below market expectations of 4.8 percent.



For the month of June 2023, the Quick Estimates of Index of Industrial Production (IIP) base 2011-12 stands at 143.4.

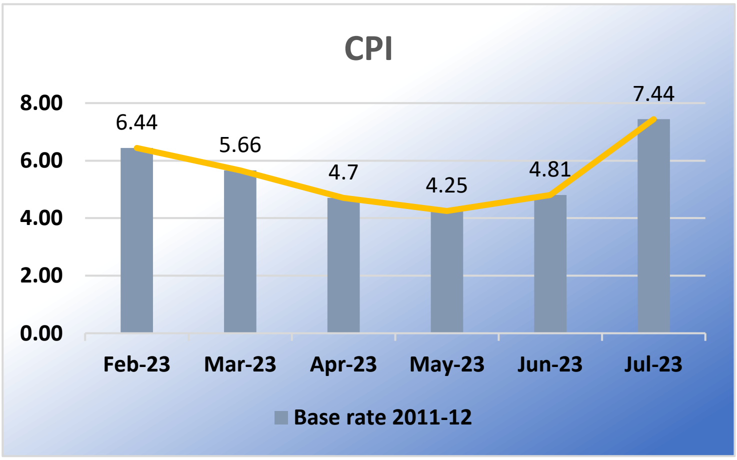
The manufacturing sector, which constitutes close to 77 % of the index, dropped by 3.1 % in June, to 141.0. Mining sector grew by 7.6 %, to 122.3. Electricity generation increased by 4.2 %, to 205.2.

As per Use-based classification, the indices stand at 146.6 for Primary Goods, 106.7 for Capital Goods, 153.2 for Intermediate Goods and 167.8 for Infrastructure/ Construction Goods for the month of June 2023.

Further, the indices for Consumer durables and Consumer non-durables stand at 116.7 and 147.7 respectively for the month of June 2023.

CPI (Consumer Price Index) – July

India's annual consumer inflation rate jumped to 7.44% in July 2023, the highest since April 2022, compared to an upwardly revised 4.87% in June and market forecasts of 6.4%.



Source: APAS BRT. www.eaindustrv.nic.in

Food inflation surged to 11.51%, the highest since January of 2020, led by cost of vegetables (37.3%), spices (21.6%), cereals (13%), pulses (13.3%) and milk (8.3%).

Meanwhile, prices of fuel and light went up 3.7%, housing cost rose 4.5%, miscellaneous increased 5.1% and prices for clothing and footwear surged 5.6%.

The Reserve Bank of India targets inflation at 2-6% but aims to bring it to the mid-point of 4%. July marks the first month since March inflation stays above the upper limit of the central bank target, as irregular monsoon patterns across the country led to a spike in food prices.

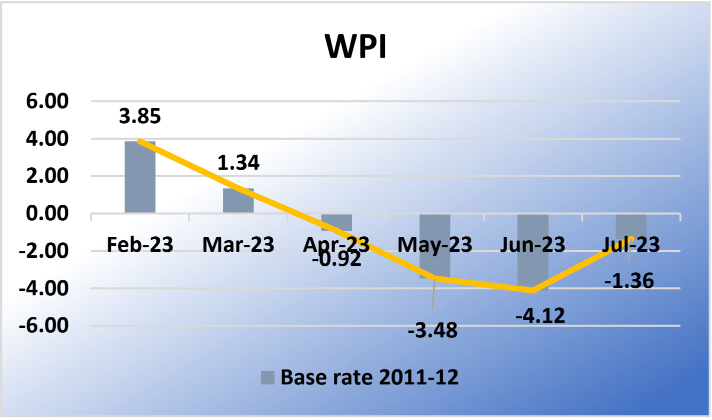
Meanwhile, prices of fuel and light went up 3.9%, housing cost rose 4.6%, miscellaneous increased 5.2% and prices for clothing and footwear surged 6.2%. The Reserve Bank of India targets inflation at 2-6% but aims to bring it to the mid-point of 4%.

WPI (Wholesale Price Index) – July

India Wholesale Price Index (WPI) number is (-) 1.36% (Provisional) for the month of July, 2023 (over July, 2022) against (-) 4.12% recorded in June, 2023.

Decline in the rate of inflation in July 2023 is primarily contributed by fall in prices of mineral oils, basic metals, chemical & chemical products, textiles and food products.

The month over month change in WPI index for the month of July, 2023 stood at 1.95 % as compared to June, 2023.



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

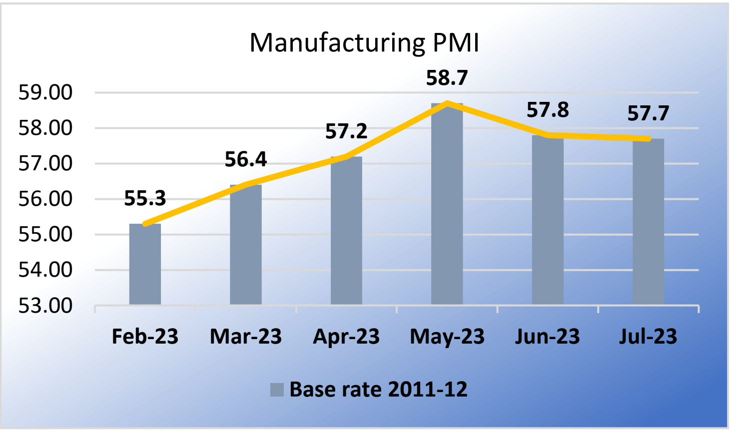
The index for primary articles increased by 8.05% to 190.5 (provisional) in July 2023 from 176.3 (provisional) for the month of June 2023. Prices of Food Articles (10.55%) Crude Petroleum & Natural Gas (4.40%) and Non-food Articles (2.27%) increased in July 2023 as compared to June 2023.

The index for fuel and power declined by 0.48% to 145.3 (provisional) in July 2023 from 146.0 (provisional) for the month of June 2023. Prices of Coal (0.07%) increased in July 2023 as compared to June 2023. Prices of Electricity (-0.45%) and Mineral Oils (-0.65%) declined in July 2023 as compared to June 2023.

The index for manufacturing products declined by 0.29% to 139.6 (provisional) in July 2023 from 140.0 (provisional) for the month of June 2023.

Manufacturing PMI – July

The S&P Global India Manufacturing PMI ticked lower to a 3-month low of 57.7 in July 2023 from 57.8 in June. Still, the latest print was above market consensus of 57.0, pointing to the 25th straight month of growth in factory activity. Output expanded the least in 3 months, but the rate of rise remained substantial as it continuously rose since July 2021. Also, buying levels rose slightly softer than the 12-year peak in May.



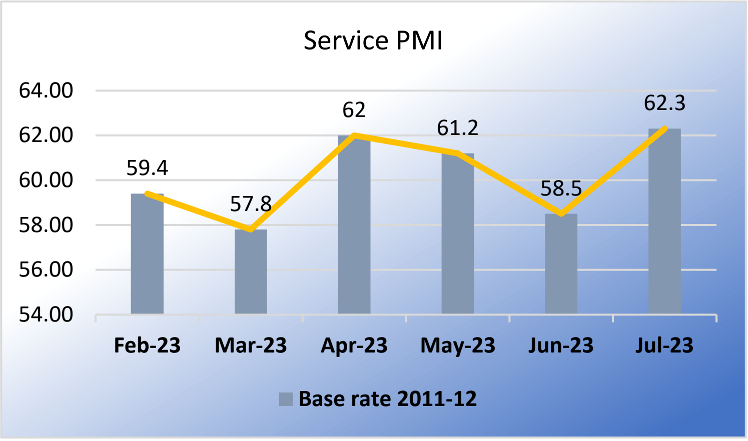
Source: www.tradingeconomics.com

New orders rose sharply again while growth in new orders picked up to the fastest since November 2022. Meantime, the solid pace of job creation was broadly in line with those in May and June, and outstanding business went up for the 19th month.

Lead times shortened for the fifth month, albeit marginally. On prices, input cost inflation hit a 9-month peak but was softer than the series average. Selling prices were higher, but the rate of inflation eased to a 3-month low. Lastly, sentiment stayed above the series average, on hopes that demand will remain elevated.

Services PMI – June

The S&P Global India Services PMI unexpectedly rose to 62.3 in July 2023 from June's three-month low of 58.5, exceeding market forecasts of 58, pointing to the highest expansion in over 13 years, boosted by rises in new orders, mainly in international sales.



Source: www.tradingeconomics.com

The new export business grew the most since the series began in September 2014, with Bangladesh, Nepal, Sri Lanka, and the UAE being the key sources of growth. Meanwhile, employment increased slightly, with the rate of job creation at the same pace as in the prior two months. On the pricing front, input cost inflation accelerated to a 13-month high due to higher food, labor, and transportation costs.

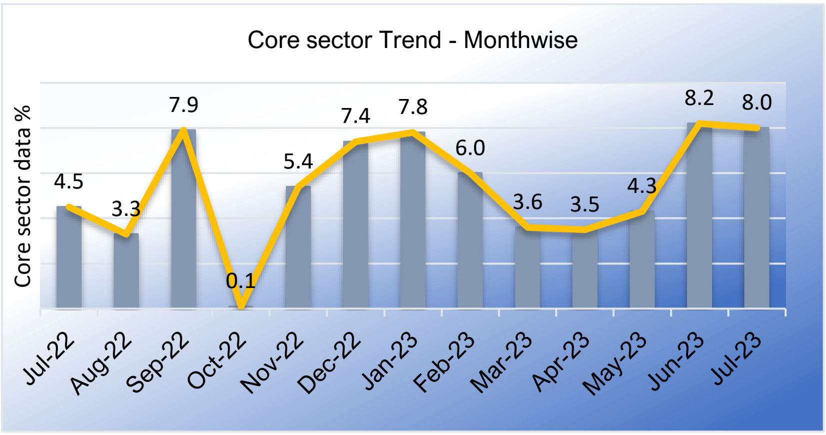
Meanwhile, output cost inflation eased to the softest in three months amid efforts aimed at preventing any negative impact on new business.

On the pricing front, input cost inflation eased while output cost inflation rose to the sharpest pace in a nearly six-year high, due to higher staff costs.

Lastly, business sentiment weakened from June's six-month high amid concerns about extreme weather.

Core Sector Data – July

The combined Index of Eight Core Industries (ICI) increased by 8% (provisional) in July 2023 as compared to the Index of July 2022. The production of Coal, Steel, Natural Gas, Cement, Electricity, Refinery Products, Fertilizers and Crude Oil increased in July 2023 over the corresponding month of last year. ICI measures combined and individual performance of production of eight core industries viz. Coal, Crude Oil, Natural Gas, Refinery Products, Fertilizers, Steel, Cement and Electricity. The Eight Core Industries comprise 40.27 percent of the weight of items included in the Index of Industrial Production (IIP).



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

Final growth rate of Index of Eight Core Industries for April 2023 is revised to 4.6 per cent from its provisional level 3.5 per cent. The cumulative growth rate of ICI during April to July, 2023-24 reported 6.4 per cent (provisional) as compared to the corresponding period of last year.

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

Coal - Coal production (weight: 10.33 per cent) increased by 14.9 per cent in July, 2023 over July, 2022. Its cumulative index increased by 10.1 per cent during April to July, 2023-24 over corresponding period of the previous year.

Crude Oil - Crude Oil production (weight: 8.98 per cent) increased by 2.1 per cent in July, 2023 over July, 2022. Its cumulative index declined by 1.0 per cent during April to July, 2023-24 over the corresponding period of previous year.

Natural Gas - Natural Gas production (weight: 6.88 per cent) increased by 8.9 per cent in July, 2023 over July, 2022. Its cumulative index increased by 2.3 per cent during April to July, 2023-24 over the corresponding period of previous year.

Petroleum Refinery Products - Petroleum Refinery production (weight: 28.04 per cent) increased by 3.6 per cent in July, 2023 over July, 2022. Its cumulative index increased by 2.3 per cent during April to July, 2023-24 over the corresponding period of previous year.

Fertilizers - Fertilizer production (weight: 2.63 per cent) increased by 3.3 per cent in July, 2023 over July, 2022. Its cumulative index increased by 9.1 per cent during April to July, 2023-24 over the corresponding period of previous year.

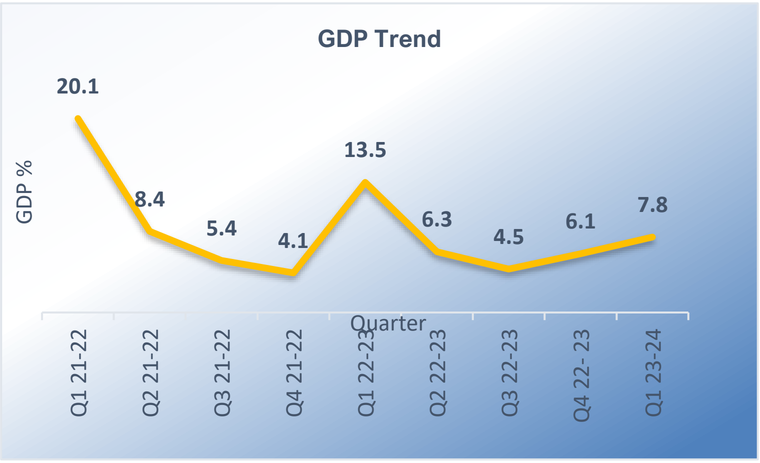
Steel - Steel production (weight: 17.92 per cent) increased by 13.5 per cent in July, 2023 over July, 2022. Its cumulative index increased by 15.3 per cent during April to July, 2023-24 over the corresponding period of previous year.

Cement - Cement production (weight: 5.37 per cent) increased by 7.1 per cent in July, 2023 over July, 2022. Its cumulative index increased by 11.2 per cent during April to July, 2023-24 over the corresponding period of previous year.

Electricity - Electricity generation (weight: 19.85 per cent) increased by 6.9 per cent in July, 2023 over July, 2022. Its cumulative index increased by 2.7 per cent during April to July, 2023-24 over the corresponding period of previous year.

GDP – Quarter 1 – FY 2023-24

The estimates of Gross Domestic Product (GDP) for the first quarter (April-June) of 2023-24 (Q1), of the ongoing financial year 2023-24 shows a growth of **7.8 %.**



Quarterly estimates of Gross Value Added (GVA) at Basic Prices by kind of economic activity and expenditure components of GDP for the years 2021-22, 2022-23 and 2023-24 at Constant (2011-12) and Current Prices are given in Statements 1 to 4.

Real GDP or GDP at Constant (2011-12) Prices in Q1 2023-24 is estimated to attain a level of ₹ 40.37 lakh crore, as against ₹ 37.44 lakh crore in Q1 2022-23, showing a growth of 7.8 % as compared to 13.1 % in Q1 2022-23.

Nominal GDP or GDP at Current Prices in Q1 2023-24 is estimated at ₹ 70.67 lakh crore, as against ₹ 65.42 lakh crore in Q1 2022-23, showing a growth of 8.0 % as compared to 27.7 % in Q1 2022-23.

Quarterly Estimates of GDP are indicator based and are compiled using the benchmark indicator method, i.e., quarterly estimates available for the previous year referred to as the benchmark year are extrapolated using the relevant indicators reflecting the performance of sectors. Data sourced from various Ministries/ Departments/ Private Agencies serve as valuable inputs in the compilation of these estimates. The sector-wise estimates have been compiled using indicators like (i) Index of Industrial Production (IIP), (ii) Financial performance of listed companies in the Private Corporate Sector based on available quarterly financial results for these companies, (iii) Crop Production Targets for 2023-24, (iv) Production Targets for Major Livestock Products for 2023-24, (v) Fish Production, (vi) Production/ Consumption of Cement and Steel, (vii) Net Tonne Kilometres and Passenger

Kilometres for Railways, (viii) Passenger and Cargo traffic handled by Civil Aviation, (ix) Cargo traffic handled at Major and Minor Sea Ports, (x) Sales of Commercial Vehicles, (xi) Bank Deposits and Credits, (xii) Accounts of Central and State Governments, etc., available for Q1 2023-24.

Improved data coverage and revision in input data made by source agencies would have a bearing on subsequent revisions of these estimates. Estimates are, therefore, likely to undergo revisions for the aforesaid causes in due course, as per the release calendar. Users should take these into consideration while interpreting the figures.

The next release of quarterly GDP estimates for the quarter July-September 2023 (Q2 2023-24) will be on 30.11.2023.

BANKING

Reserve Bank of India to Launch the Pilot Project for Public Tech Platform for Frictionless Credit

As part of the Statement on Developmental and Regulatory Policies released on August 10, 2023, Reserve Bank of India (RBI) has announced the development of a Public Tech Platform for Frictionless Credit. The Platform is being developed by Reserve Bank Innovation Hub (RBIH), a wholly owned subsidiary of RBI.

2. With rapid progress in digitalization, India has embraced the concept of digital public infrastructure which encourages banks, NBFCs, FinTech companies and start-ups to create and provide innovative solutions in payments, credit, and other financial activities. For digital credit delivery, the data required for credit appraisal are available with different entities like Central and State governments, account aggregators, banks, credit information companies, digital identity authorities, etc. However, they are in separate systems, creating hindrance in frictionless and timely delivery of rule-based lending.

3. The Public Tech Platform would enable delivery of frictionless credit by facilitating seamless flow of required digital information to lenders. The end-to-end digital platform will have an open architecture, open Application Programming Interfaces (APIs) and standards, to which all financial sector players can connect seamlessly in a 'plug and play' model.

4. The Platform is intended to be rolled out as a pilot project in a calibrated fashion, both in terms of access to information providers and use cases. It shall bring about efficiency in the lending process in terms of reduction of costs, quicker disbursement, and scalability.

5. During the pilot, the platform shall focus on products such as Kisan Credit Card loans up to ₹1.6 lakh per borrower, Dairy Loans, MSME loans (without collateral), Personal loans and Home loans through participating banks. The platform shall enable linkage with services such as Aadhaar e-KYC, land records from onboarded State Governments (Madhya Pradesh, Tamil Nadu, Karnataka, Uttar Pradesh, and Maharashtra), Satellite data, PAN Validation, Transliteration, Aadhaar e-signing, account aggregation by Account Aggregators (AAs), milk pouring data from select dairy co-operatives, house/property search data etc. Based on the learnings, the scope and coverage would be expanded to include more products, information providers and lenders during the pilot.

6. The Pilot of the Platform shall commence on August 17, 2023.

Statement on Developmental and Regulatory Policies

This Statement sets out various developmental and regulatory policy measures relating to (i) Financial Markets; (ii) Regulation and Supervision; (iii) Payment Systems; and (iv) FinTech.

I. Financial Markets

1. Review of Regulatory framework for Financial Benchmark Administrators

In June 2019, the Reserve Bank issued a regulatory framework on administration of 'significant benchmarks' by benchmark administrators in the financial markets regulated by the Reserve Bank such as the USD/INR Reference Rate, Overnight MIBOR, and valuations of government securities administered by the Financial

Benchmarks India Private Limited (FBIL). Considering the evolution of the domestic financial markets since then and global best practices, the regulations for financial benchmarks have been reviewed and it has been decided to put in place a comprehensive, risk-based framework covering administration of all benchmarks related to foreign exchange, interest rates, money markets and government securities such as benchmarks on certificate of deposits (CDs) rates, repo rates, and FX Options Volatility Matrix as well as other benchmarks on government securities. Revised Directions which are being issued separately, envisage regulatory prescriptions for benchmark administrators, encompassing, inter alia, governance and oversight arrangements, conflict of interest, controls, and transparency. These Directions will provide greater assurance about the accuracy and integrity of benchmarks.

II. Regulation and Supervision

2. Review of Regulatory Framework for NBFC – Infrastructure Debt Funds (IDF-NBFCs)

Infrastructure Debt Fund was created as a separate category of NBFCs in 2011. To enable the IDFs to play a greater role in financing of the infrastructure sector and to move towards the regulatory objective of harmonisation of regulations applicable to various categories of NBFCs, a review of the extant regulatory framework for IDFs has been undertaken in consultation with the Government of India. The revised framework envisages – (i) withdrawal of the requirement of a sponsor for the IDFs; (ii) permission to finance Toll Operate Transfer projects (ToT) as direct lenders, (iii) access to ECBs; and (iv) making tri-partite agreement optional for PPP projects. Detailed guidelines shall be issued shortly.

3. Responsible Conduct in Lending: Greater transparency in Interest Rate Reset of Equated Monthly Instalments (EMI) based Floating Interest Loans

The supervisory reviews undertaken by the Reserve Bank and the feedback and references from members of public have revealed several instances of unreasonable elongation of tenor of floating rate loans by lenders without proper consent and communication to the borrowers. To address the issue, it is proposed to put in place a proper conduct framework to be implemented by all REs to address the issues faced by the borrowers. The framework envisages that lenders should clearly communicate with the borrowers for resetting the tenor and/or EMI, provide options of switching to fixed rate loans or foreclosure of loans, transparent disclosure of various charges incidental to the exercise of these options, and proper communication of key information to the borrowers. The detailed guidelines in this regard shall be issued shortly.

4. Consolidation and harmonisation of instructions for Supervisory data submission

The Reserve Bank of India has, from time to time, issued several guidelines and instructions to its supervised entities (SEs) viz. SCBs, NBFCs, UCBs, AIFIs etc. for submission of supervisory returns. Certain issues are being faced by SEs while complying with these instructions due to changes in technology platforms, modes of submission, and variations in the return submission timeframes.

In order to consolidate and harmonise the instructions for submission of applicable Supervisory Returns, provide greater clarity and reduce the compliance burden, it is proposed to consolidate all the existing instructions on submission of data into a single Master Direction which will be a single point of reference for all SEs.

III. Payment Systems

5. Conversational payments in UPI

UPI, with its ease of usage, safety and security, and real-time feature, has transformed the digital payment ecosystem in India. Addition of many new features over time have enabled UPI to facilitate diverse payment needs of the economy. As Artificial Intelligence (AI) is becoming increasingly integrated into the digital economy, conversational instructions hold immense potential in enhancing ease of use, and consequently reach, of the UPI system. It is, therefore, proposed to launch an innovative payment mode viz., “Conversational Payments” on UPI, that will enable users to engage in a conversation with an AI-powered system to initiate and complete transactions in a safe and secure environment. This channel will be made available in both smartphones and feature phones-based UPI channels, thereby helping in the deepening of digital penetration in the country. The facility will, initially, be available in Hindi and English and will subsequently be made available in more Indian languages. Instructions to NPCI will be issued shortly.

6. Offline payments in UPI
To increase the speed of small value transactions on UPI, an on-device wallet called "UPI-Lite" was launched in September 2022 to optimise processing resources for banks, thereby reducing transaction failures. The product has gained traction and currently processes more than ten million transactions a month. To promote the use of UPI-Lite, it is proposed to facilitate offline transaction using Near Field Communication (NFC) technology. This feature will not only enable retail digital payments in situations where internet / telecom connectivity is weak or not available, it will also ensure speed, with minimal transaction declines. Instructions to NPCI will be issued shortly.

7. Enhancing transactions limits for small value digital payments
A limit of ₹200 per transaction and an overall limit of ₹2000 per payment instrument has been prescribed by the Reserve Bank for small value digital payments in offline mode including for National Common Mobility Card (NCMC) and UPI Lite. By removing the need for two-factor authentication for small value transactions, these channels enable faster, reliable, and contactless mode of payments for everyday small value payments, transit payments etc. Since then, there have been demands for enhancing these limits. To encourage wider adoption of this mode of payments and bring in more use cases into this mode, it is now proposed to increase the per transaction limit to ₹500. The overall limit is, however, retained at ₹2000 to contain the risks associated with relaxation of two-factor authentication. Instructions in this regard will be issued shortly.

IV. FinTech
8. Public Tech Platform for Frictionless Credit
With rapid progress in digitalization, India has embraced the concept of digital public infrastructure which encourages FinTech companies and start-ups to create and provide innovative solutions in payments, credit, and other financial activities. For digital credit delivery, the data required for credit appraisal are available with different entities like Central and State governments, account aggregators, banks, credit information companies, digital identity authorities, etc. However, they are in separate systems, creating hindrance in frictionless and timely delivery of rule-based lending.

To address this situation, a pilot project for digitalisation of Kisan Credit Card (KCC) loans of less than ₹1.60 lakh was started in September 2022. The pilot tested end-to-end digitalisation of the lending process in a paperless and hassle-free manner. The KCC pilot is currently underway in select districts of Madhya Pradesh, Tamil Nadu, Karnataka, UP, Maharashtra and the initial results are encouraging. The pilot also enables doorstep disbursement of loans in assisted or self-service mode without any paperwork. A similar pilot is being carried out for dairy loans based on milk pouring data with Amul in Gujarat.

Based on the learnings from the above pilots and expand the scope to all types of digital loans, a digital Public Tech Platform is being developed by the Reserve Bank Innovation Hub (RBIH). The Platform would enable delivery of frictionless credit by facilitating seamless flow of required digital information to lenders. The end-to-end digital platform will have an open architecture, open Application Programming Interfaces (APIs) and standards, to which all financial sector players can connect seamlessly in a 'plug and play' model.
The Platform is intended to be rolled out as a pilot project in a calibrated fashion, both in terms of access to information providers and use cases. It shall bring about efficiency in the lending process in terms of reduction of costs, quicker disbursement, and scalability.

Survey of Foreign Liabilities and Assets of Mutual Fund Companies – 2022-23
The Reserve Bank released the results of the 2022-23 round of the survey of Foreign Liabilities and Assets of the Mutual Fund (MF) Companies1.

The survey covered 43 Indian MF companies (list in Annex) and their Asset Management Companies (AMCs), which held/acquired foreign assets/ liabilities during 2022-23 and/or in the preceding years. The information on face value and market value of units held by non-residents, unit premium reserve, other foreign liabilities and assets of MF companies as at end of the financial year were collected under the survey. The external assets and liabilities of their AMCs were taken from the annual census on foreign liabilities and assets (FLA) of direct investment companies for the reference period 2022-23.

Highlights:

I. Mutual Fund Companies (MF):

Foreign liabilities of MF companies increased by 1.6 per cent in US dollar terms at market value during 2022-23 to US$ 18.7 billion in March 2023 (Table 1).

Overseas assets of MF companies declined by 13.5 per cent to US$ 5.6 billion in March 2023, due to lower holdings of equity securities.

As a result, the net foreign liabilities of MF companies increased to US$ 13.1 billion in March 2023 from US$ 11.9 billion a year ago.

The United Arab Emirates (UAE), the United States of America (USA), the United Kingdom (UK) and Singapore together accounted for 45 per cent of the total MF units held by non-residents, both in terms of face value as well as at market value (Tables 2 and 3).

More than 81 per cent of the overseas equity investment of the MF companies were concentrated in the USA and Luxembourg (Table 4).

II. Asset Management Companies (AMCs):

Due to lower direct investment liabilities, foreign liabilities of AMCs declined to US$ 3.4 billion in March 2023 from US$ 5.7 billion a year ago; their overseas assets remained below US$ 0.1 billion, which were largely held in Guernsey, Singapore and Mauritius (Tables 5 and 7).Residents of Japan and the UK together held over two-third of FDI among Indian AMCs in March 2023 (Table 6).

FINTECH

RBI Governor Launches Key Digital Payment Initiatives at Global Fintech Fest 2023

Launch includes Credit Line on UPI, UPI LITE X and Tap & Pay, and Conversational Payments

Mumbai, 6 September 2023: Reserve Bank of India (RBI) Governor, Shri Shaktikanta Das, today announced the launch of a suite of new product offerings built by the National Payments Corporation of India (NPCI). In keeping with the theme of the Global Fintech Fest 2023, the new products – Credit Line on UPI, UPI LITE X and Tap & Pay, Hello! UPI - Conversational Payments on UPI, BillPay Connect - Conversational Bill Payments, – are aimed at creating an inclusive, resilient, and sustainable digital payments ecosystem. The launch took place in the presence of Shri Nandan Nilekani, Non-Executive Chairman, Infosys and Advisor to NPCI, and Shri Biswamohan Mahapatra, Non-Executive Chairman, NPCI.

The launches aligned with the prior communique by the Reserve Bank of India in its recent monetary policy announcements.

Credit Line on UPI

To expand access to credit, promote financial inclusion and innovation, the RBI Governor launched Credit Line on UPI. This new offering enables pre-sanctioned credit lines from banks via UPI and will revolutionize customer access to credit, fostering a more streamlined and digital banking ecosystem. With this, the process of availing, connecting, and utilizing credit lines will be significantly expedited, driving economic growth and progress. The initiative encompasses several key features, including the linkage of pre-sanctioned credit lines, the creation of digital credit products by banks, the establishment of interest-free credit periods and corresponding interest rates, defined schedule of charges, customer engagement channels for credit sanction requests, and the ability to link various pre-sanctioned credit lines via UPI-enabled apps for transactions. To ensure seamless interoperability, all UPI apps, including bank and third-party apps, will be empowered to discover and link credit lines on UPI, as well as provide end-to-end customer lifecycle services.

UPI LITE X and Tap & Pay

Building on the success of UPI LITE feature, the RBI Governor launched UPI LITE X for Offline payments. Through this feature, users can now both send and receive money whilst being completely offline, therefore, allowing users to initiate and execute transactions even in areas with poor connectivity, such as underground stations, remote areas, etc. UPI LITE X will be accessible to anyone with a compatible device that supports Near Field Communication (NFC). UPI LITE payments are faster than other payment methods, as they require less time to process the transaction. QR codes have seamlessly integrated into the UPI payments ecosystem, playing a crucial role in facilitating digital transactions. In a significant move towards enhancing QR code and Near Field Communication (NFC) technology adoption, the RBI Governor also introduced UPI Tap & Pay. In addition to the conventional Scan and Pay method, users now have the option to simply tap NFCenabled QR codes at merchant locations to complete their payments.

Conversational Payments

The next in the line of announcements was Conversational UPI Payments and Conversational Bill Payments. Conversational Payments underscores the emergence of a novel paradigm for human machine interaction facilitated by AI-enabled transactions which will further deepen the reach and use of digital payments in the country.

i. **Hello! UPI** – Conversational Payments on UPI: The introduction of conversational UPI payments will augment user experience by enabling them to make voice-enabled UPI payments via UPI Apps, telecom calls, and IoT devices in Hindi and English, and will soon be available in several other regional languages. This expansion will broaden payment accessibility for most Indians who are fluent in their native languages, providing significant benefits to senior citizens and digitally inexperienced individuals. Users can simply give voice commands to transfer funds and input UPI PIN to complete the transaction. NPCI has partnered with the Bhashini program – AI4Bharat at IIT Madras, to co-develop Hindi and English payment language models.

ii. **BillPay Connect** – Conversational Bill Payments: With BillPay Connect, Bharat BillPay introduces a nationalized number for bill payments across India. Customers can now conveniently fetch and pay their bills by sending a simple 'Hi' on the messaging app. Along with this, customers without smartphones or immediate mobile data access will be able to pay bills by giving a missed call. Customers will receive an immediate call back for verification and payment authorization. Additionally, BillPay Connect offers Voice Assisted Bill Payments facility. Customers can fetch and pay bills through voice commands on their smart home devices and get instant voice confirmation. Moreover, instant voice confirmations will be enabled for bill payments made at physical collection centers through payment soundbox devices. This development aims to provide both customers and collection centers with added security and a sense of reassurance.

NPCI Reinforces its Commitment to Revolutionize India's Digital and Financial Landscape at the Global Fintech Fest 2023

Announces Multitude of Innovative Initiatives, Products and Strategic Collaborations Mumbai, 7th September 2023: Stealing the spotlight at the Global Fintech Festival (GFF) 2023, the National Payments Corporation of India (NPCI) unveiled an array of innovative and exciting offerings designed to redefine the way we engage with technology, finance, and mobility. At the heart of these efforts lies NPCI's steadfast commitment to expanding financial inclusivity and propelling India towards its full economic prowess. GFF'23 served as the epicentre for leaders from fintechs, banks, and other financial institutions to converge, foster collaborations and chart a visionary blueprint for the future of the industry.

During the dynamic three-day event, NPCI launched key initiatives that include: -

UPI (Unified Payments Interface)

UPI-ATM - Interoperable UPI QR Based Cash Withdrawal

Leveraging the UPI ecosystem, NPCI reimagines the way India uses ATMs by showcasing Interoperable UPI-Cash withdrawals at ATMs. With this, any participating bank account holder can walk to a UPIenabled ATM to withdraw cash effortlessly using any UPI application, thereby eliminating the conventional method of using physical cards and streamlining the transaction process.

UPI AutoPay on QR: A Seamless Path to Recurring Payments One of the highlights of the event was the launch of "UPI AutoPay on QR," an innovative solution set to redefine UPI AutoPay set-up. With this solution, merchants gain a streamlined avenue to engage their customers, enabling them to scan the QR code, validate AutoPay details, and promptly activate services in a hassle-free and quick manner. It provides an innovative alternative for customers to set up recurring payments, enhancing the user experience, and forging a stronger bridge between merchants and their clientele.

Aadhaar-based onboarding on UPI 123 Pay: Inclusivity at Its Best

In a significant move towards financial inclusivity, NPCI announced the extension of its Aadhaarenabled onboarding facility to UPI 123PAY. This allows feature phone users to establish a UPI ID using their Aadhaar card numbers. Now, even those without smartphones or digital payment instruments like net banking, cards, and wallet, can seamlessly enroll in UPI 123PAY via and make payments directly from their bank accounts.

Conversational Payment with IOT Devices: A Glimpse into the Future

During the event, NPCI in association with Amazon Alexa, showcased peer-to-peer money transfers with simple voice commands to Alexa Echo Show devices which will soon be available for its users. With this voice-enabled digital payment service, users will be able to conveniently ask Alexa to transfer money directly from their bank account to that of their contacts. The solution is entirely voiced-based except for manually entering the UPI pin on the device screen. Conversational Payment was also launched on smartphone UPI Apps.

RuPay

RuPay Prepaid Cards: A Diverse Range of Financial Solutions

During the event, NPCI launched a series of RuPay Prepaid Cards in partnership with multiple Issuer Banks and Fintech players. These include:

- **SBI Nation First Transit Card:** Enables cashless travel in metros, buses, and other transit modes with the ease of tap and pay.
- **Prezzy - Prepaid Gift Card:** Launched by Euronet, a leading global financial technology solutions and payments provider, Prezzy is a prepaid gift card for use on RuPay, simplifying gifting for employees and associates.
- **Pepper Money & PineLabs:** One-of-its-kind personalized prepaid card packed with consistent rewards and localized offerings that will enrich customer delight by building tangible and hyperlocal rewards.
- **FamX– Prepaid Card:** These cards are uniquely customised with names and doodles, primarily aimed at Gen Zs.

OTG Ring Launch – LivQuik: India's First Contactless Payment Wearable Ring

In collaboration with Indian startup LivQuik, NPCI unveiled the "OTG Ring," the first contactless payment wearable ring made in India. These rings, a testament to Indian innovation, are set to enhance the convenience of contactless payments. Notably, they can also be enabled for National Common Mobility Card (NCMC) customers and used for various open-loop transit programs.

NETC (National Electronic Toll Collection) Inclusion of easy recharge QR on FASTag

To provide simple, secure, safe, and interoperable recharge for customers, NPCI and Indian Highways Management Company Limited (IHMCL) has launched a mechanism to include an easy recharge QR on FASTag. The UPI QR code will be included on the non-adhesive end of the tag so that the customer can recharge by simply scanning the QR code on the tag using any UPI app while sitting inside the comfort of their vehicle. New vehicle owners who are issued FASTag on chassis numbers can also use this option.

White Paper – "Evolution and Innovation in the Tolling Industry"

NPCI joined forces with the Indian Highways Management Company Limited (IHMCL) to release a comprehensive white paper titled, "Evolution and Innovation in the Tolling Industry." This in-depth document chronicles the transformative journey of the FASTag program and National Electronic Toll Collection (NETC) system, showcasing its evolution from inception to becoming a pioneering innovation in the tolling sector.

EV Charging Payments through NETC FASTag Platform

In a momentous move towards sustainable mobility and eco-friendly solutions, IHMCL, and NPCI collaborated to introduce Electric Vehicle (EV) charging payments on the NETC FASTag platform.

Through the NETC FASTag platform, EV owners will now be able to access EV charging services with the same level of ease and efficiency they have come to expect from toll payments. This integration brings the benefits of contactless transactions, real-time monitoring, and secure payments to the EV charging ecosystem, fostering a seamless experience for users.

AePS (Aadhaar Enabled Payment System)

Facial Identity-Based Authentication for AePS

Taking one more step towards creating convenient, affordable services for bank customers and increasing the reach of the AePS services, NPCI demonstrated interoperable AePS transactions authenticated via facial identity-based authentication. Face authentication modality, introduced by UIDAI, obviates the need for any external device such as fingerprint and iris biometric devices for authentication. It is currently operable on any Android device (OS version 7 and above), thus making authentication accessible and affordable to a wider audience.

Dual authentication-based AePS transactions

At the event, NPCI also introduced Aadhaar-based dual authentication services for AePS to support Self-Help groups (SHGs), for easy and assisted interoperable banking transactions using authorized signatories' biometric authentication. Thus, in addition to single authentication of individuals, AePS is now supporting dual authentication to facilitate interoperable AePS transactions where multiple signatories are required to perform banking transactions. Similar to SHGs, Joint Liability Groups (JLGs), and other such joint operation accounts can be supported for basic banking transactions using dual authentication.

IMPS (Immediate Payment Service)

Simplified Fund Transfer through IMPS

NPCI announced the simplification of the IMPS user journey on banking channels like Mobile Banking, Internet Banking, etc. Users will now be able to transact by entering just the beneficiary's mobile number and bank name. This payment experience will be accompanied by real-time beneficiary name validation. The Simplified IMPS fund transfer journey can be extended to retail as well as corporate for bulk transaction use cases. With the introduction of the simplified journey, customers can directly transfer up to 5 lakhs without adding the beneficiary.

Credit Card Bill Payment through IMPS using Virtual Number

To ensure secure and instant credit card bill payments, NPCI has introduced credit card bill payments using IMPS Virtual Number. The customer will have to use only the 16-digit virtual number which is a combination of the customer's mobile number and the last 4 digits of his credit card, to pay their bill. This feature is particularly useful for payment apps that do not store customer's card sensitive data while facilitating their customer's settlements. This number can be stored by such apps and aid the customer while making subsequent credit card bill payments through IMPS.

NIPL (NPCI International Payments Limited)

NPCI International and Paymentwall execute an agreement to enable Indian consumers for ecommerce purchases with UPI in the USA and UK

NPCI International Payments Limited (NIPL), a wholly owned subsidiary of NPCI, executed a definitive agreement confirming the partnership with Paymentwall Ltd., a leading cross-border payments solutions provider. The agreement aims to expand the acceptance of UPI payment methods outside India, across Paymentwall's e-commerce merchants in the US and UK.

The association between the two entities, a first for the US market, will drive NIPL's continued expansion into foreign markets while incorporating India's innovative UPI into Paymentwall's Alternative Payment Method (APM) coverage across the world. Additionally, Paymentwall will also be working with NIPL on expanding UPI coverage into other key markets globally.

NBBL (NPCI Bharat BillPay Limited)

NBBL Introduces 'NCMC Recharge' as the Newest Billing Category on Bharat BillPay

NPCI Bharat BillPay Ltd. (NBBL), India's leading platform for convenient and secure bill payments, announced the expansion of its services with the addition of NCMC, the inter-operable transport card conceived by the Ministry of Housing and Urban Affairs of the Government of India. While SBI NCMC is the first biller to get onboarded under this category, more billers are expected to join in the future. With the addition of NCMC Recharge, Bharat BillPay is poised to broaden its spectrum of services, and to simplify the journey for consumers for recurring payment use cases. Customers can recharge an amount between Rs. 100 up to Rs. 2,000 from any Bharat BillPay-enabled channel via supported payment modes including UPI, debit card, IMPS, and Wallet. Through this feature, NBBL aims to address the growing need to provide accessibility via India's trusted bill payments platform, thereby, ensuring users have a hassle-free experience while using public transport.

Other launches

Co-Creation Framework: A unique way to drive digital payments ecosystem via strategic partnerships

The Co-Creation Framework is designed to address the ever-growing need for effective collaboration across diverse players within the digital payments ecosystem. The framework will empower organizations to unlock their full potential, driving forward-thinking co-created solutions or standards and staying ahead in competitive markets. In today's rapidly evolving business landscape, innovation is the key to success. Therefore, the launch of the Co-Creation Framework will provide a structured and dynamic approach to fostering collaboration among partners and stakeholders, driving creativity and innovation to new heights.

Merchant Value Program

Merchant Value Program (MVP) is a pioneering initiative aimed at fostering collaboration and innovation among the top merchants in India. MVP focuses on enhancing customer experience, improving success rates, and co-creating, offering a long-term engagement program exclusively for merchants. This initiative underscores NPCI's dedication to driving innovation and progress while revolutionizing merchant engagement for more intuitive solutions and services. NPCI's initiatives showcased at the Global Fintech Festival 2023 underscore the organization's unwavering commitment to driving innovation, financial inclusivity, and seamless experiences for users across India's digital and financial landscape.

NPCI Partner Program

NPCI Partner Program (NPP) is an initiative from NPCI to collaborate with tech partners providing various services to regulated entities such as banks, PPIs, NBFCs, and so on. In just a year from launch, the program provides various platforms to the tech partners – Partner Xchange a web-listing to showcase the Partner product spread, Partner Bridge to connect the customers to tech partners certified on NPP, Partner Series for partners to showcase their products and use cases, Partner Lab for co-development and learning. The purpose is to support the business and expand the retail payments ecosystem by making it more inclusive and transparent by enabling more technology service providers on NPCI products and services.

The above products and more were launched with key banking and fintech ecosystem partners. For additional information regarding product launches at GFF'23, kindly click here

INSURANCE

Move towards Indian Risk Based Capital (Ind-RBC) Framework

The IRDAI's strategic trajectory encapsulates a resolute commitment to fostering a robust and well-calibrated risk-capital symbiosis within the insurance landscape. By navigating this course with judicious foresight, the industry is poised to achieve not only heightened financial resilience but also the collective vision of inclusive insurance by 2047.

The Insurance Regulatory and Development Authority of India (IRDAI) is actively working towards the development and implementation of the Indian Risk-Based Capital (Ind-RBC) Framework for the Indian Insurance Industry as part of its developmental agenda. This framework would serve as a pivotal mechanism which would enable insurers to maintain an appropriate level of capital commensurate with the risks inherent in their insurance and reinsurance operations. Thus, it would act as a catalyst for insurers in optimizing capital utilization and ensuring efficient risk management.

As a major step towards transition to RBC from the present factor-based model, IRDAI has initiated the First Quantitative Impact Study (QIS1). This study holds paramount significance, as it provides the opportunity to comprehensively evaluate the potential impact on the capital and overall solvency of the insurers. A 'Technical Guidance' document has also been released which is meticulously designed to guide and facilitate the insurance industry in quantification and assessment of risks in the QIS1. A circular has been issued in this regard.

To ensure a streamlined progression, insurers are entrusted with the responsibility of submitting the outcomes of the QIS1 within a prescribed timeframe. Subsequent to the evaluation of the QIS1 findings, the IRDAI envisions embarking on successive Quantitative Impact Studies (QIS), a dynamic sequence that may culminate in the fine-tuning and evolution of the RBC Framework, ultimately resulting in its definitive implementation.

In essence, the IRDAI's strategic trajectory encapsulates a resolute commitment to fostering a robust and well-calibrated risk-capital symbiosis within the insurance landscape. By navigating this course with judicious foresight, the industry is poised to achieve not only heightened financial resilience but also the collective vision of inclusive insurance by 2047.

Revamped landscape for reinsurance market

In a significant move aimed at promoting a favorable business environment and attracting more reinsurers to establish operations in India, the Insurance Regulatory and Development Authority of India (IRDAI) recently approved a series of amendments to the Reinsurance Regulations during its 123rd Authority Meeting. The overarching objective of these amendments is to harmonize and streamline the existing regulations that apply to Indian insurers, Indian reinsurers, Foreign Reinsurance Branches (FRBs), and International Financial Services Centre Insurance Offices (IIOs). This comprehensive regulatory overhaul is strategically designed to position India as a prominent global reinsurance hub.

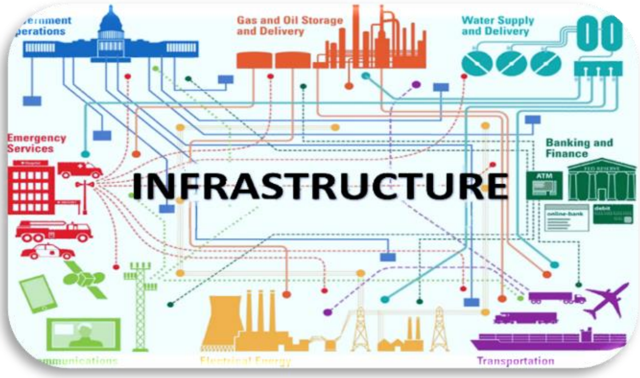
The key focus areas of these amendments revolve around several crucial aspects. Firstly, there is a concerted effort to increase the overall capacity of the reinsurance sector, which can help accommodate growing demand and manage larger risks. Additionally, these amendments seek to enhance technical expertise within the industry, fostering an environment of excellence and innovation. Another vital aspect is the reduction of the compliance burden on various entities operating in the sector, allowing them to navigate the regulatory landscape more efficiently.

Several noteworthy changes have been made in this regard. The minimum capital requirement for FRBs has been lowered from Rs. 100 Crore to Rs. 50 Crore, with the provision to repatriate any excess assigned capital. The order of preference, previously spanning six levels, has been streamlined to four levels. The format for reinsurance programs has been simplified, and regulatory reporting requirements have been rationalized for increased clarity and effectiveness.

A critical aspect of these amendments is their alignment with the broader goal of positioning India as a global reinsurance hub. By working in tandem with the International Financial Services Centres Authority (IFSCA), IRDAI aims to cultivate an environment conducive to the growth of reinsurance activities, both within and outside the conventional Indian market.

The regulatory framework for IIOs has been aligned with IFSCA regulations with the intent to remove dual compliance, thereby promoting a seamless integration of these entities into the larger financial ecosystem. The revised Order of Preference for IIOs, coupled with simplified regulations and improved placement alongside FRBs, fosters a more competitive environment.

In conclusion, the amendments introduced by IRDAI represent a significant leap forward in the Indian reinsurance landscape. By simplifying regulations, enhancing competitiveness, and aligning with global financial services trends, these changes signal regulatory intent to establish India as a leading global reinsurance hub. As the amendments take effect and the reinsurance market in India evolves, the insurance sector is poised to witness accelerated growth, increased international recognition, and a more robust ecosystem overall.



INFRASTRUCTURE & OTHER GOVT. INITIATIVES

Roadmap to making India a $5 trillion economy

The Government's roadmap for making India a $5 trillion economy comprises focusing on growth at the macro level and complementing it with all-inclusive welfare at the micro level, promoting digital economy and fintech, technology-enabled development, energy transition and climate action and relying on a virtuous cycle of investment and growth. The Government's Road Map was put into effect in 2014. This was stated by Union Minister of State for Finance Shri Pankaj Chaudhary in written reply to a question in Rajya Sabha today.

The Minister stated that major reforms including Goods and Services Tax (GST), Insolvency and Bankruptcy Code (IBC), a significant reduction in the corporate tax rate, the Make in India and Start-up India strategies, and Production Linked Incentive Schemes, among others, have been implemented.

Giving out more information, the Minister stated that the Government has also focused on a capex-led growth strategy to support economic growth and attract investment from the private sector, increasing its capital investment outlay substantially during the last three years. Central Government's capital expenditure has increased from 2.15 per cent of GDP in 2020-21 to 2.7 per cent of GDP in 2022-23.

The Minister further stated that the Union Budget 2023-24 has taken further steps to sustain the high growth of India's economy. These include a substantial increase in capital investment outlay for the third year in a row by 33 per cent to ₹10 lakh crore (3.3 per cent of GDP). Direct capital investment by the Centre is also complemented by Grants-in-Aid to States for the creation of capital assets. The 'Effective Capital Expenditure' of the Centre was accordingly budgeted at 13.7 lakh crore (4.5 per cent of GDP) for 2023-24. This strong push given by the government is also expected to crowd in private investment and propel economic growth.

Union Cabinet approves expansion of the Digital India programme with an outlay of ₹ 14,903 crore

Digital India programme was launched on 1st July, 2015 to enable digital delivery of services to citizens. It has proved to be a very successful program.

The Union Cabinet, chaired by Hon'ble Prime Minister Shri Narendra Modi, approved the expansion of the Digital India programme. The total outlay is ₹14,903 crores.
This would enable the following:

- 6.25 lakh IT professionals will be re-skilled and up-skilled under the Future Skills Prime Programme;
- 2.65 lakh persons will be trained in information security under the Information Security & Education Awareness Phase (ISEA) Programme;
- 540 additional services will be available under the Unified Mobile Application for New-age Governance (UMANG) app/ platform. At present over 1,700 services are already available on UMANG;
- 9 more supercomputers will be added under National Super Computer Mission. This is in addition to 18 supercomputers already deployed;
- Bhashini, the AI-enabled multi-language translation tool (currently available in 10 languages) will be rolled out in all 22 schedule 8 languages
- Modernisation of the National Knowledge Network (NKN) which connects 1,787 educational institutions;

- Digital document verification facility under Digi Locker will now be available to MSMEs and other organisations;
- 1,200 startups will be supported in Tier 2/3 cities;
- 3 Centres of Excellence in Artificial Intelligence on health, agriculture and sustainable cities will be set up;
- Cyber-awareness courses for 12 crores college students;
- New initiatives in the area of cyber security including development of tools and integration of more than 200 sites with National Cyber Coordination Centre.

.*CBDT launches revamped National Website of the Income Tax Department*

In order to enhance taxpayer experience and keep pace with new technology, the Income Tax Department has revamped its National website *www.incometaxindia.gov.in* with a user-friendly interface, value-added features, and new modules. The newly revamped website was launched by Shri. Nitin Gupta, Chairman, Central Board of Direct Taxes (CBDT)), at the 'Chintan Shivir', organised by Directorate of Income Tax (Systems) at Udaipur.

This website serves as a comprehensive repository of tax and other related information. It provides access to Direct Tax laws, several other Allied Acts, Rules, Income Tax Circulars and Notifications, all cross-referenced and hyperlinked. The site also offers a 'Taxpayer Services Module' featuring various tax tools to assist taxpayers in filing their income tax returns.

The revamped website has been aesthetically redesigned with a mobile-responsive layout. The website also has a 'Mega Menu' for content, with new features, and functionalities. For the convenience of the visitors to the website, all these new additions are explained through a guided virtual tour and new button indicators.

The new functionalities, allow users to compare different Acts, Sections, Rules, and Tax treaties. All relevant content on the site is now tagged with Income Tax sections for easy navigation. Further, dynamic due date alerts functionality provides reverse countdowns, tooltips, and links to relevant portals to help taxpayers to comply easily.

The revamped website is another initiative in providing enhanced taxpayer services and will continue to educate taxpayers and facilitate tax compliance.

CAPITAL MARKETS

Industry Standards Forum to facilitate ease of implementation of regulations: Industry Associations take next steps

In line with its commitment to facilitate capital formation in the economy and ease of doing business, SEBI, in July 2023, proposed the formation of an Industry Standards Forum, to be formed by Industry Associations and chaired by an Industry leader under the aegis of the Stock Exchanges. It was proposed that the Forum would formulate standards for implementation of specific regulations and circulars, based on feedback from industry and stakeholders, in consultation with SEBI.

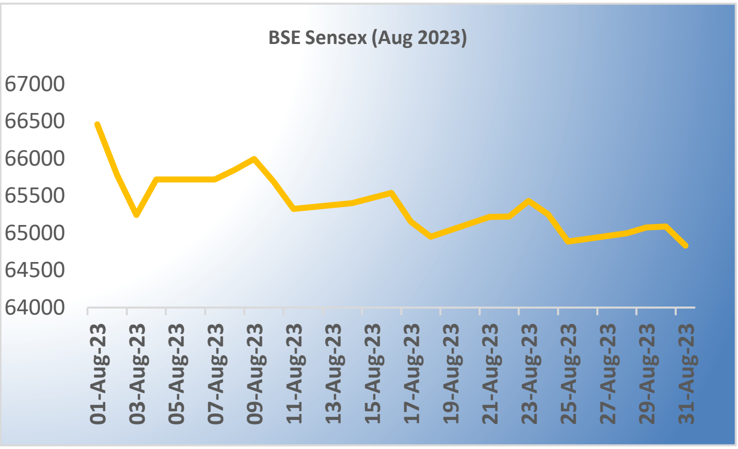
The above-mentioned concept and the proposal to start with a pilot has received very positive feedback. The industry associations have conveyed that they would like to take up more than one pilot and the following, inter alia, have emerged as priority areas to start with:

1. Rumour Verification requirements
2. Disclosure requirements under Regulations 30 and 30A of LODR Regulations
3. BRSR Core / ESG assurance requirements
4. Structured Digital Database requirements under PIT Regulations

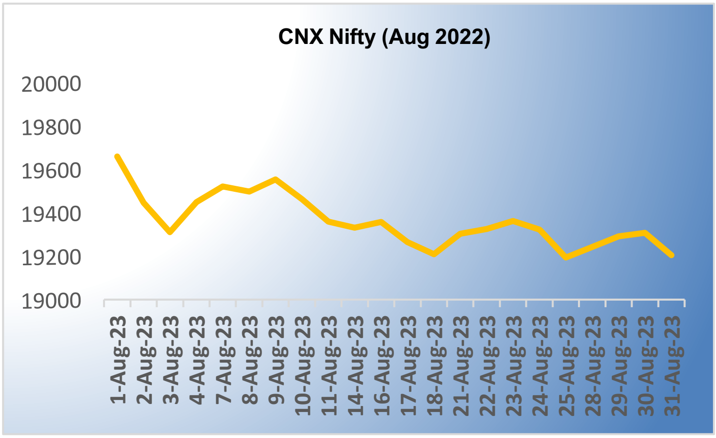
Associations have indicated a timeline of three to four months to design the standards for effective implementation of requirements in above areas. The standards would be designed at a level of detail to demonstrate compliance with the said regulations and circulars.

The three industry associations, ASSOCHAM, CII and FICCI have nominated their representatives for the pilots and agreed on the broad architecture of the Forum and are in the process of selecting a Chairperson for the same.

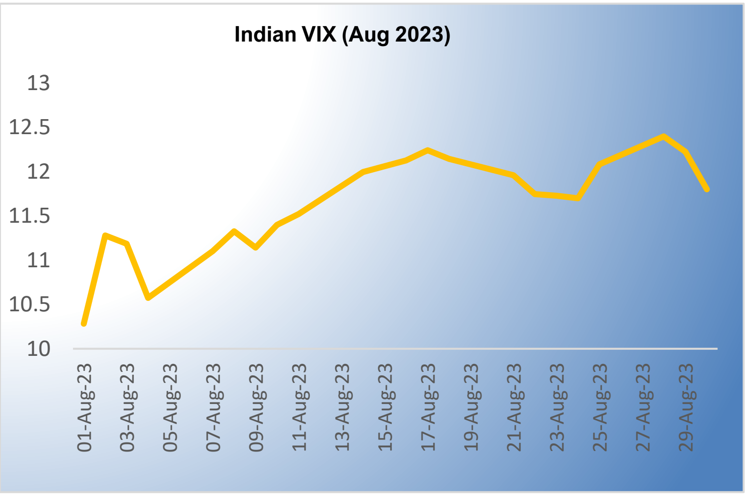
CAPITAL MARKETS SNAPSHOT



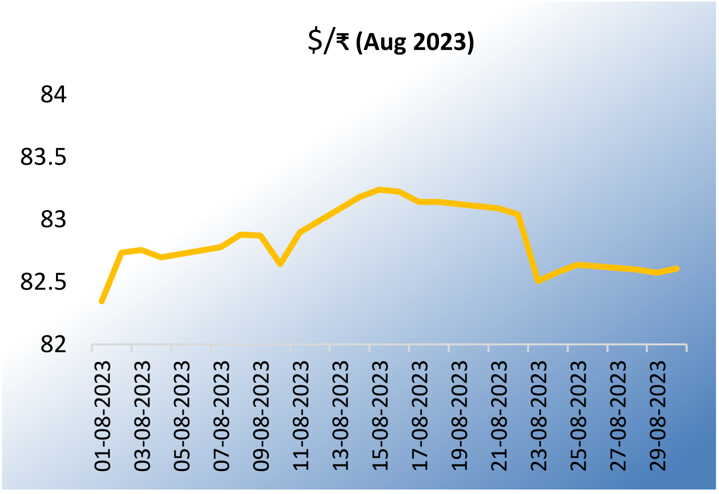
Sources: Bombay Stock Exchange



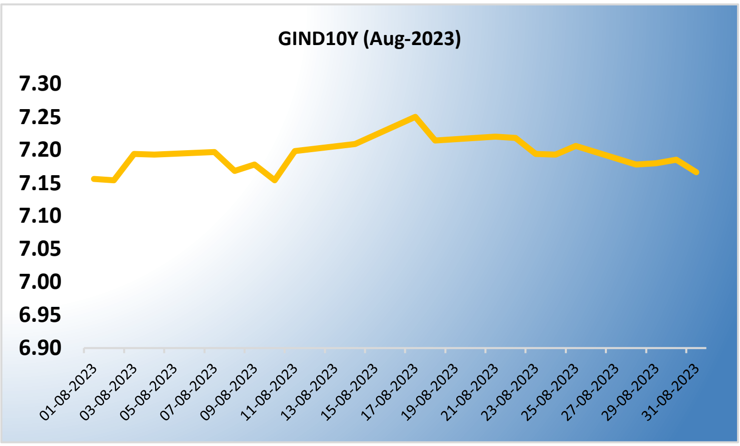
Sources: Bombay Stock Exchange



Source: National Stock Exchange



Sources: APAS Business Research Team



Sources: APAS Business Research Team

Overall, for the month of August Nifty closed lower with a loss of -2%. Broader market outperformed with the Nifty midcap 100 and nifty small cap 100 up more than 3-4% each for the month of August.

The market concluded the trading session today with losses, marked by fluctuating movements on the backdrop of series expiry day.

Nifty posted its first losses since March, marking a decline of 2 %. The Nifty Midcap Index managed to rise by 5 %, contrasting with the Nifty Bank, which saw a 4 % slip throughout the August series.

ECONOMIC DATA SNAPSHOT

Countries	GDP		CPI		Current Account Balance	Budget Balance	Interest Rates
	Latest	2023*	Latest	2023*	% of GDP, 2023*	% of GDP, 2023*	(10YGov), Latest
Brazil	4.0 Q1	2.4	4.0 Jul	4.5	-1.9	-7.6	11.0
Russia	4.9 Q2	-0.5	4.3 Jul	6.5	1.8	-3.8	11.4
India	**6.1 Q1**	**6.2**	**7.4 Jul**	**5.5**	**-1.3**	**-5.9**	**7.2**
China	6.3 Q2	5.2	-0.3 Jul	0.8	2.0	-2.8	2.4
S Africa	0.2 Q1	0.5	4.8 Jul	5.7	-1.8	-5.7	10.2
USA	2.5 Q2	1.8	3.2 Jul	3.9	-2.8	-5.7	4.1
Canada	2.2 Q1	1.7	3.3 Jul	3.4	-0.6	-0.9	3.6
Mexico	3.6 Q2	2.4	4.8 Jul	5.0	-1.9	-3.5	9.3
Euro Area	0.6 Q2	0.9	5.3 Jul	5.4	2.0	-3.3	2.6
Germany	-0.1 Q2	-0.1	6.4 Aug	5.9	5.3	-2.3	2.6
Britain	0.4 Q2	0.3	6.8 Jul	6.7	-3.3	-4.3	4.5
Australia	2.3 Q1	1.6	6.0 Q2	5.5	1.5	0.2	4.1
Indonesia	5.2 Q2	5.0	3.1 Jul	3.8	0.7	-2.6	6.4
Malaysia	2.9 Q2	4.2	2.0 Jul	2.7	2.9	-5.0	3.9
Singapore	0.5 Q2	1.0	4.1 Jul	5.0	16.2	-0.7	3.2
S Korea	0.8 Q2	1.3	2.3 Jul	3.0	1.7	-2.7	3.9

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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