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APAS MONTHLY NEWSLETTER

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APAS

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EDITORIAL

In this issue, **Mr. Vijay Chandok, MD & CEO, ICICI Securities**. He has presented his thoughts on **'New Regulations on uniform pricing to bring transparency and streamline the F&O segment'**. We thank Mr. Chandok for his contribution to the APAS Monthly.

This month, the APAS column covers '**Indian Budget 2024-2025: A Comprehensive Overview'.**

The economic indicators showed encouraging performance. Manufacturing PMI came in at 58.3 in June 2024, up from May's 57.5 but slightly below both preliminary estimates and market forecasts of 58.5. Services PMI was revised higher to 60.5 in June 2024 from a flash reading of 60.4, and quickening from May's five-month low of 60.2, compared to forecasts of 60.6. Infrastructure output in India rose 4% year-on-year in June 2024. Industrial output in India rose by 5.9% on an annual basis in May 2024. India's annual retail inflation rate rose to 5.08% in June of 2024 from 4.75% in the previous month. India Wholesale Price Index (WPI) number is 3.36% (Provisional) for the month of June 2024 (over June, 2023).

The Reserve Bank of India (RBI) is enhancing its collaborative efforts to link India's Unified Payments Interface (UPI) with various countries' Fast Payments Systems (FPS) for cross-border payments. RBI in the Statement on Developmental and Regulatory Policies of June 2024 has decided to rationalize regulations that cover export and import transactions. RBI has issued three revised Master Directions on Fraud Risk Management for various regulated entities, including commercial banks, cooperative banks, and non-banking finance companies.

Insurance Regulatory and Development Authority of India (IRDAI) published the data on life insurance for June 2024.

SEBI has issued a circular reducing the minimum denomination of debt securities and non-convertible redeemable preference shares from ₹1 lakh to ₹10,000. SEBI has recognized BSE Limited as both a Research Analyst Administration and Supervisory Body (RAASB) and an Investment Adviser Administration and Supervisory Body (IAASB). It has released a study revealing that 70% of individual intraday traders in the equity cash segment incur losses.

India's fintech landscape is evolving rapidly, yet profitability remains elusive for most unicorns, with only 6 out of 22 achieving it. Innovations like NPCI's credit line on UPI and regulatory shifts in P2P lending reflect ongoing adaptations. The sector is poised for substantial growth, with retail digital payments set to hit $7 trillion by 2030 and the fintech market projected to reach $420 billion by 2029. However, regulatory gaps and reduced incentives for digital payments pose challenges. Meanwhile, the abolition of the angel tax is expected to invigorate the startup ecosystem, despite a decrease in the average size of fintech personal loans driven by younger borrowers.

We hope that this APAS Monthly is insightful. We welcome your input and thoughts and encourage you to share them with us.

Ashvin parekh

On the Cover

ECONOMIC DATA SNAPSHOT

Global GDP, CPI, Current account balance, budget balance, Interest rates

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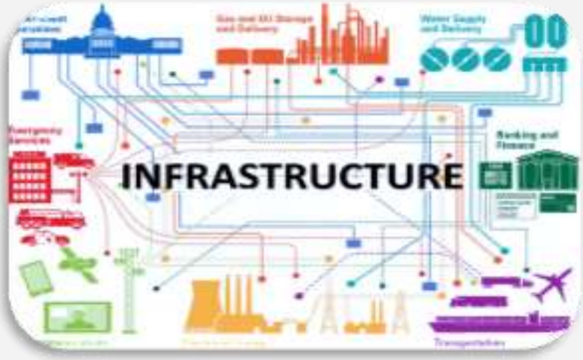
Regulation of Foreign Trade under Foreign Exchange Management Act (FEMA), 1999 – DRAFT REGULATIONS AND DIRECTIONS

Reserve Bank of India issues Revised Master Directions on Fraud Risk Management in the Regulated Entities

INSURANCE

Life Insurance – June 2024



INFRASTRUCTURE & OTHER GOVT. INITIATIVES

Union Budget 2024-25: Advancing Economic Growth through Infrastructure Initiatives

CAPITAL MARKETS

Reduction in denomination of debt securities and non-convertible redeemable preference shares

Recognition of BSE Limited as Research Analyst Administration and Supervisory Body (RAASB) and Investment Adviser Administration and Supervisory Body (IAASB)

SEBI study finds that 7 out of 10 individual intraday traders in equity cash segment make losses

CAPITAL MARKETS SNAPSHOT

CNX Nifty, BSE Sensex, India VIX, $/₹, GIND 10Y

FINTECH NEWS

Highlights of the Month

Guest Column: New Regulations on uniform pricing to bring transparency and streamline the F&O segment

Mr. Vijay Chandok
MD & CEO
ICICI Securities Limited.

New Regulations on uniform pricing to bring transparency and streamline the F&O segment

SEBI, the market regulator has announced that starting 1 October 2024, all stock exchanges, depositories and clearing corporations (collectively called market infrastructure institutions or MIIs) must charge brokers uniform transaction fees. Previously, these fees varied based on the broker's trading volume, meaning brokers with higher trading activity paid lower fees.

India's monthly F&O turnover reached a record Rs 8,740 lakh crore (or $1.1 trillion) in March 2024. This phenomenal surge represents a significant jump from just Rs 217 lakh crore (approximately $27 billion) in March 2019. The average daily turnover in the F&O segment now dwarfs the equity cash segment, highlighting the growing popularity of derivatives trading among retail investors.

Based on the number of contracts traded, National Stock Exchange (NSE) has become the world's largest derivatives exchange. Data from the Futures Industry Association (FIA) for 2023 shows it surpassed established players like the Chicago Mercantile Exchange (CME Group).

Seeing the rising trading volumes in this segment, SEBI formed a working group under former RBI executive director G Padmanabhan to study the derivatives market and recommend risk management measures. The group is expected to present an interim report soon, which might include raising the minimum value of F&O contracts from Rs 5 lakh to around Rs 25 lakh, restricting weekly options to only one expiry per stock exchange per week and increasing margin requirements for investors.

In the recent 2024 Union Budget announcement we saw that the government has increased the securities transaction tax (STT) on F&O of securities to 0.02% and 0.1% respectively which is meant to discourage retail investors from trading in the risky market segment.

We believe that the current measures are unlikely to deter investors from putting their money in the F&O segment however it will be interesting to see the F&O volumes post the implementation of the recommendations by the committee group or if SEBI comes out with any further administrative and regulatory changes

Impact on stock brokers

The new rule will impact the stock brokers in the following ways:

- **Impact on Revenue Models**: Brokers who previously offered competitive advantages through variable pricing or discounts on F&O trades may see a direct impact on their revenue streams. They may need to reassess their fee structures and explore alternative revenue sources or value-added services to maintain profitability. As per experts, the impact on traditional brokers will be limited.

- **Increased Costs:** To maintain their profitability, brokers may be forced to increase their brokerage fees to compensate for the lost revenue from SEBI's new rule.

- **Market Consolidation**: Similar to broader uniform pricing regulations, there could be a trend towards market consolidation in the broking industry. Brokers that can adapt quickly to the new regulations and maintain client satisfaction may capture market share from competitors who struggle with the transition.

- **Competitive Landscape**: The shift to uniform pricing could alter the competitive dynamics among brokers. Those with strong brand equity, superior technology offerings, or specialized advisory services may gain a competitive edge over others who previously relied on pricing strategies alone.

- **Regulatory Compliance**: Compliance with the new regulations will be crucial. Brokers will need to ensure that their pricing practices align with regulatory guidelines to avoid penalties or reputational damage.

- **Client Perception and Satisfaction**: Clients may benefit from clarity in pricing and potentially lower overall costs if uniform pricing leads to reduced fees across the industry. However, clients who benefited from negotiated discounts may perceive the change negatively initially.

Positive Outcomes of the new rule

- **Increased Transparency:** The new rule promotes transparency in transaction charges as all brokers pay the same fees. It allows you to make informed decisions when choosing a broker based on factors beyond fees.

- **Focus on Service:** Brokers might shift their focus from simply offering the lowest fees to providing better customer service, research tools, and investment advice to attract clients. It will benefit traders seeking more comprehensive support.

- **Investor Education:** Market regulators and financial experts have called for caution and investor education. Emphasizing the importance of risk management and a thorough understanding of F&O instruments is crucial.

We see that there would likely be a short to medium term impact, as from the longer-term point of view, with the kind of overall economic growth expected in India, the stock markets will perform for in the longer run. Hence the number of participants will increase and so the short-term drop-in trading volumes will be offset with the increase in market participants in the longer run.

In conclusion, while uniform pricing regulations in F&O trading in India aim to enhance market transparency and fairness, their implementation will likely prompt significant adjustments within the broking industry. Brokers will need to strategize and innovate to navigate these changes effectively while continuing to deliver value to their clients.

APAS COLUMN

Indian Budget 2024-2025: A Comprehensive Overview

On July 23, 2024, Finance Minister Nirmala Sitharaman presented the Indian Budget for the fiscal year 2024-2025, reflecting a vision of inclusive growth and sustainable development. This budget marks a significant milestone as the government, led by Prime Minister Narendra Modi, embarks on its third term, carrying forward its commitment to driving India's progress.

Introduction and Global Context

In her speech, Sitharaman highlighted the resilience of the Indian economy amidst global uncertainties. While the world grapples with elevated asset prices, political instability, and supply chain disruptions, India stands as a beacon of stable growth and low inflation. The government's policies have successfully maintained core inflation at 3.1%, with proactive measures ensuring the adequate supply of perishable goods.

Budget Theme and Priorities

The budget is built around the following key priorities:

1. Productivity and Resilience in Agriculture: Emphasizing technological advancements and sustainable practices to boost agricultural productivity and resilience against climate change.

2. Employment and Skilling: A critical highlight of the budget is its emphasis on employment and skilling. Recognizing the need for a skilled workforce to drive economic growth, the government has allocated significant resources towards vocational training and education. New initiatives aim to bridge the skill gap, aligning with industry demands and enhancing employability among the youth.

3. Income tax structure revised in new tax regime*:* Those opting for the new tax regime can save up to ₹17,500 as per the revised tax structure. Below are the revised tax slabs under the new tax regime:

- Up to ₹3 lakh: Nil
- ₹3 lakh to ₹7 lakh: 5%
- ₹7 lakh to ₹10 lakh: 10%
- ₹10 lakh to ₹12 lakh: 15%
- ₹12 lakh to ₹15 lakh: 20%
- ₹15 lakh and above: 30%

Furthermore, the finance minister has proposed to hike the standard deduction for salaried employees from ₹50,000 to ₹75,000 in the Union Budget 2024-25. finance minister Nirmala Sitharaman also stated about a comprehensive review of the Income Tax Act of 1961 to be carried out in the next six months.

4. Urban Development: Implementing smart city initiatives and upgrading urban infrastructure to improve the quality of life in cities. The finance minister, during her Budget 2024 speech, focused on providing houses for urban poor and middle-class citizens of India. She has allocated ₹10 lakh crore to build affordable houses under the 'Housing for All' scheme. The finance minister also announced a rental housing scheme for the working class. Under this scheme, the government aims to provide dormitory housing for industrial workers.

5. Simplification of the capital gains taxation: The finance minister aims to simplify the existing tax structure through these revisions. Here are the proposed changes announced by the finance minister:

- Certain financial assets will now attract short-term capital gains of 20%
- Long-term capital gains tax on certain financial assets will be levied at 12.5%
- All other assets will continue to attract capital gains tax at existing rates
- Certain financial assets will be exempted from capital gains tax up to ₹1.25 lakh
- Unlisted bonds, debentures, and debt mutual funds will attract capital gains tax irrespective of the holding period

Besides, the finance minister has proposed to increase the Securities and Transaction Tax (STT) on the sale of Futures and Options (F&O) to 0.02% from 0.01% and 0.1% from 0.0625% respectively. The Angel Tax is abolished for all investor classes to boost entrepreneur and start-up ecosystem.

6.Infrastructure: The finance minister has proposed to eliminate the indexation benefit on the sale of real estate properties. Such a move will prevent property sellers from quoting inflated prices and avoiding capital gains tax. Investing heavily in infrastructure projects to enhance connectivity and support economic activities across the country. The finance minister, in the Annual Budget of India, reaffirmed the government's commitment to reduce the fiscal deficit, which is now projected at 4.9% of the GDP (Gross Domestic Product). Finance Minister Nirmala has proposed to reduce the corporate tax on foreign companies from the existing 40% to 35%. To boost the Foreign Direct Investment (FDI) in India, the government aims to develop investment-ready "Plug-and-Play" Industrial Parks in or near 100 Tier II and Tier III cities. The ministry of finance has also allotted ₹2.66 lakh crore in the budget for developing rural infrastructure in India. Additionally, the government plans to launch Phase IV of PM Gram Sadak Yojana in 25 rural habitations due to population growth.

7. Announcements for the tourism and space industries: The finance minister also made several announcements for the Indian tourism and space industries. The major announcements in this regard include:

- Development of state-of-the-art temples in Gaya and Bodh Gaya in Bihar
- Nalanda University to be developed into a world-class tourist centre
- Special financial assistance to enhance Odisha's temples, monuments, and scenic beauty
- Setting up a venture capital fund of ₹1,000 crore for the space industry

8. Special funding for Andhra Pradesh and Bihar: The finance minister has proposed special funding for the upliftment of Andhra Pradesh and Bihar. The former will receive a ₹15,000 crore special assistance from the central government to develop Amaravati and the Vizag-Chennai industrial corridor. Additional funds will be provided for water, railways, and roadways infrastructure development.

On the other hand, Bihar will receive financial assistance of ₹26,000 crore for developing multiple road connectivity projects, including the Patna-Purnia Expressway, Buxar-Bhagalpur Expressway, and a 2-lane bridge at Buzar, among others. Additional funds are allocated for constructing new airports, temples, power projects, and medical colleges.

Conclusion

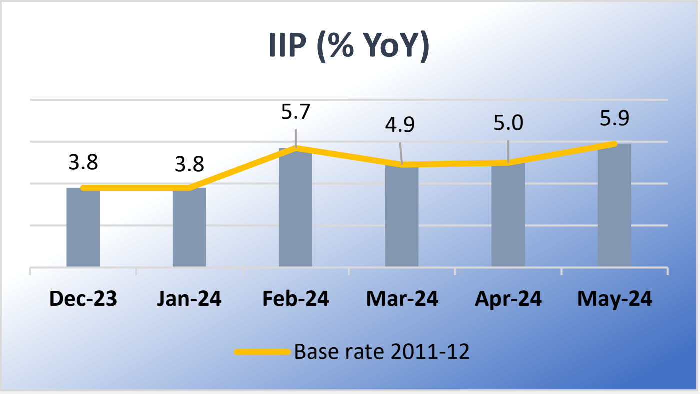
The Indian Budget 2024-2025 reflects a comprehensive and forward-looking approach, addressing immediate needs while laying the foundation for long-term growth. By focusing on key areas such as agriculture, employment, infrastructure, and state-specific development, the budget aims to steer India towards a path of sustained and inclusive growth.

ECONOMY

IIP (Index of Industrial Production) – May

Industrial output in India rose by 5.9% on an annual basis in May 2024, above market expectations of 4.9% and marking the highest growth rate since October 2023, following a 5% growth in the previous month.

For the month of May 2024, the Quick Estimates of IIP with base 2011-12 stands at 154.2 against 145.6 in May 2023. The Indices of Industrial Production for the Mining, Manufacturing and Electricity sectors for the month of May 2024 stand at 136.5, 149.7 and 229.3 respectively.

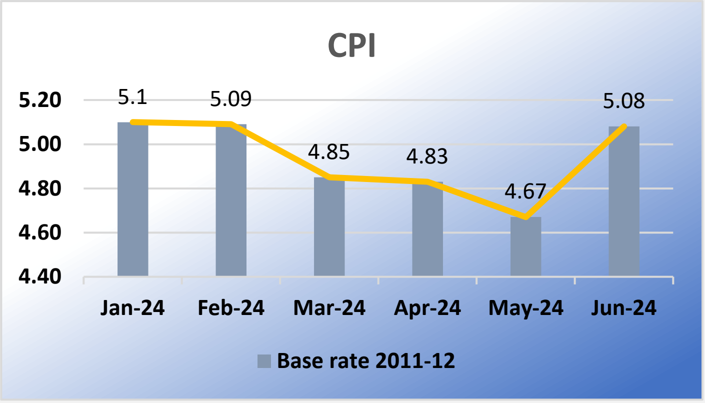


Source: APAS BRT, www.mospi.gov.in

As per Use-based classification, the indices stand at 160.9 for Primary Goods, 105.2 for Capital Goods, 160.8 for Intermediate Goods and 185.1 for Infrastructure/ Construction Goods for the month of May 2024. Further, the indices for Consumer durables and Consumer non-durables stand at 129.8 and 153.3 respectively for the month of May 2024.

CPI (Consumer Price Index) – June

The annual consumer inflation rate in India rose to 5.08% in June of 2024 from 4.75% in the previous month, well above market expectations of 4.80% to reflect the fastest pace of price growth since February. While marking the tenth consecutive month that Indian inflation remained within the RBI's relatively wide tolerance band of 2 percentage points from 4%, the halt in India's disinflation process strengthened expectations that the RBI will wait longer before starting its cutting cycle.



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

Prices accelerated for food (9.36% vs 8.69% in May), responsible for nearly half of the weight of the Indian consumer basket, as higher energy prices and uncertain weather conditions lifted costs for keeping crops. Inflation also rose for housing (2.69% vs 2.56%) and fell at a slower pace for fuel and light (-3.66% vs -

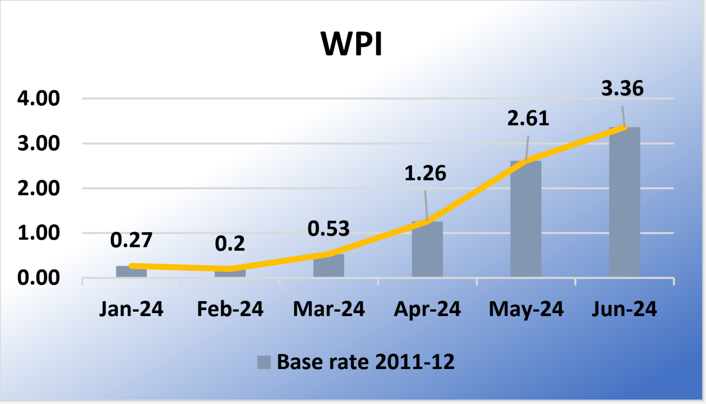
3.83%). From the previous month, Indian consumer prices jumped by 1.33%, the largest increase in 11 months.

WPI (Wholesale Price Index) – June

Wholesale Price Index (WPI) number is 3.36% (Provisional) for the month of June 2024 (over June 2023). Positive rate of inflation in June 2024 is primarily due to increase in prices of food articles, manufacture of food products, crude petroleum & natural gas, mineral oils, other manufacturing etc.

The month over month change in WPI for the month of June 2024 stood at 0.39% as compared to May 2024.

The index for primary articles increased by 2.08% to 191.6 (provisional) in June 2024 from 187.7 (provisional) for the month of May 2024. Prices of food articles (2.96%) and minerals (1.47%) increased in June 2024 as compared to May 2024. Prices of non-food articles (-0.32%) and crude petroleum & natural gas (0.57%) declined in June 2024 as compared to May 2024.



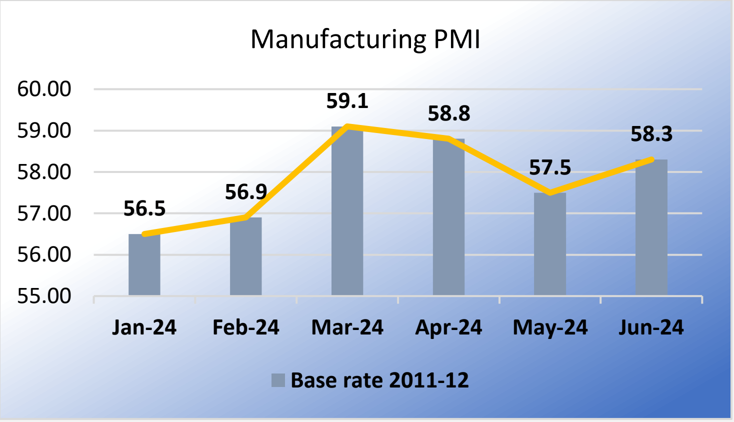
Source: APAS BRT, www.eaindustry.nic.in

Prices for Fuel & Power declined by 1.93% to 147.7 (provisional) in June 2024 from 150.6 (provisional) for the month of May 2024. Prices of electricity (-1.67%) and mineral oils (-2.38%) declined in June 2024 as compared to May 2024.

Prices for Manufacturing products increased by 0.14 % to 141.9 (provisional) in June 2024 from 141.7 (provisional) for the month of May 2024.

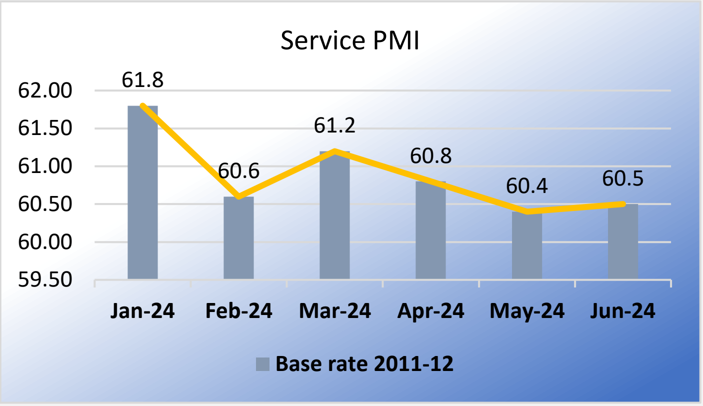
Manufacturing PMI – June

The HSBC India Manufacturing PMI came in at 58.3 in June 2024, up from May's 57.5 but slightly below both preliminary estimates and market forecasts of 58.5. The latest reading indicated a sharper improvement in business conditions, as strong demand conditions spurred the expansions in new orders, output and buying levels. At the same time, firms raised employment at the fastest rate seen in more than 19 years of data collection. Stocks of purchased materials also rose at a near-record pace, supported by another improvement in suppliers' delivery times. On prices, input price inflation eased in May, but was nonetheless among the highest since August 2022. As a result, companies lifted selling prices to the greatest extent since May 2022. Lastly, the outlook for the manufacturing sector remains positive, with firms expecting further improvements in demand and order book volumes in the year ahead. However, the future output index fell to a three-month low.



Source: www.tradingeconomics.com

Services PMI – May

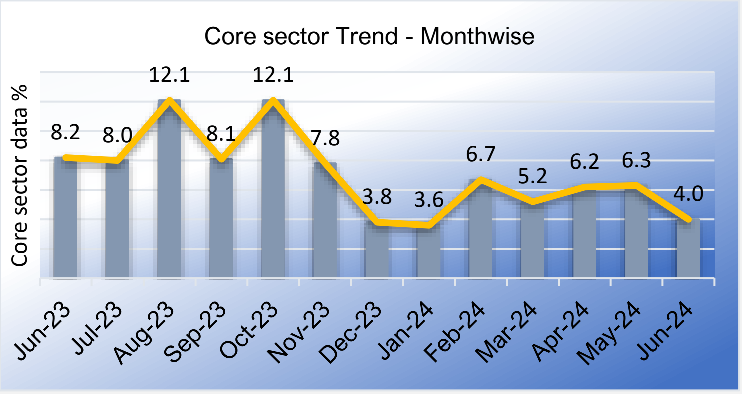


Source: www.tradingeconomics.com

The HSBC India Services PMI was revised higher to 60.5 in June 2024 from a flash reading of 60.4, and quickening from May's five-month low of 60.2, compared to forecasts of 60.6. This marked the 35th consecutive month of growth in services activity, supported by a faster rise in new orders, with an unprecedented expansion in foreign sales. Employment increased at the fastest pace since August 2022, while the job creation rose the most in 22 months, highlighting a mixture of short-term and permanent hires for junior, medium, and senior-level positions.

On the price front, input price inflation slowed and was the softest in four months while output cost inflation eased to the slowest since February. Finally, business confidence weakened to an 11-month low, owing to concerns surrounding market uncertainty and competition.

Core Sector Data – May



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

The combined Index of Eight Core Industries (ICI) increased by 4.0 % (provisional) in June, 2024 as compared to the Index in June, 2023. The production of Coal, Electricity, Natural Gas, Steel, Fertilizers and Cement recorded positive growth in June 2024. The ICI measures the combined and individual performance of production of eight core industries viz. Cement, Coal, Crude Oil, Electricity, Fertilizers, Natural Gas, Refinery Products and Steel. The Eight Core Industries comprise 40.27 percent of the weight of items included in the Index of Industrial Production (IIP).

The final growth rate of Index of Eight Core Industries for March 2024 stands at 6.3 per cent. The cumulative growth rate of ICI during April to June, 2024-25 was 5.7 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 14.8 per cent in June, 2024 over June, 2023. Its cumulative index increased by 10.8 per cent during April to June, 2024-25 over corresponding period of the previous year.

Crude Oil - Crude Oil production (weight: 8.98 per cent) declined by 2.6 per cent in June, 2024 over June, 2023. Its cumulative index declined by 0.7 per cent during April-June, 2024-25 over corresponding period of the previous year.

Natural Gas - Natural Gas production (weight: 6.88 per cent) increased by 3.3 per cent in June, 2024 over June, 2023. Its cumulative index increased by 6.4 per cent during April to June, 2024-25 over corresponding period of the previous year.

Petroleum Refinery Products - Petroleum Refinery production (weight: 28.04 per cent) declined by 1.5 per cent in June, 2024 over June, 2023. Its cumulative index increased by 0.9 per cent during April to June, 2024-25 over corresponding period of the previous year.

Fertilizers - Fertilizer production (weight: 2.63 per cent) increased by 2.4 per cent in June, 2024 over June, 2023. Its cumulative index remained constant during April to June, 2024-25 over corresponding period of the previous year.

Steel - Steel production (weight: 17.92 per cent) increased by 2.7 per cent in June, 2024 over June, 2023. Its cumulative index increased by 6.1 per cent during April to June, 2024-25 over corresponding period of the previous year.

Cement - Cement production (weight: 5.37 per cent) increased by 1.9 per cent in June, 2024 over June, 2023. Its cumulative index increased by 0.3 per cent during April to June, 2024-25 over corresponding period of the previous year.

Electricity - Electricity generation (weight: 19.85 per cent) increased by 7.7 per cent in June, 2024 over June, 2023. Its cumulative index increased by 10.5 per cent during April to June, 2024-25 over corresponding period of the previous year.

The final growth rate of Index of Eight Core Industries for February 2024 stands at 7.1 %. The cumulative growth rate of ICI during April to May, 2024-25 was 6.5 % (provisional) as compared to the corresponding period of last year.

ECONOMIC DATA SNAPSHOT

Countries	GDP (% change on year ago)		CPI (%change on year ago)		Current Account Balance % of GDP, 2024*	Budget Balance % of GDP, 2024*	Interest Rates 10-yr gov’t bonds Latest,%
	Latest	2024*	Latest	2024*			
Brazil	2.5 Q1	2.0	4.2 Jun	4.2	-1.4	-7.8	12.0
Russia	5.4 Q1	2.9	8.6 Jun	7.3	1.4	-1.6	15.7
India	7.8 Q1	6.9	5.1 Jun	4.7	-0.5	-5.1	6.9
China	4.7 Q2	4.7	0.2 Jun	0.4	1.2	-4.5	1.9
S Africa	0.5 Q1	1.1	5.0 Jun	4.8	-2.0	-5.2	9.4
USA	3.1 Q2	2.2	3.0 Jun	3.0	-3.3	-6.9	4.1
Canada	0.5 Q1	1.8	2.7 Jun	2.5	-0.7	-1.2	3.2
Mexico	2.2 Q2	2.1	5.0 Jun	4.4	-0.6	-5.0	9.8
Euro Area	0.6 Q2	1.0	2.6 Jul	2.5	3.1	-3.1	2.3
Germany	-0.1 Q2	0.3	2.6 Jul	2.6	6.6	-1.5	2.3
Britain	0.3 Q1	0.6	2.0 Jun	2.8	-2.8	-4.2	4.1
Australia	1.1 Q1	1.7	3.8 Q2	3.4	0.5	-1.5	4.3
Indonesia	5.1 Q1	5.2	2.5 Jun	2.8	-0.3	-2.4	6.9
Malaysia	5.8 Q2	4.4	2.0 Jun	2.5	2.5	-4.4	3.7
Singapore	2.9 Q2	2.4	2.4 Jun	2.9	19.7	0.1	2.9
S Korea	2.3 Q2	2.7	2.4 Jun	2.6	2.8	-1.6	3.1

BANKING

Reserve Bank of India and ASEAN Countries to Create a Platform to Facilitate Instantaneous Cross-Border Retail Payments

The Reserve Bank of India (RBI) is enhancing its collaborative efforts to link India's Unified Payments Interface (UPI) with various countries' Fast Payments Systems (FPS) for cross-border payments. While bilateral connections have been beneficial, a multilateral approach is set to expand the international reach of Indian payment systems. To this end, the RBI has joined Project Nexus, an initiative by the Bank for International Settlements (BIS) aimed at enabling instant cross-border retail payments through the interlinking of domestic FPSs. Founding members include India and four ASEAN countries: Malaysia, the Philippines, Singapore, and Thailand. An agreement was signed on June 30, 2024, in Basel, Switzerland, by the BIS and the central banks of these nations. Indonesia, involved since the project's early stages, remains a special observer. The platform, which is expected to go live by 2026, aims to make retail cross-border payments more efficient, faster, and cost-effective, with the potential for future expansion to more countries.

Regulation of Foreign Trade under Foreign Exchange Management Act (FEMA), 1999 – DRAFT REGULATIONS AND DIRECTIONS

Over the years, the Reserve Bank has been progressively liberalising policies governing foreign exchange transactions, under FEMA, 1999. In continuation of these efforts, as announced in the Statement on Developmental and Regulatory Policies of June 2024, it has been decided to rationalise regulations that cover export and import transactions. The proposed regulations are intended to promote ease of doing business, especially for small exporters and importers. They are also intended to empower Authorised Dealer banks to provide quicker and more efficient service to their foreign exchange customers.

The draft regulations under FEMA and directions to Authorised Dealer banks are available for public response.

Comments/feedback on the draft proposals (regulations as well as directions) may be forwarded via email by September 01, 2024, with the subject line "Feedback on draft regulations and directions on export and import under FEMA".

Reserve Bank of India issues Revised Master Directions on Fraud Risk Management in the Regulated Entities

The Reserve Bank of India has issued three revised Master Directions on Fraud Risk Management for various regulated entities, including commercial banks, cooperative banks, and non-banking finance companies. These updated guidelines, based on a thorough review of previous directions and emerging issues, emphasize the Board's role in governance and fraud oversight, mandate robust internal audit and controls, and ensure compliance with natural justice principles before classifying entities as fraudulent, in line with a Supreme Court judgment. They strengthen early warning systems, red flagging, and data analytics for fraud detection and prevention, and extend these requirements to regional rural banks, rural cooperative banks, and housing finance companies. Consequently, 36 existing circulars on the subject have been withdrawn to simplify compliance.

INSURANCE

Life Insurance - June 2024

	New Business Statement of Life Insurers for the Period ended 30th June 2024									
l No	Insurer	First Year premium			No. of Policies/Schemes			Sum Assured		
		Up to 31st June, 2024	Growth in %	Market Share	Up to 31st June, 2024	Growth in %	Market Share	Up to 31st June, 2024	Growth in %	Market Share
1	**Acko Life Insurance**	18.13		0.02	312.00		0.01	1716.56		0.07
2	**Aditya Birla Sun Life**	2304.31	38.69	2.57	69850.00	26.31	1.30	100555.19	28.07	4.20
3	**Ageas Federal Life**	272.78	64.10	0.30	12810.00	34.77	0.24	5761.44	54.25	0.24
4	**Aviva Life**	74.64	-15.45	0.08	3139.00	-51.11	0.06	22024.75	68.07	0.92
5	**Bajaj Allianz Life**	2539.93	17.78	2.83	155595.00	8.12	2.90	148442.17	-28.32	6.20
6	**Bandhan Life**	33.91	162.35	0.04	3276.00	-5.54	0.06	3219.73	33.25	0.13
7	**Bharti Axa Life**	124.19	-25.99	0.14	15196.00	-25.45	0.28	1836.92	-61.50	0.08
8	**Canara HSBC Life**	715.89	17.15	0.80	48025.00	80.29	0.89	140236.45	35.06	5.86
9	**CreditAccess Life**	21.34	1023.68	0.02	56.00	1020.00	0.00	1531.78	1120.47	0.06
10	**Edelweiss Tokio Life**	85.84	22.09	0.10	8569.00	-3.87	0.16	1378.15	-30.25	0.06
11	**Future Generali Life**	88.09	18.15	0.10	5547.00	-8.92	0.10	6676.44	1.02	0.28
12	**Go Digit Life**	250.71	1238656.89	0.28	328.00	32700.00	0.01	209294.18	3476547.45	8.74
13	**HDFC Life**	6540.34	9.19	7.29	253297.00	22.37	4.72	336547.44	0.76	14.06
14	**ICICI Prudential Life**	3768.55	23.51	4.20	132693.00	15.09	2.47	272467.99	13.38	11.38
15	**India First Life**	685.76	-6.82	0.76	27566.00	-50.82	0.51	195289.46	29.44	8.16
16	**Kotak Mahindra Life**	1525.35	7.05	1.70	45767.00	-7.13	0.85	58953.54	-42.39	2.46
17	**Max Life**	2073.46	11.87	2.31	152407.00	27.62	2.84	127321.49	23.31	5.32
18	**PNB Met Life**	815.89	31.77	0.91	59367.00	1.94	1.11	28593.28	-26.67	1.19
19	**Pramerica Life**	261.84	18.49	0.29	9613.00	44.99	0.18	28233.80	26.18	1.18
20	**Reliance Nippon Life**	259.97	-2.44	0.29	37688.00	-5.78	0.70	3775.42	-30.31	0.16
21	**SBI Life**	7032.69	13.33	7.84	425781.00	1.65	7.93	133534.73	-3.14	5.58
22	**Shriram Life**	406.93	-17.88	0.45	127893.00	126.29	2.38	53095.31	100.79	2.22
23	**Star Union Dai-ichi Life**	576.81	-14.52	0.64	33720.00	8.43	0.63	15394.21	-53.08	0.64
24	**Tata AIA Life**	1808.45	11.76	2.02	167704.00	22.99	3.12	202421.37	0.08	8.46
	Private Total	32285.80	14.62	35.98	1796199	14.02	33.46	2098302	15.35	87.66
25	**LIC of India**	57440.90	28.11	64.02	3572050.00	10.85	66.54	295323.09	82.53	12.34
	Grand Total	89726.70	22.91	100.00	5368249	11.89	100.00	2393625	20.84	100.00

INFRASTRUCTURE & OTHER GOVT. INITIATIVES

Union Budget 2024-25: Advancing Economic Growth through Infrastructure Initiatives

The Union Budget 2024-25 emphasizes infrastructure investment with an allocation of ₹11.11 lakh crore for capital expenditure, equal to 3.4% of GDP. The budget outlines nine priorities, including agriculture productivity, employment, social justice, and energy security. It promotes public-private partnerships, viability gap funding, and market-based financing frameworks. Additionally, Phase IV of the Pradhan Mantri Gram Sadak Yojana aims to enhance rural connectivity, and significant funds are allocated for irrigation and flood mitigation projects in several states.

CAPITAL MARKET

Reduction in denomination of debt securities and non-convertible redeemable preference shares

SEBI has issued a circular reducing the minimum denomination of debt securities and non-convertible redeemable preference shares from ₹1 lakh to ₹10,000. This change aims to make these financial instruments more accessible to a broader range of investors. The revised regulations are effective from August 1, 2024.

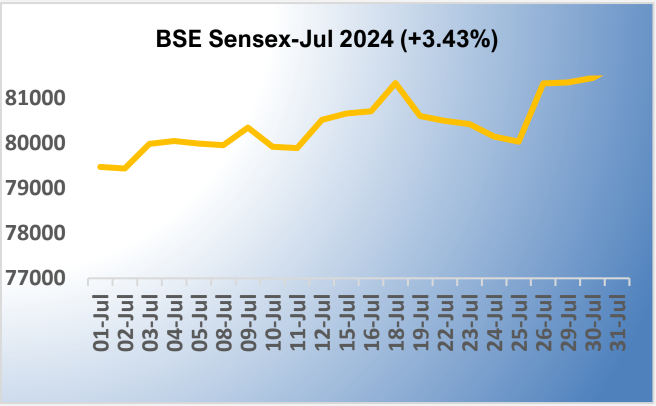
Recognition of BSE Limited as Research Analyst Administration and Supervisory Body (RAASB) and Investment Adviser Administration and Supervisory Body (IAASB)

SEBI has recognized BSE Limited as both a Research Analyst Administration and Supervisory Body (RAASB) and an Investment Adviser Administration and Supervisory Body (IAASB). This designation authorizes BSE to oversee and regulate research analysts and investment advisers, enhancing the integrity and oversight of these sectors in the financial market.

SEBI study finds that 7 out of 10 individual intraday traders in equity cash segment make losses

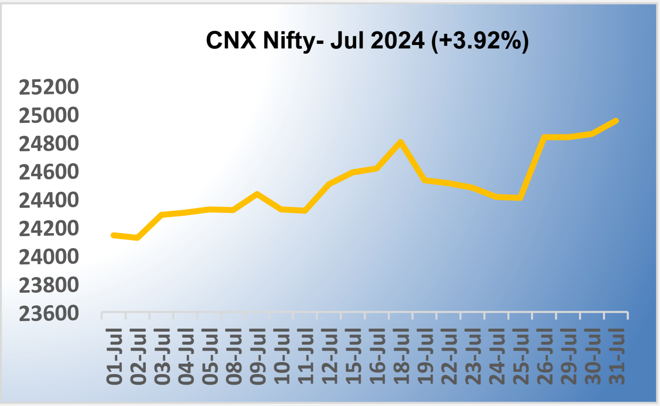
SEBI has released a study revealing that 70% of individual intraday traders in the equity cash segment incur losses. The study highlights the risks associated with frequent trading, suggesting that many traders face significant financial challenges.

CAPITAL MARKET SNAPSHOT



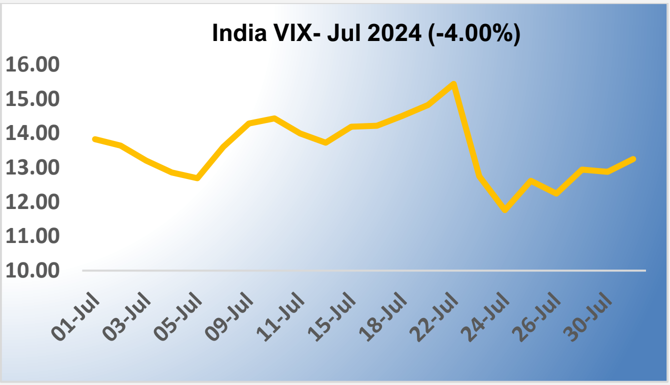
BSE Sensex-Jul 2024 (+3.43%)

Source: National Stock Exchange



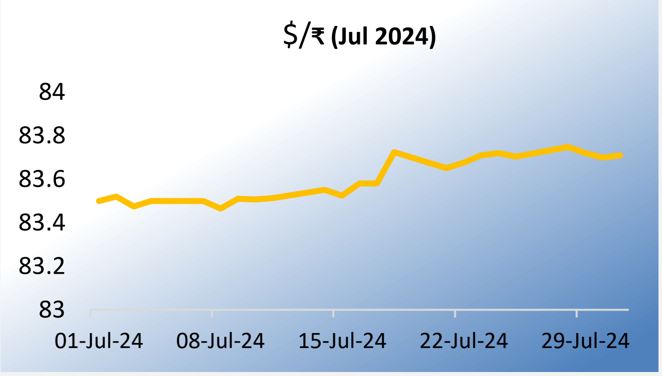
CNX Nifty- Jul 2024 (+3.92%)

Sources: Bombay Stock Exchange



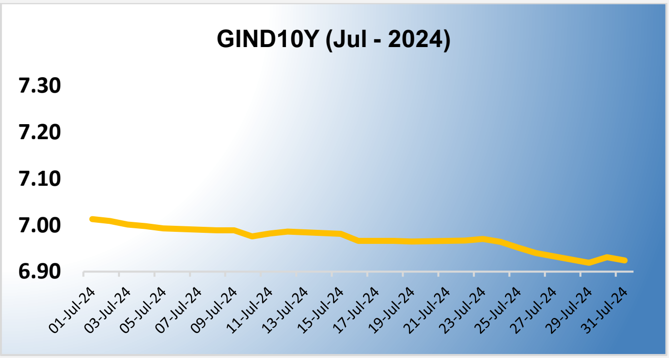
India VIX- Jul 2024 (-4.00%)

Sources: National Stock Exchange



$/₹ (Jul 2024)

Sources: APAS Business Research Team



GIND10Y (Jul - 2024)

Sources: APAS Business Research Team

In July 2024, the markets reached an all-time high, with notable percentage changes across various indices. The Nifty 50 rose by 3.92%, while the BSE saw an increase of 3.43%. The Mid 100 and Small 100 indices experienced significant gains of 5.83% and 4.48%, respectively. Despite a dip following the budget, the markets quickly rebounded. Additionally, the VIX, a measure of market volatility, decreased by 4%, indicating reduced market uncertainty.

FINTECH

Highlights of the Month

Only 6 out of 22 fintech unicorns profitable, chase continues

ET reported that only 6 out of 22 fintech unicorns in India are profitable. This highlights the ongoing challenge for many fintech companies to achieve profitability despite significant valuations and investments. The report underscores the persistent struggle in the fintech sector to balance growth and financial sustainability.

NPCI to roll out credit line option on UPI

The National Payments Corporation of India (NPCI) is launching a new credit line option on the UPI. This feature allows banks to offer pre-sanctioned credit lines to customers via UPI, functioning similarly to credit cards. Customers can make purchases and pay interest only on the amount used. Several banks, including Axis, HDFC, and ICICI, are already live with this product. This initiative is part of a broader effort by NPCI to enhance digital payments, which also includes UPI LITE X for offline payments and voice-enabled UPI transactions.

P2P lenders rework products, business to follow RBI diktat

India's P2P lending startups, including BharatPe, Cred, and LenDenClub, are modifying their products and business strategies to comply with the RBI new regulations. These changes aim to address issues such as asset-liability mismatches and improve regulatory compliance.

India to see retail digital payments to double to $7 tn by 2030

India's retail digital payments are projected to double to $7 trillion by 2030, driven by strong adoption of digital payment methods, particularly the UPI. This growth is detailed in a report by Kearney and Amazon Pay, which highlights that digital payments grew from $300 billion in FY18 to $3.6 trillion in FY24, with UPI alone showing a 138% compound annual growth rate in this period. The report also notes that digital payment adoption has penetrated both urban and rural areas, with affluent consumers and millennials leading the charge, and emphasizes the need for enhanced financial education and infrastructure to support this growth.

Digital lending to grow at 40% CAGR, GenZ & millennials primary drivers

Digital lending in India is set to experience substantial growth, projected to expand at a CAGR of 40%. This surge is primarily driven by Gen Z and millennials, who are increasingly adopting digital platforms for their financial needs. This transformation in the retail lending landscape highlights the significant influence of younger generations in the financial sector.

'Indian FinTech industry to reach $420 billion by 2029'

The Indian fintech industry is projected to grow significantly, reaching $420 billion by 2029, up from around $110 billion in 2024. This represents a CAGR of 31%. Key drivers of this growth include the widespread adoption of digital payment platforms such as the UPI, supportive government policies, and a young, tech-savvy population. NPCI aims to achieve 1 billion UPI transactions per day in the coming years. Additionally, India ranks third globally in the number of fintech entities, with over 9,000 firms, and commands 14% of startup funding in the country.

Eco Survey calls for need to plug regulatory gaps in fintech sector

The Economic Survey highlights the urgent need to address regulatory gaps in India's fintech sector. It emphasizes that a comprehensive framework is essential to ensure consumer protection, data security, and the stability of financial systems. The survey suggests that without these regulatory measures, the rapid growth of the fintech industry could pose significant risks to the broader financial ecosystem.

Budget 2024: FM Sitharaman proposes to abolish angel tax for all classes of investors

In the 2024 Budget, the abolishment of the angel tax for all classes of investors was announced. This tax was originally imposed on the capital raised by startups when the share price exceeded the fair market value, leading to tax liabilities on the difference. The removal of this tax is expected to significantly boost the startup ecosystem by alleviating funding challenges and promoting investment

Centre slashes digital payments incentives by over 42% for FY25 in Union Budget

The Indian government has significantly reduced the budget allocation for digital payments incentives by over 42% for the fiscal year 2024-25, bringing the amount down to INR 1,441 crore. This move has sparked concerns about the sustainability and growth of digital payment systems like UPI, given the high costs associated with maintaining the infrastructure. The incentives were previously aimed at promoting the use of digital payments by offsetting costs such as the Merchant Discount Rate (MDR)

Significant uptick in fintech loans, 9 cr loans sanctioned by Fintech NBFCs

Indian fintech NBFCs sanctioned nearly 9 crore loans worth Rs 98,111 crore in the fiscal year 2024. This significant uptick marks a doubling of their market share in loan sanctions over six years. These fintech loans now constitute 65% of the loan sanction volume and 11% of the loan sanction value in the personal loan market. The growth is attributed to technological advancements, convenience of digital platforms, and financial inclusion efforts reaching underserved markets.

Fintech personal loan sizes decrease as youth borrowing rises: RBI Report

A recent report from the RBI highlights a notable trend in the fintech sector: the average size of personal loans has decreased, largely due to an increase in borrowing by younger individuals. The average ticket size of personal loans dropped to ₹9,861 in the first half of fiscal 2024. This shift is driven by fintech companies focusing on low-ticket loans to cater to new borrower accounts, particularly younger users, who constituted over 59% of the total loans disbursed by fintechs.

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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