

Senior officials close to the development said that after the initial approval, ITI Reinsurance will have to secure the R2 and final R3 licence to commence reinsurance business operations. R1 is the preliminary approval given to companies. In March 2016, Fortune Financial Services announced that it had acquired Kohinoor India Reinsurance Company and was planning to enter the reinsurance venture through this subsidiary. Shiv Sena senior leader Manohar Joshi's Kohinoor Group had earlier applied for a reinsurance licence with Irdai. Fortune Group, which comprises the holding company Fortune Financial Services, provide a range of financial

services including equity and commodity trading, portfolio management services, distribution of mutual funds and insurance products

#### **Govt to offload 5-10% stake in insurance firms – The Financial Express – 16th July 2016**

While the government will offload 5-10% of its holdings in the proposed initial public offers (IPOs) by state-owned general insurance companies, these companies would issue fresh shares in their bid to raise capital to expand business, sources told FE.

GIC Re, India's only reinsurance company, will likely to be the insurance company to list in the exchanges by December this year. GIC will be likely followed by New India early next year.

### **CAPITAL MARKET NEWS**

#### **Demat a/c holders of NSDL, CDSL can trade in G-Secs on NDS-OM platform ( Financial express.com 31st July)**

The Reserve Bank of India (RBI) on Thursday allowed demat account holders of NSDL and CDSL to put through trades in government securities (G-Secs) on the Negotiated Dealing System – Order Matching (NDS-OM) platform.

In the first bi-monthly monetary policy statement of 2015-16, the RBI had said that an implementation group with representation from all stakeholders was constituted to recommend specific measures to enable seamless movement of securities from subsidiary general ledger (SGL) form to demat form and vice versa and to provide demat account holders functionality to put through trades on the NDS-OM.

“Taking into account the recommendations of the group, the Clearing Corporation of India (CCIL) was advised to put in place necessary arrangements in coordination with the depositories – National Securities Depository Limited (NSDL) and Central Depository Services (India) (CDSL) – to enable demat account holders to trade on NDS-OM,” it said.

The central bank added that the scheme seeks to facilitate efficient access to the retail individual investor to the same G-Sec market being used by the large institutional investor in a seamless manner.

“Any individual investor who maintains a demat

account with either of the depositories would be eligible to avail of these services. Initially, this access would be facilitated through any of the existing NDS-OM primary members, who also act as depository participants for NSDL and/or CSDL,” the RBI said.

#### **HDFC approves amalgamation of 5 subsidiaries into itself**

**Mortgage lender HDFC Ltd today cleared the merger of five subsidiaries with itself, subject to various regulatory approvals.**

HDFC has granted in-principle approval for the amalgamation of Grandeur Properties, Haddock Properties, Winchester Properties, Pentagram Properties and Windermere Properties into itself, the company said in a statement.

All these companies are wholly owned subsidiaries of the HDFC, it said.

The said amalgamation is subject to various regulatory approvals as applicable, it said.

#### **Yes Bank gets Sebi nod for mutual fund, AMC business(Financial express.com-27th July)**

In a BSE filing, Yes Bank said it “has received an in-principle approval from the Securities & Exchange Board of India (SEBI) to sponsor a Mutual Fund and to setup an asset management company (AMC), and a trustee company. The AMC and the trust company shall be set up as wholly owned subsidiaries of Yes Bank.”

Yes Bank got the Reserve Bank of India's (RBI) approval granted in October 2015.

Yes Bank said it has already identified senior leadership and technology architecture to establish this business, and will commence operations within 12 months.

#### **HDFC masala bonds issue to pave way for others: Nomura(Financialexpress.com 13th July)**

Private sector mortgage lender HDFC raising Rs 3,000 crore via masala bonds is expected to open the gates for other corporate peers to access this alternate source of funds, says Japanese financial services major Nomura.

HDFC proposes to issue Rs 2,000-crore synthetic bonds, also known as masala bonds, with an option to retain over-subscription of up to Rs 1,000 crore. It is the first Indian public issuer of synthetic INR notes.

“The HDFC issuance is well timed given the rally in Indian bonds over the past month. Its benchmark size is large enough to ensure secondary market liquidity,” said Utpal Oza, Managing Director and Head of Investment Banking, Nomura India.



# FINSCAPE

## A MONTHLY NEWS BULLETIN

Volume: II  
Issue : 08

for internal circulation only

August 2016

### From Editorial Desk

Dear Readers,

Welcome to the AUGUST Edition of FINSCAPE.

In a major clean up operation PSU banks have written off a massive Rs 59,547-cr loan in FY16. The central govt has while recapitalising the state owned banks to the tune of Rs.22,915 crores, has asked them to submit plan to raise further capital from market to strengthen their operations.

ITI Reinsurance (Fortune Financial Services Group) is set to become the first private sector reinsurance company in India. It has cleared the first stage of licence from IRDA. Presently only GIC Re (Indian PSU company) runs the reinsurance business in India.

Happy reading.

Regards,

Venugopal Rajamanuri  
Co-ordinator- CFS

Prof. Srinivas R Gangidi  
Director

### Head lines:

#### **BANKING & FINANCE**

- Fino Paytech for more stake sale; to launch payments bank in six months
- Submit plans for fund raising from market: Finance Ministry to PSU banks
- RBI slaps Rs 27 crore penalty on 13 banks including PNB and HDFC Bank for FEMA violations
- ICICI Bank profit plunges 22% on provisioning for NPAs
- Public sector banks write off Rs 59,547-cr loan in FY16
- RBS to close 6 of 10 branches from Oct 1  
By July 31, 15 banks to roll out unified payment interface

#### **INSURANCE**

- LIC ties up with Axis Bank to sell life covers
- General Insurance Council to create fraudulent claims data bank
- ITI Reinsurance clears first hurdle for IRDAI licence
- Govt to offload 5-10% stake in insurance firms

#### **CAPITAL MARKETS**

- Demat a/c holders of NSDL, CDSL can trade in G-Secs on NDS-OM platform
- HDFC approves amalgamation of 5 subsidiaries into itself
- Yes Bank gets SEBI nod for mutual fund, AMC business
- HDFC masala bonds issue to pave way for others: Nomura

## BANKING & FINANCE

### Fino Paytech for more stake sale; to launch payments bank in six months (Financial express.com-31st July)

Having bagged a Rs 250-crore investment from BPCL, the first by an oil marketer in a Payments Bank, Fino Paytech is looking for at least one more round of fund infusion through stake sale before it launches the bank in about 6 months.

The RBI's 18 month window to those who have been given in-principle nods is on till February 2017.

Gupta said Fino is waiting for the stake sales to go through before making proceeding ahead for the final nod.

It can be noted that under the RBI norms, Fino is required to bring its foreign holding under 50 per cent which is being done through the stake sales.

Fino's shareholders include ICICI Bank, IFC, HAV3 holdings, The Blackstone Group and Intel Capital, besides BPCL.

### Submit plans for fund raising from market: Finance Ministry to PSU banks (Financial express.com-31st July)

Having announced capital infusion of Rs 22,915 crore in PSU banks, the Finance Ministry has asked them to submit plans for raising resources through markets, including public offers and sale of non-core assets.

"With the infusion, the financial strength of the banks will get a boost. This can be then leveraged by the banks to raise funds from the markets which is looking up," sources said.

Banks were advised to submit funds raising from market at a meeting of chief financial officers of public sector banks (PSBs) with senior finance ministry officials to discuss the capital allocation recently.

Under Indradhanush roadmap announced by the ministry last year, the government will infuse Rs 70,000 crore into PSBs over 4 years while they will have to raise a further Rs 1.1 lakh crore from the markets to meet their capital requirements in line with global risk norms Basel-III.

### RBI slaps Rs 27 crore penalty on 13 banks including PNB and HDFC Bank for FEMA violations July 27, 2016 9:23 PM

In a major crackdown for FEMA violations and KYC lapses, the RBI has imposed 27-crore penalty on 13 public and private sector banks, including PNB and HDFC Bank, while asking eight others including SBI and ICICI Bank to ensure strict compliance with guidelines. (Reuters)

In a major crackdown for FEMA violations and KYC lapses, the RBI has imposed Rs 27-crore penalty on 13 public and private sector banks, including PNB and HDFC Bank, while asking eight others including SBI and ICICI Bank to ensure strict compliance with guidelines.

On the basis of inputs received from a public sector bank, the Reserve Bank had undertaken a scrutiny on advance import remittances in 21 banks in October and November 2015.

In a statement issued today, the RBI said it has imposed monetary penalty on 13 banks for "violation of regulatory directions/instructions/guidelines, among other things, on

KYC norms".

These banks are: Bank of Baroda (Rs 5 crore), Punjab National Bank (Rs 3 crore), Syndicate Bank (Rs 3 crore), UCO Bank (Rs 2 crore), HDFC Bank (Rs 2 crore), Allahabad Bank (Rs 2 crore), Canara Bank (Rs 2 crore), IndusInd Bank (Rs 2 crore), SBBJ (Rs 2 crore), Bank of India (Rs 1 crore), Corporation Bank (Rs 1 crore), RBL Bank (Rs 1 crore) and SBM (Rs 1 crore).

### ICICI Bank profit plunges 22% on provisioning for NPAs

#### Despite strong growth in domestic advances by 16.9% y-o-y in Q1FY17, and a robust increase in retail assets of 22% y-o-y

India's largest private sector lender ICICI Bank on Friday reported a standalone net profit of R2,232 crore in the June quarter of FY17, a fall of 25% year-on-year (y-o-y) owing to higher provisions to the tune of R2,415 crore. The lender said almost the entire quantum of provisioning had been made for non-performing assets (NPAs). The bank turned in a strong operational performance and the asset quality remained more or less intact.

### Public sector banks write off Rs 59,547-cr loan in FY16 (Financial express.com – 26th July)

Public sector banks (PSBs) have written off loans worth Rs 59,547 crore in 2015-16, Parliament was informed today. Of the total, State Bank of India (SBI) alone has written off Rs 15,763 crore worth loans, Minister of State for Finance Santosh Kumar Gangwar said in a written reply to Rajya Sabha.

Among the nationalised banks, Punjab National Bank has written off Rs 7,340 crore, followed by IDBI Bank (Rs 5,459 crore) and Canara Bank (Rs 3,387 crore).

The 20 nationalised banks cumulatively wrote off bad debt worth Rs 38,674 crore, while the same for SBI Group was Rs 20,873 crore.

This has taken the total write offs by PSU banks in 2015-16 to Rs 59,547 crore.

Gangwar said as per the statute, RBI is prohibited from disclosing the borrower wise credit information.

Among the other PSU banks, Canara Bank has

written off Rs 3,387 crore, followed by Indian Overseas Bank (Rs 2,578 crore), Bank of India (Rs 2,374 crore) and Allahabad bank (Rs 2,097 crore).

### RBS to close 6 of 10 branches from Oct 1 (Financial express.com 19th July)

Royal Bank of Scotland (RBS) has announced the closure of 6 retail branches, out of 10, in the country from October 1.

The RBS branches in Bengaluru, Hyderabad, Pune, Gurgaon, Noida and Vadodara will be closed with effect from October 1, the RBS said in a notice to its customers.

"The remaining four RBS branches (namely Chennai, Kolkata, Mumbai and New Delhi) will close in due course post intimation," it added.

The British lender, which has been in India since 1921, also asked the customers to close their account(s) and make alternate arrangements for banking, wealth management and demat account(s) on or before August 31.

Further, no new savings/current account(s) or term deposit(s) will be opened effective July 31.

In May, RBS had announced to initiate a phased exit from retail banking and close down branches in India.

The decision to wind up retail banking was in the making ever since the Reserve Bank refused to clear the sale of its branches (then 16) to HSBC India a few years back.

One of the main reasons for the regulatory refusal was HSBC's decision against converting its branch banking route into a fully-owned subsidiary route as it already has nearly 50 branches.

**By July 31, 15 banks to roll out unified payment interface (Jul 30, 2016, 11.23 AM @EconomicTimes <http://ecoti.in/Gc0Z>)**

## INSURANCE

### LIC ties up with Axis Bank to sell life covers (Financial express.com 30th July)

In one of the largest bancassurance partnerships since life insurance policy sale by banks was liberalised, industry behemoth LIC and third largest private sector lender Axis Bank today entered into a tie-up to sell the former's products.

The financial institutions signed a memorandum of understanding (MoU), under which Axis Bank branches will be selling LIC's policies, a joint statement issued here said.

This is one of the biggest tie-ups announced after financial sector regulators liberalised norms governing the sale of insurance products by banks, called Bancassurance, under which lenders were allowed to sell products of multiple insurance companies in 2013-14.

"The coming together of the two major reputed organisations would enable them to combine and utilise the synergies for enhancing customer satisfaction," LIC executive director for bancassurance Mukesh Gupta said.

"Over the past five years, the life insurance business at Axis Bank has grown at a CAGR of over 25 per cent. The partnership with LIC would enable us to further expand our existing bouquet of offerings," Axis Bank retail banking head Rajiv Anand said.

To start with, Axis Bank branches in Bengal, Bengaluru and Haryana's Panchkula will start selling LIC's multiple products, the statement said.

LIC commands a 76.8 per cent market share in policies and 70.4 per cent share in first premium, while Axis Bank has a network of over 3,000 branches, including extension points.

### General Insurance Council to create fraudulent claims data bank (Financial express.com 13th July)

With most of the regulatory issues relating to the non-life insurance industry ironed out, the General Insurance Council of India is now into development of data bank of fraudulent claims, clearing house and standardisation of policy wordings for commercial policies, said a top official.

"Most of the regulatory issues have been sorted out. The foreign direct investment (FDI) limit has been increased to 49 per cent. We have decided to move ahead with couple of initiatives for the collective benefit of the industry," R. Chandrasekaran, Secretary General of the council, told IANS.

According to him, the council is now working on building a data bank on fraudulent claims, setting up a clearing house to settle inter-company dues and also standardise the policy wordings for commercial insurance policies.

The council outsourced the development of the software for motor and health insurance claims fraudulent data bank and has given it to insurers.

### ITI Reinsurance clears first hurdle for IRDAI licence - Business Standard – 1st July 2016 ITI

Reinsurance, part of Fortune Financial Services, is set to become the first private sector reinsurance company in India. Sun Pharmaceutical's Executive Director Sudhir Valia and family control Fortune Financial Services. On Thursday, the Insurance Regulatory and Development Authority of India (Irdai), gave the first phase licence or R1 to ITI Reinsurance.

At present, there is only one domestic reinsurer, General Insurance Corporation of India (GIC Re), a public sector company. Other players that have applied for branch licence include global leaders like Swiss Re, Munich Re and Hannover Re.