CENTRE FOR FINANCIAL SERVICES

Aurora's Business School

FINSCAPE

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From Editorial Desk

Government's announcement of infusing Rs.70,000 crores in PSU banks in a phased manner corners the spotlight for this issue. This move of the government is likely to boost the lending capacity of the PSU banks. This in turn is Expected to help them to slash the interest rates to some extent. This is expected to spur the economic activities further.

The key rates are left unchanged by the RBI Governor indicating that the focus is on economic growth, the small increase in inflation notwithstanding.

It is heartening to note that the insurance scheme launched by the Government of India under its social security initiative has been a grand success with 10.6 crore policies issued.

Finally, CFS is happy to announce that the AICTE sponsored National seminar on Financial Inclusion organised by it on 29th Juy was a grand success.

Happy reading!

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Head lines:

BANKING & FINANCE

IDFC Bank to Start Lending Services From October- Press Trust of India | Last Updated: August 04

Raghuram Rajan Keeps Rates on Hold, Leaves Door Open for More Easing

Government will infuse Rs 70,000 crore in state-run banks over four years.

Hong Kong regulator fines State Bank of India for anti-money laundering failures

First Set of Differential Bank Licences by Month-End: Rajan

INSURANCE

10.6 crore people covered under central govt insurance schemes – Mint – 21st July 2015 .

IRDA to axe commissions to distributors, to cut expenses of insurers to raise returns for policyholders

IRDA tightens norms to check insurance mis-selling by banks

Life insurers oppose mandatory investment of ULIP funds in G-secs – Business Standard.

Final word on ULIP fund investments from IRDAI in Aug –

No Progress after 49% FDI in the insurance sector permission. IRDA says no to 100 percent FDI in insurance broking biz.

IRDAI to pause on multiple tie-ups

CAPITAL MARKETS

MF Inflow in Equity Markets Drops by 58% to Rs. 4,300 Crore. In July Government Bonds oversubscribed. FIIs put in bids worth Rs.751 crores. (The Economic Times)

CFS NEWS:National seminar held on 29th July

made any tangible moves to rope in capital from abroad. As a result the cost of buying insurance for the domestic consumer is rising just as it did last year and the year before. All this is happening in one of the least penetrated insurance markets in the world. It is less than 4 per cent for the Indian economy and a terrible 0.8 per cent for general insurance, less than even Malaysia or Thailand, forget the other BRICS members.

IRDA to pause on multiple tie-ups - Business Standard – 30th June 2015

Following stiff resistance from public sector banks (PSBs), the Insurance Regulatory and Development Authority of India (IRDAI) open architecture model for the insurance sector is believed to have been put on hold. According to sources, the regulator will not make the proposal of multiple bank–insurer tie-ups mandatory as proposed in the draft norms but will wait for a year or so, before nudging the lenders to adopt such a model.

IRDA says no to 100 percent FDI in insurance broking biz – The Indian Express – 24th July 2015

The IRDA has ruled out allowing 100 per cent FDI in the insurance broking business.

"There is no plan to allow 100 per cent FDI in insurance broking," said a top official. In 2013, IRDA had appointed a committee under its senior director Suresh Mathur, and Sr joint director, IRDA, to look into the possibility of 100 per cent FDI in broking business as the Insurance Act did not specially mention about limiting FDI to 26 per cent in broking.

Subsequently FIPB has said insurance broking industry will abide by the 49 per cent FDI, as allowed by the parliament. The insurance regulator has said FDI in broking will now continue to be restricted to 49 per cent. With foreign players pressing for 100 per cent FDI in broking business, an intense tussle was on between foreign and Indian insurance brokers on the issue of higher FDI.

Source Insunews – weekly e-Newsletter 5 Issue No. 2015/30 www.insuranceinstituteofindia.com

CAPITAL MARKET NEWS

MF Inflow in Equity Markets Drop by 58% to Rs. 4,300 Crore in July

Press Trust of India | Last Updated: August 03, 2015 14:44 (IST)

As per a data released by the SEBI mutual fund managers invested a net sum of Rs. 4,339 crore last month, as compared to Rs. 10,325 pumped in June.

Government Bonds oversubscribed; FIIs put in bids worth Rs.751 crores. (The Economic Times)

Government bonds today attracted bids of Rs.751 crore from Foreign investors against Rs.403 crore worth of securities put on offer. The auction was held on 25th July at BSEs Ebid exchange platform for allocation of FII investment limits in government debt securities worth Rs.403 crores.

Aurora's Business School News

The Centre for Financial Services (CFS), Aurora's Business School organized the AICTE sponsored National Seminar on " New Banking Licence Policies & RBI Stipulations to Resolve the Problems related to Financial Inclusion" on 29th July at Aurora's Business School Seminar Hall. Mr. Vijay Mahajan, CEO of Basix was the chief guest. The other important dignitaries were the guest of Honor - Mr. PVA Ramarao, Ex-chairman of NABARD and Ex-banking Ombudsman and the Key-note speaker Mr.Jagan Mohan, Ex-MD of APSCOB. The Seminar was well attended by representatives from industry and academia. About 30 paper and poster presentations were made in the business sessions. Mr.Gopikrishna U., Head- Micro Insurance products for AVIVA presented the role played by AVIVA in Financial Inclusion programme.

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BANKING & FINANCE

IDFC Bank to Start Lending Services From October-Press Trust of India | Last Updated: August 04, 2015 14:17 (IST)
With the demerger of financial undertaking from IDFC Ltd, IDFC Bank will kick-start its lending operations from October 1, 2015.

RaghuramRajan Keeps Rates on Hold, Leaves Door Open for More Easing
Thomson Reuters | Last Updated: August 04, 2015 13:11 (IST)
The RBI also said government economic reforms and the timing of any increase in US interest rates would be key factors that will determine whether the central bank cuts rates for a fourth time this year.

Government will infuse Rs 70,000 crore in state-run banks over four years.Infusion of Rs 70K cr in PSBs will fuel economic growth: FICCI By PTI | 3 Aug, 2015,
Welcoming government's plan to recapitalise public sector banks with infusion of Rs 70,000 crore over the next four years, FICCI today said it augurs well for the banking sector and will help fuel economic growth.
"This is a positive development as it would help meet both the capital adequacy requirements of the banks as well as build on-lending capacity to fuel growth in the economy," FICCI President Jyotsna Suri said.
Public sector banks will need to raise Rs 1.10 lakh crore from markets to meet more than half of their capital requirement of Rs 1.80 lakh crore over the next four years.
Of this, the government is willing to provide Rs. 70,000 crore - Rs 25,000 crore each in current and next fiscal and Rs 10,000 crore each in 2017-18 and 2018-19. The industry body expressed hope that as public sector banks get further support from the government, they would slash lending rates commensurate with cuts an.
(http://economictimes.indiatimes.com/articleshow)

Hong Kong regulator fines State Bank of India for anti-money laundering failures
By Reuters | 31 Jul, 2015
The Hong Kong Central Bank said on Friday it has fined State Bank of India's Hong Kong branch HK$7.5 million ($1 million) for breaching the city's anti money-laundering and counter terrorism financing rules.
The fine marks the first time the Hong Kong Monetary Authority (HKMA) has taken disciplinary action under Hong Kong's Anti-Money Laundering Ordinance brought into force in 2012.
The HKMA said between April 2012 and November 2013 State Bank of (SBI) Hong Kong failed to perform a series of key anti money-laundering checks, including doing due diligence on 28 corporate customers, monitoring existing business relationships, and verifying whether its customers were politically exposed persons.

Besides paying the fine, the bank must also submit an independent report to the HKMA, which is Hong Kong's banking regulator, outlining the remedial action it will take to tackle these internal control failings, it said.

First Set of Differential Bank Licences by Month End: Rajan
The Reserve Bank is all set to issue the first set of differential bank licences to small finance and payments banks by the end of August, in a move aimed at promoting financial inclusion.
"I hope to announce at least one set of bank licences (either small finance or payments banks) before the end of this month," RBI Governor Raghuram Rajan said while announcing the bi-monthly monetary policy review in Mumbai.
RBI had received 72 applications for small finance bank licences and 41 for payments bank licences.
The applicants include the Department of Post, Tech Mahindra, the Videocon Group and stock exchange NSE, besides big corporates like the Ambanis and the Birlas.

NRI businessman M A Yusuff Ali's Lulu Group and microfinance company Ujjivan Financial Services Private are also in the fray among 113 applicants.
Press Trust of India | Last Updated: August 04, 2015 13:04 (IST)

INSURANCE

10.6 crore people covered under central govt insurance schemes – Mint – 21st July 2015
Life and accidental insurance schemes launched by the central government as part of its financial inclusion programme have covered more than 10.6 crore Indians so far.
While enrolments started on 1 May, the schemes were officially launched on 9 May, and by then about 5.77 crore people had already been covered under the schemes.

Centre for Financial Services

As per data available on the Pradhan Mantri Jan DhanYojana (PMJDY) website, people covered under the Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) life insurance scheme stands at 2.68 crore. The number of persons covered under the Pradhan MantriJeevan Suraksha Yojana (PMJSY) which provides accident cover, stood at 7.95 crore.
One reason behind the interest shown by large number of people could be the low premium payments.

IRDA to axe commissions to distributors, aims at cutting expenses of insurers to raise returns for policyholders. (The Economic Times – 22nd July 2015)

The insurance regulator is looking to crack down on commissions that take a big bite out of initial premiums, mostly without the customer's knowledge. Such commissions can at times be as much as 25-30% of the first payments on policies. Under the proposed new rules, the Insurance Regulatory & Development Authority (IRDA) has sought to restrict the expenses that an insurance company can charge on premiums, correcting a decade sold practice of big commissions paid to distributors that have been weighing down returns for policyholders.
These mostly go under the radar and are only discovered, for instance, at the time of early surrender of a policy, experts said. The regulator has also proposed the scrapping of upfront commissions that some insurance companies pay distributors such as banks, which could put a question mark on such tie ups.
The move by the regulator will help reduce mis-selling of policies. "This will bring in transparency and discourage forced selling of insurance products," said SB Mathur, former chairman of the state-owned Life Insurance Corporation of India (LIC). IRDA has proposed a policy for the allocation of expenses for various segments. It said that no insurer should spend more than an aggregate of 10% of all first year premiums and 4% of all renewal premiums on policies granting deferred annuities for more than one premium; 5% of premiums received during the year on single-premium annuity products and 1/20th of 1% of the average of the total sums assured by policies excluding single-premium policies.

The proposed rule changes may lead to some immediate pain but will have a beneficial effect in the long term.
The insurance regulator has sought to ban advance payments to intermediaries or distributors as part of the new expense management norms.

IRDAI tightens norms to check insurance mis-selling by banks - Business Standard – 21st July 2015
The Insurance Regulatory and Development Authority of India (IRDAI) is further strengthening the norms against forced selling of insurance policies by banks. In its recent meeting, IRDAI decided to seek an undertaking from the CEO and the chief financial officer (CFO) of the corporate agent (including banks) that there is no forced selling of an insurance product to customers at periodic intervals.

This would be on the lines of commission /remuneration received by these banks and other corporate agents that are disclosed, usually on a quarterly basis. During the meeting of IRDAI members, one member pointed out that often banks and financial institutions that act as corporate agents force the customer to buy insurance from a particular insurer. It was suggested that the head of the banks (and other corporate agents) should ensure no product is forcefully sold. This will be part of the regulations on registration of corporate agents.

Life insurers oppose mandatory investment of ULIP funds in G-secs – Business Standard – 18th July 2015.
Life insurers are up in arms against the Insurance Regulatory and Development Authority of India's (IRDAI) proposal that 25% of funds should be in government securities in Unit Linked Plans. The insurers are apprehensive it might impact the returns of policy holders. They are gearing up to write to IRDAI on this and also make a representation through the Life Insurance Council. In its draft norms on investments, IRDAI has said not less than 25 per cent of ULIP funds can be invested in Central Government securities. It also added equity investments only in CNX 200 or BSE 200 can be considered as approved investments.

Final word on ULIP fund investments from IRDAI in Aug - The Financial Express – 29th July 2015

No Progress after 49% FDI permission in the insurance sector. The Indian Express – 17th July 2015
We are about to hit another Parliament session but the big bang liberalisation made by the Budget session for the insurance sector is yet to show more than fleeting results.
Four months since Parliament cleared a higher foreign direct investment (FDI) cap for the insurance sector at 49 per cent, none of the major Indian companies have