

CAPITAL MARKET NEWS

ArthVeda Capital to launch Smart Alpha indices – Economic Times

Arth Veda Capital announced it will launch Smart Alpha indices for global investors in the US and other international markets.

Smart Alpha is a rules-based, value investing framework that produces a portfolio of low risk, high quality stocks which are available at a discount to intrinsic value.

ArthVeda Capital, is the capital markets arm of asset management firm ArthVeda Fund Management Company, expects to target at least 3-5 ETF products launched on these indices which would cumulatively garner anywhere between USD 1-3 billion eventually, it said.

India better-placed to withstand capital volatility: Moody's – Economic Times

The uncertainty over transition of the US monetary policy to normalcy could set off volatility in capital flows to emerging economies, but India is better-positioned to weather these challenges, Moody's Investors Service said today.

Moody's Investors Service VP and Senior Research Analyst Rahul Ghosh said that besides the Fed rate action, a slowdown in the Chinese economy and falling commodity prices are other major global developments that could impact emerging markets.

"India appears less exposed than other similarly-rated emerging market sovereigns, given its small current account deficit and relatively low external debt as a share of nominal GDP," Ghosh told PTI.



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From Editorial Desk

Dear Readers,

FINSCAPE WISHES ALL THE READERS A VERY HAPPY NEW YEAR.

The long awaited increase in interest rates by Federal Reserve has at least happened in December, 15. The response of Indian stock markets was moderately negative.

Rising bad loans has been a cause of concern for Indian banking sector. Not only it will affect the profitability of the banks but also increases the risk weighted assets thus necessitating additional capital infusion.

The rising customer complaints in the Health Insurance sector, especially related to claims, are a cause of concern and indicate that the quality of the business is not up to the mark.

Happy reading.

Regards,

Venugopal Rajamanuri
Co-ordinator- CFS

Prof. Srinivas R Gangidi
Director

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- RBI changes lending rate maths for banks
- Federal reserve raises interest rate
- Indian Bank to raise Rs.1100 crores via Basel III complaint Bonds – The Hindu Business Line
- RBI allows banks to bring down SLR to 20.50% by March 2017
- Banking, Financial services' bad loans rise to 4.3% in Q2

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- Complaints against health insurers rise 2% in FY 15
- Life insurers lose agents
- Corporates may have to shell out more for group health insurance premiums
- RBI weighs deposit insurance scheme linked to risk profile of banks
- Govt. approves roadmap for adoption of internationally complaint accounting standard

CAPITAL MARKETS

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BANKING & FINANCE

RBI CHANGES LENDING RATE MATHS FOR BANKS

The Federal Reserve has expectedly raised the interest rates from 0.25% to 0.50%, ending the long standing speculation. (Mint- Business Line – 18th Dec.) – after nearly a decade

RBI aims to make rates responsive to policy changes – changes may make loans cheaper for new borrowers.

INSURANCE

COMPLAINTS AGAINST HEALTH INSURERS RISE 2% IN FY15 – Business standard

The number of customer complaints against health insurers, the second largest portfolio in the Rs.87000 crore non-life insurance industry, went up by 2% to 25,600 in fiscal 2015 over the previous year. According to data from General Insurance Council around 11000 or 44% complaints registered in 2014-15 were related to claim settlement, up from about 10000 complaints in 2013-14.

In policy terms 7000 or 29% complaints were registered in 2014-15 as against 6000 or 26% complaints a year earlier.

Govt. approves roadmap for adoption of internationally complaint accounting standard – The Hindu

The Ministry of Finance announced the roadmap for a new set of accounting standards – The IND-AS for schedule commercial Banks, Insurance Companies and NBFCs. The new standards, which bring accounting norms in line with IFRS, will come into effect from 1st April, 2018

All scheduled commercial banks, excluding UCBs and RRBs, and insurance companies will have to prepare IND-AS complaint Financial Statement from 1st April, 2018 onwards while drawing up comparative statements for the preceding period.

Indian bank to raise Rs.1100 crores via Basel III complaint Bonds – The Hindu Business Line

Public Sector Indian Bank said they will raise Rs.1100 crores Basel III complaint Tier-II Bonds. The money will be raised in one or more tranches in the current and following years, the Bank said.

Banks in India have to be complaint with Basel III norms by March 19 and many banks have been raising capital towards their preparation to that.

RBI allows banks to bring down SLR to 20.50% by March 2017- Business standard

The Reserve Bank of India on Thursday permitted banks to bring down the statutory liquidity ratio (SLR) securities under held-to-maturity (HTM) category by 1.25 per cent to 20.50 per cent by January 2017.

The move is expected to unlock funds for lending. SLR is the portion of deposit to be mandatorily invested in government securities.

SLR was reduced to 21.50 per cent of net demand and time liabilities (NDTL), or total deposits, with effect from February 7, 2015.

Banking, Financial services' bad loans rise to 4.3% in Q2 – Business standard

Profits of banking, financial services and insurance sector dropped by 3 per cent in the second quarter of the current fiscal due to weak revenue growth and higher provisions.

According to the report by Kotak Institutional Equities, earnings were earlier expected "to move to the positive zone" during July-September quarter, but remained sluggish.

The report also noted that gross non-performing loans (NPLs) increased to 4.3 per cent of the advances. The NPLs stood at 5.3 per cent for public sector lenders and 2.1 per cent for private banks.

As per the report, large private banks have started indicating that the stress levels in their balance sheet are gradually easing and believe that fiscal 2014-15 "was probably the weakest period from an impairment perspective".

"However, public sector banks continue to be impacted by the restructured portfolio where they are currently witnessing a higher share of slippages," it added.

Kotak also found that overall provisions increased 31 per cent but loan-loss provisions increased 41 per cent with a large share of provisions for impaired loans.

Life insurers lose agents –Business Standard –30th December 2015

Life insurance industry lost more than 30,000 agents this financial year up to November 30, 2015. According to data published by the Life Insurance Council, the 24 life insurance companies put together saw 30,828 agents exiting the industry. Now, the net number of agents in this segment is roughly 2 million. This is much lower than the attrition level reported in the previous financial year.

The regulator and the industry have taken steps to ensure that the agency workforce in the life insurance sector sees an increase. From reducing pass percentage for qualifying as an agent to letting insurance companies deciding their own rates of persistency for agency, the regulator is ensuring that more agents join the industry. In the same period last fiscal, almost 43,201 agents had quit the industry. Even in its annual report for 2013-14, Insurance Regulatory and Development Authority of India (IRDAI) had said that high attrition may adversely affect life insurers' business, policy persistency and public perception of the agency channel as a stable career.

Corporates may have to shell out more for group health insurance premiums –The Hindu Business Line –25th December 2015

Corporates may have to shell out 10 -15 per cent more for group health insurance premiums from next year as the insurance regulator is planning to crack down on insurers offering heavy discounts. Insurers usually offer discounts to corporates and subsidise it by imposing higher premiums on retail policies.

TS Vijayan, Chairman, Insurance Regulatory and Development Authority (IRDA), said the regulator has collected data on group health insurance policies from insurers and asked them to justify the cost to determine if they are treating individual and group customers at par.

Activist Gaurang Damani, who has filed a public interest litigation (PIL) in the Bombay High Court seeking transparency in health insurance, said there is

an immediate need to stop discrimination between different sets of policyholders with reference to claims settlement

RBI weighs deposit insurance scheme linked to risk profile of banks -The Economic Times –24th December 2015

Reserve Bank of India is weighing a differential deposit insurance system which will be linked to the risk profile of banks on the lines of recommendations by various national committees and international experience, the central bank said in its bi-annual Financial Stability Report (FSR) released on Wednesday.

Currently, deposits of only up to `1 lakh are insured and there have been calls by consumer groups to increase the minimum deposit insurance. However, RBI said increasing the insured amount without linking it to the risk may be counter-productive.

"The implementation of risk based premium has not been operationalised due to various reasons. On the other hand, there has been a persistent demand from stakeholders and public representatives in the recent past for a hike in deposit insurance cover from the current level of `1 lakh.

"A hike in cover without calibrating premium rates to the risk profiles of insured banks may exacerbate moral hazards," RBI said, referring to the fact that a flat deposit insurance does not dissuade banks from taking more risk.

The central bank pointed to the US where The Federal Deposit Insurance Corporation (FDIC), introduced risk-based premiums in 1993 after which 26 of the 79 member jurisdictions of the International Association of Deposit Insurers (IADI) had adopted the system as on December 31, 2013.

