



### IRDA likely to ask banks to tie up with more than one insurer -Business Standard-13th June 2015

Once banks start submitting their business proposals with bancassurance plans, Insurance Regulatory and Development Authority of India (IRDA) may insist on them tying up with more than one insurer.

The regulator has done away with an earlier proposal on capping insurance business from one insurer by a bank. But now, industry sources say it may nudge banks to open up to at least one more insurer, in each category.

In an earlier draft of the rules released by IRDA a few months ago, banks were asked to cap business from one insurer to 90 per cent in the first year, and consequently to 50 per cent later after four years or more.

While the new draft has made the wait longer for those insurers without a bank partner who were hoping that they could tie-up with banks, sector experts say there is still opportunity.

### Insurers may not pay for Nestlé's losses -Business Standard-12th June 2015

Nestle India, which announced the recall of Maggi noodles after states reported dangerous levels of monosodium glutamate (MSG) and lead in samples, had taken a commercial general liability (CGL) insurance cover.

Hence, the FMCG major may not get insurance claims unless bodily injury is proved, since the cover usually only pays for those damages.

The CGL policy is a standard insurance policy issued to business organizations to protect them against liability arising from any bodily injury, property damage or personal injury liability. However, in this case only reported higher levels of some elements have been found and no injury has occurred

## OTHER NEWS

GDP growth rate projection revised from 7.8% to 7.6% by RBI for the financial year 2015-16 due to risks related to expected below par monsoon, firming of crude oil prices, volatile external environment.

About Rs.5000 cores Venture Capital investments are expected to happen in start up companies in next 6 months. Ratan Tata invests in KAARYA and OLA. (Reports Business Line – June/July).

Central Govt. disinvestment target for the current financial year is estimated at Rs.69,000 crores (Business Line report June 15). Total 7 PSE units disinvestment is likely. ONGC disinvestment is at the highest at Rs.13,100 crores. (Business Line 3rd June)



# FINSCAPE

## A MONTHLY NEWS BULLETIN

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Dear Readers,  
It gives us immense pleasure to announce that we are reviving the FINSCAPE monthly news bulletin from July 2015 onwards. This monthly bulletin on BFIS sector is being revived after long gap of almost four years.

The first half of the current year saw the revival of the Indian economy. All the key economic indicators like stock indices, inflation, GDP, industrial & agricultural production have shown healthy signs. Dr.Raghuram Rajan has stated that the economy is firmly on the growth path.

The Indian economy is poised to grow at around 7.5%. To support this growth RBI has reduced the CRR and SLR in the first half of the current calendar year.

In the latest developments MUDRA Bank has started operations from April 2015. The new bank licences in the Small and Payment Banks are expected to be issued by August end.

The long awaited Insurance Bill, permitting increase of stake of Foreign Joint Venture partners from 26% to 49%, is finally cleared. With these two important events there is going to be lot of momentum in the banking & insurance sectors soon.

FINSCAPE welcome the fresh batch of 2015-17 students to Aurora's Business School and Centre for Financial Services(CFS).

Happy reading

Prof.Venugopal Rajamanuri  
Co-ordinator, CFS

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[Central disinvestment target for 2015-16 is at Rs.69,000 crores.](#)

## BANKING FINANCE

### Launch of Mudra Bank

Shri. Narendra Modi, Honourable Prime Minister of India launched MUDRA (Micro Units Development and Refinance Agency) Bank on April 8, 2015. Arun Jaitely, Finance Minister, in his Budget Speech for 2015-16, had announced formation of MUDRA Bank, which aims to help 5.77 crore small business units in getting institutional credit at cheaper rates. Initially, the bank will be carved out of SIDBI as a separate subsidiary and will be registered as an NBFC.

### UCBs eye NextGen tag with credit cards

By allowing Urban Co-operative Banks (UCBs) to issue credit cards, RBI has allowed new avenue to traditional banks to emerge as NextGen banks. In the Monetary Policy announcement, Dr.Raghuram Rajan, Governor, RBI said "in order to enlarge the scope and business of UCBs, the Financially Sound and Well-Managed (FSWM) scheduled UCBs, which are CBS-enabled and having minimum net worth of `100 crore, will now be allowed to issue credit cards. Similarly, with a view to providing greater freedom to state co-operative banks to expand their business and to provide technology-enabled services to their customers, it has been decided to permit State Co-operative Banks satisfying certain eligibility criteria to set up off-site ATMs / mobile ATMs without obtaining prior approval from the Reserve Bank of India.

### RBI liberalises norms for taking position in exchange traded currency derivatives

Foreign Portfolio Investors (FPIs) can take position - both long (bought) as well as short (sold) - in foreign currency up to USD 10 million or equivalent per exchange. As a measure of further liberalisation, it has now been decided to increase the limit (long as well as short) for FPIs in USD-INR pair upto USD 15 million per exchange. In addition, FPIs shall be allowed to take long (bought) as well as short (sold) positions in EUR-INR, GBP-INR and JPY-INR pairs, all put together, upto USD 5 million equivalent per exchange

### RBI raises borrowing limit of NBFC-MFI clients

RBI has allowed Non Banking Financial Company-Microfinance Institutions (NBFC-MFIs) to increase the cap on the borrowing limit of their clients by Rs.50,000 to Rs.1 lakh. In order to widen the scope, it has been decided that loan disbursed by an NBFC-MFI to a borrower with a rural household annual income not exceeding Rs.1,00,000 or urban and semi-urban household income not exceeding Rs.1,60,000 would be eligible to be defined as a qualifying asset. Henceforth, the loan amount should not exceed Rs.60,000 in subsequent cycles.

### Banks turn to BCs to make Jan Dhan accounts operational

As of February, 2015, about 13.68 crore accounts were opened by PSBs, RRBs and Private Sector banks under the Pradhan Mantri Jan Dhan Yojana (PMJDY). However, out of these, about 8.60 crore accounts have zero balance and the Indian Banks' Association (IBA) is now working on making them operational. IBA has suggested that Banking Correspondents (BCs) be imparted the necessary training to help operationalize and make these accounts viable. There are 2.5 lakh BCs providing banking services especially in the unbanked and under-banked areas of the country. The IBA, banks, NABARD and the Indian Institute of Banking and Finance (IIBF) have drawn up a road-map to familiarise BCs with banking products and financial services like micro insurance, micro pensions, etc. to make them available to the target group. The course content will be prepared by IIBF and will include PMJDY. IIBF is also ready to roll out a two-day Trainers' Training Programme across state capitals. BCs will be certified after successfully completing this training in which they will be familiarized with technology and basic knowledge of products.

### Statement on Monetary Policy for JUNE 2015:

The RBI Governor delivered the first policy rate cut in the current financial year (2014-15) by reducing the Repo rate from 7.50% to 7.25% on 3rd June Monetary policy statement. Earlier the policy repo rate was reduced by 25 bps from 7.75% to 7.5% in March 2015. Following this measure commercial banks led by SBI have started to reduce the interest rates. The Cash Reserve Ratio (CRR) and Statutory Liquidity ratio (SLR) remain unchanged at 4.0% and 21.5% respectively.

### Licences for Small and Payment Banks to be issued by August 2015.

RBI Governor in his post monetary policy statement conference in June has announced that they are likely to issue licences for Small and payment banks by August 2015. There are 72 applications for Small banks and 41 applications for payment banks.

## INSURANCE

### Motor third party premiums for FY 2015-16

From 1st April 2015, the Insurance Regulatory and Development Authority of India (IRDAI) has hiked the vehicle insurance premiums depending on the type of vehicle owned. However, Insurers are not permitted to cancel the current insurance policies and issue fresh policies to effect new premium rates. The schedule of premium rates shall be prominently displayed on the Notice Board of every underwriting office of the insurers where it can be viewed by the public.

### Insurance FDI cap increased to 49%

The extant FDI policy for the insurance sector has been reviewed and further liberalized. On 1 April 2015, Reserve Bank of India (RBI) has notified the government's decision to raise Foreign Direct Investment (FDI) limit in the insurance sector to 49%, subject to revised conditions. IRDA asks TPAs to keep out of settling claims,

soliciting biz -Business Standard –20th June 2015

Third party administrators (TPAs) in health insurance will have to keep out of deciding on claims or soliciting business, according to draft guidelines of Insurance Regulatory and Development Authority of India (IRDA).

In the draft guidelines, the regulator has clarified: "Health services by TPA" means services rendered to an insurer under an agreement, in either pre-authorisation of cashless treatment or settlement of other claims. Neither the rejection of claims nor procurement of insurance business, directly or indirectly, is part of TPA.

### Insurers, PFs wait to lap up 30-year bond - Financial Chronicle –18th June 2015

The Reserve Bank of India (RBI)'s new 30 year government security (G-sec) bond will make its debut on Friday, benefiting a host of institutional investors such as Employees' Provident Fund Organisation, pension funds, provident funds and life insurance companies that have maturity mismatches on the asset side.

These bond issues are going to fix asset-liability mismatches for these long-term investors.

