SEBI cancels registration of Deutsche Mutual Fund

SEBI cancels registration of Deutsche Mutual Fund Capital markets watchdog SEBI today cancelled registration of Deutsche Mutual Fund following the transfer of its schemes to DHFL Pramerica Mutual Fund.

The Indian asset management business of Deutsche Mutual Fund has been acquired by Pramerica MF.
Consequently, with immediate effect, the Deutsche MF, Deutsche Trustee Services and Deutsche Asset Management cannot carry out any activity as an MF, trustee company and AMC, respectively.
(http://www.moneycontrol.com/news/business)

MUTUAL FUND AUM DROP TO 13.81 LAC CRORES IN MAY 16. (http://economictimes.indiatimes.com/mf/mf-news)

The asset base of country's mutual fund industry dropped to Rs.13.81 lac crores at the end of May after hitting all time high in the preceding month.
The country's 43 fund houses together had an average aum of Rs.14.22 lac crore at the end of April 16.
Industry experts said the decline is largely on account of outflows in liquid funds which saw a pull out of Rs.69,399 crores in May 16.

ECONOMY

India's Forex reserves dips marginally to $360.19 bn (http://www.thehindu.com/business/Economy)

India's foreign exchange reserves dipped marginally to $360.19 billion as on May 27, the Reserve Bank of India (RBI) has said.

According to the foreign exchange data released by RBI, the foreign exchange reserves stood at $360.19 billion as on May 27, as against $360.90 billion as on May 20.
On May 27, the foreign current assets stood at $336.22 billion, gold $20.04 billion, special drawing rights $1.49 billion and the reserve position with the International Monetary Fund (IMF) stood at $2.42 billion.

On the other hand the foreign exchange reserves as on May 20 comprised of foreign currency assets that stood at $336.93 billion, gold $20.04 billion, special drawing rights $1.49 billion and the reserve position with the IMF stood at $2.42 billion.

India Post to boost financial inclusion (http://www.thehindu.com/business/Economy)

As a payments bank, the new entity can also cross-sell insurance and pension products.
The government's objective of achieving 100 per cent financial inclusion got a shot in the arm with the India Post getting the nod for starting payments bank as lenders brace for competition from what would be the single largest bank in terms of accessibility.

"This could be the proverbial game changer with regard to financial inclusion," said Rudra Sensarma, Professor of Economics, Indian Institute of Management, and Kozhikode. "The main challenge banks today face in financial inclusion is the lack of last mile connectivity." With the government's focus on financial inclusion, it is quite logical to convert India Post to a bank given its strong network pan-India (especially in the rural areas) and the huge franchise built over the years, said Karthik Srinivasan, Senior Vice-President and Co-Head, Financial Sector Ratings, ICRA.
The move can further aid the financial inclusion objective of the government and the RBI as more people can now potentially have access to a bank. With more people getting access to a bank, it could improve the efficiency of passing on the government-sponsored benefits to the beneficiary directly through their bank accounts. It can potentially improve financial literacy levels and also the country's financial savings.

However, lack of technological upgradation and training of its personnel are likely to slow down the ambitious plans of the government to create "the largest bank in the world in terms of accessibility" that would also encourage the move towards a cash less economy.

CENTRE FOR FINANCIAL SERVICES

Aurora's Business School

FINSCAPE

A MONTHLY NEWS BULLETIN

Volume: II
Issue : VI

for internal circulation only

June 2016

From Editorial Desk

Dear Readers,

Welcome to the JUNE Edition of FINSCAPE.

The Central government's objective of achieving 100 per cent financial inclusion is expected to get a big boost with the India Post getting the nod for starting payments bank which would be the single largest bank in terms of accessibility.

There is a major merger happening in the general insurance sector with HDFC acquiring L&T General Insurance. HDFC Ergo is poised to become the third largest General Insurance Company in India with this merger.

Public sector Life Insurance giant LIC dominates the new premium collection in 2015-16 and continues to be the leader with 77% of total market share.

Happy reading.

Regards,

Venugopal Rajamanuri
Co-ordinator- CFS

Prof. Srinivas R Gangidi
Director

Head lines:

BANKING & FINANCE

ECB norms eased, infra firms can raise shorter-term loans

RBI has notified some revisions to the External Commercial Borrowing (ECB) framework thereby allowing infrastructure firms to raise shorter-term ECBs. Companies in infrastructure sector, Non-banking Financial Companies-Infrastructure Finance Companies (NBFC-IFCs), NBFCs-Asset Finance Companies (NBFCAFCs), holding companies and Core Investment Companies (CICs) will be eligible to raise ECBs under Track 1 of the framework with minimum average maturity period of five years. The designated AD Category-I banks can allow refinancing of ECBs raised under the previous ECB framework if the refinancing is at a lower all-incost and the borrower is eligible to raise ECBs without reducing the residual maturity.((IIBF--VISION MAY 16)

RBI to Banks

Set up subsidiary for investment advisory business the RBI has asked banks offering Investment Advisory Services (IAS) to do so through a separate subsidiary to avoid any conflict of interest. IAS is defined and regulated by SEBI under the EBI (Investment Advisory) Regulations, 2013. Entities offering these activities need to be registered with SEBI. In view of the same, it is advised that henceforth, banks cannot undertake IAS departmentally. They may do so either through a separate subsidiary set up for the purpose or one of the existing subsidiaries after ensuring that there is an arm's length relationship between the bank and the subsidiary.(IIBF--VISION MAY 16)

New lending rate regime could reduce demand for CPs

India Inc may soon move away from Commercial Papers (CPs) towards bank credit for raising short-term resources, following the implementation of Marginal Cost of Funds-based Lending Rate (MCLR) regime by banks w.e.f April 1, 2016. The MCLR computation factors in all operating costs, which means inefficient banks will get penalized. Additionally, MCLR provides flexibility to banks to re-price their floating rate book, compared to the base rate regime. All this accords MCLR the potential to channel the recent surge of volumes in the commercial paper market towards bank credit.((IIBF--VISION MAY 16)

Course for business correspondents

RBI has proposed setting up training and certification course for Business Correspondents (BCs) in India, both new and existing ones, said Dr.RaghuramRajan, Governor, RBI. RBI will issue the necessary framework for establishing a certification programme by end-June 2016. Based on the framework, the Indian Banks' Association (IBA) will be requested to set up a system of training and certification of BCs.(IIBF-Vision May 16)

INSURANCE

LIC continues to dominate new premium Collection

(http://www.businesstoday.in/money/insurance)

Life insurers reported a growth of 22.6 per cent in first year premium collection for the period ended March 2016 as compared to same period last year, shows data released by IRDA.

Individual non-single premium collection increased by 8.6 per cent for the same period. Total first year premium collection of 24 life insurers for the period ended March 31, 2016 stood at Rs 1,38,657.3 crore including Rs 42,497 crore from individual, non-single premiums.

State-owned LIC continues to be the leader with 77 per cent of total market share as per IRDA data. LIC issued more than 2 crore new policies as against 62 lakh policies issued by private insurers for the period ended March 2016. Its first year life business grew by 24.7 per cent against 17.6 per cent for private insurers y-o-y basis for the period ended March 2016. LIC's total first year premium for the period ended March 2016 was Rs 97,674 crore, including Rs 20,100 crore from non-single premium policies. Among private players, Tata AIA life reported a sharp growth of 158 per cent in individual non-single business for the period as compared to last year. Total premiums for period up to March 2016 for the insurer stood at Rs 604 crore. Despite the rise in Tata AIA's first year business, SBI Life, HDFC Life and ICICI Pru Life remain market leaders among the private players with 4.7 per cent, 4.3 per cent and 2.1 per cent share in total first year business.

SBI life, Kotak Mahindra, Shriram Life, Canara HSBC OBC Life, India First Life and Edelweiss Tokio Life reflected a growth of over 30 per cent in their first year non-single business for period ended March 2016 as compared to last year. On the other hand, Reliance Life , Aviva Life and Aegon Life lost more than 25 per cent of their first year business from non single policies as compared to figures upto March last year.

HDFC ERGO to acquire L&T General Insurance for Rs 551 crore

HDFC ERGO, non-life insurance arm of housing finance major HDFC, today said it will acquire L&T General Insurance for Rs 551 crore in an all-cash deal. The transaction has been valued at Rs 551 crore and the acquisition would help HDFC ERGO improve its market position, the statement said.

HDFC ERGO, which operates through 108 offices, had gross premium of Rs 3,467 crore and made a profit after tax of Rs 151 crore.

L&T General Insurance, a wholly-owned subsidiary of engineering conglomerate Larsen and Toubro, wrote gross premium of Rs 483 crore registering a growth of 40 per cent over previous financial year. The company operates through 28 offices with 800 employees.

HDFC ERGO, a 51:49 joint venture between HDFC and ERGO International, is the fourth largest private sector general insurance company. With This acquisition, HDFC ERGO is set to turn into third largest general insurer.

Standalone health insurance companies register 41% growth in 2015-16

Data from the General Insurance Council also shows that standalone health insurance companies saw premium income at Rs 4,153.77 crore in FY16, compared with Rs 2,942.56 crore in 2014-15. In April, they saw premium income at Rs 318.37 crore, against Rs 249.30 crore during the same month last year.

Industry officials are of the view that most of the growth in April came primarily from the motor and fire insurance

Gross direct premium income underwritten

(₹ crore)

				Cumulative upto April		
Insurers	FY15	FY16	Change (%)	FY16	FY17	Change (%)
Private sector	35,090	39,701	▲13.14	4,073	4,606	▲13.10
Public sector	42,551	47,717	▲12.14	4,940	5,484	▲11.03
Stand-alone health	2,943	4,154	▲41.16	249	318	▲27.71
Specialised	4,102	4,830	▲17.75	143	116	▼18.55
Grand total	**84,686**	**96,402**	**13.84**	**9,404**	**10,525**	**11.92**

Source: General Insurance Council

http://www.financialexpress.com/article/industry/insurance

Revised IPO guidelines soon for insurance firms : (May 18, 2016, 06.30 PM | Source: PTI)

IRDAI Revised IPO guidelines will be issued soon for insurers as some of them are keep to tap this route, regulator IRDAI Chairman T S Vijayan said on May 18 while pegging the total foreign investment in sector at Rs 15,000 crore in the last one year due to increase in FDI limit.

Vijayan said the total investment of of more than Rs 15,000 crore has come to India in various forms -- mostly equity -- since the passage of the Insurance Laws (Amendment) Bill last year. The bill, passed in March 2015, raised the foreign investment cap in the sector from 26 percent to 49 percent. Addressing a press conference here, Vijayan said there may be some more investments in the pipeline. On the insurance sector business last fiscal, Vijayan said there was 12 percent growth in life insurance and 14 percent growth in non-life insurance, while the health insurance sector grew by 40 percent. "Business has been good for all insurance companies in April. If this trend continues, we can expect higher growth in financial year 2016-17 also in life, non-life and health," he added. Vijayan said health insurance penetration is very low in India and there is potential for higher growth. On regulations for IPOs by insurance companies, he said the Insurance Regulatory and Development Authority of India (IRDAI) may bring in some changes in the guidelines for the companies wanting to dilute equity.

CAPITAL MARKET NEWS

Sensex Trims Losses in May; Mauritius Tax Treaty Weighs

Thomson Reuters | Last Updated: May 11, 2016

Indian shares recovered from initial sharp falls to post mild losses on Wednesday, as investors were relieved that imposition of capital gains taxes on investments coming from Mauritius, will apply only from next year and not to existing holdings. Many investors had also seen the changes to a three-decade-old treaty with Mauritius as inevitable as governments get tougher on tax havens across the world.

India said on Tuesday it would tax capital gains on foreign investments from Mauritius made from April 2017 at 50 percent of the domestic rate for two years, and at the full rate thereafter. Mauritius has accounted for a third of the $278 billion in foreign equity investments into India since 2000.