report, outsourcing activities should be distributed amongst a reasonable number of outsourcing agencies to ensure there is no concentration of risks.

IRDA Tightens Equity Investment Norms for Insurers - The Economic Times (Delhi) – 24th August 2016

The insurance regulator has tightened equity investment norms by prescribing a dividend track record of 10% for the last two years instead of the earlier 4% in the last eight out of the nine years. The Insurance Regulatory and Development Authority (IRDA) has said that insurance companies can invest in equity shares of any listed company where at least 10% dividend has been paid for at least two consecutive years under the approved investment category. Under the unit-linked insurance plans, which are a mix of investment and protection, companies can invest 75% in approved securities and 25% in other than approved securities. Approved securities are those stocks that have dividend paying record and are liquid.

Insurers launch health products targeting cancer – Asia Insurance Review

Insurers in India are looking at launching standalone products for cancer and related treatments as the incidence of cancer increases in the country and the cost of medical treatment soars. Though most insurance companies already offer critical illness cover, the rising number of cancer cases in India are leading companies, such as HDFC Life, Max Life and Universal Sompo General Insurance, to launch specific products, reported the Hindustan Times. There are around 10 lakh new cancer cases reported every year. While HDFC Life already has a product to cover cancer, Max Life launched a similar product a few weeks ago. Universal Sompo General Insurance is in the process of launching a similar product. “Cancer and its related treatment is expensive.. One must have a specialised plan for cancer, more so as this disease has a tendency of repeating itself,” Aalok Bhan, Director, Product Solutions and Customer Marketing at Max Life Insurance, said. The product launched by Max would not only cover the cost of treatment, but also expenses related to travel for the patient and family members, and even psychological counselling. According to Mr Bhan, the cancer treatment costs could range from INR10 lakh to over INR30 lakh. This is an increase of more than 50% compared to what it was five years ago. India is likely to have see 13 lakh cases of cancer by 2020, an increase of 14%, compared to 2015, according to the National Cancer Registry Programme. About 6-7 lakh patients die of cancer every year

RBI to ensure banks do not mis-sell insurance products - The Economic Times – 29th August 2016

Reserve Bank of India plans to enhance its vigil on customer service this year with a specific focus on misselling of insurance products. "We now will examine how banks are faring, and whether further regulations are needed to strengthen consumer protection." RBI governor Raghuram Rajan said in a forward in the latest annual report for FY'16. "In particular, we will focus this year on the issue of mis-selling, especially of insurance products. We will also focus on enhancing our communication with the broader public, with a view to informing them on what they need to do to take best advantage of financial opportunities, as well as protecting themselves." Misselling has been rampant on insurance products, RBI deputy governor S S Mundhra said recently. "Often higher sales targets, coupled with front-ended high commissions, are the main motives for such misselling. There is no real oversight on unethical selling of third party products." he said. Since banks have a huge network of branches, insurance companies have tied up with them to sell their products. Banks earn commission for hard-selling insurance schemes which gives a boost to their bottomline.

To Curb Misselling, Irda may Ban Incentives to Bank Staff - The Economic Times (Delhi) – 29th August 2016

The Insurance Regulatory and Development Authority of India is cracking the whip on misselling of insurance by banks. It proposes to ban insurance companies from giving incentives and junkets to bank staff for selling insurance policies. The regulator will come out with a differential commission structure a differential commission structure for agency and banks. This could shave off incentives for bankers selling insurance.

CAPITAL MARKET NEWS

Gold ETFs outflow reaches Rs 462 cr in April-August, 2016

http://economictimes.indiatimes.com/mf/mf-news

Investors remained bearish on gold exchange-traded funds (ETFs) in August and pulled out Rs 51 crore from this instrument, taking the total to Rs 462 crore in the first five months of the current fiscal .

Trading in Gold ETF segment has been tepid in the last three financial years.

FATCA deadline extension cheers Mutual Fund investors

ECONOMICTIMES.COM | Sep 01, 2016

Mutual fund investors who haven't completed the formalities of complying with FATCA or Foreign Account Tax Compliance Act can breathe easy now. Your mutual fund accounts would not be closed by the fund houses for now. The government has asked fi financial institutions to not close accounts which are not FATCA compliant for a while. The deadline to comply with FATCA was August 31. A press release from the government said it will announce the new deadline in due course.

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FINSCAPE

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From Editorial Desk

Dear Readers,

Welcome to the SEPTEMBER Edition of FINSCAPE!

There is a change of baton at the Reserve Bank of India. Mr. Urjit Patel is set to take over from Raghuram Rajan as RBI governor from September 1st week. According to industry analysts the expectations from the new incumbent is very high. The next RBI monetary policy review is expected to take place on 4th October.

Banks have now endowed more arsenal in recovery areas as they are now allowed to confiscate security in case of loan default as per the amendments made to Sarfaesi Act, 2002.

Happy reading.

Regards,

Prof. Venugopal Rajamanuri
Co-ordinator- CFS

Prof. Srinivas R Gangidi
Dean

Head lines:

BANKING & FINANCE

Expectations high as Urjit Patel appointed RBI Governor

http://www.financialexpress.com/industry/banking-finance= 21ST AUGUST, 2016

Deputy Governor Urjit Patel, who will take charge as the 24th Governor of the Reserve Bank of India (RBI) was congratulated by Finance Minister Arun Jaitley and other members of the banking sector and India Inc for his new innings as incumbent Raghuram Rajan demits office in the first week of September. Congratulating Patel, Finance Minister Arun Jaitley in a tweet said, "I'm sure he will successfully lead the Reserve Bank and contribute to India's economic development." "Urjit Patel will contribute to India's economic development as the next Reserve Bank governor," he added exuding confidence. Founder, MD and CEO Yes Bank, Rana Kapoor, in a statement said it is an outstanding choice for very many reasons. "First and foremost is business as usual.

It is expected that the next monetary policy review would be undertaken by Monetary Policy Committee rather than RBI Governor. The next bi-monthly RBI policy is scheduled on October 4.

Ujjivan Financial Services applies to RBI for small finance bank licence

Financial express.com- August 19, 2016

Ujjivan Financial Services has submitted an application to RBI for a small finance bank licence for its subsidiary.

"The company submitted an application to the Reserve Bank on August 18, 2016 for grant of banking licence to Ujjivan Small Finance Bank Limited, which is the wholly-owned subsidiary of the company," Ujjivan Financial said in a regulatory filing.

The said application has been made in pursuance of the in-principle approval dated October 7, 2015, granted to the company by the RBI, it added.

Reserve Bank of India (RBI) had granted an in-principle approval to a total of 10 applicants including Ujjivan Financial Services.

SBI board approves merger with associates

Financial Express.com - August 19, 2016

The board of directors of the State Bank of India (SBI) on Thursday approved the merger of five of its subsidiaries and Bharatiya Mahila Bank (BMB) with itself, the lender said in a regulatory filing. Following the merger, the consolidated balance sheet will increase to Rs 37 lakh crore from Rs 29 lakh crore at present. That will take SBI into the league of the top fifty banks in the world and it will rank 44. Following the merger, government's stake will fall to 59.70% from 60.18%.

SBI's market share of the advances and deposits pie will increase to 22% from the stand-alone share of 17% and it will own 18% of the total branch network of the country. Anshula Kant, chief financial officer, SBI, said it was more likely that branches would be re-located rather than closed. "We don't want to destroy any customer value that a branch may have built up,"Kant observed on a television channel.

The five subsidiaries of the bank are State Bank of Mysore (SBM), State Bank of Bikaner and Jaipur (SBBJ), State Bank of Patiala (SBP), State Bank of Travancore (SBT) and State Bank of Hyderabad (SBH). The terms of the merger are such that for every 10 shares of SBBJ, shareholders will get 28 equity shares of SBI. Moreover, for every 10 shares SBM, shareholders will get 22 shares of SBI and for every 10 shares of SBT, they will get 22 shares of SBI. Again, 100 crore shares of BMB will be converted into 4.42 crore shares of SBI. "It will be a line by line merger for our 100% subsidiaries — SBP and SBH," Kant explained.

Analysts point out there could be cost synergies, particularly relating to human resources (HR). They say the lender could use the opportunity to prune expenses. Between them the five subsidiaries have approximately 72,000 employees but given SBI will see natural attrition of around 10,000-12,000 employees annually the absorption should not be too difficult.

India Post Payments Bank incorporated, to start operations in 2017

Financial Express.com - August 18, 2016

India Post Payments Bank has come into existence after it received certificate of incorporation from the Registrar of Companies, setting the stage for the new bank to begin operations in 2017.

This will be the first PSU under the Department of Posts which expects to complete the rollout of its branches all over the country by September 2017.

"The India Post Payments Bank received the Certificate of Incorporation from the Registrar of Companies, Ministry of Corporate Affairs, yesterday under the Companies Act, 2013," an official release said here.

The board of the India Post Payments Bank is likely to be constituted soon and the bank will now begin hiring of professionals.

"This could be the fastest rollout for a bank anywhere in the world," it added.

The India Post Payments Bank aims to become the most accessible bank in the world, riding on advanced banking and payments technology. Coupled with physical presence across 1.55 lakh post offices and the reach of the postman, the India Post Payments Bank plans to become a powerful and effective vehicle of real financial inclusion in the country.

Banks to confiscate security in case of loan default

Financial Express.com - August 17, 2016

Banks can confiscate security in case of loan default as President Pranab Mukherjee has given assent to a law aimed at faster recovery and resolution of bad debts.

The Enforcement of Security Interest and Recovery of Debts Laws and Miscellaneous Provisions (Amendment) Act, 2016, has received nod from the President and it has been notified, officials said today.

The Act amends four laws — the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (Sarfaesi) Act, 2002, the Recovery of Debts Due to Banks and Financial Institutions (RDDBFI) Act, 1993, the Indian Stamp Act, 1899, and the Depositories Act, 1996 — and simplifies the procedure to ensure quick disposal of pending cases of banks and financial institutions by the Debt Recovery Tribunal (DRT).

The new legislation is not applicable to loans for agricultural land as well as student loans, they said.

The Lok Sabha had passed the bill in this regard on August 1. The Rajya Sabha gave its nod to the proposed law on August 9.

The development assumes significance as it comes against the backdrop of the episode involving industrialist Vijay Mallya, who owes Rs 9,000 crore to banks, but has left the country to take refuge in England.

The changes in the Sarfaesi Act allows creditors to take possession over a collateral, against which a loan had been provided, upon default in repayment.

INSURANCE

Banks, Beware: Mis-sell Insurance & You're in Trouble - The Economic Times (Kolkata) – 25th August 2016

IRDA to hold banks accountable for investment advice they provide as complaints about mis selling rise. The Insurance Regulatory & Development Authority of India (IRDAI) has cracked down on mis-selling of insurance by banks. Banks will now be held responsible for any mis-selling and even be slapped with penalties. Mis-selling by banks is a big problem. An online survey conducted by economictimes.com in November 2015 showed that three out of five customers were missold investment products by banks. More than 36% of the 1,313 respondents listed this as one of the major irritants in their dealing with their bank. Newbie investors and those with deeper pockets were most at risk. It's not uncommon for bank staff to peek into the customer accounts and zero in on those with little knowledge or fat balances. The survey showed that respondents below 30 and those earning more than Rs 1.5 lakh a month are most frequently targetted. In another study, posing as customers, ET Wealth staffers had approached several banks for financial advice. Most of the banks advised them to buy traditional endowment or money-back policies, even though these plans offer very low returns and inadequate insurance cover. Irked by the rising number of complaints against mis-selling, the insurance regulator has now made banks liable for the insurance policies they sell.

Outsourcing norms for insurers to be tightened - The Hindu Business Line – 22nd August 2016

Insurers will soon find it tougher to outsource activities as the Insurance Regulatory and Development Authority of India (IRDAI) is set to tighten norms. According to the proposed IRDAI (Outsourcing of Activities by Indian Insurers) Regulations, 2016, every insurer should put in place a comprehensive outsourcing policy duly approved by the board. In addition to approval of the policy, the board will also be responsible for clearing a framework to evaluate the risks and materiality of all existing and prospective outsourcing. This will include assessing management competencies for handling the outsourcing arrangements, given the nature, scope and complexity. "Undertaking periodical review of outsourcing strategies and arrangements, and establishing a comprehensive risk management programme to cover the risks associated with the outsourced activities will also be the responsibility of the board," the regulator said in an exposure draft. According to the draft