Banks stare at huge mark-to-market (MTM) losses as bond yields surge

Banks are staring at huge mark-to-market (MTM) losses on their government bond portfolio in the fourth quarter, as yields on most liquid papers have moved up following the Reserve Bank of India’s (RBI’s) hawkish tone in the mid-quarter review of its monetary policy.

Selling pressure from mutual funds and private and foreign banks has also contributed to the rise in yields. Most banks had booked profits during the third quarter of the current financial year. According to dealers, banks had been investing heavily in government papers when the yields were heading southwards before the RBI policy review. The yield on the 10-year benchmark paper had fallen to 7.80 per cent in the last week of February, in anticipation of a monetary policy stance that would signal a substantial rate cut next financial year.

The 10-year yield closed at 7.99 per cent on Tuesday. The bond market is closed today on account of Holi and tomorrow is the last trading day of this financial year. The yield on the 10-year benchmark stood at 8.05 per cent on December 31 and was expected to fall by at least 30 basis points by the end of the financial year.

The yield on the 10-year benchmark government bond has moved up 11 basis points since the mid-quarter review on March 19, while the yield on other most-traded bond, with a coupon rate of 8.33 per cent and maturing in 2026, moved up 9 basis points.

Though RBI had reduced the policy rate in its mid-quarter review, it had said a headroom for further monetary easing remains quite limited, “RBI had said a headroom for further monetary easing was limited. However, in its mid-quarter review on March 19, while the yield on other most-traded bond, with a coupon rate of 8.33 per cent and maturing in 2026, moved up 9 basis points. Though RBI had reduced the policy rate in its mid-quarter review, it had said a headroom for further monetary easing remains quite limited, "Even as the policy stance emphasises addressing the growth risks, the headroom for further monetary easing remains quite limited," RBI had said in its guidance, citing risks in the light of an increasing wedge between retail and wholesale inflation adversely affecting inflation expectations, besides high current account deficit," RBI had said.

MONEY LAUNDERING: SEBI PLANS STRONGER SURVEILLANCE SYSTEMS

Market regulator Sebi plans to put in place a stronger and more effective surveillance system in the next fiscal 2013-14, by way of greater checks against money laundering and an overhaul of its regulations for various market entities and trade activities.

The measures proposed to be taken in the fiscal beginning next month include enhanced surveillance of derivatives market, first-rate monitoring by brokers, stronger audit mechanism for market entities and review of anti-money laundering and terror combating funding norms. Besides, Sebi also plans to bring in guidelines to address conflict of interest for credit rating agencies, introduce regulatory framework for foreign intermediaries soliciting business from investors in India and put in place a centralised KC framework.

Sebi also plans to unveil regulatory norms for foreign intermediaries soliciting business from investors in India and put in place a centralised KC framework for the entire financial sector.

The proposed steps are part of Sebi’s budget proposals for the year 2013-14, which have been approved by its board and would be implemented during the course of the year.

One of the top priorities identified by Sebi for 2013-14 would be “protecting the integrity and safety of the market through a stronger and more effective surveillance mechanism and by strengthening the inspection process of intermediaries,” a senior executive said. Sebi is also planning to strengthen its manpower in the next fiscal, besides greater efforts towards training and skill building of existing staff members.

A BRICS bank in the making

Finance Minister P Chidambaram said India gave two big ideas - BRICS Development Bank and a Contingency Reserve Arrangement at the Delhi summit last year and “they have now become a reality.”

Urban Hailing the development bank initiative along with other leaders, Prime Minister Manmohan Singh said it gave him great satisfaction to note that one of the ideas that they discussed first in New Delhi - that of instituting a mechanism to recycle surplus savings into infrastructure investments in developing countries -- has been given a concrete shape during the Durban Summit.

“Our finance ministers will now work to develop the details of the project,” he told a joint press conference with other leaders after the Brazil, Russia, India, China and South Africa (BRICS) summit.

Briefing reporters, Finance Minister P Chidambaram said India gave two big ideas - BRICS Development Bank and a Contingency Reserve Arrangement (CRA) at the Delhi summit last year and “they have now become a reality”. “Both the ideas have been approved by the leaders. Whatever the individual views of the finance ministers, the leaders have wholeheartedly welcomed the establishment of the Bank and the CRA,” he said noting the Brazilian President’s remarks that the capital of the Bank must be commensurate with the challenges and goals of the Bank. He said Putin fully supported establishment of the Bank while China had always been enthusiastic in supporting the Bank.

However, the leaders did not decide on the capital for the proposed bank leaving it to the finance ministers to negotiate this and other issues before September.

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SOURCE: BUSINESS STANDAR
Morgan Stanley sells YES Bk shares worth Rs 121 cr

Foreign fund house Morgan Stanley Asia (Singapore) Pte today offloaded 28.55 lakh shares of private sector lender YES Bank for a little over Rs 121 crore. As per information available with stock exchanges, Morgan Stanley sold 28.55 lakh shares (amounting 0.79% stake) of the company. The shares were offloaded on an average price of Rs 425.22 in a transaction worth Rs 121.40 crore. However, the buyer of the shares could not be ascertained.

At the end of December quarter, Morgan Stanley held 47.30 lakh shares or 1.32% stake in YES Bank.

SOURCE: PTI

To tap funds, PSU banks must clean-up NPAs

Public sector banks will have to clean up their books before they can tap public funds as the finance ministry is toughening its stance on their high non-performing assets. The ministry fears that high NPAs will result in poor valuation of the PSBs, many of which are gearing to raise equity in the new financial year to meet the higher capital requirements under the Basel III norms that are set to kick in from 2013-14.

"If they go to markets with such books there is a probability that their share prices will take a beating. Strong financials will be a must before approval of any public issue plans," a finance ministry official said.

State-run banks’ gross non-performing assets (NPAs) as a percentage of deposits have risen to 4.18% by December 2012 compared to 3.22% a year ago. Worried over the rise in NPAs, the finance ministry has already called for details of recovery of bad loans and write-offs in the past six years. "We have sought explanation from banks if the write-off amount is more than the recovery made," the official said.

The finance ministry has also hauled up heads of Bank of Baroda, Central Bank of India, Punjab and Sind Bank and United Bank of India, where there has been a steady increase in NPAs since December 2011.

"The government will not allow a fire sale. The government is committed to fully capitalise banks," the official said. It has set aside Rs 14,000 crore towards bank capitalisation in 2013-14 in the budget.

The finance ministry will prepare a road map so that the public issues of banks do not clash with the divestment issues in other state-run companies. "We are already in talk with banks. There is ample appetite in the market for offers of PSU banks. We will chalk out a strategy so that there are no clashes with offers of major companies such as a Coal India and IOC," the official said.

SOURCE: ECONOMIC TIMES

Irdai raises third-party motor cover premium

Insurance Regulatory and Development Authority (Irda) on Tuesday raised the premium of the mandatory third party motor insurance cover by over 10% across categories. The authority notified the premium rates applicable to motor third party liability insurance business with effect from April 1, 2013.

A maximum increase of 20% in third party premium has been allowed for private cars, cabs and the goods carrying vehicles-public carriers while the increase of the same for two wheelers would be little over 18%. However the insurance regulator has reduced the third party motor premium for goods carrying vehicles-private carriers by 1.3% as compared to the current rates.

The regulator said considering the wide variation in premium charges amongst the various subclasses, the subclasses were clubbed together and a flat single revision was considered for the vehicle class as a whole this time around. Also, looking into the sudden and adverse impact on the policy holders of such an increase in rates the authority decided to moderate the rate increases in private cars, goods carrying vehicles public carriers, cabs among a few other vehicle classes.

SOURCE: BUSINESS STANDARD

CAG to restart RIL audit by next month

The CAG is likely to restart audit of Reliance Industries’ spending on the KG-D6 gs block early next month after issues over scope of the scrutiny are resolved to everyone’s satisfaction, Oil Secretary said today.

"I have myself had two meeting with Comtroller and Auditor General (Vinod Rai) to resolve issues over the audit. CAG has to audit (KG-D6 spendings) and we will ensure that they get all support for that," Oil Secretary Vivek Rae said.

Last month the CAG had suspended audit of spending on the flagging KG-D6 block following differences with RIL over scope and extent of the scrutiny.

The Comtroller & Auditor General of India (CAG) last month suspended audit of spending on the flagging KG-D6 block following differences with RIL over scope and extent of the scrutiny.

"We are making all efforts to see that CAG is able to do its duty... there have been some differences but they are being resolved and I am hopeful CAG will be able to resume audit by either month or early next month," Rae said.

RIL had previously stated that CAG cannot contractually perform a performance audit on it and Production Sharing Contract (PSC) only provides for a government appointed auditor to verify reasonableness of all charges and credits. Rae said CAG too has stated that it is not planning to do a performance audit of the company but only wants to examine "propriety" of expenses made.

For doing that CAG wants the discretion for records to be requisitioned to be vested with the government or its auditor. "Whatever records are sought will have to be made available," he said, adding once the issue of scope of audit is resolved there should be no issues about records being made available.

SOURCE:-financial express

L&T, Future Group to merge general insurance business

Larsen and Toubro (L&T), Generali Group and Kishore Biyani promoted Future Group today entered into a non-binding agreement to merge L&T General Insurance with Future Generali India Insurance.

Post-merger, L&T will hold 51 per cent in the merged entity with Generali will hold 26 per cent stake and the rest 23 per cent will continue to be held by the Future Group. The completion of the transaction is subject to satisfactory due diligence by both the parties, execution of mutually agreed definitive binding documents and requisite approvals from Irdai and other regulators.

As per the latest data available with Irdai, while L&T General Insurance had a gross written premium of Rs 130 crore during the April-January period of current financial year, Future Generali had a premium collection of Rs 926.42 crore. Earlier this month, Pantaloons Retail, the holding company of the Future Group had sold 22.5 per cent stake in Future Generali Life Insurance to investment company IITL for an estimated value of over Rs 300 cr.

SOURCE: ECONOMIC TIMES

Irna raises third-party motor cover premium
Revenue Sec: Need to widen tax base to bring down rates

The move would help investors assess the risk associated with the mutual fund schemes.
Sebi safety net norms under review

The capital markets regulator’s bid to impose a safety net for retail investors in initial public offerings (IPOs) appears to have got stuck in the face of resistance on the part of investment banks, companies and brokerage firms, according to two persons with direct knowledge of the matter.

The industry view came in response to a 28 September discussion paper floated by the Securities and Exchange Board of India, or Sebi, that proposed draft regulations on mandatory safety net mechanism.

"The matter is before the primary market advisory committee. They are yet to draw a conclusion on the matter. There is no hurry, so it is difficult to say when it will be introduced," said one of the persons. Sebi has proposed that such protection for retail investors be made mandatory for IPOs.

"Also, most of the IPOs have started doing well now and some of the issuers have offered safety net option (on their own). So, there is more time to discuss on the matter before its introduction. The proposal to make safety net mandatory was not discussed in the recent Sebi board meet in February," he said.

After Sebi circulated the discussion paper on a mandatory safety net for retail investors, 15 IPOs have taken place. Of these, nine are trading above their offer price and doing better than the benchmark.

FDI proposals worth Rs.733 cr approved

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he Central Government on Tuesday approved six foreign direct investment (FDI) proposals envisaging a capital inflow worth about Rs.732.77 crore in foreign exchange.

According to a Finance Ministry statement here, the approvals, based on the recommendations of the Foreign Investment Promotion Board (FIPB), headed by Economic Affairs Secretary Arvind Sanyaram, include clearance to Malaysia-based AirAsia Investment Limited’s proposal and deferred its decision on seven others.

The FIPB also rejected one proposal and deferred its decision on a joint venture company of Govt. of India. It is owned Schedule ‘A’ Category-1 CPSE, wholly owned by SPMCIL.

PMICIL, govt ink growth-oriented MoU

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PMCIL has signed a growth-oriented Memorandum of Understanding (MoU) with the Department of Economic Affairs (DEA), Ministry of Finance, setting an ambitious Sales target of Rs. 3407 crores and Gross Operating Margin target of Rs. 511 crores for the fiscal 2013-14.

The MoU was exchanged between Additional Secretary, Department of Economic Affairs, Ministry of Finance, Shri Shaktikanta Das and CMD, SPMCIL, Shri M.S. Rana here today. SPMCIL is a Miniratna Category-I CPSE, wholly owned Schedule ‘A’ Company of Govt. of India. It is engaged in the minting of Coins, printing of Bank Notes, Passport and other Stationery, Non-Judicial Stamp Papers, etc.

The MoU has been signed based on the targets and the parameters negotiated by a Department of Public Enterprises (DPE) appointed Task Force (TF).

The MoU is based on the premise of a growth charter in a globally competitive environment and forward looking approach of SPMCIL and incorporates various parameters and weightages for evaluation of performance with focus on profitability, increase in efficiency, quality etc.