GOLD ₹39,075 | RUPEE ₹70.88 | OIL $57.67 | SILVER ₹46,490

*Indian basket as on September 30, 2019

SENSEX: 37,673.31 ▼ 433.56 NIFTY: 11,174.75 ▼ 139.25 NIKKEI: 21,410.20 ▲ 68.46 HANG SENG: 25,821.03 ▼ 289.28 FTSE: 7,104.29 ▲ 26.65 DAX: 11,932.77 ▲ 7.52

International market data till 1900 GMT

RESERVE BANK'S MONETARY POLICY COMMITTEE MEETING

RBI may review co-op bank norms

ENS ECONOMIC BUREAU
MUMBAI, OCTOBER 4

RESERVE BANK of India Governor Shaktikanta Das on Friday said "the RBI will not allow any co-operative bank to collapse" and the central bank will "review all the regulations" of cooperative banks and discuss it with the government if required.

When asked how the RBI was caught napping as the Punjab and Maharashtra Co-operative Bank scam was going on for around eight years, Das said the RBI acted very swiftly and promptly after it was brought to its notice. "The matter is under investigation. A complaint has been filed with the EOW." Maintaining that cooperative banks are also sound, he said, "one incident cannot be and should not be used to generalise about the health of all cooperative banks."

"The RBI will review all the regulations of cooperative banks and will discuss with the government if required," he said.

"So far as the RBI is concerned, the banking system is sound and stable," he said when asked about the financial sector issues. "There's no reason to panic." He also advised the people to not to pay much attention to unnecessary roumours that can create a panic situation.

Reserve Bank of India (RBI) Governor Shaktikanta Das along with Deputy Governors B P Kanungo (right) and N S Vishwanathan in Mumbai on Friday. *Ganesh Sirsekar*

On September 23, the RBI had put restrictions on Punjab & Maharashtra Cooperative Bank after it had found out financial irregularities, and under-reporting of loans given to real estate developer HDIL. The curbs included barring the bank from lending and accepting fresh deposits for the next six months apart from capping withdrawals first at Rs 1,000 per account which was later revised upwards to Rs 10,000 and then again to Rs 25,000.

PMC Bank's exposure to HDIL which was over 70 per cent of its total book had been NPAs for a long time.

The RBI's order, restricting banking activity at Punjab and Maharashtra Cooperative (PMC) Bank, is not a case in isolation as 23 more co-operative banks faced similar action by the regulator so far in this calendar year. Sources in the banking industry say that this reflects upon the magnitude of the problem at co-operative banks and raise question marks in the way they are being run and regulated.

As per the data collated by Maharashtra State Bank Employees Federation (MSBEF), PMC Bank is the 24th bank this year to have seen RBI invoking Section 35(A). The section provides the RBI with the power to give directions to banks in a bid "to prevent the affairs of any banking company being conducted in a manner detrimental to the interests of the depositors or in a manner prejudicial to the interests of the banking company". The RBI can also "secure the proper management of any banking company" under this section.

The co-operative banks that have seen an extension of orders issued by the RBI include Kapol Co-operative Bank, Rupee Co-operative Bank, Mercantile Co-operative Bank and The City Co-operative Bank.

EXPLAINED

E.

PMC fraud exposed gaps

THE PMC Bank fraud has exposed the gaps in the regulations governing co-operative banks. The fact that the bank was able to hide its exposure — close to Rs 5,000 crore, or almost 70 per cent of its total loan book — to the HDIL reveals that the central bank may have to tighten its norms governing co-operative banks. The fraud has been going on for almost seven years, undetected by the RBI. The collapse of a co-operative bank can impact the stability and soundness of the financial system as money of common people is involved.

The reduction in repo rate from 5.40 per cent to 5.15 per cent announced by the Monetary Policy Committee (MPC) ... will complement the recent measures taken by the government to accelerate growth"

FINANCE MINISTRY STATEMENT

Given all the work done in the last couple of months and today's RBI's fifth consecutive rate cut you can see that everything is focused now in accelerating growth further"

RAJIV KUMAR
NITI AAYOG VICE-CHAIRMAN

The cumulative 135 basis rate cuts this year so far, along with the slew of measures announced by the government in the last few months to provide growth stimulus to a variety of sectors including the corporate tax rate cut, is expected to lift growth from its current stupor and unleash animal spirits"

CHANDRAJIT BANERJEE
DIRECTOR GENERAL, CONFEDERATION OF INDIAN INDUSTRY

The challenges in exports will continue and may aggravate with geo-political situation"

SHARAD KUMAR SHARAF
PRESIDENT, FEDERATION OF INDIAN EXPORTS ORGANISATION

The reduction of repo rate by 25 bps is a welcome move by the RBI. We hope the banks would fully pass on the repo rate cut benefit to consumers in the form of lower lending rates"

RAJAN WADHERA
PRESIDENT, SOCIETY OF INDIAN AUTOMOBILE MANUFACTURERS

The repo rate cut is a welcome move and we compliment the central bank for its continuous emphasis on reviving growth. This, along with the mandatory linking of floating loan rates to an external benchmark from October 1, should trigger an improved transmission of policy rate cuts and lower the lending rates going ahead"

SANDIP SOMANY
PRESIDENT, FEDERATION OF INDIAN CHAMBERS OF COMMERCE AND INDUSTRY

POLICY WATCH
DATA PROTECTION

'Super-sensitive data' will have to reside in India; Bill to be before Cabinet soon: Prasad

PRANAV MUKUL & ANIL SASI
NEW DELHI, OCTOBER 4

OVER A year after a committee headed Justice B N Srikrishna submitted a draft legislation for data protection in India, the Bill is expected to be placed before the Cabinet soon, Minister of Electronics & Information Technology Ravi Shankar Prasad told *The Indian Express* in an interview. He indicated that while the government recognised the importance of free data flow, it was clear in its resolve that "super-sensitive data" would have to reside in India.

"We will take the proposal to the Cabinet very soon," Prasad said. When asked if there was a categorisation of super-sensitive data and what it would entail, the minister said that the fine print of the law should be awaited. "I have said earlier that some degree of movement is integral in data but there are issues of critical data, super-sensitive data. I am very keen that India should become a huge centre for data economy, data processing, refinement, cleaning," Prasad added.

The draft Bill, submitted by the Srikrishna committee, identified 13 categories of sensitive personal data such as: passwords, financial data, health data, official identifier, sex life, sexual orientation, biometric data, genetic data, transgender status, intersex status, caste or tribe, religious or political belief or affiliation or any other category of data as specified by the proposed Data Protection Authority. The draft bill mooted that sensitive personal data may be processed on the basis of explicit consent.

The submissions made by the committee have undergone several consultations, and according to the minister, the bill is expected to be finalised soon.

In addition to looking at personal data protection, the IT ministry last month constituted a committee to look at ways to regulate non-personal category of data that includes community data and anonymised data. Non-personal data was kept out of the purview of the personal data protection bill that the Srikrishna panel recommended. Such data is usually held by large commercial entities like cab-aggregators, e-commerce companies, etc that use the community data generated on their platforms to improve their services. This is in addition to using anonymised datasets also being provided to government bodies and departments by large internet companies to assist in policymaking.

Through this exercise, the Ministry of Electronics & IT plans to understand whether access to community and anonymised data should be unfettered and the implications it could have on personal data protection. However, Prasad told this newspaper on Friday that the process of bringing out a personal data protection law was independent of the deliberations of the newly formed committee.

Policy will be good & sound: DPIIT Secy

New Delhi: The government on Friday assured that the new e-commerce policy, which is under the process of formulation, will be "good and sound". Department for Promotion of Industry and Internal Trade (DPIIT) Secretary Guruprasad Mohapatra said there are issues such as data, brick and mortar stores, e-commerce firms and level-playing field for them.

The secretary added that when a policy has ramifications not only across India but also on Asian and global investors who like to come to India, the government would have to engage with all stakeholders. Different countries have different approach towards dealing with data issues and "when a government as a whole decides to do something, it has to engage with a large number of stakeholders and that is what is happening now," Mohapatra said.

The government in February had released the draft national e-commerce policy. **PTI**

Fifth rate cut in 2019

The RBI's Monetary Policy Committee cut the repo rate for the fifth time in 2019 by 25 basis points to 5.15% stating that "the continuing slowdown warrants intensified efforts to restore the growth momentum"

5.15%
is the current repo rate — the rate at which the RBI lends funds

4.90%
is reverse repo rate — the rate at which the RBI borrows from banks

6.1%
GDP growth for 2019-20, down from 6.9% projected earlier

3.4%
inflation projected for Q2 of 2019-20 against 3.1% earlier

135 bps
is the reduction in repo rate in 2019 so far

REVISION IN POLICY RATES

Date	Bank rate	Repo rate	Reverse repo
07-02-2018	6.25	6.00	5.75
05-04-2018	6.25	6.00	5.75
06-06-2018	6.50	6.25	6.00
01-08-2018	6.75	6.50	6.25
05-10-2018	6.75	6.50	6.25
05-12-2018	6.75	6.50	6.25
07-02-2019	6.50	6.25	6.00
04-04-2019	6.25	6.00	5.75
06-06-2019	6.00	5.75	5.50
07-08-2019	5.65	5.40	5.15
04--10-2019	5.40	5.15	4.90

(Figures in per cent) **Over six quarters*

MPC VOTED FOR CUT: Chetan Ghate, Pami Dua, Michael Debabrata Patra, Bibhu Prasad Kanungo and Shaktikanta Das voted to reduce the repo rate by 25 basis points. Ravindra H Dholakia voted to reduce the repo rate by 40 basis points

INFLATION OUTLOOK: While food inflation picked up, fuel prices moved into deflation. Inflation excluding food and fuel softened in August

RBI FOCUS: Reserve bank of India Governor Shaktikanta Das said the MPC decided "to continue with the accommodative stance as long as it is necessary to revive growth, while ensuring that inflation remains within the target".

No doubt about govt's fiscal commitment: Das

ENS ECONOMIC BUREAU
MUMBAI, OCTOBER 4

RESERVE BANK Governor Shaktikanta Das on Friday said the RBI has no doubt over the government's commitment to meet the fiscal deficit target this fiscal despite the huge corporate tax cut involving a revenue loss of Rs 1.45 lakh and falling indirect tax collections.

Das also scotched media reports that the government might seek an interim dividend of Rs 30,000 crore from the central bank to meet its revenue shortfall after the massive tax cuts.

"The government has made a statement that they will adhere to the fiscal deficit target.

"The government has made a statement that they will adhere to the fiscal deficit target. Therefore, we have no reason to doubt the commitment to maintain the numbers as given in the budget"

SHAKTIKANTA DAS,
GOVERNOR, RESERVE BANK OF INDIA

Therefore, we have no reason to doubt the commitment to maintain the numbers as given in the Budget," Das said after announcing the fourth bi-monthly monetary policy.

The Budget has set the fiscal deficit target at 3.3 percent of GDP for the current fiscal but the steeply falling GST collections and the historic cut in corporate taxes have raised concern over the maintainability of the target.

Das said the government has several sources of revenue to meet the fiscal target. "So whatever short fall is expected because of corporate tax rate cuts, the government has the option of increasing or making it up from other sources," he said. Last month, the finance minister had announced tax cuts for corporates by 10-12 per cent to 25.17 percent, involving a revenue loss of Rs 1.45 lakh crore this fiscal.

On media reports that the government might seek an interim dividend of about Rs 30,000 crore from the RBI towards the end of the financial year so that it could meet the fiscal deficit target of 3.3 percent, Das said, "I have also seen it in the media. That apart I am not aware of any such demand from the government for payment of interim dividend."

During 2017-18, the government received Rs 10,000 crore as interim dividend from the central bank. Last month, the RBI board had given its nod to transfer Rs 176,051 crore to the government from its surpluses as per the Bimal Jalan panel report. The Jalan panel also said after the surplus transfer, there would not be any interim dividend.

Bankers see faster transmission of interest rate cuts

ENS ECONOMIC BUREAU
MUMBAI, OCTOBER 4

TOP BANKERS are expecting faster transmission of the benefits of the interest rate reduction by the RBI to their customers as banks have already introduced repo-linked retail and MSME products and launched new packages to boost credit growth in the festive season.

Rajnish Kumar, Chairman, SBI, said, "The 25-basis point rate cut coupled with an explicit policy acknowledgement of further rate cuts would ensure that fiscal and monetary policy work in tandem in arresting growth concerns."

Padmaja Chunduru, MD & CEO of Indian Bank, said, "The RBI continued its accommodative stance and both the fiscal and monetary policies are moving in tandem to spur/ revive growth in the economy. With inflation being within the target, the forward guidance remains accommodative to revive growth. We believe the transmission of monetary policy rate changes will be faster now that banks have already introduced repo-linked retail and MSE products and the rate cuts will be passed on to these borrowers. With the busy and festive season having started, this rate cut will boost market sentiments."

Mrutyunjay Mahapatra, MD & CEO of Syndicate Bank, said, "The RBI has continued its accommodative stance on monetary policy and interest rates. With this, the banking sector, which has moved from MCLR to external benchmark loan rate, shall pass on the 25 bps reduction to the ultimate consumers faster than in the past. Combined with fiscal stimulus like tax rate cuts and investment incentivisation, the sentiments and the overall economic outlook is expected to be much better. The reiteration of the health of the financial system and the isolation of the recent events will go a long way for consumer confidence building".

V G Kannan, Chief Executive, Indian Banks Association, said, "the monetary transmission could be swifter if banks could make similar changes in the deposits. From the liquidity perspective, the system is adequately liquid and RBI has given the assurance to maintain sufficient liquidity in the system. With liquidity and improved domestic demand due to the measures proposed by the government, the banks could expect robust credit pick up in the second half of the fiscal."

"Overall, we expect the demand to improve and the main challenge now is to revive consumption-led recovery and spur private investments post tax corporate rate cuts," Chunduru said.

Zarin Daruwala, CEO, Standard Chartered Bank, said, "the RBI reaffirmed its strong commitment to India's growth by cutting the repo rate by 25 bps and continuing with its accommodative stance. The cumulative reduction of 135 bps in repo rate delivered so far in 2019, along with the recent cut in corporate tax should help revive growth in the coming months."

Stepping up its initiative to speed up transmission of rate reduction benefits to customers, RBI last month made it mandatory for banks to link all new floating rate personal or retail loans and floating rate loans to MSMEs (micro, small and medium enterprises) to an external benchmark like repo rate effective October 1, 2019. Banks have already announced their plan to link their loans to the repo rate. "The transmission of policy rate changes to the lending rate of banks under the current MCLR (marginal cost-based lending rate) framework has not been satisfactory," the RBI said.

Sensex plunges 434 pts as RBI cuts growth forecast

ENS ECONOMIC BUREAU
MUMBAI, OCTOBER 4

THE BENCHMARK BSE Sensex on Friday plunged by 434 points after the Reserve Bank of India (RBI) slashed the repo rate and the growth outlook for this fiscal amid concerns over the slowdown in the economy.

After opening nearly 300 points higher, the 30-share index gave up all the gains to turn negative shortly after the policy announcement by the RBI.

After swinging 770 points during the day, the Sensex ended 433.56 points or 1.14 per cent lower at 37,673.31. It hit an intra-day low of 37,633.36 and a high of 38,403.54. The broader NSE Nifty plunged 139.25 points or 1.23 per cent to close at 11,174.75.

The central bank reduced its benchmark lending rate by 0.25 percentage point to 5.15 per cent to revive growth that hit a six-year low of 5 per cent in the June quarter. The RBI also lowered its growth forecast for 2019-20 to 6.1 per cent from 6.9 per cent earlier and affirmed commitment to remain accommodative to address growth concerns 'as long as necessary'.

The index plummeted 1,149 points or 2.96 per cent during the week.

Ajit Mishra, vice president, Research, Religare Broking, said, "markets plunged sharply lower and lost over a per cent citing weak domestic cues. The beginning was upbeat, thanks to firm global markets but anxiety ahead of the RBI policy outcome capped the movement. The sentiment dented as the RBI lowered its growth forecast which triggered a sharp decline across the board."

The index plummeted 1,149 points or 2.96 per cent during the week

"Despite the rate cut and the dovish commentary, equity market has reacted negatively, especially banks. That's because of the RBI's focus on quick transmission of lower interest rates would put pressure on margins of banks," Gaurav Dua, Sr VP, head - Capital Market Strategy & Investments, Sharekhan by BNP Paribas, said. "Also, the economic growth outlook remains concerning despite the 135 bps policy rate cuts in 2019 and there is limited elbow room with RBI now to further take monetary actions to support the economy," he said.

Vinod Nair, head of research at Geojit Financial Services, said that despite the RBI's and the government's synchronised efforts to offset a slowdown in the economy, investors have taken a pessimistic view due to continued downward revision in GDP estimate and new stress in the banking system.

Rate-sensitive banking stocks faced the heat, with the BSE Bankex, finance, auto and realty indices tanking up to 2.45 per cent. The broader BSE midcap and smallcap indices followed Sensex, shedding up to 0.94 per cent.

Rupee ends flat against USD

Mumbai: The rupee on Friday closed almost flat at 70.88 against the US dollar after the Reserve Bank of India in a widely expected move cut key interest rates by 0.25 percentage point.

At the interbank foreign exchange market, the rupee had opened strong at 70.82 against the US dollar at the interbank forex market.

During the day, the domestic unit fluctuated between a high of 70.78 and a low of 71.03. The rupee finally settled at 70.88, down 1 paise over its previous close.

On a weekly basis, the local unit slumped by 32 paise.

Forex traders said markets had discounted the rate cuts. Moreover, foreign fund outflows, heavy selling in domestic equities and rising crude oil prices also kept pressure on the Indian rupee.

The dollar index, which gauges the greenback's strength against a basket of six currencies, fell 0.12 per cent to 98.74. Meanwhile, the 10-year government bond yield was at 6.69 per cent on Friday. **PTI**