QUICKLY

No NEFT charges from January 1: RBI

Mumbai, December 16

Member banks of the National Electronic Funds Transfer (NEFT) system cannot levy any charges on their savings bank (SB) account holders for fund transfers done through the system, which are initiated online — internet banking and mobile apps of banks — with effect from January 1, 2020, according to the Reserve Bank of India (RBI). Early last month, the RBI said banks will not charge SB account customers for online transactions in the 24X7 NEFT system with effect from "January 2020". Now, it has specified the date from which the waiver of charges takes effect. OUR BUREAU

Rupee down 17 paise at 71

Mumbai, December 16

The rupee reversed all its early gains and settled 17 paise down at 71 against the US currency on Monday, following rising crude oil prices and fag-end selling in domestic equities. At the forex market, the rupee had opened at 70.80 against the dollar. The domestic unit finally settled at 71, registering 17 paise decline over the previous closing. The rupee declined after strengthening to the highest level since September. The 10-year government bond yield was at 6.78 per cent on Monday. PTI

Is LIC getting a new lease of life?

Insurer has begun to regain market share from 66% in 2018-19 to 71% this Nov: Report

SURABHI

Mumbai, December 16

LIC posted a sharp recovery with a 44.53 per cent growth in the number of policies sold between April and November this year ISTOCK.COM/AMITVS

In the face of competition from two dozen private sector life insurers, the market share of state-run behemoth Life Insurance Corporation of India declined for a second consecutive year in 2018-19, though it continued to enjoy the lion's share.

On the basis of total premium income, LIC's market share fell to 66.42 per cent in 2018-19 from 69.36 per cent in 2017-18, according to data released by the Insurance Regulatory and Development Authority of India (IRDAI) in its Annual Report.

The market share of aggressive private insurers rose to 33.58 per cent last fiscal as against 30.64 per cent in 2017-18.

According to IRDAI data, on the basis of total premium income, LIC enjoyed a market share of 71.81 per cent in 2016-17.

Last fiscal, LIC's market share in new business premium fell to 66.20 per cent from 69.36 per cent a year ago, while its market share in renewal premium also declined to 66.58 per cent from 69.35 per cent.

Bouncing back

However, this fiscal, LIC has begun to regain the market share, which stood at 71 per cent by November 30 this year. Analysts have also noted that LIC posted a sharp recovery in November with a 44.53 per cent growth in the number of policies sold between April and November this year.

"Notable trends in November include 138 per cent year-on-year growth in individual policy count of LIC — this could be driven by successful foray in protection, which is also leading to a continuous decline in ticket size for LIC," said a report by ICICI Securities, adding that its share in total annualised premium equivalent (APE) has increased to 63 per cent in the eight months of this fiscal from 48 per cent a year ago.

'Sunset month'

Noting that LIC almost doubled its individual APE in November after a 6 per cent growth in October and decline in September, a report by Kotak Institutional Equities said, "LIC agents seem to have pushed their paddle hard since it was the sunset month for some of LIC's popular products — Jeevan Lakshya, Jeevan Umang and Jeevan Labh (all three par products). These products are being re-priced. We would expect weakness in its growth here on."

LIC, in a statement earlier this year, had also stressed on its strong financial health and had said that by August 31 this year, it had regained its market share for policies to 72.84 per cent and for first-year premium to 73.06 per cent.

Rising plaints, a tad worrying

Private insurers, however, fared better

OUR BUREAU

Mumbai, December 16

The number of complaints, as a percentage of new policies sold in FY19, edged up in the case of state-owned Life Insurance Corporation of India (LIC) but declined for private sector life insurers.

In the case of LIC, the number of complaints increased to 0.48 per cent of new policies sold against 0.36 per cent in FY19 and 0.15 per cent in FY17, as per Insurance Regulatory and Development Authority of India's annual report for 2018-19.

In the case of private sector life insurers, the number of complaints fell to 0.84 per cent of new policies sold against 1.13 per cent per cent in FY18 and 1.42 per cent in FY17. In FY19, LIC sold 2.14 crore new policies (against 2.13 crore in FY18 and 2.01 crore in FY17). Private life insurers sold 72.54 lakh policies (68.60 lakh in FY18 and 63.25 lakhs in FY17).

At the end of March 2019, there were 24 life insurers, including LIC in the public sector and 23 in the private sector.

The number of unfair business practices (UFBP) complaints in the case of LIC was unchanged at 0.01 per cent of the new policies sold in FY18 *vis-a-vis* the previous year.

The number of UFBP complaints in the case of private sector life insurers declined to 0.62 per cent of the new policies sold *vis-a-vis* 0.75 per cent in the previous year.

General insurance industry

There was a 3 per cent reduction in the number of complaints reported by the general insurance industry at 42,761 in FY19 against 43,995 in FY18. There are 27 general insurers in the country, including six in the public sector and 21 in the private sector.

Within the general insurance industry, public sector general insurers reported a 7 per cent decline in the number of complaints at 20,968 against 22,568 in the previous financial year. The private sector general insurers reported a 2 per cent increase in the number of complaints at 21,793 against 21,427 in the previous financial year.

SBI to deactivate magnetic stripe debit cards from Jan 1

G NAGA SRIDHAR

Hyderabad, December 16

ATM debit cards with magnetic stripe, issued by the State Bank of India (SBI), will not function from New Year's Day. They have to be replaced with EMV chip cards. SBI has asked its customers to change over to EMV cards immediately. The switchover to magnetic stripe cards had originally been suggested by the RBI in 2015 and it has asked banks to replace stripe cards by December 31, 2018.

Increasing instances of electronic frauds such as cloning, skimming and misuse of lost cards have prompted the shift to EMV cards.These cards require a personal identification number (PIN) to conduct a transaction.

Banks are racing against time to meet the deadline but could not complete the task as a majority of customers did not respond to alerts and campaigns from banks. In view of customer interests, the deadline was extended to April 2019 and later to December 2019.

"The SBI has replaced all magstripe debit cards with EMV chip and PIN cards. All magstripe debit cards will be deactivated by December 31, irrespective of their validity period," it said in an alert.

Other banks are also in the process of alerting their customers.

The magnetic stripe cards are those that were issued prior to September 2015.As part of its efforts to beef up security and mitigate risks, the RBI has made it mandatory for banks to issue only EMV chip- and pin-based debit and credit cards (domestic and international) from September 1, 2015.

Sumitomo Mitsui Banking picks up 5.4% stake in Northern Arc

The debt capital platform has raised over ₹1,000 cr in equity this year

OUR BUREAU

Chennai, December 16

Japanese multinational bank Sumitomo Mitsui Banking Corporation has picked up a 5.4 per cent equity stake in Northern Arc Capital, a debt capital platform that caters to un-banked and under-banked individuals and businesses, for an undisclosed amount.

With this, Northern Arc Capital (formerly IFMR Capital Finance Ltd) has raised over ₹1,000 crore in equity this year.

The total deal size through primary and secondary transactions in December is ₹482 crore, with investment by IIFL, Affirma Capital and Sumitomo Mitsui coming in as the new investor.

Existing shareholders IIFL and Affirma Capital are completing their follow-on investment as part of a deal announced in March. Some of the existing investors partially sold their stakes.

According to a Northern Arc press release, Sumitomo Mitsui Banking Corporation (SMBC) will invest in transactions structured and executed by Northern Arc and provide on-balance sheet lending to Northern Arc's partners.

Sumitomo Mitsui Banking Corporation has been working with Northern Arc for a while and has participated in securitisation deals and investments in NBFCs in the country.

Kshama Fernandes, MD and CEO, Northern Arc Capital
N. RAMAKRISHNAN

This deal will further increase Sumitomo's participation in India.

Northern Arc Capital has enabled debt financing of over ₹75,000 crore for financial institutions that deal with the target population.

Deal to fuel global ambitions

The release said for Northern Arc, the deal with Sumitomo Mitsui Banking Corporation would fuel the company's global ambitions, strengthen its profile among foreign investors and also provide an opportunity to explore new geographical markets. The Japanese bank had introduced Northern Arc Capital to quite a few investors in the country.

The release quoted Kshama Fernandes, Managing Director and CEO, Northern Arc Capital, as saying that SMBC's investment was a vote of confidence in Northern Arc's business model. Northern Arc hoped to use this deal to further its mission of financial inclusion and widen its impact on the livelihoods of under-banked individuals and businesses.

Earlier pact

This round of equity raise by Northern Arc follows an agreement signed in March when Northern Arc Capital raised ₹910 crore from IIFL Special Opportunities Fund and Affirma Capital. The IIFL Special Opportunities Fund acquired a large stake in Northern Arc Capital by investing across primary and secondary deals.

At that time, some of the early investors in Northern Arc — Dvara Trust, LeapFrog and Accion — had partial exits. Standard Chartered Private Equity, an existing investor, also participated in that funding round.

India must focus on bank balance sheet clean-up: IMF official

Chief Economist Gita Gopinath calls for policies to boost productivity and job creation

PRESS TRUST OF INDIA

Washington, December 16

Gita Gopinath, IMF Chief Economist AFP

With economic growth slowing to a six-year low, IMF Chief Economist Gita Gopinath says the government should undertake structural reforms such as bank clean-up and labour reforms to address the slowdown in domestic demand.

Gopinath rooted for government policies focussing on managing a slowdown in domestic demand, and on boosting productivity growth and supporting employment creation in the medium term.

"Given the cyclical position and the structural challenges of the Indian economy at this point, we recommend that policies focus on managing the slowdown in domestic demand, and on boosting productivity growth and supporting employment creation in the medium term," she told PTI in an interview.

Time for structural push

Recommending a series of key policy priorities for the Modi government, she said, "politically, the time — early in the government's second term — is right for a structural reform push."

GDP growth slowed for the sixth consecutive quarter in the July-September quarter to 4.5 per cent as manufacturing slumped on low domestic consumption.

Gopinath said the policy priorities of the government should also include a credible fiscal consolidation path that is more ambitious than currently envisaged by the government.

"This is needed to reduce the high level of debt and reduce crowding out which would free up financial resources for private investment. This should be driven by subsidy-spending rationalisation and tax-base enhancing measures," Gopinath said.

Policy priorities

India's mission to reach a $5-trillion economy which focusses on boosting investment is appropriate. And so is the commitment to support the rural economy, boost infrastructure spending, streamline the goods and services tax (GST), direct tax reforms, and pursue a business-friendly policy agenda, she noted.

In this regard, Gopinath advocated, among others, three policy priorities for the government. First is to accelerate the clean-up of the banks, other financial institution, and corporate balance sheets and enhance governance of public sector banks to revive bank credit and enhance the efficiency of credit provision, while monitoring closely emerging risks from the liquidity stress in non-banking financial companies (NBFCs) and enhancing supervision and regulation of the NBFCs.

'US-China trade deal to boost global growth in 2020'

PRESS TRUST OF INDIA

December 16

The announcement of a trade deal between the US and China that will de-escalate trade tensions, along with other developments like reduced likelihood of a no-deal Brexit, is likely to support a pick-up in the global economic activity in 2020, said IMF Chief Economist Gita Gopinath.

Global growth moderated to the lowest level since the global financial crisis this year, Gopinath said adding that this is an outcome of heightened trade and geopolitical tensions and country-specific factors in EMs. In addition, advanced economies' growth is being weighed down by weak productivity growth and ageing demographics.

National Insurance Academy holds 40th Foundation Day

OUR BUREAU

Pune, December 16

The National Insurance Academy (NIA), Pune, a premier institution for education, training and research in insurance, pension and allied areas celebrated its 40th Foundation Day on Monday. NIA organised an insurance awareness rally to spread the need for having an insurance coverage and educate the public on the social security insurance schemes. The rally was led by NIA director G Srinivasan.

During the function, G Srinivasan outlined the different ways by which NIA is creating and developing knowledge in insurance, pension and allied areas through various activities. On the occasion of Foundation day, NIA has dedicated December as the month for creating insurance awareness among students and the common people.

Goldman rules out funds for coal mines, power projects

VENKATESH GANESH

Mumbai, December 16

Goldman Sachs has ruled out direct finance for new or expanding thermal coal mines and coal-fired power plant projects worldwide, as well as for new Arctic oil exploration and production.

The policy makes a clear mention of protecting the Arctic National Wildlife Refuge, Goldman Sachs said in a statement. Further, the bank has also committed to a phase out of financing for significant thermal coal mining companies that do not have a diversification strategy. Goldman Sachs's new policy tightens the screw on thermal coal by including underwriting, and explicitly committing to phase-out, not just reduction.

Turning a blind eye

This is a crucial step forward, as other US bank coal finance restrictions have geographic loopholes, industry watchers said. While other major US banks have committed to reducing credit exposure to coal mining, their approach restricts only lending, ignoring the large amounts of capital the banks facilitate for the coal industry from the underwriting of issuances of stocks and bonds.

Activists have been vehement in their criticism of global financial institutions, which they say are turning a blind eye and undermining the Paris Agreement when it comes to phasing out coal-based energy production.

According to research by non-profit organisations like Urgewald, BankTrack and 30 others, from January 2017 to September 2019, banks and other financial institutions have provided lending finance and underwriting services to 258 coal plant developers in the world. According to Heffa Schuecking, director of Urgewald, this has amounted to channelling of $745 billion.

Why investing in eco-friendly assets has a dark side

Chief of Norway's Financial Supervisory Authority says there's no one to vouch for the green claims of the issuers

BLOOMBERG

December 16

In western Europe's biggest oil producing nation, the financial regulator says investing in environmentally friendly assets has a dark side.

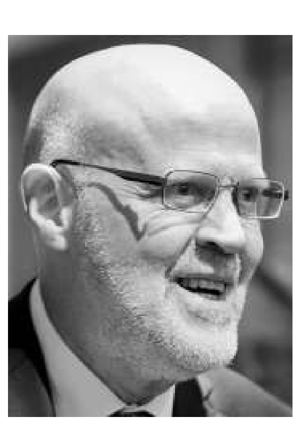
Morten Baltzersen, the head of the Financial Supervisory Authority in Norway, says the rush to plow funds into investments that fulfil environmental, social and governance (ESG) standards has opened the door to a new risk.

Baltzersen says the worry is that issuers are overstating their green credentials (known as Greenwashing) to meet huge investor demand. Meanwhile, no one's really policing whether the issuers claims are true. In short, investors don't really know what they're buying. There's a lot that is marketed as green because there's a lot of demand both among institutional and retail investors, Baltzersen said in an interview in Oslo. But investors trust can be exploited, he said.

Baltzersen oversees a market pumped up by decades of reliance on fossil fuels, making Norway one of the richest places on Earth. Much of the money Norway gets from its oil and gas sectors has been channelled into the world's biggest sovereign wealth fund, which this year swelled to $1.1 trillion.

Greta and Norway

Though successive Norwegian governments have made



Morten Baltzersen

it a goal to wean the economy off oil, actually doing so has proven difficult in practice.

What's more, the current centre-right coalition has stepped up reliance on the wealth fund (also called the oil fund) to add stimulus to the economy.

Greta Thunberg has publicly accused Norway of violating children's rights around the world because of its reliance on oil and gas. In recent years, the fund has sought to dump its holdings of oil and gas stocks. The plan, which was intended to achieve sector diversification rather than live up to any ethical goals, was recently watered down considerably by the government.

But investments by Norway's wealth fund are also guided by ethics and the fund doesn't shy away from naming and shaming companies.

Such exclusions generally follow a lengthy consultation period during which the fund, as one of the world's biggest stock and bond holders, gains access to much more information than most investors.

Human rights

The fund recently dropped UK security firm G4S Plc, citing systematic human rights violations of migrant workers in the Middle East.

G4S, which has been a signatory to the UN Global Compact since 2011, said last month it was making progress on strengthening recruitment and welfare standards.

Norway and the rest of the Nordic region are home to a large asset-management community that seems to have an insatiable appetite for ESG assets. Baltzersen says investors need to remember that the asset class isn't risk free, even if it's a so-called green investment.

Issuance of green bonds has exploded in the Nordics, with Swedish airport operator Swedavia AB and shipping company Teekay Shuttle Tankers LLC among those tapping the market in recent months. (Both companies got the lowest grade in the green bond framework, according to the Norwegian Cicero Center for International Climate Research.)

EU nations sign deal on 'green' financial products

BLOOMBERG

December 17

Diplomats from the European Union's 28 countries agreed to advance with key legislation for green financial products, bringing the bloc a step closer to embedding environmental goals in standards for banks, money managers and insurers.

Envoys signed off on a deal on the EU's list of sustainable activities after more lenient wording on the inclusion of nuclear energy won the backing of countries including France and the UK, according to an official involved in the talks, who asked not to be named, in line with policy. A first attempt to strike a deal last week failed amid divisions over the role that nuclear energy should play in the framework.

The EU's list of sustainable activities for investment purposes, dubbed taxonomy, is the centrepiece of its push to regulate the fast-growing market of green finance, in the hope of directing trillions of euros to fund a radical revision of the region's economy. Its meant to define what's green and what's not, an effort that could find a range of uses and serve as an example for governments around the world. The difficulty of agreeing on the rules shows what kind of obstacles the EU has to overcome to meet its ambitious climate targets. Leaders last week agreed that the bloc should achieve zero net emissions in 2050, paving the way for a flurry of legislation that's needed for the unprecedented clean-up of the economy.

The member-states now have to present their compromise to the European Parliament, which has been critical of allowing fossil fuels and nuclear power to be classified as sustainable and thus eligible to be financed with green bonds and similar financial products.