Centre for Banking and Insurance Law

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Ticker Tape Thursday

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The Reserve Bank of India has lifted the restrictions imposed on Mahindra Finance.

On September 22, 2022 the Reserve Bank of India directed Mahindra & Mahindra Financial Services to immediately cease carrying out any recovery or repossession activity through outsourcing arrangements, till further orders.

Based on the submissions made by the company and its commitment to strengthen its recovery practices and outsourcing arrangements, tighten the process of onboarding third-party agents, and strengthen the accountability framework as per its board-approved action plan, the RBI, vide its letter dated January 4, 2023, has informed the company of its decision to lift the restrictions imposed on the company with immediate effect, according to a statement issued in BSE.

Mahindra Finance could continue recovery or repossession activities through its own employees. Non-banking financial companies use third-party recovery agents to cut costs.

UK firms are less likely to borrow than at any time since the financial crash.

The UK's leading companies are less inclined to borrow now than at any point since the financial crisis of 2008, a survey of directors has found.

Demand for credit is flagging among chief financial officers, with barely a quarter of those polled at FTSE 100 and FTSE 250 companies expecting to increase borrowing in the next year.

According to Deloitte's quarterly survey, CFOs are now more hesitant to borrow from banks or issue debt than they were in 2008.With the Bank of England having raised interest rates to 3.5%, about 70% of those questioned now rate credit as costly, and almost half said that new credit was hard to get.

Despite a turbulent year of rising inflation and supply chain disruption on top of rising interest rates, not all the sentiment among businesses, including more than 50 UK-listed companies, was negative.

Deloitte found that the perception of external risks to businesses, particularly inflation, had eased since peaking earlier this year. Fears of disruption in supply chains, of labour shortages, and even higher interest rates have also abated slightly, along with concern over energy prices that had soared since Russia's invasion of Ukraine.

US regulators warn banks about cryptocurrency risks.

US regulators have issued their first ever joint warning to banks over the risks associated with the cryptocurrency market.

The watchdogs told financial institutions to be wary of potential fraud, legal uncertainty, and misleading disclosures by digital asset firms.

Banks were also cautioned over the "contagion risk" from the sector.

It comes just two months after the collapse of trading platform FTX sent shockwaves through the crypto industry.

In a joint statement, the US Federal Reserve, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency said they were closely monitoring the crypto activities of banking organisations.

"The events of the past year have been marked by significant volatility and the exposure of vulnerabilities in the crypto-asset sector," the statement said.

The regulators also said that issuing or holding crypto tokens, which are stored on public, decentralised networks, was "highly likely to be inconsistent with safe and sound banking practices."

Banks were also encouraged to take steps to avoid problems in the digital asset market spreading to the wider financial system.

"It is important that risks related to the crypto-asset sector that cannot be mitigated or controlled do not migrate to the banking system," it added.

Tuesday's statement comes after months of hesitancy by US financial industry watchdogs to issue uniform guidelines on cryptocurrencies, despite banks inviting clearer advice from regulators.

China Releases Draft Version of Financial Stability Law, Outlines Establishment of Financial Stability Guarantee Fund

China has just seen the release of the draft version of a new law on financial stability that outlines the creation of a specialised national fund to ward off systemic risk in the financial system.

The "Financial Stability Law (Draft)" released on December 30 calls for the establishment of a financial stability guarantee fund that will provide reserve funds for the disposal of financial risk and be subject to "overall management via overall coordination measures."

According to state-owned media reports, the financial stability guarantee fund will raise funds from entities as designated by the State Council, including financial institutions and financial infrastructure operators.

The People's Bank of China (PBOC), being China's central bank, will be permitted to use reloans to provide liquidity support to the financial stability guarantee fund. Where financial institutions borrow from the fund, they will be required to provide qualified forms of collateral.

PBOC first commenced drafting of the "Financial Stability Law" in

April 2022. In addition to the financial stability guarantee fund, other provisions of the draft also stress the need to include all forms of financial activity within the purview of regulatory scrutiny, as well as the disposal of financial risk in accordance with the principles of the market and the rule of law, maintaining the lawful rights and interests of market entities, and the prevention of moral hazard.

The State Council will be responsible for the drafting of any further measures on the management, usage, and supervision of the financial stability guarantee fund.

The rise in oil prices poses a threat to Germany's road transport industry.

Russia's invasion of Ukraine has sent oil prices rocketing as supply is hit with impending import bans from various countries.

Brent crude oil, the international standard, is now trading comfortably over $100 a barrel. Last week, there were wild price fluctuations, further increasing uncertainty.

It is causing major problems for consumers and industries that use a lot of diesel, such as Germany's logistics industry.

The spokesman of the board of the German Road Haulage, Logistics, and Disposal Association, Dirk Engelhardt, says, "The situation has never been as extreme as it is at the moment for medium-sized German transport firms." The extreme increases in fuel prices are a huge problem for our small and medium enterprises. "They cannot pass on these prices quickly enough and are therefore acutely threatened with insolvency."