Trai eases undersea cable landing station norms

Suggests amending system of permits to include two categories of locations

SUBHAYAN CHAKRABORTY
New Delhi, 20 June

In a move to ease the rules for setting up submarine (undersea) cable landing stations (CLS) in India, the Telecom Regulatory Authority of India (Trai) has released its recommendations on the licensing framework and regulatory mechanism for the sector.

On Tuesday, Trai recommended amending the existing system of permits to include two categories of CLS locations. These include the main facility and the fibre distribution point, known as the 'point of presence' (PoP) in the industry.

It has called for the international long distance/Internet service provider category-A (ILD/ISP-A) rules to be changed. This will enable licensees to get access, and extend their owned or leased dark fibre pair(s) in the undersea cable from the main CLS to their respective CLS-PoP location.

However, owners of CLS-PoPs will be required to fulfil all other security and regulatory/licence obligations. These include reporting requirements.

It has also called on the government to give all CLS-related operations (including associated activities such as layout, maintenance and repair of subsea cable systems) the status of essential services. This is owing to their critical role in the nation's high-speed data architecture.

In an important move, Trai has said that a section should be added in the upcoming Telecom Bill to promote, protect and prioritise 'CLS' and 'submarine cable' in India.

It has also recommended that Indian entities be facilitated and incentivised for setting up 'cable depots'. It stressed that undersea cable and CLS be considered a critical asset.

Damage to sub-sea infra has been recommended to be considered as damage to critical infrastructure of national importance, and is to be strictly dealt under the Indian laws.

"Trai's recommendations crucially recognise submarine cables as critical assets and provision protective measures for them. They also encourage self-reliance, while focusing on enhancing efficiency and security," said SP Kochhar, director-general at telecom industry body Cellular Operators Association of India (Coai).

By the end of 2022, there were 15 international subsea cables landing in 14 distinct cable landing stations in five cities across India. These were in Mumbai, Chennai, Kochi, Tuticorin and Thiruvananthapuram, according to Submarinenetwork.com, an industry news website.

Undersea cable operators have massively increased their total activated capacity in India, which surged nine times between 2016 and 2021.

The full traffic-carrying capability, called lit capacity, and the activated capacity on these international subsea cables were 123.87 tera bytes per second (tbps) and 83.8 tbps, respectively, by end-2021."Trai's recommendations herald a new era for big data, global tech companies, data centres and content delivery networks, among others. With focus on promoting the laying of submarine cables and addressing ambiguities in the legal and regulatory framework for CLS and licences, these entities may be able to unlock the full potential of cross-border data flow. It will fuel innovation and fortify India's position as a data powerhouse," said Harsh Walia, partner at legal firm Khaitan & Co.

The recommendations may foster collaboration between submarine consortiums and telecom service providers in India. It may bring the much-needed clarity on ownership of CLS, he added. These include connectivity of terminal equipment to PoPs and power feeders, domestic submarine cables, stub cables and vessel repair.

Demand for long-term bonds may taper on weak insurer interest

ANJALI KUMARI
Mumbai, 20 June

Long-term government bonds might bear the brunt of declining demand from insurance companies, and the prices of these papers could fall, according to dealers. Typically, insurance companies invest in long-term papers that suit their asset-liability management needs.

Bond prices and yields move inversely.

In the Union Budget for FY24, the government proposed to tax income from high-value life insurance policies, other than unit-linked insurance plans. Tax was imposed on life insurance policies with annual premium exceeding ₹5 lakh per year. The tax regime was effective from April 1, 2023.

As a result, there was heavy buying of such policies in February and March, before the new tax regime kicked in. Insurers deployed the funds in April and May, dealers said. "There was pent-up demand in April and May because they (insurance companies) received a large amount of funds in March which they parked in April and May," a dealer at a state-owned bank said.

Dealers expect the long-term bond supply pressure to play out which would further weigh on long-term bonds' prices. "The Q2 of every financial year is very bearish due to supply pressure, but this time lack of demand from insurers preponed the event by 10-15 days to the first quarter," a dealer at a state-owned bank said.

The increase in bond issuances is negatively affecting the long-term prices of government bonds. According to the government's borrowing plan for April to September, the government intends to sell government securities worth ₹1.69 trillion in June. This issuance is the biggest monthly offering in 2023-24, thus far.

Also, private insurers are opting to invest in state-government securities rather than Government of India securities due to higher returns on long-term state bonds, dealers said.

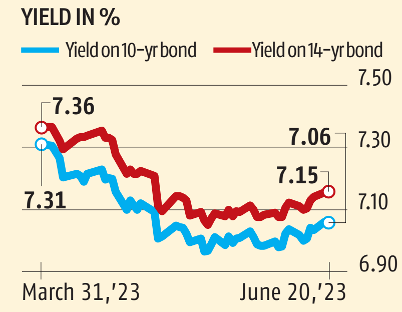
The Reserve Bank of India set the cut-off on the 10-year state bonds at 7.39 per cent, whereas the benchmark 7.26 per cent, 2033 government bond settled at 7.06 per cent on Tuesday. Moreover, the cut-off on the 15-year state bonds was set at 7.36 per cent, which was 20 bps higher than the yield on the 14-year 7.41 per cent, 2036 government bond. "Private insurers are going for SDLs (state development loans), because the yield on long-term papers is higher there," a dealer at a primary dealership said.

Typically, insurance companies stock up on bonds, and they do not trade bonds actively in the secondary market, dealers said. "SDLs are good instruments to hold on to, and insurers are always on the buying side; they rarely sell," a dealer at a state-owned bank said. "Banks have a mandate; otherwise SDLs are good instruments to be kept in HTM accounts."

Additionally, lack of demand for long-term bonds was reflected in the primary market where the coupon on the new 30-year paper was set at 7.30 per cent last Friday, against the market expectation of 7.28 per cent.

ON THE DECLINE

YIELD IN %



Source: Bloomberg

Surplus liquidity falls to lowest in 3 months

Surplus liquidity as reflected by the amount of funds absorbed by the Reserve Bank of India fell to ₹18,657 crore on Monday, the lowest since March 28, due to advance tax payments.

"The reduction was expected in the later part of June, and the sudden drop is a response to the advance tax outflow," Sakshi Gupta, principal economist at HDFC Bank, said.

Due to the fall in surplus liquidity, the RBI conducted variable rate repo (VRR) auction after a month on Monday. Market participants expect more VRR auctions and the liquidity to stabilise by the end of the month. ANJALI KUMARI

3 states, 1 UT raise ₹5.6K cr in bond auction, TN tops the list

ABHIJIT LELE
Mumbai, 20 June

Three states and one Union Territory (UT) on Tuesday raised ₹5,600 crore through auction for state government securities against ₹22,500 crore raised by 11 states last week. This week, the amount raised by four states was also much less than ₹18,000 crore, indicated in the auction calendar for this week.

According to Reserve Bank of India (RBI) data, Tamil Nadu raised the highest amount — ₹4,000 crore through two bonds.

Out of this, ₹2,000 crore was through a 20-year paper with cut-off yield of 7.34 per cent. And, ₹2,000 crore was through a 10-year paper with a cut-off yield of 7.39 per cent.

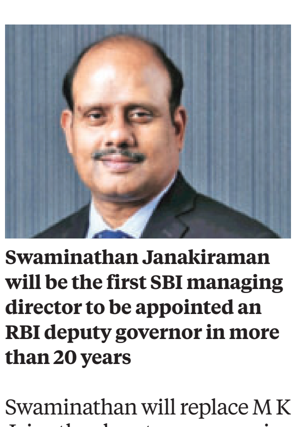
Bank of Baroda (BoB), in a research note, said the cut-off yield for 10-year paper was higher at 7.39 per cent versus 7.35-7.37 per cent last week. During the same period, the yield on 10-year government of India bonds increased by 6 basis points (bps) to 7.06 per cent.

More than anticipated, the hawkish tone of US Federal Reserve (Fed) and RBI has impacted the yield movement, also leading to steepening of the yield curve for the state government paper, BoB added.

Apart from Tamil Nadu, Jammu & Kashmir issued a 12-year paper at 7.36 per cent yield to raise ₹500 crore. Mizoram floated a 15-year paper at 7.36 per cent yield for ₹100 crore.Andhra Pradesh raised ₹1,000 crore through two instruments —17-year at 7.35 per cent for ₹500 crore and 9-year at 7.40 per cent for a similar amount, RBI data showed.

SBI's Swaminathan new RBI deputy guv

BS REPORTER
Mumbai, 20 June



Swaminathan Janakiraman will be the first SBI managing director to be appointed an RBI deputy governor in more than 20 years

The Appointments Committee of Cabinet, headed by the prime minister on Tuesday approved the appointment of Swaminathan Janakiraman as a deputy governor of the Reserve Bank of India (RBI).

This is the first time in more than 20 years that a State Bank of India managing director (MD) is being appointed as a RBI deputy governor. Vepa Kamesam, the last SBI MD to be appointed an RBI deputy governor, served from July 1, 2001, to September 23, 2003.

Fifty-nine-year-old Swaminathan will replace M K Jain, the deputy governor in-charge of supervision, who will complete his second term on June 21. Jain was first appointed in June 2018 for three years. He was reappointed for another two years. Swaminathan will have a three-year tenure as the deputy governor, from the date from which he takes charge.

The Financial Services Regulatory Appointments Search Committee, headed by Cabinet secretary, interviewed candidates for the RBI deputy governor's post on June 1.

In a career spanning over 33 years with SBI, Swaminathan held various assignments across corporate and international banking, retail, digital, finance among others. He served the country's largest lender in various capacities, including deputy managing director and chief digital officer. He also served SBI's New York branch as head of trade.

As SBI's nominee, he served on the board of Bank of Bhutan, an SBI joint venture. He was also a director on the boards of YES Bank, NPCI, NPCI International, and Jio Payments Bank.

The RBI has four deputy governors. While two of them are promoted from within the ranks, one is an economist, and the other is a commercial banker. Jain was a commercial banker who was MD & chief executive officer of IDBI Bank and Indian Bank.