CHRONICLE

2nd Annual Issue 10th Edition - July 2022

BANKING FINANCIAL SERVICES & INSURANCE (BFSI)

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

(statutory Body under an Act Of Parliament)

www.icmai.in

Headquarters : CMA Bhawan, 12 Sudder Street, Kolkata 700 016
Delhi Office : CMA Bhawan, Institutional Area, Lodhi Road,

Behind every successful business decision, there is always a *CMA*

Mission Statement

"The CMA professionals would ethically drive enterprise globally by creating value to stakeholders in the socio-economic context through competencies drawn from the integration of strategy, management and accounting."

Vision Statement

"The institute of Cost Accountants of India would be the preferred source of resources and professionals for the financial leadership of enterprise globally."

About The Institute

The institute of Cost Accountants of India is a statutory body set up under Act of Parliament in the year 1959. The institute as a part of its obligations, regulates the profession of Cost and Management Accountancy,enrolls students for its courses, provides coaching facilities to the students, oragnises professional development programmes for the members and undertakes research programmes in the field of Cost and Management Accountancy. The Institute pursues the vision of Cost competitiveness, cost management, efficient use of resources and structured approach to cost accounting as the key drivers of the profession. In today's world, the profession of conventional accounting and auditing has taken a back seat and cost and management accountants are increasingly contributing towards the management of scarce resources apply strategic decisions. This has opened up further scope and tremendous opportunities for cost accountants in India and abroad.

After an amendment passed by Parliament of India, the Institute is now renamed as "The Institute of Cost Accountants of India" from "The Institute of Cost and Works Accountants of India". This step is aimed towards synergising with the global management accounting bodies, sharing the best practices which will be useful to large number of trans-national Indian companies operating from India and abroad to remain competitive. With the current emphasis on management of resources , the specialized knowledge of evaluating operating efficiency and strategic management the professionals are known as "Cost and Management Accountants (CMAs)". The Institute is the 2nd largest Cost & Management Accounting body in the world and the largest in Asia , having approximately 5,00,000 students and 85,000 members all over the globe. The Institution headquartered at Kolkata operates through four regional councils at Kolkata, Delhi, Mumbai and Chennai and 114 Chapters situated at important cities in the country as well as 11 overseas Centres. It is under the administrative control of Ministry of Corporate Affairs , Government of India.

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

(Statutory Body under an Act of Parliament)

Contents

President's Message

It gives me immense pleasure to announce that the Banking, Financial Services Insurance Board of the Institute is launching the 10th issue of Banking, Financial Services and Insurance (BFSI) Chronicle in the month of July, 2022. It would be the 2nd Annual Issue of the endevour of the BFSI Board and I congratulate on their continuous pursuit of knowledge dissemination for the benefit of members, students of the CMA and others.

I congratulate CMA Chittaranjan Chattopadhyay, Chairman of Banking, Financial Services and Insurance Board and other members of the board for an excellent initiative for the benefit of stakeholders at large.

We also congratulate that this is being released when the Institute is observing the Banking Month for the 2nd year on a trot.

The chronicle has a compilation of various articles of very pertinent issues of the Banking, Financial Services and the Insurance Sector. I hope the readers and all stakeholders will find this publication of an immense benefit.

The Board is having activities like courses for Banking, Financial Services and Insurance Sector, organized orientation programme for Credit Officers of Bank of India, workshop on risk based internal audit, credit management and other relevant areas for the benefit of the large universe of aspirants in BFSI sector, The Board is continuous striving and releasing publications which are useful for professionals in their vocation. Many bankers and professionals are acknowledging the efforts initiated by the Board in their pursuit of knowledge enhancement.The Board is also observing pension month, insurance month, banking month and investment month. The Board has also successfully carried out webinars and webints since last year. The board is also carrying out workshop on risk based internal audit, credit management and other value added activities for the benefit of members, students and others professionals.

I express my gratitude to our resource persons for their valuable inputs and contribution in this edition. I also acknowledge the dedicated efforts of CMA Arup S. Bagchi, Sr. Director, HOD and Secretary of the Board and his team for their support to the excellent initiative of launching of the 10th volume of the Banking, Financial Services and Insurance (BFSI) Chronicle and the 2nd Annual Issue which would be treasure trove for the BFSI sector.

My best wishes to Banking, Financial Services and Insurance Board for their future endeavours.

Warm regards,

CMA P. Raju Iyer

President
The Institute of Cost Accountants of India.

Vice President's Message

I am happy to note that the Banking, Financial Services and Insurance Board is bringing out the 10 th edition of Banking, Financial Services and Insurance (BFSI) Chronicle in the month of July, 2022 which is also observed as the Banking Month by the Institute. The quarterly issue has evoked widespread interest amongst the BFSI community and I feel that the chronicle has a bouquet of articles of relevance of BFSI sector contributed by professionals of the BFSI arena and also various information pertaining to the activities undertaken by the BFSI Board.

The BFSI Board is continuously pursuing to equip members by organizing webinars, webints, certificate courses in BFSI sector and also bringing out pertinent publications useful for professional development of the members and others.

I wish to express my sincere thanks to CMA P. Raju Iyer, President of the Institute and CMA Biswarup Basu, Immediate Past President for their guidance and support for the professional development of the members.

I compliment CMA Chittaranjan Chattopadhyay, Chairman, Banking, Financial Services and Insurance Board and other members of the BFSI Board for the efforts in bringing out this BFSI Chronicle and hope that the Board would bring out various other publications for our members in coming days.

I would like to thank our advisors, resource persons and the BFSI Department led by CMA Arup S Bagchi, Sr. Director, HoD and Secretary of the Board who have all contributed for materializing the 10 th issue which is the 2 nd Annual Issue of the BFSI Board.

I am sure that the BFSI Board will continue to enhance the scope of opportunities for CMAs in the BFSI sector by organizing seminars, webinars and other activities which would of an immense help to the stakeholders in the coming days.

CMA Vijender Sharma

Vice-President

The Institute of Cost Accountants of India

Chairman's Message

To inspire people, don't show them your Superpower. Show them theirs

*Let me start by greeting all my CMA families across the globe. As a country, we have been passing through challenging times- Covid, Ukraine war, high inflation etc. These days, positive anything is better than negative nothing. But, **when Nothing is Sure, Everything is Possible**. This belief keeps us going. Let me touch upon the positives in the last three months.*

Bank credit goes up to 13.1% , a three year high

At ₹3.39 trillion, direct tax collection is up by 45%

India May factory activity remained strong despite high inflation

India Services growth at 11 year high in May.

India's merchandise exports jumped 15% in May to USD 37.3 billion

Economic recovery, improving business confidence to help banks in FY 23 as per Moody's

Indian Economy at the cusp of an industrial Capex Cycle journey as per Morgan Stanley report

India's high growth rate positive news for World as per IMF Managing Director

India projected to be world's fastest growing economy for the second year according to IMF. India's economy is projected to expand at 8.2% this year in comparison to 4.4% pegged for China.

At 48 billion, India accounts for largest number of real-time transactions in the world

Banks slippage ratio likely to hit 15 year low by next fiscal

India to be a 5 Trillion economy by FY 27- IMF

India kept extreme poverty below 1% despite pandemic as per IMF paper

*The letter M between C and A is Magical. This M adds value to the Profession and also to the job profile. CMAs are Cost Accountants as well as Management Professionals. This is a wonderful combination of Audit as well as Managerial skills. Cost Management is the Cutting edge - Strategy for every organisation, Corporates, Banks to survive in today's world of intense competition. Technology, products, services being the same, Cost Optimization is the only way to protect the margins. The world is moving towards this only **panacea**, for profit conservation.*

We in BFSIB, have understood this concept and are clear that the future belongs to CMAs. There is huge demand for Management Professionals in the market and CMAs can rise to the occasion. They can manage and excel as CEOs, CFOs with their Costing and Audit skills coming to the fore. However, the visibility as *well as utility of CMAs have to be enhanced. BFSIB is working round the clock, 24/7 to enhance the image of CMAs and to impress upon all the Institutions that CMAs are not mere accountants but are capable to handle managerial responsibilities as well with dedication and Devotion.*

Atmanirbhar CMA is our aim. Yes, a self reliant CMA who is fully equipped and trained to meet the present day challenges of the business world with confidence. CMAs have to keep updating their knowledge every day and be tech savvy. From the days of IQ and EQ, we have now come to the age of DQ - Digital Quotient, the key to success. It's the digital readiness of individuals, teams and enterprises .

Keeping this in view, BFSIB have introduced online Certificate Courses in Investment Management, Concurrent Audit of Banks, Credit Management in Banks, Treasury Management to equip our CMAs to handle all these functions with confidence. We have been giving wide publicity amongst Banks and FIs to boost the capacity building. The Institute is organizing DISSA Course for Information System Security Audit.

The BFSI Board is continuously trying to strive forward by organizing a plethora of activities. The Department has successfully conducted three webinars in the last quarter in important areas like cryptocurrency, corporate governance and banking yesterday, today and tomorrow. The Department has successfully organized the Insurance Month in the month of June, 2022 by organizing 4 webinars. The BFSI Board has successfully organized the orientation programme for credit officers . It has also successfully conducted courses of relevant and pertinent issues covering the interests of members and students. The BFSI Board would be organizing the Banking Month in the month of July, 2022 and we would also organize the investment month in the month of September, 2022.

The BFSI Board had also released the Aide Memoire on Infrastructure Financing at the 60th NCC 2022 and it is selling like hot cakes. We have met important dignitaries pitching about the Institute growth and apprising them about the activities of BFSIB. We are providing representation to Companies and others for inclusion of CMAs in professional areas pertaining to the BFSI sector.

*Life is hard for two reasons: Either because you are leaving your **COMFORT ZONE** or because you are **STAYING IN IT**. The grass is **GREENER** where you water it. Be stronger than your strongest excuse. If there is **NO MUD, NO LOTUS**. If you believe , it will work out, you will see opportunities. Else , you will see obstacles. Rock bottom will teach you lessons that mountain tops never will. The hard work puts you where the good luck can find you.*

*Everyone is **GIFTED**, But most people never open their **PACKAGE**. Open your P**ACKAGE**, Think **BIG** and act **BIG**......Thinking BIG takes the same amount of effort as thinking **SMALL***

***THINK BIG**.*

CMA Chittaranjan Chattopadhyay

Chairman,

Banking, Financial Services and Insurance Board,

The Institute of Cost Accountants of India.

From the Desk of the Department

Greetings from team BFSI!

The start of the first quarter of the current financial year continued with almost no restrictions compared to what we had experienced during the COVID-19 pandemic times bringing relief to humanity at large. However, we urge our readers to follow COVID protocols advised by the Government from time to time for their own safety.

Some of the defining moments of the very recent past and trends for the immediate future which may have far reaching impact in the BFSI sector and the Indian economy are listed below for our readers to ponder upon –

- The Russia-Ukraine war has impacted the world at large and India being no exception felt its impact on inflation, oil prices, exchange prices, liquidity and other market and economic indicators.
- The rupee plunged to a new lifetime low to a dollar during the month of June 2022.
- Interest rates continued to rise as a fall out of rising repo rates as a fall out of the concern over continued high inflation and RBIs endeavour to bring down price rise.
- The number of education loan applicants declined significantly to the tune of 45% during 2021-2022 compared to the previous FY.
- The current account deficit during the last quarter of FY22 was pegged at 13.4 billion dollars (1.5% of GDP).
- The income tax department has come out with detailed disclosure requirements for Tax Deducted at Source deductions for cryptos and virtual digital assets.
- The optimistic expectations for the growth of the Indian economy is expected to be projected around 7.5% for the year.
- Industry insiders claim that life insurance companies may be allowed to offer health insurance policies in the times to come.
- Insurance penetration in India is poised to rise rapidly with the market set to reach a size close to 222 billion dollars by FY26, driven by the growing middle class and increasing digital access, according to a report by Redseer.
- IRDAI has notified the third-party premium rates for private four-wheelers and two-wheelers for the current financial year.
- The Life Insurance Corporation of India brought in the country's largest IPO in May 2022 which was oversubscribed by nearly 3 times and was priced at Rs 949 but continued to quote at a discount post listing.
- Stock markets hit a 52-week low during the month of June 2022 where the SENSEX and NIFTY tanked intermittently.
- SEBI approaches market participants to look into letting foreign portfolio investors to trade in commodity derivatives listed on Indian exchanges.

We shall continue to track the developments and appraise our readers in future issues and we also hope that readers will find all the articles in this edition of the chronicle very informative and interesting. We urge the readers to contribute articles relevant to the BFSI sector for future issues of the chronicle.

Stay safe and happy reading.

The Institute Of Cost Accountants Of India


Nurturing your business needs.
Maximizing your business growth.
Union MSME Suvidha
• Credit facilities for MSMEs engaged in Trading / Manufacturing / Servicing activity • Maximum limit - ₹ 50 Crore
• ROI linked to internal rating and security coverage
• Provision of in-built top-up loan • Relaxations in financial benchmarks
Conditions Apply
Azadi Ka Amrit Mahotsav
यूनियन बैंक ऑफ इंडिया
Union Bank of India
भारत सरकार का उपक्रम
A Government of India Undertaking
आन्ध्रा Andhra
कार्पोरेशन Corporation
Helpline Nos.: 1800 208 2244 / 1800 425 1515 / 1800 425 3555 | www.unionbankofindia.co.in
@unionbankofindia @UnionBankTweets UnionBankInsta YouTube UnionBankofIndiaUtube @unionbankofindia

!

Bankers Reviews & Appreciations

1. Reserve Bank of India

2.Bank of India

3. Yes Bank

4. IDBI Bank

5. Janata Sahakari Bank Ltd. Pune

6. The Cosmos Co-Op Bank Ltd.

Thanks

भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA
www.rbi.org.in

कार्यपालक निदेशक
Executive Director

June 14, 2022

Dear Shri Chattopadhyay,

Thank you very much for the book: An Aide Memoire on Infrastructure Financing. The book is indeed a comprehensive piece of work and I deeply appreciate the hard work that must have gone into this 'first-stop' on the subject. I look forward to reading it in the coming days.

2. Taking this opportunity to thank you once more for sharing the book.

With warm regards,

Yours sincerely,

(Jayant Kumar Dash)

CMA Chittaranjan Chattopadhyay
Chairman-Banking, Financial Service & Insurance Board
The Institute if Cost Accountants of India
CMA Bhawan
12, Sudder Street,
Kolkata 700016

केन्द्रीय कार्यालय भवन, शहीद भगतसिंह मार्ग, मुंबई - 400 001. भारत
फोन : +91-22-2270 4222 ई-मेल : edjkd@rbi.org.in
Central Office Building, Shahid Bhagat Singh Marg, Mumbai - 400 001. INDIA
Tel :+91-22-2270 4222 E-mail : edjkd@rbi.org.in

एम. कार्तिकेयन
कार्यपालक निदेशक
M. Karthikeyan
Executive Director

बैंक ऑफ़ इंडिया
Bank of India BOI

ED/MK/7 18.06.2021

Dear Sir,

I sincerely appreciate and thank you for sending me a copy of "Aide Memoire on Infrastructure Financing".

The publication of this handbook which describes a practical approach to address all the issues relating to Infrastructure financing by giving case studies applicable to various sectors to illustrate the salient points in appraisal, risk identification and mitigation is a very good initiative on your part.

It will indeed guide the bankers, financial institutions and the investors in their lending operations in the various sectors of infrastructure.

I once again thank you for sending me a copy of this book.

With regards,

Yours faithfully,

(M. Karthikeyan)

Shri CMA Chittaranjan Chattopadhyay
Chairman – Banking, Financial Services & Insurance Board
The Institute Of Cost Accountants Of India,
Kolkata – 700 016

YES BANK

Prashant Kumar
Managing Director & CEO

June 16, 2022

Mr. Chittaranjan Chattopadhyay
Chairman – Banking, Financial Services &
Insurance Board
CMA Bhawan
12, Sudder Street
Kolkatta 700 016

Sub: Release of the Aide Memoire on Infrastructure Financing

Dear Mr. Chattopadhyay

At the onset, I would like to personally thank you and the entire BFSI Board of Indian Institute of Cost Accountants for the sharing a copy of the first publication in Aide memoire series titled 'Aide Memoire on lending to Micro, Small & Medium Enterprises sector ' with YES Bank.

Given infrastructure is one the key focus areas of the Union Government and the continuous thrust of investment program within the sector, and the fact India's MSMEs contribute nearly one third of the country's GDP, makes this book extremely insightful and can potentially act as a one-stop comprehensive guide on infrastructure financing for all stakeholders.

YES Bank strategy adopted for our MSME clients is where digital and analytics form the fulcrum of both new acquisitions and seamless customer service. Analytics is being used to drive prospective client identification, while the AI-powered Early Warning Signals framework helps to flag off incipient sickness and support frontline remedial management.

The MSME segment continues to remain attractive for us. The micro, small and medium businesses suffered the brunt of the COVID-19-related economic downturn. But there are some strong positives in their favour. They are also early and intensive users of tech-based banking. MSMEs have been able to pivot around quickly with a helping hand from the government. MSME business made up 24% of YES Bank's advances base and 18000 crores of new sanctions/ disbursements in FY 2021-22, and we see a huge potential for product volumes and customer size in this segment.

We look forward to the second publication of the Aide Memoire Series.

Once again, I would like to express my gratitude to you and the BFSI Board of the ICAI.

Yours sincerely

Prashant

Prashant Kumar
Managing Director & CEO

Registered & Corporate Office: **YES BANK Limited**, YES BANK House, Off Western Express Highway, Santacruz (East), Mumbai - 400055
Tel: (D) +91 (22) 6507 9002 (O) +91 (22) 6507 9800 **Fax:** +91 (22) 2619 2866 **Website:** www.yesbank.in **CIN:** L65190MH2003PLC143249

IDBI BANK

CIN NO.: L65190MH2004GOI148838

सुरेश खटनहार
उप प्रबंध निदेशक
SURESH KHATANHAR
Deputy Managing Director

आईडीबीआई बैंक लिमिटेड
आईडीबीआई टॉवर, डब्ल्यूटीसी कॉम्पलेक्स,
कफ परेड,मुंबई - 400 005.
टेलिफोन : (+91-22) 2216 5635
ई-मेल : s_khatanhar@idbi.co.in
वेबसाईट : www.idbi.com

IDBI Bank Limited
IDBI Tower, WTC Complex,
Cuffe Parade, Mumbai - 400 005.
Tel. : (+91-22) 2216 5635
E-mail : s_khatanhar@idbi.co.in
Website : www.idbi.com

June 27, 2022

Dear Shri Chattopadhyay,

At the outset let me congratulate you and the BFSI Board of Institute of Cost Accountants of India for coming out with a publication titled "Aide Memoire on Infrastructure Financing".

Best wishes for the endeavor.

Yours faithfully,

(Suresh Khatanhar)

CMA Chittaranjan Chattopadhyay,
Chairman – Banking Financial Services
& Insurance Board,
The Institute of Cost Accountants of India,
CMA Bhawan, 12, Sudder Street,
Kolkata 700016.

Janata Sahakari Bank Ltd., Pune
(Multistate Scheduled Bank)

CA Madhav (Abhay) Mate
Chairman

H.O.: 1444, Shukrawar Peth, Bajirao Road, Pune - 411 002.
Phone : (Bank) 020-2445 3258/59. (Office) : 020 2445 5080.
E-mail : madhav.mate@janatabankpune.com
Website : www.janatabankpune.com

To

CMA Mr Chittaranjan Chattopadhyay

Chairman, Banking, Financial Services & Insurance Board

Institute of Cost Accounts of India

12, Sudder Street, Kolkatta – 700 016

Subject :- Release of the Aide Memoire on Infrastructure Financing

Reference :- Your letter bearing No.BFSIB/22/06/296 dated 15.06.2022

Dear Sir,

I am in receipt of your above referred letter along with a copy of Aide Memoire On Infrastructure Financing.

I express my sincere thanks for sharing the Copy of Aide Memoire on Infrastructure Financing.

I shall read the book carefully, but at the outset I wish to congratulate you for publising such a wonderful work.

The said work is very help ful to cater infrastrucutre financing needs of Bank's customers and will also serve as guide and care points in the subject.

Once again I thank you for marvellous work and expect such works from you in future also.

Thanking you,

With regards,

27/6/2022.

(CA Madhav R. Mate)

Chairman,

Janata Sahakari Bank Ltd.,Pune

Date – 27.06.2022

To,
CMA Chittaranjan Chattopadhyay
Chairman,
Banking, Financial Services & Insurance Board,
The Institute of Cost Accountants of India,
CMA Bhavan, 12, Sudder Street,
Kolkata – 700016

Dear Sir,

At the very onset, I thank you for sending me a complimentary copy of 'Aide Memoire on Infrastructure Financing'.

It will indeed offer valuable guidance to the promoters of infra sector projects and guide the bankers, financial institutions & investors in their lending operations for this sector that includes railways, road transport, civil aviation, ports, inland waterways etc. The handbook describes a practical approach to address all issues related to infrastructure financing along with case studies applicable to various sectors. This helps in illustrating the prominent features in appraisal, risk identification and mitigation thereof.

I am confident that this Book will be an important reference material for all stakeholders in Infrastructure Financing.

I once again thank you for your thoughtful deed of sending me a copy of the book. I also take this opportunity to wish you the very best in all your future endeavours.

Regards,

Mrs. Apekshita Thipsay
Managing Director

THE MAGIC-POWER OF INTUITION & FOCUSED DEDICATION

Shri S. B. Roy
Former DGM, SBI-Strategic Training

In more than three decades of banking experience mostly in leadership role in a team as head of department, branch or Bank, I always had great enjoyable relationships, irrespective of the places they are hailing from, whether auditors or RBI officials (while as head of Audit of a large Asso. Bank& IFB Head). There had been many personal moments when we had been discussing various issues, including, what makes the uniqueness, that gives us strengths to abandon a seemingly very lucrative proposal abruptly, many a time, at the very last moment, averting a great disaster for the Bank as well as for the officer concerned!

When we discuss about the demanding qualities required for bankers responsible to monitor / improve the quality of advance and the same for auditors who are required to comment suitably to appraise the exact status of the same, we talk about integrity, clear communication, team work, accounting knowledge, minimum flair in technology etc, but many a time we find that someone saved the Bank and himself by withdrawing/ withholding a duly approved sanction, upon receipt sudden inner call of heart or an intuition from within which is also called as sixth sense!

Sixth sense may be termed as an antenna through which ideas, plans and thoughts flash into mind suddenly. These flashes are called as "hunches". This antenna is the medium between finite mind of human beings and infinite wisdom of universe, which notifies impending danger or windfall opportunity all of a sudden' in advance which cannot be explained by normal reasoning. It may also be called as "call of heart". Some wise men opine that sixth sense can be acquired by meditation. In my opinion, if you are focused for a good cause, totally without self-interest, if you express your gratitude sincerely (thereby getting help from universe) to the people who have helped you directly or indirectly in small or big way and express your warm gratitude and appreciation to the Almighty everyday very sincerely (which may be termed as Gratitude Meditation), it is more often than not, you will get the "Call of Heart" or sixth sense, at the right time, at least to avoid serious danger, which you will not be able to get communicated otherwise. That's my personal experience.

When got a hunch, keep asking within & others : Analyse all replies, all are important: Surprisingly, the most innocuous reply will take you towards the destination, that's my experience many a time which helped me to steer out of difficult situations in a very heart-warming manner. One of those hair-raising stories (facts with some minor changes) which will be certainly interesting for bankers & auditors! Please Enjoy!!

Mr Santanu Das, popularly known as Mr. Das, is a young officer (Manager C&I, in one of the PSU bank) who has been at Kolkata Branch for eight years, which is a special privilege, which no one is allowed beyond 5 years in one branch in his Bank. Still he was considered due to his excellent relationship with the staff, other Bankers & customers, resulting excellent business, growth and recovery for the branch. Recently they have managed to become a collecting Banker of a Public Issue (over-subscribed around 20 times) for a 100% export oriented unit, having excellent potential to offer abundance of Forex business, which the Branch is lacking. Hence the AGM advised him to tap this business as well.

Mr Das, being close to the Co Management and leader of consortium (A PSU Bank), could manage to get most of the necessary papers and unaudited Balance sheet, showing a total sale & export of ₹1500 Crs, with net profit of ₹75 Crs in the first year with export order in hand of ₹2100 Crs.

Since the Bank was a South-India based, the Bank was without much of export other than prawns & cashew which also branch didn't have. The AGM & Mr Das were very aggressively tried and put up the note to Credit Dept for sanction. Their Credit Dept, in view of the excellent performance of the Branch in Credit growth & recovery experience, and the unit's fabulous top & bottom line, was also equally aggressive and sanctioned the proposal and limit very quickly, with seemingly very simple conditions – Subject to 1) Getting opinion report from the consortium leader (herein after, Lead Bank) 2) Verification report of Export Bills Receivables outstanding certified by CA etc. 3) Audited Balance-Sheet, or Unaudited actuals of Balance Sheet figures to be signed by Authorised Director with Board resolution for the same etc.

After advising the sanction to the Co, Mr Das, approached the lead Bank requesting to help meeting up the compliances. The lead Bank forwarded the Export Bill outstanding statement, (without verification/ certification), and unaudited Balance sheet, with a good covering letter , with copy to the DGM, credit of Mr Das' Bank, advising that since they have forwarded everything that was required for sanction, with necessary comment, there is no question of separate opinion report as asked for. Further what they could not put it in writing, they called the DGM –credit (of Mr Das' Bank) over phone , and told clearly that if the bank is not comfortable, they can convey the same, as other PSU Bank is waiting for opportunity.

Upon that kind of threat, and after the roaring success of Public issue and good unaudited performance and encouraging projected annual sale and profit with ₹2100 Crs & ₹105 Crs, Mr Das' Bank had cleared the proposal in lightning speed removing the earlier conditions.

Upon receiving the sanction letter, the customer Co, quickly advised the acceptance of sanction with necessary board resolution and requested for early release of the limit in order to execute a huge export order for which consortium leader was also pressurising. The Branch was also following up with the Lead Bank as well as other large PSU member Bank, asking for help regarding sanction-compliance, at least by providing the opinion report though it was removed. In a Banker's meeting, Mr Das, met DGM, lead Bank and other PSU member Bank during the dinner, they very jovially told Mr Das, "Hi, young man, you managed to sanction very smartly in a lightning speed, even removing the earlier conditions. Now what is your problem? You have got the clear sanction from Bank's appropriate authority, now if you want to grab this good business, you have to quickly act and release. Otherwise, another Bank is waiting in the wings and already talking to the company to grab your share!"

Mr Das, then requested the DGM, Lead Bank, "Sir, my submission is, you both have sanctioned and released the limit, may we not expect a favourable two line letter that account and it's export figures and performances are good. So that we can also offer an excellent rate, as yours." Pat came the reply "dear, all Export Bills data, unaudited financials with projected sales & profit, sanction note with recommendations are with you. Youngman, your HO considered only the new Co's excellent export of the last year and it's collection and profit along with wonderful order book and projected profit! That's how the conditions removed. As I know you for years, better you please go through all financials & satisfy yourself."

First time Mr Das, felt bit confused, considering their frank relationship, he felt that something was wrong which he was missing! His boss Mr Thomas, had always been 100% relying on his work & recommendation that never failed.

It was very late in the evening back at his home, but he still opened laptop and the Export B/R statement, that was totalling around ₹1540 Crs (paid & unpaid together), and estimated for this current year is ₹2120 Crs. Then he checked for last year's Export B/R and found it was 75% FBD limit backed by LC. Only ₹280 are Non-LC, which was alright. Suddenly he noticed that there are small insignificant * mark against nine export bills without any comments, which he ignored last month also. Now out of curiosity, he was verifying little more. And to his surprise, (very cordially thanking DGM), he observed as follows:

1) Five bills were Dt16.04.xx & four bills dt 29.4.xx, All Inspection Agency Certificate dt 30.04.xx !!

Apparent doubts:

i) Unusual billing & it's dates.
ii) And all 9 bills inspected and certified on one single day (?)
iii) And by one agency
iv) The certification dates are after billing date, which is not possible.

2) When Mr Das started checking-up of realisation bills at night 1AM, he almost had an heart attack, sort of, when he saw that till year-end the (even after360 days) nine bills totalling ₹180 Crs not realised.

3) As per RBI norms in those days, the bills

unrealised beyond for certain stipulated period [likely to be 240 or 270 days in those days] to be taken out of bills receivable and treated as bills unpaid and to be provided for, that is `180 Cr should be provided for.

4) Net Profit shown, signed by Director and submitted was for ₹75 Crs, as against actual loss of ₹105 Crs, which the Director was aware of.
5) Promoter Director Mr Jhun. and Director Finance were already in the Branch to get the documentation and with a cheque duly filled in for transferring to Lead bank's acct .
6) But Mr Das, did share everything to Mr Thomas in the early morning itself, what has been happening and what happened so far after his follow up with the company and lead Bank. And all about his findings.
7) As directed by Mr. Thomas, HO was informed about the real figures, behind their cosmetic dress-up of the Company, all in detail, i.e revelation of unrealised sale of ₹180 Crs and actual Net loss of ₹105 Crs as against unaudited net profit of ₹75 Crs , submitted to the Bank.
8) The AGM &Mr Das, had perfect tuning and both agreed about the findings and the necessary way forward in the same manner.
9) They got the following letter ready (almost in similar line mentioned below) to deliver to the customer that "With reference to our Sanction letter No ….Dt ……. for working capital & PC/FBD for ₹470L, which was accepted by you, is now withheld with immediate effect, for want of certain clarifications that we were enquiring with you as well."…That's the action that saved the bank

The necessary reverse thinking process that suddenly sparked off in Mr Das's mind, was out of a seemingly innocent statement from the DGM of PSU bank, with whom he had very open relationship "As I know you for years, better please go through financials properly & satisfy yourself"

The sanction was aborted and probable loss for releasing a bad advance could be successfully averted.

Wonderful Lessons:

1) In Bank & financial organisations dealing with people, the leadership must believe : "Never use "I", use always we" "It's always- we have done it" Team effect makes thing easier. Team doesn't mean 100s of people. Team can be of two and above.
2) Team–members must have 100% mutual trust on each other which bestows beneficial effect of team to travel to other members easily.
3) Co-members /Team-members must have dedicated single minded focus on the target that you are trying
4) When any member works/takes decision, he assumes 100% integrity of his subordinates / boss, to enable him to work in free confidence that everyone will consider the best for the institution only.

[***CAVEAT:*** *The above has been drawn from practical experience around 1990. If any similarity found in any of the account or amount, it is not deliberate, it's by chance only. In reality, in a case like this, Bank(s) could have filed case(s) against the promoter/director and the Co in the 1st year itself, which we don't know.*]

MANAGING & LEADING GAP REFLECTS ORGANISATIONAL FACE

Dr. Kishor Chandra Behera
Former Dy.General Manager,
Allahabad Bank

An organization is a social system of people who are structured and managed to achieve some goals. It is grown up with the way people perform and contribute as individual or in group under an environment, system and process to attain the goals. But the contribution of people depends mostly on the degree of motivation in the given environment and connecting people with the management for effective converting the inputs into output through a logical sequence. The motivation of the people to stimulate them for excelling in a particular direction is directly related to the handling of the most valuable resources i.e human resources which has assumed immense importance in the unpredictable fast changing business environment especially after opening of economy in the early nineties.

There have been sea changes in the approach of the management professionals from time to time towards handling of human resources due to high competition, technological reforms, innovative products, diversified activities, and customer driven growth. There is no more protected environment, regulated market, normal traditional thinking, stability and predictable business environment, and control by hierarchy. The command-and-control system to get the work done by the management is no more sustainable in long run. The 'Yes-man' concept is no more taken in to granted by the subordinates. The environment is dynamic and very uncertain in the multicultural business environment posing big challenges to every organization. The management of human resources has changed its style from the way it was handling earlier because of the continuous changing behaviour of the people consequent upon changes in internal and external environment. The persisting crisis one after another due to technological revolution with new innovation like artificial intelligence, internet of things, block chain technology, machine learning etc. has further opportune changes in management thoughts for replacing working and control pattern. The time ahead is expected to be era of unprecedented disruption amidst constant economic, technological and demographic change where traditional management style of functioning will not support all round development. The priority may be shifted, altered, and identification, recognition, storage and utilization of talent will be the core of the process to tackle the disruptive behaviour, disruptive environment.

Leadership is need of the hour -

The organizations are now a days over managed and under led where the power attached to the position play major role in getting the work done instead of opening the antenna of the power house of people to use their hidden potential. The awakening such of potential of every person requires leadership qualities not the managerial authority. Managing change is most important issue today in disruptive environment where leadership influence better handle to overcome the situation whereas the managerial action may not overcome such situation. The trend of the manager to get the work done, is to direct, instruct and control through positional power which urges the people with psychological fear of doing instead of doing voluntarily. While the manager may derive satisfaction of immediate result but in long run it may lose its talent pool for effective result. Leadership is not about being elected or selected to occupy certain position or taking charge of an organization. It is about a basket of qualities in action that ignite a spark directing the action and behaviour of others in desired direction through best utilization of human resources and its values. Leadership uses emotional intelligence as a major process of influence to understand not only own feelings and those of others and respond appropriately while interacting with people. The leader believes in right attitude, developing trust by demonstrating examples of concern, commitment and proactive action for benefits of all, innovative and ethical process and products which ignite people to contribute with enthusiasm and involvement. They promote a culture where respect among individuals a priority, openness and transparency are normal, constructive disagreement are tolerated, focus on employees and their concern are well taken, diversity and individual self-respect are encouraged and ultimately the goals are set mutually to ensure all round development. Leadership is judged by one’s ability to deliver in an adverse circumstance by liberating true human potential. They always show right attitude which makes other believe in their own strength and release of inner energy. They inspire and build trust through a series of action that instil commitment on them and imprint a perception by which an individual’s organize and interpret their sensory impression in the desired direction.

The Manager ship mostly have a tendency to exploit emotional and positional situation of people.

The employment relationship frameworks for work output. The managers assume that their positional power can be better utilized considering employees weakness for career growth, financial health, social status, marital life, achievements and rewards, and other affiliation. However, for motivational aspects, they add some spice and colour like incentives, reward, recognition participation at certain level, stock ownership plans, bonus etc. They have the tendency of close control and supervision and keeping a distance from the subordinates so as to avoid their weakness in handling the disturbing elements. The communication channel is opened rarely for two-way communication keeping at least one side communication for better control although theoretically things look otherwise. Organization structure makes people for manning various activities but for effective delivery of output, the management process follows some structured process and principles which becomes hard to deliver appropriately at time of turmoil and crucial changing phase of business environment. It becomes less productive to confront with unknown. They try to play the defensive and take only calculative risk in decision making for any new probability. Remaining in comfort zone without seeing the unseen do not add to innovation rather develop fear in taking adventure decision.

Individual differs in many ways which create deviation from the rational model of working. Mostly managers look the things uniformity to justify payment of wages for a given job regardless of performance difference that affects the conducive industrial relation whereas leaders use this differential factor to their advantage by identifying the potentiality of the people in particular area and using that in respective field of creative skill for taking out maximum from those people. The managers, to closely monitor their employees instil in their mind a fear that if they shirk their responsibility at any point, they would lose their job or be punished. They believe that without fear, people would do as they desire and rarely work hard. They mostly prefer to use the emotion of fear to motivate the people in the directing behaviour of the people. But fear factor generates stress and anger over a period of time that force the employees to choose to find alternate opportunities or demonstrate different behaviour. But the leadership believes in convincing the people to understand their own strength, understand the internal and external environment, the changes that can cause serious damage if not proactive steps taken, courage and risk matters when supported and inspire to ignite their inner energy which can meet any challenges. They instil a sense in the mind of the people as if they are integral part of the great institution where working and are considered most important like one side of a coin without a separate identity. Fear may result in short term performance but it is always a losing tool in long run.

Organization face is the reflection of its beauty lying in its quality, quantity and humanity of performance.

The way it handles human resources, create vision and mission, mobilize and utilize its resources to deliver maximum for benefits of all, demonstrates its brand and value which are founded by the degree to which one organization are leveraging the leadership and managerial ship or combined in achieving the organizational goal. The organization which emphasis leadership development at every level of managerial hierarchy with manager ship process to the minimum can reflect the organization face as a beautiful and attractive in the developmental journey. Hence it is said managers who develop leadership qualities can face any challenges and overcome any turbulent situation and bring success in every field of development.

INFRASTRUCTURE FINANCING-EMERGING OPPORTUNITIES & CHALLENGES

Shri C. M Khurana
Former CGM - CFO Oriental Bank of Commerce
Former CGM (credit) IIFCL

A. Background:-

The Indian economy is on the revival and growth path after the challenging times faced during the pandemic. The government has evolved multi-pronged strategies to achieve the coveted objectives of making India a US $ 5 trillion economy by 2025 and a US $ 10 trillion economy by 2030. This plan inter-alia involves the policies of Making India, Aatma Nirbhar Bharat with schemes like Production linked incentive scheme (PLI), attracting Foreign Direct Investment and smooth implementation of select Government schemes through the GATI SHAKTI program. The need for development of infrastructure has been well recognized and National Infrastructure Pipeline was announced for development of projects worth 111 lac crores during 2020-2025. This has been supplemented by scheme of Monetization of Assets under the National Monetization Pipeline of 6 lac crore. Infrastructure development has multiplier effect on the rest of the economy with positive impact on Industries like steel, cement and coal and on overall Employment generation.

We propose to examine here aspects relating to the financing of infrastructure under the Public Private Partnership initiative and the emerging trends of and challenges ahead.

B. Coverage of Infrastructure Sector:-

Various sub categories and activities covered under infrastructure sector are defined under the Harmonized Master list of Infrastructure as notified by the department of economic affairs ,Ministry of Finance from time to time. This list is automatically applicable for financing under RBI guidelines also.

The list consists of five main categories viz

1) Transport and Logistics,

2) Energy

3) water and sanitation

4) Communication and

5) Social and commercial infrastructure.

This definition includes 38 sub sectors like Roads and bridges, ports, electricity generation, transmission distribution solid waste management telecommunication towers, affordable housing etc. The list has been updated from time to time as per the emerging requirements of the economy. The list is further proposed to be expanded with inclusion of data centres and energy storage systems as announced in the budget of 2022. The Companies Act 2013 also makes a reference about infrastructure facilities in schedule six this is in relation to Section 55 and section 186 of companies Act which respectively provide for additional long term period for issuance of preference shares and concessional conditions for Investments in, subsidiaries under infrastructure sector. Income Tax Act 1961 also provides for certain concessions and deductions for investment in infrastructure sector as defined under the Act. The RBI guidelines for financing Infrastructure underline the importance of viability aspects and earning capacity of the project which should be duly taken care of, for project under the infrastructure sector.

C. Public Private Partnership (PPP) in Infrastructure

Infrastructure development was initially, in the primary domain of the central government and state governments for funding of the projects from Budgetary Resources. However with the requirement of substantial funds for the desired level of development and the limitations on availability of budgetary resources the Public-Private Partnership structure was initiated for construction of projects and financing by the commercial banks/financial institutions. The PPP structure involves arrangements among the participants who are the stakeholders to initiate, construct and operate infrastructure projects like Roads, ports and solar power projects.

The main three stakeholders in a PPP structure are discussed as under:-

1) Government Agency

Under the PPP structure the agencies like NHAI, SECI Etc. Assign thee project of building and operating a particular infrastructure asset to a private promoter known as sponsor / developer of the project. The assignment of responsibilities and rights is done through a contractual agreement called concession agreement which inter alia contains detailed terms and conditions on which the private developer is required to work.

2) Private Promoter/Developer

The Private entity, which proposes to take up the responsibility of construction operation and maintenance of infrastructure project, is called the developer. The selection of developer is done through a transparent mechanism with the past background of the promoter and commercial considerations in mind. Generally, Special purpose vehicle (SPV) is constituted as a separate company to for construction of the project, to take care of efficient risk management, tax aspects and to ensure better exit options on completion of the concession period of the project. More than one promoter group may join together as sponsors, in case of very large projects.

3) Financial Institution /Lenders.

Considering the large size of the projects and high cost involved the promoters rely upon banks and other institutions for funding the project ,apart from bringing their own funds. Viability of the project becomes crucial the lending institutions have to do elaborate appraisal to assess the cash flows and repayment capabilities from the project . Generally the funding is done an non-recourse basis primarily relying upon cash flows generated from the project as the main security for debt repayment instead of relying upon the strength of balance sheet of the promoter group.

D. Allocation of risk – various PPP models

The primary objective behind PPP structure is that the allocation of risks is done in an optimal manner so that each risk is allocated to the party best suited to handle the same in an effective manner. The arrangement of PPP is to bring in financial investments/resources from private sector and ensure cost effective construction and efficiency in delivery of services.

The various PPP project models , include 1) Build Own Operate (BOO), 2) Build own operate transfer, (BOOT), 3) Build Operate Transfer (BOT) which are suitable to Air Ports ,power projects, and road projects respectively as they assign different rights and responsibilities to different parties of the contact as per specific requirements

In the recent past, a new model called HAM i.e Hybrid Annuity Model has become more popular in the ROAD sector, since in this case 40 % of the construction cost is contributed by NHAI, besides a predetermined assured annuity payment.

Similarly, a new model viz Toll Operate Transfer (TOT) has been introduced, whereby completed operational road projects are being assigned to private patties with toll collection rights, against upfront payment to NHAI and this has gained importance in the National Monetization Pipeline.

E. Project Appraisal:-

In addition to the promoter's contribution of funds, long term debt funds are important for construction of such projects which are generally sanctioned under a consortium arrangement by commercial banks and other Financial Institutions besides sector specific NBFCs (like REC, PFC, IREDA etc).

The technical feasibility and economic viability of each project is required to be assessed. Since Infrastructure projects are large in size, they involve comparatively longer construction period and therefore interest on loans during construction period (IDC) forms an important part of cost of project, besides the construction cost/EPC cost. The total cost of the needs to be carefully assessed and closely monitored.

From lenders ' perspective, in addition to the Deb Equity ratio , timely completion of the project and the generation of adequate cash flows assumes greater importance and therefore Debt service coverage ratio (DSCR) and Internal rate of return (IRR) are calculated as a part of financial appraisal. The various risks involved include sponsor risk, construction risk, market risk, regulatory risk etc and they need to be assessed properly and suitable mitigation steps are required to be taken.

F. Documentation and Compliances:-

Taking into consideration the various stakeholders involved, proper documentation

for all the contractual obligations is necessary. The important documents in the infrastructure deal include the concession agreement between the government authorities and developer, the shareholders agreement among promoters, Escrow agreement to control and schedule all the cash flows/funds , inter -creditors agreement, Power Purchase Agreement, Fuel Supply Agreement. External professional experts viz Lenders' Independent Engineer (LIE), Lenders' Legal Counsel (LLC) and Lenders' Insurance Agent (LIA) play an important role in documentation and verifying/ensuring compliances for the infrastructure projects.

G. Opportunities

India needs to spend US $ 4.5 trillion on infrastructure by 2030 to realize its dreams. As stated earlier, opportunities are emerging in infrastructure development and prospects are bright for this sector in the coming years. 1 DWLRQDOLQIUDVWUXFWXUHSLSHOLQHII /DF crore covering the span of implementation from 2020-2025 is a well-conceived plan for development of all the important sub sectors. The energy sector constitutes approx. 24% of the total expenditure, with road Sector 18%, urban infrastructure at 17% and railways at 12%. In the field of renewable energy India is already doing well and has revised its target for renewable energy generating capacity to 500 GW by 2030. Keeping in view its commitment at international level for environmental protection against global warming fresh opportunities are emerging in battery storage and green hydrogen. With growing urbanization, in line with holistic overall development of the country, additional opportunities in the field of urban infrastructure and redevelopment of railway stations are bound to arise.

For garnering additional funds, to be recycled for further development of infrastructure, the National Monetization Plan has been rolled RXWZLWKDWDUJHWRI ODFFURUHVRYHUWKH period 2022-2025 coterminous with NIP. Road and Railways are going to be major sub sectors for this initiative.

Infrastructure Investment Trusts (InvITs) have emerged as a major mechanism of Monetization of Road assets, since they are more like mutual funds with wider participation and are commercially more efficient from investor's point of view.

New Alternate Avenues of infrastructure funding are emerging, since the total requirement is much larger than the current resources available. To supplement this effort, National Bank For Financing Infrastructure and Development (NABFID) has been set up by the Government with an initial share capital RI FURUHVDQGWDUJHWOHQGLQJSRUWIROLRRI O DFFURUHVRYHU HDUV

New sources of funding also include Infrastructure debt funds (IDFs), Securitisation, Refinancing, sovereign green Bonds and credit enhancement guarantees which will further widen and deepen the Infrastructure funding market.

H. Challenges

With their distinctive characteristics, of long gestation period, large capital costs, and dependence on external regulations, the infrastructure sector has inherent challenges to be dealt with. Delays in completion of the projects, cost overruns and stalled projects are seen as issues, needed to be sorted out. Non availability of Right of way/land in case of road projects, delays in environmental and other clearances , reduced level of revenues ,non availability of fuel , inadequate resources with promoters and delays in dispute resolution with authorities are some of the adverse factors afflicting this sector which have also lead to comparatively higher NPAs .These challenges are required be dealt with in a holistic manner with suitable reforms and changes In processes and procedures at various levels to ensure more efficiency and effectiveness

I. Conclusion:-

Infrastructure is the backbone of the Indian economy and going forward it is going to play still more significant role in the entire ecosystem with implementation of comprehensive policies and programs of the Government of India. All the stakeholders including the, government agencies, financial Institutions, existing and potential entrepreneur developers need to contribute their mite in this direction. while there are ample opportunities arising, due to global pressures for green and sustainable growth, the challenge need to be dealt, with in a systematic manner. Suitable Reforms in the matter of regulatory guidelines and enabling environment for additional sources of funding through banks and other avenues need to be explored for infrastructure sector to truly contribute towards our cherished goals.

ACCOUNT AGGREGATORS: UNCHAINING FINANCIAL SERVICES

Ms R Sumitra
Certified Credit Analyst

In recent years, technology-driven new modes of financing, new financial business models, specialized financial services, and products are emerging and driving FinTech innovation in areas such as P2P lending, wealth management, microfinance, MSME lending etc. After building the interoperable UPI platforms that enabled online transactions for over a billion people, Indian banks and financial institutions are set to enter their second act in the digital finance play.

On 2nd September 2021, 8 major banks across the country, right from SBI and HDFC to Axis and Federal, joined hands for the second time (post-UPI) to initiate the launch of India's new Account Aggregators.

This article discusses the concept of Account Aggregators (AA), eligibility, role & opportunities, and challenges.

Background

What is the first thing that comes to your mind when you think of applying for a loan? No!! not the cash but the arduous task of submitting monetary and financial records to persuade the lender about your creditworthiness.

This tedious process of availing of a loan is slowly becoming thing of the past. With the focus on the "Digital landscape", India is taking a progressive step towards the seamless flow of digital information. Banks are rolling out a framework to give control of information to users.

With an account aggregator system, consumers will now have access to all their financial data in one place and can share it easily. This facility will resolve two major problems – 1. Borrower/ loan applicant can

keep all monetary records at one place and 2. Can have control over how it is used and who can use it.

Access to credit has historically been a big problem in India. With the account aggregator framework, the RBI believes it can enable potential solutions to solve that problem, given that financial entities on the account aggregator network would depend on users' informational wealth rather than collateral for offering credit services.

The account aggregator is an RBI initiative and was conceptualized back in 2014 with the idea of creating a single repository of information on all financial assets. The idea was to eliminate information asymmetry abundant in the financial sector.

In 2016, the Central Bank had launched a framework to build the account aggregator system. And in 2019, a group of fintech players came together to work on a market-ready solution of developing an intermediary platform that can handle these requests after receiving consent from users.

Account Aggregators (AA)

In Financial Services, cutting-edge technologies and the disruption introduced by on-demand aggregators and marketplaces have brought about a shift in consumer expectations of speed, safety, security, and convenience. These changing customer expectations have led to the emergence of account aggregation.

In the **Master Direction - Non-Banking Financial Company - Account Aggregator (Reserve Bank) Directions, 2016**, Account Aggregator is defined as " a non-banking financial company that undertakes the business of providing under a contract, the service of, retrieving or collecting such financial information pertaining to its customer, as may be specified by the Bank from time to time; and consolidating, organizing and presenting such information to the customer or any other financial information user as may be specified by the Bank; Provided that, the financial information pertaining to the customer shall not be the property of the Account Aggregator, and not be used in any other manner, for a fee or otherwise."

The financial information that the Account Aggregators will be dealing with are:

Bank deposits, including fixed deposit accounts, savings deposit accounts, recurring deposit accounts, and current deposit accounts,

- Deposits with NBFCs
- Structured Investment Product (SIP)
- Commercial Paper (CP)
- Certificates of Deposit (CD)
- Government Securities (Tradable)
- Equity Shares
- Bonds
- Debentures
- Mutual Fund Units
- Exchange-Traded Funds
- Indian Depository Receipts
- CIS (Collective Investment Schemes) units
- Alternate Investment Funds (AIF) units
- Insurance Policies
- Balances under the National Pension System (NPS)
- Units of Infrastructure Investment Trusts
- Units of Real Estate Investment Trusts
- Any other information as may be specified by the Bank for these directions, from time to time

Eligibility criteria to become account aggregator

- No entity other than a company shall undertake the business of an Account Aggregator.
- No company shall commence or carry on the business of an Account Aggregator without obtaining a certificate of registration from the Bank. Provided that entities being regulated by other financial sector regulators and aggregating only those accounts relating to the financial information pertaining to customers of that particular sector will be excluded from the above registration requirement.
- Every company seeking registration with the Bank as an Account Aggregator shall have a net owned fund of not less than rupees two crores, or such higher amount as the Bank may specify.
- Provided that those companies not having a Net Owned Fund of a minimum of Rupees two crore at the time of seeking registration shall meet the Net Owned Fund criteria within the period of validity of the in-principle approval for grant of certification of registration given by the Bank.

Duties and responsibilities of Account Aggregators

- To provide services to a customer based on the customer's explicit consent.

- To ensure that the providing of services to a customer shall be backed by appropriate agreements/authorizations between the Account Aggregator, the customer, and the Financial information providers.
- It shall not support transactions by customers.
- To ensure appropriate mechanisms for proper customer identification.
- It shall share information as referred to under paragraph 3(iv) only with the customer to whom it relates or any other financial information user as authorized by the customer in accordance with the terms of the consent provided by the customer.
- It shall not undertake any other business other than the business of account aggregator. Deployment of investible surplus by an Account Aggregator in instruments, not for trading, shall however be permitted.
- No financial information of the customer accessed by the Account Aggregator from the financial information providers shall reside with the Account Aggregator.
- To not use the services of a third-party service provider for undertaking the business of account aggregation.
- The Account Aggregator shall not access user authentication credentials of customers relating to accounts with various financial information providers.
- Account Aggregator shall have a Citizen's Charter that explicitly guarantees protection of the rights of a customer. The Account Aggregator shall not part with any information that it may come to acquire from/ on behalf of a customer without the customer's explicit consent.
- In the event of any difference in position of financial information in the statement generated by/from the Account Aggregator and the books of the Financial information provider, the position as reflected in the records of the Financial information provider shall be considered as correct.

Stakeholders in Account aggregation

Any supervised financial sector institution that offers financial services and products such as banking, lending, asset management, and insurance is classified as a financial information provider (FIP).

An institution that is registered and supervised by any of the financial sector regulators (across banking, lending, financial planning and investments, insurance and pension—the Reserve Bank of India (RBI), Securities Exchange Board of India (SEBI), Insurance Regulatory and Development Authority of India (IRDAI), Pension Fund Regulatory and Development Authority (PFRDA) is considered a financial information user (FIU). FIUs can solicit consent from a user by providing details of the data to be captured through an account aggregator identifier.

Account aggregators (AAs) are entities that facilitate structured financial data sharing from FIPs to FIUs while retaining a record of the consent provided and offering the functionality to manage and rescind consent

How Account Aggregators will operate?

The financial data related to the account will be exchanged between the Financial Information Providers (FIP) and the Financial Information

Users (FIU) without the Account Aggregator getting access to the data.

A digital consent artefact will be used to grant the consent that the FIP complies with when servicing a financial data request.

The customer will interact with only the Account Aggregator to generate consent, and the Account Aggregator will maintain the vault where consents will be maintained on behalf of the customer. It will provide the customer a snapshot of all consent, across all the accounts and to all FIU that the customer has approved and will enable the customer to revoke these consent anytime.

Benefits

Account Aggregators can become agents of financial inclusion by shifting from asset-backed lending to cash-flow-based lending. This can enable them to serve individuals and MSMEs, which were earlier unserved or underserved by financial services. In addition, by empowering users to control who accesses their data, type of data, and duration of access, Account Aggregator solutions can bring about a paradigm shift in credit assessment and lending and financial planning, and wealth management.

Suppose a person wants to apply for a personal loan and wants financial planning advice. The FIU will ask the user to provide documents such as bank statements, income tax returns, and salary slips. Similarly, the user will be required to provide his bank details, investments in various assets, funds details and insurance purchased, etc.

The account aggregator applications will source data from multiple FIPs and relayed via a consent-based mechanism to FIUs. With the account aggregation solutions, the user doesn't have to physically provide hard copies of documents from various entities (FIPs), share confidential login details or visit multiple sites and download and gather information required by financial service providers such as lenders and financial planners and facilities easy flow of information required for prudent financial decisions.

An individual's or entity's d**ata is usually fragmented and spread across silos in data warehouses** of financial institutions, government bodies, and other business entities. There are no **frameworks for seamless, safe, and swift data sharing** between financial information providers (FIPs) and financial information users (FIUs) with the permission of the user whose data is being shared. At the same time, there is a lack of **solutions and services to aggregate and integrate user data** for a seamless, wide-ranging view of data in real-time. Consequently, there is still resistance to accessing and sharing data, and a vast amount of fragmented information is not effectively optimized to provide comprehensive service delivery to users. Account Aggregation is a panacea for the " illness of information asymmetry & data insufficiency".

Instead of going through their Bank for services like payments, consumers want the convenience of financial activities embedded into their day-to-day life, such as during online shopping.

It is expected to bring a "paradigm shift" from collateral-based lending to information-based lending. If a factory owner wants a loan from a Bank for expansion of business, he can share the bank statements of the last five years with the lender. With this information, the lender will be able to understand the owner's creditworthiness and can sanction the loan based on the level of cash flow. This will reduce transaction cost, the turnaround time to sanction the loan; instead of a " one size fits all approach", banks can provide small ticket-sized loans with flexible repayment periods and introduce more innovative financial products.

Those who have long been left out of traditional lending – MSMEs and new-to-credit borrowers – will benefit hugely from the framework. The creditworthiness of such applicants can be assessed through alternate data sources such as GST invoices, bank statements, bill payments, and other cash-flow surrogates. It removes the requirement for physical collateral and boosts access to credit for an untapped borrower pool.

Account Aggregators may facilitate sharing data related to taxes, pension, investment, and insurance in the near future.

Data management :

Protecting user privacy is the crux of the Account Aggregator network. It is developed on consent mechanism and permission from individuals to share the data with FIU. The consent method is designed by the principles of Data Empowerment and Protection Architecture (DEPA), a policy proposed by NITI Aayog. Secondly, the data shared on AA is end-to-end encrypted. The data is encrypted by the sender and can be only decrypted by the recipient. Thirdly AAs are not allowed to store, process, and sell the customer's data. These design principles ensure that ownership of the data lies with individuals. There is no conflict of interest. Data is shared across the AA platform to provide individuals with better financial services, and data is not monetized.

Challenges:

Though it is stated that data will be encrypted, there is an imminent risk to data privacy. The gravity of such apprehensions is exacerbated when it concerns sensitive data.

There is always a threat of hijackers obtaining the data illegally from the account aggregation site. This information could then be fraudulently used to compromise the customer's financial position.

Storage of all financial records at a single focal point aggravates the risk. It makes it a single point of vulnerability and is thus exposed to severe risk if the data security wall gets breached. Such apprehensions might inhibit consumers from subscribing to the framework as they await more clarity and development in the system.

Favourable agreement with the Financial Information providers (FIPs) will also be a deciding factor for the success of account aggregators.

Aggregators depend heavily on internet search traffic, making them vulnerable to algorithm changes for both organic and paid searches. To protect themselves from this potential threat, they must build their brands and strengthen brand recognition.

Regulatory changes could disrupt the revenue model—for example, by banning certain commission models or making the commission fee transparent. Such a disruption would almost certainly affect aggregators' competitors.

Aggregators are always vulnerable to new competitors, whether direct insurers or fintech. The more crowded the market, the higher the cost of customer acquisition. Aggregators need to monitor the market actively and buy or build where appropriate.

Suppose customers can easily interact with their data across a broader range of products and seamlessly switch. In that case, it is likely to result in greater churn and margin compression—posing a threat to incumbent banks and creating an opportunity for new entrants such as fintech and tech giants.

The framework, as of today, operates on a consent-based system where the customers are not obligated to avail of this service, and they have a right to decide what information can be shared to a particular FIU, if at all.

The continued evolution of customer needs will result in longer-term structural threats to the aggregator model.

It is pertinent to note that the Aadhaar system was also a voluntary scheme wherein no citizen was obligated to be an Aadhaar cardholder. Be that as it may, Aadhaar is now de facto required at every step for availing most public or private services. It may so happen in the future that basic financial facilities may be denied if the customers do not subscribe to account aggregators.

The pace of adoption will also depend on the strength of the community to come together and continue to drive the specifications development and the standardization of the FI scheme

References :

1.https://www.mckinsey.com/~/media/McKinsey/Industries/Financial%20Services/Our%20Insights/Friends%20or%20foes%20The%20rise%20of%20European%20aggregators%20and%20their%20impact%20on%20traditional%20insurers/Friends-or-foes-The-rise-of-European-aggregators.pdf

2. https://pib.gov.in/PressReleaseIframePage.aspx?PRID=1753713

3.https://www.bloombergquint.com/business/bq-explains-what-are-account-aggregators-and-how-they-help

4.https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=10598&Mode=0

5. https://www.pwc.in/industries/financial-services/fintech/fintech-insights/account-aggregators-putting-the-customer-in-charge.html

6.https://rbidocs.rbi.org.in/rdocs/PressRelease/PDFs/PR2077FB2E0647BA3146408FDC6D718D1FD41D.PDF

7. https://rbidocs.rbi.org.in/rdocs/Notification/PDFs/NOT68A141A71A5CC24F4FBFB9DF8C9986B079.PDF

8. https://amitabhkant.co.in/upload/articles/54656057861e501bba2c137.67615052_Account-Aggregators-Will-Be-Transformational.pdf

GEOPOLITICAL RISK: IMPLICATIONS AND MANAGEMENT

Shri Biplab Chakraborty
Former General Manager
Department of Banking Supervision
Reserve Bank of India, Kolkata

[*Geopolitical risk has been assuming increasing importance in present day risk analysis. The article attempts to delve into the anatomy of geopolitics and geopolitical risks and outlines some of the important aspects of geopolitical risk management.*]

The word **'Geopolitics'** was originally coined by **Johan Rudolf Kjellén,** a Swedish political scientist by the turn of 20th century. Its use spread throughout Europe during period between world war I and II (1918-39) and came in worldwide use later. In contemporary discourse geopolitics has been widely employed as loose synonym for international politics.

Anatomy of 'Geopolitics'

'Geo' (Greek) means earth and 'politics' (Latin Politikos) connotes public life relating to citizens of State. The term Geopolitics means the manner in which the politics of a nation are influenced by the geography which includes location, topography, climate, natural resources, wealth besides positioning with reference to water bodies and importantly neighbouring nations. Study of geopolitics looks at the manner in which the physical location tends to influence citizens' relationship with one another. How geography and economics tend to play out to alter the dynamics of politics and relations between countries is within the realm of geopolitics. However, of late power struggles and other events involving association of various set of agents viz., corporations, NGOs, dissident groups, and political parties have also been classified as part of geopolitics. In recent decades, usage of the word geopolitics includes a varied classes of events with a wide range of causes and impacts, 'from terrorist attacks to climate change, from Brexit to the Global

Financial Crisis'. Other event viz., military actions and central bank / regulatory actions can also be considered as geopolitical events besides cyber-attacks ,trade wars and climate change can have global financial impacts.

With the proliferation of faster and easier communication and travel global access and interconnectedness have been increasing over the time. In this milieu geopolitics reflects how people across nations reach out to each other through international relations (war, conflict, diplomacy, competition etc), governance, institutions, trade and coalescing cultures. Today's geopolitical terrain is not bounded by proximity. Events occurring in a nation have far reaching ramified implications which may be more pronounced and significant in geographically distant nation than on the neighbourhood.

Geopolitical Risk

Geopolitical risk has been assuming increasing importance in risk analysis. It can be simplistically defined as the exposure of one or more countries to political action in other countries .Geopolitical risk is the risk entailed in events like wars, terrorist acts, and frictions between states that tend to vitiate the congeniality and smoothness of the course of international relations. Geopolitical risk may be viewed as the potential for political, socio-economic and cultural factors to impact both domestic and cross border business operations, profitability, stability and wellbeing. It covers every episode in which acts of violence were carried out by political organizations to bolster religious, economic, or revolutionary objectives. It may be mentioned that this definition of geopolitical risk is not exhaustive.

Geopolitical risk analysis focuses comprehensive attention to the business implications of interstate relations and cross border macroeconomics, regulatory and sovereign actions and dictates of individual countries besides study of historical, socioeconomic and cultural factors that may or may not be congenial to a foreign entity to engage in specific local socio-economic climate.

Geopolitical risk escalated sharply during the World War I and World War II. It increased in the early 1980s, and has moved upward since the beginning of the 21st century. Present day scenarios are more eventful and fraught with heightened uncertainty and crowded by rising, declining, failed and rouge states besides non-state actors viz,. cyber pirates and terrorist groups.

With the escalation of political frictions within and among regions the likelihood of global enterprises' operations, performance, or people being unfavourably impacted tends to increase. High geopolitical risk dampens real sector activities, reduce stock returns, and divert capital flows towards advanced economies away from emerging economies. Studies have revealed that escalation in geopolitical risk triggers persistent drops in industrial production, employment, and international trade. Further both economic policy uncertainty and consumer confidence amplify the propagation of shocks of geopolitical risk.

The elasticity of stock market response to geopolitical risk found to be significantly varying across industries. While the defence sector accrued positive excess returns, sectors exposed to the broader economy (viz., steelworks and mining) suffered set back of negative returns. The studies have revealed that while perceived geopolitical threats tend to trigger protracted escalation in volatility and uncertainty leading to perceptible decline in real sector activities, actual occurrence of adverse geopolitical events often heads towards resolution of uncertainty tending to attenuate the adverse impacts.

In quest of improved margins, speed and customisation, economic agents often extend their overseas supply relationship taking incremental exposure to the risk of supply disruption due to geopolitical actions.

Rise of populist and anti-establishment political movements in some of the world's largest economies has exacerbated political uncertainty for investors in the world at large. More readiness on the part of political actors to endorse government intervention in economies and more regulation of business are now palpable. Amidst sustained economic hardship from the ongoing pandemic there persist potential risk of increasing popular support for politicians promising deep-seated changes in underlying policy inducing escalated regulatory uncertainty for investors and business generally.

With gradual moderation of effects of COVID-19's, countries are likely to embark upon structural changes in healthcare and related sectors. Soaring of asset price triggered by central banks' quantitative easing engendered inflation risk with attendant political challenges. There ought to be eventual unwinding of quantitative easing. This may lead to a return to politically unpopular austerity, or, alternatively, radical changes in tax policy. Businesses in all likelihood would have to bear much of the burden of such measures.

Geopolitical risks are considered by economic agents, regulators and market players as key determinant of investment decisions and stock market dynamics. Anxieties and worries about possible adverse economic impacts of various diplomatic and military conflicts happening around the world is palpable in public domain. Based on the findings of Gallup 2017 survey of popular responses, geopolitical risk has been ranked ahead of political and economic uncertainty. Bank of England (Carney (2016) included geopolitical risk as one of the constituent elements of 'uncertainty trinity'; the other two being economic and political uncertainty. European Central bank and IMF identified geopolitical risk as salient to economic prospect and outlook.

Examples of Geopolitical Risk

Expropriation & breach of contract

Governments confiscating / nationalising assets, Government reneging on contracts, imposition of embargos or prohibition of trade with specific countries, politically motivated credit default come under this category. Risk of expropriation or nationalization of assets often escalate during times of economic challenges. Investments in extractive industries (viz., mining and oil and gas) are generally more susceptible to these risks as Governments fall back upon these investments to augment revenue. While tendencies to resort to resource nationalism has since abated to some extent, it however continues to be a powerful tool for governments facing economic distress. In cases of expropriation and nationalization key questions for investors are whether they receive adequate compensation for their losses and whether they are afforded any protection.

The persisting impacts of the pandemic on certain economies may also pose issues for cross-border investors. Low key economic activity and fall in revenues while government spending is on the rise due to measures taken to mitigate the pandemic effects, may trigger sovereign debt default by some countries. Such countries in resource crunch might impose currency restrictions to conserve their reserves of hard currency. With persisting pandemic rage, some countries may face political instability and civil unrest. These would tend to escalate risks of investment in the jurisdictions.

Protectionism is now often justified on grounds of national security. Governments are also prepared to cut off trade as a punitive tool.

Populism, Economic Distress and Regulatory / legal Uncertainty

Discriminatory and stringent regulatory requirements for foreign firms, restricting FDI to protect and favour domestic industry, change in foreign ownership rules, taxation and environmental regulations may be classified under this heading.

Internal Conflicts

Social unrest, ethnic violence, migration, nationalism, separatism, federalism, civil wars, coups, and revolutions are recognised sources which also tend to escalate the geopolitical risks adversely impacting the investment climate and sentiment.

Human Rights Violation

Operations in countries with poor human rights records can cause supply chain disruptions and can also lead to reputational damages and give rise to class action lawsuits, public boycotts or stockholder divestment campaigns. Many governments have introduced laws requiring companies to take actions to mitigate the risk of adverse human rights impacts.

Social Activism

Events/opinion going viral, facilitating collective action have the potential to escalate geopolitical uncertainties and risks.

Natural resource Manipulation

Politically motivated changes to the supplies of energy and rare earth material have the potential to adversely impact business operations.

Corruption

Discriminatory taxation and prevalence of systemic bribing may act as hindrance to fair competition and efficient pricing. It can drive the deserving market player out of business making space for less efficient operators and pampered coteries.

Politically Terrorism

Motivated threat and vandalism against person and properties tend to make business climate uncertain and risky.

Cyber threats

Threat or destruction of intellectual property rights, espionage, extortions, and massive disruptions of companies, industries, governments, and societies may be classified under this heading.

Approach to Managing Geopolitical Risk

Effective geopolitical risk management needs four basic competencies viz., understanding risks, analysing risks, mitigating risks and responding to crisis. Organisation need consider its own risk appetite and ensure that there is shared understanding thereof across the organisation.

Ensuring collection and dissemination of good and relevant information about the geopolitical risk facing the organisation would form the basis for sound analysis of the risk. Good risk analysis challenges assumptions and intuitive models about likely manner in which it might unfold for better preparedness of the organisation. To start with most valuable assets and most vulnerable assets having exposure to geopolitical risks may be listed. Greater the convergence of these two lists the higher would be the potential geopolitical risk of the organisation. While precise measurement of risks is not possible mangers can very well reduce the entailed uncertainty. Key objective would be to evolve understanding of the key drivers and possible outcomes to mitigate impacts of eventual surprises! Action centre may be set up to spearhead identification of risks having potential to disrupt business operations significantly and evolve mitigation strategy and prepare wherever required responses to Government inquiries into sensitive issues.

Integration of geopolitical risk analysis into business decision making process would be essential for effective risk management. Ad hoc analysis for addressing the perceived geopolitical risks as and when the event arises need be avoided. Keeping constant vigil over the trend of potential risks and emerging opportunities will improve the quality of decision making.

Three strategies are mostly useful in mitigating identified geopolitical risks. They are dispersion of critical assets, creating surge capacity and built in a slack in the supply chain and working in liaison with peers sharing risk assessment and mitigation strategies. A good system and team need be in place for timely warning and action. An effective warning system would constantly sift through a wide range of information sources and put in place a protocol for automatic triggering, by well mapped functionary , of well-defined response to specific conditions sensed in the radar.

Ability to learn from near miss events assumes great importance in effectively responding to geopolitical risk events. Near miss events are those which could have had serious adverse impact which the organisation escaped due to sheer luck. Management should be agile enough not to lose sight of near miss events, occurrence of which emitted signals of systemic vulnerabilities. A mechanism for continuous learning need be put in place in organisational heart and mind. This would motivate and drive the people to constantly evaluate what is being done, what to be dispensed with and new things to be done with the ultimate objective of lowering the chance of occurrence of crisis and improve the response when it eventually hits.

Prudence in geopolitical risk management lies in understanding how to deal with cross border issues. For the purpose economic agents need evolve own internal guidance on the modalities of interfacing with geopolitically sensitive matters. The wider strategic landscape, full range of risk scenarios and consequences, or key decision points deserve focused attention. Global business entities need proactively manage risks and threats posed by heightened global political conflicts and frictions having potential to impact operations, performance and people. Organizations need be in readiness to respond to geopolitical risks farming a term structured (viz.,short-term, midterm, and long-term) strategies to effectively respond to a fast-changing situation or emergency and also gainfully avail of the potential opportunities as when perceived to reap comparative advantage and become more resilient.

Companies operating in high risk markets facing potential threats of political instability or the threat of international sanctions, may consider developing market-specific assessments and strategies clearly articulating the organization's priorities in the high-risk market and the modalities of assessment and management of risks consistent with the goals for operations and performance. The risks to be assessed could be financial, safety hazards, legal, political, or reputational.

Having clear internal and external perspectives before deciding on the market strategy and the focus , would be of immense advantage. The required information may be sourced from concerned embassies, international financial institutions NGOs. Inculcation of appropriate situational awareness through effective and strategic liaison with sources possessing key insight in critical areas will help organisations in good stead.

Index of Geopolitical Risk

A monthly Index of geopolitical risk (GPR) has been worked out by Fed Reserve to examine its evolution and determining factors since 1985. The index is updated monthly and is available at https://www2.bc.edu/matteo-iacoviello/gpr.htm. Such index facilitates empirical studies on the significance of geopolitical risks in configuring the macroeconomic and financial cycles. This index of GPR is consistent over time, and gauge on real time basis ,the geopolitical risk as perceived by the press, the public, global investors, and policy-makers.

Conclusion

Geopolitical space of this globe has been undergoing a disruptive transformational phase in the wake of Russia's attack on Ukraine. It has upset the world order that persisted since the end of the Cold War. Such attack waged by nuclear power on a sovereign nation is unprecedented in Europe in nearly 80 years. The ramifications of this war would be worldwide on top of a pandemic which has already significantly impacted the global political, economic, and social trends. The impact would perhaps persist for decades in an unpredictable manner. Business and countries having assets in and business /trade relations with Russia and Ukraine will have to evolve strategies to mitigate the impacts of this event. Those who could sense the trouble at the incipient stage must have put in place business continuity and damage control plan to mitigate the adverse impacts of this war.

The report titled "The Global Trends 2040" published by National Intelligence Council has highlighted that international arena would emerge more contested, uncertain and conflict prone. The emerging power dynamics are likely to produce a more intensely competitive, volatile and confrontational geopolitical environment, reconfiguring multilateralism, and widen the gap between transnational challenges and cooperative arrangements to address them. In this milieu the risk of geopolitical conflict is likely to escalate. No single state would be in a position to exercise absolute dominance across all regions or domains. Instead, a wider type of actors will be active and compete for propagating their ideologies, and attaining their goals to best sub serve their interest. The traditional military, economic, and soft power will be complemented by expanding technological, network, and information power in the international system. The techno leaders developing these technologies will enjoy greater access to and concentration of the controlling power elements.

The challenges posed by geopolitical risks are likely to emerge to be more difficult. In the next two decades, competition for global influence is likely to reach its highest level since the Cold War. Involved economic agents must consider how to harness capabilities without falling victim to geopolitically based regulatory or reputational cross fire.

1.Board of Governors of the Federal Reserve System International Finance Discussion Papers

Number 1222 February 2018: Measuring Geopolitical Risk: Dario Caldaray ,Matteo Iacovielloz (January 10, 2018) :

COMPENSATION OF KEY MANAGERIAL PERSONNEL IN NBFCS

(With Effect from April 01, 2023)

CMA (Dr.) P. Siva Rama Prasad
Asst. General Manager (Retd.)
State Bank of India
Hyderabad

Introduction:

For identifying the Contribution of Non-Banking Financial Companies to the Banking System and the requirement to review the current regulatory framework due to their changing Risk Profile, the Reserve Bank of India (RBI) in its October 2021 notification introduced a Scale-Based Regulatory Framework for NBFCs (SBRF).

The SBRF regulates matters such as Capital Requirements, Prudent Regulation and Governance Standards. All Non-Banking Financial Companies are to be divided into one of Four Scale-based Layers.

The Base Layer is for non-deposit taking NBFCs with Assets below INR 10 Billion, Peer-to-peer Lending Platforms (P2P), Account Aggregators (AA), Non-operative financial holding Companies and NBFCs not using Public Funds and with no Consumer Interface.

All Deposit taking Non-Banking Financial Companies irrespective of Asset Size, Non-deposit taking NBFCs along with the Assets of INR 10 Billion and above, Infrastructure Debt Fund NBFCs, Housing Finance Companies, Standalone Primary Dealers, Core Investment Companies and Infrastructure Finance Companies will come under middle layer.

The Upper Layer is for NBFCs that the RBI considers are in need of enhanced scrutiny. The Top 10 Non-Banking Financial Companies ranked based on the asset size will always be in the primary or upper layer. The top layer will ideally remain empty; however, the RBI may move NBFCs to the Top Layer from the upper layer if it considers the NBFCs pose a substantial Systemic Risk.

Key Managerial Personnel:

Key Managerial Personnel (KMP) are the employees of a company who are vested with the most significant roles, responsibilities and functionalities. They are the primary point of contact in between the Company and its Stakeholders and also they were responsible for the strategies formulation and its Implementation. The Companies Act mandates certain classes of Companies to include such Personnel in its Ranks.

All listed Companies and all other Public Company which are having a Paid-up share Capital of 10 Crore Rupees or even more will have Whole-Time Key Managerial Personnel. Every Private Company which has a Paid-up Share Capital of Ten Crore Rupees or more shall have a Whole-Time Company Secretary as per Section 203 of Companies Act, 2013.

Key Management Personnel has been assigned with a massive responsibility which is of being liable for any type of non-compliance with the provisions of the Companies Act, 2013. The management function of implementing vital or major decisions will always fall under the Key Management Personnel responsibilities. The company's future is always based on the effectiveness or efficiency of its Key Management Personnel and the consequences of KMP's errors will show a negative impact on the company. Some of their main Roles and Responsibilities are:

- ✓ According to the Section 170 of the Act, the details of Securities which is held by Key Management Personnel in the Company or its subsidiary, holding, a subsidiary of the company or associated companies should be disclosed and recorded in the Registrar of the Books.
- ✓ Also Key Management Personnel will have complete right to be heard in the meetings of the 'Audit Committee' while considering the Auditor's Report. However, they do not have the right to vote.
- ✓ As per the Section 189(2), Key Management Personnel must disclose to the company, within 30 days of Appointment, relating to their interest or concern in the other associations, which are essential to be included in the register.

NBFCs - Key Managerial Personnel:

To address issues arising out of Excessive Risk-taking caused by misaligned compensation packages, NBFCs are required to put in place a 'Board Approved Compensation Policy'. The Policy shall at the minimum include:

a) The Constitution of a Remuneration Committee.

b) Principles for Fixed / Variable pay Structures, and

c) Mauls / Clawback Provisions.

The Board of NBFCs should delineate the role of various committees, including the Nomination and Remuneration Committee (NRC).

RBI Guidelines are intended only for providing broad guidance to NBFCs and their NRCs in formulating their Compensation Policy. While formulating the Compensation Policy, NBFCs to be ensured that all statutory mandates and the Rules and Directions issued under them are fully complied with.

These guidelines will be applicable for fixing the Compensation Policy of Key Managerial Personnel Non-Banking Financial Companies under the SBR framework, except those categorized under 'Base Layer' and members of Senior Management of all Government-owned NBFCs.

Role of NRC:

The Boards of all Non-Banking Financial Companies which are applicable will constitute a NRC (Nomination and Remuneration Committee). The NRC shall have the Constitution, Powers, Functions, and Duties as laid down in section 178 of the Companies Act, 2013.

The NRC, inter alia, shall also have the mandate to oversee the:

- ✓ *Framing.*
- ✓ *Review and*
- ✓ *Implementation.*

Of the Compensation Policy of the Company which should have the approval of the board.

The NRC may work in close Co-ordination with the Risk Management Committee (RMC) of the Company to achieve effective alignment between compensation and risks. Further, the NRC may ensure that Compensation Levels are supported by the need to Retain Earnings of the Company and the need to maintain Adequate Capital Based on the "Internal Capital Adequacy Assessment Process (ICAAP)".

NRC may also ensure the 'Fit and Proper' status of proposed / existing Directors and that there is no conflict of interest in the Appointment of Directors on the Board of the Company, KMPs, and Senior Management ('Senior Management is the same as defined in 'Explanation' to Section 178 of the Companies Act, 2013).

Principles for Compensation:

a) **Components and Risk Alignment**: The Compensation of Key Managerial Personnel (KMPs: As defined in Section 2 (51) of the Companies Act, 2013, as amended from time to time.) and Senior Management needs to be Reasonable, recognizing all relevant factors including adherence to Statutory requirements and Industry Practices. The Compensation Packages May Comprise Fixed and

Variable pay Components aligned effectively with Prudent Risk-taking to ensure that Compensation is adjusted for all Types of Risks, the Compensation outcomes are Symmetric with Risk Outcomes, Compensation Pay-outs are sensitive to the time horizon of the Risks, and the Mix of Cash, Equity and other forms of Compensation are Consistent with Risk Alignment.

b) **Composition of Fixed Pay**: All the fixed items of Compensation, including the Perquisites and Contributions towards Superannuation / Retrial benefits, may be treated as Part of Fixed Pay. All Perquisites that are Reimbursable may also be included in the Fixed Pay so long as there are Monetary Ceilings on these Reimbursements. The Monetary Equivalent of Benefits of Non-monetary nature (such as a Free Furnished House, use of a Company Car, etc.) may also be part of Fixed Pay.

Principles for Variable Pay:

a) **Composition of Variable Pay**: The Variable Pay may be in the form of Share-linked instruments or a mix of Cash and Share-linked instruments. It shall be ensured that the Share-linked instruments conform with relevant Statutory Provisions.

b) **Proportion**: The Proportion of variable pay in Total Compensation (Total compensation includes fixed and variable pay) needs to be Commensurate with the Role and Prudent Risk-taking the Profile of KMPs / Senior Management. At Higher levels of Responsibility, the proportion of variable pay needs to be higher. There should be a proper balance between the Cash and Share-linked instruments in the Variable Pay in case the Variable Pay contains Share-linked Instruments. The Variable Pay should be truly and effectively variable and can be reduced to Zero Based on performance at an individual, business unit, and company-wide level.

In order to do so, performance measures and their relation to Remuneration Packages should be clearly defined at the beginning of the Performance Measurement Period to ensure that the Employees Perceive the Incentive Mechanism.

c) **Deferral of Variable Pay**: Not all the variable pay awarded after Performance Assessment may be paid immediately. A certain portion of Variable Pay, as decided by the Board of the Company, may be deferred to the Time Horizon of the Risks. The portion of the deferral arrangement may be made applicable for both Cash and Non-cash Components of the Variable Pay. The deferral period for such an arrangement may be decided by the Board of the Company.

d) **Control and Assurance Function Personnel**: KMPs and Senior Management engaged in financial control, risk management, compliance, and Internal Audit may be compensated in a manner that is independent of the business areas they commensurate and supervise with their vital role in the company. Accordingly, such personnel may have a higher proportion of fixed compensation. However, a reasonable proportion of compensation may be in the form of variable pay, so that exercising the options of malus and/ or clawback, when warranted, is not rendered infructuous.

e) **Guaranteed Bonus**: Guaranteed Bonus may not be paid to KMPs and Senior Management. However, in the context of New Hires Joining / Sign-on bonus could be considered. Such a Bonus will neither be considered part of Fixed Pay nor of Variable Pay.

f) **Malus / Clawback:** The Deferred Compensation may be subject to Malus / Clawback (A **Malus** arrangement permits the NBFC to prevent the vesting of all or part of the amount of a deferred remuneration. Malus's arrangement does not reverse vesting after it has already occurred. A **Clawback** is a contractual agreement between the employee and the NBFC in which the employee agrees to return previously paid or vested remuneration to the NBFC under certain circumstances) arrangements in the event of subdued or Negative Financial Performance of the Company and / or the relevant line of Business or Employee misconduct in any year. A Representative set of situations may be identified by the NBFC, which requires them to invoke the Malus and Clawback Clauses that may apply to entire Variable Pay. While setting criteria for the application of Malus and Clawback, NBFCs may also specify a period during which Malus and / or Clawback can be applied, covering at least the deferral and Retention Periods (**Retention period** is defined as a period which comes after the vesting of instruments that have been awarded as variable pay through which they shouldn't be accessed or sold or accessed).

Conclusion:

The above said guidelines will be effective from April 1, 2023 and will be applicable on all the finance companies, apart from the ones in the Base Layer. These guidelines are as per the Scale-based Regulation for NBFCs introduced by RBI in October last year.

According to the guidelines, the compensation packages will consist of variable and fixed pay components which are effectively aligned with prudent risk taking to ensure that compensation is accustomed for all kinds of risks. Additional, the compensation outcomes must be symmetric with risk outcomes and compensation pay-outs have to be sensitive to the time horizon of the risks.

RBI stated that all the fixed items of compensation, including the contributions and perquisites towards superannuation benefits, will be treated as part of fixed pay.

Also, the proportion of Variable Pay which included in the total compensation of the management of NBFCs must be commensurate with their role and prudent risk-taking profile and at higher levels of responsibility, the proportion of variable pay should be higher. Variable pay can even be reduced to zero based on performance at an individual, business unit and company wide level.

Also, the board of NBFCs may not offer guaranteed bonuses to the senior management and key managerial personnel. "However, in the context of New Hiring, Joining / Sign-on Bonus could be considered. Such Bonus will neither be considered part of Fixed Pay nor of Variable Pay.

References:

a. RBI Circular No: RBI/2022-23/36 DOR.GOV.REC. No.29/18.10.002-23 dtd.:23rd April, 2022.

b.RBI Circular No: DOR.CRE.REC.No.60/03.10.001/2021-22 dtd.: 22nd October, 2021.

PROMPT CORRECTIVE ACTION (PCA) FRAMEWORK FOR NBFCS

CMA Vaidyanathan Iyer
Chairman - Navi Mumbai Chapter

The PCA Framework for NBFCs comes into effect from October 1, 2022, based on the financial position of NBFCs on or after March 31, 2022. RBI Circular dated December 14, 2021. NBFCs have been growing in size and have substantial interconnectedness with other segments of the financial system. Accordingly, it has now been decided to put in place a PCAF for NBFCs to further strengthen the supervisory tools applicable to NBFCs. The PCAF for NBFCs comes into effect from October 1, 2022, based on the financial position of NBFCs on or after March 31, 2022. (RBI Circular dated December 14, 2021). The objective of the PCAF is to enable Supervisory intervention at appropriate time and require the Supervised Entity to initiate and implement remedial measures in a timely manner, so as to restore its financial health. The PCAF is also intended to act as a tool for effective market discipline & does not preclude RBI from taking any other action as it deems fit at any time in addition to the corrective actions prescribed in the Framework. In terms of extant regulations, Government NBFCs have been provided time up to March 31, 2022 to adhere to the capital adequacy norms provided for. Accordingly, a separate circular would be issued in due course with regard to applicability of PCAF to Government NBFCs. The PCAF will be reviewed after three years of being in operation. The PCAF is applicable to the following category of NBFCs:

a. All Deposit Taking NBFCs [Excluding Government Companies] (NBFCs-D)

b. All Non-Deposit Taking NBFCs in Middle, Upper and Top Layers (NBFCs-ND); [Including Investment and Credit Companies, Core Investment Companies (CICs), Infrastructure Debt Funds, Infrastructure Finance Companies, Micro Finance Institutions and Factors]; **but [Excluding** – (i) NBFCs not accepting/

not intending to accept public funds; (ii) Government Companies, (iii) Primary Dealers and (iv) Housing Finance Companies]

For NBFCs-D and NBFCs-ND, Capital and Asset Quality would be the key areas for monitoring in PCA Framework. For CICs, Capital, Leverage and Asset Quality would be the key areas for monitoring in PCA Framework.

For NBFCs-D and NBFCs-ND, indicators to be tracked would be Capital to Risk Weighted Assets Ratio (CRAR), Tier I Capital Ratio and Net NPA Ratio (NNPA). For CICs, indicators to be tracked would be Adjusted Net Worth/Aggregate Risk Weighted Assets, Leverage Ratio and NNPA. A NBFC will generally be placed under PCAF based on the audited Annual Financial Results and/or the Supervisory Assessment made by the RBI. However, the RBI may impose PCA on any NBFC during the course of a year (including migration from one threshold to another) in case the circumstances so warrant.

The Reserve Bank may issue a press release when a NBFC is placed under PCA as well as when PCA is withdrawn vis-à-vis a NBFC

Breach of any risk threshold (as detailed under) may result in invocation of PCA.

Indicator	Risk Threshold-1	Risk Threshold-2	Risk Threshold-3
CRAR	Up to 300 bps below the regulatory minimum CRAR [currently, CRAR <15% but ≥12%]	More than 300 bps but up to 600 bps below regulatory minimum CRAR [currently, CRAR <12% but ≥9%]	More than 600 bps below regulatory minimum CRAR [currently, CRAR <9%]
Tier I Capital Ratio	Upto 200 bps below the regulatory minimum Tier I Capital Ratio [currently, Tier I Capital Ratio <10% but ≥8%]	More than 200 bps but up to 400 bps below the regulatory minimum Tier I Capital Ratio [currently, Tier I Capital Ratio <8% but ≥6%]	More than 400 bps below the regulatory minimum Tier I Capital Ratio [currently, Tier I Capital Ratio <6%]
NNPA Ratio (including NPIs)	>6% but ≤ 9%	>9% but ≤12%	>12%

Indicator	Risk Threshold-1	Risk Threshold-2	Risk Threshold-3
Adjusted Net Worth / Aggregate Risk Weighted Assets	Up to 600 bps below the regulatory minimum ANW/RWA [currently, ANW/RWA <30% but ≥24%]	More than 600 bps but up to 1200bps below regulatory minimum ANW/RWA [currently, ANW/RWA <24% but ≥18%]	More than 1200 bps below regulatory minimum ANW/RWA [currently, ANW/RWA <18%]

Indicator	Risk Threshold-1	Risk Threshold-2	Risk Threshold-3
Leverage Ratio	≥2.5 times but <3 times	≥ 3 times but <3.5 times	≥3.5 times
NNPA Ratio (including NPIs)	>6% but ≤ 9%	>9% but ≤12%	>12%

Exit from PCA and Withdrawal of Restrictions under PCA - Once a NBFC is placed under PCA, taking the NBFC out of PCA Framework and/or withdrawal of restrictions imposed under the PCA Framework will be considered: a) if no breaches in risk thresholds in any of the parameters are observed as per four continuous quarterly financial statements, one of which should be Annual Audited Financial Statement (subject to assessment by RBI); and b) based on Supervisory comfort of the RBI, including an assessment on sustainability of profitability of the NBFC.

The menu of corrective actions is as below:

Mandatory and Discretionary actions		
Specifications	**Mandatory actions**	**Discretionary actions**
Risk Threshold 1	Restriction on dividend distribution/remittance of profits; Promoters/shareholders to infuse equity and reduction in leverage; Restriction on issue of guarantees or taking on other contingent liabilities on behalf of group companies (only for CICs)	Common menu Special Supervisory Actions Strategy related Governance related Capital related Credit risk related Market risk related HR related Profitability related Operations/Business related Any other.
Risk Threshold 2	In addition to mandatory actions of Threshold 1, Restriction on branch expansion	
Risk Threshold 3	In addition to mandatory actions of Threshold 1 & 2, Appropriate restrictions on capital expenditure, other than for technological upgradation within Board approved limits Restrictions/reduction in variable operating costs	

Common Menu for Selection of Discretionary Corrective Actions

Market risk related Actions -

- Restrictions on/reduction in borrowings from the debt market, extent of ALM mismatch, accepting/ renewing deposits and escrowing of cash inflows to meet deposit liabilities to protect the interest of the depositors, investment activities

HR related Actions -

- Restriction on staff expansion/staff compensation & Review of specialized training needs of existing staff

Special Supervisory Actions

- Special Supervisory Monitoring Meetings (SSMMs) at quarterly or other identified frequency
- Special inspections/targeted scrutiny of the NBFC
- Cause a special audit/inspection of NBFC/Group entities by the extant supervisory mechanism and/or through external auditors
- Restricted and need based regulatory/ supervisory approvals to be given by the Reserve Bank
- Resolution of NBFC by Amalgamation/ Reconstruction/ Splitting (Section 45MBA of RBI Act, 1934)
- File insolvency application under IBC (As per the rules dated November 15, 2019 notified under section 239 of the Insolvency and Bankruptcy Code, 2016 (31 of 2016))
- Show Cause Notice for cancellation of CoR and winding up of the NBFC

Strategy related Actions

- Activate the Recovery Plan that has been duly approved by the Supervisor
- Undertake a detailed review of business model in terms of sustainability of the business model, profitability of business lines and activities, medium and long term viability, etc.
- Review short-term strategy focusing on addressing immediate concerns & medium-term business plans, identify achievable targets and set concrete milestones for progress and achievement
- Undertake business process reengineering & restructuring of operations as appropriate

Governance related Actions – RBI may

- actively engage with the NBFC's Board on various aspects as considered appropriate
- recommend to promoters/shareholders to bring in new Management/ Board
- remove managerial persons under the RBI Act, as applicable
- supersede the Board under the RBI Act and appoint an Administrator
- require the NBFC to invoke claw back clauses and other actions as available in regulatory guidelines,
- Removal of Director and/or appointment of another person as Director in his place and impose other restrictions or conditions & Impose restrictions on Directors' or Management compensation, as applicable.

Credit risk related Actions

- Preparation of time bound plan and commitment for reduction of stock of NPAs & containing generation of fresh NPAs
- Strengthening of loan review mechanism
- Restrictions/reduction in total credit risk weight density (example: restriction/ reduction in credit for borrowers below certain rating grades, restriction/ reduction in unsecured exposures, etc.)

- Reduction in loan concentrations in identified sectors, industries or borrowers
- Sale of assets
- Action plan for recovery of assets through identification of areas (geography-wise, industry segment-wise, borrower-wise, etc.) and setting up of dedicated Recovery Task Forces, etc.
- Prohibition on expansion of credit/ investment portfolios other than investment in government securities / other High-Quality Liquid Investments
- Higher provisioning for NPAs/NPIs

Profitability related Actions -

- Restrictions on capital expenditure, other than for technological upgradation within Board approved limits & Restrictions/ reduction in variable operating costs

Operations related Actions

- Restrictions on branch expansion plans; domestic or overseas, entering into new lines of business, in undertaking businesses, as may be specified, in outsourcing activities, on new borrowings
- Reduction in business at subsidiaries/ in other entities, in leverage, in risky assets
- Any other specific action that the RBI may deem fit considering specific circumstances of the NBFC.

Capital related Actions

- Detailed Board level review of capital planning
- Submission of plans and proposals for raising additional capital
- Requiring the NBFC to bolster reserves through retained profits
- Restriction on investment in subsidiaries/associates, expansion of high risk-weighted assets to conserve capital, increasing stake in subsidiaries and other group companies
- Reduction in exposure to high-risk sectors to conserve capital

Conclusion

Macro stress tests for credit risk indicate that the gross non-performing asset (GNPA) ratio of SCBs may increase from 6.9 per cent in September 2021 to 8.1 per cent by September 2022 under the baseline scenario and to 9.5 per cent under a severe stress scenario. SCBs would, however, have sufficient capital, both at the aggregate and individual levels, even under stress conditions. Emerging signs of stress in micro, small and medium enterprises (MSME) as also in the micro finance segment call for close monitoring of these portfolios going forward. The Indian economy was already struggling with high fiscal deficit, demand contraction and poor health of our financial institutions, banks and NBFCs. The pandemic has put further stress on all economic activities. Most of the corporates have put on hold their expansion plans and this will directly impact employment generation. All of this has adversely affected the financial strength of the corporate sector and banks may need to make more provisions for NPAs. This will ultimately impact the financial health of banks and NBFCs, which are already struggling. Unemployment is increasing at a very fast rate but more investment in infrastructure will generate employment and increase the purchasing power.

The Insolvency and Bankruptcy Code (IBC) was introduced with the aim of resolution and reorganization of insolvent companies, while ARCs are set up for clearing up NPAs. ARCs primarily deal with recovery, while the IBC seeks for a resolution, wherein creditors are given the chance to make insolvency resolution an economically viable process and entities can apply for insolvency, bankruptcy or liquidation. Although some NBFCs are performing well in India, others are lagging. These companies need to cross-examine their performance on various parameters of the sector and work to eradicate the anomalies. Looking at the financial needs of the Indians there is a wide scope for NBFCs in every relevant sector and those companies which have a futuristic approach will reap the benefits. Some of the banks are relatively well-capitalised and are being supported by governments.

Targeting rural and backward areas, the NBFCs have the privilege to offer small-ticket loans to the deprived but deserving sections. NBFCs have emerged as a large employment generator by lending their support to small scale businesses and companies. To retain their growth and momentum they need to keep upgrading themselves. Taking a cue from the performance of all various parameters, the NBFC companies can strive to improve their working and management and try to improve their ranking. Those which are left behind can mark the areas in which they lag and take a strategic approach to march forward.

Taking this as a passing phase the NBFCs must get ready and anticipate the future market based on the post-COVID-19 scenario and work towards grabbing the opportunities that will be thrown open for them. The immaculate planning and execution of future strategies will be the best way forward for all NBFCs. We are already seeing improvement of consumer sentiment and optimism aiding economic recovery across the world.

b) Scale Based Regulatory Framework

These guidelines shall be effective from October 01, 2022. The instructions relating to ceiling on IPO funding shall come into effect from April 01, 2022. RBI Circular dated October 22, 2021

The contribution of NBFCs towards supporting real economic activity and their role as a supplemental channel of credit intermediation alongside banks is well recognized. Over the years, the sector has undergone considerable evolution in terms of size, complexity, and interconnectedness within the financial sector. Many entities have grown and become systemically significant and hence there is a need to align the regulatory framework for NBFCs keeping in view their changing risk profile. As the SBR framework encompasses different facets of regulation of NBFCs covering capital requirements, governance standards, prudential regulation, etc., it has been decided to first issue an integrated regulatory framework for NBFCs under SBR providing a holistic view of the SBR structure, set of fresh regulations being introduced and respective timelines. Regulatory structure for NBFCs shall comprise of four layers based on their size, activity, and perceived riskiness. NBFCs in the lowest layer shall be known as NBFC - Base Layer (NBFC-BL). NBFCs in middle layer and upper layer shall be known as NBFC - Middle Layer (NBFC-ML) and NBFC - Upper Layer (NBFC-UL) respectively. The Top Layer is ideally expected to be empty and will be known as NBFC - Top Layer (NBFC-TL).

Base Layer- The Base Layer shall comprise of (a) non-deposit taking NBFCs below the asset

VL]HRI FURUHDQG E 1%)&VXQGHUWDNLQJ the following activities - (i) NBFC-Peer to Peer Lending Platform (NBFC-P2P), (ii) NBFC-Account Aggregator (NBFC-AA), (iii) Non-Operative Financial Holding Company (NOFHC) and (iv) NBFCs not availing public funds and not having any customer interface.

***Middle Layer* -** The Middle Layer shall consist of (a) all deposit taking NBFCs (NBFC-Ds), irrespective of asset size, (b) non-deposit taking 1%)&V ZLWK DVVHW VL]H RI FURUHDQG DERYH and (c) NBFCs undertaking the following activities (i) Standalone Primary Dealers (SPDs), (ii) Infrastructure Debt Fund - Non-Banking Financial Companies (IDF-NBFCs), (iii) Core Investment Companies (CICs), (iv) Housing Finance Companies (HFCs) and (v) Infrastructure Finance Companies (NBFC-IFCs).

***Upper Layer* -** The Upper Layer shall comprise of those NBFCs which are specifically identified by the Reserve Bank as warranting enhanced regulatory requirement based on a set of parameters and scoring. The top ten eligible NBFCs in terms of their asset size shall always reside in the upper layer, irrespective of any other factor.

***Top Layer* -** The Top Layer will ideally remain empty. This layer can get populated if the Reserve Bank is of the opinion that there is a substantial increase in the potential systemic risk from specific NBFCs in the Upper Layer. Such NBFCs shall move to the Top Layer from the Upper Layer. As the regulatory structure envisages scale based as well as activity-based regulation, the following prescriptions shall apply in respect of the NBFCs

- NBFC-P2P, NBFC-AA, NOFHC and NBFCs without public funds and customer interface will always remain in the Base Layer of the regulatory structure.
- NBFC-D, CIC, IFC and HFC will be included in Middle Layer or the Upper Layer (and not in the Base layer), as the case may be. SPD and IDF-NBFC will always remain in the Middle Layer.
- The remaining NBFCs, viz., Investment and Credit Companies (NBFC-ICC), Micro Finance Institution (NBFC-MFI), NBFC-Factors and Mortgage Guarantee Companies (NBFC-MGC) could lie in any of the layers of the regulatory structure depending on the parameters of the scale based regulatory framework.
- Government owned NBFCs shall be placed in the Base Layer or Middle Layer, as the case may be. They will not be placed in the Upper Layer till further notice.

From October 01, 2022, all references to NBFC-ND shall mean NBFC-BL and all references to NBFC-D and NBFC-ND-SI shall mean NBFC-ML or NBFC-UL, as the case may be. Regulatory revisions applicable to lower layers of NBFCs will automatically be applicable to NBFCs residing in higher layers, unless stated otherwise. Regulatory changes under SBR for all the layers in the regulatory structure

a) Net Owned Fund –

Regulatory minimum Net Owned Fund (NOF) for NBFC-ICC, NBFC-MFI and NBFC-Factors shall be increased to ₹10 crore.

The following glide path is provided for the existing NBFCs to achieve the NOF of ₹10 crore:

NBFCs	Current NOF	By March 31, 2025	By March 31, 2027
NBFC-ICC	₹2 crore	₹5 crore	₹10 crore
NBFC-M FI	₹5 crore (₹2 crore in NE Region)	₹7 crore (₹5 crore in NE Region)	₹10 crore
NBFC-Factors	₹5 crore	₹7 crore	₹10 crore

However, for NBFC-P2P, NBFC-AA, and NBFCs with no public funds and no customer interface, the NOF shall continue to be ₹2 crore. It is clarified that there is no change in the existing regulatory minimum NOF for NBFCs - IDF, IFC, MGCs, HFC, and SPD

b) NPA Classification -

The extant NPA classification norm stands changed to the overdue period of more than 90 days for all categories of NBFCs. A glide path is provided to NBFCs in Base Layer to adhere to the 90 days NPA norm as under

NPA Norms	Timeline
>150 days overdue	By March 31, 2024
>120 days overdue	By March 31, 2025
> 90 days	By March 31, 2026

The glide path will not be applicable to NBFCs which are already required to follow the 90-day NPA norm. Considering the need for professional experience in managing the affairs of NBFCs, at least one of the directors shall have relevant experience of having worked in a bank/ NBFC. Ceiling on IPO Funding – There shall be a ceiling of ₹1 crore per borrower for financing subscription to Initial Public Offer (IPO). NBFCs can fix more conservative limits.

Capital Guidelines–

Regulatory changes under SBR applicable to NBFC-ML and NBFC-UL

a) **Internal Capital Adequacy Assessment Process (ICAAP) -** NBFCs are required to make a thorough internal assessment of the need for capital, commensurate with the risks in their business & make a realistic assessment of risks factoring in credit risk, market risk, operational risk and all other residual risks as per methodology to be determined internally. The methodology for internal assessment of capital shall be proportionate to the scale and complexity of operations as per their Board approved policy. The objective of ICAAP is to ensure availability of adequate capital to support all risks in business as also to encourage NBFCs to develop and use better internal risk management techniques for monitoring and managing their risks. This will facilitate an active dialogue between the supervisors and NBFCs on the assessment of risks and monitoring as well as mitigation of the same.

Additional regulatory changes under SBR applicable to NBFC-UL

b) **Common Equity Tier 1 –** In order to enhance the quality of regulatory capital, NBFC-UL shall maintain Common Equity Tier 1 capital of at least 9 per cent of Risk Weighted Assets.

c) **Leverage -** In addition to the CRAR, NBFC-UL will also be subjected to leverage requirement to ensure that their growth is supported by adequate capital, among other factors. A suitable ceiling for leverage will be prescribed subsequently for these entities as and when necessary.

d) **Differentia standard asset provisioning**- NBFC-UL shall be required to hold differential provisioning towards different classes of standard assets.

A detailed circular will be issued by the Bank for guidelines at paras b, c, and d above.

Prudential Guidelines –

Regulatory changes under SBR applicable to NBFC-ML and NBFC-UL

a) **Concentration of credit/investment -** The extant credit concentration limits prescribed for NBFCs separately for lending and investments shall be merged into a single exposure limit of 25% for single borrower/ party and 40% for single group of borrowers/ parties. Further, the concentration limits shall be determined with reference to the NBFC's Tier 1 capital instead of their Owned Fund. The revised norms are indicated in the table below

Existing limit (as a percentage of Owned Fund)				**Revised limit (as a percentage of Tier I Capital)**	
	Lending	Investment	Total		Exposure
Single borrower/ party	15	15	25	Single borrower/ party	25
Single group of borrowers/ parties	25	25	40	Single group of borrowers/ parties	40

NBFC-UL shall follow these norms till Large Exposure Framework is put in place for them. Extant instructions on concentration norms for different categories of NBFC, other than the changes indicated above, will continue to remain applicable.

b) **Sensitive Sector Exposure (SSE) -** Exposure to capital market (direct and indirect) and commercial real estate shall be reckoned as sensitive exposure for NBFCs. NBFCs shall fix Board-approved internal limits for SSE separately for capital market and commercial real estate exposures. Dynamic vulnerability assessments of various sectors and their likely impact on business, as evaluated periodically, should help NBFCs determine such internal exposure limits. While the Board is free to determine various sub-limits within the overall SSE internal limits, the following are specifically prescribed - A sub-limit within the commercial real estate exposure ceiling shall be fixed internally for financing land acquisition & Ceiling on IPO Funding as mentioned above; Housing Finance Companies shall continue to follow specific regulation on sensitive sector exposure

c) **Regulatory restrictions on loans**

– NBFCs shall be subject to regulatory restrictions in respect of the following:

- Granting loans and advances to directors, their relatives and to entities where directors or their relatives have major shareholding.
- Granting loans and advances to Senior Officers of the NBFC.

While appraising loan proposals involving real estate, NBFCs shall ensure that the borrowers have obtained prior permission from government / local governments / other statutory authorities for the project, wherever required. To ensure that the loan approval process is not hampered on account of this, while the proposals could be sanctioned in normal course, the disbursements shall be made only after the borrower has obtained requisite clearances from the government authorities.

A detailed circular on the areas mentioned at para c above will be issued by the Reserve Bank in due course. In the meantime, extant norms shall prevail.

Additional regulatory changes under SBR applicable to NBFC-UL

d) **Large Exposure Framework –** It has been decided to introduce Large Exposure Framework (LEF) for NBFCs placed in the Upper Layer. Accordingly, large exposure of an NBFC to all counterparties and groups of connected counterparties will be considered for exposure ceilings. Simplified and separate guidelines will be issued incorporating the definition of large exposure, regulatory reporting and large exposure limits.

e) Internal Exposure Limits - In addition to the internal limits on SSE in respect of capital market and commercial real estate as indicated in para b) above, Board of NBFC-UL shall also determine internal exposure limits on other important sectors to which credit is extended. Further, NBFC-UL shall put in place an internal Board approved limit for exposure to the NBFC sector.

Governance Guidelines -

Regulatory changes under SBR applicable to NBFC-BL

a) **Risk Management Committee –** In order that the Board is able to focus on risk management, NBFCs shall constitute a Risk Management Committee (RMC) either at the Board or executive level. The RMC shall be responsible for evaluating the overall risks faced by the NBFC including liquidity risk and will report to the Board.

b) **Disclosures -** Disclosure requirements shall be expanded, inter alia, to include types of exposure, related party transactions, loans to Directors/ Senior Officers and customer complaints.

c) **Loans to directors, senior officers and relatives of directors -** NBFC-BL shall have a Board approved policy on grant of loans to directors, senior officers and relatives of directors and to entities where directors or their relatives have major shareholding.

A detailed circular on paras (b) & (c) will be issued by the Reserve Bank in due course.

Regulatory changes under SBR applicable to NBFC-ML and NBFC-UL

d) **Key Managerial Personnel -** Except for directorship in a subsidiary, Key Managerial Personnel shall not hold any office (including directorships) in any other NBFC-ML or NBFC-UL. A timeline of two years is provided with effect from October 01, 2022 to ensure compliance with these norms. It is clarified that they can assume directorship in NBFC-BLs.

e) **Independent Director –** Within the permissible limits in terms of Companies Act, 2013, an independent director shall not be on the Board of more than three NBFCs (NBFC-ML or NBFC-UL) at the same time. Further, the Board of the NBFC shall ensure that there is no conflict arising out of their independent directors being on the Board of another NBFC at the same time. A timeline of two years is provided with effect from October 01, 2022 to ensure compliance with these norms. There shall be no restriction to directorship on the Boards of NBFC-BLs, subject to applicable provisions of Companies Act, 2013.

f) **Disclosures -** NBFCs shall, in addition to the existing regulatory disclosures, disclose the following in their Annual Financial Statements, with effect from March 31, 2023:

- Corporate Governance report containing composition and category of directors, shareholding of non-executive directors, etc.
- Disclosure on modified opinion, if any, expressed by auditors, its impact on various financial items and views of management on audit qualifications.
- Items of income and expenditure of exceptional nature.
- Breaches in terms of covenants in respect of loans availed by the NBFC or debt securities issued by the NBFC including incidence/s of default.
- Divergence in asset classification and provisioning above a certain threshold to be decided by the Reserve Bank.

g) **Chief Compliance Officer –** In order to ensure an effective compliance culture, it is necessary to have an independent compliance function and a strong compliance risk management framework in NBFCs. NBFCs are, therefore, required to appoint a Chief Compliance Officer (CCO), who should be sufficiently senior in the organization hierarchy. NBFCs shall put in place a Board approved policy laying down the role and responsibilities of the CCO with the objective of promoting better compliance culture in the organization.

h) **Compensation guidelines -** In order to address issues arising out of excessive risk taking caused by misaligned compensation packages, it has been decided that NBFCs shall put in place a Board approved compensation policy. The guidelines shall at the minimum include, a) constitution of a Remuneration Committee, b) principles for fixed/ variable pay structures, and c) malus/ claw back provisions. The Nomination and Remuneration Committee shall ensure that there is no conflict of interest.

i) **Other Governance matters -** NBFCs shall comply with the following:

The Board shall delineate the role of various committees (Audit Committee, Nomination and Remuneration

Committee, Risk Management Committee or any other Committee) and lay down a calendar of reviews.

NBFCs shall formulate a whistle blower mechanism for directors and employees to report genuine concerns.

The Board shall ensure good corporate governance practices in the subsidiaries of the NBFC.

j) **Core Banking Solution -** NBFCs with 10 and more branches are mandated to adopt Core Banking Solution. A glide path of 3 years with effect from October 01, 2022 is being provided.

Detailed circulars will be issued in due course by the Reserve Bank on guidelines indicated at paras f, g, h, i and j above.

Additional regulatory changes under SBR applicable to NBFC-UL

k) **Qualification of Board Members -** Board members shall be competent to manage the affairs of the NBFC. The composition of the Board should ensure mix of educational qualification and experience within the Board. Specific expertise of Board members will be a prerequisite depending on the type of business pursued by the NBFC.

l) **Listing & Disclosures -** NBFC-UL shall be mandatorily listed within 3 years of identification as NBFC-UL. Disclosure requirements shall be put in place on the same lines as applicable to a listed company even before the actual listing, as per Board approved policy of the NBFC.

Supervisor in case any Independent Director is removed/resigns before completion of his normal tenure.

Regulatory guidelines for NBFCs under Top Layer –

NBFCs falling in the Top Layer of the regulatory structure shall, inter alia, be subject to higher capital charge. Such higher requirements shall be specifically communicated to the NBFC at the time of its classification in the Top Layer. There will be enhanced and intensive supervisory engagement with these NBFCs. Transition Plan - Once a NBFC is identified for inclusion as NBFC-UL, the NBFC shall be advised about its classification by the Department of Regulation, Reserve Bank and it will be placed under regulation applicable to the Upper Layer.

For this purpose, the following timelines shall be adhered to:

Within 3 months of being advised by the RBI regarding its inclusion in the NBFC-UL, the NBFC shall put in place a Board approved policy for adoption of the enhanced regulatory framework and chart out an implementation plan for adhering to the new set of regulations.

The Board shall ensure that the stipulations prescribed for the NBFC-UL are adhered to within a maximum time-period of 24 months from the date of advice regarding classification as a NBFC-UL from the Reserve Bank. During the period of transition, calibrated increment to business may be allowed through supervisory engagement. The period of 3 months provided for charting out the plan for implementation shall be subsumed within the 24-months' time-period referred to above. The roadmap as approved by the Board towards implementation of the enhanced regulatory requirement shall be submitted to the Reserve Bank and shall be subject to supervisory review.

Transition of NBFCs to the Upper Layer -

a) Once an NBFC is categorized as NBFC-UL, it shall be subject to enhanced regulatory requirement, at least for a period of five years from its classification in the layer, even in case it does not meet the parametric criteria in the subsequent year/s. In other words, it will be eligible to move out of the enhanced regulatory framework only if it does not meet the criteria for classification for five consecutive years.

b) NBFC-UL may however move out of the enhanced regulatory framework before the period of five years if the movement is on account of voluntary strategic move to readjust operations as per a Board approved policy. This stipulation shall not apply if the scaling down of operations is on account of adverse situations specific to the NBFC and its deteriorating financial conditions.

c) NBFCs which are close to meeting the parameters and benchmarks that would render PCA Framework

Conclusion

The global economic recovery has been losing momentum in the second half of 2021 in the face of resurfacing COVID-19 infections, the new variant Omicron, supply disruptions and bottlenecks, elevated inflationary levels and shifts in monetary policy stances and actions across advanced economies and emerging market economies. On the domestic front, progress in vaccination has enabled the recovery to regain traction after the debilitating second wave of the pandemic, notwithstanding signs of slowing pace more recently; the corporate sector is gaining strength and bank credit growth is improving. The capital to risk-weighted assets ratio (CRAR) of scheduled commercial banks (SCBs) rose to a new peak of 16.6 per cent and their provisioning coverage ratio (PCR) stood at 68.1 per cent in September 2021.

INDIA'S ECONOMY GALLOPS DESPITE QUANTITATIVE TIGHTENING

Shri Hargovind Sachdev
Former General Manager State Bank of India

The days of quantitative easing and tightening have not derailed India's march towards a $ 5.0 trillion economy. The country has weathered the storm and is limping back to normalcy despite minor Corona related incidents here and there. The IMF has projected 8.2% GDP growth for India in 2022, compared to 3.7% for the US, 4.4% for China and (-8.5%) for Russia. India will remain the world's fastest-growing major economy.

The impact of the Ukraine War has led to an economic downslide that will slow global growth in 2022 to increase inflation. Food prices have escalated, impacting the vulnerable public across geographies. The global expansion is forecasted to slow from an estimated 6.1% in 2021 to 3.6% in 2022 and 2023. However, improved performance under exports and ever-increasing domestic demand have saved India from deceleration. The juggernaut marches ahead. With the growth at 8%, India's GDP will scale the $ 5.0 trillion goal post by FY 2027.

Among the star performers bringing the goal post closer are Indian Banks. Almost all lenders in the private and public sectors have turned the corner with handsome profits on 31.03.2022. The NPA provisions have gone down due to solid gatekeeping on stressed assets. RBI initiatives on the restructuring of MSME loans have been a game-changer. The stock market has dis-intermediated and taken away a load of banks through boisterous responses to public issues. The situation has improved so much that perennial struggling companies like Ruchi Soya Limited have repaid the entire debt after a successful public issue.

Despite the poor offtake of credit by the Corporate Sector, the government enterprises have kept the banks busy through enhanced borrowings. The agriculture segment, housing loans, and MSME sector have also absorbed fresh credit, improving lenders' top and bottom lines. RBI press release rightly commended, "Notwithstanding a highly transmissible third wave driven by the Omicron variant, India is charting a different recovery course from the rest of the world. India is poised to grow at the fastest pace year-on-year among major economies, according to projections made by the International Monetary Fund (IMF). This recovery is supported by large-scale vaccination and sustained fiscal and monetary support". Once again, banks have admirably risen to the call of duty as frontline warriors for economic recovery.

FY 2020-21 turned out to be the better in recent years for banks. The pandemic-hit banks recorded a "discernible increase" in profitability. The expenditure declined, and total income remained stable, despite a low credit offtake and interest rates—the increase in income from investments compensated for reduced interest income on loans. Revenue from trading also went up as banks booked profits on G-Sec investments. The expenditure moderated as interest on deposits and borrowing declined because of a decline in interest rates and contraction in total borrowings. The performance is likely to be repeated this year.

The Ukraine war resulted in a re-alignment of trading partners with Europe and the Americas, shunning the Russian oil. The step proved a blessing in disguise for India as a cornered Russia offered cheaper oil to our country. India managed inflation despite fiscal pressures due to the ever-increasing domestic demand. The partial availability of oil from Russia and Iran in the Indian rupee saved the devaluation pressure.

The public debt-to-GDP ratio remains satisfactory. The central and state government deficits have declined. According to OECD estimates, public sector borrowing needs have risen close to 8% of GDP, putting pressure on smaller companies' borrowing costs. Implementation of fundamental financial reforms has boosted incomes and wellbeing. The Goods and Services Tax (GST) has reduced domestic trade barriers and input costs. The cuts in corporate taxes have spurred investment and productivity. Streamlining GST exemptions and reducing the number of rates have promoted tax compliance.

Reforms in the real estate sector have increased transparency and governance to protect homebuyers. The Insolvency and Bankruptcy Code has reduced non-performing loans. The sizeable recoveries through the NCLT route have speeded up the reallocation of resources from low productivity firms and sectors to more promising ones. The creation of quality jobs, under-employment and income inequality remain challenges. The employment rate has declined and is low, especially for women. A lot remains to be Donne on the labor front.

Rationalization has boosted tax collections, leaving extra funds in the government kitty for defense and development. $ 400 billion in exports have given the additional impetuous. The Indian economy has entered a self-actualization phase and is on track to cross the coveted $ 5.0 trillion GDP in five years.

ROLE OF FINANCIAL MARKETS IN PROMOTING ECONOMIC DEVELOPMENT

Dr. S K Gupta
MD – ICMAI Registered Valuers Organization

Ms. Mansi Aggarwal
MA Economics, DSE

The Perspective

Development of an economy requires its financial sector to be developed. And the development of financial sector happens in the process of founding and growth of institutions, instruments and markets that sustain the huge investments and growth which help in reducing poverty. Accordingly, financial development gives better information about possible profitable investments and promotes optimum allocation of capital. In other words, the emergence of financial institutions helps in curtailing cost of acquiring information and effectively implements contracts and executes transactions. Also, the expanding financial access inculcates dynamic efficiency in the system by bringing about a structural change through innovation and welfare gain to the entire economy.

Development of financial system may be defined as the development of the size, efficiency and stability of financial markets along with increased access to the financial markets that can have multiple advantages for the economy. For instance, a well-developed financial market channelizes the savings of an economy to profitable ,reduce information cost thereby leading to better capital allocation and also reduce the cost of corporate governance. Also, developed financial intermediaries boost the technological innovation through rewards to the entrepreneurs. Further, financial systems assist in trading, diversification, hedging and risk amelioration, apart from facilitating transactions of goods and services. Also, according to capital accumulation and technological innovation are the paraphernalia between financial development and growth. The allocation of credit through financial system works as a channel between financial and real sectors, which can be used to finance working capital requirements and investment in fixed capital; the former is used to raise production whereas the latter enhances productivity in the real sector.

A well-developed, efficiently operating financial market plays a very crucial role in adding value to the health and efficacy of an economy. It is quite important to notice that there exists a very strong positive relationship between the development of the Financial Market and the growth of an economy. The Financial markets help to proficiently make a path for the flow of savings and investment in an economy, while facilitating the production of goods and services, together with the accumulation of capital. Collectively the combination of well-developed financial markets and institution benefit society at large because they suit the needs of the borrowers and the lender quite well, adding to the overall economy.

Meaning and the concept of Financial Markets

In Economics, conventionally, the term market refers to a place where potential buyers and sellers of a certain good or service meet to facilitate transaction or exchange between them. However, one needs to note that the term 'Market' is often used for more strict exchanges, for say, a stock exchange or exchange in finance.

Financial markets refer broadly to any marketplace where the trading of securities occurs, including the stock market, bond market, forex market, and derivatives market, among others. Financial markets are vital to the smooth operation of capitalist economies. Financial Market is a mechanism that allows people to buy and sell (trade) financial securities (such as stocks and bonds), commodities (such as precious metals or agricultural goods), and other fungible items of value at low transaction costs and at prices that reflect the efficient-market hypothesis. Financial Markets are typically defined by having transparent pricing, basic regulations on trading, costs and fees, and market forces determining the prices of securities that trade.

In the financial system, funds flow from those who have surplus funds to those who have a shortage of funds, either by direct, market-based financing or by indirect, bank-based finance. The former British Prime Minister William Gladstone expressed the importance of finance for the economy in 1858 as follows: "Finance is, as it were, the stomach of the country, from which all the other organs take their tone." It is important to note that Financial Markets facilitate: The raising of capital (in the Capital Markets), The transfer of risk (in the Derivatives Markets), The transfer of liquidity (in the Money Markets) and are used to match those who want capital to those who have it.

Roles of financial markets

Last three decades have witnessed economists' growing interest in exploring for a possible link between financial structure and economic activities. In more recent years, the horizon of economists' inquiry has expanded to include the interrelationship between financial infrastructure and economic development. Financial infrastructure of an economy is defined in this paper to include financial system, legal system, accounting standards, and payment and settlement system. The financial system consists of financial institutions, markets and instruments

The global financial crisis (GFC) in 2007–2009 has brought to light the importance of an efficient financial sector to the global economy. Following a series of recessions witnessed by emerging markets and the GFC, it has become blatant to practitioners, regulators, and researchers that the financial sector and macroeconomic variables are interrelated. Meanwhile, sustained economic growth is the primary focus of every economy

Despite covering many different asset classes and having various structures and regulations, all financial markets work essentially by bringing together buyers and sellers in some asset or contract and allowing them to trade with one another. This is often done through an auction or price-discovery mechanism.

- To facilitate saving by businesses and households: Offering a secure place to store money and earn interest
- To lend to businesses and individuals: Financial markets provide an intermediary between savers and borrowers
- To allocate funds to productive uses: Financial markets allocate capital to where the risk-adjusted rate of return is highest
- To facilitate the final exchange of goods and services: such as contactless payments systems, foreign exchange, etc.
- To provide forward markets in currencies and commodities: Forward markets allow agents to insure against price volatility

To provide a market for equities: Allowing businesses to raise fresh equity to fund their capital investment and expansion.

Building an Economic Laboratory: A Model with Two Sectors

One weakness of the above empirical approaches is that the findings do not shed much light on the exact mechanism through which finance affects economic growth. To answer this question, the third and final approach that I discuss here takes a different tack. Indeed, it turns the previous approaches on their head. It starts by building an economic model whereby financial markets do have an impact on the long-run economic growth. The question is not whether finance is a causal factor for economic development (which is true by assumption) but how big an impact financial development has on economic development

FGI- Financial Development Index; EG- Economic growth; FIAI- Access to Financial Institutions Index; FIDI- Financial Institutions Depth Index; FIEI- Financial Institutions Productivity Index; FII- Financial Institutions Index; FMAI- Financial Markets Access Index; FMDI- Financial Markets Depth Index; FMEI- Financial Markets Productivity Index; FMI- Financial Markets Index;

According to world economic forum WEF, the economic development variables are defined as the following:

First, The Competitiveness (COMP) is calculated within the Global Competitiveness index (GCI) by including a weighted average of many different components, each measuring a different aspect of competitiveness. Second, the Financial Market Development (FMD) measured by capital available for private-sector investment from the resources saved by a nation's population, as well as those entering the economy from abroad as loans from a sound banking sector, well-regulated securities exchanges, venture capital, and other financial products. Third, Labour Market Efficiency (LME) Measures the efficiency and flexibility of the labour market for ensuring that workers are allocated to their most effective use in the economy and provided with incentives to give their best effort in their jobs. Fourth, Market Size (MS) Measures the domestic demand by including both domestic and foreign markets in our measure. Fifth, Technological Readiness (TR) measures the agility with which an economy adopts existing technologies to enhance the productivity of its industries, with specific emphasis on its capacity to fully leverage information and communication technologies (ICTs) in daily activities and production processes for increased efficiency and enabling innovation for competitiveness. Sixth, Trade openness (OPN) measured by the sum of exports and imports to the Gross Domestic Production GDP, the higher value indicates more openness. Seventh, Good Market Efficiency (GME) measured based on demand conditions and Healthy market competition, both domestic and foreign. Eighth, Higher education and training (HET) Measures secondary and tertiary enrolment rates as well as the quality of education as evaluated by business leaders, the extent of staff training is also taken into consideration.

Historical Evolution of Financial Markets

The peculiar historical evolution of a country generally defines the financial system and the infrastructure of a country. This historical evolution is formed out of continuous interaction between public policy interventions and various players in the system over the period. Moreover, the public policy interventions are also the reproduction of thinking broadcasted by the regulators and the governments of that time, who carved them to maintain the balance between innovation and stability, together with achieving equilibrium between the role of state and the markets.

A similar trajectory has been shown by the evolution of Indian Financial Markets and the corresponding regulatory system. Initially, India started with establishing the Reserve Bank of India (RBI) as a banking sector regulator, and later by laying stones of the Ministry of Finance to regulate all the other financial sectors. Over time, the role of regulators has also advanced from being just an instrument for planned development to becoming the referee for a relatively modern and complex financial sector presently. Importantly, during transformation India has undertaken a variety of financial sector reform measures.

One of the important features of these reforms is that these reforms were designed by the authorities to perfectly line up with the international best practices, keeping in mind the cumulative needs of the country and other domestic factors. Moreover, these reforms can be largely categorized as steps taken towards:

1. Liberalizing the complete macroeconomic and regulatory environment under which most financial sector institution's function,
2. Providing strength to the institutions, while improvising their productivity and competitiveness,
3. Establishing a well-defined body to strengthen and oversee the working of the financial system.

Interdependence Between Different Financial Markets

In the empirical finance literature, the flow of information between various financial markets has always attracted much-needed attention from people working in this field. Researches point out the extent of correlation that exists between price shocks in one market and returns plus volatilities in another geographically distinct market. The wide focus of these studies generally revolves around the spill overs existing across markets within the equity, foreign exchange, and fixed-income segments, showing how much information has been transmitted across these markets within certain segments. And such analysis of transmission is quite important between markets for several reasons.

Firstly, the lagged information generated in another market is not much useful in predicting returns and volatility in the studied market, this has been proven by the notion of market efficiency. Also, if there exists a correlation in the news about fundamentals then the presence of spill overs does not imply failure of market efficiency. Secondly, to determine the persistence and magnitude of innovation it is essential to understand how shocks are propagated across markets. Lastly, learning about the price and volatility spill overs among the markets is helpful from a risk management perspective. It helps to analyses how markets are interrelated and designs elective strategies for hedging against shocks that are propagated across markets.

For economic policy-makers, awareness of the nature of volatility transmissions across markets is essential because: firstly, it assures with regards to the financial stability within an economy. If we put forth the argument that volatility can be transmitted across markets then, it can be claimed that large shocks in one market have a destabilizing impact on another market. Secondly, linkages across various financial markets help to examine the success of policy implementation. For instance, if a central bank wishes to change interest rates and at the same time curtail exchange rate volatility, it would be convenient to comprehend how an unanticipated interest rate change could distress the conditional variance of the exchange rate. Finally, more effective policies can be carved if policymakers could identify the depth and duration of impact which is left by a policy initiative in one financial market on other markets.

Literature Review

The first study examining the relationship between economic growth and financial development was done by Schumpeter (1911). According to Schumpeter (1911), it is necessary conditions for technological innovation and economic growth by activating savings by financial intermediaries, managing risk, evaluating projects, monitoring managers' performance and facilitating transactions. However, this view of Schumpeter has not been accepted by many economists. Economists who oppose this view believe that financial development is a relatively insignificant factor for economic growth. The relationship between financial development and economic growth differs from country to country. While financial development affects economic growth in some countries, the opposite situation is observed in some countries or there is no relation in some countries (Levine, 2005, p. 1-3).

While Robinson (1952) examines the relationship between economic growth and financial development, he argues that there is a one-way relationship between variables. According to Robinson (1952), if the demand for services offered by financial intermediaries in a country increases, financial development will occur in that country. These financial services are related to the real sector. The financial sector will develop as the real sector grows and develops. In addition, Robinson (1952) argued that the development in the financial sector could affect costs.

Patrick (1966) suggested that the relationship between economic growth and financial development can be bilateral. Patrick (1966) called this bilateral relationship the demand-traced and supply-led hypotheses. According to the demand-tracking hypothesis, there is a relationship from economic growth to financial development. This situation can be seen mostly in the economies of countries with little or no financial market development. In the supply-led hypothesis, it is argued that financial development will encourage economic growth. This situation is more common in countries with well-developed financial sector. It is possible to come across bilateral relations in countries with medium financial sector

One of the most discussed topic among economists is role of financial system in economic development, whereby every economist tend to hold a dramatically distinct opinion on the same. Bagehot (1873) and Schumpeter (1911) have reasoned that efficient financial system helps the economy of a nation to grow greatly. Indeed, Ross Levine has pointed on how Schumpeter held a convention that often well-functioning banks stimulate technological innovation in an economy by offering funding to various entrepreneurs, who hold a position to successfully implement innovative products and processes. However, it should be noted that more recent economists are often sceptical about the role played by the financial sector in the economic growth.

In 1952 Joan Robinson put forth the fact that economic growth creates demand for financial institutions. In 1988, Robert Lucas has sacked the finance-economic growth relationship asserting that economists 'badly over-stress' over the role that financial factors play towards the economic growth. Yet, we find that in recent years economists namely, Ross Levine, Robert King and others are making an effort to re-examine the role played by the financial markets in strengthening the economic growth.

On the theoretical side complex models have been established to exemplify the many channels through which the development of financial markets are affected by economic growth. These networks provides with the enablement of the trade hedging, pooling of risk, and diversification; the monitoring of managers and exerting corporate control; facilitation of the exchange of goods and services; and the efficient allocation of resources.

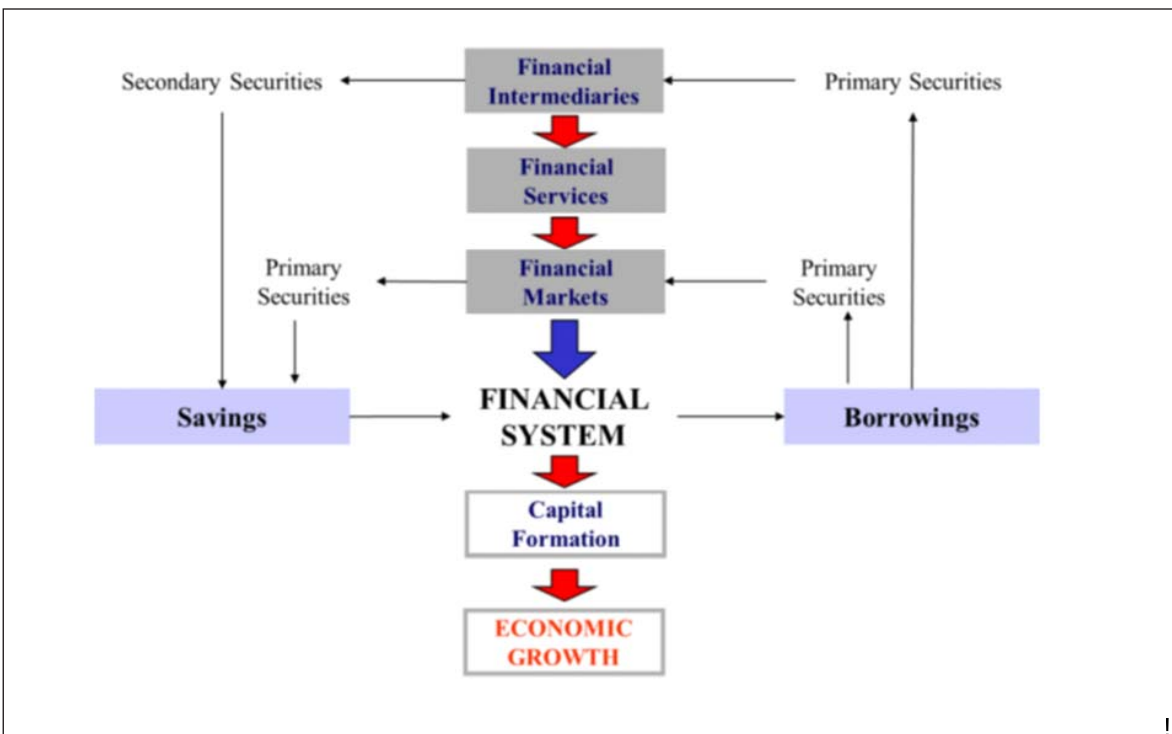
On the empirical side, a number of studies at the firm-level, industry-level, country-level and cross-country comparisons have confirmed the presence of a strong link between the financial sector and economic growth. Researches done by King and Levine's has shown that level of financial depth/defined as the ratio of liquid assets to GDP does in fact help to predict the pattern and nature of economic growth. Other work by Levine has revealed that financial intermediary development does positively influence economic growth, it even stands true when other factors that might influence the economic growth are kept constant.

Role of Financial Markets in Economic development

What is the association between the development of markets and economic development? It is quite interesting to note that that markets-especially financial markets – play a central role in economic development and similarly, economic development leads to the establishment of new markets.

Financial markets are the utmost means of channelling investment capital to its highest return uses. These markets also provide liquidity, and permit the efficient pooling of risk. Both of these activities alter the social composition of savings in a way that is (potentially) favourable to heightened capital accumulation. Finally, financial markets foster specialization in entrepreneurship, entrepreneurial development, and the adoption of new technologies. They do this by making funds available to probable entrepreneurs for activities which - in developed economies - must typically be commenced on a larger scale than any small number of individuals can readily afford.

The latter role of financial markets receives significant attention from Hicks (1969) and North (1981). They argue that the unique feature of the industrial revolution - compared with earlier times - was not particularly the development of new technologies. Indeed the steam engine and several other of the technological advances that played a prominent role in the industrial revolution were invented much earlier. Hicks and North claim that the industrial revolution was a revolution because, for the first time, the application of technical advances became a highly capital-intensive process. As a result, new technologies could be activated only by 'tying up' large-scale investments in illiquid capital for long periods. Moreover, the levels of investment required for the espousal of new technologies were large relative to the means of even the wealthiest individuals. This made the pooling of funds vital. In addition, as argued by North (1981), the provision of liquidity and the sharing of risk linked with financial market development considerably reduced the apparent costs of investing in innovation.



Another feature of economic organization that Hicks (1969) and North (1981) identify as being central to the development process is increased specialization.' By its very nature, increasing specialization in an economy implies that economic agents produce goods and services which they may not consume, and consume goods and services which they may not produce. In addition, it likely implies that producers will not be well-diversified in the absence of financial markets, and that therefore they will desire the risk-sharing services and access to external funding provided by such markets. Thus increasing specialization will require the support of a variety of trading institutions.

A final point raised both by Hicks and North is that there are important fixed costs associated with the formation of markets. Therefore, growth in the size of a potential market will reduce the costs to each participant of being active in that market. As an implication, a particular market may not become active until the economy has developed to the point where the market can sustain enough activity to make it 'cost-effective'. In other words 'threshold effects' will be observed in market formation. The connection between financial intermediation and growth has been modelled recently by Greenwood and Jovanovic (1990), Bencivenga and Smith (1991), and Obstfeld (1994). They have largely stressed on the fact that financial intermediation promotes growth by permitting a larger fraction of investment to be directed to activities with high (social) returns.

We have long known about the importance of the financial sector in supporting an efficient allocation of resources and economic growth. But it has perhaps not been so well recognized that as economies develop, the financial system becomes increasingly important either as a facilitator of economic growth (if it is performing its functions and developing with the rest of the economy) or as an inhibitor (if it remains underdeveloped). When economic activity is at its most basic, carried out within a confined geographical area with much subsistence activity, a relatively small fraction of total economic output is traded, and hence the need for money and finance is limited. Reliance on family finance can serve as a sufficient source of funds for small and even larger businesses.

As the variety of economic activities increases, not only in manufacturing, but also in agriculture and services, ease of recognition of "best projects" becomes more difficult. Reliance on family finance soon starts to inhibit growth. More financial intermediation is needed if incremental resources are to be allocated efficiently, because of constraints otherwise imposed on the growth of more profitable activities, especially when small. Banking comes to play a greater role in increasing resources for high-return activities and reducing the amount wasted in lower return ones. But, with healthy growth, competition is important, and both risk and return considerations are important. Hence, the financial system must grow in its ability to allocate resources.

As the economy grows, and grows more complex, the financial sector needs to keep pace. Banks need to grow and become more cultured in their capability to assess prospects for risks and returns; and, in parallel, there needs to be the development of other financial sources of investment capital. Sustained and rapid growth needs to be underpinned by a augmentation and deepening of the financial system, capable of serving the needs of all parts of the economy. Those economies that have sustained rapid growth over the long term have experienced massive structural change, as they have shifted from being largely rural and agricultural to a more urban, manufacturing-and-service-based structure.

Policy Implications

Analysis shows that, when the financial markets are not functioning properly, there is room for a government to intervene and improve upon the allocation of capital across firms. It is critical for the countries experiencing rapid growth to develop a healthy financial sector. This is why, today in most emerging markets and developing countries, much emphasis is placed on enabling the reforms which provides basis for improvement and innovation in the functioning of the financial systems. At the initial stages of development, this essential means stepping towards strengthening the rights of the lenders and the borrowers, lowering the cost of procuring credit, streamlining means for settlement of the disputes and development of a credit rating system.

Recently, the World Bank provided with the data on a number of countries relating to the same issue, whereby it has created a scale ranging from 1 to 10 (highest) indicating the degree to which the borrowers' and creditors' rights are being protected. It has been observed that most of the industrial countries have received high ratings (such as US getting a rating of 10 and Australia securing a rating of 9). On the other hand, countries like Mexico scored 2, Argentina scores 3, and some countries even fall at the score of 1 and 0.

Provision of credit ratings, usually through private credit bureaus, is also extremely variable across countries. Again, industrial countries have scored well, whereas Brazil has coverage of about half the population, and Costa Rica less than 5 percent. More than half of the 55 countries surveyed had no private credit bureau coverage at all. The cost of creating collateral for loans also varies extensively. World Bank numbers estimate that it is less than 0.1 percent of per capita income in the United States and the Untied Kingdom. By way of comparison, it is 8.1 percent of per capita income in Korea, 2.7 percent in Japan, 11.7 percent in India, 20.7 percent in Nigeria, and 62.2 percent of per capita income in Morocco.

The ability to enforce contracts also matters. In most industrial countries, the time to achieve legal enforcement is around 6 months (250 days in the Untied States, 75 days in France), while in developing countries it can be much more: 591 days in Bolivia, 425 in India, and 1,000 in Poland. Clearly, incapability to implement loan obligations can itself impasse financial development.

Policy reforms necessitating raising the efficiency of bankruptcy proceedings, reducing the cost of collateral, enforcing contracts, and improving other aspects of the financial nexus are clearly imperative. But so, too, is the development of an well-organized (and implemented) regulatory framework, and competition within the banking system. How this is achieved can vary significantly from country to country, but there is a strong presumption that the development of arms-length lending, competition within the banking system, and provisions that permit timely enforceability of contracts clearly matter.

Economies need to establish a well-developed banking systems once they have conceded the early stages of development. The real lesson is that the financial system must develop. It must surely include a banking system in which there is competition and risk and returns can be evaluated proficiently. But if the banking system is slanted, that will lead to distortions in the rest of the financial sector as well. Hence, the more sources of finance in a competitive framework, the better placed the financial sector is to play its role.

These conclusions have recently been strengthened by work done by Prasad, Rajan and Subramanian. In evaluating the role of foreign capital inflows on growth, they found a distinct difference between industrial countries (where inflows on average spur growth after controls are introduced for the standard growth-determining variables) and low-income countries, where the evidence suggests a perverse link (and where there are net capital flows from poor countries to richer ones). They also note that this obstinate link is not found for direct foreign investment.

Clearly, the financial sector is not the key to development, any more than human capital or physical capital growth were. However, failure to develop the financial sector can put an huge brake on growth prospects and, indeed, if the issue is not addressed, can prevent development efforts. For countries where there is a strong obligation to growth, the lesson is clear: devotion needs to be rewarded to financial sector issues as growth proceeds, unless it is preferred to wait for a crisis to force the necessary reforms.

Role of Financial markets in Covid 19 situation

The sudden occurrence of COVID-19 pandemic has impacted the global economy severely and at pace. Although the global markets have already become accustomed to economic shocks due events happening in the past century, however, the COVID-19 pandemic was different because it stemmed from a global health crisis that quickly morphed into a grave economic crisis. The combined force of this crisis has severely impacted markets and individuals globally. Millions have been unemployed or furloughed at home. Companies and businesses, especially smaller ones, have been crippled by low or no revenue.

The crisis highpoints the necessity for pressing action to cushion the pandemic's health and economic costs, protect exposed populations, and set the stage for a eternal recovery. For emerging market and developing countries, many of which face daunting vulnerabilities, it is essential to empower the public health systems, address the challenges postured by informality, and instrument reforms that will provide back up for strong and sustainable growth once the health crisis subsides.

Banks are at a make-or-break moment. The pandemic was the eventual intuitive punch, testing banks' resilience in unanticipated ways. Yet, they are emerging sturdier. And they now have found a fresh principle: They can overcome practically any challenge that comes their way. In this crisis, the financial sector and the large financial institutions that provide credit, enable access to capital and support secondary markets have been a key part of the solution. They assisted stabilize volatile markets, cushioned the initial influence of the economic shutdown, provided much-needed liquidity to customers and helped to swiftly reinstate confidence, thereby significantly restraining the degree of the economic impact of the pandemic.

Conclusion

Economic theory suggests that sound and efficient financial systems—banks, equity markets, and bond markets—which channel capital to its most productive uses are beneficial for economic growth. Sound and efficient financial systems are especially important for sustaining growth in developing Asia because efficiency of investment will overshadow quantity of investment as the driver of growth in the region

It is worth noting that financial markets play a very crucial role in our economic system, by allowing the global commerce to operate smoothly and continuously without breaks. By providing open and regulated systems, financial markets help the companies to raise substantial amounts of capital. Indeed, this process takes place very smoothly through the stock and the bond markets. Moreover, markets also allow the businesses to equipoise risk by accessing commodities, foreign exchange futures and other derivative markets.

Additionally, a well-functioning financial system helps in endorsing the process of financial deepening and augmentation. The financial system backs the economic development not only by means of technical progress but also in its own right. It plays a very important role in promoting economic growth, by creating incentives for investment and fostering trade and business linkages. By directing savings into productive investment and smoothing capital inflows, financial markets stimulates investment in both physical and human resources. The relation between the capital and output is quite strong, direct and monotonic, this is why economic development tends to depend adversely on the rate of capital formation.

The operation of the financial system exerts a powerful influence on economic growth and the opportunities available to individuals. Well-functioning financial systems allocate resources to those with the best ideas and entrepreneurial skills, enhancing efficiency and expanding economic horizons. Poorly functioning financial systems funnel credit to those with strong political and social connections, with harmful ramifications on economic welfare.

References

- *Buera, Francisco J.; Kaboski, Joseph P.; and Shin, Yongseok. "Finance and Development: A Tale of Two Sectors." The American Economic Review, 2011, Vol. 101, No. 5, pp. 1,964-2,002.*
- *Dougall, Herbet E. and Jack E.Gaumnitz(1980) Capital Markets and Institutions (Prentice Hall, Englewood cliffs)*
- *King, Robert G.; and Levine, Ross. "Finance and Growth:Schumpeter Might Be Right." The Quarterly Journal of Economics, 1993, Vol. 108, No. 3, pp. 717-37.*
- *PIMCO, "Lessons from the March 2020 Market Turmoil," February 2021*
- *Polakoff, Murray E. and Thomas A. Durking (1981), Financial Institutions and Markets (Houghton Mifflin, Boston) Smith, Paul F.(1971),*
- *Smith, Paul F.(1971), Economics of Financial Institutions and Markets (Richward D.Irwin, Homewood)*
- *Rajan, Raghuram G.; and Zingales, Luigi. "Financial Dependence and Growth." The American Economic Review, 1998, Vol. 88, No. 3, pp. 559-86.*

Er. Sunil Dasari,
Senior Manager, Bank of Maharashtra, Head Office, Puna

KISAN CREDIT CARD SCHEME

(Farmers engaged in Agriculture Allied Activities including Fisheries/ Aquaculture)

India is the 3rd largest Fish Producing and 2nd Largest Aquaculture Nation in the World after China. The 'Blue Revolution' in India demonstrated importance of Fisheries and Aquaculture sector.

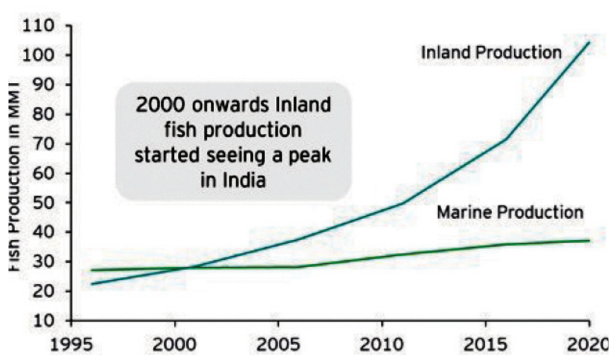
The Sector is considered as a **Sunrise Sector** and is poised to play a significant role in the Indian Economy in near future. In the recent past, Indian Fisheries Sector has witnessed a paradigm shift from Marine dominated fisheries to Inland fisheries, with the latter emerging as a major contributor of fish production from **36%** in the mid-1980 to **70%** in the recent past. Within Inland Fisheries, a shift from Capture to Culture-based Fisheries has paved the way for sustained Blue Economy.

Even though Aquaculture and Inland Fisheries have grown-up in absolute terms, the development in relation of their potential is still to be understood. The unutilized and underutilized resources, in the form of 191,024 km of Rivers and Canals, 1.2 million Ha of Floodplain Lakes, 2.36 Million Ha of Ponds and Tanks, 3.54 million Ha of Reservoirs and 1.24 Million Ha of Brackish Water resources offer Great Opportunities for enhanced production along with Livelihood Development and ushering Economic Prosperity.

In the year 2018-19 budget the Union Government had declared their decision in order to extend the Kisan Credit Card (KCC) facilities to

- Animal Husbandry farmers and
- Fisheries (AH & F)

To help them meet their working capital requirements. In pursuance of the said budget announcement the matter has been examined, and in consultation with all stakeholders by RBI, and instructed to the Commercial Banks / SFBs / RRBs to extend the KCC facility for Working Capital requirement for activities related to 'Animal Husbandry' and 'Fisheries'.



Fish Production in India has witnessed a Tremendous Growth by showcasing a Production increase from **0.75 Million MT** during **1950-51** to the Current Production of **14.1 Million MT**.

Till 2000, Marine Fish Production dominated India's total fish production.

However due to practice of Science-based Fisheries, Inland Fisheries in India has seen a Turnaround and Presently Contributes ~70 % of Total Fish Production.

Purpose:

The KCC facility will meet the Short-term Credit requirements of rearing of

- ≈ Animals,
- ≈ Birds,
- ≈ Fish,
- ≈ Shrimp,
- ≈ Capture of Fish,
- ≈ Other Aquatic Organisms.

Eligibility:

The criteria for eligible beneficiaries under KCC for Animal Husbandry and Fisheries will be as under:

Fishery:

Inland Fisheries and Aquaculture: Fishers, Fish Farmers (Individual & Groups/ Partners/ Share Croppers/ Tenant Farmers), Self Help Groups, Joint Liability Groups and Women Groups.

The beneficiaries must own or lease any of the fisheries related activities such as pond, tank, open water bodies, raceway, hatchery, rearing unit, possess necessary license for fish farming, activities which are related to fishing, allied activities and any other State specific fisheries.

Marine Fisheries: The above mentioned beneficiaries, who possess their own or lease registered fishing vessel/boat, hold required fishing license/took approval for fishing in sea and estuary, fish farming/mariculture activities in open sea and estuaries or any other State specific fisheries and allied activities.

Other Agriculture Allied Activities eligible under KCC are:

a) **Poultry and Small Ruminant:** Farmers, poultry farmers either individual or joint borrower, Joint Liability Groups or Self-Help Groups including tenant farmer of sheep / goats / pigs / poultry / birds / rabbit and having owned / rented / leased sheds.

b) **Dairy:** Farmers and Dairy farmers either individual or joint borrower, Joint Liability Groups or Self-Help Groups including tenant farmers having owned /rented/leased sheds.

Scale of Finance:

District Level Technical Committee (DLTC) will fix the scale of finance based on the local cost worked out on the basis of Per Unit/Acre/Per Animal/Per bird etc.

Under Scale of Finance the Working Capital Components in Fisheries, may include

- Recurring Cost Towards Seed.
- Feed.
- Organic and Inorganic Fertilisers.
- Lime / Other Soil Conditioners.
- Harvesting and Marketing Charges.
- Fuel / Electricity Charges.
- Labour.
- Lease Rent (if Leased Water Area) etc.

For capture fisheries, working capital may include the cost of fuel, ice, labouring charges, mooring / landing charges etc. may form part of the scale of finance.

The working capital components in Animal Husbandry, under the scale of finance, may include recurring cost towards feeding, veterinary aid, labour, water and electricity supply.

The maximum limit for the valuation of working capital requirement will be depending on the completion of one production cycle or cash flow statement.

Fisheries and Animal Husbandry experts of the Govt. may be made members of the DLTC for giving technical inputs for assessing the cash credit requirement.

Progressive entrepreneurs of fisheries/ livestock sector may also be incorporated in the DLTC in order to provide field level inputs during the process if assessment of the working capital requirements.

General Guidelines:

The Beneficiaries should always Lease or Own any kind of Assets which are related to Fisheries like Tanks, Ponds, Open Water Bodies, Boats, Raceways, Hatcheries, Nets, Rearing Units, and other Fishing Gear because the case may be and possess necessary Authorisation/Certification as may be applicable in respective States for Fish Farming and Fishing related activities and for any other State Specific Fisheries and Allied Activities.

Drawing power: The drawing power will be worked on the basis of the latest valuation of stocks, receivables and/or cash flows as per terms of sanction.

Repayment: The loan will be in the nature of a revolving cash credit limit. Repayment is fixed based on the cash flow/income generation pattern of the activity commenced by the borrower.

Monitoring of end use: The account/smart card for the loan issued under the scheme is to be maintained/issued separately from the existing KCC loan to monitor the utilization limit. The monitoring of end use of funds will be in line with other loans (KCC on crop loans included) viz., field visits to the site of unit/project to be carried out by the branch officials for checking the progress of the unit. Banks will review intermittently all the facility and continue/withdraw/scale down the facility depends on the presentation and performance of the borrower.

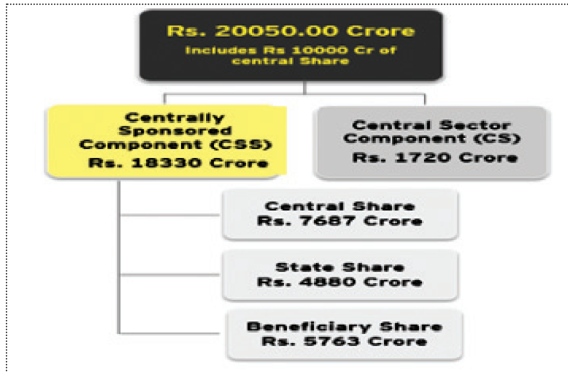
Prudential norms: The extant asset classification, prudential norms on income recognition, and provisioning on allied activities will be applicable.

Rate of Interest: The rate of interest will be as stipulated in DBR's Master Direction – Reserve Bank of India (Interest Rate on Advances) Directions, 2016.

All the remaining guidelines are mentioned in "Kisan Credit Card Scheme" for Short Term Crop Loans will be Applicable Mutatis Mutandis.

Other Government Sponsored Scheme in Aquaculture:

Under the Atmanirbhar Bharat COVID-19 relief package, in May 2020 the Government of India has approved a flagship scheme called Pradhan Mantri Matsya Sampada Yojana (PMMSY) by recognizing the potential and importance of the Fisheries Sector. The scheme is launched with a vision to bring about "Blue Revolution" through sustainable and responsible development of fisheries sector. The figure below details out the estimated investment under PMMSY:



Conclusion:

Under PMMSY several Matsya Seva Kendras - One-Stop Shop Extension Centres are established to further Strengthen the potential of 'Inland Fisheries' in an efficient manner. These centres are run by Local Beneficiaries to serve the Fishers and Fish Farmers for all their fisheries needs.

For aquatic animal health management- 2 Aquatic Referral Laboratories in Bihar, 1 Disease Diagnostic Laboratory in Delhi and 4 Disease Diagnostic and Quality Testing Mobile Laboratories in Uttar Pradesh along with numerous fish kiosks, ice plant / cold storages, fish feed mill / plants, fish transportation facilities, enterprise units have been sanctioned. Additionally, many community outreach activities such as training programs, World Fisheries Day, fish festivals etc have been organised by NFDB in collaboration with the States/UTs, ICAR fisheries Institutes.

Under the KCC (Kisan Credit Card) Scheme, timely and adequate credit support is provided by the Banking System, to the farmers for their agricultural needs through a simplified single window procedure. The credit is provided to meet the agricultural need in respect of

- To meet the short-term credit requirements for cultivation of crops;
- Post-harvest expenses;
- Produce marketing loan;
- Consumption requirements of farmer household;
- Working capital for maintenance of farm assets and activities allied to agriculture;
- Investment credit requirement for agriculture and allied activities.

Support from both Government and Banking System, enhances the opportunities of the Agriculture Sector by entering into the new avenues of Agriculture and Allied Activities in India.

References:

a) *RBI Circular No: RBI/2022-23/51 FIDD.CO.FSD.BC.No.6/05.05.010/2022-23 dtd.:18th May, 2022.*

b) *RBI Circular FIDD.CO.FSD.BC.12/05.05.010/2018-19 dtd.: 4th February, 2019.*

GEOPOLITICAL EFFECTS ON PENSIONS

Shri Mohit Yadav
Assistant General Manager,
Pension Fund Regulatory and Development Authority

Introduction

Seldom do we think that an event that might be happening thousands of miles away from us maybe in a different continent, country, time zone might affect our personal savings and investment kitty. But with growing interlinkages between the financial systems and cross border network of counterparties, such ramifications of the unforeseen events irrespective catastrophic or not certainly has an impact on the individual's wealth with varied magnitude.

Geopolitical scenario since 2020

In the recent past we have witnessed unprecedented events like COVID 19 wherein unanticipated countrywide lockdowns across the geographies have stalled not just the international travel and economy but have even hampered the day to day life of the individuals. Many countries adopted vaccine diplomacy not only to strengthen the relationships with other countries but also as a soft power international relation tool.

Geopolitical conflicts in various regions have led to considerable fluctuations in crude oil prices, disruption in global supply chains and trade imbalances forcing countries to adopt an inward-looking policy for self-sustenance in expectation of a resilient economic growth.

Macro variables: monetary and fiscal policy

Fiscal and monetary policies of the countries and their central banks need to be synchronized and work in tandem to safeguard the economy from adverse shocks. The complementary nature of both the policies directly impacts the financial stability of the system as the demand side interventions can help in addressing the supply side shocks to a certain extent. It also influences the risk appetite of the individuals which sequentially impacts the returns on the funds and its resultant wealth accumulation and formation. The current economic developments have forced the institutions to communicate with forward guidance to minimize the volatility and enabling investors to rebalance their portfolios by minimizing risk.

Factors effecting pension wealth

Inflation and disposable income

The recent developments in Eurasia has resulted in major trade related disruptions and imbalances. The supply chain of commodities has been impacted leading to the spike in their retail prices in the country of consumption. To add on to the whammy, the crude oil prices have seen high degree of volatility due to supply shocks. However, to contain its effects from wholesale to retail levels various measures have been taken by the Governments and Central Banks. Nonetheless, the inflation has risen to higher levels as compared to the previous years and is expected to continue to sustain at such level rather as contemplated to be just transitory in nature.

Inflation directly effects the disposable income of the individuals. With the percentage share of necessary commodities increasing in the consumption basket and the investments taking a back seat. The same would also impact the quantum of savings done by the individuals. With change in disposable income irrespective of change in income levels, to sustain credibility an individual would prefer to risk adjustments and absorption mechanism by service the existing debt obligations of EMIs regularly rather than maintaining the savings/ investment levels required for an event like retirement bound to happen in the future.

Volatility in financial markets (Equity/Gsec/ Corporate bonds/Alternate assets)

Geopolitical developments directly impact financial market of economies. With changes in macro-economic scenario, the Foreign Institutional Investors (FIIs) are the earliest to react. A net infow/outflow of FII in the financial markets translates into the returns generated by the associated scripts/securities.

Considering the significant weightage of FIIs in macro as well as micro levels, the liquidity movements across the borders in anticipation of any monetary/fiscal changes leads to major price movements. During price discovery, the resultant demand-supply mismatch gets reflected in the price of the underlying stock and the financial portfolio of the investor.

Since COVID, the financial markets have seen major corrections with the onset of events. The equity markets closed significantly lower in March 2020 and similar fluctuations were seen subsequent to the Eurasia conflict. On the other end of the spectrum, GSec yields have risen consistently since 2020 only to be regularly intervened by the Central Banks to balance between the economic growth objectives and taming the inflation. The monetary policy stance of various Central Banks across the globe have moved from being neutral (pre 2020) to accommodative and now further towards withdrawal of liquidity for targeting inflation. However, considering mandate to control cost of borrowings in the economy and the ever-evolving dynamics, the Central banks are bound to increase the interest rates. An increase in interest rate would eventually reflect in the G Sec yields and the returns of the underlying portfolio.

For Corporates, the risks and effects are multinational. Geopolitical developments may not only affect them in the country of origin but also in other countries of their operation. The balance sheet of the companies would reflect the impact on its top line (revenues) and bottom line (profits) even if the two economies/ country aren't majority interconnected. From supply side, the corporate shall become a risky entity for investment and leading to reduction of the demand side parties only to increase the promised yield on the floated instrument to keep it lucrative enough for the investment basket. Few slow quarters of business performance for a multinational may also lead to suboptimal returns in the portfolio wherein the script has been included.

Currency risk is another variable which can germinate from Geopolitical events. Pension funds having exposure to international/foreign assets can have a dent on portfolio returns in case of foreign exchange volatility. Recent crash of Rubble after onset of the conflict resulting in suspended trading is a typical example of such knock-on effect. Similarly, a sovereign default may lead not only in degradation but to a complete erosion of the intrinsic value of the asset.

Annuities (lump sum and interest rates)

The corpus/lump sum amount available for anodization and the interest rates can be considered be major financial factors effecting the annuity rates. If the accumulated corpus is not adequate enough to get the desired amount and type of annuity then the objective of retirement planning doesn't get accomplished. After all the planning, accumulation and investment in the pension pot over the period years has been done to maintain the standard of living equivalent to preretirement to the best extent possible. Hence, to benefit from power of compounding, the individuals needs to start saving early and in a reasonable proportion to their income levels. External risks can dent the income levels of the individual that may eventually impact the amount of investment being done by them while maintaining the same consumption levels. Behaviourally, in case of exigencies we tend to focus more on the resolution of the current situation which may come at the cost of long-term effects on pension corpus.

Another variable that maybe deliberated upon is the prolonged interest rate prevailing in the economy. Considering other variables like longevity and mortality tables remaining unchanged; a continued tenure of low interest rate would eventually push the annuity providers to readjust the annuity rates offered by them to the prospective annuitants. Similarly, a higher interest rate scenario would benefit the new entrants by virtue of availing better annuity rate for same annuities as offered earlier. In expectation of the returns that an annuity provider can generate from the lump sum they are provided from the annuitant may have an impact on the annuity rates being offered by them on the same product in the future. As Fixed income instruments are a preferred investment options for annuity providers, similar to the case of Gsec, the geopolitical effects would have a considerable impact on the monetary policy of the country and eventually impact the related yields and portfolio returns of the annuity service provider.

Risk mitigation measures

Just like any other risk, even Geopolitical risks needs to be managed. The ramifications of such risks can be catastrophic if not addressed timely. Early warning mechanism with define indicators can be a very useful tool to monitor any upcoming/ensuing risk in the financial system and to adopt a proactive approach. Parameters related to macroeconomic interlinkages along with defined bands of fluctuations can be monitored to red flag any deviations.

Parallels a stress testing mechanism for the pension portfolios at institutional level maybe contemplated to foresee the quantification of changes and effects of geopolitical events on the overall as well as individual's pension portfolio/corpus.

Another risk management tool which can be contemplated is by the way of diversification. Adding asset classes to the pension portfolio shall help not only in benefiting from higher returns from alternate and maybe riskier assets, it also helps providing stability to the overall portfolio in case of any shocks that might arise in any particular asset class which otherwise might be having a higher weightage.

Conclusion

Geopolitical events can be categorized as low frequency-high impact events. But considering the nature of such happenings their magnitude and impact on associated economies may vary. Interlinkages with the financial systems & markets can be considered to be one of the major variables defining such ramifications.

Pensions just like any other financial product is vulnerable to macro level fluctuations and its impact on the related financial instruments. However, considering long term nature of accumulation, the impact of such events/risks should be kept minimal.

Suitable risk mitigation measure should be undertaken along with the monitoring mechanism to keep necessary checks and balances in place and to ensure that the corrective measures can be adopted and implemented in a timely manner.

An individual availing annuity with distressed financial markets at the time of retirement may be better off deferring to avail the annuity. Also, to ensure that the level of savings towards an important life event such as retirement doesn't get ignored, the individuals can establish and maintain an 'emergency fund' in a certain multiplier of the monthly income and expenses. Such emergency fund shall safeguard that any income related fluctuations are taken care off by the side pocketed money instead of loosing onto the long-term benefit of compounding on the retirement corpus.

The views expressed are personal and do not necessarily represent that of the Authority.

WALK OF INSURANCE SECTOR IN INDIA

Dr. Jyotsna Haran *(Retired)*
Presently Visiting Professor in Mumbai.

Abstract

Insurance is HEDGING the risk of an individual relating to almost every aspect say, life, house, travel, health, accident, fire, theft, vehicle, medical…so on. Though it is very old concept, related to as old as evolution of societies, but it has not walked so long as it has been in other parts of the world. It could not reach to masses. In India, life insurance has been a fundamental element of most individuals' life cycles. For a few, it is a financing opportunity while others refer to it as a security net to support for their people's up comings in case of unfortunate demise.

In the walk of insurance sector, it has faced many problems, ups and downs, but now it is in quite developed phase and opening of the sector has helped it grow a lot.

Foundation of the Concept of Insurance

Insurance is an agreement, characterized by a statement, in which an entity accepts monetary safeguard or settlement compared to costs from an insurance company. The firm puts together policy holders' risks to make expenses more reasonable for the assured. Insurance is HEDGING the risk of an individual relating to almost every aspect say, life, house, travel, health, accident, fire, theft, vehicle, medical… so on. Though it is very old concept, related to as old as evolution of societies, but it has not walked so long as it has been in other parts of the world. It could not reach to masses.

In India, insurance has a deep-embedded record. It discovers reference in the works of Manu (Manusmrithi), Yagnavalkya (Dharmasastra) and Kautilya (Arthasastra). The books speak in periods of sharing of funds that could be re-supplied in times of mishaps such as blaze, surges, pandemics and food crisis. This was possibly a pre-indicator to contemporary day assurance. Earliest Indian history has protected the original bits of coverage in the form of aquatic business mortgages and shippers' bonds. Insurance in India has grown over time drawing from other countries, England in particular.

Modern insurance can be tracked in the past to the city's Great Fire of London, which appeared in 1666. When it demolished thirty thousand households, a dude identified Nicholas Barbon set up a structure of insurance company. He later launched the city's first fire insurance corporation.

In India, life insurance has been a fundamental element of most individuals' life cycles. For a few, it is a financing opportunity while others refer to it as a security net to support for their people's up comings in case of unfortunate demise.

The Indian Life Assurance Companies Act, 1912 was the first statutory measure to regulate life business. In 1928, the Indian Insurance Companies Act was enacted to enable the Government to collect statistical information about both life and non-life business transacted in India by Indian and foreign insurers including provident insurance societies. (DNA, 2011).

As per the suggestions of the Malhotra Committee report, in 1999, the Insurance Regulatory and Development Authority (IRDA) was instituted as a self-governing body to standardize and expand the insurance business. The IRDA was integrated as a legal body in April 2000. The basic aims of the IRDA comprise campaign of competition to boost customer gratification because of enhanced consumer preference and smaller premiums, while safeguarding the financial insurance of the market.

An Ordinance was released on 19th January 1956 nationalizing the Life Insurance sector and Life Insurance Corporation came into being in the similar year. The LIC attracted 154 Indian, 16 non-Indian insurers as also 75 provident societies-245 Indian and foreign insurers in all. The LIC had domination till the late 90s when the Insurance sector was resurrected to the private sector.

Parent of Insurance Sector --- IRDA

This is the mission (IRDAI, n.d.) of IRDA

To protect the interest of and secure fair treatment to policyholders.

- Ø to bring about speedy and orderly growth of the insurance industry (including annuity and superannuation payments), for the benefit of the common man, and to provide long term funds for accelerating growth of the economy.Ø to set, promote, monitor, and enforce high standards of integrity, financial soundness, fair dealing, and competence of those it regulates.
- Ø to ensure speedy settlement of genuine claims, to prevent insurance frauds and other malpractices and put in place effective grievance redressal machinery.
- Ø to promote fairness, transparency and orderly conduct in financial markets dealing with insurance and build a reliable management information system to enforce high standards of financial soundness amongst market players.
- Ø to take action where such standards are inadequate or ineffectively enforced.
- Ø to bring about optimum amount of self-regulation in day-to-day working of the industry consistent with the requirements of prudential regulation.

Present phase of the sector

Economic survey of 2020-21 has recorded insurance penetration to as low as 3.76 percent. It is really too low, but put it from different perspective, the sector has tremendous scope and potential keeping in mind the size of the population and huge goods market. Insurance penetration is computed as ratio of insurance premium to GDP.

The penetration in non-life segment, in fact, slipped to 0.94 per cent from 0.97 per cent in 2018. The life insurance segment recorded higher penetration at 2.82 per cent from 2.74 in 2018. (Sharma, 2021).

"Globally insurance penetration was 3.35 per cent for the life segment and 3.88 per cent for the non-life segment in 2019. Although the penetration is lower in India for both, it is particularly low for non-life insurance as compared to other countries," says Economic Survey.

The pandemic period has contributed to the better performance of the sector. The pandemic has increased the potential for health and life insurance in India.

The following are the two key components of 'Ayushman Bharat': (https://www.ibef.org/, n.d.)

Establish Health and Wellness Centres (HWCs): Launched in February 2018, the scheme aimed to provide extensive healthcare services to citizens closer to their homes by establishing 1,50,000 Health and Wellness Centres (HWCs)

Pradhan Mantri Jan Arogya Yojana (PM-JAY): Launched in September 2018, the scheme aimed to offer secondary and tertiary care services to the vulnerable population in the society. The policy aimed to offer medical coverage of Rs. 5 lakh (US$ 6.63 thousand) per family per year for secondary and tertiary care hospitalization to >10.74 crore poor and vulnerable families (i.e., ~50 crore beneficiaries), which constitute the bottom 40% of India's population.

Future of the sector

In 2018, the Government of India launched the 'Ayushman Bharat' scheme (as outlined by the National Health Policy 2017) to make healthcare services more accessible and affordable to citizens and aid the country in achieving its target of universal health coverage (UHC) by 2030.

The expansion of the insurance market is being backed by significant government authorities' projects, powerful democratic considerations, favourable supervisory situation, enhanced alliances, product improvements, and exciting allocation paths.

The boost in the FDI in Insurance from 49% to 74% announced in the Union Budget (Feb2021) shall further help in pushing increased dissemination and coverage by facilitating supplementary opportunities for capital funding needed for the extension of the insurance industry in India. The sector has enough margin to grow.

Conclusion

The awareness of insurance concept has yet to reach to common people. Motor vehicles insurance has grown fantastic and would grow with wide coverage. But other aspects of it require revolutionary scheme. People do not like the concept psychologically may be because it gives money to the family after death, in case of life insurance. Some people are of the opinion that demise soul can not see anything, so why to after death about the family. Another thing daughters are not insured for life because of social reasons. Too much of documentation is also the reason of not getting attraction. The aspects of moral hazard, adverse selection and asymmetrical information also trouble to policy holders.

References:

1. *Dhanuka, R. (n.d.). Insurance market in India is expected reach $250 bn by 2025. Retrieved from https://www.investindia.gov.in/.*
2. *DNA. (2011, July 11). https://www.dnaindia.com/special-features. Retrieved from https://www.dnaindia.com/.*
3. *https://timesofindia.indiatimes.com/toireporter/author. (2021, August 22). https://timesofindia.indiatimes.com/business. Retrieved from https://timesofindia.indiatimes.com/.*
4. *https://www.esic.nic.in/. (n.d.). https://www.esic.nic.in/ . Retrieved from https://www.esic.nic.in/.*
5. *https://www.ibef.org/. (n.d.). https://www.ibef.org/. Retrieved from https://www.ibef.org/: https://www.ibef.org/government-schemes/ayushman-bharat*
6. *IRDAI. (n.d.). https://www.irdai.gov.in/ADMINCMS/cms/NormalData_Layout. Retrieved from https://www.irdai.gov.in/Defaulthome.aspx?Page=H1.*
7. *Kagan, J. (2021, October 12). https://www.investopedia.com/terms/i/insurance.asp. Retrieved from https://www.investopedia.com/terms/i/insurance.asp.*
8. *Sharma, A. (2021, January 29). https://www.businesstoday.in/latest/economy-politics. Retrieved from https://www.businesstoday.in/.*

INSURANCE LAWS

CMA Vadapalli Srinivas
Head- Legal of one of the Leading Life Insurance Companies in India

"If I had my way, I would write the word 'insure' over every door of every cottage and upon the blotting pad of every public man, because I am convinced that, for sacrifice that are conceivably small, families can be secured against catastrophes which otherwise would smash them forever."

– Winston Churchill

Insurance has evolved over a period of decades and gone are the days when life insurance was considered more as a savings instrument and less as a security to the family against the loss of life of the Breadwinner of the Family. So, life insurance products which offered maturity value [technically called "Endowment type products"] were the insurance plans that were sold most in yester years. For simplification, we may broadly categorise life insurance products into two types, viz., Term Insurance Plans and Endowment Type Plans. Term Insurance Plans offer purely risk cover during the chosen term and if the Insured survives the term of the insurance cover, nothing will be payable. In another words, Term Insurance plans do not have any maturity value to be paid at the end of the term of the insurance cover. In contrast, Endowment type plans, offer insurance cover during the term of the policy and offer maturity value as well at the end of the term if the Insured is alive as at the end of the term of the policy. Obviously, the premium for endowment type plans is higher than that for Term Insurance plans.

Not in the very distant past [even today in some cases], talking about death is a taboo in a house, more so in rural areas. Generally, life insurance policy pays money when the insured person dies. But, no person wants to hear about his/her own death and this has become a big challenge in canvassing term insurance plans which offer only death benefit during the term of the policy. So, traditionally, endowment type products have come handy for canvassing life insurance with the general emphasis on maturity benefits under the policy and making a veiled reference to the death benefit as well. So, over a period of time, life insurance plans are seen as saving products akin to small savings schemes of the Post Office and the Fixed Deposits of the Banks. The core benefit of financial cover in case of unfortunate death of the insured remained under-appreciated or not-appreciated at all. Endowment Products obviously charge a higher premium than term assurance products. Over a period of time, the endowment type of products have become the mainstay of life insurance companies.

In life insurance policies, the policyholder has to pay the consideration, called premium. In endowment type of plans, the insurance companies have to pay the maturity value with or without bonus depending on the nature of plan chosen by the insured. The amount for which insurance cover is granted is called "Sum Assured" in life insurance contracts. Sum Assured is the amount payable, only in case of death of the insured during the term of the policy in case of Term Insurance Plans while it is the amount payable either during the term of the policy in case of unfortunate death of the insured or at the end of the term of the policy [called maturity value], if the insured is alive as on the date of maturity of the policy. Thus, the payment of sum assured is a definite obligation under endowment type of policies either during the term of the policy [if the insured dies] or at the end of the term, if the insured is alive. Hence, in Endowment type of policies, investment portfolio becomes a very critical and crucial portfolio for a life insurance company.

In Endowment type of policies, part of the premium is used as risk premium and the balance is carefully invested by the Insurance Company in Government and Government approved Securities as per the Investment Regulations. As the investment returns under the Government and Government approved securities are not very high, a new type of policies has emerged, called Unit Linked Insurance Plans, more popularly known as 'ULIPs". The ULIPs are akin to Endowment Type Policies with the basic difference that the investment risk is entirely borne by the Insured where the Insurance Company offers a bouquet of investment options with Equity, Debt and money market instruments in various proportions and the Insured can choose his investment portfolio based on his/her risk appetite. Higher risk means obviously, higher exposure to the Equity Markets. It is widely believed that long term investment in equity portfolio gives a higher return than the government securities. Thus, ULIPs have taken care of both the aspects of life cover and a better return, provided, the insured keeps paying the premium and stays invested throughout the entire term of the policy. It is always prudent to opt for long term insurance covers rather than for short term insurance covers because, long term insurance cover offers lower premium and better returns, particularly under ULIPs.

With this brief background and without getting into further technicalities, let us understand some important aspects of Insurance Laws. Though there were many legislations governing insurance in India, the most notable legislation was the Insurance Act, 1938. Subsequently, many provisions of the said Act have been amended in December 2014 by an Ordinance and the Insurance Laws [Amendment Act], 2015 was gazetted on March 23, 2015. As per the Short title and commencement, the amended Act shall be deemed to have come into force on 26th Day of December, 2014.

A. Section 41 of the Insurance Act deals with "Prohibition of Rebates". Section 41reads:"[1] No person shall allow or offer to allow, either directly or indirectly, as an inducement to any person to take or renew or continue an insurance in respect of any kind of risk relating to lives or property in India, any rebate of the whole or part of the commission payable or any rebate of the premium shown on the policy, nor shall any person taking out or renewing or continuing a policy accept any rebate, except such rebate as may be allowed in accordance with the published prospectuses or tables of the insurer"

Provided that acceptance by an insurance agent of commission in connection with a policy of life insurance taken out by himself on his own life shall not be deemed to be acceptance of a rebate of premium within the meaning of this sub-section if at the time of such acceptance the insurance agent satisfies the prescribed conditions establishing that he is a bona fide insurance agent employed by the insurer.

(2) Any person making default in complying with the provisions of this section shall be punishable with fine which may extend to five hundred rupees."

Under the Insurance Laws [Amendment Act], 2015, this provision has been amended as ***"(2) Any person making default in complying with the provisions of this section shall be liable for a penalty which may extend to ten lakh rupees."***.

Thus, it is obvious that offering of rebates or acceptance of rebates will attract a penalty which may extend to Ten Lakh Rupees. The Insurance Companies offer certain rebates in premium rates depending on the mode of payment of premium or the amount of insurance cover and such proposed rebates are notified in the product features filed with the Regulator and such rebates in premium rates are not hit by this section as can be seen from the Proviso to Section 41[1]. Further, if an Insurance Agent insures his own life and is entitled to commission like any other insurance policy, such payment of commission to the insurance agent is also not hit by this section.

B. Section 38 of the Act deals with Assignment and transfer of insurance policies and these provisions have been amended in 2015 Amendment.

38. (1) A transfer or assignment of a policy of insurance, wholly or in part, whether with or without consideration, may be made only by an endorsement upon the policy itself or by a separate instrument, signed in either case by the transferor or by the assignor or his duly authorised agent and attested by at least one witness, specifically setting forth the fact of transfer or assignment and the reasons thereof, the antecedents of the assignee and the terms on which the assignment is made.

Prior to the amendment, there was no provision for assignment for a part of the policy. The Assignment used to be absolute. Another notable feature of the amendment is that the antecedents of the assignee have to be given which was not there in the past. The Insurer may accept or decline to act upon any endorsement made under sub-section (1), where it has sufficient reason to believe that such transfer or assignment is not bona fide or is not in the interest of the policyholder or in public interest or is for the purpose of trading of insurance policy. The provision enabling the insurer to accept or decline to act on any endorsement of assignment was not there prior to the amendment. In case the Insurer declines to act on such an endorsement of assignment or transfer, the aggrieved party may prefer a claim to the IRDAI.

Section 38 [10] deals with conditional assignment and permits conditional assignment and the relevant section reads:

"Notwithstanding any law or custom having the force of law to the contrary, an assignment in favour of a person made upon the condition that—

(a) the proceeds under the policy shall become payable to the policyholder or the nominee or nominees in the event of either the assignee or transferee predeceasing the insured; or

(b) the insured surviving the term of the policy, shall be valid:

Provided that a conditional assignee shall not be entitled to obtain a loan on the policy or surrender a policy."

It may be noted that conditional assignment shall be valid even if there is any other law or custom having the force of law to the contrary.

It has to be noted that there cannot be more than one assignment under a policy of insurance, in terms of Section 38[11] of the Act [Amended Act].

C. Section 39 of the Act deals with Nomination. The provisions of this section have also been widely amended in 2015.

"39. (1) The holder of a policy of life insurance on his own life may, when effecting the policy or at any time before the policy matures for payment, nominate the person or persons to whom the money secured by the policy shall be paid in the event of his death:

Provided that, where any nominee is a minor, it shall be lawful for the policyholder to appoint any person in the manner laid down by the insurer, to receive the money secured by the policy in the event of his death during the minority of the nominee. "

It is necessary to observe that the holder of a policy of life insurance on his own life may nominate. Thus, an Assignee or Transferee of a policy of life insurance, [who is not the life assured himself or herself,] cannot nominate as per the provisions of the Act.

In terms of Section 39[4] ***"A transfer or assignment of a policy made in accordance with section 38 shall automatically cancel a nomination"*** except under the following cases:

- In case of assignment of a policy to the insurer who bears the risk on the policy at the time of the assignment, in consideration of a loan granted by that insurer on the security of the policy within its surrender value, or its reassignment on repayment of the loan shall not cancel a nomination, but shall affect the rights of the nominee only to the extent of the insurer's interest in the policy.
- The transfer or assignment of a policy, whether wholly or in part, in consideration of a loan advanced by the transferee or assignee to the policyholder, shall not cancel the nomination but shall affect the rights of the nominee only to the extent of the interest of the transferee or assignee, as the case may be, in the policy.
- The nomination, which has been automatically cancelled consequent upon the transfer or assignment, the same

nomination shall stand automatically revived when the policy is reassigned by the assignee or retransferred by the transferee in favour of the policyholder on repayment of loan other than on a security of policy to the insurer.

Prior to the Amendment, if the Policyholder dies after the date of maturity but prior to the date of payment of maturity value, the nomination used to be invalid and the title under the policy in such a case was considered to be an open title and this used to cause difficulties in proving the title under the policy for payment of policy value. Section 38 [11] removed this difficulty. Section 38 [11] reads: ***"Where a policyholder dies after the maturity of the policy but the proceeds and benefit of his policy has not been made to him because of his death, in such a case, his nominee shall be entitled to the proceeds and benefit of his policy."*** Thus, the Nominee is entitled to maturity proceeds under a policy if the policyholder dies after the date of maturity but before the payment of maturity value.

There is a reference to the Beneficial Nominees who are classified as parents, or spouse, or children, or spouse and children, or any of them.

Section 39 contains 11 sub-sections and it is recommended that the Act may be referred to for understanding the provisions of Nomination completely.

Though a holder of a life insurance policy on his own life may name any person as the nominee under the policy, it may be understood that the rights of a nominee are not absolute and it is necessary to refer to the judgment of the Apex Court in Civil Appeal No. 96 of 1972 in a case titled as Sarabati Devi vs Usha Devi in their order dated 06.12.1983, the Apex Court held:

"that a mere nomination made under section 39 of the Act does not have the effect of conferring on the nominee any beneficial interest in the amount payable under the life insurance policy on the death of the assured. The nomination only indicates the hand which is authorised to receive the amount, on the payment of which the insurer gets a valid discharge of its liability under the policy. The amount, however, can be claimed by the heirs of the assured in accordance with the law of succession governing them."

D. Insurance is a contract of utmost Good Faith and the insured is expected to not to suppress any material facts in the proposal form while proposing for insurance. If the Insured does not disclose complete facts in the proposal, the Insurance Company is well within its rights to rescind the contract and not to honour any claim under such policy if the Insurance Company comes to know about non-disclosure of material facts at a later stage. A material fact is any information that may influence the judgement of a prudent insurance underwriter in deciding whether to accept a risk or not and if to accept the risk, at what premium and terms and conditions. The insurer may call the policy in question at any time within 3 years from the date of the policy, if there is evidence to prove that the life insured has suppressed material facts.

Section 45 of the Insurance Act states that no policy shall be called in question on the grounds of misstatement after 3 years. The Section 45 [1] reads:

"45. (1) No policy of life insurance shall be called in question on any ground whatsoever after the expiry of three years from the date of the policy, i.e., from the date of issuance of the policy or the date of commencement of risk or the date of revival of the policy or the date of the rider to the policy, whichever is later."

- Hon'ble Supreme Court in their judgment dated 10/07/2009 in the case of Satwant Kaur Sandhu Vs. New India Assurance Co. Ltd. (civil appeal no. 2776 of 2002) observed: *"Nonetheless, it is a contract of insurance falling in the category of contract uberrimae fidei, meaning a contract of utmost good faith on the part of the assured. T**hus, it needs little emphasis that when an information on a specific aspect is asked for in the proposal form, an assured is under a solemn obligation to make a true and full disclosure of the information on the subject which is within his knowledge. It is not for the proposer to determine whether the information sought for is material for the purpose of the policy or not.**"*
- Hon'ble Supreme Court in appeal no.2197 of 1970 – LIC of India vs. Rajavasi Reddy, has observed ***"A contract concludes only when the party to whom an offer has been made accepts it unconditionally and communicate his acceptance to the person making offer. Similarly, the mere receipt and retention of premium until after the death of the applicant or mere preparation of the policy document is not acceptance and doesn't give rise to contract-acceptance must be signified by some act or acts agreed on by the parties or from which the law rises a presumption of acceptance"***

From the above, it is evident that the person seeking insurance cover should give true and accurate answers to the questions in a proposal for insurance. It will be in the interest of the person seeking insurance to not to suppress any material information in the proposal form which may entitle an insurance company to rescind the contract at a later date when the insurance company can establish suppression of material facts by the proposer for insurance.

Note: *Any views or opinions represented in this article are in the author's personal capacity and do not represent those of people, institutions or organisations that the author is associated with.*

THE ART AND A SCIENCE OF ASSET ALLOCATION

Shri Dibyendu Mukherjee,
M.Com, MBA (Finance)
Personal Finance Professional

Investment decision has traditionally been centred around choosing the "best" fund or stocks (or an "asset class" for that matter). In their quest to "maximising" returns, investors, more often than not, stay oblivious of the risk that this strategy entails - the Concentration Risk.

Investors use the concept of net present value (NPV) to distinguish high quality stocks, where in stocks are valued by discounting their future cash flows. Stocks that are capable of generating more money at a quicker rate are given greater preference.

NPV theory has shortcomings as selecting the "best" portfolio under this logic means selecting a single stock with the highest expected NPV. Loading up of a single stock or similar kind of asset classes (say, stocks from same sector/ industry) is fraught with immense risk. Discernibly, if the market adversely impacts the chosen set of stocks or asset class, the portfolio value comes crashing down, and the objective of maximising returns falls flat.

Origin of Modern Portfolio Theory (MPT)

How to liberate investors from this conundrum, and achieve an optimal return even while keeping the risk (volatility) mitigated? The way was shown in the year 1952 by noted economist and Nobel Laureate, Harry Markowitz through his epic work that forms the core of modern day investment management process. He demonstrated that volatility of a portfolio that is created by blending of different assets is less than the volatility of the sum of its part.

To understand the math behind blended returns, let's start with a simple case of two investment choices and two years.

Investment "A" goes up 30% the first year, and 0% the second year.

Investment "B" goes up 0% the first year, and 30% the second year.

If you invest in either A or B, you get a 30% return over two years. Your average volatility is 15%. Volatility is measured using Standard Deviation; where

$$\sigma = \sqrt{\frac{\sum(X-\mu)^2}{n}}$$

σ = Standard Deviation

X = Terms Given in the Data

μ = Mean

n = Total number of Terms

It seems no matter how you mix these two investments, you can't get more than a 30% return over two years. But you can. And you can lower your volatility as well.

Imagine a blended portfolio of half invested in A and half invested in B. The first year you would experience a 15% return, and the second year a 15% return. Your volatility would be 0%. Lower volatility means a more efficient portfolio.

You would have both lower volatility and higher returns. Compounding returns would produce a total return over the two years of 32.5%. You experience a higher return because after half of your portfolio invested in A grows by 30% the first year, you "rebalance" your portfolio. So half of the growth from investment A is rebalanced and put into investment B. Half the growth would experience another 30% growth the second year when investment B did better. Thus, your total return (compounded) for two years would be 32.5%.

Asset Allocation - Fixing the Right Investment Mix

Asset allocation - getting the right balance between different asset classes is the cornerstone of a successful Financial Planning. Blending of different assets (equities, bonds, gold, real estate, overseas investments et al) can produce a unique shade of risks and returns. Interestingly, the risk-return profile of these blended portfolios can be better than any of their component assets independently (refer above illustration).

Investment research and empirical evidences have demonstrated that asset allocation of an investment portfolio is by far the most significant factor in determining long-term investment performance.

In fact, the asset allocation decision can be more important than the choice of individual stocks or asset classes themselves. This proposition, even intuitively, makes sense because individual stocks within a particular asset class (say, same sector or industry) may move in tandem, i.e. they may be highly correlated. It is like "putting all eggs in the same basket". Asset allocation facilitates getting rid of this by diversifying the investments across different assets.

To understand the effects of blending different assets, MPT also entails knowing how much the assets move in sync with one another. The statistical tool used is "Correlation Coefficient". Two asset classes that move completely together have a correlation coefficient of +1.0, and if they move completely opposite, their correlation coefficient is -1.0. The lower the correlation, greater is the benefit of mixing two asset classes. Using asset allocation strategies to invest in inversely correlated (or lowly correlated) assets is a form of Risk Reduction, and enables long-term superior portfolio performance. For example, Stocks and Bonds, normally, tend to move in opposite directions (i.e. inversely correlated) under different interest rate cycles. And, blending these two is a classical diversification strategy for portfolio risk reduction.

The portfolio giving the highest return for a given level of risk is the most efficient and optimal. Every investor should strive to construct an Efficient Portfolio for themselves for long- term superior investment outcomes.

The Efficient Frontier

Markowitz suggested it was important for investors to determine the level of diversification that best suited them. This can be achieved through what he called Efficient Frontier - a graphical representation of the set of efficient (optimal) portfolios that offer the highest expected returns for a defined level of risk, or the lowest risk for a given level of expected returns. By positioning along the efficient frontier curve, investors could:

1. At every level of return, create a portfolio that offers the lowest possible risk.
2. For every level of risk, create a portfolio that offers the highest return.

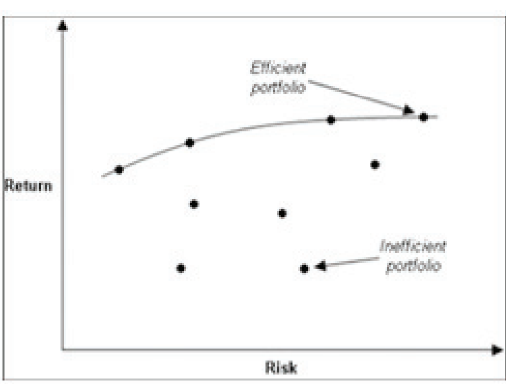


Figure 1. Efficient Frontier

According to Markowitz, any portfolio that falls outside the efficient frontier is considered sub-optimal because it carries too much risk relative to its return, or too little return relative to risk undertaken. Portfolios that lie below the efficient frontier don't provide optimum return compared to the risk level. Portfolios that lie to the right of the efficient frontier are also sub-optimal because they have a higher level of risk for the defined rate of return. Portfolios along the efficient frontiers are the ones that are efficient, and investors need to choose portfolios along the efficient frontier curve to experience the optimal investment outcome.

Choosing Your Asset Allocation

Since each asset class has its own risk-return characteristics, investors should consider their Risk Tolerance, Financial Goals and investment Time Horizon as the key determinants for their asset allocation. All of these are important considerations as investors look to create efficient portfolios and stay positioned along the efficient frontier.

The current market volatility, consequent upon surging macro risks like global inflation, rising interest rates, looming fear of recession and geo political tensions call for far greater emphasis on asset allocation. The need for efficient portfolio construction is beyond exaggeration!

SIP (SYSTEMATIC INVESTMENT PLAN)

Shri Sudhakar Kulkarni
Certified Financial Planner CM

SIP (Systematic Investment Plan)

A systematic Investment Plan, popularly to as an SIP, allows you to invest a small sum regularly in mutual fund scheme of your choice and risk-taking ability. By activating an SIP, a certain fixed amount (Generally minimum Rs.1000 for most of the mutual funds) is deducted from your bank account every month. which gets invested in the mutual fund of your choice.

Unlike a lump sum investment, you spread your investment over time with an SIP. Therefore, you don't need to have a large amount of money to get started with your mutual fund investment. By investing via an SIP, you are keeping aside certain sum of amount in your bank account which is transferred to the chosen mutual fund scheme on the date chosen out of available dates.

How does SIP works?

While investing in mutual fund through SIP mode you invest certain fixed amount (for e.g., Rs.10000 per month), this amount is transferred to chosen mutual fund on fixed date every month (for e.g., Say 10Th of every month) from your bank account to which you have given ECS mandate. Against this investment every month you receive units of the said chosen fund equivalent to your fixed investment amount/NAV of the said scheme on the date on which your amount is received by the mutual fund. Suppose you have chosen SBI Blue Chip scheme and on 10th May 2022 NAV of SBI Blue Chip is Rs.55.0434 the 10000/54.0739 =184.9321 units of SBI Blue chip will be credited to your folio on 10th May 2022. In this fashion every month Rs.10000 will be transferred from your bank account on 10Th of every month till you desire through ECS and units will be credited to your folio however every month number of units credited to your account will depend upon the NAV on that day. For e.g., the NAV of SBI Blue Chip on 10ThJune 2022 goes to Rs. 55.0128 then number units credited to your folio 181.7759 if next month on 1oth July NAV goes to 51.0228 the number units credited to your folio will be 10000/56.0123=195.9908 and changes in NAV and UNITs accordingly are as shown below for one year.

SIP AMT	NAV	UNITS
10000	54.0739	184.9321
10000	55.0128	181.7759
10000	51.0228	195.9908
10000	50.0997	199.602
10000	52.1237	191.8513
10000	53.1458	188.1616
10000	48.9957	204.0995
10000	53.9969	185.1958
10000	58.0455	172.2786
10000	53.9984	185.1907
10000	52.7746	189.4851
10000	60.6639	164.8427
120000	643.9537	2243.406
	53.6628	53.4901

From the above table it is clear that over a period of one-year average NAV comes to Rs.53.6628 whereas average cost per unit comes to Rs.53.4901, When the markets are down, you purchase more fund units while you purchase fewer units when the markets are up. Since NAV of all mutual funds are updated on a daily basis, the cost of purchase may vary from one SIP instalment to another. Over time, the cost of purchase averages out and turns out to be on the lower side. This is known as rupee cost averaging. due to this rupee cost averaging SIP investment for longer periods return on investment is seen higher than one-time lump sum investment, since this benefit is not available when you invest a lump sum.

Various Advantages of SIP investment

1)Investment with small amount:

Investment can be started with small amount (minimum of Rs.1000 per month) but there is no limit for maximum amount monthly SIP as such one can start SIP with any amount suitable to him. It is simple and most convenient way to start investment to meet our financial goals, it also inculcates financial discipline. (Few mutual funds allow you start with minimum Rs.500 only.)

2)Rupee cost averaging:

When the markets are down, you purchase more fund units while you purchase fewer units when the markets are up. The averaging of unit price of equity mutual funds for long term reduces the risk arising out of short-term volatility in the market.

3)Higher returns than traditional investments:

Equity and hybrid mutual funds have potential to give much better returns than traditional investments such as PPF/NSC/Bank FD/ Sukanya Samruddhi. Though returns are not guaranteed however it is seen that returns for longer period (more than 5 years) are in the range of 12 to 15 % which are nearly or even more than the returns from PPF/NSC/Sukanya Samruddhi/Bank FD, SIP investment in following funds has given annual returns as shown below for the period of last 5 years

Sr No	Name of the fund	Annualised return%
1	Nippon India Small Cap Fund	28.25
2	SBI Small Cap Fund	24.30
3	Mirae Asset Emerging Blue-Chip fund	23.65
4	Kotak Small Cap Fund	29.00
5	Quant Tax Plan	24.80
6	Axis Blue Chip large cap	18.50
7	Canara Robeco Blue chip fund	18.08
8	Axis Mid-Cap Fund	21.13
9	Parag Parikh Flexi-Cap Fund	21.51
10	Mirae Asset Tax Saver Fund (ELSS)	22.45

4) you become disciplined investor.

5)SIP creates emergency fund:

You can stop your SIPs at any time, and the fund house has no say in this. Also, you can redeem your investment at any time (if there is no lock-in period) partially or fully as per requirement.

How to invest in Mutual Fund through SIP:

You can start investment in mutual fund through SIP very easily. This can be done online as well as offline whatever you find convenient. However, in today's era online mode is much suitable option because you can do this sitting at your home and at your convenient time. Similarly, there two options for investment of which one is regular and other direct. In both these options you can do the investment offline as well online. When you are investing in mutual fund for the 1st time you have to comply KYC norms, this one-time activity for subsequent investments KYC is not required. KYC can be done online as well as offline. In both these modes while investing in mutual fund through SIP you need to select mutual fund and it's scheme suitable to your risk appetite, then you need to decide convenient date of ECS debit (in ECS form there 4-5 dates), also you have to submit ECS mandate having details of your bank account such as Bank Name & Branch, Account number, IFSC code, MICR code etc. In offline mode you need to enclose 1st cheque of investment amount, same amount will be debited to your account and will transferred to mutual fund scheme which you have selected. Same will be continued till you cancel ECS mandate. In online mode you will receive payment link from the mutual fund which you have selected on your mail id, you have to make 1st payment on this link online and there after it will be continued till you cancel ECS mandate.

In direct plan expense ratio is lower than regular plan as such those who are having sufficient knowledge of mutual fund should invest in direct plan and will always get more value than regular plan since payment made to agent/distributor is recovered from your invested amount as such NAV of regular plan is lower than direct plan which makes considerable difference for long term investment.

How to use SIP for Financial Planning

SIP is one of the best tools for financial planning such as children education expenses planning, retirement planning, contingency planning.

1 Suppose your son /daughter is 3 years old and you want make provision for education expenses. You can manage education expenses up to school level education say up to the age of 18 of the children. However, suppose the child is to pursue Engineering Degree course of 4 years after passing his higher secondary and today's cost for this 4-year course is say Rs.6lakh then assuming 6% inflation this cost after 15 years will be aprox. Rs.15 to 16 lakh, to accumulate this amount in next 15 years you need to have SIP of Rs.2500 per month in equity mutual fund for next 15 years this accumulates almost required amount at the beginning of his education.

2) Suppose you are self-employed person of age 35 having monthly income of average Rs.one lakh and your current house hold expenses are Rs.50000/pm and you want to do retirement planning which will take care expenses after retirement maintaining your current life style. Assuming that you will be retiring at the age of 65 and likely to survive till the age of 80 and inflation all throughout will be 6%. Further it is assumed that you are investing in equity mutual fund through mutual fund and post retirement in hybrid mutual fund having equity exposure of about 40%, equity returns are assumed at 12% and hybrid returns are assumed at 10%. Required retirement corpus will be Rs.4 crore approximately. If he invests in equity mutual fund with monthly SIP of Rs.10000 he will in position to built the required corpus of Rs.4 crore by the time he retires.

3) As regards contingency requirement he can withdraw required amount only from his SIP investment without discontinuing the SIP.

Types of SIPs:

1)Set -up or Top- up SIP:

A set-up or top-up SIP enables you to increase SIP investment at specific interval (say half yearly/yearly) by specific amount or percentage. For e.g., you can use top up of 10% increase per year.

2)Perpetual SIP:

This SIP will continue as long as you wish to invest having no end date.

3)Flexible SIP:

In this SIP you can change the amount according to your preference.

SIP can be paused for 3 months to enjoy this facility you need to submit pause request either offline or online and the expiry of this period SIP starts again. If you do not pay 3 successive SIP instalments your SIP stands cancelled but there is no penalty you can redeem all the units at the then NAV.

You can stop your SIP and redeem partially or fully as per your choice at the time of cancelling SIP or you can stop SIP also redeem when you want at the then NAV.

Right duration for SIP depends upon your financial goal and time to achieve the said goal.

In short, we can say SIP is best suited investment option for your financial planning with investment options to choose suitable to your risk appetite. It is easy to invest with much needed flexibility. Online SIP calculators will help you know the amount you can receive after specific period if you invest certain amount with reasonable return expectations, for e.g., if you are investing Rs.20000 per month for ten years in equity MF and expected returns are 14%then the expected corpus would be Rs. 52 lakh as against the total investment of Rs.24 lakh.

FINTECH & BANKING- COMPLEMENTARY TO EACH OTHER

Ms Shweta Shah
Tax Professional

Financial Technology (Fintech) is used to describe new technology that seeks to improve and automate the delivery and use of financial services. Fintech includes different sectors and industries such as education, retail banking, fund raising and non profit, and investment management, etc.

Among functions which incorporate fintech include depositing cheques with smart phones, money transfers, managing investments, applying for credit and any assistance that do not require a person but uses technology.

Examples of Fintech:

- Digital Lending and Credit
- Mobile Banking
- Mobile Payments
- Crypto currency & Blockchain
- Insurance
- Trading

Way of Use of Fintech by Banks:

Fintech is equipping the banking industry with tools that makes it more efficient than ever before. Banking institutions are using tools like chatbots to enhance customer experience, mobile apps to give customers real-time looks into their bank accounts and machine learning to secure against fraud.

How fintech affecting banks?

Fintech empowers consumers to take charge of their financial decisions, leading to **much greater financial literacy** than before. Thus, Fintech combines traditional financial services with the latest digital technology and Big Data Products, making banking customers' lives easier.

Similarities between Fintech and Banks:

Both aim at providing consumers with seamless financial services

Difference between Fintech and Banks:

- ✓ **Definition:** Fintech is a new technology that automates and improves the delivery of financial services. While Banks refer to financial institutions that are licensed to accept deposits from customers and make loans.
- ✓ **Purpose:** While fintech companies focus on making the customer experience seamless through convenience, functionality, personalization and accessibility, banks focus on security and the management of financial risks.
- ✓ **Structure:** Fintech has organizational structures with fewer barriers to trends which encourages innovation. On the other hand, banks have a rigid organizational structure that may restrict quick rolling of innovation changes.
- ✓ **Reliance:** While fintech companies rely heavily on technology, banks do not rely heavily on technology advancements.
- ✓ **Collateral:** Fintech has lenient and flexible collateral requirements. On the other hand, banks have strict collateral requirements.

Fintech as complement to Baking Sector:

Financial Technology (Fin Tech) should be viewed as a complement rather than a threat to local banks according to HSBC Philippines President and CEO Jose Arnulfo "Wick" Veloso.

Although the emergence of Fin Tech has put a pressure on banks in terms of delivery of financial services, President Veloso said that this innovation will lead to an evolution of the local banking industry.

Fintech Companies and start-ups should not be considered as a “disruptive force” but rather a new rival in the delivery of financial services. So we can say that “Fintech complements rather than threatens Banking Institutions.”

A credit report is a document that contains basic credit information on a borrower from which banks and other lending institutions may gauge the creditworthiness of the individual or institution that wishes to borrow money from them.

While Fintech companies and start-ups will be able to provide local banks with innovative ways of distributing their financial products and services, credit reports from the CIC will help banks and other lending institutions evaluate borrowers through their credit report which would be cost-effective and time-wise.

Importance of Fintech:

Fintech reduces overall transaction costs. The high use of digital payments has resulted in a small effect in GDP and job creation. Fintech innovation around digital payments reduces costs and expands access for new customers-individuals and merchants- to payment means.

Fintech is shaping the Future of Banks:

With the globalization of the world economy, which has already restructured the way businesses were conceived, Fintech is relentlessly striving to make it even better by means of automatizing the delivery and utilization of financial services through technology. With the rapid increase in the digitization, technologies have certainly gained the upper hand in the global market segment to influence everything it deems fit. For instance, Fintech is being massively employed to help the diverse sectors of the economy, and consequently the society as a whole.

For instance, even other businesses like commerce, hospitality, or transportation are adopting new technological ways to obviate operational inefficiencies. And in response, these technological breakthroughs are helping these businesses manage their financial operations, processes, and thereby the overall experience of the consumers and the employees alike. By exploiting these sophisticated algorithms disguised as technology through computers and smart phones, businesses have actually advanced beyond their expected horizons.

Fintech has transformed the art of providing world-class financial services. The convergence of both finance and technology has resulted in a phenomenal change which in further response has heightened the pace of evolution and reshaping of the financial as wells as the Banking sector.

And if there is a sector that is the most advantaged due to the introduction of Fintech, it is the small start-up enterprises due to the emphasis on developing innovative technology such as Online Banking and payments and overall financial management.

Financial Service providers have applauded the Fintech boom as it offered them increased efficiency for handling consumers and also lowered the cost of providing these services. Moreover, it has promoted innovation that can be easily approached by the customer as well as the service provider to experience what it is like to run a business or how is it like to receive facilities. The most impacted areas by Fintech are:

- ➢ New offers to the prospective customers as per their changing needs
- ➢ Building a good relationship with the customers by enhancing the interaction
- ➢ Griping the existing data and analytics
- ➢ Enhancing the business with refined operating capabilities.

Aspects of Fintech in shaping the Future of Banks:

1. Higher Customer Satisfaction: Fintech is rediscovering customer satisfaction and management of the banking business with equality importance. The merging of digital trends with customer expectations has resulted in authorizing the customer digitally. However, the major loophole is that still remains that some industry players are rushing on outdated customer-oriented solutions, which is not the demand of customers these days.

2. Facilitating 24*7 customer service: Fintech is offering various services to the bank customer, e.g. 24*7 access, social media integration, and other online facilities. It is also providing a platform where prospective customers can compare and research the offers of the banks.

3. Providing robust solutions to the customer: By fathoming the urgent and engrossed needs of the customer, Fintech is able to provide smart and robust solutions to the customers in the banking business. Fintech has started expanding defined and highly effective solutions for banks that have managed to cover all the segments that had been neglected by banks in terms of offerings.

4. Providing value-added services: Fintech is developing value-added solutions and

features that can easily be integrated with bank platforms through Application program interfaces. It allows the banks to make efforts for integrating and for streamlining the operational capabilities of the banks.

5. Accommodate Partnership: Globalization and increased competition between the banks and financial service providers has resulted in direct partnership across the Fintech ecosystem.

6. Emerging new banking models: Fintech is changing the banking industry in a better way by revolutionizing and by giving the people easy access to financial services.

Issues faced by the future Banks with Fintech revolution:

For the first time, the revolution of Fintech in the banking business is giving millions of people access to financial services. However, new banking models are emerging with Fintech Companies, and Fintech firms are inadvertently disturbing the existing state of affairs associated with finance. And, unfortunately, educational and financial institutions are not preparing future bankers for these changes which are inarguably a critical need for sustenance.

The present need is to not only make the students in the finance sector aware of the shift but to make them learn how to leverage the power of technology in finance. At present, it is very much required to build the necessary skills from the very initial stage. As a result, it will help the next generation of financial professionals who are well versed in technology and its potential.

Conclusively, banking businesses should focus on domestic talent by collaborating with educational institutions to develop skills in the financial sector and technology.

Fintech is booming and has created a new and innovative way of interconnecting with the existing and prospective customers. As Fintech has transformed the banking business by providing smart services, better customer connectivity, and value-added services; Fintech is ruling the world and financial sector and it is important to adopt the technologies which are transforming the financial sector. Bankers are required to possess unique skills and innovations and by implementing the same for the new banking industry.

References:

✓ http://www.differencebetween.net/business/difference-between-fintech-and-banks/

✓ https://www.google.com/h?q=fintech+meaning&oq=fintech&aqs=chrome.3.69i57j0i433i457i512j0i512j0i433i512j0i5121 5j0i433i512.5128j0j15&sourceid=chrome&ie=utf-8

✓ https://www.yodlee.com/fintech/what-is-fintech

✓ https://enterslice.com/learning/

CENTRAL BANK DIGITAL CURRENCY - CBDC

The "Digital Rupee" will be based on Blockchain Technology and is expected to be up and running by the end of March 2023. This Digital Rupee will be financed by the Reserve Bank of India.

Digital Rupee would also lead to a less costly and more efficient Currency Management System. The Finance Minister Smt. Nirmala Sitharaman said the Digital Currency would offer a "**Big Boost**" to the Digital Economy.

"Introduction of Central Bank Digital Currency" (CBDC) will give a big boost to the digital economy. Digital currency will also lead to a more efficient and cheaper currency management system. It is therefore proposed to introduce Digital Rupee using blockchain and other technologies and to be issued by the Reserve Bank of India starting in 2022-23."

Finance Minister Smt. Nirmala Sitharaman.

How much money does the Government of India Spend to Print Currency Notes?

The Government of India Spends through Reserve Bank of India:

₹4.18 to print every ₹ 2,000 Notes.

₹2.57 for ₹500 Note and

₹1.51 to get a ₹100 Note printed, as per Bharatiya Reserve Bank Note Mudran (P) Ltd.

₹ 1.01 is spent to print a ₹50 Note.

Cost to Print ₹ 20 Note, ₹ 1, is a Paisa cheaper than the Cost of Printing a ₹ 10 Note.

Dr. Sai Sudha Puvvala

The thrust of currency management of the Reserve Bank of India is to make available an adequate quantity of clean notes in circulation. The last year witnessed a higher-than-average increase in banknotes in circulation primarily due to precautionary holding of cash by the public during the COVID-19 pandemic and its prolonged continuance. The Reserve Bank continued its efforts toward upgrading the infrastructure for currency management. The following is the particulars of Currency Notes Pieces and Value of Circulation in the Economy are as follows:

Bank Notes in Circulation (End-March) – 2021

Denomination (₹)	Volume (Pieces in Lakh)	Value (₹ Crore)
2 and 5	1,11,728	4,307
	(9.0)	(0.2)
10	2,93,681	29,368
	(23.6)	(1.0)
20	90,579	18,116
	(7.3)	(0.6)
50	87,524	43,762
	(7.0)	(1.5)
100	1,90,555	1,90,555
	(15.3)	(6.7)
200	58,304	1,16,608
	(4.7)	(4.1)
500	3,86,790	19,33,951
	(31.1)	(68.4)
2,000	24,510	4,90,195
	(2.0)	(17.3)
Total	12,43,671	28,26,863

Note:

1. Figures in parentheses represent the percentage share in total volume/value. They may not add up to 100 due to the rounding-off of numbers.
2. Figures may not add up to the total due to the rounding-off of numbers.

(Source: RBI)

The total value of Coins in circulation increased by 2.1 percent in 2020-21, while the total volume increased by only 1.0 percent. As of March 31, 2021, Coins of ₹1, ₹2, and ₹5 together constituted 83.8 percent of the total volume of coins in circulation, while in value terms, these denominations accounted for 77.6 percent.

Coins in Circulation (End-March) – 2021

Denomination (₹)	Volume (Pieces in lakh)	Value (₹crore)
Small coins	1,47,880	700
	(12.0)	(2.6)
1	5,12,597	5,126
	(41.7)	(19.1)
2	3,37,863	6,757
	(27.5)	(25.1)
5	1,79,360	8,968
	(14.6)	(33.4)
10	51,391	5,139
	(4.2)	(19.1)
20	896	179
	(0.1)	(0.7)
Total	**12,29,988**	**26,870**

Note:

1. Figures in parentheses represent the percentage share in total volume/value. They may not add up to 100 due to the rounding-off of numbers.
2. Figures may not add up to the total due to the rounding-off of numbers.

(Source: RBI)

Central Bank Digital Currencies-CBDC:

A CBDC is essentially electronic cash. It is similar to the traditional fiat currencies which deliver the holders a direct claim on the Central Bank and permits both individuals and businesses to make transfers and Electronic Payments.

It disconnects the ***middlemen in financial*** transactions, primarily banks, and permits the transactions directly travel from one ***person to another person*** or ***customer to vendor.***

This also benefits to eradicate risks to the consumer, like the Collapse of a Commercial Bank, and creates a ***Direct connection between Consumers and a Central Bank.***

The growing popularity of ***Crypto,*** caused the central banks to fear losing ***control over the Supply of Money and Payments Systems.*** The spread of forms of ***payment is not supervised*** by any of the public or central body which may weaken ***Central Banks' grip*** on the economic stability and ***Supply of Money.***

Features of Central Bank Digital Currency (CBDCs):

- CBDCs are issued by a Central Bank or a Central Monetary Authority.
- CBDCs are backed by the Central Bank or issuing Monetary Authority.
- CBDCs are easily transferable between Peers via Peer-to-peer Platforms.
- CBDCs may be essentially Programmed for any Application.
- CBDCs are widely accepted as Legal Tender.
- The Digital Money of a Central Bank is linked to a Fiat Currency.

Digital currencies have been surging in popularity over the last few years as ***Cryptocurrencies like Bitcoin*** have entered the mainstream and captured millions of people's imaginations.

This rise has also turned the heads of the World's Central Banks as fears grow those Domestic Currencies could be ***undermined by their Growth.***

✓ Visa launches a cryptocurrency advisory arm to help clients navigate ***Digital Currency and NFTs.***

The idea of CBDCs comes from ***Cryptocurrencies like Bitcoin or Ethereum***. However, there are differences. Cryptos are ***unregulated and decentralized***. They are unstable as their value will depend on usage, investors, and speculation. This volatility can be seen in the swings in the value of Bitcoin over the ***last 12 months***.

In response to these fears, central banks around the world are investigating the ***practicalities of creating their digital currencies***. CBDCs' value is pegged to a country's currency and they are designed ***to be more stable and secure.***

Networked electronic resources are benefited both CBDCs and crypto to create, validate and track the transactions. Even though, various CBDCs have a central database which is regulated by a Central Bank which issues a unique serial number to each ***'e-coin'*** which is considered a way to identify it.

Difference between CBDC and Cryptocurrency:

- Thousands of virtual currencies, often known as cryptocurrencies, have already been created. These are not government-related but may be centralized. One of the best examples of fully decentralized cryptocurrencies is Bitcoin and Bitcoin competitors.

- Cryptocurrencies are based on distributed ledger technology, which means that several devices throughout the world rather than a single central hub are constantly validating the transaction's accuracy.

- CBDC is a centralized digital currency controlled by a central bank, with a blockchain network that can only be accessed and interacted with by certain financial institutions with the appropriate permissions.

- CBDCs can only be used for payment, and any sort of stockpiling or investing is outright prohibited. Cryptocurrencies are decentralized digital assets maintained on a public, permissionless blockchain network that anyone may access. Cryptocurrencies can be used for speculation and financial transactions. There is no central authority that can regulate their use.

Advantages of CBDC:

- The first benefit is the potential for a more efficient payment system in areas where managing currency is expensive. The possibility of a more efficient payment system in areas where the cost of keeping currency is considerable is the first advantage.

- Second, because CBDC does not require users to have a bank account, it has the potential to increase financial inclusion. Because CBDC does not require customers to have a bank account, it has the potential to increase financial inclusion. One of the most important benefits which CBDCs will provide is the expansion of financial inclusion. Even today, a large portion of the global population lacks access to financial services. Remote places in impoverished or poor countries, for example, plainly indicate constraints on bank account access.

- If a currency is unavailable for any reason, the CBDC might ensure that people have easy access to legal tender. Cash and CBDC should have legal recognition as a valid method of payment if they were issued as a legal currency.

Challenges of CBDC:

Individuals using the Internet (% of Population)

	2010	2015	2020
India	7.5	14.9	57.6
Ghana	7.8	23.0	53.0
Nigeria	11.5	24.5	33.6
Thailand	22.4	39.3	77.8
Ukraine	23.3	48.9	70.0
South Africa	24.0	51.9	68.0
Philippines	25.0	na	43.0
Mauritius	28.3	50.1	64.9
China	34.3	50.3	70.6
Turkey	39.8	53.7	77.7
Brazil	40.7	58.3	73.9
Russia	43.0	70.1	85.0
Morocco	52.0	57.1	84.1
Singapore	71.0	79.0	75.9
Sweden	90.0	90.6	94.5
Norway	93.4	96.8	97.0

Source: World Development Indicators.

Internet Usage is a Big Challenge

India is the recorded as 2nd Largest online market in the world, which is ranked only behind China, based on a recent survey India has recorded over 560 million internet users. And it was estimated that by 2023, there would be over 650 million internet users in the country. As India has a large base of internet users, the Internet Penetration Rate in the country has stood at nearly 50 % in the year 2020.

This meant that around half of the 1.37 billion Indians had internet access that year. There has been a steady raise in the accessibility of the internet when compared to just 5 years ago when the internet penetration rate was nearly 27%.

- ✓ Because CBDC is held on the Balance Sheet of a Central Bank, if there is a large demand for them, the Balance Sheet may expand.
- ✓ Moreover, the Central Bank may be required to offer Additional Liquidity to the Banks, which results in the Central Bank taking on the Credit Risk.
- ✓ Citizens may withdraw an excessive amount of money from banks at once and purchase CBDCs, resulting in a Bank Run.
- ✓ Users may react negatively if a Technology supposed to be private is Centralized by the Government, posing Cybersecurity Issues.

Countries where CBDCs have been launched:

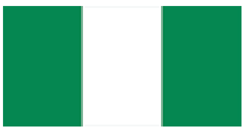
Nearly 100 countries were dynamically evaluating Central Bank Digital Currencies (CBDCs). Here's a run-down of the countries that have already rolled out their digital currencies and some of those that are on the cusp of doing so.

The Bahamas

- ❉ The Sand Dollar was issued by the Central Bank of the Bahamas in October 2020. And recorded as the first nationwide CBDC in the world.
- ❉ In the Bahamas, part of the population cannot able to access any kind of financial services because it is not profitable for the commercial actors to operate in all areas in part due to the country's geography as it's split up into many different islands.

- As a result, 20 percent of the population is estimated to not have a bank account. It is estimated that the Sand Dollar can help improve financial inclusion and strengthen security against money laundering and illicit economic activities.

Nigeria



- Nigeria became the first country in Africa to launch a CBDC last October. The eNaira is stored in a digital wallet and can be used for contactless in-store payments, as well as for transferring money.
- By the end of January 2021, the eNaira wallet had received almost 7,00,000 downloads.
- Nigeria's population is around 219 million. According to the Nigerian media outlet Stears Business, 90 percent of Nigerians have mobile phones, but only 10-20 percent use a smartphone, which is needed to use the eNaira.
- To access the eNaira, the user must also have a National Identification Number (NIN). This has led to criticism. Supporters of CBDCs said that they are to reach out to the population who doesn't have any bank account. But, knockers say there will be a similarity or overlay between people who are not having bank accounts and people who are not having a NIN or smartphone.

Eastern Caribbean Currency Union

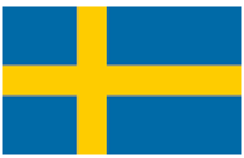
Nearly there are 7 countries involved Grenada, Antigua, Barbuda Dominica, Montserrat, St. Kitts, Nevis, Saint Lucia, and St. Vincent and the Grenadines. The only country in the union which opted out in Anguilla was the.

- In the Eastern Caribbean Union some countries created their form of Digital Currency they intended to help fast transactions and they wish to serve people who are without bank accounts.
- "DCash" is the first such blockchain-based currency that can be implemented by any of the world's currency unions, with the help of some individual nations which are having some similar existing systems, this was illustrated by The Eastern Caribbean Central Bank.

- The system allows users even without bank accounts-but with a smartphone-to use a downloaded app and makes payments via a QR code. Those people without bank accounts can go to a previously approved non-banking financial institution or agent who would verify the complete information of that specified person and then approve a DCash wallet.

Countries that are Testing CBDCs in Pilot Projects:

Sweden



- Sweden is undertaking to test of a digital currency that has been dubbed the e-krona. There are various strategies for the testing to advance from simulated participants to a testing environment along with external participants.
- Sweden's Riksbank has developed a proof of concept and is exploring the technology and policy implications of CBDC.
- One of the key targets of the project is to ensure broad access to the e-krona in the future. And also safeguard the old aged group people and people who are with some disabilities to make sure they aren't unfavourably affected in a cashless society.

China

- China became the World's first major economy to pilot a digital currency in April 2020. The People's Bank of China is targeting widespread domestic use of the digital yuan or e-CNY, in the year 2022.
- It currently has more than a hundred million individual users and billions of yuan in transactions, according to the IMF.
- Presently the country is providing digital yuan payment services for the invitees of the Beijing Winter Olympics which kicked off. Visitors can download the digital yuan wallet app or store the money on a physical card.

Jamaica

- Andrew Holness who is Jamaica's Prime Minister confirmed that the Bank of Jamaica will roll out a digital Jamaican Dollar in the year 2022 following a successful pilot last year.
- "This will develop as a foundation for Jamaica's digital payments architecture and thus enable good financial inclusion, raise in transaction velocity while decreasing the Cost of Banking for the Jamaican people," he said.
- $ VSDUW RI WKH WHVW SURMHFW- P LOOLRQ P LOOLRQ ZRUWK of digital currency was minted. 57 customers conducted cash-in, person-to-person, and cash-out transactions and this comprised of transactions with small businesses like a local craft jeweller.

Ukraine

- The National Bank of Ukraine has been exploring the possibility of issuing a national digital currency since 2016. Now the country is ready for a pilot test of its own CBDC.
- The future or coming pilot "Will aid as a technological basis for the issuance of electronic money, and this will be next main step to financial infrastructure and advance innovation of payment in Ukraine country".

Countries where CBDCs are in development:

Eurozone 	❉ The European Central Bank (ECB) publicized last July and is very vigorously looking into creating a digital version of the euro. ❉ "Our work targets to ensure that in the digital age firms and citizens continue to have admittance to the safest form of Money, Central Bank Money", Christine Lagarde, the President of the ECB. ❉ As the Currency's Custodian, the ECB has been monitoring very closely the gradual increase of private cryptocurrencies such as Bitcoin because the COVID-19 pandemic quickens a shift away from cash. ❉ The European Commission announced that a bill for a digital euro will be proposed in 2023. ❉ The ECB will continue to work to develop its digital euro in the meantime.

Conclusion:

Central Banks have begun to investigate the use of CDBCs as a new kind of money. CBDC is estimated to be used as a digital currency to address the deteriorating use of cash in some countries while the remaining see CBDC as an innovative way to bring financial stability to the economy. CBDC as a new payment system, on the other hand, may soon be available in several nations throughout the world and events like COVID-19 may help to accelerate this process.

References:

RBI Circulars on Currency Chests.

National Council for Applied Research Working Paper No: WP 138.

WEBINAR ON

" FIAT CURRENCY VS CRYPTOCURRENCY VS CENTRAL BANK DIGITAL CURRENCY "

ORGANIZED BY THE

BANKING, FINANCIAL SERVICES AND INSURANCE BOARD (BFSIB)

ON 09/04/2022 FROM 4 TO 6 PM

Digital Rupee or Central Bank Digital Currency (CBDC) will be the next attempt by the RBI to boost India's digital economy. Presented at the Union Budget 2022-23 by Finance Minister Nirmala Sitharaman, the concept of the Digital Rupee is meant to take some inspiration from cryptocurrencies like Bitcoin, but with the regulations of the central bank. CBDC may need "an underlying system for issuance and distribution to the public" and for this, the RBI may have to include public and private banks, payment service providers (PSPs) and operators on the network. The matter of digital currencies is a continuation of the long-running saga of economics, markets, and commodity exchange in human society. So, where does the crypto vs CBDC comparison arrives in the discussion? A comparison of cryptocurrencies vs Central Bank Digital Currencies appears as a reasonable proposition for Central Banks and individuals. With such justification in mind the topic was selected by the Banking, Financial Services and Insurance Board under the leadership of CMA Chittaranjan Chattopadhyay and organized the webinar on 9th April 2022from 4 pm to 6 pm as "Fiat Currency vs Cryptocurrency vs Central Bank Digital Currency". The webinar was attended by Bankers, Officials of the Cooperative Banks, Members and students of the Institute. The Chief Guest and the Speaker for the webinar was Shri Vikas Babu, Deputy General Manager of Treasury, Union Bank of India. It was also graced by Shri Syamal Ghosh Ray, Advisor of the BFSI Board.

He deliberated the following aspects in details and the objective of the webinar is to determine what is fiat currency? What is cryptocurrency and the underlying technology and what is Central Bank Digital Currency? In the way that the modern man had evolved from the stone age to the modern industrial age, in the similar manner our transactions also have followed the similar line. Initially the barter transaction was prevailing, after that money or rather money for goods came into prevailing practice for ease of transactions. Subsequently, with the nationalization of currencies and Internationalization of Trade we had beginning of Forex markets and now evolving into crypto markets (crypto for money / goods / crypto). In the earliest eras of civilization, societies denominated money in livestock. Then cowrie shells from the Pacific and the Indian oceans, salt etc. saw the widespread use as form of money. Then it gave way to the more familiar form of precious metal coinage. Today, Fiat Money represents the money. Fiat is physical money and legal tender which is backed by a nation's Government. It has the backing of the sovereign Government. Fiat money lacks intrinsic value, however it derives its worth as legal tender which is issued by the Central Bank which is in turned backed by the Government. As long as money operates as a medium of exchange, store of value and unit of account, it will be valuable. Consumers need to know that they can easily purchase goods and services they need, as well as it will retain value over a reasonably long period and it presents a way of measuring the value of every economic transaction. The distinguishing features of the Fiat are Durability, Portability, Divisibility, Uniformity, Limited Supply and Fungibility. Although Fiat Currency continues to facilitate nearly every transaction on the planet, the concept of money continues to evolve. Since emerging in the 11th century, Fiat has remained the dominant mode of transaction despite facilitating crucial economic crises. As monetary crises and inflation remain major economic issues around the world, consumers desire for money that is not controlled by the Centralized Institutions which(to be deleted) has grown up recently. The transition was kicked off due to the erosion of trust in Banks/ Financial Institutions following the 2008 Financial Crises in which the Government used trillions of dollars to bail out the very financial Institutions that were the cause of the crisis. Furthermore, emergence of Blockchain technology and cryptocurrencies are laying the groundwork for the next generation of money.

A cryptocurrency is a form of virtual/ Digital currency that is secured by cryptography, based on a network that is distributed across a large number of computers. Most cryptocurrencies are decentralized networks which allows participants to enforce the rules of the system in an automated, trustless fashion. A defining feature of cryptocurrencies is that they are generally not issued by any Central authority, rendering them theoretically immune to Government/ Central Authorities interference or manipulation and offer significant opportunities for financial inclusion around the globe. Blockchain is the name of the new technology on which crypto is formed. Blockchain is an incorruptible ledger of economic transactions that can be programmed to record not just financial transactions but everything of value.

The five concepts to understand Blockchain tech are stated in details and enumerated as follows:

First **Crypto hash** - It is a cryptographic function that transforms any given input data into a fixed length string of numbers. Every single input of the hash function will produce a different output and the result is always deterministic and irreversible. The Blockchain nodes use hash functions to create a unique identifier of any block of transactions.

Second is the **Immutable ledger** - Since every block of the chain contains the Hash of the previous one, it is not possible to modify any block without changing the entire chain. Hence the chain works as an immutable ledger.

Third is the **Peer to Peer ledger**–The Blockchain does not need any external or internal trust authority. This is possible because the Blockchain data is distributed among all the users. Every user has its own copy of the transactions and hashed blocks, and they spread the information of any new transaction to the entire network. Once a block of transactions is validated, it is added to the chain and every user update their local information.

Fourth is the **Consensus protocol** - Users need to meet an agreement about the validity of the chain before adding more blocks. Every time a node adds a new block, all of the users have to validate the block by using a common protocol. Typically, the nodes reach a consensus about the correctness of a new block by 'Proof of Work" or "Proof of Stake" methods.

Fifth is **Mining/ Block Validation** - Mining refers to the Act of meeting the Proof of Work (POW) requirements for adding a new block with pending transactions to the Blockchain. Among the various methods for the mining, the POW method usually requires the user to create a block with restrictions on its Hash code. Since the Hash code is unpredictable, the miners have to test any possible combination before meeting the requirements. Once the miner node finds the solution to the PoW problem, they add the block to the chain and every other node to check the validity.

To sum it up, Block chain allows any user to create a reliable and immutable system for recording any kind of transaction or information. There is no need for an external or internal authority.

The topic of the discussion was steered towards Central Bank Digital Currencies which is legal tender issued by the Central Banks as a competition to Cryptocurrencies. The currency which we use currently is a representative money, which is essentially debt currency with the underlying liability of the issuer and an asset of the holding public. Currency involves seignorage (the difference between the intrinsic value and the representative value of the currency that accrues to the issuer). It is the same as a fiat currency and is exchangeable one-to -one with the fiat currency. The transactions are recorded in a centralized ledger and the Central Banks retain full control over supply. The idea of CBDCs stems from cryptocurrencies and block chain technology but CBDCs are not necessarily cryptocurrencies.

More than 100 countries are exploring CBDCs at one level or another at this point in time. The Bahamas rolled out a CBDC (Sand dollar) in October 2020. Sweden has completed a technical pilot while China has started progress with more than 10 crore users with Digital Rimini. Europe also wanted to launch a digital euro by 2025 while the UK Government has launched a 'bitcoin' taskforce. CBDCs needs an underlying system for issuance and distribution to the public in a convenient way. Depending on the model adopted, the whole ecosystem needs various players to function including RBI, Banks, Payment service providers, Financial Institutions, Application/third party service providers. RBI and Banks may need to provide parallel end-to-end block chain enabled system for CBDC issuance and circulation.

Further, the speaker pointed out the advantages of CBDCs such as lower printing costs, avoidance of time zone issues, lower transaction costs, greater transparency and cost efficient in the globalisation of payment systems. He differentiated fiat currency, crypto currency and digital currency on basis of acceptance, security, programmability, scarcity and anonymity.

There were questions on taxation and the roadmap of launch of digital currency by the Regulator.

WEBINAR ON
"ETHICS AND CORPORATE GOVERNANCE: EMERGING TRENDS IN INDIA"
ON 3rd MAY, 2022 FROM 4 TO 6 PM,
ORGANIZED BY THE
BANKING, FINANCIAL SERVICES AND INSURANCE BOARD (BFSIB)

Business ethics is the application of general ethical principles to business dilemmas and encompasses a broader range of issues and concerns than laws do, as everything that is legal is not ethical. Ethics involves learning what is right or wrong, and then doing the right thing -- but "the right thing" is nowhere defined in a straightforward way. Corporate governance is concerned with the ownership, control and accountability of companies, and how the corporate pursuit of economic objectives relates to a number of wider ethical and societal considerations. It is the application of best management practices, compliance of law in true letter and spirit, adherence to ethical standards and discharge of social responsibility for sustainable development of all stakeholders. Good governance is, ultimately, the sine qua non for continued growth and prosperity. No system of corporate governance can be totally proof against fraud or incompetence. The test is how far such aberrations can be discouraged and how quickly they can be brought to light.

Keeping the considerations of behavior based on values and the concerted effort to deal with corporate ethics, the Banking, Financial Services and Insurance Board (BFSIB), under the Chairmanship of CMA Chittaranjan Chattopadhyay had organized a webinar on the topic of "Ethics and Corporate Governance: Emerging Trends in India"on 3rd May, 2022 from 4 to 6 pm. The Speaker of the webinar was Shri Laxmi Narayan Rath, Chief Vigilance Officer (CVO), Bank of India with an additional charge of CVO, Bank of Maharashtra. The webinar was also graced by Shri Syamal Ghosh Ray, Former General Manager, Union Bank of India (eAndhra Bank) and presently Consultant to the BFSI Board.

The deliberation was presented by the Speaker with a Power point Presentation. He stated that Ethics normally translates to business ethics which is implemented or put to use in the corporate culture. Ethics originated from the Greek word 'Ethos' meaning custom, conduct or habit. Business ethics, in simple language, refers to right or wrong behaviour in business. Ethics is not something which can be visualised or is concretely perceived. It is a set of moral principles that govern a person's behaviour. Ethics is the sum of various good virtues and qualities which impacts the decision-making capacity of an individual. There may be multiple choices in any given scenario and rationality implores taking the best course of action. This virtue is embedded in the minds of employees, whether be it an individual or as a collective organisational behaviour. Lack of such creates destruction of personal as well as national wealth. Ethics provides a systematic and rational way to look through dilemmas and to determine the best course of action in the face of conflicting choices. Ethics is a sum of a result not only from nature (i.e. family, environment), but nurture as well (institutions, peer group etc.)

Ethical failures, either at Individual or organisational level is triggered by one or more of the following elements, whether it be greed, convenience, ignorance, pressure or fear. As an adverse consequence towards ethical failures, the organisation incurs costs which include fines and penalties, increased administrative and audit regulations, legal and investigative costs, remedial education to personnel, corrective actions against the organization which will give rise to a domino effect of increased Government oversight and regulations. These failures give rise to loss of reputation, employee cynicism and loss of morale which will in turn result in high employee turnover.

The discussion elaborated the topic of Corporate Governance, which as defined by the Speaker, etymologically would mean the process by which the corporates were run to achieve their objectives, therefore it should be as old as the corporates came to existence. However, the combined term of Corporate Governance connotes something more than its individual meanings. Over a period of time the structure of corporates has becoming a complex and multidimensional. The stakeholders' interest and priorities have become heterogeneous with various external and statutory obligations aimed to be fulfilled.

Corporate Governance has acquired popularity in India in early nineties after the Cadbury Committee report, and became a buzzword with The K. Birla Committee constituted by the SEBI in the year 2000. The concept got further evolved with RBI Report of the advisory group on Corporate Governance in 2001, Report of The Naresh Chandra Committee 2002, SEBI Report on Corporate Governance 2003 (N R Narayan Murthy), Corporate Governance and Ethics Committee Report 2010, chaired by Mr. N R Narayan Murthy which was formed by the CII and NASSOCOM post Satyam saga and it continues to evolve further.

He quoted the definition of Corporate Governance from the Cadbury Report stating that the Corporate Governance is holding the balance between economic and social goals and between individual and common goals. The governance framework is there to encourage the efficient use of resources and equally to require accountability for the stewardship of those resources. The aim is to align as nearly as possible the interests of individuals, corporations, and society. The incentive to corporations is to achieve their corporate aims and to attract investment. The incentive for nation states is to strengthen their economies and discourage fraud and mismanagement.

According to the Kumar Mangalam Birla Committee on Corporate Governance, the fundamental objective of the corporate governance is "the enhancement of shareholder's value keeping in view the interest of other stakeholders." The four pillars of Corporate Governance are Accountability, Fairness, Transparency and Independence. Corporate governance is about managers fulfilling a fiduciary responsibility to the owners of their companies, which is based on trust.

Corporate governance is the combination of processes or laws by which businesses are operated, regulated or controlled. The term encompasses the internal and external factors that affect the interest of a company's stakeholders, including promoters, shareholders, customers, suppliers, management, employees and public at large.

The RBI discussion paper on Governance in Commercial Banks defines Corporate governance as a set of relationship between a company's management, its board, its shareholders as well as other stakeholders which provides the structure through which objectives of a company are set, along with the means of attaining those objectives and monitoring the performance.

Quoting from the Cadbury Report, the speaker stressed that the Corporate Governance is holding the balance between economic and social goals and between individual and common goals. The governance framework is there to encourage the efficient use of resources and equally to require accountability for the stewardship of those resources. The aim is to align as nearly as possible the interests of individuals, corporations, and society. The incentive to corporations is to achieve their corporate aims and to attract investment. The incentive for States is to strengthen their economies and discourage fraud and mismanagement.

It is an effective framework which is supposed to focus on the quality and consistency and proper division of responsibilities among the different authorities, identification and protection of shareholders' rights with increased disclosures and transparency while ensuring mechanism to avoid conflict of interest, ensuring guidance on responsibility of board, defining various functions and roles of directors, creation of special committees, formation of independent risk and audit functions etc.

The erudite speaker pointed out about the responsibilities of the board, basically the organizational culture and values. A fundamental component of good governance is a culture of reinforcing appropriate norms for responsible and ethical behavior which includes risk culture. Indicators of risk culture can be grouped as Tone at the top, Accountability, Effective Communication and challenge with proper incentive structure.

The requirement of a model code of conduct for employees making clear that employees are expected to conduct themselves ethically, perform their job with skill, exercise due care and diligence in addition to complying with laws, regulations and as well as internal policies of the organization was also discussed.

Business ethics would therefore in the simplest way relate to what is morally and ethically correct than simply being technically correct. Business ethics cannot be uniform for all corporates, it may vary from Company to Company depending upon their discretion, priority and nature of activity. Honesty, Integrity, Commitment, Trust, Loyalty, Fairness, transparency, accountability, Concern for others, concern for society, law abiding, leadership, image and reputation, commitment to excellence etc. are the common facets in case of most of the organizations and must form the founding principles of any business ethics.

Touching upon the emerging trends on the subject, he presented as to how more and more corporates are encouraging employee virtues, ethical behavior and recognizing the power of voice to strengthen the ethical culture. Employees are being encouraged to speak up their mind openly, a mirror review of the corporate activities is done regularly based on online feedback from employees and others. Similarly proactive engagement with public during disaster, compassionate compensation in emergencies, eradicating any discrimination on basis of gender, caste, race etc. are being put to practice for building up a positive image before the society at large. Ensuring data privacy, moral entrepreneurship, Strengthening anti-corruption / anti bribery / anti money laundering laws, robust internal audits and Increasing disclosures,strengthening competition laws, increasing shareholder activism and investor protection,Voluntary disclosures of conflicts,Commitments to the community etc are being observed as the new trending topics among corporates. Business Responsibility and Social Responsibility Reporting introduced by SEBI is one of the latest trends in further obligated disclosures and reporting in respect of social responsibilities of an entity. More and more responsibility and accountability on the parts of directors, independent directors and top executives are being brought in to fore in order to reduce governance risks. Corporates have started publishing their ESG (Environment, social and Governance) initiatives and achievements and certainly that has now become the latest yardstick for large investors.

The webinar was concluded with the Speaker addressing a number of questions regarding business ethics and corporate culture.

AZADI KA AMRIT MAHOTSAV

WEBINAR ON
" BANKING- YESTERDAY, TODAY AND TOMORROW " ORGANIZED BY THE BANKING, FINANCIAL SERVICES AND INSURANCE BOARD (BFSIB) ON 17/06/2022 FROM 4 PM TO 5:30 PM

Shri S.S. Mundra Public Interest Director, BSE and Former Dy. Governor RBI, discussing the pre and post nationalization scenario in the Banking Industry.

The webinar on the topic "BANKING- YESTERDAY, TODAY AND TOMORROW" organized by the Banking Financial Services and Insurance Board of the Institute of Cost Accountants of India on 17th June'22 was an initiative undertaken towards the celebration of Azadi Ka Amrit Mahotsav and in practicing honourable Prime Minister's vision of Atmanirbhar Bharat.

Shri S.S Mundra, Public Interest Director BAC and Former Deputy Governor RBI and Shri Soumya Kanti Ghosh, Group Chief Economic advisor State Bank of India were eminent speakers for the webinar. Shri Mohan Tanksale, Former Chief Executive, Indian Banks Association was present as the moderator for the program. CMA Chittaranjan Chattyopaddhay, Chairman, BFSIB, Shri B.Rajkumar, Advisor, BFSIB and Former Deputy Chief Executive Indian Banks Association and CMA Arup Shankar Bagchi, Senior Director, HOD BFSIB, graced the occasion.

Chairman BFSIB CMA Chittaranjan Chattyopaddhay welcomed the august presence at the seminar and expressed his delight for such a value addition and splendid webinar.

Shri B.Rajkumar, Advisor, BFSIB and Former Deputy Chief Executive Indian Banks Association, discussed about the evolution of the banking system over the past 40 years and said that the fundamentals of banking have not changed in all these years but what has changed is the banking operations as well as how do we do banking and technology has brought the changes. Tomorrow technology will continue to be a game changer and holds the key to tomorrow's banking.

Shri Mohan Tanksale, Former Chief Executive, Indian Banks Association expressed that the banking industry has withstood various crises and transformed itself into a real great institution to meet the challenges and contribute to the economic growth of the country. He discussed the pre and post nationalization scenario in the banking industry and how banking has evolved in all these years. Shri Tanksale mentioned financial inclusion which started in 2006 and the importance of Pradhan Mantri Jan Dhan Yojna in it. the technology in the banking industry has really helped out despite the shutdowns, the industry has been alive and has been contributing substantially to the customer needs and today the financial sector is predicting the financial needs of the customer and proactively reaching to the customer with their needs.

Shri S.S Mundra said when nationalization happened we could not bring this separation of ownership and management, that had its own impact and as a result when the private banks came into the market then this non-separation of ownership and management became to some extent a handicap for the banks. The Indian bank's balance sheet over a period of last few years or couple of decades the balance sheet used to be predominantly heavy corporate lending. There was a time when retail was hardly any percentage of it but the shift has taken place today retail is becoming a prominent component of balance sheet composition of most of the banks. Now a days risk management framework which is driven by the powerful algorithm behind the system, a whole lot of technology has happened in the recent years. He expressed his concern saying that the important point for the bank is to think over whether they should try to do all the technology innovation in-house and end up creating multiple channels which confuses both the consumer as well as their own people who have to run this psychology or they should try to look at a meaningful collaboration with these kind of entities. Talking about the future road of banking he said we must have meaningful collaboration and cooperation while also doing the competition wherever needed that will be one very important area the another challenge will be the talent retention and already all the entities are facing that problem because the way technology is growing in multiple sector of the economy there is always there is a race for acquiring the best talent and so banks would be relying heavily on the technology. So it will be very important that the talent retention is done and the other thing would be the learning from infrastructure financing which we have seen will continue to remain an important growth sector. He said the technology like blockchain and specialized institutions have come so now banks have to find that what could be their meaningful niche in the payment and settlement system. Banks would need to prepare for that another important area i.e. green finance or ESG. Another important aspect for tomorrow banking he mentioned is customer protection. Moreover, he also said that banks also have to think of the ageing population after 20 years and the then Zen generation. Their technology requirement would be different and so for banks it will be important to visualize to do the scenario building and prepare themselves to serve both these universes in their own business interest.

Shri Soumya Kanti Ghosh, gave a brief presentation of the Indian banking sector and said that Indian banking sector remains significantly adequately capitalized as of now as comparable to developed economies. In 2008 global financial crisis when the banks actually went into the crisis not adequately capitalized but in this crisis the banks actually were adequately capitalized and if you remember that uh before the banks had taken an asset quality exercise and in conjunction with the RBI it has introduced a significant improvement in credit culture across the borders and what it did is that of course this lead to a short-term pain but banking asset book is now sound, it is adequately capitalized. He stressed saying the most important thing is, Indian banking sector is adequately capitalized and compatible with developed countries today and it can take the pain of financing the economic activity as growth continues to pick up in the system. This is the banking infrastructure in the last eight years. The total branches have increased 1.3 times over the last eight years the total ATMs have increased 1.3 times and most important point is that the number of PM JDY accounts having is now 454 million this is the biggest financial inclusion plan in the world to bring the unbanked under ambitious banking and social securities and it is this digital transformation which also held the Indian economy and specifically those at the bottom strata to relegate to the pandemic in terms of cash transfers and the stroke of a button by the bank which has been the backbone of this financial inclusion program. The Indian banks are fully prepared for all the opportunity and he said that the next 15 to 20 years could be a very good growth period of the Indian banks given the way that they have been preparing themselves in terms of being digitally and technologically savvy and trying to cater to the current generation of people.

CMA Arup Shankar Bagchi, Senior Director, HoD, BFSIB, gave the vote of thanks and expressed his gratitude to the esteemed presence for such an insightful webinar.

INSURANCE MONTH PROGRAMME

WEBINAR ON
"INTEGRATION OF ENVIRONMENTAL SOCIAL AND GOVERNANCE WITH ENTERPRISE RISK MANAGEMENT AND EFFECTIVE CORPORATE GOVERNANCE STRATEGY"
ON 11TH JUNE 2022,ORGANIZED BY THE BANKING, FINANCIAL SERVICES AND INSURANCE BOARD (BFSIB)

CMA Delzad D Jivaasha Deputy Vice President – Risk Management ICICI Lombard General Insurance Company Limited, explaining the enterprise's risk management and an effective corporate governance strategy.

The Banking Financial Services and Insurance Board of the Institute of Cost Accountants Of India in its objective of knowledge dissemination has chosen the month of June as the insurance month. It was celebrated with much fanfare in 2021and in order to bring a continuity June 2022 is also celebrated as an insurance month. The BFSIB of ICAI organized a series of webinars of which the inaugural webinar was on the theme "Integration of Environmental Social and Governance with Enterprise Risk Management and Effective Corporate Governance Strategy". The event was streamed live thru the official YouTube channel of the Institute to reach all the stakeholders of the Institute.

Chairman BFSIB CMA Chittaranjan Chattyopaddhay welcomed the august presence and expressed his thrill for organising a webinar on a very pertinent topic.

CCM CMA H.Padmanabhan addressed the members and esteemed panelist and expressed his delight for such a value addition and splendid webinar also praised the initiative of BFSIB.

CMA Vijender Sharma,Vice President ICAI, welcomed the august presence and briefed the importance of insurance.

CMA Delzad Jivaasha, AVP, Risk Management, ICICI Lombard Life Insurance was the guest of honor. He presented power point slides to cover the integration of ESG with enterprise risk management and look at it in the lens of building an effective corporate governance strategy. CMA Jivaasha said that when organizations are into the business of taking risks there will be no business which will be devoid of risk. So, risk management is about looking at risks holistically identifying them assessing them and putting in place plans to mitigate the risk. The whole idea of risk management is to help one to make informed decisions on which risks to take and which risks to avoid. Risk management today gives a very strong competitive edge to organizations because they foresee and plan for risks in a better way as a result of that when their risk actually materializes they are mentally prepared and they know what needs to be done or what needs to be achieved so successfully navigate the risk. He defined risk as the probability of an event or circumstance occurring which impacts the attainment of objectives. Risk management is achieved through four fundamental facets or four fundamental factors first risk identification, second risk assessment, third risk evaluation and fourth risk treatment Coming to ERM he said that it is a holistic approach where the organization looks at the total impact of that risk or the frequency of occurrence of that risk in the length of the entity. He mentioned to note that on 10th may 2021 The Securities And Exchange Board Of India or SEBI came out with a circular mandating all listed companies to integrate ESG as part of its enterprise risk management frameworks which is self-explanatory of its importance in today's world. Non-financial indicators today hold equal amount of importance as much as the financial indicators as important objective which has emerged now is what is the extent to which corporations are contributing towards the sustainability of businesses and towards the sustainability of society. The entire society is looking at every organization with a Hawke's eye because they want to know what the organization is doing to conserve the environment to bring social balance and to build up an organization driven by the fundamentals and the core elements of corporate governance so the regulators have increasingly laid focus on integrating ESG with ERM. He stressed that profit continues to be an important objective of business but BRSR proves that no longer is profitability the only objective of business and today all stakeholders want to know what an organization is doing in the space of environment social and governance. From an ESG standpoint there are four areas which are critical - first climate change commitment, second diversity and inclusion third, responsible investment and finally fourth governance and enterprise risk management. While talking about the climate change commitment he mentioned about the Glasgow summit and said today the expectation from every organization is that they should measure their amount of carbon emissions and make public disclosures with regard to what is the level of carbon emissions attributable to their business as well as the steps which are being taken to minimize the extent of carbon emission because the first need of the hour is to reduce the amount of carbon emissions and if carbon emissions continue at the current level we will never be able to leave behind a sustainable society for future generations. Today organizations are expected to report in their annual reports as well what exactly is the ratio of male versus female employees, what is the representation of women in management committee and board committees and what steps is the organization taking to encourage the inclusion of physically disabled people into the workforce of the organization. So investors today want to know how an organization is contributing towards building a sustainable society and also asking organization as to how they are including different strata of society within their fold. Today many organizations in addition to an annual report are coming out with a dedicated ESG report to tell the world what they are doing in the space of ESG. Today organizations have got lot of surplus funds which are invested into different investment asset classes and also invested into the equity of different companies and nowadays companies make responsible investing by viewing the ESG rating, given by the reporting agencies, of the investee companies. Final step is governance and enterprise risk management where the focus is that every organization should have board approved policies and procedures on risk management and on corporate governance including robust internal governance steps and look at disclosure of emerging areas. Investors today as well as shareholders today want to know what are the emerging risk areas which can cause a problem to the organization and the expectation is that the organization should clearly divulge that as part of its ESG report as well as part of its annual report. He stressed on saying that robust internal governance has become the need of the hour because if the objective is to build up sustainable organizations the only way that can be done is through effective corporate governance and corporate governance cannot be achieved without enterprise risk management and without integration of the core fundamentals of ESG. CMA Jivaasha iterated the strategies to integrate ESG with ERM- first was a successful governance structure to send off the message from the top, the second step was, including ESG risks as part of the enterprise risk management activities, third, a culture where you are continuously measuring and reporting the level of ESG risk to the organization i.e. a strategy to ensure integration of ESG with ERM and the fifth one which is a strategy about the culture building element about how do you spread the entire message of ESG within the organization. As an end note he said that an organization which embodies corporate governance builds up a very strong balance sheet.

CMA Dibbendu Roy, Additional Director & Deputy Secretary, BFSIB gave the vote of thanks. He thanked the guest of honor CMA Jivaasha for his exhaustive presentation and also thanked CMA Chittaranjan Chattopadhyay, Chairman BFSIB, CMA Padmanabhan, CCM, CMA Vijender Sharma, V.P. ICAI, for their special address and Shri B.Rjakumar, Advisor, BFSIB and Shri Shyamal Ghosh Roy for their guidance, CMA Arup Shankar Bagchi, HOD BFSIB for approval and support and BFSIB team members for support.

WEBINAR ON
" CONFRONTING THE IMPLICATIONS OF CLIMATE CHANGE ON INSURANCE INDUSTRY", ORGANIZED BY THE BANKING, FINANCIAL SERVICES AND INSURANCE BOARD (BFSIB) ON 14/06/2022 FROM 4 PM TO 6 PM

Shri G. Srinivasan Director, National Insurance Academy (NIA) deliberating his thoughts on the Insurance Industry for the Implications of Capital Change in it.

The Banking Financial Services and Insurance Board of the Institute of Cost Accountants of India in its objective of knowledge dissemination has chosen the month of June as the insurance month. The 2nd webinar was organized in association with National Insurance Academy on the theme "Confronting The Implications of Capital Change On Insurance Industry".

Chairman BFSIB CMA Chittaranjan Chattyopaddhay welcomed the august presence at the seminar and expressed his delight for such a value addition and splendid webinar.

CMA Vijender Sharma,Vice President ICAI, welcomed the august presence and briefed the importance of insurance.

G.Srinivasan, Director, NIA was the moderator of the webinar.

Mr Pravin Gupta a Chartered Insurer and Mr. Hitesh Kotak, CEO India branch, Munich Re were the eminent speakers,

Mr Pravin Gupta mentioned the importance of and cost accounting when it comes to climate change and associated perils that are impacting the global economy and the well-being of all citizen. Mr. Gupta made an exhaustive power point presentation. He expressed his concern about the growing carbon emission and as it's effect by the end of the century some countries are bound to disappear unfortunately in the pacific islands. big investors are the key to where the money gets invested and if they were to take a call if their fiduciary responsibilities make them do the right things it would prevent and both mitigate as well as adapt and bring in resilience into their activities and make the world a lot safer environment. So money pipeline is very important and insurers are the key players. He opined the inclusion of sustainability in the IFRS as very important subject because if the pollution that we are making is not perfectly measured the risk cannot be accurately priced which in turn would socialize the loss and privatize the profit. So if there is a climate event or there is an environmental event it will impact not just the running of the business it could impact the board, the professionals involved in it and everyone gets drawn in. So the risks are spreading out it need not be country specific city specific it could impact cross-border it could also have inter-generational implications and what results from it is stranded assets. So today if insurers, banks, financial institutions invest in coal mines they invest in oil and gas and tomorrow there is a dramatic shift in renewable energy space and because of that dramatic shift if all these investments in oil gas coal becomes redundant all that will have to be written off and that will be a big blow to the balance sheets of financial institutions and the money pipeline.

Mr. Hitesh Kotak made a presentation and discussed about the Paris Summit and the Glasgow Summit. He discussed about the changing perspectives of retail investors who are putting lot of emphasis on ESG index of companies before investing. He briefly introduced the concept of how insurance industry is assessing this particular dimension of climate change and what kind of solutions are being made available but at the same time it is extremely crucial and critical for every industry player to play its role in ensuring that these overall key milestones are met because end of the day it's a real topic and it's no longer a topic which can be pushed for another decade for the next generation of professionals who would come into the picture.Talking about the direct and indirect pressures to take action on climate risks he discussed the role of regulators, investors and community for disclosures. Banks must disclose the climate risks and incorporate climate change in their risk management which finally needs to be reflected in their capital allocation. The hidden exposures in their portfolio needs to be evaluated by banks. For the banks, financial institutions and investors, it is understanding and awareness that comes as the first step and then comes measure and manage for risk management. He mentioned in the slides a sample portfolio risk profile where he explained the risk and the impact of climate change on the exposure or the risks the banks and insurers are taking. As risk management it is necessary to accept the risk but if it's an unknown risk you have to get into potential assessment and also look at what competitors are doing just to gauge their position. He echoed Mr. Praveen in saying that we have to build little community resilience around it so that at least the preparation and the planning is slightly better than what it can be. Talking about risk transfer he said parametric coverage to mitigate physical risk is easier and the only difference between a parametric risk and a normal insurable risk is in parametric risk the pay-out which is made is based on certain triggers which could be a certain mercantile index of earthquake which is very similar to Richter scale or cyclone intensity and the distance of the land etc. and make sure that such solutions are available. Parametric solutions are better in these kind of scenarios because when one has this kind of events it's very difficult to mobilize the insurance survey force to go down to the locations, assess the damage with the pay-outs and parametric solutions to that extent are very quick in making the pay-out.

Before wrapping up, a question answer session was addressed by the eminent speakers. CMA Arup Shankar Bagchi, Senior Director, HOD, BFSIB summed up and gave the vote of thanks.

WEBINAR ON

" FIRESIDE CHAT WITH CMA RAM GOPAL VERMA, FIRE INSURANCE EXPERT ON FIRE INSURANCE CLAIMS" ORGANIZED BY THE BANKING, FINANCIAL SERVICES AND INSURANCE BOARD (BFSIB) ON 25/06/2022 FROM 4:30 PM TO 5:30 PM

CMA Ram Gopal Verma, Fire Insurance Expert on Fire Insurance Claims, resolving queries on the basic problem which arise during claim settlements.

The BFSIB of ICAI organized its third webinar as mark of celebration of Insurance moth in June'22 on the theme "Fireside Chat with CMA Ram Verma Fire Insurance Expert On Fire Insurance Claims". CMA Ram Gopal Verma was the chief guest and speaker for the day.

Chairman BFSIB CMA Chittaranjan Chattyopaddhay welcomed the august presence at the seminar and expressed his delight for such a value addition and splendid webinar. He discussed about the importance of insurance in the society.

CMA Shri S.Padhi, Former Chairman EIRC, ICAI graced as the moderator. He said fire insurance amounts to around 10 percent of the entire market share of general insurance business and is a very important insurance product when we talk about risk management by transferring risk to an insurer which is possible only in case of a fire insurance.

CMA Ram Gopal Verma in his address said that the CMA course has helped him as value and loss assessor. He discussed the basic problems which arise during claim settlement are that the name of the insured and address does not always sync. He highlighted the important issues which an insured must take care of while dealing with fire insurance. The insured should properly state the type of products which are insured and also whether there are any co tenants in the factory premises as it would help in proper premium calculation. Location of the stock in the godown along with the type of stock, is also an important factor for assessing the type of risk. He mentioned that there is huge scope for a CMA to act as assessor and valuer.

After an interactive Q&A session the webinar was wrapped up with vote of thanks by CMA Dibbendu Roy, Additional Director and Dy. Secretary, BFSIB.

WEBINAR ON

" CYBER INSURANCE – RISK MITIGATION FOR CYBER SECURITY AND DATA PROTECTION" ORGANIZED BY THE BANKING, FINANCIAL SERVICES AND INSURANCE BOARD (BFSIB) ON 30/06/ 2022

Shri Bhishma Maheshwari, Senior Vice President, Marsh India Insurance Brokers Private Ltd speaking on the Webinar on Cyber Insurance – Risk Mitigation for Cyber Security and Data Protection held on 30th July, 2022

BFSIB of The Institute of Cost Accountants of India in association with National Insurance Academyarranged a series of webinar as a mark of observing June 2022 as the month of Insurance. Due to the significance of the insurance sector on the Indian economy and to spread the awareness on Insurance sector after three successful webinars, the fourth and concluding webinar addressed the topic 'Cyber Insurance – Risk Mitigation for Cyber Security and Data Protection'. All the events were streamed live thru the official YouTube channel of the Institute to reach all the stakeholders of the Institute.

Mr. Vijayashankar Naavi, President, Data Protection Association of India and Shri Bhishma Maheshwari, Senior Vice President Marsh India Insurance Brokers Private Limited were the dignified speakers for the webinar.

The Chairman, BFSIB, CMA Chittaranjan Chattyopaddhay graced the occasion with opening remarks and expressed his delight for such seminar.

Shri G. Srinivasan, Director, NIA also addressed the occasion and expressed his concern saying that last two years a huge increase in the number of cyber-attacks across the globe and India is seen. He said so many incidents of malware ransomware phishing and use of Trojan virus and data breaches have happened so often today and the world is hugely exposed to cyber risks He said economic forum 2020 rated cyber resources as the third topmost risk confronted by the companies and industries.

Dr. Stewart Doss, Associate Professor, National Insurance Academy was the moderator for the webinar. He mentioned that the dynamics of cyber risks and cyber-attacks are changing. He asked the speakers questions related to the topic.

Shri Bhishma Maheshwari, discussed how cyber insurance can really provide the risk protection to the increasing cyber-attacks. He said that cyber insurance is something which is like any other insurance and is part of the overall risk management process, when the risk cannot be avoided it is tried to mitigate the risk and even after doing everything possible to mitigate the risk there is some residual risk which is left and that residue risk is transferred via financial mechanism which is cyber insurance. Briefing about what a cyber-insurance policy covers, he said it covers everything related to any kind of a cyber-attack from the data liability issues to regulatory costs including the fines and penalties, to network security and supply chain issues. The policies are designed in such a way that they pick up most of these losses. As the reason as to why organizations are reluctant to buy cyber risk insurance he said that they are not able to buy the policy bcoz of lack of education, lack of enthusiasm and sometimes from the insurers there is lack of ease of the process. When asked about the changes in the insurance industry he said new policy purchased by a client or a renewal of a client the kind of information which is sought by underwriters is much more than what they used to earlier.

The insurers would like to understand each and every aspect of cyber security when it comes to underwriting the risk. Interviews are arranged from the insurer side and they will conduct these interviews and understand larger issues and this process keeps on happening not just a yearly process and not even only happen during the underwriting time but happen during throughout the year, so that if there is a new vulnerability which comes in the risk can be identified and managed. Some insurers have developed specific questionnaires related to ransomware preparedness so they want to understand more about a firm and after getting satisfied fully they are putting terms and conditions.

WEBINAR ON

" CYBER INSURANCE – RISK MITIGATION FOR CYBER SECURITY AND DATA PROTECTION" ORGANIZED BY THE BANKING, FINANCIAL SERVICES AND INSURANCE BOARD (BFSIB) ON 30/06/ 2022

Shri Shri Vijay Shankar Naavi, President, Data Protection Association of India deliberating on the Webinar on Cyber Insurance – Risk Mitigation for Cyber Security and Data Protection held on 30th July, 2022

Mr. Vijayashankar Naavi, shared his views about the perception relating to how do the industries particularly the organizations commercial organizations look at the cyber risk. He said lack of awareness, lack of proper estimation of the risk and lack of confidence of the corporates on the cyber insurance industry is the reason of less penetration. The underwriting has to be risk based so without a risk assessment it is difficult to arrive at the premium and also the asset coverage how much of assets is covered. There is very little understanding about valuation particularly when it comes to data. In data protection the administrative fines go up to four percent of the turnover which is the biggest threat. He discussed about the difference between PDPA in India and GDPR and said that at present

India has got Information Technology Act Section 43A which has got all ingredients of this proposed Data Protection Act in terms of the responsibilities of a data fiduciary. In GDPR, organizations are supposed to follow privacy by design nobody is going to check what they have done or what they are going to do. It is left to the discretion of the organization to say by having privacy by design but in PDPA, organizations have to submit a policy document, get it certified. So the accountability of the organization is much higher in PDPA than in GDPR. He said that India has also adopted a suggestion that there should be something called data trust score is extremely important as data score becomes a single parameter of something like credit rating on debt instruments. He elaborated about how do insurers really value the data and what are the important parameters that should be considered while valuing the data. Some of the parameters he mentioned, when a valuation of data is done is - it is examined as whether it's a non-personal data and personal data if it is a personal data how much is the sensitivity and then it is seen if there is a data breach how much of harm can be caused or how much is the significance of harm and then the width of the data is looked at i.e. the wider the data the more value has to be given. He also discussed about a purpose-oriented data collection in personal data and said that value of data is dependent on the fact as whether it is for multiple use or for single and accordingly its value gets depreciated.

CMA Arup Shankar Bagchi, Senior Director, HoD, BFSIB, gave the vote of thanks and expressed his gratitude to the esteemed presence for such an insightful webinar.

ACTIVITIES OF THE BFSI BOARD

I) Meeting with dignitaries by BFSIB Chairman

CMA Chittaranjan Chattopadhyay, Chairman, BFSIB met Smt.Alka Upadhyaya, IAS, Chairperson of National Highways Authority of India on 22nd June, 2022 and Shri Rajendra Kumar, Member (Finance), NHAI.

He also met Shri V.Chandrasekhar, Sr. Advisor, Corporate and International Banking, Indian Banks' Association on 14th June, 2022. He also met Shri Pawan Kedia, Chief General Manager, State Bank of India (Financial Control) and Shri B.S. Venkatesha, Chief Risk Officer, Union Bank of India, Shri Gulshan Malik, Chief General Manager, State Bank of India to discuss about various professional opportunities for CMAs on 13th June, 2022 at Mumbai.

CMA P.Raju Iyer, President, ICAI along with CMA Vijender Sharma, Vice-President, ICAI and CMA Chittaranjan Chattopadhyay, Chairman BFSIB met Shri M.Karthikeyan, Executive Director, Bank of India on 6th May, 2022 and discussed various pertaining issues pertaining to the BFSI sector and how CMAs can play a vital source in various issues pertaining to the Banking sector.

CMA Chittaranjan Chattopadhyay met CMA Arup Sarkar, Member Finance of Damodar Valley Corporation on 18th May, 2022 to discuss various issues pertaining to the profession and participation in the 60th NCC at Lucknow. The Chairman, BFSIB also met CMA Amitava Sinha, Director (Finance), Jute Corporation Limited on 19th May, 2022 for matters of professional interest.

CMA Chittaranjan Chattopadhyay, Chairman BFSIB along with CMA Vijender Sharma, Vice-President, ICAI met various dignitaries in the Indian Bank during his visit at Chennai on 11th April, 2022. He met Shri S.Suresh Kumar, General Manager & Chief Compliance Officer, Indian Bank, Shri V.N.Maya, General Manger (Credit Monitoring), Indian Bank and Shri Rohit Rishi, General Manager (Corporate Credit), Indian Bank and discussed various pertaining the role of CMAs in the BFSI sector and various activities in which the Institute can work in collaboration with the Banking fraternity for the public interest.

CMA Chittaranjan Chattopadhyay along with CMA Biswarup Basu, Immediate Past President met Shri Chandrasekhar Ghosh, MD & CEO, Bandhan Bank at his Corporate Office, Kolkata on 18th April, 2022 to discuss various issues where CMAs can provide necessary value addition to the Bank. He discussed the credit policy and certification of CMAs in various services rendered by the Bank. Shri Ghosh was also presented the draft copy of the Aide Memoire on Infrastructure Financing for his foreword which was published thereafter.

CMA Chittaranjan Chattopadhyay, Chairman BFSIB met various dignitaries in Mumbai during his visit at Mumbai from 9-11th March, 2022. Chairman BFSIB met Dr. CKG Nair, Director, NISM' Shri Sunil Jayawant Kadam, Registrar NISM, CMA (Dr) Latha Chari) Associate Professor and Dr. Pradiptarathi Panda, Assistant Professor NISM to discuss strategies for the two Institutes to work in synergy for various courses of the securities markets. He met Shri Gopal Murli Bhagat, Dy.Chief Executive, Indian Banks' Association on 10th March, 2022 and discussed various matters pertaining to the activities undertaken by the BFSIB. The Chairman, BFSIB also met

Ms.Padamaju Chandru, MD & CEO, NSDL on 10th March, 2022 to discuss various aspects of the BFSIB and future discourses to be undertaken by the Institute in the sphere of BFSIB. On 11th March, 2022 the Chairman, BFSIB met CMA Srikanth Kandikonda, Chief Financial Officer, ManipalCigna Health Insurance Co.Ltd. and discussed various matters pertaining the profession and ways & means in which the CMAs can play an active role in the General Insurance sector. Further, on 11th March, 2022 the Chairman, BFSIB met Mr.Abdul Rauf, IA & AS, Director General, Indian Audit & Accounts Department, Regional Training Institute, Mumbai to discuss the various collaborative activities to be undertaken.

II) WEBINARS

A)"Ethics and Corporate Governance-Emerging Trends in India" on 3rd May, 2022

The Banking, Financial Services & Insurance Board (BFSIB) organized a webinar on 3rd May, 2022 under the leadership of CMA Chittaranjan Chattopadhyay, Chairman, BFSIB, on a contemporary topic on "Ethics and Corporate Governance-Emerging Trends in India" which saw a huge number of participations from Cost and Management Accountants, Bankers and other stakeholders. The Chief Guest of the event and speaker was Shri Laxminarayan Rath,

B) "Fiat Currency vs Cryptocurrency vs Central Bank Digital Currency"

The Banking, Financial Services & Insurance Board (BFSIB) organized a webinar on 9th April, 2022 under the leadership of CMA Chittaranjan Chattopadhyay, Chairman, BFSIB, on a contemporary topic "Fiat Currency vs Cryptocurrency vs Central Bank Digital Currency" which saw a huge number of participations from Cost and Management Accountants, Bankers and other stakeholders. The Chief Guest of the event and speaker was Shri Vikash Babu Chittiprolu, Deputy General Manager, Union Bank of India.

C) 'Banking- Yesterday, Today and Tomorrow held on 17th June, 2022

The BFSIB organized the webinar on the occasion of 'Azadi Ka Amrit Mahotsav' on 17th June, 2022 from 4 to 5-30 pm on the topic of 'Banking- Yesterday, Today and Tomorrow '. Shri S.S. Mundra, Chairman, BSE and Former Dy.Governor, RBI was the Chief Guest. Dr. Soumya Kanti Ghosh, Group Chief Economic Adviser of SBI was the speaker.

III) REPRESENTATION LETTERS FOR INCLUSION OF CMAS

As a continuous effort for further development of the profession in the BFSI sector, BFSIB has represented to various authorities and employers for inclusion of CMAs in the sector as and when such scope has come to the notice of the Institute. We are happy to state that SIDBI has included CMAs for Credit Officer. Bank of India and Punjab National Bank have included CMAs in their advertisement for the post of Credit Officers and Risk Manager. We are happy to state that NaBFID, PNB and Indian Banks has included CMAs in their various advertisements for recruitment.

IV) RELEASE OF "AIDE MEMOIRE ON INFRASTRUCTURE FINANCING"

At the 60th NCC, 2022 held at Lucknow, the 2nd publication in the Aide Memoire series namely, 'Aide Memoire on Infrastructure Financing' was released from the hands of the Chief Guest for the event in presence of a large number of dignitaries. We call upon all members, students and other stakeholders to purchase the publication which will be available at the Headquarters Office of the Institute or online from the BFSI portal.

BFSIB is also getting appreciation letters from the regulators and Bank's Senior Management and the letters are uploaded in the BFSIB portal for necessary information.

V) 30 HOURS ORIENTATION PROGRAMME FOR VACANCIES IN BANK OF INDIA FOR CMAS

BFSIB is starting a 10 days' orientation programme for the 484 vacancies released by the Bank of India. CMAs who do not any requisite experience are eligible for the course and they would be provided with 30 hours of rigorous training and mock tests to handhold them to appear for the vacancies in various public sector banks. The admission process is going on and all are requested to avail the benefit of such course.

The BFSIB started the course on 15th June,2022 for 30 hours and CMAs across the country joined the online course. Shri Ram Naik Gupte, Dy.General Manager, Bank of India was the Chief Guest for the inaugural session. The course completed on 23rd June, 2022.

VI) WORKSHOP ON RISK BASED INTERNAL AUDIT (SERIES - II)

In view of mandatory implementation of RBIA in banks, NBFC and co-operative Banks the BFSIB, ICAI would soon be organizing the workshop on Risk Based Internal Audit (Series-II). We have already floated the google forms for expression of interest and based on the feedback the date of the workshop would be announced soon.

VII) CERTIFICATE COURSE ON GENERAL INSURANCE IN ASSOCIATION WITH NATIONAL INSURANCE ACADEMY (NIA):

The 2nd batch admission of the course have already started for the members and students. The course being a unique one, every finance professional should avail the opportunity of enrolling in the course for skill development and capacity building in the Insurance Sector. BFSIB and NIA are developing the modalities of the Level-2 of the certificate course and we are sure that it will also be very popular. BFSIB and NIA are developing the modalities of the Level-2 of the certificate course and we are sure that soon it would take off. Please fill up the Expression on Interest Form for joining such course if you are curious to join the course.

Like all other courses of the Institute, we are sure members and students who will take up the three certificate courses on Banking will greatly benefit towards their skill development and knowledge enhancement.

VIII) BANKING COURSES

The 5th batch of Certificate Course on Treasury and International Banking was launched on 12th March, 2022.Shri Ravindra Babu, Field General Manager, Union Bank was the Chief Guest for the inaugural session. It concluded on 18th June, 2022 and successful examination was conducted for the participants on 19th June, 2022.

IX)INSURANCE MONTH

In view of the significance of the Insurance sector in the Indian economy and to spread the awareness of Insurance especially after the pandemic it is felt that the Institute should observe June 2022 as the Insurance month. We are celebrating the event for the 2nd year as we have done it successfully on June, 2021.

The topics of webinars organized by BFSI Board are as follows:

Webinar 1 was held on 11.06.2022 from 4-6 pm

The topic was Integration of Environmental, Social and Governance (ESG) with Enterprise Risk Management (ERM)- An Effective Corporate Governance Strategy. CMA Delzad D Jivaasha, Dy. VP-Risk Management, ICICI Lombard General Insurance Co. Ltd was the speaker.

Webinar 2 was held on 14.06.2022 from 4-6 pm

The topic was Confronting the Implications of Climate Change in Insurance Industry (In association with NIA).The speakers were Shri Hitesh Kotak, CEO,Munich Re., India Branch and Shri Praveen Gupta, Chartered Insurers. The programme was moderated by CMA G.Srinivasan, Director, NIA.

Webinar 3 was held on 25.06.2022 from 4-30 -6 pm

The topic was fireside Chat with CMA Ram Gopal Verma, Fire Insurance Expert on Fire Insurance Claims'. CMA Shiba P Padhi, Former Chairman, EIRC of ICAI is the moderator of the session.

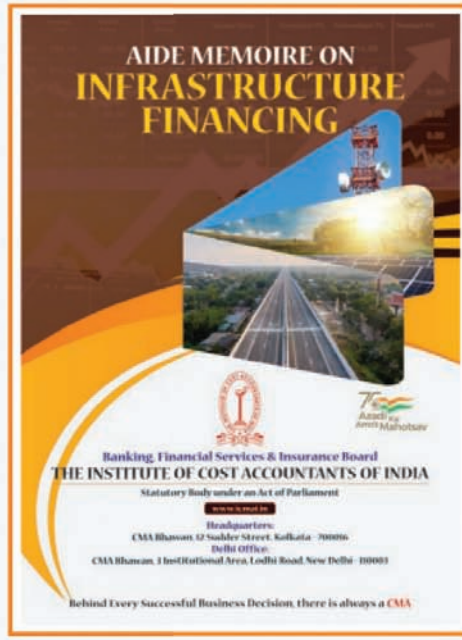
Webinar 4 was held on 30.06.2022 from 4-6 pm

The topic was Cyber Insurance-Risk Mitigation for Cyber Security and Data Protection (in association with NIA). Shri Bhishma Maheshwari,Sr. VP, Marsh India Insurance Brokers Private Ltd and Shri Vijay Shankar Naavi, President, Data Protection Association of India are the speakers. The webinar was moderated by Dr.G.Doss, Faculty (Marketing), NIA.

Aide Memoire on
INFRASTRUCTURE FINANCING

Infrastructure is the backbone of any economy. It is a well recognised fact that Infrastructure has a multiplier effect on the holistic development and rapid sustainable growth.

A Robust Infrastructure Finance mechanism therefore assumes utmost importance in the entire Eco system.



Synopsis-Salient Features of the book

- A one stop, single reference point, in the niche area of Infrastructure Finance.
- The book covers the basic theoretical concepts as also the real nitty gritty of processes & procedures and nuances involved in Infrastructure Finance with all the relevant topics which inter include the following:-
  - Definition of Infrastructure sector-Harmonised master list of infrastructure sub -sectors, as notified by Department of Economic Affairs, Ministry of Finance, Definition under Companies Act 2013 and under Income Tax Act 1961.
  - Elements of Financing Infrastructure.
  - Types of Public Private Partnership (PPP) models.
  - Formation of the Special Purpose Vehicle (SPV) and Key project documents/structure for Infrastructure Finance.
  - Financing mechanism consortium/syndication.
  - Credit appraisal process-covering management appraisal, economic appraisal, marketing appraisal, technical appraisal and Financial appraisal.
  - In depth analysis of cost of project and means of finance with specific reference to Infrastructure projects, including interest during construction (IDC), Debt Service Reserve Account (DSRA) etc.
  - Key performance indicators including financial indicators and non financial indicators. This includes detailed discussion on all financial ratios for long term funding like DSCR, IRR, BEP and concepts like ESG compliances.
  - Detailed discussion on the intricacies involved in appraisal and sanction, including various aspects of concession agreement, Power Purchase agreement, Escrow agreement, Fuel supply agreement Inter creditors agreement etc
  - Assessment of various Risks involved in infrastructure finance like sponsor risk , construction risk,market risk, financial risk etc and mitigation thereof.
  - Detailed Case studies on the following projects
    - Road sector -Hybrid annuity (HAM)model -New Project
    - Road sector- Toll Operate Transfer (TOT) model-Funding against existing project as a part of Asset Monetization Plan.
    - Renewable Energy sector - Solar Power Plant-New Project.
  - Case studies on Credit Risk Mitigation
    - Waste to Energy Project
    - Water supply management project.
    - Railway station Redevelopment project.
  - Project monitoring and performance audit of infra projects
  - Restructuring, management of weak accounts and NPA accounts.
  - Infrastructure thrust by Government of India- National Infrastructure pipeline , National Monetization Pipeline, NABFID and Atmanirbhar Bharat
  - Alternate sources of funding including InvITs, IDFs, Securitisation, Credit, Enhancement etc
  - Methodology for pricing of loans
  - Preventive vigilance

BOOK IS NOW AVAILABLE

***Members & Students** of the **Institute of Cost Accountants of India** are eligible for **20%** discount on the book price*

Online purchase can be made as per the following link:

https://eicmai.in/booksale_bfsi/Home.aspx

Warm regards
CMA Chittaranjan Chattopadhyay
Chairman
Banking, Financial Services & Insurance Board

Banking, Financial Services & Insurance Board
THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
Statutory Body under an Act of Parliament
www.icmai.in

Headquarters
CMA Bhawan, 12 Sudder Street, Kolkata - 700016
Delhi Office
CMA Bhawan, 3 Institutional Area, Lodhi Road
New Delhi - 110003

Behind Every Successful Business Decision, there is always a CMA

Banking, Financial Services & Insurance Board

CERTIFICATE COURSE ON CONCURRENT AUDIT OF BANKS

BROCHURE

8TH BATCH

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

Statutory Body under an Act of Parliament

www.icmai.in

Behind Every Successful Business Decision, there is always a CMA

About The Institute

The Institute of Cost Accountants of India was first established in **1944** as a registered company under the Companies Act with the objects of promoting, regulating and developing the profession of Cost Accountancy. On **28th May, 1959,** the Institute was established by a special **Act of Parliament,** namely, the **Cost and Works Accountants Act, 1959** as a statutory professional body for the regulation of the profession of Cost and Management accountancy. The Institute is under the administrative control of **Ministry of Corporate Affairs, Government of India.**

The Institute has since been continuously contributing to the growth of the industrial and economic climate of the country. The Institute is the only recognised statutory professional organisation and licensing body in India specialising exclusively in Cost and Management Accountancy.

International Affiliation

The Institute of Cost Accountants of India is Founder member of International Federation of Accountants (IFAC), Confederation of Asian & Pacific Accountants (CAPA) & South Asian Federation of Accountants (SAFA). The Institute, being the only institution from India, is a member of the Accounting Bodies Network (ABN) of The Prince's Accounting for Sustainability (A4S) Project, UK and International Valuation Standards Council (IVSC), UK.

Institute's Strength

The Institute is the 2d largest Cost & Management Accounting body in the World and the largest in Asia, having a large base of about 85,000 CMAs either in practice or in employment and around 5,00,000 students pursuing the CMA Course.

Institute's Network

Institute's headquarters is situated at Kolkata with another office at New Delhi. The Institute operates through four Regional Councils at Kolkata, Chennai, Delhi and Mumbai as well as through 110 Chapters situated in India, 11 Overseas Centres abroad, 2 Centres of Excellence, 52 CMA Support Centres and 434 Recognized Oral Coaching Centres.

Vision Statement

"The Institute of Cost Accountants of India would be the preferred source of resources and professionals for the financial leadership of enterprises globally."

Mission Statement

"The Cost and Management Accountant professionals would ethically drive enterprises globally by creating value to stakeholders in the socio-economic context through competencies drawn from the integration of strategy, management and accounting."

Course Objective

The Banking, Financial Services and Insurance Board is pleased to offer **Certificate Course** on **"Concurrent Audit of Banks"** to enable participants to understand the intricacies of Concurrent Audit of Banks.

This course aims to impart in-depth knowledge on concurrent audit of banks and to help the participants to acquire with the knowledge/skills to undertake related assignments/Special Audits of the Banks like:

- Forensic Audit (including Forensic Audit of IBC, 2016 Cases).
- Stock and Book Debts Audit of Working Capital Loans/Bills Discount/ TReDS.
- Income Leakage Audit.
- FEMA Audit of Category A, B, C Branches.
- KYC/AML Audit.
- Treasury Department Audit.
- Credit Audit of Rs. 5 Crores and above Advances.
- Agencies for Specialized Monitoring of Accounts (Rs. 250 Crs. and above Advance Accounts).
- To issue Compliance Certificate (Rs. 5 Crs. and above Multiple or Consortium Advances).
- Staff Accountability Exercise in respect of Failed/NPA Advances at incipient Stage.
- To supplement the effort of the Banks in carrying out Internal Audit of the Transactions and other Verifications and Compliance with the Systems and Procedures laid down by the Banks and RBI.

Online Admission Link:
https://eicmai.in/advscc/DelegatesApplicationForm.aspx

CEP Hours: 10 hours
for members of The Institute of Cost Accountants of India

Course Eligibility

FCMA/ACMA/those who have qualified Final CMA examination, Bank Officer or Ex-Bank Officer.

Course Duration

a) Classroom Learning of 3 hours per day in the Weekend through online mode
b) 30 Hours on-line Coaching
c) 2 months course
d) Online Examination for 100 marks

Course Fees

Course Fees (including learning kit) of Rs. 5,000/- plus GST of 18 %.

Special Discount for Corporates
For number of employees 5-10, discount is 15%. For number of employees more than 10, discount is 20%

Examination

Rs. 750 plus GST per attempt.

2 Behind Every Successful Business Decision, there is always a CMA

Detailed Course Content

1. **Differentiated Banks and Banking Services.**
   - 1.1 Scheduled Commercial Banks.
   - 1.2 Regional Rural Banks.
   - 1.3 Small Finance Banks.
   - 1.4 Payment Banks etc.
   - 1.5 Types of Deposits & Advances.
   - 1.6 Miscellaneous Services like Lockers, Safe Deposit Articles, Remittances, Third Party Products, Currency Chest.
   - 1.7 Alternative Delivery Channels ATMs, Internet Banking, Mobile Banking, Business Correspondents etc.
2. **Types of Audit in Banks and Importance of Concurrent Audit / Concurrent Audit Procedures / e Concurrent Audit.**
   - 2.1 Risk Focus Internal Audit.
   - 2.2 Credit Audit.
   - 2.3 Income Leakage Audit/Revenue Audit.
   - 2.4 Stock & Book Debts Audit.
   - 2.5 Statutory Audit.
   - 2.6 Concurrent Audit.
   - 2.7 FEMA Audit.
   - 2.8 SWIFT Audit.
   - 2.9 e-Concurrent Audit etc.
3. **Role and Areas of Concurrent Auditor.**
   - 3.1 Verification Transactions of Deposit, Advance Accounts.
   - 3.2 Verification of Services of the Banks like Lockers, Safe Deposit Accounts, Cash Department Procedures, Forex Transactions, Alternative Delivery Channels etc.
   - 3.3 Unit Inspection (Advance A/Cs), End-use of Funds, Verification of pending Fraud cases, Staff Accounts etc.
4. **Bank Risk Management – Credit, Market and Operational Risk Areas.**
   - 4.1 Credit Risk Areas.
   - 4.2 Market Risk Areas.
   - 4.3 Operational Risk Areas.
   - 4.4 Credit Policy Guidelines and Regulatory Guidelines etc.
5. **Legal and Regulatory Frame Work & KYC / AML.**
   - 5.1 RBI Act and Banking Regulation Act.
   - 5.2 Different Types of Charges.
   - 5.3 Limitation Act.
   - 5.4 Registration Act.
   - 5.5 Indian Stamp Act.
   - 5.6 Limitation Act.
   - 5.7 SARFEASI Act and CERSAI etc.
   - 5.8 KYC/AML Guidelines of Bank / RBI.
6. **IRAC Norms / Provisions and Capital Adequacy Ratio / CRAR / Basel-III / Disclosure Requirements.**
   - 6.1 Classification of Advances.
   - 6.2 Provision requirements.
   - 6.3 Capital Adequacy Ratio and its importance.
   - 6.4 Basel-III recommendations.
   - 6.5 Asset Liabilities Management.
7. **Loans and Advances.**
   - 7.1 Demand Loans.
   - 7.2 Term Loans.
   - 7.3 Overdrafts, Working Capital Loans and Working Capital Term Loans.
   - 7.4 Various Types of Products like Home Loans, Car Loans, Personal Loans, Mortgage Loans, Education Loans etc.
8. **Non-fund-based Business**
   - 8.1 Types of Bank Guarantees.
   - 8.2 Types of Letters of Credits.
   - 8.3 Margins, Collateral Security, Standard formats of BGs / LCs, Commission on BGs / LCs.
9. **Credit Process: Pre-sanction, Sanction & Post-sanction**
   - 9.1 KYC, Verification of Application / Project Report, CIBIL, CIC Reports.
   - 9.2 Appraisal, Projections etc.
   - 9.3 Verification of Proposal, Sanction and Submission of Control Forms.
   - 9.4 Documentation, Creation of Charges, Equitable Mortgage, Disbursement, End Use of Funds etc.
10. **Common Serious Lapses in Sanction, Follow-up & Documentation**
    - 10.1 Non-adherence of Delegation of Powers.
    - 10.2 Short / Excess / Double Finance.
    - 10.3 Take-over Norms.
    - 10.4 Diversion of Funds / End-use of funds.
    - 10.5 Wrong Documentation, Less Stamping on Documentation, Time-barred Documents.
    - 10.6 Units Inspection, Non-obtention of Stock Statements, Coverage of Insurance for both Primary and Collateral Security, Initiation of legal measures for recovery, monitoring of SMA-0 to SMA-2 etc.
11. **Forex Transactions – Inward & Outward Remittances**
    - 11.1 Opening of NRE / NRO / FCNR / RFC accounts.
    - 11.2 Purchasing of Foreign Currency Cheques / Currency / Export Bills – Forex Rates – Card Vs. Fine Rates.
    - 11.3 Selling of Foreign Currency Drafts / Currency / Import Bills etc.
    - 11.4 Submission of R-Returns to RBI.
    - 11.5 Verification of SWIFT Message Inward / Outward – Bank / RBI Guidelines.
    - 11.6 Nostro, Vostro and Loro Accounts etc.
12. **Pre-shipment and Post-shipment Export Finance**
    - 12.1 UCPDC Guidelines – FEDAI Guidelines – FEMA Guidelines.
    - 12.2 Pre-shipment packing credit Advance.
    - 12.3 Discounting of Export Bills / Import Bills payment etc.
13. **Treasury and Investment Audit Part-I**
    - 13.1 Organization Structure of Treasury Department – Front, Mid, Back Office Functions.
    - 13.2 Investment Policy Manual of the Bank
    - 13.3 Integrated Treasury – Money Market, Capital Market, Forex Market Products etc.
    - 13.4 Held-to-Maturity, Available-For-Sale, Held-For-Trading etc.
14. **Treasury and Investment Audit Part-II**
    - 14.1 FIMMDA Guidelines on Money Market / Dealers.
    - 14.2 RBI Guidelines on Treasury Department.
    - 14.3 Empanelment of SEBI Authorised Dealers for Sale and Purchase of Investments and payment of Commission.
    - 14.4 Non-performing Investment guidelines of RBI.
    - 14.5 Job Rotation of Dealers – Usage of Bloomberg in Treasury etc.
15. **Operational Risk Management – ORM-I**
    - 15.1 Job Rotation–Staff Attendance-Branch Documents–Security Systems (Fir-Extinguisher, Smoke Detectors, Gun Licences etc.), Currency Chest Fitness Certificate–Disaster Recovery Management–Business Continuity Plan etc.
    - 15.2 Safe Deposit Lockers, Safe Deposit Articles, Deceased Claims Settlement etc.

Detailed Course Content

16. Operational Risk Management – ORM-II
- 16.1 Complaints–Banking Ombudsman– Customer Forums–Submission of MIS Returns etc.
- 16.2 Deposit of Branch Duplicate Keys–Reconciliation of Office Accounts–System Suspense Accounts–Parking Accounts– Recovery of Service Charges – Income Leakages etc.
- 16.3 Customer Service Meetings–Display of import information notices in Banking Hall–Cheque Truncation System–Complaints and Suggestion Box–Police Beat–ATM Cash Replenishment outsourcing agencies (SLAs)–Branch Outsourcing Staff Monthly Payments, Drop Box etc.

17. Detection, Classification & Reporting of Frauds
- 17.1 Classification of Frauds–Internal & External Frauds.
- 17.2 Provisions / Recovery Efforts of Frauds.
- 17.3 Disciplinary action initiation / Reporting of Frauds to RBI through On-line.
- 17.4 CBI Cases Follow-up etc.

18. Tools for Concurrent Audit of Banks
- 18.1 Bank Systems and Procedures Book-lets.
- 18.2 Standard Operating Procedures of various Products of the Bank.
- 18.3 Current Chest guidelines of the Banks.
- 18.4 Loan Balancing File – CBS.
- 18.5 Delegation of Powers.
- 18.6 Service Charges Book-let etc.

19. Audit in CBS / TMS Environment – Banking / Treasury Software
- 19.1 Core Banking System – Major functionalities.
- 19.2 Various Reports Generated by CBS like Exceptional Reports etc.
- 19.3 Treasury Management Solutions.
- 19.4 TMS-Front, Mid and Back-office Reports etc.

20. Bank Panel Discussion (DGM / GM of Audit Dept.)
- 20.1 Effectiveness of Concurrent Audit.
- 20.2 Compliance of Concurrent Audit remarks by Bank Branches.
- 20.3 Risk Categorisation of Branches Guidelines.
- 20.4 Latest Developments in Concurrent Audit Procedures.

Contact for further queries

CMA Arup S Bagchi, Sr. Director at bfsi.hod@icmai.in/membership.director@icmai.in

CMA Dibbendu Roy, Additional Director at bfsi@icmai.in

Dr. Madhumita Sengupta, Joint Director at studies.jd2@icmai.in

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

Statutory Body under an Act of Parliament

www.icmai.in

Headquarters: CMA Bhawan, 12 Sudder Street, Kolkata - 700016

Delhi Office: CMA Bhawan, 3 Institutional Area, Lodhi Road, New Delhi - 110003

Behind Every Successful Business Decision, there is always a CMA

About The Institute

The Institute of Cost Accountants of India was first established in **1944** as a registered company under the Companies Act with the objects of promoting, regulating and developing the profession of Cost Accountancy. On **28th May, 1959,** the Institute was established by a special **Act of Parliament,** namely, the **Cost and Works Accountants Act, 1959** as a statutory professional body for the regulation of the profession of Cost and Management accountancy. The Institute is under the administrative control of **Ministry of Corporate Affairs, Government of India.**

The Institute has since been continuously contributing to the growth of the industrial and economic climate of the country. The Institute is the only recognised statutory professional organisation and licensing body in India specialising exclusively in Cost and Management Accountancy.

International Affiliation

The Institute of Cost Accountants of India is Founder member of International Federation of Accountants (IFAC), Confederation of Asian & Pacific Accountants (CAPA) & South Asian Federation of Accountants (SAFA). The Institute, being the only institution from India, is a member of the Accounting Bodies Network (ABN) of The Prince's Accounting for Sustainability (A4S) Project, UK and International Valuation Standards Council (IVSC), UK.

Institute's Strength

The Institute is the 2nd largest Cost & Management Accounting body in the World and the largest in Asia, having a large base of about 85,000 CMAs either in practice or in employment and around 5,00,000 students pursuing the CMA Course.

Institute's Network

Institute's headquarters is situated at Kolkata with another office at New Delhi. The Institute operates through four Regional Councils at Kolkata, Chennai, Delhi and Mumbai as well as through 110 Chapters situated in India, 11 Overseas Centres abroad, 2 Centres of Excellence, 52 CMA Support Centres and 434 Recognized Oral Coaching Centres.

Vision Statement

"The Institute of Cost Accountants of India would be the preferred source of resources and professionals for the financial leadership of enterprises globally."

Mission Statement

"The Cost and Management Accountant professionals would ethically drive enterprises globally by creating value to stakeholders in the socio-economic context through competencies drawn from the integration of strategy, management and accounting."

Course Objective

The world is increasingly getting inter-connected and complex. Bank Credit mechanism has also undergone phenomenal changes in recent years. Few years ago, Credit meant only Cash Credit, Overdraft and Term Loan. Today quasi credit facilities like Letters of Credit, Bank Guarantees, Co-acceptances, Buyer's Credit and Supplier's Credit etc. are gaining predominance. Keeping in view of importance of Credit Management by banks, The Institute of Cost Accountants of India offers the **Certificate Course** on **Credit Management (CCCM).**

Professionals dealing with Finance or Financial Institutions in one way or other need to possess knowledge of 'Credit Management' guidelines of Financial Institutions like Banks, so that they can provide Value Additive Services to their clients like recommending to the banks the business proposals of entrepreneurs, performing preliminary credit appraisal on behalf of the banks and collate additional supporting information required by the banks/credit institutions etc.

In addition to the above, this course is also useful to the professionals who are dealing with:

- ✓ Various assignments like Forensic Audit, Stock and Book Debts Auditor (As recognized by IBA)
- ✓ Issuance of Compliance Certificate for Banks by practicing professionals in areas like Consortium and Multiple Lending by Banks (RBI Guidelines)
- ✓ Acting as Agencies for Specialized Monitoring (As recognized by IBA)
- ✓ Assignments like 'Concurrent Audit' of Banks and 'Credit Audit' of the Banks.

The Course provides a holistic insight into the various dimensions in Bank Credit Management.

Online Admission Link:
https://eicmai.in/advscc/DelegatesApplicationForm.aspx

CEP Hours: 10 hours
for members of The Institute of Cost Accountants of India

Course Eligibility

FCMA/ACMA/those who have qualified Final CMA examination, Final year Students of the CMA Course/Any Graduate.

Course Duration

a) Classroom Learning of 3 hours per day in the Weekend through online mode
b) 50 Hours on-line Coaching.
c) 2 months course
d) Online Examination for 100 marks

Course Fees

Course Fees (including learning kit) of Rs. 6,000/- plus GST of 18%. Final year Students of the CMA course for an amount of Rs. 4,500 plus GST of 18%.

Special Discount for Corporates
For number of employees 5-10, discount is 15%. For number of employees more than 10, discount is 20%

Examination

Rs. 750 plus GST per attempt.

Detailed Course Content

✓ **Introduction & Overview of Credit (Module 1)**

- Principles of Lending: Safety, Liquidity, Profitability, Purpose of Loan, Diversification Risk. Credit
- Policy: Importance, Contents, Exposure Norms
- Types of Borrowers: Individuals, Proprietorship Firms, Partnership Firms, Private & Pubic Limited Companies, Limited Liability Partnerships (LLP).
- Types of Credit Facilities: Various Types of Credit Facilities - Cash Credit, Overdrafts, Demand Loan, Term Loans, Bills Discounting
- Credit Delivery: Sole Banking Arrangement, Multiple Banking Arrangement, Consortium Lending, Syndication
- Credit Appraisal: Validation of proposal, Dimensions of Credit Appraisals, Credit Risk, Credit Risk Rating, Credit Worthiness of Borrower, Purpose of Loan, Source of Repayment, Cash Flow, Collaterals
- Credit Rating: Measurement of Risk, Objective of Rating, Internal & External Rating, Model Credit Rating, Methodology of Rating, Internal & External Comparison, Model Rating Formats. Guidelines on CERSAI registration.

✓ **Analysis of Financial Statements (Module 2)**

- Analysis of Financial Statements: Classification of Assets & Liabilities, Current Assets, Fixed Assets, Non-current Assets, Intangible & Fictitious Assets, Liabilities - Current Liabilities, Medium & Term Liabilities, Capital & Reserve, Classification of Current Assets & Current Liabilities, Balance Sheet Analysis
- Analysis of Profit & Loss Account, Auditor's Note
- Ratio Analysis - Classification of Ratios, Liquidity Ratios, Leverage Ratios, Activity Ratios, Profitability Ratios, Interpretation of important Financial Ratios, Fund Flow Statements and Cash Flow Statements
- Project / Term Loan Appraisal: Technical Appraisal, Commercial / Market Appraisal, Managerial Appraisal, Financial Appraisal, Economic Appraisal, Environmental Appraisal, Project Cost & Means of Finance, Cost of Production & Profitability, Sensitivity Analysis, Break-even Analysis, Capital Budgeting - Pay Back Period Method, Time Value Money, Net Present Value, Internal Rate of Return, Life of the Project.

✓ **Working Capital Management (Module 3)**

- Working Capital Assessment: Concept of Working Capital, Gross Working Capital, Net Working Capital, Working Capital Gap, Components of Working Capital, Source of Working Capital, Operating / Working Cycle, Various Methods of Assessment of Working Capital, Computation of Working Capital - Turnover Method, MPBF Method, Cash Budget System, Analysis of CMA Data
- Quasi Credit Facilities: Advantages of Non-Fund Facilities, Various types of NFB Facilities, Various types Letter of Credits, Assessment of LC limits, Bills Purchase / Discounting under LC
- Various types of Bank Guarantees: Performance Guarantee, Financial Guarantees, Deferred Payment Guarantees, Types of Performance and Financial Guarantees, Assessment of Bank Guarantees Limit, Period of Claim under Guarantee

✓ **Other Credits (Module 4)**

- Export Finance: Pre-Shipment Finance-Export Packing Credit in Rupees, Pre-Shipment Credit in Foreign Currency (PCFC), Post Shipment Rupee Export Finance, Purchase / Discount of Export Bills, Negotiation of Export Bills, ECGC Whole Turnover Post-Shipment Guarantee Scheme.

✓ **Monitoring, Supervision & follow up and Management of Impaired Assets (Module 5)**

- Documentation: Meaning, Importance, Types of documents, Requisites of documentation, Stamping of different documents, Mode and time of Stamping, Remedy for un-stamped / under-stamped documents, Documents of which registration is compulsory, Time limit of registration, Consequence of non-registration, Execution, Mode of Execution by different executants, Period of Limitation, Law of Limitation to Guarantor, Extension of period of limitation.

Behind Every Successful Business Decision, there is always a CMA 3

Detailed Course Content

- Types of Charges: Purpose, Various types of charges, Types of Security, Mode of charge, Lien, Negative Lien, Set Off, Assignment, Pledge, Right of Banker as a Pledgee, Duties as a Pledgee, Mode of Charges, Hypothecation, Mortgage - different types of mortgages, Difference between Simple and Equitable Mortgage.
- Credit Monitoring, Supervision & Follow Up: Credit Monitoring - Check-list for Monitoring, Monitoring by using various statements, QIS Formats / guidelines, Supervision & Follow Up.
- Management of Impaired Assets : NPA Management Policy, Income Recognition Policy, Assets Classification, Guidelines on Asset Classification, Take out Finance, Provisioning Norms for NPA, Provisioning Coverage Ratio (PCR), Options available to banks in Stressed Assets, Prudential Guidelines on Restructuring, New RBI Framework for Distressed Assets, Wilful Defaulters, Penal Measures, Compromise, Legal Action, Civil litigation, Pre and Post - filing precautions, Type of Decrees, Modes of Execution of Decree, Lok Adalat, Debt Recovery Tribunal, SARFAESI, IBC-2016, Write Off.

Contact for further queries

CMA Arup S Bagchi, Sr. Director at bfsi.hod@icmai.in/membership.director@icmai.in

CMA Dibbendu Roy, Additional Director at bfsi@icmai.in

Dr. Madhumita Sengupta, Joint Director at studies.jd2@icmai.in

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

Statutory Body under an Act of Parliament

www.icmai.in

Headquarters: CMA Bhawan, 12 Sudder Street, Kolkata - 700016
Delhi Office: CMA Bhawan, 3 Institutional Area, Lodhi Road, New Delhi - 110003

Behind Every Successful Business Decision, there is always a CMA


Banking, Financial Services & Insurance Board
CERTIFICATE COURSE ON
TREASURY AND INTERNATIONAL BANKING
6TH BATCH
BROCHURE
THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
Statutory Body under an Act of Parliament
www.icmai.in
Behind Every Successful Business Decision, there is always a CMA

About The Institute

The Institute of Cost Accountants of India was first established in **1944** as a registered company under the Companies Act with the objects of promoting, regulating and developing the profession of Cost Accountancy. On **28th May, 1959,** the Institute was established by a special **Act of Parliament,** namely, the **Cost and Works Accountants Act, 1959** as a statutory professional body for the regulation of the profession of Cost and Management accountancy. The Institute is under the administrative control of **Ministry of Corporate Affairs, Government of India.**

The Institute has since been continuously contributing to the growth of the industrial and economic climate of the country. The Institute is the only recognised statutory professional organisation and licensing body in India specialising exclusively in Cost and Management Accountancy.

International Affiliation

The Institute of Cost Accountants of India is Founder member of International Federation of Accountants (IFAC), Confederation of Asian & Pacific Accountants (CAPA) & South Asian Federation of Accountants (SAFA). The Institute, being the only institution from India, is a member of the Accounting Bodies Network (ABN) of The Prince's Accounting for Sustainability (A4S) Project, UK and International Valuation Standards Council (IVSC), UK.

Institute's Strength

The Institute is the 2nd largest Cost & Management Accounting body in the World and the largest in Asia, having a large base of about 85,000 CMAs either in practice or in employment and around 5,00,000 students pursuing the CMA Course.

Institute's Network

Institute's headquarters is situated at Kolkata with another office at New Delhi. The Institute operates through four Regional Councils at Kolkata, Chennai, Delhi and Mumbai as well as through 110 Chapters situated in India, 11 Overseas Centres abroad, 2 Centres of Excellence, 52 CMA Support Centres and 434 Recognized Oral Coaching Centres.

Vision Statement

"The Institute of Cost Accountants of India would be the preferred source of resources and professionals for the financial leadership of enterprises globally."

Mission Statement

"The Cost and Management Accountant professionals would ethically drive enterprises globally by creating value to stakeholders in the socio-economic context through competencies drawn from the integration of strategy, management and accounting."

Course Objectives

Treasury Management is an essential function of a Bank or any Entity dealing with Large volume of funds. With the increased Globalization of Markets, it has become essential to have an in-depth knowledge of the functioning of the Domestic Money and Debt Markets as also the Foreign Exchange Markets for effective management of funds. On account of several Policy measures undertaken by Reserve Bank of India (RBI) and other Regulatory Authorities, different segment of financial markets (Money, Securities, Foreign Exchange and Derivatives Markets) have witnessed significant growth and development in terms of new financial instruments, number of players, volume of business, etc.

In the light of such developments, treasury functions in Banks, FIs and Corporates have grown manifold and therefore have become challenging to manage. Therefore, it has become indispensable for Banks, Financial Institutions and Corporates to make their newly inducted treasury officers well versed with various segment of the financial market, different products and operations, so that they not only serve their clients better, but also manage the risks inherent in Treasury.

Practicing CMAs who dealing with their Clients are in one way or other linked to Finance and Financial related Issues. Hence, they should possess Good knowledge of 'Treasury Operations', so that they can provide Value Addition Services to their Clients. Treasury Operations of Banks and Commercial Organizations are more are less with difference of Regulatory Compliance. Even in small business entities, Treasury Operations helps a lot to minimize the Cost of Borrowings and Maximize the Yield on Investments etc.

In addition to the above, this course is also useful to CMAs who are: -

- Empanelled with Banks for Treasury Audit and Forex Audit.
- For Forensic Audit of Treasury Operations / Forex Operations in Banking Industry
- In Credit Audit, if the Bank Sanctions Loans to Clients like Pre-shipment and Post Shipment Packing Credit Advance, this course is also useful.
- And also, useful to take up the Assignments like 'Concurrent Audit in Treasury Department' of Banks, Commercial entities etc.

The Course provides a holistic insight into the various dimensions in Bank Treasury and Forex Operations.

Online Admission Link:
https://eicmai.in/advscc/DelegatesApplicationForm.aspx

CEP Hours: 10 hours
for members of The Institute of Cost Accountants of India

Course Eligibility

FCMA/ACMA/those who have qualified Final CMA examination, Final year Students of the CMA Course/Any Graduate.

Course Duration

a) Classroom Learning of 3 hours per day in the Weekend through online mode
b) 50 Hours on-line Coaching.
c) 2 months course
d) Online Examination for 100 marks

Course Fees

Course Fees (including learning kit) of Rs. 6,000/- plus GST of 18%. Final year Students of the CMA course for an amount of Rs. 4,500 plus GST of 18%.

Special Discount for Corporates
For number of employees 5-10, discount is 15%. For number of employees more than 10, discount is 20%

Examination

Rs. 750 plus GST per attempt.

Syllabus

SECTION - 1

a. Introduction to the Money Market:

- ✓ Economic Function-Definition-Classification of Intermediaries
- ✓ Types of markets-Participants-Nature of Domestic Market
- ✓ Repurchase Agreements
- ✓ Types of Interest Rate Quotations

b. Capital Markets:

- ✓ Economic Function
- ✓ Classification of Instruments-by Issuer and Types
- ✓ Principles of Valuation

c. Foreign Exchange Markets:

- ✓ Introduction-Definitions-Direct and Indirect Quotations: Cross Rates, Factors affecting Exchange Rates
- ✓ Spot Operations
- ✓ Relationship with Market Operations-Financing Spot Operations Interest Arbitrage-Forward-Forward Business
- ✓ Forward Transactions-Factors affecting / influencing forward rates
- ✓ Premiums: Discounts, Forward Cross Rates
- ✓ Swap Transactions
- ✓ Outright Deals

d. External Markets:

- ✓ External Commercial Borrowings
- ✓ GDRs / ADRs

e. Derivatives Markets:

- ✓ Introduction – Definition and Characteristics of FUTURES, SWAPS and OPTIONS
- ✓ Nature of Local Derivatives Market
- ✓ Elementary Hedge Applications

SECTION - 2

a. Scope and Function of Treasury Management:

- ✓ Objectives of Treasury
- ✓ Structure and Organisation
- ✓ Responsibilities of Treasury Manager

b. Domestic Cash Management:

- ✓ Short Term / Medium Term Funding – Meaning and Importance of Cash Management
- ✓ Objectives of Cash Management
- ✓ Cash Flow Budgeting and Forecasting
- ✓ Electronic Cash Management

c. Cost Centre / Profit Centre:

- ✓ Financial Planning and Control
- ✓ Capital Budgeting
- ✓ Risk Analysis

d. Liquidity Management:

- ✓ Objectives
- ✓ Sources of Liquidity
- ✓ Maturity Concerns: Projected Cash Flow and Core Sources Contingency Plans
- ✓ Short term and Long-term Liquidity
- ✓ Maturity Ladder Limits
- ✓ Internal Control – The Need and Importance – Financial and Operational risks – Internal vs External Control Segregation of Duties among Front and Back Offices – Management Information – Netting

e. Treasury's Role in International Banking:

- ✓ Changing Global Scenario and Treasury Functions
- ✓ Treasury Structure- Front and Back Office
- ✓ Control of Dealing Operations – Trading Limits – Trading and Operational Policy – Moral and Ethical aspects
- ✓ Confirmations

f. Revaluation Mark to Market and Profit Calculations:

- ✓ Supervision and Exchange Control Departments
- ✓ RBI requirements
- ✓ Recent Developments in the Central Bank's Policy Framework

SECTION - 3

a. Introduction:

- ✓ Meaning of Risk in Banking Operations-Financial and Non-Financial Risks
- ✓ Risk Process
- ✓ Key Risks in Relation to Treasury Management – Interest Rate Risk, Currency Risk, Liquidity Risk, Credit Risk and Operational Risk

Syllabus

b. Measurement and Control of Risk:

- ✓ Identifying Measures and Controlling Risk – Statistical Methods
- ✓ Risk Exposure Analysis
- ✓ Risk Management Policies
- ✓ Fixation and Delegation of Limits
- ✓ Different Limits- Open Position / Asset Position Limits/ Deal Size/Individual Dealers/Stop Loss Limits

c. Assets Liability Management:

- ✓ Components of Assets and Liabilities – History of AL Management
- ✓ Organisational and Functions of ALCO
- ✓ Management and Interest rate Exposure / Liquidity
- ✓ Risk Adjusted Return on Capital
- ✓ Capital Adequacy Concerns

d. Hedging the Risk:

- ✓ Forward, Futures and Options Market
- ✓ Mechanics of Futures
- ✓ Foreign Currency Futures Market
- ✓ Options Market- Options Strategies
- ✓ Hedging Strategies and Arbitrage
- ✓ Call Options and Put Options

Contact for further queries

CMA Arup S Bagchi, Sr. Director at bfsi.hod@icmai.in/membership.director@icmai.in

CMA Dibbendu Roy, Additional Director at bfsi@icmai.in

Dr. Madhumita Sengupta, Joint Director at studies.jd2@icmai.in

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

Statutory Body under an Act of Parliament

www.icmai.in

Headquarters: CMA Bhawan, 12 Sudder Street, Kolkata - 700016

Delhi Office: CMA Bhawan, 3 Institutional Area, Lodhi Road, New Delhi - 110003

Behind Every Successful Business Decision, there is always a CMA

BROCHURE

8TH BATCH

ONLINE

CERTIFICATE COURSE IN

INVESTMENT MANAGEMENT

(With Exclusive Hands on Trading in Algo and Trading Analytics Lab)

Banking, Financial Services & Insurance Board

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

Statutory Body under an Act of Parliament

www.icmai.in

NATIONAL INSTITUTE OF SECURITIES MARKETS (NISM)

www.nism.ac.in

Behind Every Successful Business Decision, there is always a **CMA**

Certificate Course in Investment Management

About ICAI

The Institute of Cost Accountants of India was first established in 1944 as a registered company under the Companies Act with the objects of promoting, regulating and developing the profession of Cost Accountancy. On 28th May, 1959, the Institute was established by a special Act of Parliament, namely, the Cost and Works Accountants Act, 1959 as a statutory professional body for the regulation of the profession of Cost and Management accountancy. The Institute is under the administrative control of Ministry of Corporate Affairs, Government of India.

The Institute has since been continuously contributing to the growth of the industrial and economic climate of the country. The Institute is the only recognised statutory professional organisation and licensing body in India specialising exclusively in Cost and Management Accountancy.

International Affiliation

The Institute of Cost Accountants of India is Founder member of International Federation of Accountants (IFAC), Confederation of Asian & Pacific Accountants (CAPA) & South Asian Federation of Accountants (SAFA). The Institute, being the only institution from India, is a member of the Accounting Bodies Network (ABN) of The Prince's Accounting for Sustainability (A4S) Project, UK and International Valuation Standards Council (IVSC), UK.

Institute's Strength

The Institute is the 2nd largest Cost & Management Accounting body in the World and the largest in Asia, having a large base of about 85,000 CMAs either in practice or in employment and around 5,00,000 students pursuing the CMA Course.

Vision Statement

“The Institute of Cost Accountants of India would be the preferred source of resources and professionals for the financial leadership of enterprises globally."

Mission Statement

“The Cost and Management Accountant professionals would ethically drive enterprises globally by creating value to stakeholders in the socio-economic context through competencies drawn from the integration of strategy, management and accounting."

Institute's Network

Institute's headquarters is situated at Kolkata with another office at New Delhi. The Institute operates through four Regional Councils at Kolkata, Chennai, Delhi and Mumbai as well as through 110 Chapters situated in India, 11 Overseas Centres abroad, 2 Centres of Excellence, 52 CMA Support Centres and 434 Recognized Oral Coaching Centres.

About NISM

The National Institute of Securities Markets (NISM) is a public trust established in 2006 by the Securities and Exchange Board of India (SEBI), the regulator of the securities markets in India. The institute carries out a wide range of capacity building activities at various levels aimed at enhancing the quality standards in securities markets. The institute's six schools of excellence work in synergy towards professionalized securities markets.

Vision

To lead, catalyze and deliver educational initiatives to enhance the quality of securities markets.

Mission

To engage in capacity building among the stakeholders in the securities markets through financial literacy, professional education, enhancing governance standards and fostering policy research.

2

Behind Every Successful Business Decision, there is always a **CMA**

Certificate Course in Investment Management

ONLINE CERTIFICATE COURSE IN INVESTMENT MANAGEMENT

(With Exclusive Hands on Trading in Algo and Trading Analytics Lab)

Course Objective

The course aims at providing a better understanding of the Investment decision making process and strategies for investment, with emphasis on equities, equity derivatives and mutual fund investments. The course helps to develop fundamental skills for successful investment by providing insights into how the models can be applied in the real world dynamic environment with the objective of maximising returns and minimising risk. Provides an exposure to trading simulations through the NISM Algo and Trading Analytics lab.

Course Content

The course is divided into **3 levels.** Each level can be taken separately and completed based on the needs and priorities of the participants. The contact classes and hands on practice time for **each level** will be **30 hours.** All three levels put together aim at providing a holistic view of investment management and help in preparing for different roles offered by capital market intermediaries.

The Bridge course is meant to introduce the securities markets basics to participants who are not conversant with the same. The bridge course will provide an overview of Financial markets, investible assets, the concept of risk and return and financial ratios for investment evaluation. The duration of the **bridge course** will be for about **6 hours.**

Stock Selection and Trading in Equity – Level I

- Stock picking and investing styles
- Equity Market operations and concepts
- Lab based sessions on order execution, order and trade management and queries.
- Risk management framework and client level investment risk management

Technical Analysis and Mutual Fund – Level II

- Chart types and Chart construction
- Patterns and indicators- trend, momentum, volatility, oscillators.
- Strategy building and backtesting - reading reports.
- Hands on session covering above concepts
- Mutual funds - introduction, products, investment goals - how to pick mutual funds for investment needs using case studies

Basic Derivatives and Derivatives Trading Strategies – Level III

- Introduction, derivative products - futures and options.
- Equity futures - pricing, trading strategies, hedging using futures
- Equity options - Strategies for option buyers and use of option greeks
- Strategies for option writer and use of option greeks
- Hands on session - building derivative strategies for bull, bear and consolidating market phases and execution

Behind Every Successful Business Decision, there is always a **CMA** 3

Certificate Course in Investment Management

Course Takeaways

- At the end of Level I the participant will be able to pick stocks for investment and also execute those decisions efficiently through online trading terminals. The participant will also understand risk and capital required for trading in equity cash markets.
- Level II will help in timing the execution of investment decisions using technical tools. Understand major patterns and indicators and predict trends. Overview of Mutual Fund schemes and how to select Mutual Fund schemes for investment.
- Level III will build basic understanding of derivatives and also help in understanding and applying strategies for different market regimes like bull markets, bear markets and markets in consolidation mode.

For YOU

- Understand online trading operations and how markets work
- Using technical indicators to predict market trends
- Formulate investment strategies (equity and equity derivatives), apply and maximise profits with reduced risk
- Explore new strategies and apply in the real world simulation environment
- Understand the impact of events and news on markets
- Minimise the impact of volatility and manage risk

For Your COMPANY

- Prepare for roles like "dealer desk" and client management in broking firms
- Proficiency in dealing with both equity and equity derivatives
- Improve the potential to execute and manage trades and positions across both equity and equity derivatives more effectively
- Understand the risk management framework

Eligibility

- Students pursuing CMA Course (Foundation/ Intermediate/Final)
- Qualified CMAs and members of the Institute of Cost Accountants
- Student with non-commerce or non-accounting bachelor's degree will have to enrol for bridge Course

Course Fees

Sl. No.	Particulars	Proposed Course Fees (Rs.)	
		Members or Others	Students
1.	Investment Management (Level – I)	4,000	3,600
2.	Investment Management (Level – II)	6,000	5,400
3.	Investment Management (Level – III)	9,000	8,100

GST of 18% is applicable on the basic rate

Details of Payment is stated in BFSI Portal of the Institute's website.

4

Behind Every Successful Business Decision, there is always a **CMA**

Certificate Course in Investment Management

Key Features

- Delivered online through WebEx platform by experienced faculty from NISM
- Webex platform Offers opportunity for participant interaction and Q&A through chat box, questions etc
- Exposes the participants to the dynamic trading environment through lab based sessions
- Brings real world experiential learning to the classroom
- Course offers unique hands on trading and investment experience through the Algo and Trading Analytics lab
- Access to the Algo and Trading Analytics Labfor a period of 4 weeks for self-study, assignment and hands on practice sessions as per market working hours on working days and Saturdays.
- Rigour maintained through periodic assessment – online quiz and lab based assignments

Assessment for Each Level

- Quiz – online quiz with weightage of 60%
- Assignment – With weightage of 40%

Certificate of Completion – Will be issued to those participants who complete the assessment with minimum of 50% marks in aggregate.

Detailed Course Outline for Each Level (Level I/II/III)

Stock Selection and Trading in Equity - Level I

The Level I is a foundation level program for Investment management professionals. It blends the methods of valuation of equity and identifying stocks for investment with the process of execution of the investment idea through trading terminals. The course combines investment decision making with trading operations covering both the idea and the execution aspects of investment.

Objectives

- Understand the methods for valuation for equity and investment decision making styles – value and growth investing.
- Understand the nuances of operations in equity cash markets – trading, order matching,
- Session in a market and global market structure.
- To provide an overview of trading operations and market operations, across Equity cash segments
- From a dealer role perspective enable the participants with hands on sessions on trading in equity cash markets with emphasis on order punching, trade and position Management and understanding of trading strategies.
- Understand Risk management at client level and exchange level.

Content

The program is designed as an intensive practical program spread across 30 hours of online sessions, hands on sessions in lab and self paced explore the lab sessions. The following topics will be covered:

- Overview of Financial Markets – Institutions and instruments
- Investment in Equity – Valuation methods, models and investment styles
- Trading basics Equity Cash Markets – Products, Concept, trading clearing and settlement process, order matching Rules and trading operations with emphasis on order and trade management.

Behind Every Successful Business Decision, there is always a **CMA** 5

Certificate Course in Investment Management

- Lab based session – Getting started, Order and trade management, position management
- and queries and trading strategies
- Extensive hands on sessions on understanding client level risk, news based trading sessions and case studies using live and recorded data.
- Risk Management at client and exchange level – Margins, circuit breakers, price limits, minimum capital etc.
- Global Market micro structure - overview

Assessment

Quiz – online quiz with weightage of 60%
Assignment – With weightage of 40%

Certificate of completion – Will be issued to those participants who complete the assessment with minimum of 50% marks in aggregate.

Technical Analysis & Mutual Fund - Level II

Level II is structured to provide insights into technical analysis as a tool to time the execution of equity investment decisions so as to buy low and sell high. The course blends the understanding of different indicators like trend, volatility, Momentum and combinations of the above indicators, back test the same on historical data, improve the strategy and create profitable strategies that are ready to implement in the markets.

Pre-requisite

Good understanding of the trading process, trading operations, margining system, cash market products and fundamental valuation methods is required. – Level I on equity valuation and trading in equity is a desirable pre-requisite for this program.

Objectives

To understand the importance of technical analysis, different indicators and patterns. To prepare the trading strategy and the set up for intra day trading or short term trading. To apply the strategies developed in real markets and understand the effectiveness of the strategies developed.

Content

The program is designed as an intensive practical program spread across 20 hours of online sessions, hands on sessions in lab and self paced explore the lab sessions. The following topics will be covered:

- Overview of Financial Markets – trading operations, Introduction to Technical Analysis
- Chart types and chart construction
- Support, Resistance, Patterns
- Trend indicators, Momentum indicators, Oscillators and Volatility Indicators. Using combination of indicators for strategy.
- Dow and Elliot wave theory
- Hands on session on building and application of different indicators, forming strategies and backtesting strategies
- Hands on sessions on reading backtesting reports and arriving at profit maximisation trading strategies
- Risk management – Stop loss, trailing stop loss, Risk reward ratio
- To choose Mutual Fund schemes for investment

Assessment

- Quiz – online quiz with weightage of 60%
- Assignment – With weightage of 40%

Certificate of completion – Will be issued to those participants who complete the assessment with minimum of 50% marks in aggregate.

Certificate Course in Investment Management

Basic Derivatives and Derivatives Trading Strategies - Level III

This level covers basics of equity derivatives and also provides an understanding of derivative trading strategies. It blends strategies that combine cash market with futures and options to create winning trades across bullish, bearish and consolidation phases of the market. This level provides unique and practical understanding of options, option greeks. Using options for trading and hedging. Provides an understanding of how to trade volatility and use time decay for trading profitably. Live hands on session in the lab supported by price calculators – that incorporate volatility and time factors is included in the study.

Pre-requisite

An understanding of trading, trading operations related to cash markets and technical analysis will be very useful to learn, position and manage derivative trading strategies.

Level I on equity trading is an essential prerequisite for this level. Level II on technical analysis will help the participants to make superior decisions.

Objectives

Understand the equity derivatives basics and advanced concepts. Valuation of derivatives futures and options. Option writing – Option greeks: role in trading and trading strategies. Derivative trading strategies for bullish, bearish markets and markets in consolidation phase. Application of the strategies in live market environment and understand the implications.

Content

The program is designed as an intensive practical program spread across 30 hours of online sessions, hands on sessions in lab and self-paced explore the lab sessions. The following topics will be covered:

- Introduction to Derivatives – derivative products: Index and stock, futures, forwards, options – types, need for derivatives. Terminology.
- Derivative market operations: Trading, clearing and settlement- Mark to Market and expiry pay off. Regulatory framework – Eligibility, Market wide position limits, Roll over, open interest, impact cost.
- Futures – pricing of future contracts, Pay off diagrams, trading and hedging using futures.
- Options – types, terminology, simple trading and hedging strategies using options. Valuation or pricing of options. Pay off diagrams, put call parity, Option analytics; volatility trading and time decay.
- Hands on session in lab on trading using combination of equity cash, futures and options based strategies. Bullish and bearish market strategies. Application of volatility trading and time decay.

Assessment

- Quiz – online quiz with weightage of 60%
- Assignment – With weightage of 40%

Certificate of completion – Will be issued to those participants who complete the assessment with minimum of 50% marks in aggregate

Behind Every Successful Business Decision, there is always a **CMA** 7

BROCHURE

Online Admission Portal Link:
https://eicmai.in/advscc/DelegatesApplicationForm-New.aspx

For more details

Course Coordinator from BFSI Department

CMA Dibbendu Roy - Additional Director
E-mail: *bfsi@icmai.in*
Mobile: 96434-43047 / 83686-93781
&
Mr. Ashutosh Kumar
E-mail: *ssir@nism.ac.in*
Mobile: 93260-22370 / 75065-81992

Also, the program will be on webex platform and software is accessible on Windows Operating System of 7 and above. Good internet connectivity is a must for participants and connection must be through desktop/laptop.

Banking, Financial Services & Insurance Board
THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
Statutory Body under an Act of Parliament
www.icmai.in
Headquarters: CMA Bhawan, 12 Sudder Street, Kolkata - 700016
Delhi Office: CMA Bhawan, 3 Institutional Area, Lodhi Road, New Delhi - 110003

NATIONAL INSTITUTE OF SECURITIES MARKETS (NISM)
www.nism.ac.in
NISM New Campus
Plot No. IS 1 & IS 2, Patalganga Industrial Area
Village Mohopada (Wasambe), Rasayani
District - Raigad, Maharashtra - 410222

Behind Every Successful Business Decision, there is always a **CMA**

BROCHURE
3RD BATCH

ONLINE
CERTIFICATE COURSE IN
INTEGRATED TECHNICAL ANALYSIS AND ADVANCED DERIVATIVES

Banking, Financial Services & Insurance Board
THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
Statutory Body under an Act of Parliament
www.icmai.in

NATIONAL INSTITUTE OF SECURITIES MARKETS (NISM)
www.nism.ac.in

Behind Every Successful Business Decision, there is always a **CMA**

The Institute of Cost Accountants of Indi

Certificate Course in Integrated Technical Analysis and Advanced Derivatives

About ICAI

The Institute of Cost Accountants of India was first established in 1944 as a registered company under the Companies Act with the objects of promoting, regulating and developing the profession of Cost Accountancy. On 28th May, 1959, the Institute was established by a special Act of Parliament, namely, the Cost and Works Accountants Act, 1959 as a statutory professional body for the regulation of the profession of Cost and Management accountancy. The Institute is under the administrative control of Ministry of Corporate Affairs, Government of India.

The Institute has since been continuously contributing to the growth of the industrial and economic climate of the country. The Institute is the only recognised statutory professional organisation and licensing body in India specialising exclusively in Cost and Management Accountancy.

International Affiliation

The Institute of Cost Accountants of India is Founder member of International Federation of Accountants (IFAC), Confederation of Asian & Pacific Accountants (CAPA) & South Asian Federation of Accountants (SAFA). The Institute, being the only institution from India, is a member of the Accounting Bodies Network (ABN) of The Prince's Accounting for Sustainability (A4S) Project, UK and International Valuation Standards Council (IVSC), UK.

Institute's Strength

The Institute is the 2nd largest Cost & Management Accounting body in the World and the largest in Asia, having a large base of about 85,000 CMAs either in practice or in employment and around 5,00,000 students pursuing the CMA Course.

Vision Statement

"The Institute of Cost Accountants of India would be the preferred source of resources and professionals for the financial leadership of enterprises globally."

Mission Statement

"The Cost and Management Accountant professionals would ethically drive enterprises globally by creating value to stakeholders in the socio-economic context through competencies drawn from the integration of strategy, management and accounting."

Institute's Network

Institute's headquarters is situated at Kolkata with another office at New Delhi. The Institute operates through four Regional Councils at Kolkata, Chennai, Delhi and Mumbai as well as through 110 Chapters situated in India, 11 Overseas Centres abroad, 2 Centres of Excellence, 52 CMA Support Centres and 434 Recognized Oral Coaching Centres.

About NISM

The National Institute of Securities Markets (NISM) is a public trust established in 2006 by the Securities and Exchange Board of India (SEBI), the regulator of the securities markets in India. The institute carries out a wide range of capacity building activities at various levels aimed at enhancing the quality standards in securities markets. The institute's six schools of excellence work in synergy towards professionalized securities markets.

Vision

To lead, catalyze and deliver educational initiatives to enhance the quality of securities markets.

Mission

To engage in capacity building among the stakeholders in the securities markets through financial literacy, professional education, enhancing governance standards and fostering policy research.

2

Behind Every Successful Business Decision, there is always a **CMA**

Certificate Course in Integrated Technical Analysis and Advanced Derivatives

ONLINE CERTIFICATE COURSE IN INTEGRATED TECHNICAL ANALYSIS AND ADVANCED DERIVATIVES

Program Objectives

The program is designed to enable the participants with advanced knowledge that integrates Technical Analysis with Derivatives so that they can meaningfully use derivatives for risk management, hedging and trading activities. Formulate strategies that blend with the market trend and achieve the goals of Investment. The course (prerequisites) assumes that the participants are well versed with basic technical analysis and have exposure to trading in equity derivative products – Futures and Options.

Programme Takeways

- Trade setup with technical analysis and derivatives for consolidating, bull and bear market phases.
- Options and option writing – Understanding use of Greeks for option strategies.
- Meaningfully combine Technical Analysis with derivatives to better understand markets.
- Understand and manage the impact of events on stock prices.

Key Contents

1. News based Technical Setup
2. Breakout and positional trade setup
3. Option trading strategies
4. Swing trading strategies
5. Option writing
6. Option Greeks setup and strategies

Who Can Attend

- All those who have participated in the 3 levels of NISM ICAI joint online investment management program
- Candidates who have basic knowledge of Technical analysis and have completed Equity Derivatives NISM certification examination can also take the course

Course Fees

Sl. No.	Particulars	Proposed Course Fees (Rs.)	
		Members or Others	Students
1.	Investment Management (Level – IV)	20,000	18,000

GST of 18% is applicable on the basic rate. *Details of Payment is stated in BFSI Portal of the Institute's website.*

Course Timing

The total course duration will be 30 hours.

LAB Access

Will be provided for a limited period of one month to apply the strategies learnt in the classroom

LAB access system requirements –

- Should have a laptop or desktop with windows version 7 or above.
- Good internet access to attend the classes without any interruption.

PROGRAM WILL BE ON GOOGLE PLATFORM...
THIS CAN BE CHANGED DEPENDING ON THE REQUIREMENTS OF THE INSTITUTE

Behind Every Successful Business Decision, there is always a **CMA** 3

BROCHURE

Online Admission Portal Link:
https://eicmai.in/advscc/DelegatesApplicationForm-New.aspx

For more details

Course Coordinator from BFSI Department

CMA Dibbendu Roy - Additional Director
E-mail: *bfsi@icmai.in*
Mobile: 96434-43047 / 83686-93781
&
Mr. Ashutosh Kumar
E-mail: *ssir@nism.ac.in*
Mobile: 93260-22370 / 75065-81992

Also, the program will be on webex platform and software is accessible on Windows Operating System of 7 and above. Good internet connectivity is a must for participants and connection must be through desktop/laptop.

Banking, Financial Services & Insurance Board

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

Statutory Body under an Act of Parliament

www.icmai.in

Headquarters: CMA Bhawan, 12 Sudder Street, Kolkata - 700016
Delhi Office: CMA Bhawan, 3 Institutional Area, Lodhi Road, New Delhi - 110003

NATIONAL INSTITUTE OF SECURITIES MARKETS (NISM)

www.nism.ac.in

NISM New Campus

Plot No. IS 1 & IS 2, Patalganga Industrial Area
Village Mohopada (Wasambe), Rasayani
District - Raigad, Maharashtra - 410222

Behind Every Successful Business Decision, there is always a **CMA**

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

Statutory Body under an Act of Parliament

www.icmai.in

NATIONAL INSURANCE ACADEMY

2ND BATCH

ONLINE CERTIFICATE COURSE IN GENERAL INSURANCE

Course Details

MODULE - I

- FUNDAMENTALS OF INSURANCE
  - ✓ BUILDING BLOCKS OF INSURANCE
  - ✓ LEGAL ASPECTS OF INSURANCE
  - ✓ PRINCIPLES OF INSURANCE
  - ✓ FUNDAMENTALS OF GENERAL INSURANCE
  - ✓ SIGNIFICANCE OF IRDAI REGULATIONS IN INSURANCE BUSINESS

MODULE - II

- FIRE INSURANCE
  - ✓ COVERAGE
  - ✓ CONDITIONS AND EXCLUSIONS
  - ✓ SPECIAL COVERS AND CLAUSES
  - ✓ BUSINESS INTERRUPTION
  - ✓ FIRE CLAIMS AND ROLE OF SURVEYORS IN LOSS ASSESSMENT

MODULE - III

- MARINE CARGO INSURANCE
  - ✓ MARINE INSURANCE ACT
  - ✓ CARGO CLAUSES
  - ✓ TYPES OF CARGO
  - ✓ MARINE UNDERWRITING
  - ✓ MARINE CLAIMS

MODULE - IV

- MOTOR INSURANCE
  - ✓ COVERAGE OF MOTOR LIABILITY
  - ✓ PACKAGE POLICIES
  - ✓ MOTOR UNDERWRITING
  - ✓ MOTOR OWN DAMAGE CLAIMS
  - ✓ MOTOR THIRD PARTY CLAIMS

MODULE - V

- HEALTH, LIABILITY AND MISCELLANEOUS INSURANCE
  - ✓ HEALTH POLICY COVERAGE & UNDERWRITING
  - ✓ HEALTH REGULATIONS
  - ✓ BASICS OF LIABILITY
  - ✓ LIABILITY INSURANCE PRODUCTS
  - ✓ BURGLARY AND PERSONAL ACCIDENT
  - ✓ CLAIMS INTIMATION AND NECESSARY FOLLOW UP

Program Objectives: The objective is to equip members and students of the Institute and other Graduates in areas of General Insurance for equipping them to understand and comprehend various insurance aspects and have a working knowledge on the various aspects of General Insurance.

Program Takeways: The objective is skill development and knowledge enhancement of members on matters pertaining to insurance.

Key Contents: 5 Modules
Coverage in Fire Insurance, Cargo and Marine, Health, Liability and Miscellaneous 25 hours capsule

Course Fees: We propose to charge a fee of Rs. 6000 + GST at applicable rates for the program.
Details of Payment is stated in BFSI Portal of the Institute's website

Who Can Attend:
- ✓ Graduates of any discipline
- ✓ Students of the ICAI
- ✓ Members of the ICAI

Course Timing: Saturdays and Sundays from 11.30 a.m. to 1.30 p.m.

For more details

Course Coordinator from BFSI Department

CMA Dibbendu Roy - Additional Director
E-mail: bfsi@icmai.in
Mobile: 96434-43047 / 83686-93781

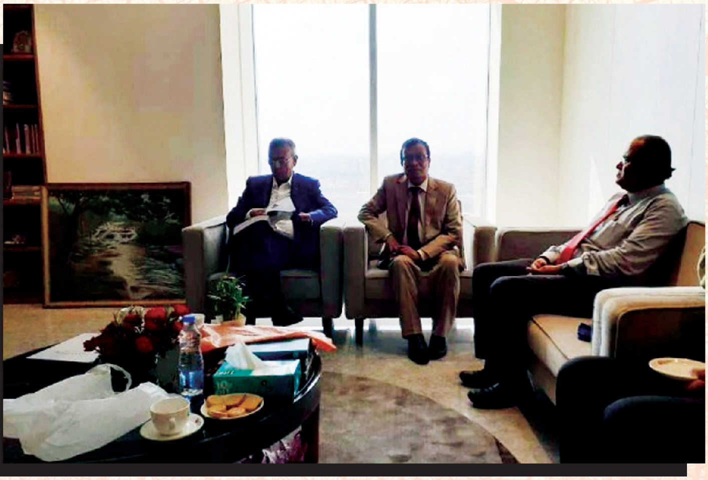
Course Coordinator from National Insurance Academy

Dr. Steward Doss - Faculty, Marketing
Email: gdoss@niapune.org.in
Mobile: 9765203257

Behind Every Successful Business Decision, there is always a CMA

SNAPSHOTS

CMA Chittaranjan Chattopadhyay, Chairman, BFSI Board, Chairman presenting the publication titled Aide Memoire on Infrastructure Financing to Shri. B. S. Venkatesha, Chief Risk Officer, Union Bank of India.



(L to R) Shri Chandra Shekhar Ghosh, Managing Director & CEO of Bandhan Bank, CMA Biswarup Basu ,Immediate Past President of The Institute of Cost Accountants of India and CMA Chittaranjan Chattopadhyay, Chairman, BFSI Board.

(From R to L), CMA Arup S Bagchi, Senior Director & Secretary, BFSI Board, CMA Dr. Ashish P Thatte, Chairman, Corporate Laws Committee, CMA Debasish Mitra, Chairman, Board of Advanced Studies & Research, CMA Chittaranjan Chattopadhyay, Chairman, BFSI Board, CMA B.B. Goyal, Former Addl. Chief Advisor (Cost), MoF, GoI , had a meeting with senior officials of SEBI on 15th June, 2022 at SEBI Bhawan, Mumbai.

SNAPSHOTS

CMA Chittaranjan Chattopadhyay, Chairman BFSIB meet the SEBI officials.

CMA Chittaranjan Chattopadhyay, Chairman BFSIB met Shri Neel Patnaik, CFO of HPL.

CMA Chittaranjan Chattopadhyay, Chairman, BFSI Board, Chairman presenting the publication titled Aide Memoire on Infrastructure Financing to Shri Pawan Kedia CGM , SBI (Financial Control).

SNAPSHOTS

CMA Chittaranjan Chattopadhyay, Chairman, BFSIB met with CMA Venkateswaran Ramakrishnan, DGM SEBI at Mumbai.

(From R to L) CMA Chittaranjan Chattopadhyay, Chairman, BFSIB, presented a copy of the recently released book published by the BFSIB titled Aide Memoire on Infrastructure Financing to Shiv Kumar Sharma Senior Advisor IBA and Shri Gopal Murli Bhagat Dy. Chief Executive, IBA

(From R to L) AVM Rakesh Kumar Khattri (Retd), Former Managing Director of IPA ICAI, CMA Chittaranjan Chattopadhyay, Chairman, BFSIB, CMA Vijender Sharma, Vice President, ICAI, CMA P.Raju Iyer, President, ICAI presented a copy of the book published by the BFSIB titled Aide Memoire on Infrastructure Financing to Shri M Karthikeyan Executive Director,Bank of India.

SNAPSHOTS

CMA Chittaranjan Chattopadhyay, Chairman, BFSIB presenting the publication titled Aide Memoire on Infrastructure Financing to Shri Vikash Babu Chittiprolu Deputy General Manager Union Bank of India.

CMA Chittaranjan Chattopadhyay, Chairman, BFSIB presenting the publication titled Aide Memoire on Infrastructure Financing to to Shri Gulshan Malik CGM State Bank of India.

CMA Chittaranjan Chattopadhyay, Chairman, BFSIB seen felicitating CMA Amitabha Sinha, Director (Finance), JCI, Kolkata in presence of CMA Santanu Chakraborty, Chief Finance Manager, JCI.

SNAPSHOTS

CMA Chittaranjan Chattopadhyay, Chairman, BFSIB presenting to CMA Mohan V Tanksale Strategic Advisor of SWIFT India and Former Chief Executive, IBA.

(From R to L) Shri L M Kaushal, Advisor of the Institute, Sudhir Kumar Jaiswal, ICoAS, Advisor (Cost), MRTH, CMA Chittaranjan Chattopadhyay, Chairman, Banking Financial Services & Insurance presented a copy of the recently released book published by the BFSIB titled Aide Memoire on Infrastructure Financing to Shri Sanjay Kumar, IAS, Addl Secretary & Financial Advisor of Ministry of Road Transport & Highways , Ministry of Ports, Shipping & Waterways, Ministry of Corporate Affairs. .

CMA Chittaranjan Chattopadhyay, Chairman, BFSIB presenting the publication titled Aide Memoire on Infrastructure Financing to Shri Padmanbhan Raja Jaishankar, Managing Director, India Infrastructure Finance Company Ltd.

SNAPSHOTS

CMA Chittaranjan Chattopadhyay, Chairman, BFSIB presenting the publication titled Aide Memoire on Lending To Micro, Small & Medium Enterprises Sector Lending to CMA Arup Sarkar charge of Member (Finance), DVC.

CMA Chittaranjan Chattopadhyay, Chairman, BFSIB presenting the publication titled Aide Memoire on Lending To Micro, Small & Medium Enterprises Sector Lending to Smt. Alka Upadhyaya, IAS Chairperson Of National Highway Authority of India.

CMA Chittaranjan Chattopadhyay, Chairman, BFSIB met and presented the publication titled Aide Memoire on Lending To Micro, Small & Medium Enterprises Sector Lending to Shri Amit Kumar Ghosh IAS, Additional Secretary , Ministry of Road Transport & Highways , GoI.

SNAPSHOTS

CMA Chittaranjan Chattopadhyay, Chairman, BFSIB met and presented the publication titled Aide Memoire on Lending To Micro, Small & Medium Enterprises Sector Lending to Shri Giridhar Aramane IAS ,Secretary, Ministry of Road Transport & Highways , GoI.

CMA Chittaranjan Chattopadhyay, Chairman, BFSIB presenting the publication titled Aide Memoire on Lending To Micro, Small & Medium Enterprises Sector Lending to CMA Lalit Wadhwa, Chief Accountant, Delhi Development Authority

CMA Chittaranjan Chattopadhyay, Chairman, BFSIB met Shri R N Singh Secretary Railway Board, Ministry of Railways and handed over a copy of Aide Memoire on Infrastructure Financing followed by discussion on Infrastructure Financing and Banking.

CMA Chittaranjan Chattopadhyay, Chairman, BFSIB met Shri Rabindra N Mishra, ED, Finance (Commercial & PPP, Ministry of Railways (Railway Board) and handed over the book on Aide Memoire on Infrastructure Financing followed by discussion on various issues of Infrastructure Financing in Railways.

FINANCIAL SNIPPETS

- Net Direct tax collection sees 48.4% increase in FY 22
- Indian Banking Sector healthier than ever- K.V.Kamath
- CPI inflation at 6.07% - 8 months high in February 22
- RBI removes price curbs on microfinance loans
- WPI inflation at 13.11% in February
- India's exports reach 400 billion for the first time
- RBI governor inaugurates Reserve Bank Innovation hub in Bengaluru
- Banks fundraising spree- economy shows signs of stability
- Digital payments high , but cash circulation is still high – shows data
- Around 1.66 lakh bank accounts linked to at least one account aggregator
- RBI lists out the ways scammers use to empty your bank accounts
- Economy is well placed with abundant liquidity, high forex and no fears of stagflation, assures RBI Governor
- India's net direct tax collections are 48.4% higher than 2020 -21 and 42.5% more than the pre pandemic levels as on March 16 as per finance ministry
- Net direct tax collection rises 50% to record Rs.13.8 1 trillion in FY 22
- Finance ministry and IMF warn against crypto adoption
- Axis bank acquires Citi India's retail assets for USUSD 1.6 billion.
- Non-food credit growth accelerates to 8% – RBI data
- UPI recorded whopping 504 crore transactions till March 29, 2022 according to NPCI data and is expected to cross USD 1 trillion in FY 22
- GST collection at all-time high of Rs.1.42 trillion in March
- Banks get time till March 2023 to implement new system to replenish cash ATMs
- RBIs Bi-monthly monetary policy of 8,April 2022 – Key Takeaways and highlights
- For the 11th time the central bank kept to the report he has changed at 4%. The policy finally slashed GDP growth forecast from 7.8% to 7.2%- and hiked inflation forecast at 5.7% for the fiscal 2022–23
- RBI introduced SDF at 3.75% as floor as part of liquidity management
- India's tax revenues reach a record high of Rs.27.07 trillion in FY 22
- Cardless Cash withdrawal soon at all bank branches and ATMs via UPI
- India Kept Extreme poverty below 1% despite pandemic as per IMF paper
- March PMI data for India show strong growth despite Ukraine war
- In March 2022 , Reserve Bank of India made a revolutionary leap in India's payment ecosystem launching a version of UPI which can be used on feature phones
- RBI shelves plastic banknotes plan.
- Debt recovery via insolvency cases at 31%. 47% cases liquidated
- Economic recovery, improving business confidence to help banks in FY 23 as per

Moody's
- Indian economy at the cusp of an industrial Capex cycle journey as per Morgan Stanley report
- More than 65% of MSMEs optimistic about business growth in 2022
- Indian banks better their ranks in Asia
- The fintech sector owns a powerful one in four start-ups, 20 unicorns in 2–3 years
- RBI issues new rules for credit, debit cards
- Filing ITR has become compulsory for those depositing more than Rs.50 lakh in savings account in a single year
- Bank credit grows by 10.09%, deposits by 10.06% in the fortnight ended on April 8 as per RBI data
- India's high growth rate positive news for world as per IMF Managing Director
- NBFCs cannot undertake credit card business without prior approval of RBI
- Neo banks to disrupt USD 31 billion Indian Fin tech market
- State run banks told to collaborate,with Startups, Fin tech companies
- Asia facing ' stagflationary' risks, IMF Official
- New reporting requirements for companies put onus on auditors
- At 48 billion, India accounts for largest number of real-time transactions in the world
- Banks slippage ratio likely to hit 15 year low by next fiscal
- RBIs credit card curbs may hit NBFCs , spare banks
- RBI has asked Sebi to act against agencies for loans rating gaps
- Cabinet approved Rs.820 crore financial support for India Post payments bank
- RBI announces emergency rate hike .In a surprise move, Monetary policy committee held an unscheduled meeting from 2 May to 4 May ,decided unanimously to increase the benchmark policy repo rate by 40 basis points to 4.40% from 4%
- PM likely to launch 75 digital banks on August 15
- Rise of Big Tech calls for inter regulatory collaboration – RBI report
- Bank loans pick up at almost double the pace as last year
- India's April manufacturing and services PMI growth at five month high
- Global banking body lauds India's digital public infra
- India's exports up 24% to USD 38 billion in April; trade deficit widened to USD 20 billion
- PSBs contribute more than private banks in FY 22 credit growth
- PSBs voice concern over the new guidelines on frauds
- India projected to be worlds fastest growing economy for second year according to IMF. India's economy is projected to expand 8.2% this year in comparison to 4.4% pegged for China
- IBC realisations fall below liquidation value for the first time
- Quoting PAN or Aadhaar must deposit withdrawl of 20 lakhs, current account opening
- CPI inflation soars to 7.79%; highest in 8 years
- Lenders can invoke personal guarantees in IBC cases, say Supreme Court
- PSBs to pay Rs.8000 crore dividend to Centre
- Banks need to arrest repayment slippages, support credit growth – RBI
- Inflation is priority, but growth is important – RBI governor

- RBI likely to introduce a comprehensive IT outsourcing framework
- April exports move up by 30.7% to $ 40 billion
- India to be $ 5 trillion economy by FY 27- IMF
- India's rural economy has more access to banking now- RBI annual report
- Growth of shadow banks poses threat to financial stability – RBI annual report
- The government pegs India's FY 22 GDP growth at 8.7%
- India services growth at 11 year high in May –PMI survey
- India May factory activity remained strong despite inflation rate
- India's merchandise exports jumped 15% in May to USD 37 .3 billion
- Bank credit growth stays strong in FY 23, set to rise further
- Recovery certificate holder can initiate CIRP as financial creditor under IBC – Supreme Court
- FM launches EASE 5.0 public sector banks common reform agenda
- Factory output begins FY 23 on a high, jumped 7.1% in April
- Fitch lauds Indian economic recovery, revises outlook from negative to stable
- Banks to report borrowers ' not cooperating in Forensic audit' to
- CRILIC
- RBI allows credit cards to be linked to UPI
- RBI details provisioning requirements for large NBFCs
- First set of NPAs likely to be transferred to bad bank next month
- Public sector banks now look to move out of Hong Kong on bleak prospects
- RBI has allowed State cooperative banks and district central cooperative banks to extend finance to commercial real estate – residential housing, within the existing aggregate housing finance limit of 5% of their total assets
- The RBI increased the policy repo rate by 50 basis points to 4.90% with immediate effect – RBIs Bi-Monthly monetary policy on 8 June 2022.
- Consequently the standing deposit facility SDF stands adjusted to 4.65%; and the marginal standing facility MSF rate and the bank rate to 5.15%
- RBI to regulate Big Tech, Fin tech, BNPL services
- At Rs.3.39 trillion, direct tax collection goes up by 45%
- Bank credit grow at a three year high at 13.1%
- IBBI moots separate insolvency framework for home buyers
- Wholesale inflation highest since 1991
- RBI shoot down 'digital only banks'
- Forex reserves at USD596 billion
- The RBI taps top banks including HDFC, ICICI, SBI for Blockchain based trade financing project
- RBI issues guidelines for outsourcing of IT services by banks, NBFCs
- Sebi cannot initiate proceedings against companies under IBC
- India facing twin deficit problem due to commodity prices, subsidy – Finance Minister
- The BIS presents a vision for the future monitoring system
- Private banks levying steep foreclosure fees – MSMEs
- RBI plans to take financial messaging system SWIFT's home grown alternative SFMS global.
- RBI extends card tokenisation deadline by three months

CONTACT DETAILS

CMA Chittaranjan Chattopadhyay
Chairman

Banking, Financial Services & Insurance Board

82404 78286

CMA Arup Sankar Bagchi
Senior DirectorHoD & Secretary -

Banking, Financial Services & Insurance Board

9831117222

CMA Dibbendu Roy
Additional Director

96434 43047

Dr. Madhumita Sengupta
Joint Director

9830886751

CMA (Dr.) Aditi Dasgupta
Joint Director

9831004666

E-mail: bfsi@icmai.in, bfsi.hod@icmai.in

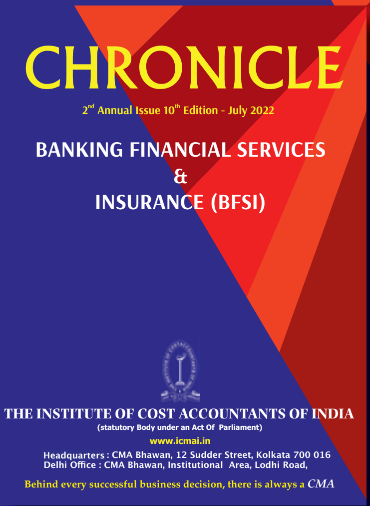
THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

(Statutory Body under an Act of Parliament)

www.icmai.in

Headquarters: CMA Bhawan, 12 Sudder Street, Kolkata – 700 016

Delhi Office: CMA Bhawan, 3, Institutional Ares, Lodhi Road, New Delhi – 110 003



THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

(Statutory Body under an Act of Parliament)

www.icmai.in

Headquarters: CMA Bhawan, 12 Sudder Street, Kolkata – 700 016

Delhi Office: CMA Bhawan, 3, Institutional Ares, Lodhi Road, New Delhi – 110 003

Delhi Office
CMA Bhawan,
3 Institutional Area. Lodhi Road,
New Delhi - 110 003
Ph. : +91-11-24666100/24666124/24666122
Fax. +91-11-43583642

Headquarters
CMA Bhawan,
12, Sudder Street, Kolkata - 700016
Ph. : +91-33-2252-1031/34/35/1602/1492/161/73737143
Fax. +91-33-2252-7993/1026/1723

Behind every successful business decision, there is always a *CMA*