Azadi Ka Amrit Mahotsav

CHRONICLE

11th Edition, September 2022

BANKING FINANCIAL SERVICES & INSURANCE (BFSI)

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
(Statutory Body under an Act of Parliament)
www.icmai.in
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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 an 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 Institute is headquartered at Kolkata and an office in Delhi operates through four Regional Councils at Kolkata, Delhi, Mumbai and Chennai and 113 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

Contents

Chairman's Message

We don't need a TITLE to lead.

We just need to care.

People would rather follow a LEADER

with a HEART than a leader with a TITLE.

- Craig Groeschel

Yes, boss has the title, but a leader has the people.

Kindly allow me to congratulate you on the iconic occasion of the 75th year of Indian Independence. Let us commemorate this memorable occasion with renewed energy, ideas and most importantly, Atmanirbhar Bharat as envisaged by our beloved Prime Minister. I wish and pray for a blessed festive season with full of happiness, good health, peace and prosperity. The Indian economy is showing resilience and dynamism in spite of the geopolitical situation and high risk aversion in financial markets that is stampeding portfolio investors and taking down all currencies against the unrelenting strength of the US dollar. Let us kill excuses, kick negativity, kiss opportunities and marry goals. No one ever injured their eyesight by looking on the brighter side. Let us be positive and admire the positive things happening in our country with pride.

Kindness is like snow. It beautifies everything it covers. There is a story behind every person. There is a reason why they are the way they are. Think about that before we judge someone. Our days are happier when we give people a bit of our heart rather than piece of our mind. The only decent thing to do behind a person's back is to PAT. A Human being, being human is the essence of effective leadership. Let us remember, life is not about the steps you have taken but the footprints you have left behind. Key to success is PEOPLE. How do we do business? Touching their mind, heart and dreams.

India's corporate earnings and quality of its balance sheet are likely to outperform even among emerging markets amid this festive season.

Some of the features of the Indian economy are as follows: -

- India overtakes UK to become fifth largest economy in the world
- FDI inflows improved to USD 13.6 Bn in Q1 this fiscal against USD 11.6 Bn in corresponding last year and record high FDI in FY 22 at ₹ 6.31 trillion
- NPAs at 6 year low
- Factory output at 8 months high in July 22
- India- Asia's strongest economy as per Morgan Stanley
- Rating agencies upbeat about India

- Moody's do not expect global challenges , inflation to derail India's growth recovery

- As per S&P , India Inc can withstand high inflation and high interest rates

- Net Exports ratio is 5.3% of GDP in this first quarter. It was 1.5% of GDP in March quarter

- India's direct tax collections have been displaying unusual buoyancy lately. In FY 22, gross direct tax collections soared 49% to ₹14.1 trillion, exceeding not just Budget estimates but also the revised estimates.

- Credit growth touched 15.3% YoY for the fortnight ended 12th Aug 22 up from 5.5% in the year ago period.

- Credit card spends touch all time high of ₹1.16 trillion in July

- Unemployment rate declines to 7.6% in Q1 this fiscal from 12.6% in last year

- GST collection rises 28% in August to ₹1.43 trillion

- In a landmark event worth celebrating, for the first time, the number of demat accounts in India hit 10.5 crore in August. This clearly denotes the risk appetite of the retail investors and the resulting confidence in Indian economy.

- India's Services Purchasing Manager's Index (PMI) jumped from 55.5 percent in July to 57.2 percent in August, propelled by new businesses

- Growth in non-food bank credit outstanding this fiscal year is not only higher than in pre-pandemic times, but the highest in at least the last ten years

Presently, in our Corporate world, there are plenty of Managers in all cadres - Vice President to CEOs, but there is a dearth of Leaders. Who can **LEAD,** its only people with **L**ove, **E**nthusiasm **A**nd **D**edication. Yes, before one is a leader, success is all about growing himself. When one becomes a leader, success is all about growing others. No matter how smart one is, if he doesn't know how to work with people, his dreams will be just dreams. Here, our Institute plays a stellar role in preparing Cost Accountants to take Leadership roles. Cost accountants are not mere Accountants they are Management Accountants. The letter M between C and A adds lot of value. Management skills provide the necessary foundation for an Executive to develop his leadership qualities. We strive hard to produce Leaders rather than a mere Cost Accountants. Knowledge is power and we provide the necessary inputs vide our Certificate programs to enhance their knowledge and sharpen their skills, namely Concurrent Audit of Banks, Credit Management of Banks and Treasury and International Banking.

We, from BFSI Board had have ardent effort to connect with the various stakeholders. It has been a rather difficult proposition to connect the dots after Post Covid 19. We had to travel across the country to connect with all the verticals of the Board and with pride of honour we like to put it on record that we have just scratched the surface. The larger good for the profession has to be done and for that as an Institute we have to attend in person to represent our issues on more visibility in BFSI sector. We have to accept that the country has a National capital, Business capital and Cultural capital and all dispersed across the country. It is our duty to dissolve the barrier and to reach the unreached. We feel that digitalization has eased it but physical connect is vital for conviction. I am thankful for reposing faith and entrusting me by the BFSI Board of the Institute of Cost Accountants of India for the continuous endeavour.

CMA Chittaranjan Chattopadhyay
Chairman,
Banking, Financial Services and Insurance Board,
The Institute of Cost Accountants of India.

From the Desk of the Department

Festive Greetings from team BFSI to all our esteemed readers!

The thirty seventh meeting of the Monetary Policy Committee (MPC), constituted under section 45ZB of the Reserve Bank of India Act, 1934, was held during August 3 to 5, 2022 and decided to Increase the policy repo rate under the liquidity adjustment facility (LAF) by 50 basis points to 5.40 per cent. Consequently, the standing deposit facility (SDF) rate stands adjusted to 5.15 per cent and the marginal standing facility (MSF) rate and the Bank Rate to 5.65 per cent. The MPC also decided to remain focused on withdrawal of accommodation to ensure that inflation remains within the target going forward, while supporting growth. These decisions are in consonance with the objective of achieving the medium term target for consumer price index (CPI) inflation of 4 per cent within a band of +/- 2 per cent, while supporting growth.

As banks rushed to offer better deposit rates to attract the retail customers the repo rate increase may hit the industry and MSMEs borrowing costs, however, what is of paramount importance is to control inflationary expectations in the economy. Mid-September data has shown a rise in inflation in August to 7 per cent from around 6.7 per cent of the previous month. However, according to the Finance Ministry inflationary pressures appear to move southwards and the country focuses on a strong external account. We will keenly follow the trends and impact of these changes in the business environment and will continue to update our readers through our publications and daily updates.

On the Insolvency and Bankruptcy Code front, the market movers and shakers feel that multiple amendments and clarifications to the IBC by the Insolvency and Bankruptcy Board of India is likely to help creditors get better value for distressed assets which may lift recovery rates northwards.

The government's Capex during April – August period showed an increase of 35 per cent compared to a year earlier and it is perceived that the increased spending in Capex is likely to be sustained with a steady revenue growth for the remaining period of the current year.

Bidding to be competitive globally the 'New National Logistics Policy' aims to cut costs as a need is felt to contain transportation costs to a single digit from the present 13 to 14 per cent.

With favourable monsoon in many parts of the country and an overall optimistic consumer sentiment many sectors are expecting to cash in on the festive sales.

The Russia-Ukraine war continues to rage on in the backdrop of world politics.

While telecom majors are set to roll out 5G and RBI seeks to address digital payments with tokenization with a no-card storage environment, we expect the digital revolution to continue its reach to the masses. However, we feel that our readers should update their knowledge on cybersecurity and mitigate these techno risks in this information age we may consider a course on the matter for our members and students. We request for your feedback on the same.

As always, we shall continue to track the market indicators and developments in the economy and appraise our readers through our updates, webinars and other publications.

Stay safe and happy reading!

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Appreciation letters for organizing the Banking Symposium held at Kolkata on 29th July, 2022.

President,
The Institute of Cost Accountants of India

Dear Sir,

This is a great privilege for me to be invited in the aforesaid seminar organized by ICAI and BFSIB , attended by number of renowned and learned guests & speakers having huge knowledge and experiences in the field of banking and finance.

In the first session, we were most fortunate to listen to Sri D.N.Ghosh, former Chairman of SBI and founder Chairman of ICRA. He proved that age is not a bar and spoke before the audience hour long about his involvement and mastermind actions behind planning and implementation of Bank Nationalisation on 19th July, 1969. He unfolded the whole climax of political & economic Issues behind taking such a historical transition. The background story of such important event and high level diplomatic activities had been very interesting and absorbing. Expressing high regards to Sri D N Ghosh for his unique presentation.

The next session was also very interesting and well covered, taken up by CEOs of two major banks, Sri Chandrasekhar Ghosh and Sri Soma Sankara Prasad. They nicely presented before us the role, advantages and underlying problems of functioning of nationalized banks and private sector banks with some comparative analysis. The discussions concluded with some balance drawn between pvt and public sector banks, highlighting the need for both the sectors in Indian economy. The entire discussions and interaction were enjoyable and educative too.

Finally, no praise is enough for the Moderator of the whole Seminar, Sri Tamal Bandyopadhyay, a renowned Business Columnist, who had most efficiently handled the entire programme which contributed qualitative inputs to the seminar through out the evening. He deserves special praise for his role.

Thanks to the organizers for presenting before us a very useful and entertaining programme, thoroughly enjoyed by the wonderful audience.

With regards,

SANJOY GHOSH
Retired Deputy General Manager
Union Bank of India (erstwhile Andhra Bank).

The President
ICAI

My heartiest gratitude to The institute of Cost Accountants of India (ICAI) for the invitation in the live program on a topic "The Bank Nationalisation and beyond." This program is unique in nature because no similar discussion was probably held publicly till date on Bank Nationalisation in a freewheeling chat with Mr DN Ghosh who had witnessed the entire process from a close distance. The symposium was moderated by Mr. Tamal Bandopadhyay in a friendly, lively, homely manner where all the participants responded spontaneously.

I must give whole hearted kudos to Mr. Ghosh who is now 94 years . The way he shared the facts and truth was simply unbelievable. All other dignitaries also exhibited their knowledge and experience which really benefitted me immensely to update my knowledge.

I congratulate Mr Chatterjee, Chairman and other Team members of the BFSI Team for conducting such a program and look forward to many more such programs in future.

Yours sincerely

Samresh Mohanta
Senior Manager
Union Bank of India

To
The President
The Institute of cost Accountants of India

Dear Sir
Thanks for your invitation which made it possible for me to watch the Symposium on Bank Nationalization and Beyond in the evening on 29th July 22 .
Even though I am not a banker I was simply astonished to hear the inside story of Bank Nationalization narrated by Mr D N Ghosh. Hats off to him for his exceptional memory.
Tamal Bandyopadhay, the moderator had both wit and humour and he brought the best out of the other speakers of the evening namely Mr CS Ghosh and Mr Prasad about the contemporary banking issues. The interactive session was brilliant.
Thanks for the sumptuous dinner.
I hope that many more such programs will be arranged at the aegis of ICAI in future.
Yours sincerely

Sujoy Dutta
Accountant
Eastern Polycraft Industries Ltd

Dear Sir,

Good morning.

I was privileged to attend your captioned program. It was very informative and updation of knowledge.

In brief,it was an excellent program

Regds

Dr K.C.Behera

Ex DGM of Indian Bank (erstwhile Allahabad Bank)

Dear Sir,

I had the privilege of attending the event organised by the Institute Of Cost Accountants Of India on 29th July, 2022 at HHI , Kolkata , to mark the

53rd anniversary of Bank Nationalisation

The audience sat enthralled as Mr.D.N.Ghosh, the former Chairman of the State Bank Of India, held forth on the incidents, hitherto unknown to the public, that led to the nationalisation of banks in 1969.

The octogenarian was most impressively specific in his replies to the questions put forth by the moderator, Mr.Tamal

Bandyopadhyay. He presented the events in chronological order and revealed the secrets behind the historic decision taken by the then Prime Minister of India , Mrs.Indira Gandhi.

The second session of the event was also very interesting.Both the panelists, Mr.Chittaranjan Ghosh, CEO of Bandhan Bank and Mr.Soma Sankara Prasad, CEO of UCO Bank, put forward their valuable views on the functioning and various aspects of modern banking including the role of government's intervention.

Needless to mention that Mr.Tamal Bandyopadhyay (the award winning author and columnist) stole the show with his incisive questions and skilled moderation.He has received the FICCI-Publishing award yesterday, thereby adding another feather to his already illustrious cap.

I must thank the The Institute of Cost Accountants of India for bringing to us such an informative and illuminating programme, and look forward to more such programmes organised by the august institution.

Regards,

Susanta Biswas

Canara Bank

Respected Shri Iyer

At the outset, I congratulate you and your team for organizing a symposium on ' Bank Nationalisation and Beyond' on 29th July' 22 at HHI.

The Symposium was not only very well organized, but also brought out some strong positives for the Economy in general and Post Nationalisation Banking in particular.

Shri D.N.Ghosh's memory at this age and his insights in telling the inside story of Bank Nationalisation was enthralling and left the audience spell bound.

Shri Tamal Bandyopadhyay's bringing the two Banking stalwarts in the guise of the two CEO's of Uco Bank and Bandhan Bank respectively on the table and getting out their prespective on the present Banking scenario was also praiseworthy.

The programme was extremely well organized and added a lot of value to me. Be as it may, I acknowledge the value addition and inputs by Shri Chittaranjan Chattopadhyay, Shri V. Sharma and Shri Saymal Ghosh Roy and the entire team in making the symposium a grand success.

Regards,
Rajib Mazumdar
DGM(Retd)
SBI.

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Azadi Ka Amrit Mahotsav

कार्यपालक निदेशक
Executive Director

August 01, 2022

Dear Shri Chattopadhyay,

Thank you very much for your letter of July 26, 2022 and the enclosed BFSI Chronicle 10th Edition (2nd Annual Issue) July 2022. It is indeed a compilation of some very useful articles.

2. Taking this opportunity to thank you once more for your gesture.

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

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Mahesh Kumar Sharma
Managing Director & CEO

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12th July, 2022

Dear Mr. Chattopadhyay,

I thank you for your letter no. BFSIB/22/07/32 dated the 6th July 2022 enclosing a copy of "Aide Memoire On Infrastructure Financing" (1st Edition).

The book certainly provides valuable insights on issues relating to infrastructure financing.

Thanking you once again.

With warm regards,

Yours sincerely,

(Mahesh Kumar Sharma)

CMA Chittaranjan Chattopadhyay
Chairman – Banking, Financial Services & Insurance Board
The Institute of Cost Accountants of India
CMA Bhawan
12, Sudder Street
Kolkata 700 016

TITAGARH

UMESH CHOWDHARY
Vice Chairman & Managing Director

15th July 2022

Dear Mr Chattopadhyay,

Thank you very much for your letter BFSIB/22/07/70 dated 11th July 2022 and a copy of the hand book – "Aide Memoire on Infrastructure Financing"

Thanking you

Yours sincerely

Umesh Chowdhary

CMA Chittaranjan Chattopadhyay
Chairman-Banking, Financial Services &
Insurance Board
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HO:CMD Sectt:2022 **8th August 2022**

Shri CMA Chittaranjan Chattopadhyay,
Chairman,
Banking, Financial Services & Insurance Board,
CMA Bhawan,
12, Sudder Street,
Kolkata – 700 016

Dear Sir,

Re: BFSI Chronicle 10th Edition (2nd Annual issue) July 2022

I acknowledge with thanks receipt of your letter ref.no. BFSIB/22/08/66 dated 03.08.2022 along with BFSI Chronicle 10th Edition July 2022.

The said book is very exhaustive and covers all aspects of infrastructure financing which I find very informative. I thank you for sharing this Annual Issue and look forward to receiving the future Editions also.

With regards

(Satyajit Tripathy)

Tel : 044-28575266 & 044-28575267, 044-28522021 E-mail ID : tripathys@uiic.co.in

S. PARAMASIVAN
MANAGING DIRECTOR

AFCONS

AFCONS INFRASTRUCTURE LIMITED

Shapoorji Pallonji

Date: 02-08-2022

Shri Chittaranjan Chattodapdhyay
Chairman - Banking, Financial Services & Insurance Board,
The Institute of Cost Accountants of India
CMA Bhavan, 12, Sudder Street
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Sub: Release of the Aide Memoire on Infrastructure Financing

Dear Sir

This has reference to your letter dated 12th July 2022, regarding the release of **Aide Memoire on Infrastructure Financing**. I am pleased to know that the Institute of Cost Accountants of India has come out with this publication, which will provide valuable guidance needed for evaluating and financing infrastructure projects.

Your Aide Memoire on Infrastructure Financing is a welcome addition to the limited repository of knowledge available on the subject, and I hope it will guide bankers, investors and regulators take the right decisions on infrastructure financing and enable robust and sustainable infrastructure development during the Amrit Kaal.

I will go through the handbook and provide my feedback soon. I once again congratulate the Institute of Cost Accountants of India for this much-needed publication.

With warm regards,

S.PARAMASIVAN

Afcons House, 16, Shah Industrial Estate, Veera Desai Road, Azad Nagar P.O., Post Box No. 11978, Andheri (W), Mumbai-400 053.
Phone : +91 (22) 6719 1106, 6719 1000 Fax : +91 (22) 2673 0027 / 0047 / 1031 Email : param@afcons.com

20th July, 2022

To:
CMA Chittaranjan Chattopadhyay,
The Institute of Cost Accountants of India,
CMA Bhawan,
12,, Sudder Street,
Kolkata 700 016.

Dear Sir,

Sub: Release of "Aide Memoire on Infrastructure Financing"

Thank you very much for sharing complimentary copy of the above publication. It is one stop guide book for the entire infrastructure spectrum of the country. The topics of the book are very well articulated and rich in input and are understandable by an average person in the Industry.

The last decade was a very crucial decade for the entire Infrastructure Industry where we have witnessed many unprecedented events. May be it was a cleansing process. The publication has come at the most appropriate time where the country is heading towards US $ 5 trillion economy. There are many new players in the market and the Financers have also consolidated their position. This publication will be very handy to all of them and it will help to carry out their respective functions more efficiently.

Congratulation to your entire team. I thank you very much for your initiative in taking out this hand book and sharing with me.

With kind regards,

Yours sincerely,

A.B. Desai
(GAMMON)

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EQUITY INVESTMENT STRATEGY - NAVIGATING INFLATION AND WAR

CMA Dhiraj Sachdev,
Managing Partner & CIO,
Roha Asset Managers.

Recent equity market decline is driven by many factors such as inflation and expected US interest rate hikes, Russia-Ukraine conflict as well as excessive valuations in many segments of the market, prior to this correction.

The resurgence of geopolitical tensions between Russia, NATO and Ukraine has contributed to market angst in recent weeks. Global supply chains are still recovering from shocks triggered by the US-China trade war and COVID-19. Looking beyond the obvious areas like oil and gas while considering geopolitical dynamics reveals significant Russian leverage over global—and especially Western—supply chains. Following the onset of the Ukraine crisis, the European economic and corporate landscape has been severely scarred. Nevertheless, India's trade with Ukraine is negligible at 0.4% of imports and 0.1% of exports while with Russia it is 1.5% of imports and 0.8% of exports. There wont be any structural material impact on fundamentals of India business, except that we may have to grapple with higher import bill on Oil for some time and commodity cost inflation (as Russia is a producer of many commodities). The Russian invasion of Ukraine and likely lower exports of Russian crude oil will keep crude oil prices elevated for an uncertain time period. The Indian economy is estimated to incur an additional US$70 bn burden (1.9% of GDP) versus FY2022 levels at an average crude price of US$120/bbl.

We do hope that higher oil prices may eventually ease as supply increases from US Shale gas, Iran or with eventual ending of Russia-Ukraine conflict.

An era of high inflation, severed Supply Chains & extreme volatility - The larger pain point for corporate India is of higher raw materials cost pressures or commodity cost inflation. The ongoing challenge business is facing is not on the demand side, but on the cost side of the equation or supply chain disruption including logistic and freight challenges. This may probably have temporary negative impact on the margins of corporate sector in the near term. Though firms with pricing power and ability to pass-on cost hikes are better placed.

So far, a large part of inflation appears to be supply chain side related issues and not completely demand led inflation. Earlier it was driven due to covid related supply issues and now partly led by supply constraints due to Russia-Ukraine crisis. While the US FED has turned hawkish by signaling multiple rate hikes in 2022 to counter inflation trends, we believe, **RBI has ample strength to take care of liquidity**. Interest rate tightening in India is expected to be slower than the rest of the world. Besides, RBI has over $630 bn of forex reserves to counter any currency shocks.

Despite several concerns on inflation and war conflict, **there are reasons to be positive on Indian markets** given that **Corporate capex** outlook is looking up after many years of continuous decline. Earnings of capital goods companies are at cyclical lows and can improve significantly as there are all indications of capex cycle picking up. India manufacturing PMI for Feb came in at 54.9 vs 54 in the previous month showing some sequential improvement. Furthermore, sentiment had improved in Feb, underpinning business expansion plans and return of normalcy. India's macro data shows that recovery is building. GDP, fiscal, PMI, core sector and credit data suggest that after a hiccup in Jan, fundamental recovery is building up, but gradually

On valuations, there were several good quality companies that ran ahead of time and were quoting at obnoxiously high valuations before the correction. So rightly deserved such a correction, with an opportunity to look at them at more reasonable valuations now.

Equity investment strategy should be to stay put and ride the storm of volatility and panic corrections**.** There are several companies that are benefiting due to shift from **unorganised to organised** sector (real estate/building products), **digital wave** (technology), **import substitution** / local manufacturing (pharma/ chemicals/electronics/defense) and **green energy** (sugar ethanol/electric vehicles beneficiaries) makes sense for long-term investing. We are witnessing strong **cyclical recovery** in real estate sector (low interest rates/work from home), financials/NBFCs (worst of NPA cycle behind) and engineering and capital goods (due to higher capex cycle). **Any exaggerated reaction in equity market to such events should be a buying opportunity** as it is likely to be temporary or short-lived corrections. Market will be driven by strong growth recovery in several Indian businesses from consumption to real estate and capex-led cyclical, that have come out of a multi-year slowdown.

We have been **cautious in our previous strategy notes on excessively priced IPO (primary issues) given frenzy valuations in majority**. We had highlighted that its better to buy growth companies that are reasonably priced. Several new age digital companies that came to market, were indiscriminately chased by retail investors without looking at their business models or valuations closely. While they are disruptive companies, many are still in cash burn stage and valuations have been driven by hope and were pricing or discounting far ahead of time. Hence margin of safety has been limited. It is possible that some of disruptive businesses can themselves get disrupted and only a few will survive or make it big. This along with higher valuations will continue to lead to capital losses and one should be cautious and selective in this space.

With reference to FII out-flows over the last few months, we may be unable to predict it's direction for the rest of 2022. However, what is impressive is **the rise in domestic equity culture and flows** into equity market. Domestic institution investors (DIIs) and retail investors have demonstrated strength to counter FII selling. Growing e**quity culture in India is just the beginning (tip of the iceberg !)** v/s traditional forms of investments like fixed deposits / gold, which is no longer preferred asset class. This domestic investment itself will overtake or absorb FII outflows if any.

Overall, the structural foundation of this bull market is very much on with low interest rates and earnings revival despite near term cost pressures. Though, some pockets of market are no longer cheap and one needs to be selective and **increase tenure of holding period to expect reasonable returns.** Every war is different but most are not associated with a recession and stock markets usually find a bottom early in the conflict. The fear is already getting discounted by the market and lessons from history suggest that such war-like events, in disguise, prove to be great investment opportunity for long term investors. Hence, **buy and hold approach in portfolio makes sense** to take advantage of the beginning of a very secular growth in the economy. It is wise to remember that equities have generally paid off in the long run !

MARKET VOLATILITY – A MACRO PERSPECTIVE

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Inflation and Global Markets

As we set foot in latter part of the CY22, the 'Inflation' demon continues to roil the global capital markets. Low interest rate regime coupled with the expansion of balance sheets by the central banks, as also the fiscal stimulus by governments across the globe to counter the Covid-19 induced economic slowdown saw its unintended consequence of creating bubbles in the economies. Led by US Federal Reserve, the policy rates were kept at zero, and in some instances sub-zero (Europe) levels for quite long.

The apprehensions of simmering inflation, particularly in the US, came to fore in the second half of 2021. However, the Fed chose to brush this aside terming the price rise as 'transitory' in nature leaving the Fed behind the curve as no policy action was initiated to arrest the price rise. Making things worse, Russia invaded Ukraine in early part of 2022 sending shock waves across the global financial markets. The war led to catastrophic breakdown of supply chains resulting in skyrocketing of the energy and commodity prices. This supply shock added fuel to the fire of inflation, and the US inflation accelerated to a 40 year high of 9.1 per cent in June' 22. The US Federal Reserve, in a knee jerk reaction, embarked on an aggressive rate hike spree and raised Federal fund rate by 75 basis points (bps) in June following a 50 bps hike in May 22- the highest in over two decades. Inflationary expectations and anticipated rate hikes took the Dollar Index to record 109, and the 10-year US Treasury Note yield surged past the 3% mark (3.44 per cent on 13th June).

Tremors were felt in the US equity markets as well, with all the benchmark indices (Dow Jones, S&P 500 and Nasdaq Composite) falling in the range of 20-30 per cent (typical of a bear market) from their Jan '22 peaks. The subsequent rate hike of 75 bps in July placed the Fed fund rate at a range of 2.25-2.50 per cent as the US central bank seeks to cool down the economy and bring down the inflation to the targeted 2 per cent level. As a part of Quantitative Tightening, the Fed is also unwinding a $9 trillion balance sheet on a monthly basis.

As an outcome of these measures, US economy contracted -6 per cent in Q1 of CY2022 followed by a contraction of -0.9 per cent in Q2, which point to a 'technical recession'. The brief but repeated inversion of the US Yield Curve in 2-10 years range also signalled towards recessionary forces at play. Consequently, the world markets reacted adversely and a new 52-week low was witnessed in mid-June 2022. However, the markets took comfort from the US Labour market that remained tight with unemployment rate comfortably placed at 3.5 per cent, much below the historical average of 5.8 per cent. The US property markets also held up despite the rising mortgage rates. The apprehension of a hard landing of the economy waned briefly, particularly due the less hawkish commentary in FOMC meet in July. The markets bounced back from its June lows in expectation of a possible peaking of inflation. US Inflation softened to 8.6 per cent in July against 9.1 per cent in June.

When things were appearing to be normalising, the US Fed set cat among the pigeons with a hawkish narrative at the Jackson Hole Economic Symposium in last week of Aug. The Fed chair Jerome Powell statement pointed to the need of an extended period of tight monetary policy to tame the sticky inflation, even at the cost of slowing down the economy and labour markets. The fear of "not so soft" landing of the US economy resurfaced which spooked the global markets all over again.

The Domestic Macros

Inflation in India and US are not moving in tandem with US inflation outpacing the inflation at home. Nonetheless, actions by US Fed will continue to impact the way RBI acts. Aggressive monetary policy in US will restrict RBI to take any accommodative stance. India's retail inflation measured by Consumer Price Index (CPI) came down to 6.71 per cent in July from 7.01 per cent in June. While the July print is at five -month low, inflation still continues to be above the RBI's tolerance limit of 6 per cent since Jan 2022. The central bank has raised the Repo rate in its August policy meet taking the policy rate to 5.4 per cent. Tighter monetary policy by the RBI to achieve price stability is likely to slow down growth.

Notwithstanding the global slowdown in growth, Indian economy has demonstrated resilience. The Q1 22-23 GDP has grown 13.5 per cent (on the back of base effect) against RBI estimate of 16.2 per cent. Growth was fuelled by recovery in private consumption which grew 25.9 per cent during the quarter y-o-y. Contact intensive services saw a major revival with a growth of 25.7 per cent. Private investment registered growth of 20 per cent. Government spending rose 1.3 per cent aiding crowding-in of private investments. Construction was up 16.8 per cent during the quarter. However, disappointment came from the Manufacturing sector which slowed down due to rising input costs.

Growth outlook for Q2 also remains stable with high frequency indicators in July and August pointing towards a sustained growth in July-Sep quarter. Manufacturing Purchasing Managers' Index (PMI) in July' 22 came at an 8-month high of 56.4 due to growth in new business orders and output. Services PMI also remained at expansionary zone (more than 50) in July with a reading of 55.5. The double digit growth momentum in total bank credit and non-food credit continued in July from Q1 FY 22-23. GDP for FY 22-23 is expected to grow between 7 and 7.4 per cent as per various estimates. The headwinds to growth, however, may come from factors like slowdown in exports due to global recessionary waves, elevated level of crude oil & gas prices, uneven monsoon distribution, higher cost of capital, escalation of geo-political tensions et al.

Brent crude sharply retreated from its 7th March high of $ 139 per barrel (intraday), and presently hovering around $ 90 a barrel. This comes as a big respite for India which imports more than 80 per cent of its domestic energy requirements. Softening of crude prices can ease-off a part of "imported" inflation. However, rapid slide of oil prices is also a reflection of expectations of slowdown in global growth which may have its bearing on India's growth too. Risk of lingering Russia-Ukraine war may exert upward pressure on crude and commodity prices. This, along with demand revival in China as it gradually comes out of Covid induced lockdowns, as also demand from Europe during the ensuing winter season may see crude prices rising again.

Sustained energy prices may adversely impact India's external sector balances. For the first two months of the Sep quarter, the monthly average trade deficit has trended higher at USD 29.3 billion as against USD 23.5 billion in June quarter driven by strong domestic demand which resulted to surge in imports, while the exports remained subdued amid international slowdown fears. As per ICRA, India's Current Account Deficit (CAD) is projected to widen to an all-time high of USD 120 billion in FY 23 which is 3.5 per cent of GDP. Widening CAD puts domestic currency under pressure. INR is currently hovering around an all-time high level of Rs. 80 per dollar. Like most Asian currencies, INR has been falling in recent months due to strengthening dollar and risk aversion trades. INR is down 7 per cent Year to Date (YTD) against US Dollar, though continues to be among the best performing currencies among the Emerging Market (EM) peers. RBI is making necessary interventions in the forex market from time to time to arrest volatility of the domestic currency. A comfortable forex reserves of around $553.1 billion (as on Sep 2) has provided the necessary war chest to the RBI to stem the fall of local currency.

Earnings, Valuations & Markets

Corporate earnings in Apr-Jun quarter has been mixed bag and largely in line with the market expectations. A bit of global growth slowdown and margin pressures owing to high energy prices were factored in the earnings estimates. The EBITDA or the Operating margin of Nifty companies at 14.2 per cent in Q1 declined 310 basis points (bps) sequentially and 490 bps y-o-y. Consequently, Net Profit margin expansion remained restricted to 23 per cent y-o-y in Q1 which is below market estimates. This, however, is tad better than the previous quarter Net profit growth of 21 per cent y-o-y. Sectors that faced headwinds to operating profit margins, such as metals and cement, took the maximum hit to FY23 EPS estimates. Sectors that supported the Q1 earnings momentum include Financials (Banks & NBFCs), Capital Goods, Automobiles, Consumer Discretionary and Real Estate. Companies in these sectors witnessed reasonable earnings upgrades.

Analysts polled in Bloomberg, estimate Nifty FY23 EPS at Rs. 857 (mid Aug fig); down 3.5 per cent from their earlier estimate of Rs. 884 level in end- June. The EPS estimate of Nifty companies for FY24 which was earlier pegged at Rs. 995 has also been slashed by 2-3 per cent.

Interestingly, Indian market staged a swift come back of around 15 per cent from its mid-June lows on the back of improving macros and renewed FII flows. The headline Nifty gained 3.4 per cent in August '22. The broader markets also saw handsome gains with Nifty Midcap index rising 6 per cent and Nifty Smallcap index registering a 5 per cent growth. The total market-capitalisation of BSE listed companies increased to Rs. 280.24 lakh crores during the month.

As on Aug end, Nifty is trading at 19.5 times 12-month forward PE compared to a long term average of 21. India is trading at a 100 per cent premium to MSCI Emerging Market Index against a long-term average of 85 per cent. Expensive valuations have not deterred the FIIs to vigorously allocate money to India since July. An inflow of Rs. 51,200 crores was registered in August alone (NSDL data). Earlier, the FIIs pulled out around INR 2.5 lakh crores between October'21 and June '22 due to geo-political uncertainties, rising inflation and strong dollar which led to risk-off trades and money moving into safe heaven assets like dollar. As per analysts, India's valuation may appear high from a historical perspective, but once future starts getting discounted, the valuations look fairly reasonable. Money is not flowing into Russia, and China is reeling under double whammy of Covid spread and faltering property markets. Europe is facing recession and US is on the verge of entering one. India, amidst all these, continues to be a bright spot with visibility of long-term earnings growth, moderation of inflation, deleveraged balance sheet of India Inc. and strong support from RBI and government to push reforms.

Discernably, while the S&P 500 is down around 16.5 per cent YTD, Nifty is up about 3 per cent (as on 9th Sep). Analysts are divided on whether Indian markets are "decoupled" from the world market, or the divergence is a temporary aberration! Bulls believe that India is a domestic demand driven economy and likely to remain somewhat immune to global economic downturn. Also, global slowdown pulling down energy prices is a boon for corporate profitability. Imported inflation cooling down and RBI not having to resort to aggressive rate hikes is believed to be margin accretive. The other school of thought opine that the outperformance of Indian markets is a temporary phenomenon. With the Indian economy closely integrated to global economy, any global economic downturn will eventually impact corporate earnings and market performance back home. We may choose to take sides in this "debate of decoupling", but one thing where all opinions converge, is the view that markets are going to remain 'VOLATILE' for an extended period of time. Systematic and disciplined investment as per the planned asset-allocation is indispensible to sail through the volatility successfully.

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The article is for academic purpose and should not be construed as any advice/recommendation from the Author.

Cut-off date for data used is Sep 10, 2022.

MANAGING CLIMATE RISK : IMPERATIVES FOR BANKS

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The Perspective

As scientists deliver ever-more-serious warnings about climate change, companies are beginning to size up the potential effects not only on their businesses and industries but across the entire global economy. Banks wouldn't seem to be on the frontlines of these emerging risks. But because they make loans and grease the wheels of commerce for clients in virtually every industry, all over the world, their exposure to climate change is potentially enormous.

The surface temperature of the Earth has risen at a record pace in recent decades, creating risks to life, ecosystems, and economies. Climate science tells us that further warming is unavoidable over the next decade, and probably after that as well. In this uncertain environment, banks must act on two fronts: they need both to manage their own financial exposures and to help finance a green agenda, which will be critical to mitigate the impact of global warming. An imperative in both cases is excellent climate-risk management.

Climate Change and its impact on Banks

Climate change affects banks because of the impact it has on the value of assets used as collateral for loans and the incomes borrowers use to repay their loans. There is significant uncertainty about the magnitude of risks to banks from climate change. This is because of the uncertainty about how climate change will alter future weather patterns, how policies will change globally and how economies adapt.

Climate change impacts today's world. To prevent any permanent, devastating consequences, a fundamental change to a more sustainable growth path is required. Financial regulators recognise that such a change may impact the stability of economies, and financial institutions need to identify, quantify and mitigate the financial risks related to climate change where the financial sector is impacted. Financial institutions as well as regulatory authorities are exploring methods for quantifying these climate risks. The impact of climate change will prompt substantial structural adjustments to the global economy. Such fundamental changes will inevitably impact the balance sheet and the operations of banks, leading to both risks and opportunities.

According to the 11th Annual EY/IIF bank risk management survey released in 2021, over 91 per cent of the chief risk officers (CRO) and 96 per cent of the board members viewed climate change as the top emerging risk for financial institutions in the next five years. In a research report published in March 2022 by RBI titled 'Green Transition Risks to Indian Banks' there is a clear mention of the transition risk due to the cost of adjustment that falls in the production processes of industries that are directly or indirectly exposed to excessive use of fossil fuel.

On July 24, RBI Governor Shaktikanta Das announced that the central bank will soon issue a consultation paper on climate risks for banks and financial sector. The intent is to seek stakeholder views and suggestions for a more informed and measured approach towards preparing the banking sector to internalise climate risk. The endeavour is in line with RBI's April 2021 decision to join as a member of Network for Greening the Financial System (NGFS) — a coalition that brings together central banks and supervisors working on climate and green finance issues from across the globe.

Climate Change Risks for Banks

The stakes of climate change are high for many industries: physical risks are beginning to materialize, regulatory pressures are increasing, new opportunities are emerging – and investors are demanding more transparency. The first step is understanding what, exactly, is at risk.

Financial risks: There is a growing consensus among policymakers and supervisors that climate change poses real financial risks. Evidence is building that transition and physical risks arising from climate change represent a material risk to the banking system and may even be a source of systemic risk to the financial system.

Physical risks: cover those that impact the premises and operations of the bank, its customers, and the wider economy. They include extreme weather events and long-term shifts in climate leading to the closing of retail branches or facilities, negatively impacting the creditworthiness of clients, and adversely affecting asset prices.

Transition risks: cover those that impact a bank's products and services as a result of the move toward a lower carbon economy. They include the extent to which a bank funds or has stakes in companies that emit greenhouse gases (GHGs), evolving stakeholder expectations, and associated legal or regulatory changes.

Managing Climate Risk

The impact of climate change over time will force major structural adjustments to the global economy that will inevitably affect banks' operations and balance sheets. Responding to climate change will affect the business of a bank in its entirety: deciding which clients to lend to in the future, assessing which businesses to support through investments, determining what type of financial instruments to offer and even deciding how to remunerate staff. A business strategy that addresses climate risk will have real impacts. With all of these forces bearing down on banks, their leaders need to adopt comprehensive, firm-wide approaches to managing climate change risk. That requires integration across the entire risk management framework.

Historically, banks have approached climate change through the lens of Corporate Social Responsibility (CSR). With increasingly high financial stakes, growing external pressures, and new regulations, the pure CSR approach is no longer sufficient. Climate change has become a financial risk for banks and must be treated as such. Banks need to quantify climate factors across the business and put in place the tools and processes needed to take advantage of them effectively. At the same time, they must ensure that their operations are aligned with the demands of external stakeholders. The commercial imperatives for better climate-risk management are also increasing. In a competitive environment in which banks are often judged on their green credentials, it makes sense to develop sustainable-finance offerings and to incorporate climate factors into capital allocations, loan approvals, portfolio monitoring, and reporting. Some banks have already made significant strategic decisions, ramping up sustainable finance, offering discounts for green lending, and mobilizing new capital for environmental initiatives. Following approaches will support this transformation.

Build the foundations: Banks should urgently identify the processes, methodologies, and tools they will need to manage climate risk effectively. This entails embedding climate factors into risk and credit frameworks.

Formulate climate-risk governance: It will be of crucial importance for top management to set the tone on climate-risk governance. Banks should nominate a leader responsible for climate risk; chief risk officers (CROs) are often preferred candidates. There is also a cultural imperative: responsibility for climate-risk management must be cascaded throughout the organization.

Consider all the what- Ifs : Analysing the potential impacts of both physical risk and transition risk is critical for planning. Climate scenario analysis, essentially a "what-if" analysis, is a useful method to quantify all the potential exposures.

Build into strategic planning: Climate risks should pervade key business applications such as pricing or strategic planning. Measurement of risks and expected losses under different climate scenarios help identify potential downsides. At the same time, assessing the potential future market help bank executives identify promising lending opportunities and steer the organization.

Tailor business and credit strategy: Climate considerations should be deeply embedded in risk frameworks and capital-allocation processes. Many institutions have decided not to serve certain companies or sectors or have imposed emissions thresholds for financing in some sectors. Boards should regularly identify potential threats to strategic plans and business models.

Align risk processes: To align climate-risk exposure with risk appetite and the business and credit strategy, risk managers should inject climate-risk considerations into all risk-management processes, including capital allocations, loan approvals, portfolio monitoring, and reporting.

Get up to speed on stress testing: Scenario analyses and stress tests, which are high on business and regulatory agendas, will be critical levers in helping banks assess their resilience. In preparing for tests, they should first identify important climate hazards and primary risk drivers by industry, an analysis they can use to generate physical and transition-risk scenarios. These in turn can help banks estimate the extent of the damage caused by events such as droughts and heat waves.

Focus on enablers: Banks often lack the technical skills required to manage climate risk. They will need to focus on acquiring them and on developing a strategic understanding of how physical and transition risks may affect their activities in certain locations or industry sectors. They should therefore budget for increased investment in technology, data, and talent.

Construct a climate-risk-management framework: Banks must aim to embed climate-risk factors into decision making across their front- and back-office activities and for both financial and nonfinancial risks including operational, legal, compliance, and reputational risks.

Protecting the balance sheet from uncertainty: As physical and transition risks materialize, corporates will become increasingly vulnerable to value erosion that could undermine their credit status. These, in turn, may have direct and indirect negative impact on banks, including an increase in stranded assets, uncertain residual values, and the potential loss of reputation of banks.

Reviewing the prudential framework for banks

The increasing evidence showing that climate change poses real financial risks, coupled with the fact that climate risk drivers may represent a source of systemic risk to the financial system, calls for addressing the gaps in the prudential framework. The prudential framework for banks is currently being scrutinised to determine whether it can sufficiently capture the unique features of climate-related financial risk. Given the challenges of capturing the impact of climate-related financial risks, some of the principles and methodologies underpinning the Basel Pillar 1 framework might not hold. In particular, the forward-looking aspects of climate risks and uncertainty about how these risks will manifest over different time horizons and business cycles poses a significant challenge in terms of properly capturing these risks. Some parts of the Basel framework are, on the contrary, backward-looking, as they rely on consistent, historical data to gauge the relationships between risk factors and exposures, including under adverse economic conditions or unexpected events.

Climate Change : Opportunities for Banks

On the other side of the ledger, there are also opportunities for banks to boost revenue from climate change activity. Massive amounts of capital and new financial products will be required to fund the transition to a lower-carbon economy, creating fresh demand for bank services. In all, roughly $1 trillion of new financing will be required annually to fund the transition. Banks that identify these opportunities can help reduce their overall risks and, potentially, boost their returns. Increasing awareness of climate risk within the banking industry will ultimately generate broad benefits for other industries – and for society as a whole.

Conclusion

As intermediaries and providers of capital, banks play a crucial role in economic development that now includes managing the physical and transition risks of climate change. The task is complex, and the models and assumptions needed to align the business with climate priorities will inevitably be revised and refined over time. However, as temperatures rise, speed is of the essence in managing the transition to a more sustainable global economy. Internalisation of climate risk factors by banks is very much on the agenda especially with RBI taking up the cudgels. However, given the complexity in climate risk modelling, the biggest challenge for a bank would be to measure the impact of climate risk while undertaking lending and investment decisions and further integrating that risk in the existing risk and valuation frameworks.

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'CONVERSION OF ILLIQUID ASSETS INTO LIQUID ASSETS'

(Wider Scope of 'Investment Opportunities' to 'Investors' Through 'Capital Market')

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Abstract:

Securitisation started in the USA in 1970 with the issue of 'Residential Mortgages' by Public Housing Finance Corporations (HFCs). These financial institutions observed that to attract short-term deposits they are paying higher interest and at the same time their interest earnings on the mortgage loans which are long-term in nature, were very less. This created a mismatch between Assets and Liabilities. The solution was found in 'Securitisation'.

The 'Securitised Loans' are procured by Provident & Mutual Funds and also Insurance Companies. They have funds but have no mechanism and expertise to assess, grant and recover loans. Corporate Bodies like finance companies which have expertise in such mechanism gets liquid cash through the Process of Securitisation. Thus, Securitisation helps both.

Since Securitised Assets go Off-the Balance Sheet of Originator, the Asset base is brought Down and thereby reducing the Regulatory Capital requirements to support other Assets. Further, Asset Portfolio is also liquidated by releasing Cash which in turn reduces the financial institution's need for Demand and Time Liabilities that are subject to Statutory Reserves.

Abbreviations Used: ARC – Asset Reconstruction Companies; CLO – Collateralized Loan Obligation; PTC – Pay Through Certificates; SPV – Special Purpose Vehicle; QB – Qualified Buyers

Securitisation as a technique gained popularity in the USA since 1970 and UK is the second largest market which adopts securitisation of assets. Securitisation can be defined in simple terms as the **Sale and Purchase** of pooled/ bundled Secured Assets.

Currently, Securitisation is also used for several complicated financial structures. There is a steady move towards Securitisation in the **Capital Market** of various Assets such as:

- ✔ Insurance Receivables.
- ✔ Commercial Bank Loans.
- ✔ Purchase obligations to Natural Gas Producers.
- ✔ Credit Card Receivables.
- ✔ Future Rights to Royalty Payments etc.

Major buyers of such Debt Instruments in the USA are Mutual funds, Insurance companies, Trust and corporates with excess liquid funds.

In India, presently, only Mutual Funds and to a lesser extent Banks with surplus funds can be the buyers. Insurance Companies may also be buyers.

Securitisation is the Sale and Purchase of Debts and Receivables, normally through Asset Reconstruction Companies (ARCs).

Asset Reconstruction Companies (ARCs) means a Company Registered with RBI for purpose of carrying on the business of Asset Reconstruction or Securitization or both. (Section 2(1) (ba) of SARFAESI Act inserted w.e.f. 1-9-2016.

Even though the provisions of Securitisation are contained in the Act relating to Reconstruction of Financial Assets and Enforcement of Security Interest, in a practical scenario the provisions are independent and several Assets which have a good credit rating can also be securitised.

RBI Guidelines on Securitization of Standard Assets:

RBI/DOR/2021-22/85 DOR.STR.REC.53/21.04.177/2021-22

Master Direction – Reserve Bank of India (Securitisation of Standard Assets) Directions, 2021 dtd.: September 24, 2021.

Assignment of Debts / NPAs between Banks 'inter se' is Permissible:

Between the banks, the inter se assignment of debts or Non-Performing Asset is permissible. Scope of 'Banking Business' is not limited to Core Banking of accepting deposits and lending.

Purpose of Securitisation:

Generally, a Lender finances a loan to the borrowers and gets repayment of principal with interest over a period. The lender collects periodic instalments and uses them for financing new loans. The above process limits the capacity of the lender in disbursing fresh loans till the time he recovers the instalment with interest. Hence instead of waiting till recovery of the above amount, the lender can pool loans together and sell his right of receiving future payments from the borrowers of these loans.

This is termed Securitisation of Loans. The original lender will receive consideration immediately by

Securitising his Loan Portfolio, but at a discounted value to the actual due amount. However, these proceeds can be used by lenders for the disbursal of fresh loans.

Securitisation is a form of financing which involves the pooling of financial assets and the issuance of securities which can be repaid from the Cash Flows generated by the Assets. This is generally done through an actual sale of assets to a Special Purpose Vehicle (SPV) like Asset Reconstruction Companies and they finance the purchase through the issue of Bonds. These Bonds are backed by the future Cash Flow of the Asset Pool.

The most common Assets which can be securitised are:

- ✓ Mortgages.
- ✓ Credit Cards.
- ✓ Auto and Consumer Loans.
- ✓ Student Loans.
- ✓ Corporate Debt.
- ✓ Export Receivables.
- ✓ Off shore Remittances etc.

Securitisation is done through Special Purpose Vehicles (SPVs). These are termed Asset Reconstruction Companies (ARCs) in the present SARFAESI Act.

Thus, Securitisation is a process through which **Illiquid Assets** are transferred into a more **Liquid form** and are distributed to a **broad range of investors through Capital Markets**. These assets are removed from the Balance Sheet of the lending institutions and are instead funded through a Negotiable Financial Instrument by the investors. These security/bonds are **Backed by** the expected Cash Flows from the Assets.

Securitisation is a process under which a pool of **Individual Homogeneous Loans** is packaged and distributed to various investors having liquid funds in the form of:

✔ Coupons / Pass Through or

✔ Pay Through Certificates.

Through the SPVs and with a provision of distributing the inflow of cash from recoveries on a pro-rata basis to the coupon holders.

In the process of Securitisation, the original lender's long-term illiquid assets get converted into Current Assets.

Securitisation With or Without Recourse:

Securitisation can be done **with or without** recourse to the Original Lender. In the 'Without Recourse' securitisation, if the receivables from the borrower are not recovered, the 'Asset Reconstruction Company' and/or investors face the loss as the amount cannot be recovered from the **original lender**. In the case of 'With Recourse' securitisation, the Asset Reconstruction Company / Investors can recover the Principal and Interest from the original lending institution in case the borrower fails to repay the instalments.

In some cases, limited recourse to the lender may be provided even if Securitisation is done without recourse i.e., in cases of original lender is alleged or established for fraud, forgery, suppression of facts, misstatements etc.

'Securitisation':

'Securitisation' is defined in legal terms as the acquisition of a financial asset by any Asset Reconstruction Company from any Originator. This acquisition can be done by the ARC raising funds either from Qualified Buyers or by the issue of Security receipts. [Section 2(1)(z) of SARFAESI Act as amended w.e.f. 1-9-2016].

Assets that can be Securitised:

All assets which generate Cash Flow can be Securitised such as

- ✓ Mortgage Loans.
- ✓ Housing Loans.
- ✓ Automobile Loans.
- ✓ Credit Card Receivables.
- ✓ Trade Receivables.
- ✓ Consumer Loans.
- ✓ Lease Finance etc.

It is not necessary for the asset which is securitised should be non-performing and a healthy normal financial asset can also be securitised.

Long Dated Assets and Short Dated Funding Sources:

Traditionally, banks have short-dated deposits. If advances of a financial institution are disbursed on a long-term basis, then they are regarded as long-date assets and the credit risk is high for such advances. Securitisation is a way to convert the potential credit risks involved with the long-dated assets into sources of capital. Thus, the mismatch between funding for assets and sources of liabilities can be reduced.

Mortgage Securitisation or Asset Securitisation:

Securitisation is of two types Mortgage Securitisation and Asset Securitisation.

In mortgage securitisation, a pool of mortgage-backed loans is converted into tradable debt security and they are considered mortgage-backed securities, for example in cases of housing loans.

In Asset securitisation, there will be pooling and re-packing of assets with an income stream, in the form of marketable securities which can be acquired by the investors.

These securities are secured by the assets themselves or from the income derived by the assets i.e., the Underlying asset generally backs the loan or security.

In the case of industrial loans, the instruments are termed as '**Collateralized Loan Obligations**' (CLO).

Process of Securitisation:

Securitisation is a process where the Loans, Receivables and other Financial Assets are pooled together with their Cash Flows or Economic Values which are redirected to support payments on related securities.

The Originator (**Original Lender**) transfers the assets (loans) of a particular Portfolio to **SPV** (Special Purpose Vehicle). The SPV breaks these assets into Convenient Amounts and raises capital from Investors by selling the instruments which represent these underlying assets. These Debt Instruments which carry a specific credit rating, are issued by the SPV are listed on **Stock Exchange** and thus provide Liquidity.

The originator utilises Securitisation to finance and enhance his Business Activities and these assets which are securitised are removed from its Balance Sheet.

Transfer to SPV: The Financial Assets are transferred to a new entity which is referred to as SPV (Special Purpose Vehicle which is either a company or a trust. However, as per SARFAESI Act, the Assets are transferred to an Independent Asset Reconstruction Company. Hence the formation of **SPV as a Trust** is not envisaged in the Act.

The process of securitisation begins when the Originator segregates the Loans / Lease / Receivables into a Pool which are relatively Homogenous in types of Credit, Maturity and Interest Rate Risk. These pooled assets are then transferred to a Special Purpose Vehicle (SPV) (In the present Act, an Independent Asset Reconstruction Company). This SPV issues Asset-Backed Securities in the form of Debt, Certificates of beneficial ownership and other Instruments which are rated by Credit Rating Agencies.

Presently, it is expected that these Securities will be offered only to QBs (**Qualified Buyers**) only and not for the participation of the public.

The SPV Acts as an Intermediary and procures the financial Assets from Transferors and Issues Securities to the Investors.

Funds received from Investors are paid to the Transferor. The Investors are serviced and repaid out of the income from the underlying assets which are realised over some time.

Pass-Through Certificates: In Pass-Through Certificates, direct participation in the Cash Flow is Sold. Receipt of Asset Cash Flow is deposited in designated accounts. These funds are then passed on to Certificate Holders and the Receivables are directly assigned to Investors through SPV. In simple terms, the Cash is collected by the Original Lender which is then passed on to SPV (**Asset Reconstruction Company**).

Pay Through Certificates: This certificate involves a Specific Assignment / Sale of Asset Cash Flow to the SPV. The SPV then issues the pay-through Certificates to the Investors. In simple terms, Pay through certificates are issued when the Cash is collected by the SPV from the Borrower and then distributed to the Certificate Holders.

Summary of Process: The Process can be summarised as follows:

- Lender Sells Various Types of Loans to Borrowers.
- Out of these Loans, the Lender Packs certain Loans together and Sells these to Asset Reconstruction Company (ARC).
- The Asset Reconstruction Company (ARC) makes payment to the Original Lender for Loans Purchased.
- These Loans are converted into a Pool of Securities by the Asset Reconstruction Company for purpose of issuing Pass Through or Pay Through Certificates (PTC).
- These PTCs are sold to Individual Investors [QBs].
- The Recoveries from the Original Borrower are obtained by the Original Lender (In case of Pass-Through Certificates) and by the Asset Reconstruction Company (In case of Pay Through Certificates).
- If collection is made by the Original Borrower, he is under obligation to Pass on the Money to Asset Reconstruction Company.
- The ARC Passes on these Amounts to Individual Investors.

Securitisation helps in Recycling and Rollover of Assets:

For Investors, Securitisation provides an avenue for relatively Less Risk or Risk-free Investment. The Credit enhancement provides an Opportunity for Investors to acquire Good Quality Assets and they can also diversify their Portfolios.

From the Point of view of the Broader Financial System, Securitisation increases the Number of Debt Instruments and provides additional Liquidity in the Market. Further, it also facilitates better Allocation, unbundling and Management of Project Risks. It could also widen the market by attracting New Players as it makes Superior Quality Assets available for investment.

Credit Rating:

The Credit Rating is to be considered for the transaction of the Assets Securitised and not for the Originator or the Issuer. Thus, it is possible that the Credit Rating of the Securitised Assets will be quite different from the Credit Rating of the Originator. In an extreme case, the securitised assets are still considered good even if the Originator is Liquidated and the Investor of the Securitised Asset will be Protected.

Similarly, the Asset Reconstruction Company does not own the Assets and hence even if it goes into Liquidation, the Security of the Investor does not get affected. This ensures '**Bankruptcy Remoteness**'. Thus, Securitisation Transactions may have a higher Credit Rating than the Credit Rating of the Originator / Issuer himself.

Benefits of Securitisation: Securitisation is designed to offer several advantages to the Seller, Investor and Debt Markets. The advantages of Securitisation can be summarised as follows:

- Banks can remove such loans from their Balance Sheet and this reduces the regulatory capital requirement.
- It is an alternative to Banks and Financial Institutions for the transfer of Funding Risk and development of the Capital Market.
- Reduce Lending Concentration and Improve Liquidity.
- Attainment of Funds at Lower Costs since these are Isolated from Potential Bankruptcy Risk of Originator.
- Better matching of Assets and Liabilities and development of Long-term Debt Market.
- Provides a Diversified Pool of uniform Assets to Banks and Financial Institutions.
- Converting Non-Liquid Assets into Liquid Marketable Securities.
- Transfer of Funds from a less efficient Debt Market to a more Efficient Capital Market through Securitisation.

Conclusion:

For Originator, Securitisation mainly results in Receivables being replaced by Cash which improves the liquidity position of the firm. It removes the assets from the balance sheet of the Originator thus releasing the Capital for other uses and enabling the Restructuring of the Balance Sheet by reducing Large Exposures or Sectoral Concentration.

It facilitates good Asset Liability Management by reducing Market Risks which can arise due to Interest Rate mismatches. This process also enables the originator to recycle assets more frequently and thus improve the institution's earnings. Finally, transparency may be improved since Securitisation results in more Identifiable Assets on the Balance Sheet.

In brief, Originator Transforms his Illiquid Assets like Mortgages, Lease Rentals etc. into Liquidity by raising funds on them which can be used to increase Business. The Cost of Raising funds will be Lower as there will be a Wider Investment Base and Liquidity. Also, the Credit Risk of the originator will be diversified.

References:

- RBI Circulars on Securitisation.
- 'Origin of Securitisation' information from various Websites.

GOVERNMENT BUSINESS BY AGENCY BANKS

(Certification by CMAs)

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

The Reserve Bank of India carries out the 'General Banking Business' of the 'Central and State Governments' through its own offices and the Branches of the 'Agency Banks (Public and Private Sector Banks)' appointed under Section 45 of the RBI Act, 1934, by mutual agreement.

RBI pays Agency Commission to the Agency Banks (Private and Public Sector Banks) for the Government Business handled by them.

Agency Banks (Both Private and Public Sector Banks):

- ✔ It is a Bank that performs services in some capacity on behalf of an entity. An Agent Bank, also known as an Agency Bank, can offer a wide variety of services for businesses looking to expand internationally.
- ✔ RBI has empanelled these banks as 'Agency Bank' to facilitate Banking and Payment transactions for the 'Central Government and the State Governments'.
- ✔ Agent Banks caters to the needs of both Individuals as well as Businesses through a wide range of Services.

Transactions relating to the following Government Business undertaken by Agency Banks are eligible for the 'Agency Commission' paid by the Reserve Bank of India:

- ✔ Revenue Receipts and Payments on behalf of the Central Government/State Governments.

- ✔ Pension Payments in respect of Central Government/State Governments and

- ✔ Any other item of work specifically advised by Reserve Bank as eligible for 'Agency Commission'.

Transactions Covered:

An Agency Bank is Authorized to handle transactions pertaining to the following types of Government Businesses:

- ✔ Revenue Receipts under CBDT, CBIC & GST on behalf of the State Government / Central Government.

- ✔ Pension Payments on behalf of the State Governments/Central Government.

- ✔ Work related to Small Savings Schemes (SSS).

- ✔ Collection of Stamp Duty Charges.

- ✔ Collection of Stamp Duty from Citizens for the franking of documents.

- ✔ Collection of State Taxes such as Professional Tax, State Excise, etc. on behalf of various State Governments.

Ineligible items for Agency Commission:

The following activities **do not come under the purview** of Agency Bank Business and are therefore not eligible for payment of Agency Commission.

a) Furnishing of Bank Guarantees/Security Deposits, etc. through Agency Banks by Government Contractors/Suppliers, which constitute Banking Transactions undertaken by Banks for their Customers.

b) The Banking Business of Autonomous/ StatutoryBodies/Municipalities/ Companies/ Corporations/Local Bodies.

c) Payments that have been Classified as Capital in nature by the Government to cover Losses incurred by Autonomous/Statutory Bodies/ Municipalities/ Corporations/Local Bodies, etc.

d) Prefunded Schemes may be implemented by a Central Government Ministry/Department (in consultation with CGA) and a State Government Department through any Bank.

e) Transactions related to Gold Monetization Scheme 2015

f) Any other item of Work Specifically advised by Reserve Bank or Central or State Government as Ineligible for Agency Commission.

g) Transactions arising out of Letters of Credit / Bank Guarantee opened by Banks on behalf of Ministries/Departments etc. do not qualify for Agency Commission as RBI only reimburses the paid amount to the banks based on the mandate received from the Governments.

Reserve Bank of India's Revised Guidelines on the Appointment of Agency Banks:

The existing guidelines on the appointment of Scheduled Private Sector Banks as Agency Banks of RBI have been reviewed and the revised guidelines/ framework for authorizing Scheduled Private Sector Banks as Agency Banks of RBI for the conduct of Government Business attracting Agency Commission are as follows:

A) For Existing Private Sector Agency Banks (Already having Agency Banking Agreement with RBI):

- ✔ Such existing private Sector Agency Bank with whom RBI already has Agency Banking Agreement and who are authorized to do Government Agency Business for Civil/Non-Civil Ministry/Department (for Central Government) or concerned department of a State Governments (for State Government) may continue to do these Government Agency Businesses for Central and/or State Governments without taking any fresh approval from RBI.

- ✔ For the purpose of undertaking Fresh/ Additional Government Agency Business by these existing Private Sector Agency Banks, after obtaining approval from the **Controller General of Accounts (CGA)** (for Central Government) or the Finance Department of the State Government (for State Government) they need to obtain Approval from DGBA (Department of Government and Bank Accounts).

B) For other Private Sector Banks (Not having Agency Banking Agreement with RBI):

- ✔ Scheduled Private Sector Banks, not having Agency Banking Agreement with RBI, but intend to handle Government Agency Business, may be appointed as Agents of RBI upon execution of an Agreement with RBI.

- ✔ This will be subject to the condition that the Concerned Bank is not under the Prompt Corrective Action (PCA) framework or Moratorium at the time of making the Application or Signing of the Agreement with RBI.

The Choice of Accrediting an Agency Bank (Including a Scheduled Private Sector Agency Banks) for any particular Government Agency Business rests solely with the concerned Central Government Departments/State Governments.

Further Government Department / State Government have the option to discountinue the arrangement after giving notice to the concerned Agency Banks, keeping RBI informed

Note: Once RBI authorizes a Bank for any Government Business, separate Approval from RBI with regard to Mode (Physical or e-mode) and area of operations is not required and the same will be decided by the Office of Controller General of Accounts (CGA) (for Central Government) or the Finance Department of the State Government, keeping RBI informed in the matter.

The Agency Banks also undertake the work related to Small Savings Schemes (SSS) the Commission which is borne by the Government of India.

Short-Term/Long-Term borrowings of State Governments raised directly from Financial Institutions and Banks are not eligible for Agency Commission as these transactions are not considered to be like general banking business. Reserve Bank Pays the Agency Banks separate remuneration as agreed upon for acting as Agents for the Management of Public Debt.

Whenever Agency Banks Collect Stamp Duty through Physical Mode or e-mode (challan based), they are eligible for payment of Agency Commission, provided the Agency Banks do not collect any charges from the members of the public or receive remuneration from the State Governments for doing this work.

As per the Agency Bank Agreement, RBI pays Agency Commission at rates determined by it. The rates applicable with effect from July 1, 2019, are as under:

Sr. No.		Type of Transaction	Unit	Revised Rate
a.	(i)	Receipts - Physical mode	Per transaction	₹40/-
	(ii)	Receipts - e-mode	Per transaction	₹9/-
b.		Pension Payments	Per transaction	₹75/-
c.		Payments other than Pension	Per ₹100 turnover	6.5 paise per ₹100/-

Agency Banks would be eligible to claim Agency Commission for Pension Transactions at the Rate of ₹75 per transaction only when the entire work relating to the disbursement of pension including pension calculation is attended to by them. If the work relating to pension calculations etc. is attended to by the concerned Government Department / Treasury and the banks are required only to credit the amount of pension to the pensioners' accounts maintained with them by a Single Debit to Government Account, such transaction is to be categorized under 'other than pension payment' and would be eligible for payment of Agency Commission @ 6.5 paise per ₹100/- turnover w.e.f. July 1, 2019.

All Agency Banks should settle their Agency Transactions for both funds and Agency Commission directly with the concerned Regional Offices of Reserve Bank instead of routing them through any other Agency Bank that acts as an aggregator in certain cases. So also, payments made by all Agency Banks on behalf of State Government/s get directly settled with the concerned Regional Office of RBI. Agency Transaction details/scrolls may be sent directly by individual Agency Banks to the concerned State Government/Treasury. This new arrangement for settlement of State Government funds on a day-to-day basis (Receipts and Payments) directly with the Reserve Bank is with effect from January 1, 2018.

The formats for claiming Agency Commission for all Agency Banks and separate and distinctive sets of certificates to be signed by the branch officials and **Chartered Accountants or Cost Accountants** are given in Annex 2, Annex 2A, and Annex 2B respectively. These Certificates **would be in addition to the usual Certificate** from ED / CGM (in charge of Government Business) to the effect that there are no pension arrears to be Credited / Delays in crediting regular Pension/Arrears thereof.

Verification and Certifications:

The Agency Commission on Central/State Govt. Transactions calculated by GAD/FSLOs are required to be checked and Certified by the Internal Auditor, i.e., a Concurrent Auditor, **and** An External Auditor, i.e., A Chartered Accountant or Cost Accountant, before submission to RBI.

For Central Govt. Transactions:

- The Certified Final Claim, duly signed by the Head of Government Accounts Department of Banks, along with all the required certificates and declarations as stipulated by RBI, is submitted to RBI, CAS, Nagpur as per RBI Notification RBI/2019-20/21 DGBA.GBD. No.5/31.02.007/2019-20.

- As per RBI's requirement, for Every Quarter, a Certificate regarding Pension, duly Signed by the Head of Government Business Unit of the Banks, is also submitted.

- The Claim of Agency Commission is submitted by GAD of Banks to RBI after sign-off from Compliance Department of Banks.

For **State Govt. Claims**, Similar Certificates are required, by External/Internal Auditors & Zonal Office Heads of the Banks. The Commission Claims on State Govt. Business is to be submitted through Head Office, Compliance Department.

Agency Banks are advised to meticulously follow instructions issued by RBI from time to time regarding transactions that are not eligible for an agency commission and submit their claims for Agency Commission accordingly. All Agency Banks while claiming Agency Commission should certify that no claim of Agency Commission is made on ineligible transactions.

List of Agency Banks (Public Sector Banks) Agency Agreement with RBI: Bank of Baroda, Bank of India, Bank of Maharashtra, Canara Bank, Central Bank of India, Indian Bank, Indian Overseas Bank, Punjab and Sind Bank, Punjab National Bank, State Bank of India, UCO Bank, Union Bank of India.

List of Agency Banks (Private Sector Banks) Agency Agreement with RBI: Axis Bank Ltd., DCB Bank Ltd, Federal Bank Ltd., HDFC Bank Ltd., ICICI Bank Ltd., IDBI Bank Ltd., IDFC FIRST Bank Ltd., IndusInd Bank Ltd, Jammu and Kashmir Bank Ltd.*, Karnataka Bank Ltd., Karur Vysya Bank Ltd., Kotak Mahindra Bank Ltd., RBL Bank Ltd., South Indian Bank Ltd., Yes Bank Ltd., Dhanlaxmi Bank Ltd., Bandhan Bank Ltd., CSB Bank Ltd.

* Approved for limited Agency Business.

Agency Commission / Charges paid by RBI to Public / Private Sector Banks

(₹ in Crores)

2017-2018	2018-2019	2019-2020	2020-2021	2021-2022
3,903.06	3,910.21	3,876.08	3,280.06	4,400.62

Agency Commission on Government Transactions: The Reserve Bank discharges the function of Banker to Governments through a large network of Agency Bank Branches that serve as retail outlets for Governments' Receipts and Payments.

The Reserve Bank pays Commission to these Agency Banks at prescribed rates. The Agency Commission paid on account of Government Business increased by 47.79 percent from ₹ 2,611.05 Crores in 2020-21 to ₹3,858.95 crores in 2021-22. The increase was primarily on account of the Current Accounting Year being of twelve months as compared to the nine months for 2020-21.

As per the Agreement that Agency Banks have with RBI, violation or non-compliance of instructions issued by the Government or Reserve Bank shall attract imposition of penalty. Agency banks will be liable to pay penal interest at Bank Rate as notified by Reserve Bank of India plus 2% for any wrong claims of agency commission settled.

Specimen of Certificate (Annexure-2B)

Certificate by the Cost Accountant

Certified that we have examined the records relating to the Govt. transactions carried out by the branch and that the amount of ₹……………………. (Rupees……………………) claimed as agency commission has been audited and found correct taking into account the number of transactions in respect of 'receipts' and 'pension payments' and the value of transactions in respect of 'payments other than pension' as recorded in the books of the bank and the daily scrolls of Government transactions furnished to the accounting authorities of the Central/ State Governments/RBI and other records available at the branch. It is further certified that agency commission claims for transactions included in the current claim have been made only once.

2. It has also been verified that the collections of Government receipts (both tax and non-tax) on behalf of Centre/State Governments have been duly scrolled and funds remitted to RBI and no transaction is pending for scroll with the bank pertaining to the period for which agency commission is being claimed.

3. It is also certified that the month-wise breakup of eligible pensioner's account available with us is as per the table below, and the agency commission as aforesaid has been arrived at based on only eligible transactions as per the extant instructions of RBI and that the receipt transactions are exclusive of the transactions pertaining to all tax liabilities of the bank.

Sr. No.	Month	No. of Pensioners
1		
2		
3		

Signature:

Name:

CMA Registration No.:

Address of the Cost Accountant:

References:

RBI Master Circular No: RBI/2022-23/08 CO.DGBA.GBD. No. S-1/31.12.010/2022-23 dtd.: April 1, 2022.

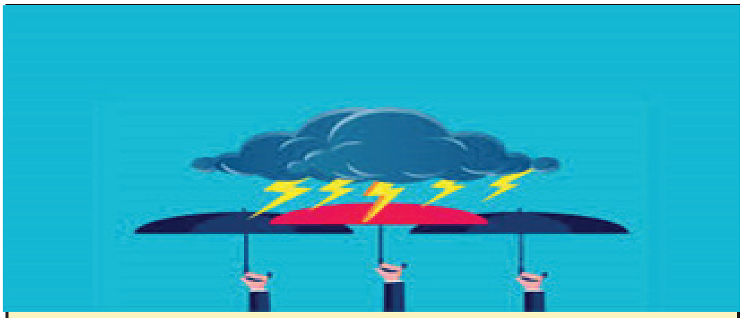
RBI Annual Report 2021-2022.

CLIMATE-RELATED FINANCIAL RISKS IN BANKING SYSTEM

CMA Debaraja Sahu,
M.Com., FCMA,
Practicing Cost Accountant, Hyderabad

Climate change may result in physical and transition risks that could affect the safety and soundness of individual banking institutions and have broader financial stability implications for the banking system.

Climate-related financial risk refers to the risk assessment based on an analysis of the likelihoods, consequences, and responses to the impact of climate change. Thus, Climate-related financial risks may arise not just from climate change but also from efforts to mitigate these changes. One such example is investment behaviour.



Climate change Topped the list of Long-term Risks for banks for the first time since its inception over a decade back. More than Nine in Ten (91%) of the surveyed bank Chief Risk Officers (CROs) viewed climate change as the Top emerging Risk over the Next Five Years.

Environmental degradation and climatic change are impacting everything around us. World Economic Forum (WEF) has identified extreme weather, climate action failure, and human environmental damage as the top risks by likelihood, and climate action failure as the second most impactful risk (only after infectious disease).

The Intergovernmental Panel on Climate Change (IPCC) report highlighted that the climate crisis is affecting every region in the world in multiple ways. It provides new estimates of the chances of crossing the global warming level of 1.5°C in the coming decades and warns that unless there is an immediate, rapid, sustained, and large-scale reduction in greenhouse gas emissions, limiting planet-warming to close to 1.5°C or even 2°C will be beyond reach.

A report by the Ministry of Earth Sciences, Government of India released in 2020 concluded that since the middle of the twentieth century, India has witnessed a rise in average temperature, a decrease in monsoon precipitation, a rise in extreme temperature, droughts, and sea levels, as well as increase in the intensity and frequency of severe cyclones. There is compelling scientific evidence that human activities have influenced these changes in the regional climate. Given the profile of the event, it will be worthwhile to deliberate a bit further on the interlinkages between climate-related risks and financial institutions.

Nature's Fury or Man-Made Disaster?

"It is difficult to decide whether Bengaluru is witnessing nature's fury or a man-made disaster, but it's devastating impact is out there for all of us to see. Environmental and Climate Risks have long been overlooked in city planning and, despite such disasters, it is yet to be mainstreamed in our masterplan" says Lubaina Rangwala, Programme Head – Urban Development at World Resources Institute (WRI).

These climate trends and events have a direct bearing on the economy and financial system including banks. Uncertainty around the severity and timing of climate and environment-related impact is a source of financial risk and may have a bearing on the safety and soundness of individual financial institutions/ entities and in turn the stability of the overall financial system. It, therefore, becomes incumbent on financial institutions to manage the risks and opportunities that may arise from environmental degradation and a changing climate.

Globally many investors have already started to move away from firms which generate greater environmental costs or engage in activities which are likely to cause environmental harm, sometimes collectively referred to as 'high-emitting sectors'. Such a trend may result in a loss of funding or an increase in financing costs for high-emitting entities which ultimately generates viability concerns around such entities. Another important dimension for financial entities is the reputational impact. Reputational concerns arise when customers financed by financial institutions carry on business activities which have an adverse environmental impact. These risks have already started manifesting and are impacting the economy and financial system.

At a conceptual level, "green finance" can be defined as financing investments that deliver environmental benefits in the broader context of environmentally sustainable development. These environmental benefits include, for example, reductions in air, water, and land pollution, reductions in greenhouse gas emissions, and improved energy efficiency. Such a definition is directionally clear whilst allowing for different technical interpretations by countries.

In particular, interest in green bonds and green finance is progressively gaining momentum as it has become a priority for many issuers, asset managers, and governments alike. Global issuance of green bonds surpassed $250 billion in 2019 about 3.5% of total global bond issuance ($7.15 trillion). Projections estimate that global issuance of a green bond is a high possibility of issuance surpassing $1 trillion in 2023.

As the risks and opportunities and financial impact arising from climate change vary across jurisdictions, this poses unique considerations for an emerging economy like India. The challenge before us is to mainstream green finance and think of ways to incorporate the environmental impact into commercial lending decisions while simultaneously balancing the needs of credit expansion, economic growth, and social development.

Federal Reserve official said the central bank still was considering all its options for how best to gauge risks for banks from climate change, as a fellow U.S. banking regulator urged an open mind to a wide range of approaches.

Sustainable Finance Group (SFG) was set up within the Department of Regulation in the Reserve Bank which will be spearheading RBI's efforts and regulatory initiatives in the areas of sustainable finance and climate risk.

Initiatives contemplated and discussed within the Reserve Bank are:

i. Integrating climate-related risks into financial stability monitoring.

ii. Building in-house capacity for assessment and monitoring of Climate Risk and generating awareness of climate-related risks among regulated entities.

iii. Coordinating with other financial regulators to better understand the climate-related risks to the financial system and those related to a transition to a low-carbon economy.

vi. Advising regulated entities to have a strategy to address climate change risks and appropriate governance structures to effectively manage them from a micro-prudential perspective.

v. Exploring forward-looking tools like climate scenario analysis and stress testing for assessing climate-related risks.

It is, therefore, important for the regulated entities to understand the interaction between climate-related and environmental risks and their business activities and identify the potential effect of such risks through various prudential risk categories including:

Credit Risk: Rising frequency and severity of extreme weather events can impair the value of assets held by the banks' customers, or impact supply chains affecting customers' operations and profitability, and viability.

Market Risk: Exposed to a decline in valuation and increased volatility in their investments because of shifts in investor preferences or climate-induced adverse effects on the underlying economic activity.

Liquidity Risk: Increased demand for liquidity to respond to extreme weather events or the difficulties that may be faced in liquidating assets given their negative impact.

Operational Risk: Disruption in business continuity due to the impact on the bank's infrastructure, processes, staff, and systems. In addition, exposure to claims from stakeholders who have suffered climate-related losses and who then seek to recover those losses.

The Basel Committee on Banking Supervision recently released 18 Principles that banks and their supervisors should consider when addressing the financial risks stemming from climate change. In recognition of climate risks threatening banking institutions and the broader financial sector, the Committee issued 12 principles for **bank management** and six principles for **banking supervisors**.

In particular, the principles cover themes relating to corporate governance, internal controls, risk management, monitoring and reporting, and capital and liquidity.

As the global standard-setting body for internationally active banks, the Committee does not itself issue rules or regulations but instead works with central banks and bodies to design common approaches relating to supervision. These climate-related principles, which the Committee expects member jurisdictions to implement **"as soon as possible"**, are the latest and broadest articulation of what global banking regulators should consider when seeking to address climate-related risks in an effective and coordinated manner.

Management Principles:

The Committee issued 12 principles that banks should adopt to manage climate-related risks. These principles cover topics from **corporate governance to scenario analysis.**

The Committee recommends that banks adopt a process for assessing the impact of climate-related risk drivers on the bank, which includes understanding short and long-term risks. Banks should consider how climate-related risk drivers might change the environments in which the banks operate. To ensure **climate risks are not overlooked**, a bank's board and senior management should assign climate-related responsibilities to **specific members or committees**. Directors and senior management should be trained, including through internal workshops or with the support of outside experts.

Banks should incorporate policies and procedures that address climate-related risks throughout their organizations. In addition, a bank's board and senior management should ensure that climate-related risks are clearly defined and addressed in the **bank's risk appetite framework.** Banks should also "regularly" undertake a "comprehensive assessment" of climate-related risks and set clear definitions and thresholds for materiality.

Notably, banks should incorporate climate-related risks into their internal control frameworks across the three lines of defense.

Under the first line of defense, staff should assess climate-related risks during client onboarding, credit application processes, and ongoing monitoring and engagement with clients as well as in new product or business approval processes.

In the second line of defense, the initial assessment should be reviewed and challenged by an independent group within the bank, while the compliance function should ensure adherence to applicable rules and regulations.

The third line of defense requires an internal audit to assure the quality of the overall framework.

The Committee also directs banks to maintain sufficient capital given their climate-related risks. Among other things, banks should quantify their climate-related risks and incorporate those risks into internal capital assessment processes. Banks should consider these risks over multiple time horizons when calculating how much capital is required.

Banks should ensure their internal reporting systems are capable of monitoring climate-related risks, and banks' risk data aggregation capabilities should account for these risks. Likewise, banks should consider how climate-related risks will impact different areas of their business, including:

- ✔ Credit Risk Profiles
- ✔ Market Positions
- ✔ Liquidity Risk Profiles, and
- ✔ Operational Risk.

Finally, banks should use scenario analysis to determine the impact of climate-related risks on their business. Banks should also use scenario analysis to assess their climate-risk strategies.

In addition, banks should assess whether climate-related risks could cause net cash outflows or depletion of liquidity buffers, assuming both business-as-usual and stressed conditions.

Conclusion:

The global understanding of the systemic impact of climate change on the economy and the financial system as also its resultant impact on financial stability is evolving and, accordingly, the responses of central banks and supervisors around the world have also been developing. The private and the public sector need to build on our early progress, both by recognizing what we do know and urgently filling in the gaps around what we do not.

References:

1. RBI Principles on "Financial Risks Stemming from Climate Change".

2. BIS Principles "Climate-related Financial Risk"

CLIMATE CHANGE CHALLENGES AND ROLE OF FINANCIAL SECTOR

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

A. Background

Simultaneous extreme events across the world over the last several years have highlighted the catastrophic results of the climate change. In the first half of the current year too-extreme tornadoes, in the US, caused billions in damage, parts of Eastern coastal Australlia were submerged by floods, and southern Europe also faced extreme heat, wildfires and draughts. In India also, across its geographical length and breadth we have seen, devastating cloud bursts, land slides and floods.

Recognising, the severity of the adverse impact of the climate change, several agencies and institutions have evolved and have come into action over the period to tackle the problem in a comprehensive and holistic way, across the globe. UNFCCC (United Nations Framework Convention on Climate change) and IPCC (Intergovernmental Panel on Climate change) are two such agencies under the auspices of United Nations Organization, which are playing significant role in this direction. The entire narrative has been linked to the broad perspective of sustainable development goals, and ESG (Environment Social and Governance) issues. The role and responsibilities of various stakeholders have been evolving over time. The Financial Sector has a key role to play in the current context and we propose to discuss the various aspects relating to the same and the way forward.

B. Broad features of the emerging issues

The Paris Accord of December 2015, can be considered as an important milestone in the direction of the joint efforts to tackle the climate change challanges. The Paris Agreement aimed at strengthening the global response to the threat of climate change by keeping the global temperature rise well below 2 degrees centigrade, preferably to 1.5 degrees centigrade compared to pre industrial level. It also aims at appropriate reducing Green House Emissions to achieve a climate neutral world by 2050. Financial flows, a new technology framework and an enhanced capacity building are essential aspects of this effort. Climate Finance is needed for mitigation, because large scale investments are required to significantly reduce the emissions. Climate Finance is equally important for adaptation as lot of resources are needed to adapt to adverse effects and reduce the impact of changing climate.

This Paris Accord was followed by the Glasgow climate pact of COP 26 Signed in November 2021 ,which brought out further commitments on finance for climate adaptation and transperancy and reporting. Developed countries have pledged US Dollar 100 billion annually to developing countries. One of the important outcomes of COP 26 was the finalisation of the "Paris Agreement Rulebook". This set of rules lays out how countries are held accountable for delivering on their climate action promises and self -set targets under their Nationally Determined Contributions (NDCs)

To avoid mounting losses,urgent action is required to adapt to climate change. At the same time it is essential to make deep cuts in green house gases like CO_2 ,Methane etc. by way of mitigation steps. Any further delay in concerted global efforts will miss the small and rapidly closing window to a sustainable life. The prospects of resilient development are at stake and will become further limited if global warming exceeds 1.5 degrees. The sustainable development may not be possible, if warming exceeds 2 degrees Centigrade. As per a recent report of IPCC, apart from the political commitments, Institutional framework is required with clear goals and priorities that define responsibilities. Sustainable Development Goals are integrated and indivisible, and efforts to achieve any goal may impact synergies or trade offs with other SDGs. Sustainability, here, essentially means 'meeting the needs of the present, without compromising the ability of future generations to meet theirownneeds.'

India as the 6th largest economy and 2nd most populous country in the world has a crucial role to play, in the current context of global action against climate change. Quite ambitious targets have been set by India for itself. India aims to reduce the emissions intensity of its economy by 45% by 2030 and reach net Zero by 2070. India also aims to shift to 50% non fossil power generation capacity by 2030 and the build up of 500 GW power generation from non fossil sources. A series of steps have been taken by the Government of India under the Climate Change Program, which include, The National Solar Mission, National Mission for enhanced energy efficiency and National Mission for a Green India. Thease Gigantic goals require meticulous implementation of a well thought out schemes and large amount of financial resources. All the stakeholders, namely, the Government, the corporates/entrepreneurs, and the Financial sector entities need to pitch in their efforts in this challenging endeavour.

C. Role of Financial Sector

The Reserve Bank of India as an important regulator of Financial Sector of India has already started taking proactive steps towards bringing out a robust regulatory mechanism to ensure a meaningful and effective role of Banks /NBFCs to tackle climate risk through Sustainable Finance. The RBI joined the Central Banks and supervisors Network of Greening the Financial System (NGFS) as a member in April 2021. Further, the RBI is also represented in the G-20 sustainable finance group, Financial stability

Board's working group on climate Risk and work stream on climate-related Disclosures, Task Force on climate related Financial Risks set up by the Basel committe on Banking Supervision (BCBS) and the international platform on sustainable Finance.

Based on the experience gained from deliberations of these forums/organisations, the RBI proposes to suggest strategies to be adopted by the regulated entities to mitigate climate related risks and develop guidelines for the integration of climate risk into the existing risk management framework. The RBI has also undertaken a survey of commercial banks to assess the approach and level of preparedness of banks in relation to climate risk and sustainable finance. The report of the said survey has been published in July 2022. The survey inter alia has covered topics like risk management, governence, climate related Financial disclosures, HR and capacity building and green initiatives (internal) etc. One very important topic covered relates to the "Opportunities from transition to green future", which needs to be examined in depth in the context of what we have discussed in the previous paragraphs.

Very Large quantum of resources are required to tackle the climate change issues. According to one estimate, India would need around US$ 17.77 trillion for its transition to a net Zero in due course. This indicates huge challanges as well as opportunities for the Financial sector as lenders. Structural changes would be needed in the traditional lending and investment approach to support green financing including evaluation and certification of the green credentials of each project.There may be a need for suitable incentives for taking up such projects for development /construction as also lending. Interst subvention and similar other incentives can be considered. Similarly, for mobilising resources the potential depositors may be required to be incentivised. Specfic funds/Deposit schemes for investing in green assets may need to be encouraged.

There is a cost involved in tackling the challanges of climate change and this cost needs to be borne by the various stakeholders including developers/

corporates, lenders and the government in an equitable and efficient manner, for which in depth analysis and detailed examination of various projects and programs will have to be undertaken.

The gigantic task of achieving 500 GW of non fossil fuel power generation capacity will require a robust mechanism of funding the traditional solar and wind projects as also the emerging opportunities in battery and power storage and off-shore wind energy. Funding of EV based projects and new technologies like green hydrogen will create new avenues of lending. Similarly, specific funding may be required to reduce green house gases emissions in existing setups, efficiency improvements in transition sectors, and sustainability linked loans.

The recently set up National Bank For Financing Infrastructure and Development (NaBfid) and all other existing lenders along with National Investment and Infrastructure Fund (NIIF) have a crucial role to play to achieve the desired objectives. Pooling of finances and disbursement of investments in a collaborative manner may become essential.

There will be a need to develop and improve the green capabilities, by not only the direct lenders but also alternate investment funds, asset management companies, insurance and pension funds etc. We may even require a separate institution with sufficient capital and expertise to spearhead the green financing initiative over the years.

D. Conclusion

On the climate change front, it is virtually a "DO or Die situation" now and the very survival of the human race is at stake. Various agencies at global level are prodding the governments to take urgent action in this direction. India has also taken up the challenge in right earnest and set up ambitious targets for net Zero emissions, dependence on renewable energy and sustainable growth. The Financial Sector, as the key driver of growth and sustainable development,has a challenging task before it. All the stakeholders involved are however gearing up to meet these challanges in a pragmatic manner with comprehensive assessment of the issues involved, the possible mitigation steps and the capacity building to ensure effective and orderly implementation of the strategies. The way forward for the Financial sector is challenging but full of opportunities to successfully lead us to a greener future.

INDIA'S YOUTH POWER CAN TAKE ECONOMY TO $5.0 TRILLION.

"We cannot always build the future for our youth, but we can build our youth for the future."

- Franklin D. Roosevelt.

Shri Hargovind Sachdev
Former General Manager State Bank of India

People make a nation. Progress is the total effort of each individual to the country. The youth, the most active part of the population, plays a pivotal role in a nation's life. India is enjoying a rare demographic advantage of the enormous youth power in the world. The youth have always played a pivotal role in shaping India's destiny- be it the long-fought freedom struggle against colonialism or the mission of women's emancipation, banishing the bane of the sati and dowry system and modernising India into a progressive society. Empowering this vibrant workforce with technical education relevant to local and global economies can churn around India's economic fortunes. The enthusiasm of youth now needs a direction to make India a $5.0 trillion economy.The youth are the backbone of Indian society contributing 34 per cent of GDP. The share has been consistently improving due to improved opportunities in the enhanced living conditions. The youth is our biggest asset, and due to the sizeable demographic dividend we enjoy, the odds of achieving the target increase with 65% of the population as young. Their orientation to productive skills will propel India to achieve the goal.The Government drives economic progress as a facilitator. Empowering the youth and giving responsive, transparent and accountable governance and administrative system to flourish can revolutionise the economy. Like in the West, every student above 16 may be permitted to officially work for 20 hours weekly to raise educational and daily expenses. Legislation should mandatorily authorise public and private sector employers to reserve part-time vocational jobs for youth studying. The initiative should involve the Government of India, State Governments, Municipalities, Panchayats and the private sector.A master plan for uniting youth power to contribute effectively to the $5 trillion goals sets the process in motion. All sectors of the economy must shift from policy to projects, as achieving such high growth will require unprecedented structural changes. Select sectoral initiatives to carve into 100 projects. A competent leader with proven skills to lead. The regular bureaucracy would facilitate the project leader's job, involving youth up to 25 years of age in various projects using their ideas.

With the US and China and the world searching for alternative manufacturing countries, the time is ripe for India to give a big push to manufacturing by proactively involving youth. Young active hands can set up a robust manufacturing ecosystem. Besides fabricating the machinery that makes the products, biologics, nanotechnology, integrated circuits, embedded systems, and medical imaging devices can also involve youth. Computers, TVs, mobile phones, telecom equipment, auto components, toys, furniture, footwear, and apparel need fresh blood and innovative ideas of youth as they are the biggest consumers of these products.

The skill and labour-intensive linkage can also absorb part of the surplus youth from the agriculture or informal sector. About 70 per cent of India's exports come from the manufacturing industry. Modernising such operations will create global value chains for exports to a trillion-dollar mark.

Services bring in 56.5 per cent of GDP but create only 30 per cent of jobs. Also, over 40 per cent of the IT jobs India does will disappear due to automation. Alternative segments like travel, tourism, and health can be the other star service sectors. The travel and tourism sector generated 40 million jobs and contributed 10% to GDP. The industry can grow with project-driven investments in budget hotels, medical tourism, and tourist safety. Global healthcare and wellness is a $9 trillion industry, requiring 100 million health workers in the next 15 years.

The construction sector remains big with over 8 per cent share of GDP. It is the largest job-generating sector after Agriculture. A strong infrastructure push driven by the public sector increases the investment rate in the economy. The multiplier then comes into play, raising income and consumption levels. Higher consumption, in turn, induces private investment through the investment accelerator, increasing real GDP growth and keeping inflation low to raise the standard of living. Enhanced IT understanding in the youth can accomplish India's export competitiveness.

The foundation of every nation is the education of its youth. The more skilled the youth, the more prosperous the country is. The pillars of reinvigorating youth capital are available in plenty in India. With youthful energy, domestic manufacturing will move up the global technology frontiers. Productivity gains will ensure that output is competitive enough for the next generation to penetrate world markets to place India in the elite $ 5.0 trillion GDP group of nations.

"Youth is the trustee of prosperity, as it lives on hope and not on memories."

IS DAIRYFARMING PROFITABLE?

(Commercial Banks - Agriculture Loans)

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Abstract:

India ranks first among the world's milk producing Nations since 1998, producing around 21% of the total milk production in the world. According to the National Action Plan for Dairy Development, GOI, India would be producing 300 million metric tonnes of milk by 2023-24. Milk production in India during the period 1950-51 to 2017-18, has increased from 17 million tonnes to 176 million tonnes. Thus, focusing on areas for local dairy development is essential.

India has the largest bovine population in the World. The per capita availability of milk in the country which was 130 grams per day during 1950-51 has increased to 394 grams per day in 2018-19 as against the world's estimated average consumption of 294 grams per day during 2017-18. This represents sustained growth in the availability of milk and milk products for our growing population. In the wake of the high demand for milk and various milk products, various national and international brands have entered the dairy market leading to increased competition.

India is the largest milk producer contributing nearly 23% of global milk production and ranked 1st in milk production. Milk production in the country has grown at a compound annual growth rate of about 6.2 percent to reach 209.96 mn tonnes in 2020-21 from 146.31 mn tonnes in 2014-15.

India's Best and Cleanest Dairy Farm

The top 5 milk-producing states are:

- ✔ Uttar Pradesh (14.9%, 31.4 MMT).
- ✔ Rajasthan (14.6%, 30.7 MMT).
- ✔ Madhya Pradesh (8.6%, 18.0 MMT).
- ✔ Gujarat (7.6%, 15.9 MMT) and
- ✔ Andhra Pradesh (7.0%, 14.7 MMT).

Dairy products are the essential part of the human diet across the world. It offers an abundance of nutrients in the form of calcium, minerals, and proteins. But, in India, dairy products usage goes far beyond the dietary and nutritional requirements. Usually in Hindu mythology and Hindus consider cows to be sacred embodiments of the goddess Kamdhenu. The Rigveda, written around 1,700 BCE, mentions the use of milk and other dairy products in the Indian subcontinent. This, in part, has led India to be one of the leading producers and consumers of milk in the world.

The Department of Animal Husbandry & Dairying and The Government of India in June 2020 jointly announced a $ 2.1 Bn infrastructure development fund with an interest subsidy scheme to encourage investment by MSMEs and private players in dairy, meat processing, and animal feed plants, and in return, it is expected to generate 3.5 million employment opportunities.

The Ministry of Food Processing Industries (MoFPI) has provided detailed guidelines on operational schemes and has implemented an online portal for 'Production Linked Incentive Scheme for Food Processing Industry (PLISFPI)' with an expenditure of $ 1.4 Bn to support the creation of global food manufacturing champions commensurate with India's natural resource endowment and to encourage Indian brands, particularly for the food products in the international markets.

Potential for Milk and Milk related Products:

- By 2022 a goal is to achieve a liquid milk production capacity of 255 MMT
- VAPDs like butter are projected to grow @ 5.3% CAGR from 2019-2025.
- Dairy is the single largest agricultural commodity contributing 5% of the national economy, witnessing 6.4% (CAGR) in the past 5 years.

Government Support:

Dairy Processing and Infrastructure Development Fund: The scheme aims to provide subsidized loans @ 6.5% to capital stressed milk cooperatives, mainly for replacing their decades-old chilling and processing plants and addition of value-added product plants.

Animal Husbandry infrastructure development fund: This scheme aims to increase meat processing capacity and product diversification thereby providing greater access for unorganized Dairy producers to organize the Dairy market.

National Programme for Dairy Development: The objective of the scheme is to create and strengthen dairy infrastructure for procurement, processing, and marketing of milk and milk products by the State Implementing Agencies (SIAs) i.e., State Cooperative Dairy Federations/ District Cooperative Milk Producers' Union.

Pradhan Mantri Kisan Sampada Yojana: This scheme is a comprehensive package that targets the creation of a modern infrastructure with the help of effective supply chain management from farm gate to retail outlet.

Cold Storage Scheme: This scheme targets to deliver integrated cold chain facilities to preserve and value addition infrastructure facilities without any break.

Kisan Credit Cards (KCC) to Livestock Farmers: The Kisan Credit Card scheme aims at providing adequate and timely credit support from the banking system under a single window with simplified procedures to the animal husbandry and fishery farmers for their working capital requirements.

Production Linked Incentive Scheme for Food Processing Industry: Incentivising manufacturing of Mozzarella Cheese.

Dairy Exports:

India exported 54,762.31 MT of dairy products worth $201.4 Mn in 2020-21, major destinations being:

UAE
Bangladesh
USA
Bhutan
Singapore

- India's Butter, Ghee, and Dairy Spreads export is valued at $ 102.2 Mn with 16,964.18 MT in 2020-2021, major destinations being:

  UAE
  USA
  Saudi Arabia
  Singapore
  Australia

- India exported 8,432.87 MT of Cheese worth $ 40.1 Mn in 2020-21, major destinations being:

  UAE
  Bhutan
  USA
  Singapore
  Saudi Arabia

- India exported 13,457.11 MT of Skimmed Milk in Powder worth $ 35.1 Mn in 2020-21, major destinations being:

  Bangladesh
  Malaysia
  UAE
  Afghanistan
  Bhutan

Products Profile: India now has indisputably the world's biggest dairy industry in terms of milk production. Last year India produced close to 146.31 million tonnes of milk which is 50% more than the United States and three times as much as the much-heralded new growth champ, China.

Over the past few decades, the Dairy sector in India has shown incredible development, and India is recorded as one of the largest producers of milk and value-added milk products in the world.

Liquid Milk:

- The share of organized milk is projected to grow from 23% in 2019 to 50% in 2025.
- Technologies that are implemented in the dairy industries are Bulk Milk Coolers (BMCs), advanced milk testing kits, and immersion coolers.
- Opportunities in setting up organized and certified farms for rearing and breeding quality heifers.
- Investible opportunities in Blockchain technology such as packing systems, RFID tags, sensor-enabled vehicles, and IoT.

A2/D2C Milk:

- Rising consumer awareness and demand for high-quality fresh/ organic milk particularly in urban areas have led to increased demand for D2C/A2 Milk.
- Captive dairy farms producing high-quality organic milk with on-farm chilling and processing, has an EBITDA of 10-15%.
- Production model of a collection of high-quality milk from nearby farmers to supply fresh milk in urban areas, has an EBITDA of 6-8%.
- In 2019, the market size of A2 milk was $57-64 mn and is projected to reach a valuation of $1.1 bn.

Skimmed Milk Powder:

- The Indian skimmed milk powder (SMP) market reached a value of USD 1.6 Billion in 2021
- The Indian skimmed milk powder (SMP) market is expected to grow at a CAGR of around 13% during 2021-2026

Value-Added Dairy Products:

- Value-added Dairy products are projected to have a rate of return of 20-30%.
- Cheese and yogurt are the fastest-growing segment in VADPs.
- Cheese is projected to grow @ 18% CAGR to reach $1460 Mn by 2025.
- The yogurt market is projected to reach a value of $5.3 bn by 2023.
- Flavoured milk is projected to grow @23.6% CAGR from 2019-2024.

Tie-up Dairy Loans of Commercial Banks:

The scheme has been launched to finance members/ suppliers of a co-operative society /farmers associated with anchor companies / private dairies with a tie-up for the purchase of milch animals.

The salient features of the scheme are as under:

***Purpose* of the Loan**: Purchase of milch cattle by dairy farmers/entrepreneurs to augment the income. Only farmers who have a tie-up with the anchor company will be eligible for loans under this product.

Eligibility:

- Individual farmers who are members supplying milk to the anchor companies/societies for at least 2 years before the date of the loan application. Applicant should be less than 65 years.
- Preference will be given to loan limit of ₹ 3 lakh & above
- In case of loan limit less than ₹3 lakh, existing borrowers with satisfactory conduct of account and management of dairy unit will be considered on a case-to-case basis.
- Applicants should own/lease as under:
  - No land stipulation for 2animals.
  - 0.5 acres of land for 3-10animals.
  - 1.00 acre for 11-25animals.
  - 1.5 acres for 26-50animals.

The following are the Important Risks prevailing in Dairy:

Diseases:

Our country is endemic to many diseases which can cause severe economic losses due to drastic reduction in the production capacity. Some of the chronic diseases will spread faster and even are deadly. Fortunately, various vaccines are available for almost all the diseases in our country, and these diseases are easily controlled if vaccination is carried out timely on a mass scale, covering a huge proportion of the susceptible population which is nearly 80%.

The following diseases can be easily prevented by resorting to timely and regular vaccination:

- Foot and Mouth Disease (FMD).
- Haemorrhagic Septicaemia (HS).
- Black Quarter (BQ).
- Brucellosis.
- Infectious Bovine Rhinotracheitis (IBR).
- Rabies.
- Anthrax.
- Theileriosis.

Breeding:

In order to avoid future risks, proper choice of cattle should be ensured. Breeds which are most suitable to the locality should be preferred and the suitability of the climate prevailing in the area to the breeds is important. Optimum lactation and dry days are another important requirements to ensure the activity to be more economic. To ensure a continuous supply of milk, batches of milch animals should be arranged at stipulated intervals.

Nutrition & Management:

In Animal husbandry provision of balanced nutrition to animals is very much essential for productivity. To ensure full genetic potential and efficiency in productivity, adequate nutrition needs to be provided to the animals. Less production of milk, low reproductive rates, reduced growth, and increased illness rate may be the effect of deficiency or imbalance of nutrients. The proper balance of minerals, energy, protein, and vitamins is much required in the ration of animals in order to confirm the best performance with respect to reproduction, production, and health. In Dairy, economic returns will happen only by providing a nutritionally balanced ration to the animals consisting of Concentrate, Dry fodder, Green fodder, etc.

The feed supplied to the milch animals should be:

- Appetising
- Palatable
- Good effect on health
- Desirable flavour
- Economical
- Balanced
- Bulky

Drinking-Water:

For milch animals, water is required for the following:

- Digestion of feed and fodder.
- Circulation of absorbed nutrients to other organs.
- Excretion of undesirable and toxic elements through urine.
- Maintenance of body temperature.

Animal should have free access to clean drinking water round the clock. During summer, crossbred cows and buffaloes should be given baths twice daily.

A permanent source of water should be available to provide an uninterrupted water supply to milch animals. At least three to four times water is to be arranged for these animals for drinking purposes. Consumption of water depends on weather conditions and accordingly water arrangements should be made to see that the animals do not have any scarcity of water. Good quality water free from pathogens should be made available to ensure that the health of the animals is not adversely affected.

Housing:

Clean and comfortable housing facilities should be arranged for the milch animals for their proper growth and optimum productivity. The milch animals should be protected from extreme weather conditions of summer, winter, scorching direct sun rays, and winds by providing proper animal sheds.

During summer, the animals suffer from heat stress and they become restless. Sweating and panting, to some extent help them cool their bodies. Reduced feed intake of the animals adversely impacts milk production. Therefore, the dairy units should have suitable housing for the animals.

The animal shed must ensure a minimum of 60 to 65 Sft. space for one cow/buffalo. The flooring should be non-slippery and of rough concrete finish with a slope towards the drain. Arrangements should be made for proper ventilation for the animals.

Quality of Milk:

The prime reason for the poor quantity of milk is the unhygienic and poor condition of dairy farms. This becomes a bottleneck for exports despite high demand abroad. The consignment of milk products is likely to get rejected due to unhygienic milking and milk containing a high number of microbial counts. Poor health of animals, polluted water and food, unclean surrounding in the farm, etc., are the reasons for the poor quality of milk. Therefore, it is necessary to face all these challenges in improving the quality of milk. Currently, most of the milking animals are not screened at regular intervals, thus, providing a lot of scope for transmission of diseases to human beings. These issues can be avoided by regular screening of animals and also by maintaining history records of health, feed, etc. The quality of feed should be checked regularly. There must be pollution control in the feed and water used on cattle farms.

Strategies to Minimise High Risks:

The dairy supply chain is not free from risks and uncertainties. However, most of the risks can be mitigated with proper risk redressal mechanisms and awareness.

A suitable strategy with a common objective is essential to tackle all such impediments. The following are some of the risk-mitigating measures to be followed by the stakeholders:

- Subsidised high-yielding cattle supply and feed management.
- Providing education and training at the cooperative societies level.
- Facilitate remunerative procurement price of milk.
- Proper education to the milk producers to yield quality milk with optimum feeding.
- To motivate producers to join societies.
- Proper warehousing, training, and education to staff.
- Coordination among stakeholders.
- Proper training on disaster management to minimize risks.
- Education and training to the retailer, collaboration with the production plant.
- Throughout the supply, chain continuous quality improvement.

Conclusion:

Since 1988 India has been the chief producer and consumer of dairy products worldwide with persistent growth in the accessibility of milk and milk-related products. Dairy activities form an essential part of the rural Indian economy, serving as an important source of employment and income. India also has the largest dense population when compared with other countries in the world. But, the production of milk per animal is comparably very less when compared with other major dairy-related producers. Also, in India, approximately all of the dairy produce is consumed domestically and the majority of it is sold as fluid milk. Considering this scenario, the Indian dairy industry holds great potential for value-addition and overall development.

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a) Government of India sponsored Dairy Schemes.

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EFFECTIVE PENETRATION OF HEALTH INSURANCE IN INDIA

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Abstract

Insurance basically speaking is 'Hedging' against unexpected unwanted risk small or big. If it is hedging, why is it not accepted in majority? What are those reasons to be focused on? To what extent these reasons can be thought over and resolved?

The skewness of the coverage of health insurance is to be straightened.

Effective penetration is effective when policy holder does not face any difficulty in case, he/she happens to avail the benefit of the policy. This becomes easier in the option of cashless transactions. Along with there must be strict vigilance that no one is able to misuse the facilities provided by the scheme.

What do we understand by Penetration?

To realise and experience HEALTH IS WEALTH, it is the need of the time to get effective penetration of health insurance for our people.Expansion of health insurance coverage is a vital step, and a pathway in India's effort to achieve Universal Health Coverage (UHC). (Aayog, 2021)

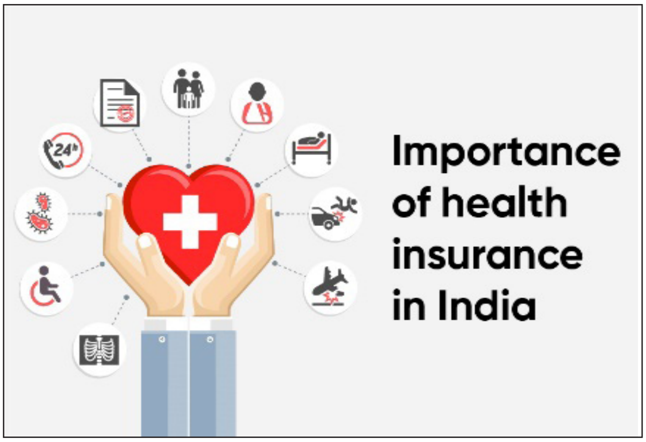
It is one of the processes of a business or industry's accomplishment in getting users to take advantage of their products. It specifies how many customers are there for a product. The diffusion of numbers for India are very low in most of the products and services. Insurance is not an exception and particularly HEALTH INSURANCE in this article. Its coverage is required to pull down out- of -pocket- expenditure of the majority of population and thee by improving performance of the organisations and better managing people's family budgets and ultimately taking care of their health. A healthy body carries healthy mind.

What do we understand by Insurance?

Insurance basically speaking is 'Hedging' against unexpected unwanted risk small or big. If it is hedging, why is it not accepted in majority? What are those reasons to be focused on? To what extent these reasons can be thought over and resolved?

What do we understand by Health Insurance?

Health insurance is a sort of insurance exposure that reimburses for medicinal and operating costs suffered by the assured.



Who should GO for it? The obvious answer is EVERYONE. The query to be resolved is in spite of being valuable and important why the coverage is yet to go far.

A little over two-fifths, or 41 per cent, of households in India have at least one individual covered by a health insurance plan or health scheme, according to the recently released National Family Health Survey5- (NFHS5-). The fifth edition of the survey, the data of which pertains to 21-2019, shows a significant improvement in health insurance coverage in the country despite it remaining far from satisfactory. (Sharma, 2022)

Overall, the penetration of health insurance in India stood at just around 35 percent in financial year 2018 (Statista Research, 2022)

Depth of Health Insurance in India

Health is a key factor that impacts the people of a nation. One can easily comment, the GDP of an economy hinges on the degree of health of its inhabitants. Our country has a large mass of employed professionals that keep the steering wheel of the economy rolling effortlessly. We are not concerned with the size rather we are concerned with how far an individual is healthy, fit and fine.

The weak position of the health support system and lack of consciousness about health insurance plans in modest staying areas drive individuals to pay out heavily on healthcare. Health insurance dissemination in India is extremely low due to restricted reach, and lack of understanding and learning.

This consequential burden is born by families themselves. About 3/4 of Indians pay for health services from their pouch. They are not protected by any government or private health coverage policy.

There is some good news on the health insurance front Rajasthan, Andhra Pradesh beat the list of States with the highest percentage of households under health insurance. About 41 per cent of the surveyed 636,699 households have at least one member covered under health insurance or a health scheme, according to the National Family Health Survey (NFHS-5). This converts to about 30 per cent women and 33 per cent men in the 15-49 age group. During NFHS-4, only 29 per cent of surveyed households had at least one member covered by health insurance or a health scheme. Almost half (46 per cent) of those with insurance are covered by a State health insurance scheme and about one-sixth (16 per cent) are covered by Rashtriya Swasthya Bima Yojana (RSBY). As many as 3-6 per cent of women and 4-7 per cent of men are covered by the Employee State Insurance Scheme (ESIS) or the Central Government Health Scheme (CGHS).The percentage of households in which at least one member is covered is highest in households with a Christian head (55 per cent). Additionally, the insurance coverage is slightly higher in rural areas (42 per cent) than in urban (38 per cent). (Jadhav, 2022)

How to Increase the Depth of Health Insurance Penetration ?

Economic Survey of 2020-21, speaks about insurance coverage dissemination in India improved only marginally from 2.71 per cent in 2001 to 3.76 per cent in 2019. India, thus, remains far behind its regional counterparts. The major issues concerning this are:

- high premium expenses
- ordinary working-class families
- Lack of marketing
- Lack of acceptance
- Lack of awareness
- Social boundations

The problem of high premiums can be resolved via government insurance schemes as we can witness by Ayushman Bharat Yojana, Aam Aadmi Bima Yojana. Ordinary working-class people wherever they happen to work are not insured by their employers. So all employers big or small should be made mandatory for incorporating health insurance schemes for their employees. Another problem is of acceptance, not only illiterate but highly educated people take insurance as negative. Their arguments are Why to talk of mishaps? Why to pay high premiums? Will incur expenditure when as it comes. They consider insurance talks about only possibilities of undesired incidents and so why to think of that. Large chunk of population does not have proper idea and understanding of the products. The genuine marketing for the same is need of the day. Indian social boundations like gender problems why to invest for girl child, other related family has not done so why to go for it. All these issues can be sorted out by spread of proper awareness and effectively making people to be convinced

Present status

- One effective component to improve penetration is Foreign Direct Investment (FDI). It can help improve insurance awareness and reach in the country. The current walk in FDI from 49% to 74% in the insurance segment can boost the health insurance industry in this course of effective penetration.

- Designing A Low-Cost Comprehensive Health Insurance Product for The Missing Middle (Aayog, 2021) In the absence of a low-cost health insurance product, the missing middle remains uncovered despite the ability to pay nominal premiums. A comprehensive product designed for this segment – improving upon the existing Arogya Sanjeevani plan and offering out-patient cover – can expand health insurance coverage (Aayog, 2021)

- Health insurance companies have invested in groundbreaking technologies such as automation, AI, and big data. Internet of Things (IoT) helps in deriving extensive data and insights to assist risk controlling devices and techniques

Call of the Time

- The most important focus is to on justified coverage of the health insurance schemes. Justified coverage has to be on the basis of regions and people's richness scale.

- The skewness of the coverage of health insurance is to be straightened.

- Problems of policy holders to be taken care of.
- Linkage set up between health care programmes and health insurance schemes

To sum up

Effective penetration is effective when policy holder does not face any difficulty in case, he/she happens to avail the benefit of the policy. This becomes easier in the option of cashless transactions. Along with there must be strict vigilance that no one is able to misuse the facilities provided by the scheme.

Effective penetration of health insurance schemes would surely result in better health of people. The goal of the entire insurance scheme is to manage the out-of-pocket cost and to ensure better health. Though it is not under the purview of this article, health depends upon many other factors too, if insurance can become a holistic approach, then the effective penetration would be really EFFECTIVE.

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MOBILE BANKING WITHOUT INTERNET

(Financial Inclusion and Role of Mobile Phones)

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Mobile phone usage is nebulous, it can be used to either good or bad effects. On one hand, mobile technology may help engender inclusive development, reduce inequality, increase income, facilitate co-operation and information sharing, among others.

On the other hand, mobile usage can increase the number of road accidents, reduce concentration during meetings and learning, dilute culture, increase safety concerns and fraud, and lead to game addiction, among others.

The nebulous nature of mobile phones means that their effects, either negative or positive, will be context and individual-specific.

- ✔ It provides evidence of mobile penetration reducing inequality in Africa.
- ✔ Similarly, mobile phone diffusion enhances inclusive development in Sub-Saharan Africa. They reveal that financial institutions enhance the positive effect of mobile phones on inclusive growth.
- ✔ Studies in Rural Peru further show that mobile coverage increased household consumption per capita and by so doing reduced both extreme and absolute poverty. This is because mobile phones reduce information search costs and enable villagers to have access to weather, market, and price information, all of which enable production and productivity.

- ✔ There is additional evidence of mobile phones improving economic growth in the Indian States. Mobile phones are found to advance literacy, improve jobs, and access to health services, and enhanced social networking among people at the bottom of the pyramid in India.

- ✔ In an intervention for Sri Lankan mushroom farmers led by the University of Ruhana, farmers were provided with mobile phones with interactive voice messages (IVM) that relayed scientific knowledge to them. The results from the intervention showed improved income of participating farmers arising from their receipt of technical know-how timeously and accurately made possible by the IVM.

- ✔ A recent study on M-PESA in Kenya, show that mobile money has a significant and favourable long-run impact on both household consumption and poverty. The impact was found to be larger for households headed by females.

- ✔ There is evidence of mobile phones enabling co-operation and information sharing among fishers in Kerala, India, who share information amongst themselves regarding rescue, potential bumper locations, and safety.

While the above positive effects are welcome, it is imperative not to lose sight of the flipside of mobile technology. It observes that the mobile phone has transitioned from an obvious 'technological object' to a 'social object'.

- ✷ Mobile phone increases the invasion of privacy, the dilution of cultural values, and game addiction.

- ✷ It has been reported in Korea and Japan that some children play games for 24 hours non-stop.

- ✷ Mobile phone usage can distract the attention of users during work hours, meetings, lectures, and driving.

- ✷ Evidence from Iran shows that some drivers use their phones while driving, thereby increasing the risk of accidents.

- ✷ The impersonal nature of mobile communication makes it susceptible to fraudulent use. Callers sometimes mutilate their voices to avoid detection, make pretentious calls and give misrepresentations with the aim to deceive and defraud.

- ✷ Mobile phones are further used to send and receive remittances, which could transfer funds for investments in inclusive development promoting ventures. This is because, by ensuring that information and communication are decentralized, mobile phones reduce the avenues for corruption, and increase the ability to detect and punish corruption.

Turning to the link between financial inclusion and inclusive growth, access to finance enhances firm growth and productivity respectively. There is a sound theoretical basis for expecting financial inclusion to promote inclusive development.

- Firstly, through its ability to lower transaction costs and reduce information asymmetries, finance, first of all, facilitates the efficient allocation of resources to growth-enhancing sectors and projects.

- Secondly, it helps in the mobilization of savings for investment; and

- Thirdly, it provides avenues for risk sharing and mitigation.

UPI Payments Without Internet and Smart-phone:

"India has a large mobile phone consumer base of about 118 Crore Mobile Users (TRAI, October 2021) of which about 74 Crores have smart phones indicating that there is a significant number of feature phone users in the country. Feature phone users have limited access to innovative payment products".

We have all become dependent on online transactions to some extent or the other. Very often it happens that people don't carry any cash relying on the likes of Paytm, Phone Pe, and Google Pay, only to find out that the shop they want to buy stuff from either does not accept online transactions or at times there is no internet connectivity to be able to make any transactions. Now, while the former problem can only be fixed if the shopkeeper accepts online payments, the latter issue can be addressed.

RBI has had three successful pilots of this new small-value transaction program in different parts of the country during the period of September 2020 to June 2021. These tests amounted to a total of 2.41 lakh transactions at a value of ₹ 1.16 crores. Since the transactions are offline, alerts will be received that do not require internet, just a working phone number. Offline payments are being seen as RBI's latest step towards boosting digital payments in the country.

RBI launched a UPI-based payment system for feature phones on November 8, 2021.

The objective is:

"In order to further deepen digital payments and make them more inclusive, ease transactions for consumers, facilitate greater participation of retail customers in various segments of the financial markets, and enhance the capacity of service providers, to launch UPI-based payment products for feature phone users leveraging on the Reserve Bank's regulatory Sandbox on Retail Payments".

This process will make the small-value transactions simpler than ever "through a mechanism of 'on-device' wallet in UPI applications."

Reserve Bank of India (RBI) has allowed offline mode of small-value payments using any channel or instrument like cards, Wallets, or mobile devices with immediate effect. This means that users can do any transaction of up to ₹ 200 without an internet connection using any mobile phone or wallet. According to the new rule, offline payments are limited to ₹200.

Under the new framework, such payments can be carried out face-to-face using any channel or instrument like cards, wallets, or mobile devices.

These transactions will require users to do an Additional Factor of Authentication (AFA).

As of now, the UPI system is limited to smartphones with internet connections only. Non-smartphone users could not take benefit from the UPI system. In fact, smartphone users are also required to have internet connectivity for the same. Thousands of people have not been able to carry out UPI transactions due to the phone they use. Considering these factors, RBI launched a new digital payment mode-Unified Payments Interface (UPI) called "UPI123Pay" for feature phones.

"UPI 123PAY" will enable "Over 40 crore feature phone users" to access the popular digital transactions platform, without having an internet connection.

The launch of UPI 123PAY makes facilities under UPI accessible to sections of society that were "so far been excluded from the digital payments landscape". In this way, it is promoting a great amount of Financial Inclusion in our economy. UPI 123PAY requires only a three-step process to initiate and execute a payment.

Feature phone users will now be able to undertake a host of transactions based on four technology alternatives. They include

- Calling an IVR (Interactive Voice Response) Number.
- App functionality in feature phones.
- Missed call-based approach, and also
- Proximity sound-based payments.

Such users can initiate payments to friends and family, pay utility bills, recharge the FAST Tags of their vehicles, pay mobile bills and also allow users to check account balances, adding customers will also be able to link bank accounts, set or change UPI PINs.

"Popular UPI payment platforms such as PhonePe, Google Pay, and Paytm are now more than just payment tools and transforming into full-stack financial service providers. This is also in sync with the government's long-term agenda to build start-up India and Digital India".

UPI 123 PAY would allow users to make transactions through UPI via feature phones. The customers will be able to use all other features, except the scan and pay UPI option available for smartphones. The new digital payment mode does not need an internet connection for transactions.

How feature phone users will be able to make payments?

Users of feature phones will be able to make payments in four ways:

IVR System: The first mode of making a payment is through an IVR System, or a voice-based system, where users can call the number provided by NPCI, initiate a secured call and make a transaction.

Through a Mobile Application (App): An app would be installed on the feature phone through which several UPI functions, available on smartphones, will also be available on feature phones.

Missed Call mechanism: An option of 'One missed call' is also provided whereby phone users will be able to access their bank account and perform routine transactions such as receiving, transferring funds, regular purchases, bill payments, etc., by giving a missed call on the number displayed at the merchant outlet. The customers would receive an incoming call to authenticate the transaction by entering their UPI PIN.

Sound-based Payments: The fourth mode of payment, is a proximity sound-based payment. Transactions will be made using technology based on sound waves to enable contact, enable networking and thus make contactless payments.

Using the 123PAY make payments, recharge FAST Tags for vehicles, and pay utility bills and it also allows check account balance that is linked with UPI. Apart from that, the new feature will allow to set or change UPI PINs. National Payments Corporation of India (NPCI) has launched a 24x7 helpline for digital payments with an aim to support 123PAY. Users can visit www.digisaathi.info or call on 14431 and 1800 891 3333 from their phones for their queries on digital payments and grievances.

Steps in UPI 123PAY:

Simple steps of UPI 123 PAY through the IVR service:

- Dial the number 08045163666 from the phone.
- Select your preferred language.
- Tap on the '1' key on your phone to transfer money.
- Select the bank paired with UPI by saying the bank name.
- Tap the '1' key to confirm the details.
- Tap the '1' key to send money by using your mobile number.
- Enter the mobile number.
- Confirm the details.
- Enter the amount that you want to transfer.
- Enter your UPI PIN and authorize the money transfer.

With the 123PAY feature, one does not need internet connectivity to transact online. Further, this service can be accessed in **Various Indian Languages**.

With the new facility, both smartphone and feature phone holders can now easily transact digitally.

Before starting to make the payment, it is required that the user links his/her bank account with the feature phone.

Further, using his/her debit card, will be required to set a UPI PIN.

Once the UPI PIN is set, the user can use feature phone to transact just like a smartphone user.

DigitSaathi:

DigitSaathi is all about further enhancing trust in the digital payment ecosystem. The RBI launched a **24x7** helpline for digital payments, which has also been set up by the National Payments Corporation of India (NPCI). The helpline christened '**DIGISAATHI**' will assist the callers/users with all their queries on digital payments via the website and chatbot (Users can visit www. Digisaathi.Info or call on 14431 and 1800 891 3333 from their phones for their queries on digital payments and grievances).

Currently, the service will be available in Hindi and English mode, more interactive options and language choices shall be enabled going forward RBI announced.

Conclusion:

Digital payments through UPI have grown manifold since its launch in 2016. The number of digital transactions exceeds **400 crores** involving an amount of ₹ 8.26 lakh crore in February alone this year, twice the number of transactions made the previous year.

There are roughly about 40 crore feature phone users for them, choices are substantially limited. It is important to make UPI available **offline and on feature phones**. The launch of UPI123Pay will **boost digital payments** and will deepen the digital payments network, especially in **Rural Areas**.

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WHY UNION BUDGET PUSHES GREEN BONDS?

Abstract

Categorised under debt instruments, green bonds differ from conventional fixed-income securities in one aspect that the issuer pledges to use the proceeds to finance projects meant for positive environmental or climate effects. This will also help in reducing the carbon intensity of the economy.

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Green bonds are the bonds issued by any sovereign entity, inter-governmental groups or alliances, and corporates with the aim that the proceeds of the bonds are utilised for projects classified as environmentally sustainable.

Environmentally sustainable projects include the production of energy from renewable sources like solar, wind, biogas, etc.; clean transportation that involves lower greenhouse gas emission; energy-efficient projects like green building; waste management that includes recycling, efficient disposal, and conversion to energy, etc.

Categorised under debt instruments, green bonds differ from conventional fixed-income securities in one aspect that the issuer pledges to use the proceeds to finance projects meant for positive environmental or climate effects. This will also help in reducing the carbon intensity of the economy.

Since its debut in 2007, the green bond market has been growing steadfastly.

Moreover, projects defined as sustainable under the disclosure requirement for Green Debt Securities include climate change adaptation, sustainable waste and water management, sustainable land use including sustainable forestry and agriculture, and biodiversity conservation. In order to meet the financial needs for these types of projects, new financial instruments such as green bonds are being established.

Finance Minister Nirmala Sitharaman revealed the Central

Government's intention to issue green bonds while presenting the Union Budget 2022. Green bonds will have a sovereign rating, and the proceeds from their sale will be used to fund a variety of public-sector projects that would help India reduce its carbon emissions. Budget 2022, however, included no indication of the interest rate at which these green bonds would be issued.

"Green bonds are debt instruments issued by the government and are used to fund public sector projects relating to the environment/ climate," Mrin Agarwal, financial educator, and Director, Finsafe India, a financial education firm.

The Need For Green Bonds

Various governments across the world have determined the increasing need for stern measures concerning climate change. Since 2008, G20 summits have seen this topic raised every single time. India, also a part of G20, under the leadership of Prime Minister Narendra Modi, pledged in the COP26 climate meeting that India would achieve net-zero carbon emissions by 2070. To fuel this ambitious plan, India needs huge investments, which has resulted in the issue of green bonds since 2015. As per a Reserve Bank of India report titled "Green Finance in India: Progress and Challenges," until February 12, 2020, India had an outstanding debt of $16.3 billion in green bonds.

Green bonds forms part of ESG (Environmental Social Governance) investing and since 2012, the Securities and Exchange Board of India (Sebi) has mandated the top 100 listed companies to disclose their business sustainability report to stock exchanges. This business sustainability report outlines many comprehensive ESG related factors like what are the environmental risks that could affect the company's business, how the policies of the company will affect the society, what are its policies on tackling corruption-related activities, and other factors that can directly or indirectly affect the company's business.

"ESG investing is long-term investment-based sustainability of the company along with the proportional balance of a few important non-business parameters like environment, social (impact) and governance. This is beyond business capabilities and considerations. In recent years, ESG has been gaining high traction as investors are more concerned about the environment, climate change issues, social responsibility and governance of the management," says Mitul Shah, head of research at Reliance Securities.

How Are Green Bonds Issued?

As per the same RBI report, several Indian companies have issued green bonds but most of them are listed on India INX, situated in Gandhinagar, Gujarat. The $650 million green bonds issued by SBI in 2018 were listed on INX Gujarat, Luxembourg Stock Exchange and also Singapore Stock Exchange (SGX). Other companies that have issued green bonds include Yes Bank (2015), Rural Electrification Corporation (2017) and Adani Renewable Energy (2019), among others.

Most of the green bonds had a tenure of 5-10 years but companies like Adani Renewable Energy issued them with tenure of more than 10 years. In the same year, ReNew Power issued green bonds for less than 5 years of tenure.

These bonds are meant for high networth individuals (HNIs) and institutional investors that have a mandate and wish to invest in sustainable projects and companies around the world. Retail investors have not yet been permitted to invest in these kinds of green bonds directly but there is ongoing speculation that the RBI Direct Bond buying programme for retail investors, which was unveiled recently, may allow retail investors to conveniently buy these green bonds, as per a report by Moneycontrol.com. However, in terms of portfolio management, green bonds are not for all investors. "Green bonds should be subscribed by individuals or institutions that have a long-term investment horizon and a specific investment mandate to invest in ESG-related financial instruments," says Deepesh Raghaw, founder, Personal Finance Plan, a Sebi-Registered Investment Advisor.

Green bonds are part of the broader ESG investing concept, but they are not the only medium for ESG investing. There are several mutual funds and other alternative green funds available to investors for ESG investing.

What Is The Government Initiative So Far?

In 2017, the Securities and Exchange Board of India (SEBI) acknowledged the need for green bonds and issued a circular prescribing disclosure requirement for issuance and listing of 'green debt securities.'

The move is seen as a major boost especially with the country making aggressive strides towards a low-carbon economy with ambitious targets like achieving a robust 175 gigawatt of renewable energy capacity by 2022.

Industry welcomes this step by Government

Industry players have welcomed the government's decision to focus on green bonds as part of its overall borrowing programme and using the proceeds in public sector projects.

"As a part of the government's overall market borrowings in 2022-23, sovereign Green Bonds will be issued for mobilising resources for green infrastructure. The proceeds will be deployed in public sector projects which help in reducing the carbon intensity of the economy," said finance minister Nirmala Sitharaman while presenting the Union Budget 2022-23.

This assumes significance as India, at the 26th Conference of Parties (COP-26) in Glasgow last year, said that it will achieve net-zero emissions by 2070.

Simply put, green bonds are debt instruments that are used to raise money to fund projects that have a positive impact on the environment and climate among other things. They are at times referred to as climate bonds as well in a generic manner.

Green bonds have been fast gaining popularity with Climate Bonds Market Intelligence pegging the green bond market size at an all-time high of $517.4 billion in 2021. It further said that it was a 50 per cent jump when compared to the market size in 2020.

The growing popularity can be further corroborated by the fact that the green bond market size was $104 billion in 2015, as per Climate Bonds Market Intelligence.

Interestingly, India was at a distant 17th position among green bond issuing nations in 2021 with USA, Germany, China, France and UK occupying the top five slots. In 2021, India issued green bonds worth $16.5 billion, as per the study.

Industry participants, meanwhile, have welcomed the government announcement, which, they believe, will help India transition towards a carbon neutral economy.

Prashant Ruia of Essar Group tweeted: "A blue print budget with a nice touch of green! A bold one with a massive hike in public investment will be the booster dose to restart corporate investments. The infrastructure allocation with a focus on technology will generate employment & help transform tomorrow!"

He followed it up with another tweet: "Kudos to FM @nsitharaman ji for outlining plans to Transition to Carbon Neutral Economy & linking it to provide extra income to farmers & job opportunities to locals. At @ Essar, we are committed to being net carbon neutral in next 3-5 yrs."

Incidentally, in a recent interaction with Business Today, Vedanta Group CEO Sunil Duggal had listed green bonds as one of the immediate steps required for achieving net-zero status. He had said that India needed to create a policy and institutional structure to facilitate the rise of green finance as there are promising signs in the green bond market.

"Significant focus on sustainability and green energy. Individuals can look forward to additional avenues of investment with Sovereign Green Bonds to mobilise funds for green infrastructure," said Tapati Ghose, Partner, Deloitte India. In a similar context, Ashish Gumashta, CEO, Julius Baer India said that the focus on clean energy is very much visible in the budget and issuance of green bonds, among other things, is a great move to attract global investors.

Green Bonds To Be Rupee-Denominated With Long Tenure

The RBI will come out with a framework, which will have details about projects or sectors that would qualify for funding under the sovereign green bonds.

Asserting that the issuance of sovereign green bonds is part of the government's overall borrowing programme, Economic Affairs Secretary Ajay Seth has said these rupee-denominated papers will have long tenure to suit the requirement of green infrastructure projects.

Finance Minister Nirmala Sitharaman in her Budget Speech announced that the government proposes to issue sovereign green bonds to mobilise resources for green infrastructure.

"The proceeds will be deployed in public sector projects which help in reducing the carbon intensity of the economy," she said in the Budget 2022-23.

In a post-Budget interview with PTI, Seth said this is part of the overall borrowing for the next financial year.

"At this point of time, we are looking at the domestic markets and rupee-denominated...the tenure would be normal like any G-sec tenure. It would be medium to long term but not short term. Fund mobilised will be used in the infrastructure sector, which has a requirement of long term finances," Seth said.

Before taking a decision on quantum, Seth said the RBI will come out with a framework, which will have details about projects or sectors that would qualify for funding under the sovereign green bonds.

Besides, he said the guidelines will have details related to the monitoring of fund usage in green or less carbon-emitting areas and assurances for investors.

"This is not a general-purpose borrowing. These are going to be purpose-oriented borrowing. We will come out with a framework in the coming months. It's not a one year instrument but there will be more need for such an investment, and more eagerness of the investors in the area in the coming years," he said.

During 2022-23, the government plans to borrow a record Rs 11.6 lakh crore from the market to meet its expenditure requirement to prop up the economy hit by the Covid-19 pandemic.

Seth, however, assured that the government will execute the market borrowing programme in the next financial year in a non-disruptive manner without crowding out the private sector.

This is nearly Rs 2 lakh crore higher than the current year's Budget estimate of Rs 9.7 lakh crore.

Even the gross borrowing for the next financial year will be the highest-ever at Rs 14,95,000 crore as against Rs 12,05,500 crore Budget Estimate (BE) for 2021-22.

However, the gross borrowing has been revised downwards by nearly Rs 2 lakh crore to Rs 10,46,500 crore for the current financial year helped by an improvement in revenues.

Gross borrowing includes repayment of past loans.

The government raises money from the market to fund its fiscal deficit through dated securities and treasury bills.

Green bonds are a new fixed income investment option:

The Union Budget 2022 is a visionary Budget with a 25-year outlook. It continues the momentum of the 2021 Budget with steadfast focus on infrastructure building, infrastructure financing, manufacturing and productivity enhancement using technology and digital outreach, as the growth engines of the economy.

The focus is on building logistics, mobility and connectivity of goods and people through the PM Gati Shakti National Master Plan. Within mobility, the focus is on clean and sustainable mobility with a battery swapping policy and formulation of interoperability standards for EVs. The auction of 5G spectrums in 2022, followed by a rollout of 5G services in 2022-23 will enhance connectivity and provide employment opportunities.

The 25,000 kms of highways, launch of the Unified Logistics Interface Platform, four multimodal logistics parks through PPP mode, 100 multimodal cargo terminals and 400 new Vande Bharat trains coupled with an infrastructure focused skill upgradation project to improve implementation, are all steps in the right direction. Capex outlay for 2022-23 rises by 35.4% to 7.5 trillion (2.9% of GDP) leading to an incremental outlay of2 trillion.

Technology and digital infra will be a key enabler with the launch of e-Passports, ULIP, DESH-Stack, interlinking multiple portals, Kisan drones, expansion of PM eVIDYA programme, virtual labs in science and mathematics, a multilingual Digital University, health ecosystems, etc. There have been steps to support the MSME sector by way of extension of ECLGS scheme till March 2023 and expansion of the guarantee cover by 50,000 crore to5 lakh crore. Savers may have another fixed income investment option in the form of Green Bonds. The Reserve Bank of India will be introducing the Digital Rupee using blockchain and other technologies in 2022-23.

The overall expenditure for FY23 is pegged at 39.45 trillion, up 13% as compared to FY22BE while total receipts excluding borrowings are estimated at22.84 trillion. Revenue estimates look conservative and can surprise on upside just like they did in FY22. FY23 fiscal deficit is pegged at 6.4%, down 50 bps from the revised estimate of 6.9% in FY22. Nominal GDP growth estimates are conservative at 11% for FY23. With inflation being where it is and economy being in a cyclical upturn, we can have a pleasant surprise here too, which will mean that fiscal deficit as a percentage of GDP is lower than the estimated 6.4%.

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SURVIVORSHIP BIAS IN A TECHNOLOGY (AND INFORMATION) ABUNDANT WORLD

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On the Nature of The God

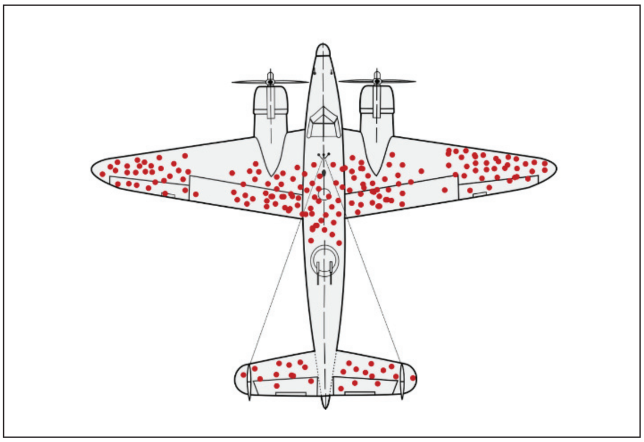
In his book "On the Nature of The God" (Cicero, 45 C.E.) Roman academic, skeptic and philosopher Cicero talks about an incident of the Diagoras, the atheist. One of Daigoras' friends proudly showed him a painting of people who had endured and lived through dangerous storms and admonished Diagoras, for not recognizing the benevolence of God that helped them to get through hard times. To this, writes Cicero, Diagoras, the atheist, replied- *"I see those who were saved, but where are those painted who were shipwrecked?"*

Believed to written 45 BC, the above story cuts through to the subject of the **"Survivorship Bias"**. Before understanding what it actually is, let us jump two centuries ahead to the time of World War II (1939-45).

Downed Planes and Bullet Holes

Its 1943- the US is losing lots of bomber planes to the German air defense. They need a quick fix plan for cutting losses and ideas for reinforcing the planes so that they can withstand the German artillery. They consult the wizards of the SRG- Statistical Research Group at Columbia University which at one moment was staffed by distinguished people like Friedman, Stiegler and the famous mathematician Abraham Wald (Casselman, 2016).

The most obvious and intuitive approach could have been - observe and study the planes that are returning and study their bullet hole patterns. Based on the statistical probability of hits received on the various parts of the aircraft body (fuselage, tail, engine, wings etc.) and its chances of survivability even with being hit, strengthen that part so that even after being hit the plane survives. It could have looked something like the inset picture and the obvious conclusion would have been- shield the wings and tails.



However, Wald had a counter intuitive argument- the planes being observed are the ones that have ***survived***; the ones that got hit elsewhere—eg. the engine—didn't get back and therefore were not included in the U.S. military's analyses. Thus, there's no data on the planes that ***didn't survive***. If the planes returned even with a hit on that part (see pic), then that part is already strong and thus might not need the reinforcement. Long story short- Wald's deeply mathematically & statistically significant argument towards this was accepted, and as the cliché goes- the rest is history.

Survivorship bias- the selective distortion of truth

What's stated above is one of the most famous accounts of WW II- shrouded in legend and excellent storytelling (Casselman, 2016). It involves counter intuitive thinking, mathematics and notions of conditional probability. Nevertheless, it triggers the basic definition of "Survivorship Bias" (sometimes also referred to as Survivor Bias) – a logical error of concentrating on visible things lying in front of us and overlooking or ignoring those that did not, typically because of their lack of visibility. It is a form of selection bias. It can lead to overly optimistic beliefs because multiple failures are ignored. As Taleb puts it- The highest performing realization will be the most visible. *Why?* Because the losers don't show up!

If we look around there are plethora of examples which fall into the trap of this bias. In 2001 Jim Collins came out with a book "Good to Great: Why Some Companies Make the Leap...And Others Don't" - has been an oft-quoted book in non-fiction, management and finance genre. Jim Collins culled 11 companies out of 1400+ companies based on the parameter of their stock beating the market over a 40-year time span. He then gleaned common characteristics among them that he believed made for their success. In another book "In Search for Excellence" Tom Peters and Robert Waterman, suggest some 8 common features of 40 odd companies. Both of these are suffering from the same ailment- survivorship bias.

Again, why? You may ask.

Since, both lack objectivity; rather than first deciding on the parameters/ features/ characteristics and then searching for the companies to justify the claims, the books take the other way round- they first search for the companies and then state the common features- effectively a post hoc analysis. In fact, research found that through 2012 the stock of six of Collins's 11 "great" companies did worse than the overall stock market and of companies culled out by Waterman & Peters, about half of the publicly traded stocks did worse than market in coming periods. Both, thus highlight, that the system of analysis was fundamentally flawed(Shermer, 2014).

This sort of bias is very much evident in the stories of successful leaders, motivational speakers, sportsperson and first-generation entrepreneurs who started their businesses from their garages. No one writes books on the failed entrepreneurs who dropped out of college to start their own business. In most cases, the successful entrepreneurs create post hoc narratives that explain how they turned their dreams into reality, evading the part luck, pure chance and circumstances played in their success. And, because of the distortion created by survivorship bias and the inherent psychological comfort of storytelling and believing, we the people, fall for them.

Technology and Internet- the disruptive forces to reckon with

The internet has been and continues to be a disruptive force impacting distribution and consumption channels for media. With improved networks, better access to internet, multimedia service-capable mobile devices and application development ecosystem, more and more media consumption is happening on digital platforms. As a medium, the internet is a brilliantly efficient conduit for channelizing the information from those who have it to those who do not and need it the most.

Moreover, the proliferation of the low-cost internet and cheap handheld mobile technology has brought about the breakdown of the clout of the gatekeepers of traditional media *(read- large media houses owning print & TV)* and the unprecedent upsurge of the independent creator economy (Dukurs, 2022) which, has now spread its wings into the personal finance sector as well. Influencers and digital content creators with huge fan following now share their views, opinions and recommendations in easily accessible, bits of animation, audio and motion video, weaved into a believable & convincing narrative for easy consumption and sharing across social media platforms.

But, isn't that great? Should India be worried?

Yes. Very much so.

In the Indian context, of the consumers of digital content, approx. 75% belong to the age group of less than 35 years. More than half of the app users in India are aged between 18 and 24 years and a further 29% between 25 and 35 (Deloitte, 2016). According to one analysis, India is expected to reach 1 billion smartphones by 2026 from 750 million currently, which is 75% of the total base compared with 70% as on date. According to Deloitte's analysis, demand for smartphones in India is expected to increase at a CAGR of 6%, to reach about 400 million smartphones in 2026 from 300 million in 2021. 5G will alone contribute 80% to devices that will be sold in the next five years − that is 840 million 5G smartphones (Deloitte, 2022).

Further, several rounds of studies spread across decades have highlighted the precariously low financial literacy in India. Two such recent studies of 2017 (Günther & Ghosh, 2018) and 2019 (RBI, 2021) have concluded that approx. 74% of the Indian population is financially illiterate and lacks sufficient financial competencies and lags in terms of long-term financial behaviour and attitude. Add to this the fact, says a 2017 RBI study (Ramadorai, 2017), that Indians have very low financial savings, negligible emergency funds and little savings earmarked for retirement years.

The above facts portend a perilous situation.

A largely illiterate *(financially, at least)* population, low on financial savings, freely accessing the capsulized and narrative based information on the smartphones for "Get rich quick schemes", "High returns", "Best stocks to invest" etc. The algorithms, the backbone of social media, slowly start **"defining"** the user and populating his/her social media feed with success stories (survivor bias) of investing with scant regard to the deeply personal notions of risk & return. In fact, Twitter in one of its recently released trend reports highlighted that there has been a 185% jump in discussions around finance in the last two years and the surge of *"finfluencers"* i.e. financial influencers (Khosla, 2022). For many who are younger and less experienced, such investing ratchets the old idea of a stock tip up to a whole new level of virality and financial risk. Unless one is cognitively armed, this DIY (Do It Yourself) method of investing based on influencer endorsements, ideas and approvals can fuel speculation and cause irretrievable loss of finances.

What lies in store?

A desire to learn from the successful is a natural instinct, but this can backfire if we don't take into account 'survivorship bias'. In simple terms, this comes about when we select only the 'survivors' – those that outperformed the rest– and come to conclusions based on their attributes, without looking more broadly at the whole dataset, including those with similar characteristics that failed to perform as well.

The algorithms can transform the customized and personal social media feeds into proverbial echo chambers that accentuate the already perceived notions of successes & failures in investing/risk/return and drift the user towards unregulated assets akin to the Ponzi schemes of yesteryears, but rather than physical assets, the trend now is in the digital space *(read cryto, NFT)*.

W C Fields said- *A thing worth having, is a thing worth cheating for*. The same data & ICT (Information, Communication and Technology) tools are a double-edged sword- what's available to the individual for learning new skills, accessing new information and comparing new financial products, is also available to the marketeers of the products for "influencing" the prospect. In addition, displays of information in ICT with multimodal aspects of computer environments mean that information is no longer presented in printed texts and graphics but, increasingly, in the form of animation, audio and motion video (OECD, 2012), which makes the consumption rapid, albeit without nuance, and the shareability quick.

Advances in Internet technologies in general and social media in particular have led to proliferation of content creation and sharing platforms. These platforms have democratized content creation and as a result of that, there is plenty of information on any topic coming from a wide range of sources.

Information can be beacon, a cudgel, an enabler, a deterrent - depending who wields it, in what form and to what end. The onus, thus, is on content consumer to determine the quality of the information and credibility of the sources. The more knowledge technology allows us to access, see, store and share, the more important it is to develop the necessary cognitive skills and understanding along with the capacity to grasp, analyze and estimate to make sense out of the content shown.

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Picture Credit

- *Illustration of hypothetical damage pattern on a WW2 bomber. Based on a not-illustrated report by Abraham Wald (1943), picture concept by Cameron Moll (2005, claimed on Twitter and credited by Mother Jones), new version by McGeddon based on a Lockheed PV-1 Ventura drawing (2016), vector file by Martin Grandjean (2021).*

INSURANCE OMBUDSMAN RULES, 2017

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

1. The Insurance Ombudsman Rules have been notified on 25th April 2017. These rules shall apply to all insurers and their agents and intermediaries in respect of complaints of all personal lines of insurance, group insurance policies, policies issued to sole proprietorship and micro enterprises.

2. Rule 13 deals with the Duties and Functions of the Insurance Ombudsman. The said Rule reads:

"Duties and functions of Insurance Ombudsman:

(1) The Ombudsman shall receive and consider complaints or disputes relating to—

(a) delay in settlement of claims, beyond the time specified in the regulations, framed under the Insurance Regulatory and Development Authority of India Act, 1999;

(b) any partial or total repudiation of claims by the life insurer, General insurer or the health insurer;

(c) disputes over premium paid or payable in terms of insurance policy;

(d) misrepresentation of policy terms and conditions at any time in the policy document or policy contract;

(e) legal construction of insurance policies in so far as the dispute relates to claim;

(f) policy servicing related grievances against insurers and their agents and intermediaries;

(g) issuance of life insurance policy, general insurance policy including health insurance policy which is not in conformity with the proposal form submitted by the proposer;

(h) non-issuance of insurance policy after receipt of premium in life insurance and general insurance including health insurance; and

(i) any other matter resulting from the violation of provisions of the Insurance Act, 1938 or the regulations, circulars, guidelines or instructions issued by the IRDAI from time to time or the terms and conditions of the policy contract, in so far as they relate to issues mentioned at clauses (a) to (f).

(2) The Ombudsman shall act as counsellor and mediator relating to matters specified in sub-rule (1) provided there is written consent of the parties to the dispute.

(3) The Ombudsman shall be precluded from handling any matter if he is an interested party or having conflict of interest.

(4) The Central Government or as the case may be, the IRDAI may, at any time refer any complaint or dispute relating to insurance matters specified in sub-rule (1), to the Insurance Ombudsman and such complaint or dispute shall be entertained by the Insurance Ombudsman and be dealt with as if it is a complaint made under rule 14."

3. Rule 15 mandates that the Insurance Ombudsman should act fairly and equitably. The Ombudsman shall have the power to ask the parties concerned for additional documents in support of their respective contentions and collect factual information relating to the dispute available with the insurer. The Ombudsman may obtain the opinion of professional experts, if the disposal of a case warrants it.

4. Under Rule 17 [3], the Ombudsman shall not award compensation exceeding **Rupees Thirty lakhs** and under Rule 17 [8], the Award of the Insurance Ombudsman shall be binding on all the Insurers.

5. The Rules while clearly state that the Award is binding on the Insurers, there is no such provision relating to the complainant which means that the Award is not binding on the Complainant. If a Complainant is not satisfied with the Award of the Ombudsman, he/she may still approach other legal forums like Consumer Commission, Lok Adalat or Civil Court etc.

6. Interestingly, the Rules do not provide for appeal against the award of Insurance Ombudsman. Thus, the Insurers are bound to comply with the Award as there is no appellate Authority over Insurance Ombudsman. Some Insurers did challenge the awards before High Courts but there are conflicting views on whether an Insurer can challenge the award of the Insurance Ombudsman before a High Court.

7. The Single Judge of Calcutta High Court in Life Insurance Corporation of India vs. The Insurance Ombudsman [2017 SCC Online Calcutta 1238] ruled that it is not open to the Insurance Company to file a writ petition against an order passed by the Insurance Ombudsman.

It is in this background, it will be interesting to analyse the judgment dated 18 August 2022 by the Single Judge of the High Court of Judicature at Bombay in Writ Petition No. 7804 of 2021 in Aditya

Birla Sun Life Insurance Co. Ltd vs the Insurance Ombudsman and Anr.

A. The facts of the Case are that the Insured was granted an insurance cover of ₹75 lakhs on 19.01.2018 and the Insured did not reveal any adverse medical conditions in the proposal for insurance. The Insured expired on 10th October, 2019. The Insurance Company repudiated the claim for suppression of past illness, viz., Hypertension, Psychiatric illness [schizophrenia] etc.

B. The Claimant filed a complaint against the Insurance Company before the Insurance Ombudsman contending, inter alia, that the Insured did not suffer from schizophrenia and hypertension at the time of availing the policy and that the Insurer did not carry out any medical examination and that there is no correlation between the cause of death [septicaemia and multiple organ failure] and the illnesses schizophrenia and hypertension.

C. The Insurer replied to the complaint, inter alia, stating that the claimant made a claim of ₹75 lakhs which was beyond the pecuniary jurisdiction of the Ombudsman as per the Rule 17[3] of the Insurance Ombudsman Rules, 2017. Responding to the objection of the Insurer, the Claimant submitted a letter to the Ombudsman stating that she will be satisfied with the amount of ₹30 lakhs though the claim is for ₹75 lakhs.

D. The Ombudsman passed an award dated 31 December 2020, against the Insurer [Aditya Birla Sun Life Insurance Company Ltd] to settle death claim for ₹30 lakhs, if agreed upon by the complainant.

E. Aggrieved, the Insurance Company, filed a writ petition challenging the award of the Ombudsman before the High Court. The writ petition raises two questions viz., [1] Whether a remedy of assailing an award passed by the Insurance Ombudsman in a Writ Petition under Article 227 of the Constitution is available to the Insurance company or whether such writ petition would not be maintainable? [2] Whether non-disclosure of any information on existing ailments by an insured in the proposal form would disentitle the claimant under the policy, to the benefits under such insurance policy?

While answering the question of maintainability of a writ petition under Article 227, The Hon'ble Judge of the High Court of Judicature at Mumbai, inter alia, observed:

a. While exercising his duties and functions, an Insurance Ombudsman is in fact adjudicating a dispute.

b. The adjudication being undertaken by the Insurance Ombudsman has all the trappings of an adjudication by a tribunal when the Insurance Ombudsman adjudicates a complaint.

c. **It is well established that the word "tribunal" as used under Article 227 of the Constitution is required to be given a liberal interpretation to include all statutory authorities who are vested with quasi-judicial power even though they may not have been labelled as tribunals.**

d. The Supreme Court in Manmohan Singh vs. Commissioner Union Territory, Chandigarh & Ors [AIR 1985 SC 364] held that the decision of the Statutory quasi-judicial authorities which can be appropriately described as tribunal would be subject to judicial review, namely, a writ of certiorari by the High Court under Article 227 of the Constitution.

e. The Supreme Court in Durga Hotel Complex vs. Reserve Bank of India [in a dispute under the Banking Ombudsman Scheme, 1995] has observed that 'the Ombudsman' at the best, is an authority or tribunal of limited jurisdiction constituted under the Scheme. Thus, the Ombudsman being a statutory Tribunal, the present petition would be maintainable under Article 227 of the Constitution.

f. **As the adjudication of a complaint before the Insurance Ombudsman possesses all essentials of a judicial/quasi-judicial adjudication akin to an adjudication by a Tribunal. Thus, it is not an acceptable proposition that merely because Rule [17][8] provides that an award shall be binding on the insurer, the insurer would be precluded from assailing the award by invoking the jurisdiction of the High Court under Article 227 of the Constitution**.

The Judge thus held that a writ petition under Article 227 is maintainable against the award of an Insurance Ombudsman. [Article 227 deals with the Power of superintendence over all courts by the High Court and the Article 227 [1] reads: Every High Court shall have superintendence over all courts and tribunals throughout the territories interrelation to which it exercises jurisdiction].

While dealing with the merits of the case, the Hon'ble Judge, inter alia, observed:

a. The Insurance Ombudsman has completely overlooked the requirements of the insurance contract, namely, that there has to be disclosure in good faith which is sine-qua-non for an insurance contract to be enforceable when a claim under such contract is made.

b. The Ombudsman proceeded on surmises when he observes that the Life Assured had good relations with the Petitioner's agent and thus there was a possibility of awareness of the medical history of the deceased insured.

c. For the Complainant [Respondent no.2] to say that the deceased insured was not aware of the proposal form and that the agent of the Petitioner [Insurance company] had filled up the online form is untenable and accepting such a statement of the Complainant by the Insurance Ombudsman is perverse.

d. If the insured had not himself filled up the proposal form, the complainant herself could not make any claim as the contract itself was fundamentally not enforceable as being not made by the insured in the manner as required by law.

The Hon'ble Judge dealt with other aspects where the Ombudsman has erred and relying on various judgments of the Apex Court, held that the insurance contract itself stood vitiated [due non-disclosure of material facts] and was rightly repudiated by the Insurance Company.

Finally, while discussing the issue of pecuniary jurisdiction, the Hon'ble Judge observed that the Ombudsman ought to have rejected the complaint as the claim made by the Complainant [Respondent no.2] was beyond the pecuniary jurisdiction of the Insurance Ombudsman.

Thus, in essence, the Hon'ble Judge held that:

1. An Insurance Company can challenge an award of an Insurance Ombudsman before the High Court under Article 227 of the Constitution of India.

2. A contract of insurance is vitiated by suppression of material facts.

3. An Insurance Ombudsman cannot entertain a complaint beyond his pecuniary jurisdiction.

Note: *Any views are 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.*

Shri Sudhakar Kulkarni
Certified Financial Planner CM

Mutual Funds offer mainly three investment options viz. Equity Funds, Hybrid/Balance Funds & Debt Funds. Investors having less risk tolerance prefer to invest in debt mutual funds. Since debt mutual fund schemes invest in fixed income generating securities such as corporate bonds, Commercial Papers (CP), Certificate of Deposit (CD), Treasury -Bills, Government securities and money market instruments. These securities have a fixed maturity date and interest rate, the investor earns fixed return till the maturity. These securities are considered to be less volatile and low risk securities than equity and hybrid funds and also provide more liquidity than traditional debt instruments such as NSC, PPF, Company Deposits, Bank Deposits etc.

Types of Debt Funds

There are various types of debt mutual funds available for investors and investor can choose the suitable debt fund based on the maturity period, risk tolerance and his investment objective.

Overnight Fund:

This fund invests in securities which have a maturity period of 1 day. Overnight Fund carry minimal credit risk and interest rate risk owing to such a short maturity period and are hence perceived to be relatively stable. For e.g, call money market.

Liquid Fund:

Here the funds are invested in debt and money market instruments having residual maturity up to 91 days only. These instruments are fairly liquid and have the potential to offer reasonable returns than traditional options.

Ultra-Short Duration Fund

Ultra-Short Duration Fund invests in debt securities and money market instruments so has to have Macaulay Duration of the portfolio is between 3-6 months. (Macaulay Duration is the length of time taken by the investor to recover his invested money in the bond through coupons and principal repayment. This length of time is the weighted average of the period the investor should remain invested in the security in order to have the present value of the cash flows from the investment match the amount paid for the bond.)

Low Duration Fund:

Low Duration fund invests in debt securities and money market instruments such that the Macaulay Duration of the portfolio is between 6-12 months.

Money Market Fund:

Money Market Fund invests in money market securities with a maximum maturity of 1 year. These securities are Commercial paper (CP), Certificates of Deposits (CD), Treasury bills , Intercorporate Deposits (ICD) This fund is suitable for parking short term surpluses .Investment in this fund gives reasonably high liquidity and generates better return than traditional one.

Short Duration Fund:

This Fund invests in debt securities and money market instruments where Macauley Duration of the portfolio is between 1-3 years.

Medium Duration Fund:

In this fund investment is done in debt securities and money market instruments where Macauley Duration of the portfolio is between 3-4 years.

Corporate Bond Fund:

Corporate Bond Fund mainly invests in corporate bonds having credit rating AA+ and above. This is a good option for investors having a moderate risk appetite and expecting better return than bank or post office investment.

Credit Risk Fund:

This fund predominantly invests in papers rated AA and below (excluding AA+ rated corporate bonds). Credit Risk Fund aims to earn higher returns by investing in papers which offer relatively higher interest rates. However, they carry higher credit risk compared to other debt funds.

Banking & PSU Fund:

Banking & PSU Fund invests at least 80% of its assets in debt and money market securities of Banks, PSU (Public Sector Undertakings), Public Financial Institutions. As per the SEBI amendment of December 2017 debt securities issued by Municipal Bodies can also be included in this fund. This fund carried relatively low risk.

Dynamic Bond Fund:

Dynamic Bond Funds invest in debt instruments having varying maturity based on the current interest rates regime. The fund manager changes the portfolio dynamically depending on the interest rates. These funds are a good option for investors having moderate risk tolerance and time horizon of 3 to 5 years.

Gilt Funds:

Gilt funds invest at least 80% of its assets in government securities with varying maturities. These funds do not carry credit risk however interest risk is high. These funds are best suited for investor with less risk tolerance.

Floater Fund:

65% of the investible corpus is invested in floating rate instruments and carry lower interest rate risk.

Risk Associated with Debt Funds:

Debt fund fundamentally carries three types of risks:

a) Credit Risk: This is default risk of issuer not paying principal and interest
b) Interest Rate Risk: this is effect of change in values of securities in the scheme.
c) Liquidity Risk:

Returns:

Debt fund returns are lower than equity and hybrid funds .NAV changes with the change in interest rates, increase in interest rates decrease in NAV and vice a versa.

Advantages of investing in Debt Mutual Fund

Liquidity

Unlike traditional investments like PPF, NSC, RBI Bonds, Sukanya Samruddhi, debt funds are quite liquid s since having no lock in period, and are easily redeemable with applicable exit loads. redeemed at any time subject to applicable exit loads. Debt funds are considered to be liquid as they can be withdrawn on any business day.

Tax efficiency

Debt funds can be more tax efficient than traditional debt investment options. There is no deduction of TDS, however tax is applicable only when redeemed. The dividend received from debt funds is taxable in the hands of the investor according to the investors tax slab. If the units of the scheme are held for less than 3 years, then any gains are calculated as STCG (Short Term Capital Gain) and are taxed as per an individual's tax slab whereas if they are held for more than 3 years then the gains will be calculated as LTCG (Long Term Capital Gain) and will be taxed at 20% with the benefit of indexation.Top of Form

Stability

Debt Mutual Funds are relatively less risky than equity mutual funds hence are returns more stable and suitable for the people who are having less tolerance for the risk. Also generate more returns than traditional debt investments. In terms of operation, debt funds are not entirely different from equity and hybrid mutual fund. However, in terms of safety of capital, they score higher than these funds.

In short, we can say major advantages of investing in debt funds are low-cost structure, relatively stable returns, relatively high liquidity and reasonable safety. It is not easy to identify the right type of bonds independently. The ratings of bonds help you choose them. When creating a portfolio of bonds or NCDs, you need to know about them well. On the other hand, if you invest in a debt fund, you get a ready portfolio managed on your behalf by a qualified fund manage

Bonds/Debentures verses Debt Mutual Funds

WE can compare bonds/debentures and debt mutual funds on certain financial parameters and these are as under

Returns:

Bonds provides fixed returns to the investor as the promised interest rate isn't affected by market fluctuations. However, in case of debt funds there is no assured return. Here the returns depend on the current market price of the underlying bonds which depends on change in interest rates.

Liquidity:

Open-ended mutual funds are easily redeemable as such whenever you need the money you can redeem the same. Whereas bonds come with a fixed tenure, and you can redeem them on maturity. Some are listed in the debt market on stock exchanges.

Risk:

Bonds always promise fixed pay-outs at fixed time intervals. They also return the principal amount on maturity at the end of the predetermined tenure. In short bond do not carry risk if held till maturity whereas debt mutual funds do not promise any return as such you need to invest in Debt Mutual funds by calculating the risk-return reward.

How to Choose Debt Mutual Fund?

First decide your investment horizon. This will help you to select the right debt fund suitable to your risk tolerance and goal time from available fund categories.

WEBINAR ON

INFRASTRUCTURE FINANCING - A PANACEA FOR DEVELOPMENT OF NEW INDIA ON 6TH JULY, 2022

ICAI observed July 2022 as the Banking Month and the celebrations were the initiative of the Banking, Financial Services and Insurance Board (BFSIB). The first webinar was on the topic "Infrastructure Financing- A Panacea for Development of New India". Shri C.M.Khurana, former Chief General Manager Oriental Bank Of Commerce was the esteemed panellist. Shri Syamal Ghosh Ray, consultant BFSIB, Shri B.Rajkumar, advisor, BFSIB and Shri CMA Chittaranjan Chattopadhyay, chairman BFSIB, also graced the occasion and addressed the august presence.

CMA Chittaranjan Chattopadhyay, welcomed the esteemed presence and expressed his gratitude to the panelist for their time and valuable insight.

Shri Syamal Ghosh Ray expressed his delight for such an interesting topic and said that the Indian government has a huge plan for infrastructure development and India's infrastructure investment program is considered to be one of the largest in the world and therefore to keep in tune with this ambitious plan of achieving a 10 trillion economy, this year the finance minister has allocated a huge amount of budget for infrastructure investment and infrastructure expansion.

Shri C.M.Khurana made a presentation and mentioned that infrastructure development is the backbone of Indian economy; it is enabler of the rapid holistic development. when we are developing infrastructure it is not merely adding to GDP by the quantum of the infrastructure created but it leads to both forward and backward linkages which in turn lead to further developments which become an enabler for rapid holistic development. He gave an exhaustive list (from roads and bridges to railways, metros, oil and gas liquefied natural gas and storage facilities, data centres which are linked to the strength of our country, battery storage, solid waste management water treatment plants, telecommunication and telecom services etc.) to be included as infrastructure in the definition of infrastructure as per the latest guidelines from the Ministry. He gave illustrations and explained the linkage between development of infrastructure sectors and economy as a whole. He gave three illustrations to show how integral infrastructure is to the entire economy as a whole and we can not think of having economic development without having proper development of infrastructure. Shri Khurana highlighted that the moment metro projects are started it automatically gives more business opportunities to civil construction and civil construction automatically leads to more demand for cement, steel and labour also and so cement steel and employment all the three will be benefited through construction activities and construction activity is invariably linked to our infrastructure activity. gdp growth ultimately is dependent upon the goods and services produced and infrastructure is becoming a facilitator for that. He said that infrastructure projects are capital intensive and require huge finance infusion which gave birth to the PPP model. Earlier banks used to finance only working capital facilities but they gradually shifted to term loans up to five years then went up to10 years for large projects but 20 years or 30 years were not envisaged at any point of time. Though due to long gestation period each project requires three to five years for the construction and after the construction the project requires a lifetime of 20 to 30 years because less than 20 to 30 years the project will not be viable or profitable to provide the required returns to the private developer or provide the required kind of supports to the government also. So each is planned and envisaged for a long period of 20 to 30 years. Banks are one of the most important contributors to the funding of an infrastructure project. Infrastructure project financing is different from corporate financing as it is not based on balance sheet of the company rather than on particular projects. The size of financing is determined specifically based on the project while in the case of corporate financing, it is flexible and can be done on year-to-year basis. He touched upon the concept of SPV and gave the overview of the financing across banking and NBFCs.

Due to the recent flexible rules and regulations , Mr Khurana said that new entrants can also come forward and become developers so that infrastructure can develop in a big way. Overseas investors in his opinion are more interested in brownfield projects rather than greenfield projects and that is why the concept of monetization has come into existence. Due to the current guidelines , AAA bonds can only be funded and since new companies may not get triple A rating for bonds, pension funds and insurance funds are not still coming forward in a big way to finance the infrastructure. The funding for infrastructure is done by three ways namely the central government, the state government and 21% by the private players in the PPP model. He sounded hopeful when he said that the funding for the 21% will be partly through the capital brought in by the private developer and primarily through the debt provided by the lenders. So this shows that hope and opportunities are available to banks as lenders. Certain projects became NPA or they became stalled partly because the skills available at that point of time with the banks for lending were not that robust and they were not able to assess or foresee certain risks in the projects. Therefore the proper assessment of the project becomes matter of utmost importance. To avoid this the recent guidelines of RBI have put the onus of risk and sensitivity analysis, appraising technical, financial feasibility and bankability of the projects on the banks and the lenders i.e. the banks should have the requisite expertise for the same. He also mentioned the role of securitization process which is very much relevant in infrastructure funding. Shri Khurana said that the book “Aide Memoire in Infrastructure Financing” published by ICAI is in fact an enabler for each one of us to understand the nuances and the basics of funding so that we become equipped and prepared to take up this challenges in infrastructure financing. He also said that the CMAs are in the best position to judge the cost overrun and cost assessment and stressed on the role of ICAI in producing professionals well equipped to handle all these things in a proper manner.

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

Shri C M Khurana, Former CGM and CFO of Oriental Bank of Commerce deliberating in the first webinar of the Banking Month on the topic of “Infrastructure Financing- A Panacea for Development of New India”

WEBINAR ON
SETTLEMENT OF INTERNATIONAL TRADE IN INR
ON 23RD JULY, 2022

Shri Vikas Babu Chittiprolu, DGM, Union Bank deliberating on the Webinar on the topic of "Settlement of International Trade in INR" for the Banking Month held on 23rd July, 2022

CMA Nijay Gupta, Forex Expert deliberating on the Webinar on the topic of "Settlement of International Trade in INR" for the Banking Month held on 23rd July, 2022

The Banking, Financial Services and Insurance Board of The Institute of Cost Accountants of India observed July 2022 as the Banking month, hence organized on 23rd July a webinar on "Settlement of International Trade in INR". The event was streamed live through Institute's official Youtube channel for all its stakeholders worldwide. Sri Vikas Babu Chittiprolu, DGM, Union Bank of India and CMA Nijay Gupta, Forex Expert and Core Faculty of the BFSI courses graced as the chief guest and speaker in the program. CMA Chittaranjan Chattopadhyay, Chairman, BFSIB, Shri Syamal Ghosh Ray, Retired General Manager, Union Bank of India & Consultant of BFSIB and Shri B. Rajkumar, former Deputy Chief Executive, Indian Banks' Association & Advisor of BFSIB graced the occasion and addressed the august presence. CMA Chittaranjan Chattopadhyay, welcomed the esteemed presence and expressed his gratitude to the panellists for their time and valuable insight. Shri Syamal Ghosh Ray in his opening address welcomed the speakers and expressed his interest to hear from the eminent speakers about the RBI Circular and the reason of INR depreciation in a row. Shri B.Rajkumar delivered a special address and welcomed the eminent speakers. He touched upon the RBI circular for settlement of international trade in INR and requested the esteemed speakers for in depth analysis. CMA Nijay Gupta made a PPT to illustrate the nitty gritty of international trade settlement. In an example he explained the international trade settlement in INR where he said that now the countries trading with India will have to open a rupee account without funding it whereas earlier rupee was funded by selling the dollars by the overseas bank and this bank will have to sell the dollars to buy the rupees from this bank and credit the buyer's account. i.e. an Indian oil refining company importing from a Russian company pays in INR in the Vostro account in an Indian Bank which is opened by the Russian bank with RBI permission without funding it. An exporter on the other hand exporting to Russian company, the settlement will be made as the Russian bank will instruct the Indian bank with Vostro account to pay the Indian exporter in INR. So by this the RBI has made the international trade settlement much simpler. Previously the banks didn't earn anything and have no investment opportunity for the surpluses lying in that account. It remained idle but here this bank has been given the permission as per the circular, and the bank will have option to invest in money market instruments like government securities or they can invest money with permissions granted under FEMA, for the various projects or advance for exports. By this even if the rupee depreciated by 7% in last 4 or 5 months we are not losing anything. In a nutshell Indian importers importing through this mechanism shall make payments in INR which shall be credited to the special Vostro account of the corresponding bank by a partner country. Indian exporters undertaking export thru this mechanism shall be paid in INR from the balances in the designated special Vostro account of the correspondent bank of the partner company. The balance in special Vostro account can be used for investment in Govt securities subject to FEMA provisions and restrictions. The bank from a partner country will approach an AD Bank in India for opening a special INR Vostro account. The AD Bank will seek approval from RBI. He said that the rupee is guided by purchasing power parity and it takes care of the depreciation. So if depreciation in our country is higher as compared to the depreciation of a dollar for example in U.S so obviously the differential has to be adjusted to the buyer according to the purchasing power parity and rupee need to be depreciated. So from 75 INR has gone to 80 rupees because of the inflation difference. CMA Gupta, gave credit to RBI for the fact that exporters in India are getting advance payments from foreign countries due to the latest mechanism of trade settlement.

Sri Vikas Babu Chittiprolu, made a PPT wherein he explained and refreshed some concepts like direct /indirect quote, hard/soft currency, ISO etc. he pointed out few prerequisites for global supremacy. They are – 1) the technology and military supremacy, 2) the importance of the country in global value or supply chain, 3) satellite supremacy, 4) the currency acceptability. He explained how the trade is happening currently with an example and also mentioned that how it can be changed with the current circular. He explained the usage of excess capital in the Vostro account. He said that the Indian government had promoted bilateral Invoicing and settlement in local currency since 2012 in order to provide deeper current account linkages between the trading partners. The key features of the proposal are to facilitate the settlement of payment in home currency on a bilateral basis, to promote the use of participant's currencies in transaction between their respective countries, to promote cooperation among the participants and close relationship among the banking systems in two countries,exporters or sellers of each currency shall denominate the export contracts and invoice in their home currency thereby eliminating exchanges. So that they can be very competitive in the market. ACU mechanism is already existing since 1985 and still it is going from USD move to euro now it has moved to JPY. It was a success story in initial years but has lost its charm now. Settlement in INR was not allowed except for exports in Nepal and Bhutan which are allowed to settle transactions. With this circular we are opening up the settlement of trade also in INR. This is the new thing that is happening we are just opening up the settlement side. Invoicing is always there even in 2012 the government of India in its circular said that we can have invoicing also and settlement in INR but RBI has not come out with circular they have common circular right now and as already informed that this is the right timing for that to happen. The banks of a partner country may approach an AD bank in India for opening a special Vostro account. The AD bank will seek approval from RBI with details of the arrangement so this is not a completely opening it is being monitored by RBI in the initial phases. Possibly in future when things are in order and we have got proper systems and procedures in place it may be opened up completely but as of now it is being regulated so we have to take compulsory permission from RBI before we open an account in banks from countries where FATF has called for counter measures. Sri Vikas Babu said that the circular actually helps in the long run goal of internationalization of INR. At the end he pointed out certain issues like how long can a foreign bank invest in G-sec or T-Bills etc. which needs to be addressed by RBI.

CMA Dibbendu Roy, Addl. Director and Dy. Secretary, BFSIB, gave the vote of thanks to the guest speakers for their exhaustive presentations and Chairman of BFSIB, Shri Syamal Ghosh Ray, Consultant, BFSIB, Shri B.Rajkumar, Advisor of BFSIB for their addresses.

WEBINAR ON

Webinar on "Certification of Government Commission of Banks by CMAs" on 30th August, 2022 from 4 pm to 6 pm organized by the Banking, Financial Services and Insurance Board

The Reserve Bank of India carries out the general banking business of the Central and State Governments through its own offices and through the offices of the agency banks appointed under Section 45 of the RBI Act, 1934. RBI pays agency commission to the agency banks for the government business handled by them. The Reserve Bank of India has permitted the Cost and Management Accountants to certify the Government Commission of both the public and private Scheduled Commercial Banks which is a good opportunity for practising Cost and Management Accountants to increase the scope of practice.

The RBI had issued a Master Circular on Conduct of Government Business by Agency Banks - Payment of Agency Commission RBI/2022-23/08 CO.DGBA.GBD.No.S-1/31.12.010/2022-23 dated April 1, 2022, where it is stated that agency banks are required to submit their claims for agency commission in the prescribed format to CAS Nagpur in respect of Central Government transactions and the respective Regional Office of Reserve Bank of India for State government transactions. The formats for claiming agency commission for all agency banks and separate and distinctive set of certificates have to be signed by the branch officials and Cost Accountants have been permitted to conduct the certification services with respect to claiming agency commission.

Keeping the importance of the above circular in mind and to promulgate the ramifications of the above circular to the practising as well as the members in industry, the Banking, Financial Services and

Insurance Board ((BFSIB) under the Chairmanship of CMA Chittaranjan Chattopadhyay, decided to conduct a webinar on "Certification of Government Commission of Banks by CMAs". The Speaker was CMA Dr.P Siva Rama Prasad, Former AGM of State Bank of India and eminent faculty of various certification courses of BFSIB.

The erudite Speaker presented the webinar with a lucid and illustrative Power point presentation. He started the webinar with a set of coherent guidelines outlining the objectives of the webinar in brief. The Speaker established the role of the Reserve Bank of India acting as the Banker for both the Central and State Government as per Section 20 of the RBI Act 1934. It provides them the Short-term Loans whenever necessary.

On behalf of the Government, the Bank collects the Receipts of the funds and makes the Payments. Agency Commission' is the remuneration received from the Reserve Bank of India (RBI), based on the 'Count/Amount' of eligible transactions, by the 'Agency Banks (Public and Private Sector Banks)', for transacting Central Government/State Government 'Receipts/Payments. The claim of the Central Government /State Government Commission is submitted to RBI after the requisite transactions get validated within the stipulated timelines.

The Speaker pointed out that for State Govt. Agency Commission Claim, that Settlement Units get their Data from Core Banking System, Internet Banking, Cash Management Product. The Speaker presented a slide showing the year-on- year growth of the Agency Commission paid by RBI to both Public and Private Sector Banks.

The Speaker touched further upon the discussion by explaining the time period allowed to furnish a claim on Agency Commission. He pointed out the settlement data for 'Agency Commission' is reported through e-Kuber to RBI. He further explained in detail about computation of agency commission, as per the prescribed methodology. He shared an illustrative chart demarcating the type of transaction and the rate of commission for the above-mentioned computation and elucidated the items which are ineligible for Central Government commission. To give a holistic view of the subject, the Speaker expounded the deduction of TDS on Agency Commission and the procedure of verification of the same. He explained the accounting procedure of the branch to enumerate the commission. The Speaker discussed the compliance and review procedure and shared the Certification proforma with the members.

The webinar ended with the Speaker addressing a number of technical queries from the Members which included how and where to apply for this particular professional assignment, how to gain professional assignments and the modalities of conducting the assignment. The webinar was a huge success and the members of the Institute acknowledged the role of the BFSIB for conducting the webinar to illuminate the professional opportunities available to Cost and Management Accountants.

ACTIVITIES OF THE BFSI BOARD

The BFSI Board and BFSI department continued to carry out various activities and initiatives during the quarter of July to September 2022 under the proactive and dynamic leadership of CMA Chittaranjan Chattopadhyay, Chairman of BFSIB

A. Meeting with dignitaries

i. Meeting with MD & CEO, Indian Overseas Bank: CMA Chittaranjan Chattopadhyay, Chairman, BFSIB met Shri Partha Pratim Sengupta, MD & CEO, IOB and Ms. S. Srimathy, Executive Director, Indian Overseas Bank on 21st July, 2022 at the Head Office of the Bank in Chennai and discussed issued related to role of CMAs in the banking sector.

ii. CMA Chittaranjan Chattopadhyay, Chairman, BFSIB met Shri R. N. Singh, Secretary Railway Board, Ministry of Railways on 6th July, 2022 and discussed on Infrastructure Financing and Banking. He also met Shri Rabindra N Mishra, Executive Director (Finance, Commercial & PPP) , Ministry of Railways (Railway Board) and discussed various issues on infrastructure financing in railways.

iii. Meeting with RBI Officials: CMA Chittaranjan Chattopadhyay, Chairman, BFSIB met Shri Jayant Kumar Dash, Executive Director, Reserve Bank of India and CMA P. Vasudevan, Chief General Manager, Reserve Bank of India at RBI Headquarters Office on 23rd August, 2022 at Mumbai. The Chairman, BFSIB was accompanied by CMA Vijender Sharma, Vice-President, ICAI and CMA Debasish Mitra, Council Member and multifaceted discussions about the relevance of CMAs in the banking sector was discussed.

iv. The Chairman, BFSIB and CMA Vijender Sharma, Vice-President also met Shri B. Sivakumar, CGM, RBI to apprise on the various initiatives undertaken by the Institute for dissemination of knowledge and skills amongstw the members of the Institute and Bank Officials.

v. Meeting with CMA Basant Maheshwari, Renowned Wealth Advisor: CMA Chittaranjan Chattopadhyay, Chairman, BFSIB along with CMA Vijender Sharma, Vice-President, ICAI met CMA Basant Maheshwari at his Office to discuss various activities in Capital Markets where the BFSIB intends to play an active role in the sector.

vi. Meeting with Shri S Srinivasa Rao, DMD & CRO, SBI: On 24th August, 2022 CMA Chittaranjan Chattopadhyay, Chairman, BFSIB along with CMA Vijender Sharma, Vice-President, ICAI met Shri S Srinivasa Rao at his Office. He was briefed on various activities and publications by the BFSI Board on contemporary issues of Banking. The Chairman and Vice-President, ICAI discussed on the effectiveness of Bank in utilising the services of CMAs both in the risk management of banks particularly in pre-sanction, post- sanction and problem of loan management.

vii. Meeting with Shri J. Venkatramu, MD & CEO of India Post Payments Bank Limited: On 16th September, 2022 CMA Chittaranjan Chattopadhyay, Chairman, BFSIB met Shri J.Venkatramu in his office. The Chairman discussed the activities of the Institute and brought to his notice about the disparity caused for their advertisement for the post of DGM (F&A) where CMAs have not been included.

viii. Meeting with Shri Rajib Sen, Senior Advisor, MSME, NITI Aayog: CMA Chittaranjan

Chattopadhay, Chairman, BFSIB met Shri Rajib Sen at his Office and appraised him about the activities of Task Force on MSME & Start-up formed by the Institute of Cost Accountants of India.

B. Discussion Paper on Charges in Payment Systems issued by the RBI for public comments

BFSI Board has requested members to provided their comments on the discussion paper on charges in Payment Systems issued by the Reserved Bank of India. The last date of receipt of application is on 27th September, 2022. Thereafter, it would be compiled and represented to RBI.

C. Certificate Course on General Insurance in association with National Insurance Academy (NIA)

The 2 nd batch admission of the course have already started for the members and students. I call upon all finance professionals to 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. Those interested may kindly fill up the Expression of Interest Form available online. 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.

D. Banking Courses

The 7th batch of the Certificate Course on Concurrent Audit of Banks started on 16th July,2022. Shri Dipankar Guha, Head, Baroda Apex Academy was the Chief Guest for the inaugural session and the Examination of this course was successfully completed on 4th September, 2022.

The 7th batch of Certificate Course on Credit Management of Banks started on 4th September,2022. Ms. Sumitra Raghavan, Chief Manager and Faculty, Baroda Apex Academy, Gandhinagar was the Chief Guest. The course had enrolments from various Banks, CMAs in practice and service. It has representation from students. We urge all interested to take the admission for all the three courses being offered and get benefitted by knowledge enhancement.

E. Certificate Course on Investment Management in association with NISM

We are happy to state that the Investment Management (Level-II) Batch No. 4 has commenced from 17th September, 2022. We are revamping the course structure of the Investment Management course and it would be soon uploaded in the website for members, students and others to enroll and benefit from the course.

F. Representation letters for inclusion of CMAs

As a continuous effort for further development of the profession in the BFSI sector we have represented to various authorities and employers for inclusion of CMAs in the sector. We are happy to announce that CMAs are now included as a desirable qualification of for the post of Chief Credit Officer for Punjab National Bank. Moreover, our tireless efforts have fructified in the measure that Indian Bank has included CMAs for the purpose of conducting statutory audits. We are also happy to state that CMAs are eligible to apply for the post of Assistant Manager (Finance and Accounts) in the Bharatiya Reserve Bank Note Mudran Private Limited. CMAs are also eligible to apply for the post of CEO of Vardhaman Bank.

G. Sale of Aide Memoire on Infrastructure Financing

The handbook released by BFSIB, titled 'Aide Memoire on Infrastructure Financing' for benefit of all stakeholder has been very well accepted by stakeholders. The members, students and others can grab their copies through online purchase via the link ***https://eicmai.in/booksale_bfsi/Home.aspx.***

We are happy to state that for this initiative of BFSIB. It was acknowledged and appreciated by various czars of industries namely Shri Satyajit Tripathy, Chairman cum Managing Director, United India Insurance Co. Ltd., Shri S.Paramasivan,Chief Executive Officer, AFCONS Ltd. Shri Umesh Choudhury, Vice-Chairman and Managing Director, Titagarh Group, Shri A.B.Desai, Chief Executive Officer, Gammon India, Shri Mahesh Kumar Sharma, MD and CEO, SBI Life Insurance Co. Ltd.,Shri Pradeep Multani, President, PHD Chamber of Commerce, Mrs. Apekshita Thipsay, Managing Director, The Cosmos Cooperative Private Ltd., CA Madhav (Abhay) Mate, Chairman, Janata Sahakari Bank Ltd.,CMA Suresh Khatanhar, Deputy Managing Director,IDBI, Shri M.Karthikeyan, Executive Director, Bank of India, Shri Prashant Kumar,Managing Director & CEO, Yes Bank, Shri Jayant Kumar Dash, Executive Director, Reserve Bank of India and many others.

H. Publication of three new handbooks

After the phenomenal response and gracious praise of the Aide Memoire on Infrastructure Financing, the Board had taken note of the need of technical literature for Cost and Management Accountants to keep themselves well-versed in the professional domain. Therefore, the BFSIB has decided to update the Handbook on Stock and Book Debts Audit. We are at the stage of review of the materials developed and very soon it would be published.

The contemporary and novel topics of Central Bank and digital Currency (CBDC) and Settlement of Foreign Exchange in INR will also be released very soon in the form of handbook.

I. July dedicated as 'Banking Month'

a) Webinars

A webinar was held by BFSIB on 6th July, 2022 on the topic of Infrastructure Financing: A Panacea for Development of New India; where Shri C M Khurana, Former Chief General Manager, Oriental Bank of Commerce was the speaker.

Another webinar was held by BFSIB on 23rd July, 2022 on the topic of Settlement of International Trade in INR; where Shri Vikas Babu Chittiprolu, DGM, Union Bank was the Chief Guest and Speaker and CMA Nijay Gupta, Forex Expert was the Guest of Honour and Speaker.

b) Blended Programme

The BFSI Board of ICAI organized the National Banking Symposium on 29th July, 2022 on the topic of Bank Nationalization and beyond at Hotel Hindusthan International at Kolkata.

Shri D. N.Ghosh, Former Chairman, SBI and first Chairman of ICRA Ltd. was the Chief Guest and Shri Chandra Sekhar Ghosh, Founder, MD & CEO, Bandhan Bank and Shri Soma Sankara Prasad, MD &CEO, UCO Bank participated in fire side chat event which was moderated by Shri Tamal Bandyopadhyay, Renowned Business Columnist. I had the pleasure to attend the programme along with my council colleagues' CMA Chittaranjan Chattopadhyay, Chairman BFSIB and CMA Biswarup Basu, Immediate Past President. Former presidents' CMA Amal Kumar Das, CMA Harijiban Banerjee and CMA Mahesh Shah graced the occasion along with participants from various banks and members of the Institute. The programme was also streamed live on the official youtube platform of the Institute in addition to a packed house who were spellbound with the event.

J.Webinars

i) Certification of Government Commission of Banks by CMAs" on 30 th August, 2022

The BFSIB decided to conduct a webinar on "Certification of Government Commission of Banks by CMAs". The Speaker was CMA Dr.P Siva Rama Prasad, Former AGM of State Bank of India and eminent faculty of various certification courses of BFSIB.

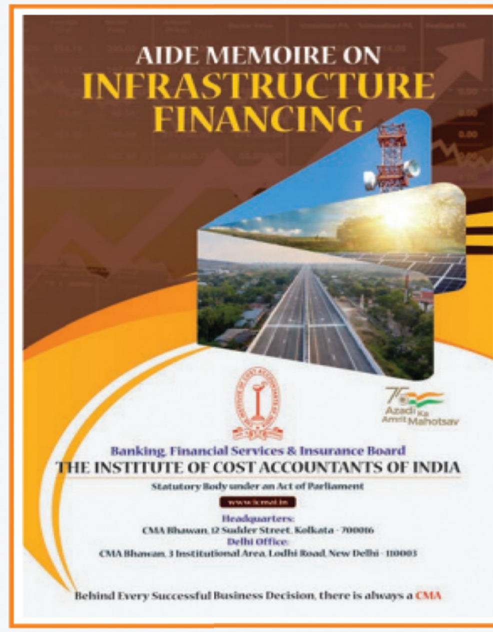
ii) CMAs as General Insurance Surveyors and Loss Assessors - Scope & Opportunity on 20th September 2022

The BFSIB had conducted a webinar on " CMAs as General Insurance Surveyors and Loss Assessors- Scope and Opportunity" on 20th September, 2022. The Resource Person was CMA Jacky Singh-Surveyor and Loss Assessor.

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
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CERTIFICATE COURSE ON CONCURRENT AUDIT OF BANKS

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8TH BATCH

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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 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

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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.

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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

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CERTIFICATE COURSE ON CREDIT MANAGEMENT OF BANKS

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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
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Examination

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Detailed Course Content

- ✓ **Introduction & Overview of Credit (Module 1)**
  - o Principles of Lending: Safety, Liquidity, Profitability, Purpose of Loan, Diversification Risk. Credit
  - o Policy: Importance, Contents, Exposure Norms
  - o Types of Borrowers: Individuals, Proprietorship Firms, Partnership Firms, Private & Pubic Limited Companies, Limited Liability Partnerships (LLP).
  - o Types of Credit Facilities: Various Types of Credit Facilities - Cash Credit, Overdrafts, Demand Loan, Term Loans, Bills Discounting
  - o Credit Delivery: Sole Banking Arrangement, Multiple Banking Arrangement, Consortium Lending, Syndication
  - o 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
  - o 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)**
  - o 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
  - o Analysis of Profit & Loss Account, Auditor's Note
  - o 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
  - o 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)**
  - o 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
  - o 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
  - o 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)**
  - o 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)**
  - o 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.

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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

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CERTIFICATE COURSE ON TREASURY AND INTERNATIONAL BANKING

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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
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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

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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

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Certificate Course in Investment Management

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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

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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

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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**

*** THE SYLLABI IS UNDER REVISION**

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.

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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.

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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

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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
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District - Raigad, Maharashtra - 410222

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CERTIFICATE COURSE IN
INTEGRATED TECHNICAL ANALYSIS AND ADVANCED DERIVATIVES

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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**

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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

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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
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Mr. Ashutosh Kumar
E-mail: *ssir@nism.ac.in*
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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.

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BANK NATIONALIZATION AND BEYOND

The Banking, Financial Services and Insurance Board of the Institute of Cost Accountants of India observed July 2022 as the Banking Month and hence organized on 29th July, a National Banking Symposium on "Bank Nationalization And Beyond" at Hotel Hindustan International. The event was streamed live through Institute's official YouTube channel for all its stakeholders worldwide.

The program was graced by Shri D.N.Ghosh, former Chairman of State Bank of India and the founder and first chairman of ICRA as the chief guest. Sri Chandra Shekhar Ghosh, the founder, MD and CEO of Bandhan Bank and Shri Soma Sankara Prasad MD and CEO of UCO Bank were also present and participated in a fire side chat.

Shri Tamal Bandyopadhyay, an award winning business columnist and author, was the moderator of the talk show.

CMA P.Raju Iyer, President, ICAI, welcomed the guests and expressed his thrill for organizing the symposium on such a pertinent topic. He mentioned the importance of cost management accountants in the banking industry and provided a sequential illustration as how economy is powered by management professionals.

CMA Biswarup Basu, Immediate Past President, ICAI, addressed the august presence and congratulated ICAI, for the symposium. He said the banking system is the powerhouse of any economy and the rise and fall of the economy largely depends on the health of its financial sector. One of the major objectives of nationalization of banks was the expansion of banking into rural areas to ensure financial inclusion. People's confidence was very low in banking which was a major obstacle in the expansion of banking in India. Nationalization of banks changed the fate of rural areas. Banks started coming out of cities and opening branches in villages and towns. Nationalization has shifted banking from class banking to mass banking and has also strengthened the green revolution. Its aim was to make the country self-reliant in food security. Despite critical conditions and turbulence in the Indian economy, the public sector banks have been successful in meeting the mandate with the support from the government and the RBI. CMA Basu applauded the private and public sector banks for their performance in time of crisis including the Covid-19 pandemic

CMA Chittaranjan Chattopadhyay, Chairman, BFSIB, in his address, welcomed the dignitaries and said with Nationalisation, Banks have moved from regulated times to an unregulated era with easing controls on interest rates, autonomy etc. Banks have to survive in today's world of intense competition. Every bank is deeply concerned with their bottom line. Technology, products, services being the same, cost optimization is the only way to protect their margins. The world is moving towards the only panacea for profit conservation. CMAs are well trained in Costing and have hands on experience to assist the banks in their war again cost escalation in every product, service, transaction they offer. CMAs can excel as CEOs, CFOs, CCOs in any organization with their costing, audit and management skills coming to the fore. The future of banking revolves around Technology and every bank shall be upgrading their technologies with Block chain, Artificial intelligence and machine learning. But, the cutting edge is going to be ultimately cost optimization.

Shri DN Ghosh in a conversation with Tamal Bandyopadhyay, took the audience down the memory lane and shared many untold stories relating to nationalization which enthralled the audience.

This session was followed by a fireside chat with two top bankers of Eastern India, Shri C S Ghosh, Founder, MD & CEO, Bandhan Bank and Soma

Sankara Prassd, MD& CEO, UCO Bank.

Shri S.S.Prasad while talking about whether the objectives of nationalization has been achieved, opined that one of the objectives of nationalization was to ensure that the entire population in India has access to banking. And they have succeeded as Jan Dhan account has been launched and greater penetration has been reached which is a great success after nationalization. As the 2nd objective he pointed that the public sector banks have played a major role in providing credit to all the sections be it SMEs or agriculture, which was limited of a few section of the society before nationalization. The 3rd objective he identified is easy, transparent and cheap banking services which are also achieved by PS Banks. When asked about how do public sector banks manage between making profits and providing affordable banking services, he mentioned the hidden social costs, which are taken care of by the public sector banks while ignored by the rest. He accepted that capital has been infused by the Govt, but also mentioned the big picture as to how much the public sector banks have contributed by way of tax, dividends and profits over the past 50 years for social upliftment. Shri Prasad, said that Govt will not privatize all the banks as by that they would lose control over such a key and strategic sector but at the same time he also stressed on the importance of the private banks. In candid discussion Mr Prasad also raised relevant issues such as poor pay package of public sector bank chiefs, their relatively shorter tenure vis-à-vis their private peers , inability to reward their employees for performance etc.

Shri C S Ghosh talked about the scopes of private banks and said that private banks like Bandhan banks are trying to reach the rural population, specially the agriculture sectors and provide them with access to financial services and capital. He also mentioned that the private banks while making greater profits, also contribute to the society from the profits by giving greater returns to the depositors and also on the ESG issues. He however deplored that step motherly treatment is being meted out to the private banks while opening government accounts with them. While talking about the extra charges by private banks, he said that by this the private banks are trying to educate the customers to transact and use the digital mode more and more. Shri Ghosh talked about the cyber-crimes and the security measures which the customers need to take and also said that without the checks and balances the banks cannot survive. He stressed on cost accountants' requirement in the banking industry due to their cost assessment skills and trainings.

After a satisfying and elaborate question answer session, the program was wrapped up by vote of thanks by CMA Chittaranjan Chattopadhyay, Chairman BFSIB.

An Evening on Bank Nationalisation and Beyond

CMA Chittaranjan Chattopadhyay, Chairman, Banking, Financial Services and Insurance Board (BFSIB) felicitating award winning author and columnist, Shri Tamal Bandyopadhyay with Shri Dhruba Narayan Ghosh, Former Chairman of State Bank of India, Founder and First Chairman of ICRA (L to R)

Shri Chandra Sekhar Ghosh, Founder, MD and CEO of Bandhan Bank being presented with a plaque by CMA P. Raju Iyer, President, while Shri Tamal Bandyopadhyay, award winning author and columnist and Shri Soma Sankara Prasad, MD and CEO of UCO Bank applaud.

Shri Soma Sankara Prasad, MD and CEO of UCO Bank being greeted by CMA Biswarup Basu, Immediate Past President
(L to R) Shri Chandra Shekhar Ghosh, Founder, MD and CEO of Bandhan Bank, CMA P.Raju Iyer, President and Shri Tamal Bandyopadhyay

Shri Tamal Bandyopadhyay, award winning author and columnist being awarded by Past President (L to R) Shri Chandra Sekhar Ghosh,Founder, MD and CEO of Bandhan Bank, CMA Amal Kumar Das, Past President, CMA P.Raju Iyer, President, Shri Tamal Bandyopadhyay, award winning author and columnist, CMA Mahesh Shah, Past President, Shri Soma Sankara Prasad, MD and CEO of UCO Bank and CMA Biswarup Basu, Immediate Past President

Shri Tamal Bandyopadhyay, award winning author and columnist having a fireside chat with Shri Dhruba Narayan Ghosh, Former Chairman of State Bank of India, Founder and First Chairman of ICRA.

Shri Dhruba Narayan Ghosh, Former Chairman of State Bank of India, Founder and First Chairman of ICRA gracefully accepting a bouquet from CMA P. Raju Iyer, President.

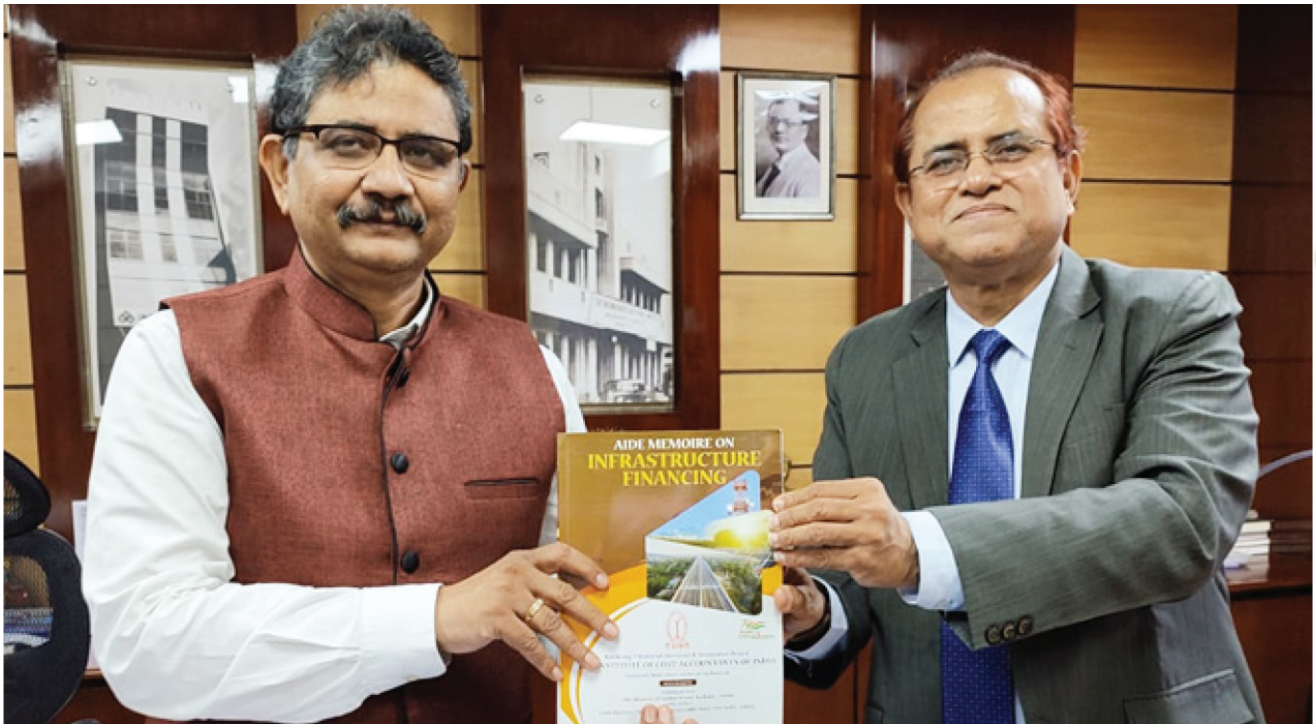
CMA Abhijit Goswami, Former Council Member, CMA Biswarup Basu, Immediate Past President, CMA Amal Kumar Das , Past President, CMA P.Raju Iyer, President,Shri Dhruba Narayan Ghosh, Former Chairman of State Bank of India, Founder and First Chairman of ICRA, Shri Chandra Shekhar Ghosh, Founder, MD and CEO of Bandhan Bank, Shri Soma Sankara Prasad, MD and CEO of UCO Bank, CMA Harijiban Banerjee, Past President, CMA Chittaranjan Chattopadhyay, Chairman,BFSIB, CMA Mahesh Shah, Past President (L to R)

Lighting of the Lamp: CMA Amal Kumar Das,Past President, CMA P. Raju Iyer, President, Shri Dhruba Narayan Ghosh, Former Chairman of State Bank of India, Founder and First Chairman of ICRA, Shri Chandra Shekhar Ghosh, Founder, MD and CEO of Bandhan Bank , CMA Harijiban Banerjee , Past President, Shri Soma Sankara Prasad, MD and CEO of UCO Bank and CMA Chittaranjan Chattopdhyay, Chairman, BFSIB (L to R).

Snapshots

CMA Chiitaranjan Chattopadhyay having an informal meeting with Shri Dhruba Narayan Ghosh, former Chairman of State Bank of India, Founder and First Chairman of ICRA on 19th July 2022 (L to R)

CMA Chittaranjan Chattopadhyay, Chairman, BFSIB, felicitating Ms.S Srimathy, Executive Director, Indian Overseas Bank on 21st July 2022 (L to R)



CMA Chittaranjan Chattopadhyay, Chairman, BFSIB presenting the publications of the BFSIB to Shri Partha Pratim Sengupta, MD and CEO, Indian Overseas Bank on 21st July 2022 (R to L)

CMA Chittaranjan Chattopadhyay felicitating Shri Chandra Shekhar Ghosh, MD and CEO of Bandhan Bank at Hotel Hindustan International on 29th July 2022 for the National Banking Symposium on " Bank Nationalisation and Beyond" (L& R)

Snapshots

CMA Biswarup Basu, Immediate Past President, CMA P.Raju Iyer, President and CMA Chittaranjan Chattopadhyay, Chairman BFSIB, addressing the media at Hotel Hindustan International for the National Banking Symposium on "Bank Nationalisation and Beyond" on 29 th July 2022 (L to R).

CMA Chittaranjan Chattopadhyay,Chairman, BFSIB, felicitating Shri Soma Sankara Prasad, MD and CEO, UCO Bank at Hotel Hindustan International for the National Banking Symposium on " Bank Nationalisation and Beyond" on 29th July 2022 (L to R)

CMA P. Vasudevan,CGM RBI (2nd from left) along with CMA Chittaranjan Chattopadhyay, Chairman,BFSIB (extreme right), CMA Vijender Sharma, Vice President, ICAI (2nd from right) along with CMA Debashis Mitra,Chairman, Advanced Studies and Placement had a meeting at RBI HQ on 23rd August, 2022

(L to R) CMA Basant Maheswari, Renowned Wealth Adviser is being felicitated by CMA Vijender Sharma, Vice- President,ICAI along with CMA Chittaranjan Chattopadhyay, Chairman, BFSIB on 23rd August 2022

Snapshots

CMA Vijender Sharma, Vice President, ICAI and CMA Chittaranjan Chattopadhyay, Chairman, BFSIB felicitating Shri B. Sivakumar, CGM, Reserve Bank of India on 23rd August 2022 (L to R)

CMA Chittaranjan Chattopadhay, Chairman, BFSIB felicitating CMA B. Rajendran, CGM,SEBI at Mumbai on 23rd August 2022 (L to R)

(R to L) Shri Jayant Kumar Dash, Executive Director, Reserve Bank of India is being presented with the Institute's publication by CMA Chittaranjan Chattopadhyay, Chairman, BFSIB, CMA Debasish Mitra, Chairman, Advanced Studies and Placement along with CMA Vijender Sharma, Vice President, ICAI.

CMA Chittaranjan Chattopadhyay, Chairman, BFSIB presenting the publications of BFSIB to Mr. Rishabh Shah, GM, Strategy CEO Office, Financial Express (L to R)

Snapshots

CMA Chittaranjan Chattopadhyay, Chairman, BFSI Board felicitating Shri Soma Sankara Prasad, MD and CEO, UCO Bank (R to L)

Shri S Srinivasa, Dy. Managing Director, Chief Risk Officer, SBI (centre) is being felicitated by CMA Vijender Sharma, Vice President ,ICAI (2nd from left) along with CMA Chittaranjan Chattopadhyay, Chairman, BFSIB (extreme left) at SBI HQ, Mumbai on 24th August, 2022, (L to R)

Snapshots

CMA Chittaranjan Chattopadhyay, Chairman, BFSIB and Guest Speaker on the topic " Professional Opportunities for CMAs in BFSI and Taxation" with the members of the Asansol Chapter of ICAI on 29th August 2022

CMA Chittaranjan Chattopadhyay being felicitated at the Asansol Chapter of ICAI

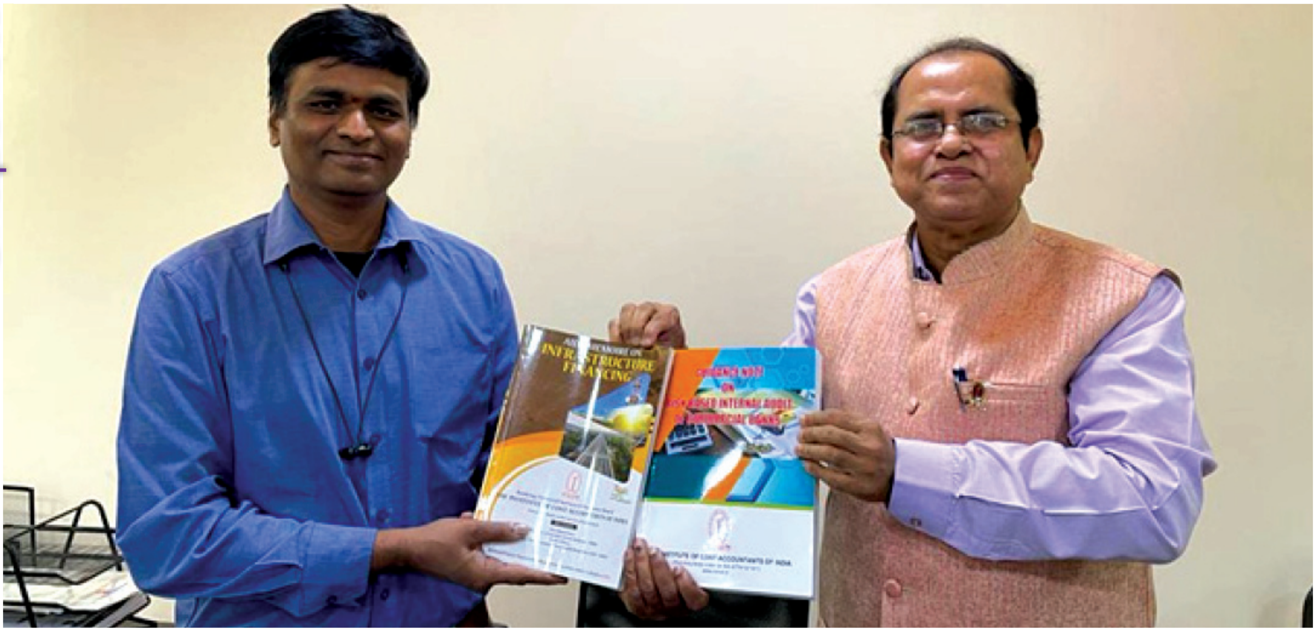
CMA Chittaranjan Chattopadhyay, Chairman, BFSIB, giving presentation on the topic "Professional Opportunities for CMAs in BFSI Sector and Taxation" at the Asansol Chapter of ICAI on 29.08.2022

Lighting of the Lamp: CMA Chittaranjan Chattopadhyay, Chairman,BFSIB lighting the lamp with CMA Biswarup Basu, Immediate Past President, CMA P.Raju Iyer, President and CMA Balwinder Singh, Past President at Chandigarh-Panchkula-Mohali Chapter on 2nd September 2022 (Centre L to R)

CMA Chittaranjan Chattopadhyay, Chairman, BFSIB addressing the audience in a seminar on "Professional Opportunities for CMAs in MSME Sector" at Chandigarh-Panchkula-Mohali Chapter on 2nd September 2022.

Valuable moment spent by CA Mukesh Singh Kushwah and CMA Rajneesh Jain, CFO of Reliance Jio with CMA Chittaranjan Chattopadhyay, Chairman, BFSIB at the Institute of Cost Accountants of India Headquarters on 10th September 2022 (L to R)

Snapshots



CMA Chittaranjan Chattopadhyay presenting the publications of the BFSIB to Shri J. Venkatramu, MD and CEO of India Post Payments Bank Limited on 16.09.2022 at Delhi (R to L)

CMA Chittaranjan Chattopadhyay, Chairman, BFSIB presenting the publications of BFSIB to Shri Rajib Kumar Sen, Senior Advisor, MSME, NITI Aayog, GOI at 16th September 2022 (L to R)

CMA Chittaranjan Chattopadhyay , Chairman, BFSIB with CMA N V V Chalapathi Rao at Financial Express CFO Connect Conclave 2022, Mumbai on 22nd September 2022 (L to R)

FINANCIAL SNIPPETS

July 22

- Bank rate transmission faster under external benchmark model
- Finance Ministry asks banks to explore fin tech partnerships, co-lending opportunities
- Cooperative banks to use JAMs (Jan Dhan, Aadhaar, Mobile)
- RBI battles rupee slump with a multipronged strategy
- RBI stops BNPL
- RBI acts to enhance foreign fund inflows, stabilise rupee
- Half of corporate loans are unhedged as per RBI
- NPCI is working on an alternative to SWIFT
- Services PMI at 59.2 in June - highest since April 2011
- Govt. constitutes FSIB to recommend persons for Financial Services Institutions
- RBI sets up system to settle global trade in rupees
- PSB to go live on Account Aggregator system by July 22
- NPA at six year low
- MTM(mark to market) losses expected to touch Rs. 13 000 Cr on rising bond yields
- Bank credit grows at 13.29% and Deposits at 9.77% as on 1 st Jul 22
- Bad loans recovery at Rs. 8.6 trillion
- Deposit Insurance in India is better than global norms
- Tiered regulated framework for Cooperative Banks
- Bank fraud cases have come down by 50%
- NPAs to be around 5-5.50% by March 2024 as per S&P
- Record high FDI in FY 22 at Rs.6.31 trillion
- Bank frauds to the extent of Rs.3204 Cr in FY 22

August 22

- RBI - FI index improves in 2022 across all parameters
- Indian Economy is an island of Financial stability as per RBI Governor
- All 12 PSBs on boarded on Account Aggregator System
- Factory output at 8 months high in July 22
- Credit Card sign ups have gone up
- Services exports may beat recession woes, hit r
- Monetary Policy on 5th August 22 -highlights
- Repo rate : MPC takes unanimous decision to raise benchmark lending rate by 50 bps to 5.40%
- Policy stance: MPC decides to focus on withdrawal

of accommodative policy stance to check inflation.

- Inflation projection: Retained at 6.7% for FY 23 on assumption of normal monsoon and crude oil at USD 105/ barrel
- Economic growth projection : RBI retains its projection at 7.2% for current fiscal
- Bank credit growth: It has accelerated 14% as against 5.5% a year ago
- FDI inflows : It improved to USD 13.6 bn in Q1 this fiscal against 11.6 bn in corresponding period last year
- Rupee : It has moved in an orderly manner, depreciating 4.7% till Aug 4.
- Inflation at 6.71% and IIP at 12.3%
- EASE ago be introduced for RRBs
- India- Asia's strongest economy as per Morgan Stanley
- RBI releases norms for digital lending
- PSBs recover Rs. 6.41 trillion from FY 2015 onwards
- PSBs profit at Rs.15036 Cr in this Q1
- Bank credit grows at 14.52% and Deposits at 9.14%
- PSBs to create Central Talent Pool
- WPI at 13.93 % in July
- Rating agencies upbeat about India
- SBI tops in Debit cards and HDFC Bank in Credit Cards
- IBC - the hair cut is to the tune of 69%
- As per S&P, India Inc can withstand high inflation and high interest rates
- September 22 (up to 17th Aug 2022)
- India becomes the fifth biggest economy in the world
- Credit card spends touch record high of Rs. 1.16 lakh crores in July
- Mudra loans cross Rs.1 lakh crores disbursal in this fiscal.
- Kisan Credit Cards- RBI is taking up pilot project for end to end digitisation
- RBI is planning to set up a Fraud Registry to check frauds
- UPI- 657 crores transactions amounting to Rs.10.73 trillion in August
- Personal loans have gone up by 42% in FY 22
- Net Exports ratio is 5.3% of GDP in this first quarter. It was 1.5 % of GDP in March quarter.
- ED in top gear, gets refund of 23 k crores to banks
- RBI asks 4 state run banks to test digital rupee, is in talks with Fintech Cos
- RBI data (UPI, Credit card issuance , spends) hint at strong consumption revival
- Demat accounts surpass 100 million for the first time
- Service sector activity up in August on gains in new business, job creation
- S&P Global India Services PMI Business activity index rose to 57.2 in August from a 4 month low of 55.5 in July

- IMF Chief says India is " a bright spot " in global economy
- Moody's retains India's Sovereign credit rating
- Non food bank credit grows at 15.96% YoY during the fortnight ended August 26
- HDFC Bank issues India's first e- Bank guarantee in partnership with NeSL
- World Bank warns of global recession.
- Govt exhorts banks to lend more to industry
- Govt drafts rules for IPOs of RRB
- Bankers uncomfortable taking haircuts in Prepackaged Insolvency Resolution Plan
- WPI eases to 12.41 % YoY in August from 13.93% last month.

CREDIT POLICY KEY TAKEAWAYS :

Dated 30th September 2022

- *Repo rate hiked by 50 bps to 5.9%*
- *SDF rate adjusts to 5.65%, MSF at 6.15%*
- *MPC voted with 5-1 majority in favour of 50-bps hike*
- MPC focused on calibrated withdrawal of accommodation*
- *High inflation necessitates monetary accommodation withdrawal*
- *Policy rate, adjusted for inflation, still trails 2019 levels*

INFLATION :

- *CPI inflation seen at 6.7% FY23*
- *Oct-Dec CPI inflation seen at 6.5%*
- *CPI inflation seen at 5.8% Jan-Mar*
- *CPI inflation seen at 7.1% Jul-Sep*
- *Apr-Jun CPI inflation seen at 5.0%*
- *Risk to food inflation may hit inflation expectation adversely*
- *Inflation expected to remain elevated at 6% in Oct-Mar*
- *Inflation persists on alarming high level across jurisdiction*
- *Inflation trajectory remains clouded with uncertainty*
- *Delayed monsoon withdrawal impacting vegetable prices*
- *CPI remains elevated due to large supply shocks*
- *Crude price correction if sustained can ease price pressure*
- *See upside risks to food prices*
- *Cereal price pressure spreading due to lower kharif output*
- *Geopolitical tensions weighing on domestic inflation*
- *High inflation globally may trigger second-order effects*

GROWTH :

- *FY23 real GDP growth seen at 7.0%*
- *Jul-Sep real GDP growth seen at 6.3%*
- *Oct-Dec real GDP growth seen at 4.6%*
- *Real GDP growth FY23 seen at 7%*
- *Apr-Jun real GDP growth seen at 7.2%*
- *Jan-Mar real GDP growth seen at 4.6%*
- *Geopolitical headwinds may pose downside risk to growth*
- *Economic activity in India remains stable*
- *India better placed than many emerging economies*
- *High frequency data shows econ activity resilient*
- *India economy remains resilient despite global headwinds*
- *Global shocks impacted economy profoundly*
- *Buoyant credit growth, govt capex to support growth Oct-Mar*

- *India real GDP growth remains highest among major economies*
- *GDP growth, kharif sowing seen supporting demand in Oct-Mar*
- *Investment demand is also picking up*
- *Rural demand also gaining gradually*
- *Farm sector remains resilient*
- *Resilient non-oil, non-gold imports show robust demand*

FX, EXTERNAL SECTOR :

- *Movement of rupee has been orderly compared to other nations*
- *Rupee fared better than many reserve currencies, Asian peers*
- *Rupee freely floating currency; exchange rate mkt determined*
- *Don't have any fixed level for exchange rate in mind*
- *Our actions in FX mkt helped restore investor confidence*
- *FX interventions based on continued assessment of situation*
- *Arduous to provide guidance in uncertain environment*
- *FX reserve umbrella continues to be strong*
- *Global economy outlook continues to be bleak*
- *Global economy is in the eye of a new storm*
- *Pandemic, Ukraine war have produced enough econ conflict*
- *Aggressive monetary move by global banks 3rd headwind to econ*
- *Central banks hiking rates despite growth sacrifice*
- *Advanced, emerging economies confronted with slowing growth*
- *Emerging markets face challenge of currency depreciation*
- *Emerging markets face challenges of growth, inflation*

FINANCIAL MARKETS :

- *All segments of financial markets in turmoil*
- *Nervous investor sentiment have triggered flight to safety*
- *Nervousness in financial markets to have implications on econ*
- *Expect system liquidity to go up on govt spending*
- *Liquidity remains in surplus*
- *Weighted avg call rate has risen 196 bps so far FY23*
- *Surplus liquidity moderated to 2.3 trln rupees Aug-Sep*
- *Large govt spending Oct-Mar can increase system liquidity*
- *Will conduct fine-tuning ops to inject, absorb liquidity*
- *Constantly monitoring liquidity situation*
- *Drawdown of excess CRR, SLR holding may also augment liquidity*
- *To conduct only 14-day VRRR ops going forward*
- *Merged 28-day VRRR with 14-day VRRR on fall in liquidity*

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