BANKING FINANCIAL SERVICES AND INSURANCE (BFSI)

CHRONICLE

ANNUAL ISSUE - 6th EDITION - JUNE 2021

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

(Statutory Body under an Act of Parliament)

www.icmai.in

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

Behind every successful business decision, there is always a CMA

MISSION STATEMENT

"The CMA 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."

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."

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 obligation, regulates the profession of Cost and Management Accountancy, enrols students for its courses, provides coaching facilities to the students, organises 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 toward the management of scarce resources and apply strategic decisions. This has opened up further scope and tremendous opportunities for cost accountants in India and abroad.

After an amendment passed by Parliament of India, the Institute is now renamed as ''The Institute of Cost Accountants of India'' from ''The Institute of Cost and Works Accountants of India''. This step is aimed towards synergising with the global management accounting bodies, sharing the best practices which will be useful to large number of trans-national Indian companies operating from India and abroad to remain competitive. With the current emphasis on management of resources, the specialized knowledge of evaluating operating efficiency and strategic management the professionals are known as ''Cost and Management Accountants (CMAs)''. The Institute is the 2nd largest Cost & Management Accounting body in the world and the largest in Asia, having approximately 5,00,000 students and 85,000 members all over the globe. The Institution headquartered at Kolkata operates through four regional councils at Kolkata, Delhi, Mumbai and Chennai and 110 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.

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Banking, Financial Services & Insurance Board (2020-21)
THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
(Statutory Body under an Act of Parliament)

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CMA P. Raju Iyer, Vice President

Chairman

CMA Chittaranjan Chattopadhyay

Members

CMA Balwinder Singh

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Shri Sushil Behl, Govt. Nominee

CMA Tanmaya Pradhan (Co-opted)

CMA Ramana Rao (Co-opted)

CMA (Dr.) Sunder Ram Korivi (Co-opted)

Secretary: **CMA Arup Sankar Bagchi,** Sr. Director

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PRESIDENT'S MESSAGE

CMA Biswarup Basu

President

The Institute of Cost Accountants of India

It is indeed a great pleasure to know that Banking, Financial Services and Insurance (BFSI) Board of the Institute is bringing out the Annual edition of its Banking, Financial Services and Insurance (BFSI) Chronicle.The first issue of BFSI Chronicle was launched on the occasion of Foundation Day of the Institute on 28th May, 2020. Since then, the Chronicle has proved to be an invaluable resource for all stakeholders who consider it important to stay abreast of important updates and development taking place in BFSI Sector.

The target of a $5 trillion economy cannot be achieved without a robust BFSI system. The COVID-19 pandemic is impacting the financial services sector in multiple ways, from business continuity issues and operational considerations to the overall financial outlook. It has fanned expected decline in credit growth due to the overall economic slowdown and impact of lockdown. To contain the decline in growth and mitigate the adverse impact, the Government is taking all the possible measures and initiatives.While the long-term implications of the pandemic for the BFSI sector is unknown, when normalcy returns, BSFI sector will likely have learned a few lessons. These may include how to best retain operational resilience when confronted with future pandemics, and possibly how to redesign new operating models such as alternate work arrangements and innovative ways to interact with customers in a remote set-up. Furthermore, the pandemic may further accelerate migration to infrastructure of the future – digital channels and connectivity.

I congratulate CMA Chittaranjan Chattopadhyay, Chairman- Banking, Financial Services and Insurance (BFSI) Board for bringing out the 6th issue of BFSI Chronicle which is also its Annual edition. I would like to express my sincere gratitude to our resource persons who have provided for their valuable inputs and contribution in the various issues of BFSI Chronicle published during the last one year. I hope that the BFSI Board will continue to bring out such valuable documents for the capacity building of the members and stakeholders.

I convey my heartfelt thanks to Shri Dinesh Kumar Khara, Chairman, SBI for his encouragement by way of this message in this annual issue.

I wish the BFSI Board grand success in all its initiatives.

With warm regards,

(CMA Biswarup Basu)

President

SBI CHAIRMAN MESSAGE

Shri Dinesh Kumar Khara

Chairman

State Bank of India

SBI

Greetings Message

I am pleased to know that the Banking, Financial Services & Insurance Board (BFSIB) of The Institute of Cost Accountants of India is coming out with the Annual issue of their journal, "BFSI Chronicle", in June 2021. The journal, with valuable insights on the BFSI sector, has a wide outreach to Cost and Management Accountants (CMAs), thousands of students pursuing such courses, Regulators, various Ministries and Financial Institutions. It is an important link in dissemination of knowledge and I am happy to note that the Institute, through its dedicated BFSI Board, is conducting various skill development courses on Banking for its members. Such capacity building exercises are the need of the hour, as Covid-19 pandemic has transformed the business models globally and the financial sector as well as the professional bodies need to adapt themselves to the evolving situation to stay relevant.

I wish the Institute / BFSI Board and the CMA family the very best in the days to come. All of you stay safe and stay healthy.

Dinesh Kumar Khara

June 24, 2021 **Chairman**

VICE-PRESIDENT'S MESSAGE

CMA P. Raju Iyer

Vice-President

The Institute of Cost Accountants of India

I am delighted to know that the Banking, Financial Services and Insurance (BFSI) Board of the Institute is releasing the Annual edition of BFSI Chronicle. I would like to acknowledge the extraordinary work achieved by the BFSI Board over the past one year and the efforts undertaken in publishing various issues of BFSI Chronicle.

The COVID-19 pandemic adversely impacted various industrial sectors of India as well as other countries across globe. In India, impact is resulting to a negative growth rate in economy. It is very much required to analyze and cater the data about those sectors which are badly impacted by pandemic. One of the most important sector of Indian economy is BFSI sector which is responsible for all the financial activities going on in the country and working as a supporting hand to all of the industries in term of financing, credit, transactions, collection and payment and so on.BFSI sector has a crucial role to play in driving post-pandemic economic recovery.

With the objective to enrich the readers about the various issues and recent developments in the BFSI sector, the dedicated BFSI team of the Institute has been relentlessly working in this adverse situation and has been putting in its best efforts to continuously sharpen our axe of knowledge. The BFSI Chronicle has proved to be a comprehensive guide to enrich the readers about the BFSI sector of our economy by providing current updates and value added articles from the experts.

I compliment CMA Chittaranjan Chattopadhyay, Chairman and other members of the Banking, Financial Services and Insurance (BFSI) Board and its Secretariat for their continued efforts in bringing out the various issues of BFSI Chronicle over the past one year for the benefit of the members and other stakeholders at large. I also express my gratitude to our eminent resource persons who are contributing with their valuable inputs.

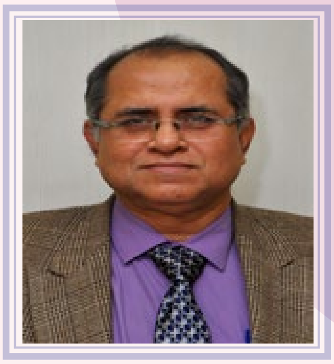
My best wishes to the endeavours of the BFSI Board.

With best regards,

(CMA P Raju Iyer)

Vice President

CHAIRMAN'S MESSAGE



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

See for the highest, aim at the highest and you shall reach the highest

- Swami Vivekananda

Let me start this issue with prayers and good wishes for my CMA families across the world, with a positive note. No fear, no negative thoughts and ideas. If we realize, how powerful our thoughts are, we would never think a negative thought again. Once again, we have faced the second wave with determination and vigour. What defines us is how well we rise, after falling. Being challenged in life is inevitable, being defeated is optional.We cannot calm the storm…so stop trying. What we can do is, calm ourselves. The storm will pass. We shall overcome together.

The daily cases have fallen to below one lakh for the last few weeks consecutively from the peak of 4 lakh plus. More than 30 crores have been vaccinated. Easing of lock down in a phased manner is taking place.

Despite a dreaded pandemic, investor interest in India continues to soar. In the latest Foreign Direct Investment (FDI) data released by the Ministry of Commerce, India received a record $ 81.72 billion of investment during the financial year 2020-21 compared to $74.39 billion in 2019-20.

Merchandise exports jumped over67% year on yearin Mayat $33.2 billion, the exports were almost 8% higher than even the May 2019 (pre pandemic) level as per the preliminary data released by the Commerce ministry. With this, exports have exceeded the pre covid level for three months in arow, suggesting the trade recovery is taking roots despite 2nd Covid wave. Imports too ,grew close to 69% in sync with improving domestic demand.

Mobility indicators such as Google Mobility Index, the Apple Driving Index and daily railway passenger revenues have all shown strong revival in June. E- way bills and imports for the first fortnight of June also showed strong growth, highlighting the gradual resumption of economic activity.Financial wealth in India rose 11% to $3.4 trillion in 2020 despite the pandemic as per the report of Boston Consulting Group (BCG). As per CMIE data India's unemployment rate improved toa six week low of 8.7% as Covid -19 cases decline and states lift lockdown curbs. National unemployment rate of almost 12% was recorded in May.India's forex reserves crossed the important milestone of $ 600 billion, aided by a whopping$ 6.842 billion jump in the reserves in the week ended June 4, 2021. Formation of a National Asset Reconstruction Co (Bad Bank) and National Bank for Financing infrastructure and Development are positive for the banking sector . This will go a long way in aiding the revival of the economy.

Only vaccine does not act as an antibody. The voice of friends also acts as an antibody. The whole world is against you, and someone says"I am With You" then an antibody is created.This is what the Institute of Cost Accountants of India has been striving to do "an antibody" for our CMA family, throughout the pandemic by conducting various webinars , webints , certificate courses, taking up various issues with RBI, Banks and Financial Institutions. We want to keep talking to you, support you , enhance the image of CMAs and keep the flag of our Institute flying high.

The moment any Organisation or Corporate thinks of Audit or Management functions, CMAs should come to their mind first and this is the Top Most Priority of BFSI Board. We are working on the following strategies round the clock to improve the visibility of CMAs and impress upon all the Institutions that CMAs are not mere accountants but are capable to handle managerial responsibilities with dedication and devotion. CMAs are groomed to be MDs and CEOs not only for auditing and certifications.

Keeping this in view,

- We have introduced online Certificate Courses in Investment Management, Concurrent Audit of Banks, Credit Management of Banks, Treasury and International banking to equip our CMAs to handle all these functions with confidence. We have been giving wide publicity amongst banks and financial institutions to boost the capacity building
- An Annual Essay Contest has been organised for Bankers from this year onwards
- Our Quarterly BFSI Chronicle is being utilised as a Good Will Ambassador to connect with all Banks, FIs and enhance our rapport with them
- We don't miss a single opportunity to greet , interact, take up issues with Regulators, Ministries, Banks and Financial Institutions.
- BFSI professionals are invited to inaugurate Certificate courses, participate in seminars/webinars on a continuous basis to improve our visibility in the BFSI sector

- We are in the process of preparing a template to demonstrate how well CMAs are trained as a Management Professional and are much superior to other accounting professionals in skill sets and are not mere accountants but Management Accountants.
- We are also preparing a Directory of Top Management Professionals in the BFSI sector, who are CMAs for bringing them together as a THINK TANK for our BFSI Board for guidance and better the prospects of CMAs
- We have engaged a Senior Banker who is a former Whole Time Director in a Public Sector Bank and Dy. Chief Executive in Indian Banks Association as our Advisor to coordinate with our activities in enhancing the image and scope of our Institute/CMAs with Banks & FIs

BFSIB organized the month of June as Insurance month and we have successfully completed three webints with eminent speakers, professionals and regulators and the concluding webint on Insurance was held on June 25, 2021 on "Impact of Pandemic on Insurance Business – Challenges and Opportunities" in association with National Insurance Academy.

Our marketing efforts are expected to improve the RECALL value of our Institute in nation building and CMAs as a Management Professional with auditing as a core skill.

Being challenged in life is inevitable, being defeated is optional.

Let us be open to learn, unlearn and relearn. The right attitude never takes us to wrong direction. The time is always right to do what is right.Everything will be ok in the end. If it's not ok, It is not the end.

With such constructive objectives in mind I am pleased to launch the 6th Edition AnnualIssue of the BFSI Chronicle and with our zest for knowledge dissemination we hope to undertake many more such activities in the days to come for the interest of all the stakeholders connected with the Institute.

With Warm Regards

(CMA Chittaranjan Chattopadhyay)

June 26, 2021

FROM THE DESK OF THE DEPARTMENT

Greetings from team BFSI!

We are deep into the last few days of the first quarter of the financial year 2021-22 and we are still battling with the fresh scars of the ongoing pandemic and effects of two successive lockdowns. Any pandemic, natural calamity or war has effects on certain sectors with a greater punch than others, BFSI being no exception as it is the network of arteries that runs through all other sectors, economies and activities in this planet earth that we call our home.

Earlier during the month of June 2021 we witnessed a growth estimate cut to 9.5% by the Reserve Bank of India where the Governor RBI said that impact of the second COVID-19 wave would likely be contained on the economy due to rationalized curbs. Furthermore, there may not be any rise in rates soon and the RBI would look through price pressures on account of global commodities as long as there was no pickup in demand. As the inflation projection has gone up by 0.1% to 5.1% it is felt that the increase may not be too significant for talks on normalization of monetary policy as such.

NPAs remain a concern in the banking sector and the 23rd financial stability report is expected to give further clarity on the subject, it may be recalled that the as per the 22nd financial stability report released by RBI on January 2021 the banks gross NPAs was indicated to rise to 13.5% by September 2021, from 7.5% in September 2020 under the baseline scenario.

It is expected that the stimulus as provided in the budget may be a catalyst for improved economic activities which was under stress due to the ongoing pandemic situation. We hope that the MSMEs who are facing a fund and liquidity crunch due to the pandemic and two lock downs may get relief by way of revised policies from the Government and banking sector.

We got the much awaited news of the revised vaccination policy where the Centre has capped the prices at which COVID-19 vaccines will be administered at private hospitals with a ceiling of ₹150 per jab as service charge and a GST of 5%, as specified in the Union Health Ministry June 2021 order. The icing on the cake is however that from 21 June 2021 everyone above the age of 18 will be eligible for free COVID-19 vaccines at government centres.

The insurance sector has always been a major component in the economy and more so during these uncertain times as the sector changed gears to meet the challenges and opportunities in these uncertain times of the brutal effects of the pandemic and successive lockdowns. Considering the importance of the sector and on the initiative of the BFSI Board, the Institute would be observing the month of June, 2021 as the "Insurance Month" and four webinars are scheduled to be conducted in the month by the BFSI Board along with other webinars hosted in Chapters/Regional Council across the country. The BFSI Board is also planning to organise an "Investment Month" in the month of August, 2021. We hope that all stakeholders will join in large numbers in these programmes of knowledge sharing.

Like all previous editions, this issue also carries interesting articles and we hope that the readers enjoy reading them.

Stay safe and happy reading!

SBI : BEST BANKING PRODUCTS

BANKING

Alok Kumar Choudhary
Dy. Managing Director (Finance)
State Bank of India, Corporate Centre, Mumbai

State Bank of India (SBI), the largest bank of India, has a proud heritage of more than two centuries. Having originated as Bank of Calcutta in 1806, it has developed into a financial behemoth with the largest number of branches and having its presence across all time zones of the world. Over the years, it has continuously evolved from manual banking to the digital banking,keeping pace with the changing times and customer preferences. Customer is the pivot, priority and purpose of SBI which is reflected in its customer base of over 45 crores and the Bank is aptly known as "The Banker to Every Indian".

Digital Initiatives: SBIhas been in the forefront of developing technology-driven banking solutionsthereby realizing its vision to "Be the Bank of Choice for a Transforming India". Over time, the Bank has built a robust and scalable technology architectureand has migrated a wide range of banking services onto digital platforms for the benefit of its customers. Most of the customer-facing services such as opening of account, making a term (fixed) deposit, remittances, tax payments, etc.are available 24x7 on the digital platforms.Bank has digitised the credit delivery process as well, for most retail products, from Personal & Auto Loans to Home & MSME loans. Today nearly 67% of the transactions happen through digital channels comprising of Internet, Mobile, UPI & YONO and Green Channels. After adding transactions through the ATMs / CDMs and the Banking Correspondent (BC) channels, the percentage share of transactions through Alternate Channels goes upto 93%.

The key driver for the Bank's digital strategy is its digital platform YONO (You Only Need One), which is an integrated omni-channel digital service platform designed to facilitate not just banking, but also the lifestyle needs of SBI's customers. YONO –a vehicle of the new digital eco-system - is a prominent emerging distribution channel. With YONO, SBI aspires to achieve growth, improve productivity and enhance customer experience.

The Bank is working on a number of strategic initiatives to build an agile organisation powered by data and guided by Artificial Intelligence (AI). The Bankis leveraging advanced technology and digital channels to gradually move most of the banking processes/offerings to YONO and improve its efficiencies in acquiring new customers, easing the credit flow to the borrowers and post disbursal engagement with customers.

Best in Class Products: SBI has best in class products, both liability and assets, for all its customers. While more details about the products and services can be seen from SBI's website www.bank.sbi or www.sbi.co.in, some of themost popular banking products are given below:

1. SBI Current Accounts (Khushiyon ka Khata)

SBI offers the best-in-class Current Account (CA) products and transaction services for small traders, manufacturers, working professionals, SMEs as well as large Corporates. The basic CA product "Regular", starts with a Monthly Average Balance (MAB) as low as Rs. 5000, while higher variants like "Gold", "Diamond" and "Platinum" are available with graded MAB with offerings of higher free limits forcash deposit (including at non-home branches), free cheque leaves, NEFT/RTGS, Demand Drafts and other facilities. All the Current Accounts come with free SMS alerts. Current Account variants are well equipped with fast, safe and secure Corporate Internet Banking and Business Debit Cards. CA Variants also provide number of Payments and Collection facility options across a wide network of more than 22000branches across India. Besides thefour general CA variants, there are specialized collection products like Power Jyoti, Power Jyoti PUL (Pre-Upload), which offer collection facility coupled with MIS as per requirements of customers. CA Surabhi product enablessweep and reverse sweep facility, where any amount above the set threshold will be automatically converted to term(fixed) deposits and funds from theseterm(fixed) deposits will be readily made available in CA, whenever required for making payments. All CA products are available along withthe suite of Cash Management Product (CMP) services like cash pick up, cheque pickup, customised payments as well as digital products. The details of SBI's CA product features are available in the link https://www.sbi.co.in/web/personal-banking/accounts/current-accounts(for personal accounts)andhttps://www.sbi.co.in/web/business/sme/current-accounts(for non-personal accounts).

2. SBI Salary Package Accounts

One of the Bank's most popular products is Salary Package Accounts. Bank offers customised Salary Package Account facility to meet specific requirements of regular employees of organized sector employers, including Central/ State Government, Defence Forces, Central Armed Police Forces, Railways, Police Forces, Corporates and Institutions. Presently, SBI offers eight different types of Salary Package Accounts based on the type of employer organisation, as under:

i. Corporate Salary Package (CSP) to employees of Corporates and Private Sector Institutions

ii. Central Govt. Salary Package (CGSP) to employees of Central Govt and Central Govt. Autonomous bodies

iii. State Govt. Salary Package (SGSP) to employees of State Govt and State Govt. Autonomous bodies

iv. Defence Salary Package (DSP) to employees of Indian Army/ Navy/ Air Force

v. Railway Salary Package (RSP) to employees of Indian Railway and Metros

vi. Central Armed Police Salary Package (CAPSP) to employees of Central Armed Police Forces

vii. Police Salary Package (PSP) to employees of State Police Depts.

viii. Indian Coast Guard Salary Package (ICGSP) to employees of Indian Coast Guard

While CGSP, SGSP, RSP, PSP and CSP are offered in four variants each (Silver, Gold, Diamond and Platinum) classified based on Net monthly salary, DSP, CAPSP and ICGSP are classified in three variants each (Gold, Diamond and Platinum) based on ranks. Minimum net Salary for opening Salary Package Account with SBI is Rs.10,000. Net Salary eligibility for variants is as under:

- Platinum: Above Rs 1,00,000
- Diamond: Above Rs. 50,000 and upto Rs. 1,00,000
- Gold: Above Rs. 25,000 and upto Rs. 50,000
- Silver: Between Rs. 10,000 and upto Rs. 25,000

Broad features of Salary Package Accountsare as under: -

i. No minimum balance requirement

ii. Issuance and Annual Maintenance Charges on customized Debit Card waived

iii. Free Unlimited Withdrawal across ATMs of any bank

iv. Free issuance of drafts

v. Free SMS Alerts, Standing Instruction set up and Multi City Cheque Book.

vi. Free online NEFT/RTGS.

vii. Auto Sweep Facility to earn higher interest

viii. Overdraft equivalent to 2 Months Net Salary (Currently available to Gold and above variant Salary Package Accounts)

ix. Concession in processing charges on retail personal loan

x. Complimentary Personal Accident Insurance (PAI Death) cover up to Rs. 20 lakh.

xi. Complimentary Air Accident Insurance (AAI Death) cover up to Rs. 30 lakh is available to Gold/ Diamond/ Platinum variants. To be eligible for PAI/AAI cover, the salary account should be an active account and should have received salary credits during the last two consecutive months preceding the date of the incident.

xii. Concession in Annual Locker Rents for Diamond and Platinum variant customers.

A team of more than 200 Corporate Salary Relationship Managers (CSRM) is positioned pan-India for marketing and servicing of Salary Package Accounts at Corporate/ Employer doorstep. They give presentationsto various Corporates and Institutions and install Helpdesks for opening Salary Package Accounts as well as resolving service issues. Features of Salary Package Accounts are also available in public domain at bank.sbi/web/salary-account.

3. Doorstep Banking Services

SBI has rolled out "PSB Alliance Doorstep Banking" Services at 100 Centers pan-India (currently total 5048 branches are covered under this facility). The facility is aimed at increasing ease of banking to the customers by providing basic banking services at their doorsteps.Doorstep Banking Services has come as a boon to customers especially Senior Citizens, Pensioners and Women in the current pandemic which has resulted in frequent lockdowns and restrictions in movement.

Doorstep services are extended through vendors specifically engaged for this purpose. The services can be availed by downloading mobile apps of the vendors from Google Play Store. The agents of these vendors will visit at customers' doorstep for delivery / pickup of service requests at a nominal cost. The non-financial services offered under PSB Alliance Doorstep Banking Services include pick-up services like Cheques/Instruments for Collection / Clearing, Cheque Book Requisition Slip, IT / Govt. / GST Challan with Cheque, Standing Instructions&Life Certificate and delivery services such as Statement of Account, Term Deposit Advice, TDS & Form 16 Certificate IssuanceandPre-paid Instrument / Gift Card. Under financial services, presently cash withdrawal for minimum Rs. 1,000/- and maximum Rs. 10,000/- is being done while cash deposit is expected to be introduced shortly.

Two toll free numbers - 18001037188 and 18001213721 have been provided to assist customers in availing services. The details are provided in website www.psbdsb.inalso.

4. YONO Cash

YONO Cash is a unique feature that can enable an accountholder to withdraw money instantly from any SBI ATM in India without using a debit card.Brief features of the product are as under:-

i. A customer can instantly withdraw funds from his account anywhere anytime in India without using a Debit Card.

ii. The account holder can withdraw money from State Bank ATMs

iii. There is a minimum transaction limit of Rs. 500/- and multiples of Rs. 500/- thereafter.

iv. A maximum of Rs.20,000 per transaction for the account holder is allowed. This maximum is outside that of the issued card limit of the customer. 2 transactions are allowed per customer per day.

v. This facility is available to the customer free of any charges.

'YONO Cash' offers secured, convenient and a cardless means of cash withdrawal to the customer without any capping on free transaction limits (unlike that in debit card).

5. Pre-Approved Personal Loans (PAPL)

PAPL is an end-to-end digital lending product andis conceptualized to provide a hassle-free digital personal loan to SBI's existing customers in the pre-approved format, with a view to minimize the time taking process of appraisal, sanction and delivery of personal loan at Branches. This marks a paradigm shift, as in the conventional way of banking, customers used to approach Bank for their personal loan requirements, whereas, with the introduction of PAPL, now Bank approaches the customer with the pre-approved loan offers. Brief features of the product are highlighted below:-

i. Eight Personal Loan variants including Pension Loansoffered under PAPL umbrella

ii. Customer identification done through a specially designed Analytics model based on product rules.

iii. Real time validations / secure PAPL journey

Other salient features of PAPL are:

i. Available in YONO App/Customer portal.

ii. Digital Communication sent to customers informing PAPL eligibility through SMS, e-mail and in App push notification.

iii. 4 clicks, hassle free journey.

iv. 24x7 availability.

v. Instant disbursement to customer's account.

PAPL offers following significant benefits to customers:-

i. Instantaneous processing of loan thereby enhancing customer experience.

ii. Ease of getting loan without branch visit and eliminating the reliance on branch working hours.

iii. No document submission needed.

iv. Instant loan availability.

6. Digital loan through Contactless Lending Platform(psbloansin59minutes portal)

SBI has designed a digital product for SME Customers, for applying for credit facilities from Rs.10 lakhs to Rs.500 lakhs. The customers with GSTIN details, Income tax returns and account statement can apply for SME loans at their convenience. Salient features of the scheme are given below:

a) Apply loan from any convenient place and at any time.

b) No Branch visit needed to apply for loan.

c) All MSME units, viz. proprietorship firms / partnership firms / closely held public and private limited companies, can apply.

d) No fee for onboarding on the platform.

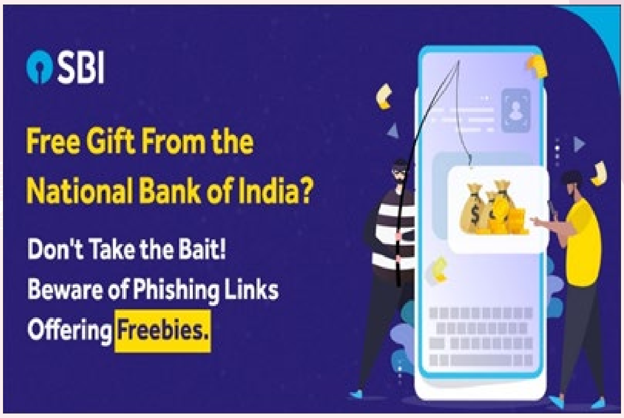
e) Quick Delivery: proposals will be sanctioned within 7 days (loans uptoRs.100 lakhs) and 21 days (loans above Rs.100lakhs) from the date of in-principle approval.

f) No requirement of Physical documents like balance sheet, ITR, GST returns, account statement.

g) Both Working Capital and Term Loan facilities can be applied for.

Hassle free application process is available on https://sbiloansin59minutes.com. The customer can apply on the portal to get an in-principle approval and approach the SBI branch for further processing of the loan / credit limit.

Customer Awareness: SBI is taking a number of steps to educate the customers not only about the products and services but also about the fraudulent activities that the banking transactions are subject to. Increasinguse of technology and digital banking transactions is also giving rise to various types of cyber-crimes. Fraudstersare deploying newer tactics to dupe bank customers with fraudulent messages andluring them to click on the fraudulent links leading to a fake website to steal their personal/financial details.Hence, awareness is the most powerful weapon against these threats and evolving techniques. Bank is making all efforts to make the customers aware of such fraudulent activities through Cyber Security messages on Bank's public facing websites (bank.sbi/sbi.co.in), Social Media Platforms (Face Book, Twitter, Instagram, You Tube), SMS to customers' registered



mobile number, cyber security messages to Bank's INB customers, etc.Through such methods, Bank makes the customers awareof risks in sharing their Card/PIN/OTP/CVV details, cautioning them not to click on unknown links received on mobile/email, etc. Bank never asks for customers' details on phone, message or email and never sends links on mobile/email.Bank also arranges for display of multilingual cyber security messages/slides/hoardings at public places such as bus stations, railway stations, religious places, near highways, etc. Regular dissemination of cyber security tips and awareness to our customers through Customer Meets/ Camps/Town Hall meetings, nukkarnataks, radio jingles, etc. is also done.

The products,as mentioned above, are a few from the bouquet of products which are offered by SBI to its esteemed customers.Bank is also well positioned to provide various other opportunities in infrastructure financing, corporate banking, retail banking including MSMEs and treasury products.Through its various subsidiaries and joint venture partners, State Bank Group provides a whole range of financial services including Life Insurance, General Insurance, Merchant Banking, Mutual Funds, Credit Card and Trustee Business, among others.SBI isleveraging the synergies of every entity to ensure delivery of value across entire gamut of financial services to all its customers. SBI aims to offer uninterrupted banking solutions to the customer and to become the most trusted and preferred banker to every Indian. Undeterred focus on innovation, customer service and value creation is what makes SBI an enduring enterprise. True to the Bank's vision, SBI is committed to be a strong partner to an "Atmanirbhar" India.


इण्डियन ओवरसीज़ बैंक
Indian Overseas Bank
Good people to grow with
IOB Trendy
Savings Account for the Millennial...
(Age group 21 yrs to 38 yrs)
Some of the Special features...
No Opening Balance*. Maintain daily minimum balance of Rs 10000/- or daily minimum balance of Rs. 5,000/- and digital turnover of minimum of Rs. 20,000/- per month. (**Digital turnover- Include Transactions using IOB ATM/CDM / IOB Mobile Banking or Internet Banking fund transfer/ IOB UPI transactions or IOB Debit card POS Transactions)
Free Personalised Cheque book, Free funds transfer online/ offline using NEFT or IMPS or RTGS, Free SMS alerts & Free registration of ECS/ NACH Mandate
Facility of Auto sweep, when the Balance exceeding certain limit shall be kept as Short term deposits at higher interest rate.
Availability of Mobile Banking & Internet Banking on activation of account.
And much more...
*Conditions apply
Contact nearest IOB branch for further details... Call Center: 1800-425-4445
Indian Overseas Bank
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Indian Overseas Bank

STRUCTURAL CHANGES IN BANKING INDUSTRY RELATED TO LARGE CREDIT DELIVERY AND WAY FORWARD

BANKING

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Former General Manager
International and Treasury
Central Bank of India

One of the reasons for large non-performing loans faced by the Indian Banking System has been loans availed by the overambitious corporates mostly disproportionate to their scale of operations. This was facilitated due to inadequate existing prudential limitsrelating to the size of borrowings by the borrowers from an Individual Bank or from the entire Banking system. Over a period, time it enabled borrowers to resort to highly leveraged borrowingsparticularly by the large corporates/businesses inviting twin Balance sheet problems for Corporates and Banks.

There were specified prudential limits in terms of how much a Bank can lend to an individual borrower in terms its own capital funds viz a Bank has exposure limits to Individual borrowers to the extent of 15% of its capital funds. Similarly, a Bank has group exposure limits (aggregate of exposure to borrowers belong to same group) to 40% of its capital funds. These prudential limits were too high in terms ofincreased concentration of Bank lending to a group of borrowers. Some of the large stressed borrowers in the country witnessed leverage ratios in the vicinity of 15 to 20 times their capital. Obviously, such high leveraging is fraught with risk. Hence Reserve Bank of India has examined it timely and on a review of the same issued revised individual and group exposures limits by Banks in December 2016 which are dealt in subsequent paragraphs.

In order to check the over lending by Banks and to streamline the Banking system, Reserve Bank of India has introduced/ brought certain structural changes to the Bank Lending in the recent past. Some of the important and landmark changes and also suggested mechanism as way forward are enumerated hereinbelow.

A. Revised Large Exposure framework. (LEF)

B. Enhancing Credit Supply for Large Borrowers through Market Mechanism

C. Loan Delivery System.

D. Loan Syndication Mechanism- a way forward.

Now each of above framework is discussed under in detail:

A. Revised Large exposure Framework for large Borrowers:

In the month of Dec 2016, Reserve Bank of India came out with revised framework for large exposure framework which popularly known as LEF framework. The new norms brought about by RBI resulted in reduced permissible exposure limits for group and individual corporate due to following changes which is elaborated below:

	Existing	Revised	Remarks
Individual Exposure	15% of Banks capital funds	20% of Banks Tier I capital funds	Banks Board may allow additional 5% exposure.
Group Exposure	40% of Banks Capital funds	25% of Tier I capital of Banks	----

Further on 3rd June, 2019 RBI has, inIn order to capture exposures and concentration risk more accurately and to align the above instructions with international norms, broughtthe following amendments in the above mentioned instructions:

i) Exclusion of entities connected with the sovereign from definition of group of connected counterparties.

ii) Introduction of economic interdependence criteria in definition of connected counterparties.

iii) Mandatory application of look-through approach (LTA) in determination of relevant counterparties in case of collective investment undertakings, securitisation vehicles and other structures.

Scope of application

Banks must apply LEF at the same level as the risk-based capital requirements are applied, that is, a bank shall comply with the LEF norms at two levels: (a) consolidated (Group) level and (b) Solo level.

The application of the LEF at the consolidated level implies that a bank must consider exposures of all the banking group entities (including overseas operations through branches and subsidiaries), which are under regulatory scope of consolidation, to counterparties and compare the aggregate of those exposures with the banking group's eligible consolidated capital base.

Scope of counterparties and exemptions

Under the LEF, a bank's exposure to all its counterparties and groups of connected counterparties, excluding the exposures listed below, will be considered for exposure limits. The exposures that are exempted from the LEF are listed below:

a. Exposures to the Government of India and State Governments which are eligible for zero percent Risk Weight under the Basel III – Capital Regulation framework of the Reserve Bank of India.

b. Exposures to Reserve Bank of India.

c. Exposures where the principal and interest are fully guaranteed by the Government of India.

d. Exposures secured by financial instruments issued by the Government of India, to the extent that the eligibility criteria for recognition of the credit risk mitigation (CRM) are met in terms of extant guidelines.

e. Intra-day interbank exposures.

f. Intra-group exposures.

g. Borrowers, to whom limits are authorised for food credit.

h. Banks' clearing activities related exposures to Qualifying Central Counterparties (QCCPs).

i. Deposits maintained with NABARD on account of shortfall in achievement of targets for priority sector lending.

Where two (or more) entities that are outside the scope of the sovereign exemption are controlled by or are economically dependent on an entity that falls within the scope of the sovereign exemption and are otherwise not connected, those entities will not be deemed to constitute a group of connected counterparties.

However, a bank's exposure to an exempted entity which is hedged by a credit derivative shall be treated as an exposure to the counterparty providing the credit protection notwithstanding the fact that the original exposure is exempted.

All exempted exposures must be reported by a bank as required under regulatory reporting, if these exposures meet the criteria for definition of a 'Large Exposure' .

The Large Exposure limits

Single Counterparty: The sum of all the exposure values of a bank to a single counterparty must not be always higher than 20 percent of the bank's available eligible capital base. In exceptional cases, Board of banks may allow an additional 5 percent exposure of the bank's available eligible capital base. Banks shall lay down a Board approved policy in this regard.

Groups of Connected Counterparties: The sum of all the exposure values of a bank to a group of connected counterparties must not be always higher than 25 percent of the bank's available eligible capital base.

The eligible capital base for this purpose is the effective amount of Tier 1 capital fulfilling the criteria as per the last audited balance sheet. However, the infusion of capital under Tier I after the published balance sheet date may also be taken into account for the purpose of Large Exposures Framework. Banks shall obtain an external auditor's certificate on completion of the augmentation of capital and submit the same to the Reserve Bank of India (Department of Banking Supervision) before reckoning the additions to capital funds. Further, for Indian Banks, profits accrued during the year), will also be reckoned as Tier I capital for the purpose of Large Exposures Framework

Any breach of the above LEF limits shall be under exceptional conditions beyond the control of the bank, shall be reported to RBI (DBS, CO) immediately and rapidly rectified.

Definition of connected counterparties-In some cases, a bank may have exposures to a group of counterparties with specific relationships or dependencies such that, were one of the counterparties to fail, all the counterparties would very likely fail. A group of this sort, referred to in thisLEF framework as a group of connected counterparties, must be treated as a single counterparty. In this case, the sum of the bank's exposures to all the individual entities included within a group of connected counterparties is subject to the large exposure limit, and to the regulatory reporting requirements as specified above. These inter relationships or dependencies within the group of counterparties is well articulated and defined by the Regulator to avoid any sort of ambiguity.

Banks are also expected to refer to criteria specified in the extant accounting standards for further qualitative guidance when determining control.

While determining control relationship, banks should also examine cases where clients have common owners, shareholders, or managers; for example, horizontal groups where an undertaking is related to one or more other undertakings because they all have the same shareholder structure without a single controlling shareholder or because they are managed on a unified basis.

Where control has been established based on any of the above criteria, a bank may still demonstrate to the RBI in exceptional cases (e.g., existence of control between counterparties due to specific circumstances and corporate governance safeguards) that such control does not necessarily result in the entities concerned constituting a group of connected counterparties. For example, in specific cases where a special purpose entity (SPE) that is controlled by another client (e.g. an originator) is fully ring-fenced and bankruptcy remote (ie. arrangements exist to the effect that assets of SPE are not available to lenders of parent undertaking in the event of insolvency of the parent undertaking) – so that there is no possible channel of contagion. Hence no single risk exists between the special purpose entity and the controlling parent entity.

In establishing connectedness based on economic interdependence, banks must consider, at a minimum, the following criteria:

- Where 50% or more of one counterparty's gross receipts or gross expenditures (on an annual basis) is derived from transactions with the other counterparty.
- Where one counterparty has fully or partly guaranteed the exposure of the other counterparty, or is liable by other means, and the exposure is so significant that the guarantor is likely to default if a claim occurs.
- Where a significant part of one counterparty's production/output is sold to another counterparty, which cannot easily be replaced by other customers.
- When the expected source of funds to repay the loans of both counterparties is the same and neither counterparty has another independent source of income from which the loan may be serviced and fully repaid.
- Where it is likely that the financial problems of one counterparty would cause difficulties for the other counterparties in terms of full and timely repayment of liabilities.
- Where the insolvency or default of one counterparty is likely to be associated with the insolvency or default of the other(s);

Values of exposures: General measurement principles

Under the proposed LE Framework, an exposure to a counterparty will constitute both on and off-balance sheet exposures included in either the banking or trading book and instruments with counterparty credit risk. Definitions and measurements of such exposures are given in this section.

Definitions of exposure values under the LE Framework

Banking book on-balance sheet non-derivative assets: The exposure value is defined as the accounting value of the exposure. As an alternative, a bank may consider the exposure value gross of specific provisions and value adjustments.

Banking book and trading book OTC derivatives (and any other instrument with counterparty credit risk): The exposure value for instruments which give rise to counterparty credit risk and are not securities financing transactions, should be determined as per the extant instructions as prescribed by the Reserve Bank (on exposure at default) for the counterparty credit risk.

Banking book "traditional" off-balance sheet commitments: For the purpose of the LEF, off-balance sheet items will be converted into credit exposure equivalents through the use of credit conversion factors (CCFs) by applying the CCFs set out for the Standardised Approach for credit risk for risk-based capital requirements, with a floor of 10 percent.

On-balance sheet netting: Where a bank has in place legally enforceable netting arrangements for loans and deposits, it may calculate the exposure values for LEF purposes according to the calculation it uses for capital requirements purposes – i.e., on the basis of net credit exposures subject to the conditions set out in the approach to on-balance sheet netting in the risk-based capital requirement.

Calculation of exposure value for Trading Book positions A bank must add any exposures to a counterparty arising in the trading book to any other exposures to that counterparty that lie in the banking book to calculate its total exposure to that counterparty. The exposures considered here correspond to concentration risk associated with the defaulting of a single counterparty for exposures included in the trading book. Therefore, a bank's exposures to financial instruments issued by counterparties not exempted under this Framework will be governed by the LE limit, but concentrations in a particular commodity or currency will not be.

Interbank ExposuresThe interbank exposures, except intra-day interbank exposures, will be subject to the large exposure limit of 25% of a bank's Tier 1 capital . In stressed circumstances, RBI may accept a breach of an interbank limit ex post, in order to help ensure stability in the interbank market.

Exposures to Central Counterparties

Banks' exposures to QCCPrelated to clearing activities will be exempted from the LE framework. However, these exposures will be subject to the regulatory reporting requirements.

Large exposures rules for global systemically important banks (G-SIBs) and domestic systemically important banks (D-SIBs)

The LE limit applied to a G-SIB's exposure to another G-SIB is set at 15 percent of the eligible capital base.

The LE limit of a non-G-SIB in India to a G-SIB in India or overseas will be 20 percent of the eligible capital base. The limit applies to G-SIBs as identified by the Basel Committee and published annually by the FSB. When a bank becomes a G-SIB, it must apply the 15 percent exposure limit to another G-SIB within 12 months from the date of becoming G-SIB, which is the same time frame within which a bank that has become a G-SIB would need to satisfy its higher loss absorbency capital requirement. Similarly, when a counterparty bank becomes G-SIB, banks may apply limits as indicated above, within 12 months from the date of counterparty bank becoming G-SIB. For the purpose of computing exposure limits under LEF, Indian branches of foreign G-SIBs will not be considered as G-SIBs. Accordingly, for Indian branches of foreign G-SIBs, exposure limit on a G-SIB, including their head office, will be 20% of eligible capital base and exposure limit on any other bank (i.e., not G-SIB) will be 25% of eligible capital base. Similarly, for Indian branches of foreign non-GSIBs, exposure limit on a non-GSIB, including their head office, will be 25% of eligible capital base and exposure limit on a G-SIB will be 20% of eligible capital base.

Implementation date and transitional arrangements

All aspects of the LE Framework except guidelines with reference to economic interdependence criteria and non-centrally cleared derivatives exposures, (both of which are applicable from April 1, 2020), are applicable in full, with effect from April 1, 2019 and the exposure norms applicable to single/group of connected counterparties are no longer applicable from that date. Banks must adjust their exposures so as to comply with the LE limit with respect to their eligible capital base by the date of implementation. Accordingly, for aspects applicable from April 01, 2020, prior to this date, banks should avoid taking any additional exposure/reduce exposure in cases where their exposure is at or above the exposure limit prescribed under this Framework. While non-centrally cleared derivatives exposures are exempt till April 1, 2021.

Credit Risk Mitigation (CRM) instrument (e.g., SBLC/BG from Head Office/other overseas branch) from which CRM benefits like shifting of exposure/ risk weights etc. are not derived, may not be counted as an exposure on the CRM provider. In this context RBI clarified that above clause will also apply to non-fund-based credit facilities provided to a person resident outside India ie., the exposure can be reckoned on the person resident outside India instead of treating it as an exposure on Head Office/ other overseas branch, provided the transaction is otherwise compliant with Foreign Exchange Management (Guarantees) Regulations, 2000.

However, on 23 rd. May 2020 RBI has as a onetimemeasure, to increase a bank's exposure to a group of connected counterparties from 25% to 30% of the eligible capital base of Bank. Because of the COVID-19 pandemic, debt markets and other capital market segments are witnessing heightened uncertainty. As a result, many corporates are finding it difficult to raise funds from the capital market and are predominantly dependent on funding from banks. Therefore, with a view to facilitate greater flow of resources to corporates, it has been decided, by RBI as a one-time measure, to increase a bank's exposure to a group of connected counterparties from 25% to 30% of the eligible capital base of the bank. The increased limit will be applicable up to June 30, 2021.

Other Major Changes as per revised Large exposure framework as under:

i) Earlier the bank can take exposure in relation to their capital funds (tier I + tier II). In the revised norms this exposure stands limited to Tier I capital.

ii) Earlier in case of groups bank boards have the discretion to lend additional 5% of capital funds on case-to-case basis, however in the revised norms no such discretion is available.

iii) In case of infrastructure related exposures banks can take additional exposure of 10% of their capital funds. The revised norms do not give any such discretion.

iv) Removal of additional dispensation given to bank for taking exposure on individual corporate and groups for infrastructure projects.

v) Removal of additional dispensation for exposure on oil companies who have issued oil bonds.

The above norms would ensure that there is no undue concentration of large lending by Banks in a group of large borrowers which has been the phenomenon in the recent few years. However, it may pose implementation challenges in the immediate transition period for obvious reasons. It is largely felt that it will be difficult to restrict the exposures of 20% of entire capital base (TierI) at all times for exposure to large Public Sector Undertakings for obvious reasons.

Moreover, in the revised guidelines of Reserve Bank of India the ambit of group of connected parties is widened including dependencies of group of counter parties with specific relationship to include in the definition of group exposure. In India large companies belonging to the core and real sector like Steel, Oil, Automobile, or other core industries may have many small ancillaries/dealers having no significant ownership ties with large corporates. Hence the scope of revised guidelines to include such ancillaries or dealer companies in the group may involve denial of genuine credit facilities to such small entities. Hence where there is no clear and significant ownership ties such entities may not be part of group even if there is economic interdependence. Or else it would unintentionally impact the credit delivery for genuine credit requirements of such small and medium enterprises which get tagged as part of group by virtue of its natural business relationship to the Company/ Industrymajor whose product it sells or serves. In fact, often the financing to many small units is done primarily on the strength of the tie up arrangements with the Industry Major.

In fact, in Indian context many large industrial groups have companies operating independently in area where there are no linkages or interdependence. For instance, an industry major may have companies across sectors which are managed independently with no funding support needed from group. Similarly, a group may have companies across diverse fields and if all such companies are considered to be belonging to group, then the ceilings for group exposures need to be much higher than the single exposure ceilings. It may be mentioned that such companies have independent Boards consisting of independent directors and usually high degree of prudent corporate governance.

Similarly, a Bank may have number of large corporate clients who have smaller sized vendor who are also Banks's clients under small and medium enterprise category and where the former (i.e large corporate) are material customers for the latter. The wordings of above criteria of RBI deems that all such vendors would need to be aggregated to the large corporate.

B. Enhancing Credit Supply for Large Borrowers through Market Mechanism

One important limitation in the LEF framework was that it is limited to exposure norms for a borrower at an individual Bank level. There was no restriction a borrower approaching multiple Banks for their financing requirements and thus unduly leverage and thus posing systemic risk.

As such there wasa build-up of high concentration of credit risk at the systemic level in the banking sector. While single and group exposure norms put a ceiling on the amount an entity can borrow from a single bank, there is no ceiling on total bank borrowing by a corporate entity from entire Banking system. This has resulted in banks collectively having very large exposures to some of the large corporates in India, particularly in the power/ infrastructure, housing finance and steel sectors/ industries. Many large corporates are excessively leveraged and banking sector's aggregate exposure towards such companies is also excessively high. This poses a collective concentration risk to the banking sector, even when the single and group borrower exposures for each bank remain well within the prescribed exposure limits.

There the need therefore arises for a framework that mitigates the risk posed to the banking system on account of large aggregate lending by the banking system to a single corporate as the single borrower exposure limit linked to a bank's Tier 1 capital may not by itself be sufficient to contain the risk the banking system is exposed to.

There are several ways to address this risk. In the current context, it was the Reserve Bank's considered opinion that putting in place prudential risk recognition measures are preferable to imposing hard limits on banks' aggregate lending to large borrowers, due, among others, to the following reasons –

(i) Sudden imposition of a hard limit on aggregate lending to a corporate from the banking system may destabilise the credit intermediation process, in the absence of well-developed alternate channels. This may hamper credit growth in an already subdued economic environment and adversely impact the business cycle. It would also be difficult for banks to prune their existing exposures to the corporates at short notice.

(ii) The corporate bond market in India is not well developed and lacks depth – there are a number of constraints relating to the issuer and investor base, absence of robust secondary trading volumes, inadequacies of market infrastructure such as reporting, trading and exchange platforms, disclosure insufficiencies, etc. which need to be addressed at regulatory level separately.

In the circumstances the Reserve Bank proposed to introduce the Framework for Credit supply for large borrowers through market mechanism as an important measure of structural reforms and issued guidelines on 25th Aug 2016 and thereby brought into force the directives relating to Credit supply for large borrowers through market mechanism so that borrower can no longer borrow from multiple Banks without any restrictions. He would be required to gradually move to borrowings through market instruments after he reaches a thresh hold limit in terms of his total borrowings from Banking System.

The detailed guidelines in this regard are enumerated below:

Definitions:

1. For this Framework, the following terms shall have the meaning assigned to them herein below:

(i) Aggregate Sanctioned Credit Limit (ASCL) means the aggregate of the fund-based credit limits sanctioned or outstanding, whichever is higher, to a borrower by the banking system. ASCL would also include unlisted privately placed debt with the banking system.

(ii) 'Specified borrower', means a borrower having an ASCL of more than

a. `25,000 crore at any time during FY 2017-18.

b. `15,000 crore at any time during FY 2018-19.

c. `10,000 crore at any time from April 1, 2019 onwards.

(iii) 'Reference date', means the date on which a borrower becomes a 'specified borrower'.

(iv) Normally permitted lending limit (NPLL) means 50 percent of the incremental funds raised by the specified borrower over and above its ASCL as on the reference date, in the financial years (FYs) succeeding the FY in which the reference date falls. For this purpose, any funds raised by way of equity shall be deemed to be part of incremental funds raised by the specified borrower (from outside the banking system) in the given year.

Provided that where a specified borrower has already raised funds by way of market instruments and the amount outstanding in respect of such instruments as on the reference date is 15 per cent or more of ASCL on that date, the NPLL will mean 60 percent of the incremental funds raised by the specified borrower over and above its ASCL as on the reference date, in the financial years (FYs) succeeding the FY in which the reference date falls.

(v) Banking system means all banks in India including RRBs and co-operative banks and branches of Indian banks abroad.

(vi) Market instruments shall include bonds, debentures, redeemable preference shares and any other non-credit liability, other than equity.

Scope:

These guidelines will be applicable on all single counterparties of Scheduled Commercial Banks (SCBs), except other SCBs, NBFCs registered with RBI, AIFIs (NHB, SIDBI, EXIM Bank and NABARD) and HFCs registered with NHB. Banks should apply their due diligence while deciding the NPLL for a single borrower in order that borrowers do not circumvent the cut-off ASCL criteria by borrowing through dummy/fictitious group companies.

This was made effective from the financial year 2017-18 onwards. The banking system shall ordinarily keep its future incremental exposures to the specified borrowers within the NPLL, else they will be subject to the prudential measures as detailed below.

Prudential Measures:

From 2017-18 onwards, incremental exposure of the banking system to a specified borrower beyond NPLL shall be deemed to carry higher risk which shall be recognised by way of additional provisioning and higher risk weights as under:

Additional provisions of 3 percentage points over and above the applicable provision on the incremental exposure of the banking system more than NPLL, which shall be distributed in proportion to each bank's funded exposure to the specified borrower.

(ii) Additional Risk weight of 75 percentage points over and above the applicable risk weight for the exposure to the specified borrower. The resultant additional risk weighted exposure, in terms of risk weighted assets (RWA), shall be distributed in proportion to each bank's funded exposure to the specified borrower.

Banks may, at their discretion, subscribe to bonds issued by the specified borrowers (over and above NPLL) in the first year of this framework taking effect, i.e., 2017-18 subject to extant investment guidelines and these being divested in the subsequent three years as per the following milestones:

(i) Not less than 30 percent by March 31, 2019

(ii) Not less than 60 percent by March 31, 2020

(iii) Not less than 100 percent by March 31, 2021.

All holdings by a bank of market instruments issued by a 'specified borrower' after the 'reference date' shall be held in the AFS/HFT category and marked to market as applicable thereto. However, banks may, at their discretion, value their holdings of market instruments issued by the specified borrowers in 2017-18 at book value.

C. Loan Delivery System.

One of deficiencies delivery of working capital finance by Banks in the current form of Cash Credit Facilities is that it lacks self-liquidating nature. Every working facility should be normally repaid out of sales proceeds and there has to be a definite time frame for it within the working capital cycle of Industry or trade. But the current method of Cash Credit facility failed to ensure such linkage and unintentionally the Cash Credit limit tacitly continues to be merely a loan for infinite period without naming it Term Loan. With a view to enhance credit discipline among the larger borrowers enjoying working capital facility from the banking system, it was proposed to modify the system for delivery of bank credit for such borrowers sothat working capital limits have a pre specified and compulsory loan component with its predefined repayment period. With this objective RBI has introduced the Loan Delivery System and the salient features of the loan delivery system introduced by RBI on 5th Dec 2018 are as under:

a. Minimum level of 'loan component' and Effective date

In respect of borrowers having aggregate fund based working capital limit of `1500 million and above from the banking system, a minimum level of 'loan component' of 40 percent shall be effective from April 1, 2019. Accordingly, for such borrowers, the outstanding 'loan component' (Working Capital Loan) must be equal to at least 40 percent of the sanctioned fund based working capital limit, including ad hoc limits and TODs. Hence, for such borrowers, drawings up to 40 percent of the total fund based working capital limits shall only be allowed from the 'loan component'. Drawings in excess of the minimum 'loan component' threshold may be allowed in the form of cash credit facility. The bifurcation of the working capital limit into loan and cash credit components shall be affected after excluding the export credit limits (pre-shipment and post-shipment) and bills limit for inland sales from the working capital limit. Investment by the bank in the commercial papers issued by the borrower shall form part of the loan component, provided the investment is sanctioned as part of the working capital limit.

b. Sharing of Working Capital Finance

The ground rules for sharing of cash credit and loan components may be laid down by the consortium, wherever formed. All lenders in the consortium shall be individually and jointly responsible to make sure that at the aggregate level, the 'loan component' meets the above-mentioned requirements. Under Multiple Banking Arrangements (MBAs), each bank shall ensure adherence to these guidelines at individual bank level.

c. Amount and tenor of the loan

The amount and tenor of the loan component may be fixed by banks in consultation with the borrowers, subject to the tenor being not less than seven days. Banks may decide to split the loan component into WCLs with different maturity periods as per the needs of the borrowers.

d. Repayment/Renewal/Rollover of Loan Component

Banks/consortia/syndicates will have the discretion to stipulate repayment of the WCLs in instalments or by way of a "bullet" repayment, subject to IRAC norms. Banks may consider rollover of the WCLs at the request of the borrower, subject to compliance with the extant IRAC norms.

e. Risk weights for undrawn portion of cash credit limits

Effective from April 1, 2019, the undrawn portion of cash credit/ overdraft limits sanctioned to the aforesaid large borrowers, irrespective of whether unconditionally cancellable or not, shall attract a credit conversion factor of 20 percent.

f. The guidelines will be effective from April 1, 2019 covering both existing as well as new relationships. The 40 percent loan component will be revised to 60 percent, with effect from July 1, 2019.

D. Loan Syndication Mechanism -Way Forward:

The above major initiatives by RBI in brining carrying out structural changes to credit delivery mechanism is well founded and is aimed to remove the deficiencies in the existing system of Credit delivery to large corporates. It would help avoid concentration of credit in an individual borrower and /or in a group of connected borrowers and thus help manage credit risk /concentration risk by Banks effectively going forward.

However, going forward we also need to emulate the best practices followed by Banks in developed economy. In this context mechanism of syndicated loans seems most ideal in view of its inherent advantages to the lenders as well as corporates.

Loan Syndication:

Currently, Banks in India dispense Corporate Credit through Consortium, Multiple Banking Arrangement or Bilateral lending. These processes have their own merits and demerits. The demerits are mainly in terms of delays in getting approval of each participating lender, different covenants stipulated by different banks, delay in holding consortium meetings, in-effective monitoring of end use, multiple Bank's financing same project under multiple lending leading to borrowers taking advantage of the system and lack of effective exchange of information.

Other disadvantages being delay in modification in terms of sanction, NOC for Ceding charges, information asymmetry between lead bank and members, classification of asset etc.

Suggested Loan Syndication Framework:

Loan syndication framework is operating successfully in many of the developed countries. Under this framework, which is much superior to existing consortium or multiple Banking lending, can be made applicable to loanssay with minimum 3-5 lenders or more and athreshold size of loan may be kept minimum of say `500 or `1000crores to start with. In this method the role of each of the participantsare pre-defined. A secured deal site/admin site for dissemination of borrower's information amongst participants is prerequisite.

Lead Bank would requiredrawing up the information memorandum and term sheet with common terms and conditions of loan. There has to be pre-determinedtimelines for sanction of facilities. Further one of important features will be that once Terms and conditions are finalized by the lead Bank, there would no changes what soever and participating Bank would have to accept or leave it.AdministrativeAgent, documentation agent to be appointed with clearly defined role and responsibilities. It would also facilitate Centralized a++udit by Regulator and also Asset classification would be common across the Banks. Any Bilateral lending arrangement can continue as existing for smaller exposures.

Important Prerequisites:

A deal platform or site needs to be created for each loan which will be managed by Lead arrangers. All the exchange of information between borrowers and lenders will be handled through the said platform only. Information memorandum (IM)and term Sheet for credit facilities will be prepared and circulated by lead arranger. This is similar to IM which is shared during fund raising or IPO with responsibility on proper disclosure. Each lender can carry out their own due diligence based on risk appetite. Borrower in consultation with lead lender will allocate share to each lender. The final document to be executed by participants will be put on deal platform/site and allocated lenders can give in their signature to complete the documentation.

Post-documentation, agency deal site handled by the Administrative agent for exchange of subsequent information (ASM reports, Covenant Compliance certificate etc) / financial statements / documents – accessible to all lenders of record. Also, periodic interest and instalment payments to all bank's pro rata.

Advantages of Loan syndication method:

Main advantage of such system would be to remove the possibility of unhealthy multiple financing and unhealthy competition amongst lenders. It also ensures structured information flow for each loan. It facilitates potential for better loan structuring with robust terms and conditions and also uniform / transparent documentation process including creation of charge on assets/insurance of properties/common borrowing base etc. - managed centrally by the Agent Bank.

It facilitates the Inflow and outflow of funds - channelized through Admin Agent – loan outstanding maintained pro rata to exposure of each lender. Monitoring/Supervisory expertise is extended to all the participating banks through structured market practices. Smaller banks get an opportunity to participate in large loan facilities without having to establish independent borrower relationships.

Most important the proposed method paves the way for a robust Secondary market for loans. This can provide depth and liquidity to bank loans and be a tool for resizing loan portfolios and exposures of banks.

Conclusion: There could be challenges in implementing loan syndication method for working capital when compared to Term Loan where covenants etc are uniform. In case of WC finance there could be challenges as there is competitive offering for pricing by different lenders but it has numerous advantages as enlisted above. At least to start with an Inter-creditor agreement in case of working capital loans could be good beginning. Over a period, a robust credit delivery mechanism being evolved in the Indian Banking system learning from its own mistakes. Thus, going forward Indian Banking system would adopt the Loan syndication model for large corporate credit due to its inherent and numerous advantages. It would also help trading of loan on an electronic secondary trading platform on account standard documentation and covenants andsteps for creation of secondary trading platform for loans are already underway.

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Reference: RBI Circulars on LE Framework, Enhancing Credit Supply for Large Borrowers through Market Mechanism and Loan Delivery System.

CREDIT RISK VS. CREDIT RATING

(Credit Rating and its Importance)

BANKING

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Credit Risk is defined by the Losses in the event of a default of the Borrower to repay his obligations or in the event of a deterioration of the Borrower's Credit Quality. This simple definition hides a couple of underlying Risks. Virtually, the "Quantity" of Risk is the outstanding balance loaned to the borrower by the Financial Institutions and the "Quality" of Risk reflects both the chances that the default occurs and from the guarantees that reduce the Loss in the event of default.

Credit Risk is the oldest and perhaps the most important of all Risks in terms of size of potential losses in Banking Industry. Credit Risk is measured several lines i.e., Risk for Portfolios of Loans and envisaging 'Loan Portfolio Management' etc. In fact,Credit Risk is growing and needs special attention by the Financial Institutions. The Risk aspects are therefore required to be factored in the Credit Proposals and Credit Rating System. The final gradation should be used both for the purpose of Decision Making and adjusting the Pricings of the Credit Facilities.

The System of Credit Rating of the proposals on various dimensions prescribed by the Banks goes back to the year 1988. In this System, popularly known as the CRS (Credit Rating System), Two/ThreeFinancial Parameters depicting Operating Efficiency/Strength of the Borrowing unit and a few subjective aspects of the functioning of the unit were required to be Scored. The total score was then graded against a 'Scale and the Pricing' was decided on that basis.

Credit Risk in Financial Sector:

The Credit Risks will remain High in the Country's Financial Sector in 2020, despite the recognition of legacy Stressed Assets and Capital Infusion by the Government in Public Sector Banks.

India will go through a tug of war on the economy, Resolution of Bad Loans, and Health of Non-banking Financing Companies (NBFC). Private-sector Banks and Top-tier Public Sector Banks with better Franchises, Profitability, and Capitalization are likely to increase their Market Share.

Reduction in Stressed Assets is Contingent upon the Insolvency and Bankruptcy Process. India's Corporate Bankruptcy Process has been a Mixed Bag. The Process has Yielded Recovery Rates that are higher than the earlier regime and stabilized Non-performing Assets Ratios for the System in the past Financial Year. However, it is taking longer than originally envisaged.

NPAs of Scheduled Commercial Banks (SCBs) Recovered through Various Channels

Recovery Channel	2018-19				2019-20			
	No. of Cases referred	Amount involving	Amount Recovered	Col. (4) as per cent of Col. (3)	No. of Cases referred	Amount involved	Amount Recovered	Col. (8) as per cent of Col. (7)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Lok Adalats	40,87,555	53.484	2,750	5.10%	59,86,790	67,801	4,211	6.20%
DRTs	51,679	2,68,413	10,552	3.90%	40,818	2,45,570	10,018	4.10%
SARFAESI Act, 2002	2,35,437	2,58,642	38,905	15.00%	1,05,523	1,96,582	52,563	26.70%
IBC, 2016	1,152*	1,45,457	66,440	45.70%	1,953*	2,32,478	1,05,773	45.50%
Total	43,75,823	7,25,996	1,18,647	16.30%	61,35,084	7,42,431	1,72,565	23.20%

(Source: Off-site returns. RBI and Insolvency and Bankruptcy Board of India (IBBI)

Notes:

- DRTs: Debt Recovery Tribunals.
- * Cases admitted by National Company Law Tribunals (NCLTs) under IBC. However, figures appearing for amount involved and amount recovered are for cases whose Resolution Plan was approved during the given Financial Year i.e., 81 Cases for 2018-19 and 135 Cases in 2019-20. Also, the amount recovered refers to realizable by all financial creditors, not just SCBs.
- The Resolution Plan of 'Essar Steel India Limited' was approved in 2018-19. However, as apportionment among Creditors was settled in 2019-20, the recovery is reflected in the latter year data.

Insolvency and Bankruptcy Code (IBC), under which recovery is incidental to rescue of Companies, remained the dominant mode of recovery. However, the Securitization and Reconstruction of Financial Assets and Enforcement of Securities Interest Act, 2002 (SARFAESI) channel also emerged as a major mode of recovery in terms of the amount recovered as well as the recovery rate (As mentioned in the above Table).

With the applicability of the SARFAESI Act extended to Co-operative Banks, recovery through this Channel is expected to gain further traction.

Going forward, Insolvency outcomes will hinge around uncertainties relating to Covid-19. The Government has suspended any fresh initiation of insolvency proceedings in respect of defaults arising during One Year commencing March 25, 2020 to shield Companies impacted by Covid-19.

Credit Risk Assessment:

Assessment of the Risk aspects of a Business proposition is a necessary element in the process of decision making especially in the Business of Banking. Deployment of funds through the Credit facilities provided to the Customers have traditionally been an important Banking Business. Bankers have been assessing the Risk elements involved in these Credit Propositions and taking calculated decisions depending on extent of their Risk taking and Hedging Capacity.

Dispensation of Credit by Bankers in India was largely governed by the tightly framed Rules and Regulations till the early years of the last decade of the last century. Consequently, the Compliance aspects in respect of the various elements in a 'Credit Proposal' with the laid down guidelines attracted their utmost and immediate attention during the period. A meaningful assessment of the 'Risk' aspects of 'Credit Proposal' came only next in the degree of importance. As a result, Risk Assessment mainly confined to 'Subjective or Qualitative Assessment of Risk' which in its turn, was largely based on the trend of the Industry, the Banker's previous experience with the Borrower, need of the Borrower, and to a certain extent on the Security Offered etc. With the advent of Liberalization in Indian economy and Banking Officials were given more freedom, and more responsibility with regard to Decision Making and Pricing the Credit Facilities. This necessitated use of more Sophisticated Tools for assessing the Credit Risks involved in the Objective and Quantitative manner by the Bankers.

In Today's deregulated Financial regime, Performance as well as Risk perception in respect of a Borrowing Unit is considerably influenced by Exogenous factors like Industry Scenario, Govt. Regulation, National/ Global Economic Scenario etc. If these factors are not favorable, a performing unit may suffer with adverse Risk Situations.

Mitigation of Credit Risk through Credit Rating System:

Credit Rating System used Banks and by the 'Major Indian Credit Rating Agencies' is more or less the same. The Rating System involves an Analysis of all the factors affecting the Creditworthiness of a Company e.g., Business, Financial and Industry Characteristics, Operational Efficiency, Management Quality, Competitive Position of the Company and commitment to New Projects etc.

Financial Appraisal is a detailed Analysis of the past Financial Statements is made to assess the Performance and to Estimate the Future Earnings. The Company's ability to Service the Debt Obligations over the Tenure Loan is being evaluated. In fact, it is the relative Comfort Level of the Company to Service Obligations that determine the Rating. While Assessing the Loan, the following are the main factors that are analyzed into detail by the 'Credit Rating'.

√ Business Risk Analysis.

√ Financial Analysis.

√ Management Evaluation.

√ Geographical Analysis.

√ Regulatory and Competitive Environment.

√ Fundamental Analysis.

In the 'Credit Risk Assessment System', all possible factors which go into Appraising the Risk associated with a 'Loan Proposal' have been taken into account. The factors have been categorized broadly as under:

1. Financial Risk.
2. Industrial Risk and
3. Management Risk.

Financial Risk:

The 'Financial Risk' aspect of Credit Proposal is indicated by the following parameters:

√ Latest Financials of the Unit (Financial Ratios).

√ Average Financials over a period of Time.

√ Comparison of Latest Financials with the Industrial Average.

√ Risks which are not Transparent.

The Financial Parameters to assess the Financial Risk are:

Current Ratio	>= 1.50
TOL / TNW	< 2.00
PBDIT / Interest (Times)	>= 4.00
PAT / Net Sales (%)	>= 8.50
Return on Capital Employed (%)	>= 20.00
(Inventory + Receivables) / Sales (Days)	< 90
Project Debt / Equity	< 1.50
TOL / TNW (Max. over amortization Period)	< 2.00
Gross Average DSCR of the Project	>= 2.00
Gross Average DSCR for all Loans	>= 2.00
Terms of Repayment (Years)	< 5

Industry Risk:

One of the important elements in the process of 'Appraising a Credit Proposal' is to study the Current Trend in the Industry (the Specific Activity, in particular). An overall perception about the 'Industry Trend' and its future always works in our mind in this process of Appraisal. However, the perception needs to be translated into Quantifiable Terms, when the Risk aspects of the Credit Proposal are examined and measured.

The 'Industry Risk' factors embodied in the Risk Assessment Models for all the Market Segments have been broadly classified into Six Categories, for which value statements have been prescribed by the Bank. These parameters are:

- Competition / Market.
- Industry Cyclicality.
- Regulatory.
- Technology.
- Inputs Profile.
- User Profile.

Competition & Market Risk Value Statements are further analyzed into:

- Monopoly or Oligopoly situation.
- High entry barriers into the Industry.
- Company is one of the lead players or has an exclusive niche market or Brand Equity.
- Has a market share growing faster than the Industry.
- Does not depend on One or Few Buyers.
- Has a range of Products.

Industry Cyclicality means:

- Long Term Prospects of the Industry are Excellent.
- Fairly Stable Industry Cycles.

Regulatory Risk (Incorporating aspects of Labour and Environment) comprises of:

- Business not affected by the Regulatory Framework.
- Operations are not hampered by lack of Skilled Labor.
- Harmonious Labor Relations and no Stoppages due to Labor Unrest.
- All Environment / Pollution related clearances have been obtained.

'Technology and Quality Control' play a vital role in the present 'Market Competition' and it also to provide 'Quality and Quantity' of Products / Services provide to the Customers:

- World-class Technology or Tie-up with a World Class Major Companies. There are no problems relating to Transfer of Technology.
- Adequate measures for Quality Control are in place.
- Maintenance of Plant and Machinery is in Good Condition.
- Premises are suitable for Current Production and Immediate Expansion plans.
- Capacity Utilization is High.

Inputs Profile – The Cost of Production, Quantity and Quality of the Products depends on Input Profile:

- Raw Materials – Easily Available.
- Steady Price.
- No Risk of Sourcing by Alternate Users or more Profitable usages elsewhere.
- Substitutes Inputs Available.

User Profile – The Users of the Organization Output is the Customers. Hence, the following factors are important:

- Engineering / Industrial / ConsumerProduct of wide Acceptance / Usage.

- The Product is Distinctive.
- There are No Complaints about Rejection of the Company's Products.
- The Company's Products are protected by Patents.
- There is a Wide Area of Operation.

Management Risk:

Assessment of the 'Management Risk' aspects in a Credit Proposal is, perhaps, the most important Area of Risk Assessment, especially where the Management has not been time-tested.

The Management Risk Factors embodied in the Risk Assessment Models for all the Market Segments have been classified into Five Categories.

- Integrity.
- Track Record.
- Structure & Systems.
- Expertise.
- Capital Market Perceptions.

Integrity Covers:

- No Fraudulent Deals / Connections.
- On no occasion has any unsatisfactory feature of the Management come to Light.
- The Integrity and Character of the Management is beyond reproach.

Track Record includes:

- Achieves Sales Projections, maintains Financial Discipline.
- No Irregularities / Letters of Credit / Bank GuaranteesDevolvement in the Account.
- Record of Meeting commitments to Lender &Creditors is Excellent.
- No defaults in Group Companies.
- Credit Summations in the Loan Accounts are Adequate.
- Fulfillment of Bank Loan Terms and Conditions like Timely payment of Term Loan Installments, Submission of Stock Statements, Timely Renewal of Loan and submission of Audited Balance Sheet and Stock Statements, Insurance coverage to the Assets financed by the Bank etc.
- Management has Adequate Measures for warding off Take-over Threats.

Structure & Systems the Controls of Various Operations of the Organization. They are:

- Adequate Delegation of Powers has taken place, Sound Budgeting / MIS / Business Intelligence Reports / Reporting Costing Systems are in place.

- Statutory Requirements like Payment of GST / TDS intime, Pollution Control measures etc. are met.

Expertise, Competence / Commitment means:

- Highly Qualified Professionals Working as a Team.
- Record of Time Execution of Projects.
- The Management has a well-defined Strategy for the Future.
- The Line of succession is well Established.

Capital Market Perception:

- The Company / Management / Group has successfully tapped the Capital Market in the past Three Years and the subsequent Performance shows achievement of the plans given to the Market.
- Whether the Company is improving its EPS has Good Record of DividendPayment and is not in Default with FIs / Banks / Stock Exchanges (Compliances) etc.

Paybacks of Credit Rating:

A Credit Rating estimates ability to Repay Debt.

- A Credit Rating is a formal assessment of a Corporation, Autonomous Governments, Individuals, Conglomerates or even a Country.
- Credit Rating is evaluated on the basis of Financial Transactions carried in the Past and Assets and Liabilities at present.
- Credit Rating allows a Lender or a Credit granter to evaluate the Ability of the Borrower to Repay a Loan.
- Credit Ratings play a Pivotal Role in the disintermediation process.
- Ratings reduce uncertainty.

Faintness of Credit Rating:

Despite of various benefits of Credit Ratings to various parties, Credit Rating also has many demerits, theyare:

- Specifically, a Credit Rating, in the words is aRating is one of the many Inputs that is used by Bankers to make a Lending Decision.
- Not intended to measure many other Factors that Lenders must consider in relation to Risk - Such as Default Risk, End use of Funds, Government Policies, Interest Rate Risk, Exchange Loss Risk, etc.
- Not an Opinion on Associate, affiliate or Group Companies of the Rated Entity, or on Promoters, Directors or Officers of the Rated Entity.
- Not a Statutory or Non-statutory Audit of the Rated Entity.
- Based on Company's Past Performance.
- Cost and Time Constraints.
- Credit Rating is based on the Past Performance of the Company. Once the Ratings are given, they are rarely revised.

- Credit Rating is Not a full proof of the reliability of the Assessment of a Company. This is because aCompany might Conceal Material Information. In such case, Ratings become Unreliable.
- Rating is done for a particular Credit Facility of the Company and not for a Company as a Whole. Therefore, Rating is No Guarantee for the soundness of the Company.

Some of the serious limitations of Credit Rating are its Backward-looking nature (depends on past data) which in a Dynamic Market framework can have serious consequences including accentuating a Systemic Crisis like the Global Crisis, and its failure and unwillingness to Capture/ Cover Market Risks. Estimating Market Risk canpotentially make the Rating Exercise Forward Looking, could avoid sudden, Multiple Downgrades and Reduce the Pro-cyclicality of Rating. A really informed forward looking rating could potentially also Capture Tail Risks and forewarn the system to help take Systemic Steps well in advance to avoid Panic and Knee-jerk Reactions. If Rating is to straddle the High Ground it aspires to hold Rating Exercise has to achieve this dynamism to really help measure all the Risks of the Market, rather than sticking to a partial Methodology of expressing an opinion on a few aspects of the Product they Rate. No Product can be usefully Rated in a Vacuum, Isolated from the Caprices of the Market as a Whole.

Conclusion: It is an undisputed fact that CRAs play a key role in Financial Markets by helping to reduce the informative asymmetry between Lenders, on one side and Company on the other side, about the Creditworthiness of Companies (Corporate Risk). A Credit Grade Rating can put a Security, Company on the Global Radar, attracting Foreign Money and boosting a Nation's Economy. Indeed, for Emerging Market Economies, the Credit Rating is a key to show their worthiness of Money from Foreign Borrowings. Credit Rating helps the market regulators in promoting Stability and Efficiency in the Securities market. Ratings make Markets more efficient and Transparent.

The 'Credit Rating Report' has become a necessary document for Banks and Financing Institutions as it provides an insight about a Prospective Borrower and accordingly it helps in taking Credit Decisions.

References:

o RBI Data on NPAs.

CREDIT DEFAULT SWAP (CDS): A SMART CREDIT RISK MANAGEMENT TOOL

BANKING

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[CDS provide a financial means to hedge the credit risk. CDS is indeed a sort of insurance against credit risk losses but with some difference. CDS on corporate bonds enable market participants to transfer and effectively manage credit risk through risk dispersion.CDS provides valuable information on credit risk management by banks and other financial intermediaries. CDS market tends to expand and deepen the collective knowledge of market participants. Valuable information regarding credit quality of underlying assets is contained in CDS spread and in its dynamics. Consequently, introduction of CDSs in Indian financial market would tend to improve the quality of market data/information about the quality of credit risk of the underlying reference entity besides imparting vibrancy to the lacklustre corporate bond market rendering precise discovery of credit risk prices easy and transparent,propelling greater trading volume in secondary market and infusegreater liquidity.

CDS agreement on the face of it appears simple but devilsare in the details. Adoption of standard document for CDS agreement has played significant role in development and greater Liquidty of CDS market. Use of ISDA master agreement is common market practice significantly reducing the set-up and negotiation cost. Notwithstanding the notoriety and fragilities of CDS market revealed during and in the wake of the 2007–09 financial crisis, which triggered a spate of reforms, CDS market continues to be the third biggest over-the-counter (OTC) derivatives market in the world. This article attempted to outline the basics of structure and important operational features of CDS contracts and their usefulness in credit risk management.]

Introduction

Credit Default Swaps (CDS)is the most liquid credit derivative contract deriving its value from thecredit quality of the underlying reference obligor(s)/ obligations.The underlying may be loan/ debt/bond of a single reference entity (single-name CDS), a portfolio of reference entities (CDS index), or a given number of losses in a basket of reference entities (tranche CDS).

It is a basic building block for many other credit derivative products (Credit Link Note, Total Return Swap etc.).

As the name suggests this financial contract involves a swap of values between two parties contingent upon occurrence of specified credit events.It is a bilateral over the counter (OTC) financial contract between a credit protection buyer and a credit protection seller. The buyer agrees to make fixed periodic payments in lieu of credit risk loss protection offeredby the seller against specified credit events involving definitive underlying debts/loans/asset or portfolio of assets entailing credit riskup to the agreed notional amount.Notional amounts are the principal amounts of the obligations referenced by CDS.

Hedge for Credit Risk

CDS provide a financial means to hedge the credit risk. The credit quality of underlying reference entity/ assets is linked, among others, to two important parameters viz., Probability of default (PD) and loss given default (LGD). On occurrence of a credit event involving the reference obligor/ entity the protection buyer is compensated for the actual/notional loss sustained by the protection buyer under CDS contract.

CDS entail two types of risk exposures: the underlying credit risk of the reference entity/assets underwritten by the protection seller and counterparty risk faced by the protection buyer.For protection buyer credit exposurestands transferred to the protection seller under the contract but the protection buyer in effect assume counterparty risk as to whether the protection seller will ultimately be able to compensate for the credit loss on occurrence of credit event as envisaged in the contract.

Not strictly an insurance contract

CDS may appear to be insurance against the possible credit losses. It is indeed a sort of insurance but with some difference. While insurance contract can be bought by the proposer for protection only for his insurable interest, CDS can be sold/bought by an entity against creditevent with reference to any asset/ portfolio of assets to which the entity may or not have any financial exposure. Besides use as hedge against credit risk, CDS is tradeable for speculative and strategic gains or loss minimisation while insurance provide protection against pure risk intended to mitigate only the true loss without any upside potential for any gain.Premium paid for buying insurance against perils of itsassets are tax deductible expenses of business, but CDS premium paid by protectionbuyers are not tax-deductible expenses.

Credit Risk Diversification and Speculation

Banker granting credit earns interest on money lent in lieu of assumed risk of default on the part of the borrower which is credit risk exposure. While granting credit banks exercise a due diligent credit enquiry for which bankers generally have the required expertise and experience.Specific Banks may have specialised expertise in originating loan in some specific sectors too. An entity not possessing credit originating expertise/experience in a sector may be intending to take credit exposurethereto may sellCDS as a credit protection seller assuming the credit risk on the underlying reference entity/ assets(loan/bonds) givingcredit protectionto the protection buyer in lieu of CDS spread payable by the protection buyer. In effect in this transaction protection seller assumes the unfunded credit risk in lieu of CDS premium. For example, let there be two banks A &B. Bank A has excellent expertise in originating loans to steel sector. It finds that the credit exposure to steel sector borne in its balance sheet is large and needs to be reduced as part of strategy to mitigate concentration risk and free up capital. The bank B on the other hand is bullish on steel sector and expects that the steel sector is offering good prospect of return but it has no expertise to originate loan to steel sector. In this circumstances banks A &B may enter into a CDS contract to consummate their respective goals. Bank B may sell CDS to bank A as protection seller for steel sectors loan portfolio of bank A as reference assets in exchange of CDS spread to be paid by bank A. The net effect of this contract would be credit protection for A; on credit events occurring B makes good the Bank A for credit loss as agreed to, otherwise Bank B earns the CDS spread for assuming unfunded credit risk without originating steel sector loan. The credit risk borne in the balance sheet of bank A stands passed on to bank B. Unless the bank B carries a higher rating than the underlying asset portfolio and qualify for lower risk weight, capital would not be freed up for Bank A.

An investor with bearish outlook on specific portfolio of debt /loan / reference entities may buy protection to reap the post default valuation in return for protection money paid on the notional amount. However, most CDS contracts are closed out before occurrence of the credit event and maturity. When Investors take position in CDS based on their outlook on the credit quality of the underlying reference assets/entities, with deterioration in credit quality of theunderlying the CDS spread increases and consequently the value of the contract increases for the protection buyers as he can square off his position by selling the contract earning the incremental spread and simultaneously the value declines for the protection seller. Conversely with the improvement in credit quality the protection seller stands to benefit as he can square off his position by buying the contract at lesser spread and concomitantlyprotection buyersuffer value deterioration.

Before appearance of CDS banking sector was the store house of substantial part of credit risk by virtue of their domain expertise and regulatory restrictions on other players. Insurance and other sectors were not able to assume and share credit risk with banks. With the emergences of CDS it has been serving as a conduit for credit risk transfer.Through this instrument credit risks have been getting dispersed across various sectors with diffusion of credit risks form those who have lots and wants to reduce it to them who has little but having both willingness and capacity to bear it. Though CDSs enable diversification of default risk, the relative superiority of the transferees involved therein as to their capability to bear and manage risk, financial strength and information processing capabilities are not clear. The process might lead to silent and gradual accumulation of credit risk arsenal in shadow regulatory sectors having potential to trigger systemic surprise if not supported by effective reporting system and transparent data base in public domain.

Although CDS have been embroiled in controversies in the past a fairly large proportion of the hedging and trading activities of the large global banks involves CDS in one way or the other. CDS has been aggressively used by the speculators betting on the financial health of the underlying obligation. Besides, hedging credit risk, investors use CDS to: leverage portfolios; access maturity exposures unavailable in the cash market; take exposure to credit risk while limiting interest rate risk; and improve the liquidity of portfolios in the midst of illiquidity in the corporate bond market.

Market predominance of CDS

The plain vanilla CDS contracts, made its maiden appearance in the financial market in 1994, designed by the US bank J. P. Morgan Inc. with the intention to transfer credit risk exposure from its balance sheet to some entity willing to assume the credit risk as protection sellers. After about tenfold increase in market volume in the run-up to the global financial crisis, the global CDS market has contracted virtually without any break since then. However, notwithstanding the notoriety and fragilities of CDS market revealed during and in the wake of the 2007–09 financial crisis, which triggered a spate of reforms, CDS markets continue to be the third biggest over-the-counter (OTC) derivatives market in the world, with $8.8 trillion notional value outstanding as of June 2020 [$61.2 trillion at end-2007](BIS). While singled named CDS accounted for about 40% of outstanding national amount Multi-named CDS constituted 54.5% in June 2020(BIS) . As large as more than 92% of the outstanding notional value of Multi-named CDS are accounted for by CDS -Index products.

Mechanics of CDS

Two parties In CDS contract are known as protection buyer and protection seller. Protection seller commits to compensate the protection buyer for the loss in the value of the underlying reference assets/entity(s) on occurrence of predefined credit events and in lieu, the protection buyer makes periodic payments (spread/ premium) to the protection seller until the maturity of the contract or the credit event, whichever is earlier. CDS, anover-the-counterproduct, contract can be of any maturity from less than one month to more than ten years as per the need and preference of the contacting parties. However, most liquid CDS maturity is five years followed by 10-year tenor.A credit event is uncertain occurrence of defined events causing negative change in credit quality of reference assets/entity(s) which trigger a settlement under CDS contract. Protect buyers 'short risk", make fixed periodic payments, and receive payment on credit events. Protection sellers 'long risk" receives fixed periodic payments and makes payment on occurrence of credit events. The periodic payments involved is referred to as CDS Spread expressed in basis points. Spread reflectsthe credit quality perception of market players of the reference assets/entity and is a complicated function, among others, of probability of default of the reference assets/entities and loss given default (LGD).

The economic exposure embedded in a CDS contract can be terminated /reconfigured prior to credit event or maturity through process of "novation" by replacing one original counterparty with a willing new third party. In such eventuality the new third party extinguishes the obligation of the replaced original contacting party. Besides, both parties may give up the trade to a central counterparty (CCP), without change or termination in the economic exposure for the original counterparties. In this case, traders' positions are offset multilaterally and each trader ends up with a bilateral balance against the CCP. It is also possible to square off a position by entering into an opposite transaction with other market participants. Protection buyer (seller) may sell(buy) the same contract to another market player. In such transaction while the economic exposures get neutralised the legal obligations of the original contract continue to persist creating a network of exposures with escalated counterparty risk.

On occurrence of credit events protection seller need compensate the protection buyer either in cash or by deliver of physical assets (bonds /loans) as per the terms of the underlying contract. The cash settlement is based on the current market price of the reference assets. LGD is worked out for the impaired assets postcredit events and the cash amount is arrived at. If LGD is estimated at 40% the protection buyer will be compensated in cash 60% (100%-LGD) of the notional value of the contract. Physical settlement of CDS refers to settlement process in which the protection buyer transfers any of the eligible deliverable obligations to the protection seller against the receipt of notional/face value of the deliverable obligation.

Reference obligors/entities are those whose default risksare hedged by the protection seller in a CDS contract.

The contract explicitly and objectively defines the reference obligation/entity and the extent of notional value for which exposures are intended to be hedged. Normally a class of bonds of specific seniority set are chosen. A reference obligation may be loans/bonds /other assets entailing credit risk. It may be noted that a reference obligation may not be the assets that can be delivered in case of a physical settlement on credit event. The contract would designate the lowest seniority bonds that can be delivered in physical settlement in case of default of reference entity. Markit Reference Entity (RED)data base is used in 'pairing'; to confirm legal relationship between reference entity and their corresponding reference obligations.

Credit Events

Credit events constitute the most critical part of contract specification. They are one or the more of the events listed below:

√ Bankruptcy

√ Obligation Default or

√ Obligation Acceleration

√ Failure to Pay

√ Repudiation or Moratorium

√ Restructuring

Events (i) to (v) above are hard credit events which on being determined to have occurred, all outstanding CDS contracts on the entity get automatically triggered for settlement between the buyers and sellers. For Restructuring, a soft credit event, there would be no automatic trigger of the CDS on occurrence of the event. It is left to the protection buyer or protection seller to take the call as to whetheror not to trigger settlement. If neitherparty triggers by a specified deadline the CDS continuesuntil maturity or a future Credit Event.

Bankruptcy is legally declared impairment of ability or total inability to pay the dues to the creditor. Bankruptcy procedures vary across countries.Insolvency and Bankruptcy Code 2016 governs the bankruptcy process in India.However, in the context of CDS it includes various events occurringbefore or portendingan insolvency.

Failure to pay refers to a failure of the reference entity to make due payments (greater than a specified payment required, commonly $1 million or more) under one or more obligations at due time. Failure to pay provisions usually takes into account any contractual or institutional grace period before the credit event is triggered. The failure to pay is one of the most important risk for protection buyer under CDS. It is an indicator of incipient credit weaknesses. Continual failure to pay generally precede bankruptcy.For example, Company 'A' suffered a very steep adverse variation in earnings in two successive quarters due to exchange rate volatility. As consequence the Company failed topay suppliers' bills amounting to more than $1million even after expiry of grace period , would be construed as failure to pay.

Obligation Default refers to a situation, excluding a failure to pay, where a relevant obligation of the Reference Entity becomes capable of being declared due and payable prior to its termination date.

Obligation Acceleration means a situation, excluding a failure to pay, where a relevant obligation of the

Reference Entity becomes immediately due and payable prior to its termination date. It refers to occurrence of events leading to some or all of the amount of obligations becoming repayable earlier than the payment schedule i.e. accelerating the obligation. An acceleration clause is a loan covenant requiring borrowers to repay the full principal amount upon breach of contract or failure to meet certain requirements set by the lender.

Restructuring refers to a change in the terms of the debt, which causes the debt to be less favourable to debtholders. Common examples of debt restructuring include a decrease in the principal amount to be paid, a decline in the coupon rate, a postponement of payment obligations, a longer maturity time, or a change in the priority ranking of payment.The parties can decide to adopt an alternative definition for restructuring referred to as modified restructuring.

Repudiation or Moratorium refers to situations where the reference or a governmental authority rejects disclaims or otherwise challenges the validity of the relevant obligation.

For index or basket CDS a credit event occurring in respect of one of the constituent reference entities will not trigger termination of contract and instead the buyer of protection will receive a compensation proportionate to the weight of the reference entity on the index/basket.

ISDA has framed a standard legal documentation format for CDS contracts wherein a list of credit-event situations stands incorporated . Although contracting counterparties have liberty to alter/modify the ISDA definitions, the vast majority of CDS contracts adhere to the standard ISDA documentation.

Determination Committee (DC)

DC came into being in the wake of ISDA(March,2009) supplement to ISDA 2003 credit derivative definitions. The DC framework is intended to make market-wide, uniform definitive and binding determination regarding credit events, auctions, succession events, substitution of reference obligations and other issues needed for efficient functioning and greater transparency of the CDS market operations. The decisions of DC would be binding on CDS transactions that have incorporated 2009 supplement. The DCs comprise 10 sell-side and five buy-side voting firms, alongside consultative firms and central counterparty observer members (2014 Definitions or the updated 2003 Definitions). These DC firms are responsible for determining whether credit events have occurred in CDS market by comparing publicly available information vis a vis the provisions of standard CDS contracts to determine position regarding key provisions of such contracts, including: (a) whether a Credit Event has occurred; (b) whether an auction should be held to determine the final price for CDS settlement; and (c) which obligations should be delivered or valued in the auction. A supermajority decision (12 out of 15) is required for a credit event to be declared, or for the DC rules to be amended. Formation of DC reduced the scope for different contracts on the same reference entity to disagree about whether such events have occurred. It has also been hardwired into documentation that the size of payments following credit events would be determined by an well-definedauction process. The prices emerging from such auctions ensure that all protection sellers transfer the same value to protection buyers. (ISDA)

CDS spread

The term CDS spread is not a spread over anything. It is the annual rate of premium payableby the buyer of protection to the seller of protection. It is referred to by the market players as a rate or price of the CDS expressed as a percentage of the notional amount of the CDS contract. It is paid usually on quarterly basis, in arrears. The payment continues till occurrence of the credit event or maturity of the contract whichever is earlier. If the spread for a CDS sold by a bank is 100 basis points, then the buyer of the protection has to paysRs 100,000 a year on notional amount of Rs10 million worth of debt of the reference entity.Payment of spread is one leg of the CDS transaction which is referred to as the 'fixed leg' the other leg being the contingent payment on occurrence of the credit event which is called the 'floating leg'.

CDS spreads bear a relationship with the credit risk associated by the market/investor to the underlying reference assets. Markets react to unfavourable news and events by widening the spreads and to favourable ones by compressing the spreads. This however should not be construed to mean that the CDS market is able to gauge risks inherent in reference assets/entities with absolute precision.CDS spreads include both expected credit losses and a risk premium demanded by protection sellers to compensate for the risk of unexpected losses and changes in recovery rates. The following areidentified other determinants of the risk premium reflected in single-name CDS spreads: volatility of equity price; leverage; liquidity risk for the cash bonds of the reference entity and a market-wide liquidity risk factor; market-wide investor sentiment and risk aversion; and macroeconomic conditions.

In the wake of big bang reform (referred to elsewhere in this paper) a step towards standardisation of contract for greater operational convenience, Australia, New Zealand, Asia ex-Japan and Emerging Markets have adopted fixed spread rates (referred to as coupon in trade terminology) of 100 and 500 bps. Japan has also introduced a spread /fixed coupon of 25 bps along with the standard 100 and 500 bps fixed spread. The 25-bps strike rate would prove effective in cases which involve particularly tight credits. For Europe, the fixed spread/ coupons include 25, 100, 500 and 1000 bps.

Settlement of CDS Contract

CDS contract may be settled either by cash or by physically delivering the designated assets. Earlier physical settlement was more popular due to complications involved in estimating LGD. However, with the spurt in CDS buying by entities having no actual exposure to the reference assets, sourcing of securities eligible for delivery by the protection buyers on occurrence of credit events posed serious logistic issues as mostly the aggregate notional value of CDS bought on a specific reference asset/entity exceeded the actual issues of the papers by the issuer. Such situations were triggering a scramble among the protection buyers for sourcing the eligible assets for delivery to receive payment from the protection seller heating up the prices of the impaired deliverable assets under reference beyond their true economic values. With ISDA putting in place a well-defined auctioning process, hard-wired in relative CDS agreements, to determine the true economic value of the impaired reference assets, the cash settlement now a days have increasing popularity.

Types of CDS

Binary CDS

Unlike standard CDS in this type of CDS the sellers pay to protection seller a fixed amount determined at the contract time in place of post credit valuation.

Basket CDS

It is a CDS contract providing a payoff when any of the defined set of reference entities default. The contract stipulates the number of defaults after which the payoff is generated, based on which the contract is classified as first-to-default CDS, second-to-default CDS or more generally nth-to-default CDS. The default correlation between various assets in the portfolio is an important factor in determination of the spread.

Callable or Puttable CDS

A callable credit default swap (CDS) is a vanilla CDS with the additional feature of providing the buyer of protection the right to terminate the CDS at any time or at certain dates on a narrowing of the fair market CDS premium below the trigger level for the option. Similarly, a putable CDS gives a similar right to the protection seller.

Contingent CDS

It is a variant of a plain vanilla CDSwith an added triggering event. In a simple CDS, payment under the swap is triggered by a credit event, such as a default on the underlying loan. In this sense, the CDS acts as an insurance policy on the debt investment. In a contingent credit default swap, the trigger requires both a credit event and another specified event. The specified event is usually a significant movement in an index covering equities, commodities, interest rates, or some other overall measure of the economy or relevant industry.

A contingent CDS warrants the payoff from protection seller to buyer in occurrence of a credit event to reference asset along with a pre-specified contingent event.

Leveraged CDS

A leveraged CDS adds a per cent of notional amount along with the standard post-default valuation in order to create a leveraged position. Such kinds of CDS are used primarily for hedging purposes.

CDS Index Contract

A CDS index is a portfolio of single-name CDS wherein a protection buyer, in lieu of quarterly coupon/spread payment, is protected against a default of any constituent of the portfolio. Just like single-name CDS, in case of default, the protection seller pays par less recovery determined in the auction. CDS indexes are the most common instruments for dealing in /assuming credit risk exposure and consequently are more liquid and trade at more compact bid-ask spreads than baskets of cash bonds or single-name CDS contracts. The most popular CDS index families are Markit CDX indexes, covering North American and emerging markets, and International Index Company (IIC) iTraxx indexes, covering Europe, Australia, Japan, and Asia excluding Japan. The CDX index family includes the North American Investment Grade CDX index (CDX.NA.IG), the North American High-Yield CDX Index (CDX.NA.HY), and the CDX Emerging Markets Index (CDX.EM). The iTraxx index family includes the iTraxx Europe index and the iTraxx Crossover index.

The “Big Bang” in the CDS market

ISDA “Big Bang” of April 2009 brought about innovative standardisation of single-name CDS contracts to smoothen the market operations. One major change has been introduction of a small number of standard coupon rates. Australia, New Zealand, Asia ex-Japan and Emerging Markets have adopted fixed coupon of 100 and 500 bps. Japan has also introduced a fixed coupon of 25 bps along with the standard 100 and 500 bps fixed spread. For Europe, the fixed spread/coupons include 25, 100, 500 and 1000 bps. Through exchange of an upfront payment counterparties compensate for any differences between the appropriate premium and the chosen standard coupon rate, Forexample CDS contract entered into for a reference entity/assets at spread of 650bps while the standard rate applicable for the entity is 500 bps. In this case while as per the terms of standardised contract the protection buyer would pay 500bps to protection seller on a quarterly basis on standard due dates, the risk and probability weighted present value of difference of150bps for whole tenure of the contract will be worked out as per ISDA prescribed modalities and paid by the protection buyer to protection seller upfront.A change was also made to the first coupon /spread. The post 'Big bang' first coupons/ spread are full coupons/spread, and upfront payments are adjusted accordingly while previously, this was either a small coupon/spread paid on the first coupon date or a large coupon paid on the second coupon date, depending on when contracts became effective.

To reduce the scope for different contracts on the same reference entity/assets to disagree about whether credit events have occurred, Determinations Committees have been put in place. These committees have been vested with full authority to determine with finality whether a credit or succession event has occurred. The decision of the committee in this regard have been hardwired into ISDA documentation as the standard condition in contract documentation which will be binding on all parties to all contracts involving same reference entity / assets.The Big Bang also hardwired into documentation that the price emerging from a well-defined auction process following occurrence of credit events will be compulsorily applicable for working out the amounts to be transferred by way of protection payment to all protection buyers.

With a view to ensuring that all outstanding contracts are affected by the same events despite being reported with a lag, the Big Bang alsochangedthe dates of effect of contracts from the business dayfollowing the trade to a set of standard dates.

CDS Market Participants

Following three groups of players operate in CDS market.

- End-buyers of protection
- End-sellers of Protection
- Intermediaries/market makers

The key role of the intermediaries is to provide Liquidty to end-users. They trade in own interest in quest of earnings by way of arbitrage and other opportunities. The market makers offer two-way quotes for CDS contracts providing liquidity in the market.

CDS Valuation

ISDA has prescribed a standard valuation model accepted by the market players. Valuation involves computation of expected present values of two risky cash flows in the fixed and floating legs of the CDS transaction. It may be noted that the fixed leg cash flow is uncertain inasmuch as it continues until credit event which is linked to the default probability for the reference entity or assets while the floating leg is contingent upon occurrence of credit event. Thevalue of the fixed leg cash flow is the aggregate present value of expected quarterly fees that would be paid during the tenure of the contractor or till occurrence of credit event whichever is earlier.It can be symbolically written as $\sum_{1}^{n} S_n * SP_i * \beta_i * DF_i$where n is number of spread payment period, S is CDS spreadper annum;SPiis probability of no default (survival)during time t0 to ti ; βi is accrual factor from the time duration ti-1 to ti and DFi is risk less discount factor for time t0 to ti . Similarly, the protection seller has an expected payment of (100-R), R being the recovery rate of the delivered obligation of the notional amount on occurrence of credit event. This payment would arise during time ti-1 to ti if and only if there had been no credit event till time ti-1and credit event occurring during time ti-1 to ti the probability of which is (SPi-1-SPi). The Floating leg value thus would work out to $\sum_{1}^{n} (1-R) * (SP_{i-1}-SP_i) * DF_i$

The value of CDS (V)for protection seller will be

$V=N*\{\sum_{1}^{n} S*SP_i*\beta_i*DF_i-\sum_{1}^{n} (1-R)*(SP_{i-1}-SP_i)*DF_i.\}$:where N is the notional value of the contract

The spreadS is worked out by solving the above equation for value of S byputting V=0 in the above equation. At origination of the value of CDS contract is set to zero for both the parties with no upfront payment by either party. With the passage of time the spread changes in response to market dynamics. It may please be noted this a simplistic valuation model which assumesdefault occurring at the end of a coupon payment period. If couponpayment period is set asone quarter the value of βis would be.1/4.

Conclusion

Adoption of standard document for CDS agreement has played significant role in in development and greater Liquidty of CDS market. Use of ISDA master agreement is common market practice significantly reducing the set-up and negotiation cost. The standard contract specifies all obligations and rights of parties as well as definition of key terminology used in the contract.

CDS on corporate bonds enable market participants to transfer and effectively manage credit risk through risk dispersion. Prominence of CDS in credit derivative market is not only for its risk dispersion ability and credit risk hedge it provides for but also the information it provides by way of valuable inputs in credit risk management by banks and other financial intermediaries. CDS market tends to expand and deepen collective knowledge of market participants. Valuable information regarding credit quality of underlying assets is contained in CDS spread and its dynamics. Consequently, introduction of CDSs would tend to improve the quality of market data/information about the quality of credit risk of the underlying reference entity. CDS market tends to increase transparency and provide more precise insight into the real cost of credit risk. The better comparative liquidity and greater relative sophistication of CDS investors lead to price discovery with greater precision and facilitate trading during periods of liquidity hiccups wherein cash market for bonds tend to turn extremely illiquid.

Though the amount of public information on CDS has increased over the recent years, the CDS market is still not quite transparent. Regulators would benefit from better access to information on trade and position data, which is necessary for financial stability supervision, for improving the assessment of counterparty risk by CCP and for the detection of market abuse.Findings of significant amount of empirical literature(4) reveal that sovereign CDSs play role in the transmission of both financial and macroeconomic shocks giving rise to linkages across sovereign credits.

Credit Default Swaps (CDS) could not take off in Indian corporate bond market even after the CDS circular was first issued by RBI in May 23, 2011 followed by guidelines on CDS for Corporate Bonds set out in RBI circular dated January 07, 2013. With a view to activating the market for Credit derivatives in general and CDS in particular, in India RBI has since issued a draft Credit Derivatives Directions, 2021 delineating the functional and regulatory contour for a bouquet credit derivative contracts including CDS, which is intended to be in supersession of the extant CDS guidelines ibid., inviting public comments thereon. The draft guidelines have attempted to broad base the approach and to do away with some conservative regulatory stance inherent in the earlier guidelines. Hopefully the new guidelines will go a long way to impart required impetus to kick start the issue of and trades in CDSand other credit derivatives contracts in Indian financial market. CDS would potentially stimulate operationsin Indian corporate bond market by providing hedge against credit risk to existing and potential corporate bond investors/holders and supporting liquidity. With the emergence of active CDS market there would be wider dissemination precise credit risk information on issuers/issues of corporate bonds and loans. This will enhance risk transparency in the bond market, reduce persisting information asymmetry leading to credit risk price discovery with greater precision and confidence by the market players. This in turn would attract more new investors and enlarge the trade volume in secondary corporate bond market and enhance Liquidty. Evolution of a vibrant corporate bond market will contribute to greater value creation by more efficient allocation of resources through efficient disintermediation process. In factCDS is sine qua non for vibrant corporate bond market to evolve in India.

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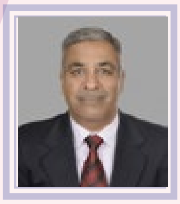
AN IRREFUTABLE CASE FOR CMAs ON THE BOARD OF BANKS

BANKING



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The Perspective

Banking is the lifeline of the economy of the country. The health of the banking sector is closely integrated to the health of the economy. Banks play a vital role in the economic development of a country. They accumulate the idle savings of the people and make them available for investment. They also create new demand deposits in the process of granting loans and purchasing investment securities. They facilitate trade both inside and outside the country by accepting and discounting of bills of exchange. Banks also increase the mobility of capital. For the past three decades, India's banking system has several outstanding achievements to its credit. It is no longer confined to only the metropolitans, but has reached even to the remote corners of the country. This is one of the reasons of India's growth process. Today, the banking sector is one of the biggest service sectors in India. Availability of quality services is vital for the well-being of the economy. The focus of banks has shifted from customer acquisition to customer retention. With the stepping in of information technology in the banking sector, the working strategy of the banking sector has seen revolutionary changes.

The Indian banking system consists of 12 public sector banks, 22 private sector banks, 46 foreign banks, 56 regional rural banks, 1485 urban cooperative banks and 96,000 rural cooperative banks in addition to cooperative credit institutions As of November 2020, the total number of ATMs in India increased to 209,282. Asset of public sector banks stood at Rs. 107.83 lakh crore (US$ 1.52 trillion) in FY20. During FY16-FY20, bank credit grew at a CAGR of 3.57%. As of FY20, total credit extended surged to US$ 1,698.97 billion. During FY16-FY20, deposits grew at a CAGR of 13.93% and reached US$ 1.93 trillion by FY20. Credit to non-food industries stood at Rs. 105.53 trillion (US$ 1.44 trillion), as of January 15, 2021.Non-food industries grew at 5.7% in January 2021 as against an increase of 8.5% in January 2020. The banking sector is a crucial component of any economy and its stability is considered to be an important driver of any future GDP growth. When banks are good at "identifying creditworthy firms, mobilizing savings, pooling risks, and facilitating transactions", they contribute to the development of the country by speeding up the growth of its economy. For banks to be successful, it is imperative to increase their customer base, retain their existing customer and over customers the products and services which are most beneficial to them. Banking industry in India has undergone a paradigm shift over the last decade primarily because of the ongoing deregulation in the financial and banking sector. As a result, there has been a distinct change in the way in which banking business is being done in India.

Role of the Board in Banks

The board has ultimate responsibility for the bank's business strategy and financial soundness, key personnel decisions, internal organization and governance structure and practices, and risk management and compliance obligations. Bank directors are the guardians of financial stability, which is one of the most precious public goods. Bank directors have to ensure that the bank strategy as conceived and executed by management has an appropriate risk-reward profile; that financial data accurately represent the bank's condition; that risk mitigation measures are adequate to protect depositors' money and shareholders' funds: in sum, that management does its job without incurring excessive risk. In discharging their oversight responsibilities, bank directors often find it essential to work with bank supervisors in an alliance to protect financial stability.

Banks are different from the generality of companies in that their collapse affects a far wider circle of people and moreover may undermine the financial system itself, with dire effects for the whole economy. This places a special responsibility upon a bank's directors. This responsibility remains with them even though they operate under the supervision of a regulatory authority whose task is to ensure their business is conducted in a way that is conducive to stability. Their regulators' concern will be with the quality of the bank's management, starting with the board of directors itself.

Effective corporate governance is critical to the proper functioning of the banking sector and the economy as a whole. Banks perform a crucial role in the economy by intermediating funds from savers and depositors to activities that support enterprise and help drive economic growth. Banks' safety and soundness are key to financial stability, and the manner in which they conduct their business, therefore, is central to economic health. Governance weaknesses at banks that play a significant role in the financial system can result in the transmission of problems across the banking sector and the economy as a whole.

Corporate governance determines the allocation of authority and responsibilities by which the business and affairs of a bank are carried out by its board and senior management, including how they:

- set the bank's strategy and objectives;
- select and oversee personnel;
- operate the bank's business on a day-to-day basis;
- protect the interests of depositors, meet shareholder obligations, and take into account the interests of other recognized stakeholders;
- align corporate culture, corporate activities and behavior with the expectation that the bank will operate in a safe and sound manner, with integrity and in compliance with applicable laws and regulations; and
- establish control functions

The Basel Committee's October 2010 Principles for enhancing corporate governance represented a consistent development in the Committee's long-standing efforts to promote sound corporate governance practices for banking organizations. The 2010 principles sought to reflect key lessons from the global financial crisis that began in 2007, and enhance how banks govern themselves and how supervisors oversee this critical area.

Accordingly the board should :

- actively engage in the affairs of the bank and keep up with material changes in the bank's business and the external environment as well as act in a timely manner to protect the long term interests of the bank;
- oversee the development of and approve the bank's business objectives and strategy and monitor their implementation;
- play a lead role in establishing the bank's corporate culture and values;
- oversee implementation of the bank's governance framework and periodically review that it remains appropriate in the light of material changes to the bank's size, complexity, geographical footprint, business strategy, markets and regulatory requirements;
- Establish, along with senior management and the CRO, the bank's risk appetite, taking into account the competitive and regulatory landscape and the bank's long-term interests, risk exposure and ability to manage risk effectively;
- oversee the bank's adherence to the risk policy and risk limits;
- approve the approach and oversee the implementation of key policies pertaining to the bank's capital adequacy assessment process, capital and liquidity plans, compliance policies and obligations, and the internal control system;
- oversee the integrity, independence and effectiveness of the bank's policies and procedures for whistleblowing.
- The board should ensure that transactions with related parties (including internal group transactions) are reviewed to assess risk and are subject to appropriate restrictions (eg by requiring that such transactions be conducted on arm's length terms) and that corporate or business resources of the bank are not misappropriated or misapplied.
- In discharging these responsibilities, the board should take into account the legitimate interests of depositors, shareholders and other relevant stakeholders. It should also ensure that the bank maintains an effective relationship with its supervisors.
- The board should take an active role in defining the risk appetite and ensuring its alignment with the bank's strategic, capital and financial plans and compensation practices.

The Indian banking industry plays an important role in the economic development of the country and is the most dominant segment of the financial sector. Banks help channel savings to investments and encourage economic growth by allocating savings to investments. it has become important that banks keep a constant vigil over the enterprises being financed by them. On one hand, it has to be monitored that funds are being properly utilized in business, while on the other hand it has to be ensured that the enterprise does not fail because of poor management despite the best intentions of the entrepreneur. Thus the banks now have to take over the reins of the enterprises and play a constructive role in ensuring the ultimate viability of each enterprise. They have to develop the infrastructure and skill to assist the entrepreneurs.

Role of effective cost based MIS in Banks

Accurate meaningful and timely management information is the key to ensuring the sustained profitability of a bank over a long term. Cost information is a critical component of any profitability, strategic planning or decision-making equation. It is, therefore, important that the Board understands the cost structure of a bank as well as the main cause-and-effect relationships that affect operating costs in a bank. This process can only be achieved if management adopts a total cost management strategy. In order to understand costs, management should identify costs and the causes (drivers) thereof at the lowest level, namely an activity. The availability of accurate and meaningful cost information depends entirely on the existence of a sound product costing methodology in a bank. These four interrelated products/services share different activities, products, responsibility centers, associated employees/computers, etc, making it hard to understand exactly how to allocate these costs. Therefore, choosing the right type of costing system that fits this type of cost structure is crucial, as it could reflect if a bank takes the most efficient decisions and measures, for example, in terms of pricing and lending policy

The purposes of costing in a bank can be summarized as : Information for the planning and control of ongoing operations; The calculation of customer, product and segment profitability; Establishing an improved decision-making process through the utilization of recognized costing techniques to evaluate alternative courses of action; Evaluating the viability of new products. This calls for specialized and expert guidance by he Board for Continuous evaluation and monitoring of Business performance: The basic emphasis shall be on strategic management of costs on a continuous basis. It should not be a routine function for maintaining cost accounting records and for control of costs. Such a system shall facilitate on-going evaluation and monitoring of operational performance and should ensure excellent operational efficiency and productivity. This in turn necessitates : (i) elimination of wastes and deficiencies in the system (ii) use of improved methods, systems and procedures (iii) better and tighter control of costs on a continuous basis (iv) more efficient use of human and physical facilities and also more efficient operations.

CMA on the Board of Banks – A key imperative

the effective governance of the business requires the board to strike a balance at a high standard of effectiveness, between driving the business forward and controlling it prudently. This in turn requires a balance on the board. Keeping in view the dynamics and dimensions of the banks operations and functions it seems imperative for every bank to nominate/appoint a Cost and Management Accountant as a director on its Board as they possess expertise in the following key areas and they can create huge value to the bank :

Risk management in Banks : The expertise of the Cost & Management Accountants in Risk Based Supervision Consulting Process includes: Design and development of appropriate organizational structure Advisory services to document systems and procedures for undertaking business in alignment with the requirements of risk based supervision.To identify gaps in management information systems and suggest remedial measures.

To review and strengthen reporting and control system : To design and develop appropriate risk focused internal audit model To assist bank in setting up compliance units CMA`s specialized Professional & consulting service ensure compliance of internal audit with the International Standards on Auditing (ISA), relevant banking regulations and other legal requirements, ensuring the adequate professionalism and conformity with the ethical principles.

Providing specialized guidance to the Board: The Cost and Management Accountants with their specialized professional skill and expert knowledge and analytical capabilities can provide an in-depth service in Risk based audit in Banks and the services inter-alia includes the following functional areas: SWOT Analysis, Risk Assessment for Project Evaluation, Bank Supervision/Audit Mechanism, Credit Risk Management and Credit Portfolio Evaluation Customer Due Diligence, Project Techno-economic Feasibility Studies and Project Monitoring Borrower Credit Appraisal and Working Capital Assessment Borrower Security Evaluation, Asset and Liability Management System and Management Information System, NPA Management Advisory Services, Business Valuations and Asset Valuations, Information Systems/EDP Audit, Software Evaluation, Bank Staff Training, Preparation of Instruction Manuals for Credit, Audit and other bank functions

Product Discontinuation : A critical prerequisite for any bank in terms of setting pricing and product policies is a sound knowledge and understanding of its own cost structures and the main causes of cost. The role that costing should play in this regard is to ensure that management does not market an unprofitable product because of understated costs that lead to an inadequate pricing structure. When you have to cut off dead wood, which branch you will take out? Continuous evaluation of profitability, suitability of all the products is of high importance nowadays. No financial institution can afford to continue with the products, which are not giving net positive return. Moreover, considering the resource constraint, ranking of the net positive revenue generating products is also important. Cost accountants will be of great help regarding this. CMAs possess expertise in Product, Service, Market, Customer Profitability Analysis.

Credit Risk Appraisal: The Banks and Financial Institutions have a systematic credit appraisal methodology, which is being constantly reviewed in the light of the experiences gained from time to time. However, the basic standards for working capital facilities, both fund based and non-fund based, and term facilities are well understood. Certain basic parameters have evolved over the years. Appraisal of Credit for Project Financing involves analysis of the following risks and mitigation thereof: Environment Risk; Country Risk; Industry Risk; Company Risk; Competition Risk; Market Risk; Project Risk; Product Risk; Supply Risk; Funding Risk; Interest Rate Risk; Currency Risk Analysis of basic financial parameters may be considered as one of the strong pillars for mitigation of Credit Risk while appraising credit proposal. The basic financial parameters, which form the foundation of the Bank's credit appraisal, are as follows: Capital Gearing; Liquidity; Net Working Capital; Non-current assets; Turnover; Profitability; Cash Accrual. Appropriate Credit Risk guidance by CMAs can help the banks in controlling Non Performing assets.

Asset Quality

The major cause of a bank failing or a crisis in a bank is poor asset quality. The single most important reason for the collapse of banks is bad loans. Foreign exchange, deposits, maturity mismatches and open positions may cause worry and sleepless nights, but they do not normally lead to the closure of a bank. That is done by poor asset quality. Poor asset quality is reflected in the loans written off or loans loss ratio. This ratio shows the loan loss experience of the bank in an attempt to give an analyst an idea of the quality of the assets of the bank.

The Cost and Management Accountants possess expertise in carrying out sensitivity analysis and efficiency evaluation of a project and can raise alert before the account becomes Non Standard through the perspective of Activity Based Costing, Target costing , Kaizen costing, Lifecycle Costing.

Conclusion

The modern economies of the world have developed primarily by making best use of the credit availability in their systems. India is on the march; far reaching socio-economic changes are taking place and Indian banks should come forward to play this role in the process. The role of banks has been important, but it is going to be even more important in the future. Banking is becoming so complex that its risks cannot be monitored only by bank supervisors. And bank regulation cannot try to respond to every single financial innovation. The safety and soundness of banking requires the appropriate mix of nominations on the Board where it is imperative to have Cost and Management Accountant so as to provide insight and vision for effective performance management of the bank.

RESPONSIBLE FINANCING

BANKING

Shri B. Rajkumar

Advisor to BFSI Board, ICAI and
Former Dy. Chief Executive
Indian Banks' Association

I am a jack of all trades. I want to discuss a new topic and I want to share my learnings with you. All themore, it is fascinating for me. I am a banker for almost 40 years. When I heard this term for the first time ,I thought , how financing can be irresponsible and it has to be only responsible.

Whatever I have done in my career like taking deposits, lending, investing, budgeting, savings etc.were with utmost responsibility and sincerity. The only criteria at the time oflending was that, I should get the public money back with a decent return and my responsibility ends there. Nothing beyond that and I was a very responsible bank officer that way. While I was in Indian Banks Association, 2 years back, I attended a workshop on Responsible Financing. This meeting opened my eyes and I understood how much I was irresponsible all these years.

Responsible financing has got many other dimensions other than lending and recovery. It is clear, transparent, ethical lending with governance and trust. It is providing access to the deprived. Re-investing the profit to deliver economic, social and environmental benefits. This lending gives hope and opportunity and not only getting decent returns. It is not only creating wealth but spreading the wealth. Responsible financing leads to responsible business.

In every business ,we think of the bottom line only but nothing beyond that. But Responsible Financing goes beyond that. Here, it is triple bottom lineieProfit, Social and Environmental dimensions. This concept is also known as three Ps. People, Planet and Profit.

- People- are employees, labor and the society. It is giving back to the community.
- Planet – to reduce the waste, invest in renewable energy, managing natural resources, less carbon economyand effectively reduce ecological footprint.
- Profit – No one wants to do business without profit

We use our heads for making profit. Here in, ResponsibleFinancing, we have to use our hearts too.Out of these three Ps, People and Planet require our hearts while the other P-Profit is brainwork. The 3 Ps arepillars of sustainability. We have to go beyond financial ratios to understand People and Planet.

Responsible Financing is an umbrella term for a bouquet of strategies like sustainable lending, sustainable investing and impact investing . Sustainable isbalancing economic, ecological and social goals. People in this planet can meet their needs without compromising the needs of future generations. Responsible Financing integrates Environmental, Social and Governance concerns into lending decisions.

E S G

E- Environmental

Low carbon economy, deforestation, water air soil pollution resource efficiency, wastemanagement, renewable energy

S- Social

Labor standards, human rights, security, health, safety

G- Governance

Corporate ethics, integrity, reputation, risk management,reporting, management effectiveness

ECG indicates the condition of the heart. ESG - these three letters are like ECG for a country/financial institutions/business concern. It indicates the health and sustainability. Combination of financial and non-financial factors decide sustainable business growth. The key stakeholders who are involved in this process are academics, banks, development finance institutions, government, investors, regulators, industry associations and stock exchanges

UN General assembly launched 17Sustainable Development Goals (SDG) – A globally agreed agenda adopted by 193 countries in 2015.The SDGs represent the world's most pressing sustainable development priorities until 2030.Responsible financing gives top priority to the following sustainable development goals out of the 17.

They are -

- Low poverty
- Zero hunger
- Good health
- Quality education
- Gender equality
- Affordable clean energy including sustainable growth.

The three Principles of responsible financing are -

- Top management commitment
- Governance
- Capacity building

After 2008 meltdown, responsible financing started getting attention globally. Lack of transparency was one of the reasons. Even in India, many banks got into problems by entering intoopaque derivative transactions without understanding.

Global Experience

Singapore Association of Banksin Singapore (ABS) has issued guidelines on Responsible Financing. These guidelines define the minimum standards and responsible financing practices to be integrated into member banks and financial institutions business models. Members of the Association may adopt higher standards in line with their sustainability strategy. As Singapore is a major regional hub, providing capital and serving as a nexus in global financial networks, banks and financial institutions in the country are important partners in promoting low carbon future, which is outlined in individual countries Nationally Determined Contribution (NDC) to the Paris agreement 2015 on climate change.

ASB support more transparent environmental, social and governance- ESG disclosures,. The responsible financing guidelines built on values such as governance, transparency and trust that underpin Singapore's reputation as an International Financial Centre. These guidelines raise the bar of responsible finance as the banking sector continues to play an important part in developing sustainable economy.

The industries with elevated risk that the banks need to take into consideration and prioritize in developing responsible financing policies as applicable to their business models and their level of exposure are -

Agriculture, forestry chemicals, infrastructure,defense,mining and metals, energy from fossil fueland waste management.

The three principles of responsible financing are to be effectively followed.

A Green Finance Industry Task Force (GFIT) was convened by the Monetary Authority of Singapore (MAS) to accelerate the development of green finance through four key initiatives.

1. develop a taxonomy.
2. improve disclosures.
3. foster green finance solutions.
4. enhance environmental risk management practices of financial institutions.

The task force comprises representatives from financial institutions, corporate, non-governmental organizations, and financial industry associations.

Singapore Exchange Ltd requires all listed companies to report on sustainability on a comply or explain basis with effect from the financial year ending on or after 31 December 2017

Development Bank of Singapore (DBS)

DBS is the first in Southeast Asia to adopt responsible financing framework.

DBS has raised its sustainable finance target for 2024 to US$ 50 billion which is well over twice the lenders previous US$ 20 billion targets for the same year.

Their Sustainable Financing Products are -

- Renewable Energy Financing
- Sustainability- linked Transactions

- Green Loans
- Sustainable Investing
- Sustainable Bonds
- Digital Solutions for Sustainability

They have issued a document on their approach to Responsible Financing. They seek to address the environmental, social and governance challenges (ESG) by providing credit, facilitating trade and investment flows responsibly.

They have committed to:

- Supporting customers who are willing to invest in building capacity to manage ESG risksin their businesses.
- Encouraging customers to benchmark themselves against international best practices.
- Contributing to the development of best practices in specific sectors and minimizing credit and reputational risk to DBS through alignment of risk appetite with ESG considerations at portfolio level

ESG related prohibited transactions:

Consistent with the Bank's credit policy, DBS will not knowingly finance the following activities.

Few of the activities are indicated-

- Illegal logging
- Production of mass weapons of destruction
- Land clearance by burning.
- Trading in wildlife or their products
- Pure play thermal coal mining, processing,trading, construction and operation of thermal coal owner plants etc.

OCBC Bank

They aspire to be the leading bank for responsible and sustainable finance in Asia. Managing risk and ensuring that they are lending responsibly are the key tenets of their approach at OCBC. Their responsible financing approach integrates environmental, social and governance considerations into their credit and risk evaluation process for their lending practices and capital market activities. Specifically, they will not engage in ongoing relief finance activity where there is clear evidence of adverse impact to the environment, people or communities. Expect their customers to meet all the local ESG related laws and regulations.

They have an exclusion list and sector specific policies. Their sector specific prohibitions include

- Energy- they will not provide new financing for coal fired power plants.
- Mining and metals -will not provide new financing to thermal coal mines.

- Defense-will not provide financing for production or trading controversial weapons and munition for oppressive warfare (e.g., nuclear, biological, and chemical weapons) they have also prohibitive financing of harmful or exploitative forms of forced labor or child labor.

Production or trade in wildlife including products regulated under the convention of international trade in entangled species of wild flora andfauna

In 2019, they developed three additional sector-specific policies covering chemicals, infrastructure, and waste management. Their Sustainability Framework supports the delivery of the United Nation's Sustainable Development Goals (SDGs)

Scotia Bank

Their approach to environmental, social and governance(ESG)focuses on four pillars – environmental action, economic resilience, inclusive society and leadership and governance. They develop, implement, and invest across these pillars in order tomaximize their positive impact on the world. Their impact in these areas is greatest when they act at three different levels-in their operations, with their customers and on the world around them. They have launched a new sustainable finance group within its global banking and markets division.

Scotia bank has made 10 year-Canadian $ 500 millioncommitments to foster economic resilience among disadvantaged groups. They have committed Canadian $ 1.25 million to the Institute of Sustainable Finance.

Their Project Shadow(A public-private partnership) looks to put a dent in online child exploitation through a collective effort.Scotiabank's Global Banking and Markets division provided bank financing totaling Canadian $ 4.70 billion to the renewable energy sector. More than 4700 employees have taken part in Scotia bank's environmental risk e-learning course since it was launched.

Credit Agricole

Responsible financing is in the center of their activities. It takes extended account of the environmental and social impacts stemming from its financing and continuously seeks to adapt its offering to use social challenges.They aim to limit environmental and social footprint by taking into account three key sustainable development issues.

They are

1. climate change
2. biodiversity
3. human rights

Their products with a positive impact are Green and social bonds, green and social loans, ESG indexed loans, sustainability-linked bonds, green private placements and green securitization.

Societe Generale

They are highly supportive of transitioning to a fairer and greener economy. They stand by their corporate and financial institutions clients to help them have a positive impact on society at large. Climate change, social inclusion, the development of emerging economies and the smart use of scarce resources are among the crucial challenges of today. The bank wants all of us to act now for future generations. The financial sector is at the very heart of an essential shift to more sustainable development based on more inclusive and sustainable economy. Together with their stakeholders they are implementing a pragmatic step by step approach to develop impact- based solutions to benefit all.

They are one of the founding banks for the Principles for Responsible Banking and has been pioneering the Positive Impact Finance which calls for a new paradigm; turning sustainable development goals into business opportunities for their clients developing new financing solutions to bring about the sound and sustainable development of societies.

SocieteGenerale is proud to be the founding signatories of Poseidon Principles in 2019 promoting the decarbonization of the shipping industry.

Their Sustainable and Positive solutions are -

- Strategic Advisory
- Financing Solutions
- Investing and Hedging Solutions

ING Bank

They make their biggest contribution to sustainable future through their financing.They are committed to better understanding the impact of their lending activities and working with their clients to drive progress on climate action and financial health.

The Terra approach

They have a loan book of euro 700 billion across many sectors which they have now begun steering towards meeting the Paris agreement(-) 2 degree goal

They continue to fund companies and sectors that are helping to keep global warming below 2 degrees Celsius. This includes funding projects that advance renewable energy, circular economy, and combat climate change. They support these clients through their climate finance portfolio. They also focus on projects that lead to, for example, affordable housing or basic infrastructure improvements. They call this social impact finance.

Sustainable Investment Services

ING offers sustainable investment services to their retail banking customers in Netherlands, Belgium, Luxembourg and Germany. They have developed a methodology to assess all asset classes including fixed income, equity and investment funds based on a diverse set of environmental, social and governance (ESG) criteria.

Their company level analysis integrates a positive and a negative ESG screening. Screening covers over 100 ESG criteria assessing the risk,reputation, and opportunities profile of each company. They choose to invest in companies with best ESG profile in each sector. The negative screen excludes companies with a track record of negative corporate conduct or whose products and services have negative impacts.

Australian Banking Association

ABA has 22 member banks across Australia. The banking industry supports robust and responsible lending standards across the economy. This is to support appropriate access to credit for customers, to support their long term prosperity and growth. These standards are set out in the National Consumer Credit Protection Act 2009, a regulatory guidance issued by Australian Securities and Investments Commission (ASIC) and Australian Prudential Regulatory Authority (APRA) as well as banking code of practice. Responsible lending is to determine whether a customer can repay without substantial hardship and to meet a customer's requirements and objectives. ABA take their responsible lending obligationsseriously to ensure that they are doing the right thing for customers.

European Network on Debt and Development (Eurodad)

Eurodadis network of 59 civil society organizations from 28 European countries working for specific changes to Gobal and European policies, institutions, rules and structures to ensure a democratically controlled, environmentally sustainable, financial and economic system that works to eradicate poverty and ensure human rights for all.

Eurodad's vision is a world with :

- **Economic justice for all-** an end to relative poverty and to the concentration of wealth and power in the hands of a few .
- **Fair democratic, accountable and transparent governance-** at local,national,regional and global level where all countries have a say,and all people can exercise their right to participate
- **Finance that serves the people-** and helpsto ensure human rights for all and an environmentally sustainable planet. This means it is publicly regulated to meet social ends and recognize environmental limits and enhances systems on redistribution to ensure economic justice

Indian experience

2007- RBI issued a circular on sustainability development. This circular talked about corporate social responsibility, sustainable development and non financial reporting and the role of banks

2010 - Department of Public Enterprises, Ministry of Heavy Industries and Public Enterprises, Government of India issued guidelines on Corporate Social Responsibility for Central Public Sector Enterprises

2011- Ministry of Corporate Affairs. Government of India issued National Voluntary Guideline (NVG) on social. environmental and economic responsibilities of business. It introduced 9 principles on ESG

2012-SEBI circular dated August 13 , 2012 mandated inclusion of Business Responsibility Report (BRR) as a part of the annual report for top 100 listed entities. The reporting requirement is in line with the National Voluntary Guidelines on social, environmental and economic responsibilities of business(NVG) notified by Ministry of Corporate Affairs, Government of India in July 2011. This was a regulatory push towards NFR.

2014- CSR was made mandatory.First country in the world to do that

2017- Indian Banks Association issued National Voluntary Guidelines on responsible financing based on eight principles and five pillars

NITI Aayog's SDG India Index

Evaluates progress of States and Union territories on various parameters including health, education, gender, economic growth, climate change and environment. Kerala has retained the the top rank for 2020-21

Initiatives of Indian Financial Institutions

Stock Exchanges

Sustainable Stock Exchanges(SSE)

The United Nations had been playing a catalyzing role through a series of Global Dialogues-held in New York (2009) Xiamen (2010) and Rio de Janerio (2012)- this initiative had become a platform for exploring how exchanges can work with investors, regulators and companies to enhance corporate sustainability and promote responsible investment.The Exchange's pro active work had been noticed by UNCTAD. UNCTAD approached BSE to get on board by signing the commitment letter to promote long term sustainable investment and improved environmental, social and corporate governance disclosure.

BSE is the first stock exchange from Asia to join Sustainable Stock Exchange Initiative.

Some of the indexes linked to sustainability.

- S&P BSE 100 ESG Index
- S&P BSECarbonex
- BSE Greenex -25 green companies
- MSCI India ESG Leaders Index
- NIFTY100 ESG Index

Mutual Funds like SBI Magnum, Quantum, Axis introduced ESG funds

Yes Bank

Yes Bank is active from 2004, The Principles of Responsible Banking were developed by a core group of 30 Founding banks through an innovative global partnership between banks and the UNEP FI. YES bank is the only Indian Bank to be part of this initiative.YES Bank was included in the key global sustainability indices'

Only Indian Bank to be listed in in Dow Jones Sustainability Index (DJSI) in the Emerging Market Index, FTSE4 Good Emerging Index, MSCI ESG Index

They have an environmental and social policy.

YES FOUNDATION is the social development arm of the Bank

YES COMMUNITY is YES Bank's unique community engagement programme

Axis Bank

Axis Bank is included in FTSE 4 Good Emerging Index

In 2016 Axis bank launched India's first dollar-denominated green bond by an Asian bank raising US$ 500 mn

In addition to SEBI Annual BusinessResponsibility Report, the bank publishes a stand alone Sustainability report.

Standard Chartered Bank

They have a sustainability policy aligned to UN SDG .WASHE is their flagship community program. They are providing solar water ATMs in villages "Seeing is believing" is their 2nd program to tackle avoidable blindness.

IndusInd Bank

They believe that 'Good Ecology is Good Economics'

They have ESG targets. They have their Sustainability Mission Statement, Sustainability Vision and Sustainability Governance'

Board Level committee oversees the Bank's Sustainability Vision & Strategy. The core philosophy of the Bank is to integrate sustainability into all aspects of business.

They are planning to raise climate financing to 3.5% in two years and they will reduce carbon emissions to 50% in the next four years as per their latest report on 5 th May 2021.As per their report, they made it to the Carbon Disclosure Project (CDP) for the 6th consecutive time. Making it the only Indian bank to get featured in this prestigious list, The bank is transformingall its pioneer branches/lobbies into green and plastic free zones and getting them LEED certified.

Some of the green initiatives,energy saving and environmental friendly steps taken by Indian Banks are-

Going digital, online banking ,mobile banking, E statements, E annual reports, electrical audit, CFL lights, conservation of resources,dry waste, rainwater harvesting, green buildings, tree plantation drive, solar powered ATMs financing-Wind and Solar Energy units, Green Homes, Clean Energy projects, Low carbon emission projects,Rainwater harvesting projects -also concession in interest rates, processing charges etc.

Public Sector Banks do a lot for Social Objectives though they have not branded the products as banks in foreign countries have done it. They are doing a great job silently.Some of the schemes towards social upliftment and financial inclusion are :

- Lead Bank scheme
- D R I loans
- Financial inclusion - PMJDY
- Rupay cards
- Business Correspondents
- MUDRA loans
- RRBs (Regional Rural Banks)
- RSETIs (Rural Self Employment Training Institutes)
- Financial Literacy and Counselling Centres (FLCCs)

- Self helpgroups (SHGs)
- Swacch Bharat
- Citizens Charter
- BCSBI code of conduct(Banking Codes and Standards Board of India)
- Fair Practice Code for Lenders

OXFAM in their Fair Finance Guide India Report has statedas below:

Indian banks are doing well with financial inclusion and lower corruption but weak on climate change, human rights and environmental issues.

Lending in India is regulatory, and compliance driven rather than on moral grounds.

Way forward

- Priority sector should have a green sub sector.
- SEBI should identify more green assets in tune with international standards.
- Domestic insurance and pension funds should enforce ESG.
- Companies to go for more transparency on non-financial policies practices and performance.
- Level of understanding and awareness of relation between finance and non-finance to be enhanced.
- Utmost caution to be exercised while hot money flows into developing countries.

CREDIT MONITORING - KEY OF PORTFOLIO MANAGEMENT

BANKING

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As banks are trustee of Public money, safety and security of credit facility is of paramount importance. As we know maintaining healthy credit portfolio is inevitable for survival of Banks today. Credit Monitoring is a key element of portfolio management. Credit monitoring may be explained as "exercise of continuous vigil, keeping a watchful eye on the account operations, environment, internal and external to the Unit and how they impact them". Due to challenging macro/micro economic environment of last few years and worldwide lockdown and other impact of Covid 19, the role of credit monitoring has become more crucial.

While supervision of account operations plays a crucial part in ensuring proper conduct of the account (i.e.) within the ambit of the assumptions made while sanctioning limits, gathering market information through various sources will help proactive and timely solutions to the problems faced in the accounts. it also gives early warning signals in the account to take immediate preventive action and goes with the saying stitch in time save nine.

Objective:

It ensures delivery of credit after complying with laid down procedures and conditions with due precautions. It also keep vigil on that credit assets in the Standard category remain Standard. The endeavor to up gradation of indentified weak accounts/sub-standard accounts and to avoid unacceptable slippages.

Goals of Monitoring

Monitoring is a continuous process and come to an end with the product/credit life cycle i.e. closure of the credit facility. The sanction of credit facility is a financial participation in the business of the client and thus, Bank has a stake in the wellbeing/safe running of business. Credit sanction is an exercise to evaluate critically all aspects of the business enterprises with the objective of upgrading the viability of project. This is achieved by ascertaining various monitoring goals for individual assets. Periodical monitoring of the actual performance of assisted constituents vis-à-vis projection accepted at the time of appraisal of credit facilities viz. Sales, Operating Profits, Inventory and Debt Levels, Cash Flow etc. Indentifying and evaluating temporary/critical aberrations coming in the way of smooth functioning of the assisted unit(s) for timely restructuring.

The first and foremost process is to interact regularly with the borrowers/stake holders through timely inspection in order to:

a. Ascertain their (management) stake and interest in the day to day business operations and to ascertain the production level, inventory level, trend of manufacturing/sales, labour problems, maintenance of production units and market repots land other related issues.

b. Ascertain as to whether funds invested in business are adequately protected and whether day-to-day problems, if any, facing the business in resolved satisfactorily.

c. Understand the financial problems of the assisted companies without delay and to assist on regular or ado basis after evaluating the same on merit.

d. Ascertain whether there are any impediments in timely service of interest, repayment of installments due to the Bank.

e. Ascertain as to whether the Bank's funds are put to productive use.

f. Ascertain as to whether there is any threat to the recovery of Bank's funds invested in the business and to intimate timely, appropriate recovery measures in potentially non-performing assets.

Monitoring Tools

Safety of Bank's exposure in credit asset is of prime importance. The safety is dependent upon risk factors, which are identified and accepted while taking credit exposure. Any event that could result in materializing of these risks into default or even delay in repayment must be diagnosed and identified early. The normal sanction covenants such as maintenance of margin, payment of 9interest in time, submission of stock statement, and submission of statements by the borrowers, review of account at appropriate time etc. as also loan specific stipulations such as raising of promoter's contribution etc. will provide the basic framework to obtain and use various monitoring tools.

Although it has been tried to capture exhaustive list of monitoring tools but it is difficult to be drawn up as loan specific issues and peculiarities vary depending upon different factors. The following is a list of various monitoring tools applicable/covering majority of the advances.

(A) Branch level/Local sanctioning level:

i. Certified statement of actual cost of project (upon completion) vis-à-vis the original envisaged cost of project.

ii. QIS/Stock statement/s Book debs statements.

iii. Monthly Cash Budget, wherever applicable.

iv. Concurrent/Internal/Revenue/RBI Audit Reports.

v. Stock Inspection Reports of outside agencies.

vi. Factory visit repots/Technical Officer's Reports

vii. Information on performance of the unit by obtaining profit and loss statements, balance sheet and other accounting data.

viii. Adverse feedback/searching enquiries from other Banks regarding the accounts, promoters or guarantors.

ix. Account operations scrutiny – (turnover, overdue if any, frequent returns of cheques /bills, issuing cheques unconnected to main business, pattern of withdrawals, cash etc.

x. Sales tax returns/challan, Excise duty challans, to co-relate with turnover/production Report/ account operation/ balance sheet, Quarterly Progress Repot.

xi. Search Report from ROC

xii. Information from Market/Newspapers

xiii. IT/Wealth Tax/Sales Tax Returns/Assessment orders.

xiv. Scrutiny of records of statutory obligations viz., P.F. Gratuity payments of employees

xv. Payment of Tax (Income Tax/Property Tax/House Tax) Liabilities, Electivity Bills or other Municipal Dues.

xvi. Minutes of Consortium Meeting.

Controlling Office (CO/HO/ZO/RO) Level :

i. Statutory Audit Report/GSTR

ii. Internal Inspection Reports/Special Audit Repot.

iii. RBI Inspection Report.

iv. Annual Review of the account.

v. Visits by Officials from Controlling Offices to branches/Borrowers.

vi. Monthly/Quarterly Monitoring Reports.

vii. Consortium meeting minutes.

viii. Sharing of information with lending institutions.

The non-receipt of lack of the monitoring tool itself is a cause to commence close monitoring process in mot circumstances, if not all. The focus of the monitoring process is always to ensure the safety of funds lent and see that the account is conduced as per the terms and conditions of sanction. It should be borne in mind that recovery of overdue amounts in Standard Assets causing concern is an essential short term strategy.

The tools discussed in the last page can also be broadly categorized as on site tools and of site tools for critical understanding as below :

On Site Tools :

a. Inspections of fixed assets/inventory

b. Inspection of books

c. Interaction with borrows/their employees

d. Performance assessments by means of verification of per unit selling prices/Raw material prices etc. with the projection made

e. Order book position

f. Stock Audit

g. Nomination in Board of Directors.

Off Site Tools:

a. Conduct of account

b. QIS/Stock/Book Debt Statements – compare actual performance with projections

c. Audited Financials

d. Promptness in payments receipt/payments outgo

e. Market Reports/Interaction with competitors

f. Monthly health Profiles

g. Viability Study Report

h. Industry reports

Stages of Monitoring

There are three distinct stages of Monitoring:

1. Pre Disbursement
2. During Disbursement
3. Post Disbursement

Pre Disbursement :

Suitable monitoring of various acts by the customer/Branch officials/outside agencies should be done at the pre disbursement stage. Depending upon the terms of sanction in each case, the following actions/steps, wherever applicable may be taken prior to disbursement.

a. Obtaining satisfactory credit reports from existing lenders and other credit investigating agencies such as D & B CIBIL, etc wherever applicable.

b. Pre sanction inspection of the unit prior to disbursement. Needless to add, pre-sanction inspection report cannot substitute the need of pre disbursement inspection.

c. Issuance of sanction letter and acceptance of terms, conditions and stipulations of sanctions by the borrowers.

d. Execution of all relevant documents, including creation of charge on collateral security such as hypothecation/mortgage etc. as per terms of sanctions.

e. Furnishing of Letters of guarantee by guarantors.

f. Disbursement of amounts by other participating financial agencies/Banks /Financial Institutions etc.

g. Clarity in regard to draw down of amounts such as first date of disbursal and last date of disbursal, the stages in which the monies are required to be drawn, its acceptance and evaluation at Branch level (If these are already included in the credit proposal, the same must be adhered to.)

h. Vetting of documents/Credit Audit compliance as per system in vogue in the Bank.

During Disbursement :

Credit delivery in loan accounts is distinct from running accounts such as OD/Cash Credit. All disbursements whether in loan account or in running accounts, will be related to actual/acceptable performance of the business unit and should never lose sight of basic objective of safety of Bank's exposure in the credit assets. The disbursements should be commensurate with the progress of the project/ business activity, also taking into account the extent of margin brought in by the promoters upto the given point of time.

The limits sanctioned are not a commitment in isolation to extend funds to the borrower under all circumstances. It is only a financial contract to make available funds for due performance of various business objects and goals set out in the proposal. Bank's disbursement depend upon due performance/compliance of/with borrows own commitments. Therefore, the credit delivery has to be used as an effective monitoring tool to ensure that there are only normal land acceptable credit risks.

The following aspects wherever applicable, may be considered for monitoring of Loan Accounts :

a. Actual implementation vis-à-vis Project schedule.

b. Possibility of time or cost overrun.

c. Adequacy of arrangements to meet cost overruns.

d. Impact of time overrun on timely cash generations of the project.

e. Verification of end-use of funds with reference to verifiable records such as invoices, account books, registers, records, inspection of the unit etc.

f. Chartered Accountant's implementation progress certificate from architect/contractor et. wherever applicable.

g. Disbursements to be made to the extent possible, directly to the suppliers/service providers.

h. Obtaining status report on the suppliers of machinery as per extent guidelines, which ensures genuine of supplier/transaction.

i. Even while making direct payments, whenever doubt arises about the genuine nature of the transaction due care is to be exercised.

j. Compliance of sanction terms/stipulations (any exception requires approval of appropriate authority).

k. Report on obtaining Documents, should be submitted to the Controlling Office, within the stipulated time, along with the 'Documents enforceability certificate' given by the panel advocate, wherever required.

Working Capital/Cash Credit Accounts:

a. Verification of completion of the implementation of the project/business activity and readiness to commence commercial production

b. Compliance of sanction terms/stipulations (any exception requires approval of appropriate authority).

c. Disbursements to be made to the extent possible, directly to the suppliers/service providers and the element of cash withdrawals to be kept minimum.

d. Even while making direct payments, whenever doubt arises about the genuine nature of transaction, due care is to be exercised.

e. Availability of adequate Drawing Power to be ensured.

f. Stock inspection data regarding regular movement of goods, actual sales keeping pace with projections, not having unacceptable quality rejections in sales, not accumulating slow/obsolete inventory, elongation of debtors beyond acceptable levels, change in credit periods from suppliers etc.

g. Report on obtaining documents should be submitted to Controlling Office within the stipulated time along with 'Documents enforcement Certificate' wherever required.

Post Disbursement (Applicable to all accounts):

a. Monitoring of the actual performance of the borrowers by inviting monthly/quarterly statements/QOS and comparing the same with the projected performance figures appearing in the customer's CMA data submitted to Bank. Any substantial deviation will have to be probed into, not waiting for submission of audited financials.

b. Periodical inspections by Bank;s Officials/Stock Audit by approved CA firm. As per extant policy of Bank.

c. Ensuring proper end use of funds lent by the bank and routing transactions through the accounts.

d. Unfailingly communicating to the borrows change in interest rates etc. This is important from the point of view of building up relationship as well as safeguarding bank's interest.

e. Remaining in touch with the market sources for keeping upto date with the industry prospects, market reputation of borrowing unit etc.

f. Timely review of account.

g. Timely obtaining and analysis of Audited statements of Accounts.

h. Timely identification of account showing symptoms of strain and wherever considered fit, resort to prompt restructuring of the account, so that the rehabilitation process is meaningful.

i. Completion of applicable documentation, maintaining custody and validity of the documents.

j. Creation of charge over security and completion of all relevant and applicable formalities including

- Creation of Registered or Equitable Mortgage.
- Intimation to SRO wherever applicable.
- Registration with CERSAI.

- Creation of 2nd charge.
- Registration of charge with ROC in respect of limited companies.
- Periodical search of charge with ROC in respect of limited companies.

k. Ensuring compliance with all internal reporting requirements covering the advances.

l. Preparation/submission of timely control returns.

m. Obtaining QIS from units and its analysis as per bank's extent instructions is an important part of this activity. Regular and detailed analysis is important keeping in view the level of exposure.

Monitoring of an account is not only confined to any single office (Branch/Controlling office/Corporate Office) and concerted efforts will have to be taken at all levels with whatever information available at each level, to prevent any deterioration in asset quality. Under lending or delay in lending can be equally painful to the wellbeing/viability of the borrower's unit and this itself can lead to asset becoming non-performing. The quality application of mind and alertness in assessing the borrower's 'need' will ensure success of monitoring at the three stages mentioned above. The role of credit officers is crucial in achieving this endeavor.

Supervision and Performance Monitoring of advances :

The objectives of supervision and performance monitoring of advances are to check the end use of funds, to verify the quality of assets charged to the bank and to ensure that the out standings in the accounts are fully covered by securities or adequate value, to regularly monitor and assess the financial health of the unit and to take timely preventive of corrective measures, wherever called for.

Indicative list of activities to be carried out during inspection :

a. Observation of general level of activity, utilization of infrastructure and industrial relations.

b. The condition of unit premises, machinery and equipment, financed by the bank, is in order.

c. The machinery is intact and in good working condition.

d. The insurance cover is adequate. Notice should be given to the customer that insurance is primarily their responsibility.

e. Comparison of actual level of stock, sundry creditors/debtors vis-à-vis position furnished in the stock statement.

f. Verification of unit's books and comparison of/levels of stocks/sundry debtors/creditors with the actual level and the latest stock statement.

g. Verify Purchases register ales register, General Ledger, Invoices, Bills, Orders on hand etc. Where goods are excisable or subject to other statutory control, the relative records should be verified. (Excise Register, Gate Pass etc.)

h. Verification of stocks with special reference to identification of obsolete/non-moving stocks.

i. Identification of machinery financed by other & us.

j. Display of bank's name board at the unit's premises.

k. Pending order position

l. Various aspects of performance vs. projections.

m. Opinion of the inspecting officer based on his observations.

n. Adverse features, if any, to be discussed immediately followed by a letter and advice to the controllers.

Detailed list of additional activities to be carried out in respect of new projects (during operation/monitoring/ inspection of new projects.

i. Necessary infrastructure for the proper functioning of the unit/machinery purchased like power connection water etc is in place at the unit. Whether poser connection is given to the machinery installed. If not, by when the power connection is expected is to be ascertained and documents.

ii. Whether the unit has commissioned the machinery and started commercial operations.

iii. The condition of machinery and whether it is in good working condition.

iv. Quality of the product produced is conforming to required specifications. The unit may be advised to first get the samples approved by parent units/buyers/purchases before going in for mass production, so as to guard against mass rejection and adverse ramifications connected therewith.

v. Verification of the actual performance of the until with the projection given at the time of project appraisal. Reasons for deviations should be ascertained and any deterioration should be reported to the controlling authority.

vi. Term loans should be discussed in installments commensurate with the stages of progress in the implementation of the project. Drawings in the working capital accounts should be allowed only in phased manner, commensurate with the gradual increase in the scale of operations of the new unit and the level of stocks and book debts.

Fixation of Drawing Power to be done meticulously complying the bank policy/guidelines in this regard. However, from effective monitoring angle the Stock Audit report should cover the following:

i. Physical verification of quantity of stocks declared in the stock statement by visiting all the places of storage.

ii. Reconciliation with the stock statement lodged with the Bank.

iii. Correctness of valuation through scrutiny of purchase invoices etc., age, quality and costing for stock valuation based on the Unit's records.

iv. Value of obsolete/slow moving stocks.

v. Verification of systems for maintaining records of stock, movements of stock, stock management.

vi. System of storage of stock

vii. Evaluation of debtors and age wise analysis

viii. Realisability of debtors/dues from group companies/units.

ix. Evaluation of sundry creditors with details of major sundry creditors.

x. Computation of drawing power and comments on variation, if any in respect of DP submitted to the Bank.

xi. Adequacy of insurance to stocks

xii. Verification of details pertaining to fixed assets charged to the Bank including critical evaluation of installed capacity, life span and working condition of machinery and whether the machinery are properly balanced.

xiii. Major customers of the borrower including the customer's response regarding quality of products.

xiv. Irregularities and discrepancies noticed.

xv. Analysis of profitability/product wise.

xvi. Suggestion and recommendations of stock auditor.

Review/Renewal Accounts :

All working capital limits should be reviewed/renewed within a period of 12 months (+3/6 months for better rated accounts based on internal credit rating) from date of sanction. Wherever review/renewal is not possible for genuine reasons vice delay in getting financial statements etc. the account should be reviewed at least technically within 3 months from the date of expiry of the sanction. Borrowers who have been extended working capital facilities and term loans, the conduct of the term loans will also be reviewed along with the renewal of the working capital facilities limits, indicating payment of installments, interest, quality of the assets financed, availability of insurance cover, maintenance of machinery etc. In cases where only term loan has been sanctioned it should be reviewed once in six months.

Valuation of Securities

Generally in resp.ect of all immovable properties both primary and collateral fresh valuation to be obtained every 3 years in respect of regular accounts. In respect of irregular accounts it should be obtained every year. The valuation should be updated by an approved valuer in the panel of the bank. Branch should also obtain and keep one record of Government guided rates.

- The digital photograph of the property wherever possible or ordinary colour photograph of the property should be kept on records.
- Since the bank has significant exposure to the mid-market segment, with its attendant dependence on collateral security, it has been stipulated that in respect of regular advances exceeding `10 lacs and all irregular advances, a fresh encumbrance certificate should be obtained every year. In respect of other advances, the period stipulated is three years. However, for fresh sanctions encumbrance certificates should be obtained once again after 3 months of disbursement of the facility. Obtaining encumbrance certificates should be done directly by the Bank, if necessary with outside professional help. Certificates brought by the borrowers without associating the bank in the process would not be adequate.
- Generally the outside valuer who does the fresh valuation should be different from the valuer who did the valuation in the earlier instance. If there is any variance/deviation in the valuation above 10% with reference to the valuation at the time of initial sanction of the loan, the reason thereof should be intimated to the Controlling Office.

- While accepting collateral security, it should be ensured, as far as possible, that in addition to the assets relating to the activity being financed, some property, which is independent of the activity, is also obtained as collateral. The rational behind this stipulation is that in the event of a business downturn, while the value of the former property may not.
- It should be ensured that the nature of the property accepted as collateral is such that it is likely to evoke a fair demand in the event of the bank having to force a sale and the location should be advantageous to the Bank.
- Minimum two valuation reports to be obtained for high value property and also legal audit to be conducted.

Early Warning Signals :

All accounts displaying unsatisfactory features/early warning signals should be put under watch list for follow up and time bond action to prevent slippages, even though such account could be regular at present. This is to enable the Bank to assess whether the default is due to some inherent weakness or due to a temporary liquidity/cash flow problem.

An illustrative list of unsatisfactory features that should put a lender on guard is given below :

Signals, which could be noticed within the bank :

a. Non-compliance with the terms of sanction regarding documentation/security.

b. Unplanned borrowing for margin contribution.

c. Delay in payment of interest beyond 30 days.

d. More than one installment overdue and beyond 30 days.

e. Return of cheques for financial reasons.

f. Reduction in credit summations – not routing entire (or prorata) transactions through the Bank (opening of collection accounts with another bank) without prior approval of appropriate authority.

g. Longer outstanding in the bill purchased accounts.

h. Longer period of credit allowed on sale documents negotiated through the Bank and frequent returns by buyers of the same – Late or no-realization of receivable.

i. Constant utilization of Working Capital limits to the hilt.

j. Unexplained delay or failure to submit periodic statements such as stock/book debt statements, MSOD, CMA, Balance Sheet etc./other papers needed for review of account.

k. Frequent requests for over limit/additional limit or for extension of time for repayment of interest/ installments.

l. Adhoc /Over limit/ Bill Purchase, LC/Guarantee Devolvement.

m. Lack of transparency in borrowers dealings with the bank/avoiding to meet bank officials.

n. Constant failure or unwillingness to mention unpaid stock in stock statements or age of book debts in book debt statement.

Signals which could be noticed by visiting the unit/talking to the borrowers or employees of the unit or market enquiries etc.

I. Undue and unreported delay in project implementation.

II. Installation of substandard machinery or machinery to as per the project report/approved quotations.

III. Frequent breakdown in plant/machinery/non-availability of vital spare parts.

IV. Production noticeably below projected level of capacity utilization.

V. Labour problem and frequent interruptions in manufacturing.

VI. Production of unplanned items without reporting to the Bank.

VII. Disposal/replacement of vital plan and machinery without Bank's knowledge.

VIII. Downward trend in sales/Reduction in Profit/Loss.

IX. Higher rate of rejection at process stage/final stage/after sales.

X. Delay in or failure to pay statutory dues.

XI. Diversion of working Capital to apical expenditure or for other use.

XII. Abnormal increase in debtors and creditors.

XIII. Increase in inventory, which may include large quantity of slow and non-moving items.

XIV. General decline in the particular industry combined with many failures.

XV. Rapid turnover of Key Personnel.

XVI. Filling of Law Suits against the Company by its customers, Creditors, Employees etc.

XVII. Unjustified rapid expansion within a short time without appropriate financial tie-up.

XVIII. Sudden/frequent changes in Management/infighting within the management.

XIX. Dependence on single or few buyers/info alternative market for product.

XX. Threat of action against the borrower from Statutory Bodies e.g. Pollution Control, Labour Welfare Dept. Income Tax/Sales Tax/ Octopi/Excise/Customs Dept etc.

XXI. Poor or dubious record maintenance.

XXII. Loss of key product liens, Franchises, Distribution rights or Sources of supply.

XXIII. Speculative inventory acquisition not in line with normal purchasing practices.

XXIV. Adverse market reports on the borrower/concern.

XXV. Poor maintenance of Plant/Machinery/Lack of Planning/Poor planning.

Perceiving of the early warning signals and initiating timely action of safeguarding the health of an account is stupendous.

Critical factors of credit monitoring :

- Strict compliance with sanction terms

- End use verification
- Creation of intended assets in terms of quantity, quality and value
- Maintenance of fixed assets in working condition
- Level of business activity/cash flows
- Transaction history
- Utilization and conduct of various limits
- Market reports on the borrower
- Availability and condition of prime/collaterals
- Enforceability of loan/security documents
- Scrutiny of financial data submitted periodically
- Taxation compliance/statutory compliance
- Compliance of accounting standards where applicable
- Corporate governance where applicable
- Consistency in management quality and board of directors/partners/proprietor
- Consistency in credit risk rating over a period of time
- Transparency and integrity of the borrower
- Capability of risk and financial management
- Business growth patterns
- Industry outlook of borrower's business
- Impact assessment of govt. policies.
- Analysis of reviews, renewals and major financial events and necessary remedial actions on time.

Sources for gathering Monitoring Information:

Some of the external sources of information are from Market information, New Papers – Periodicals – Media Reports, information from Borrower's Employees(Executives/Accounts/ Clerks/Officers/ Workers), Information from Borrower's Customers, Creditors, Sales Tax/Income Tax/Excise Dept./DR/CBI/ etc Raids/ Enquiries, Information through Ex-employees, Reference from other Bankers regarding other connected accounts of the borrower, Credit rating agencies (C&B, CRICIL etc.),Trade Association/Local bodies and Social Media etc.

As banking industry is facing greater challenge of mounting NPA and global spread of COVID-19 has made it more challenging, the proper Credit monitoring tools/processes are mandatorily required to maintain health and performance of credit portfolio.

ESG INVESTING

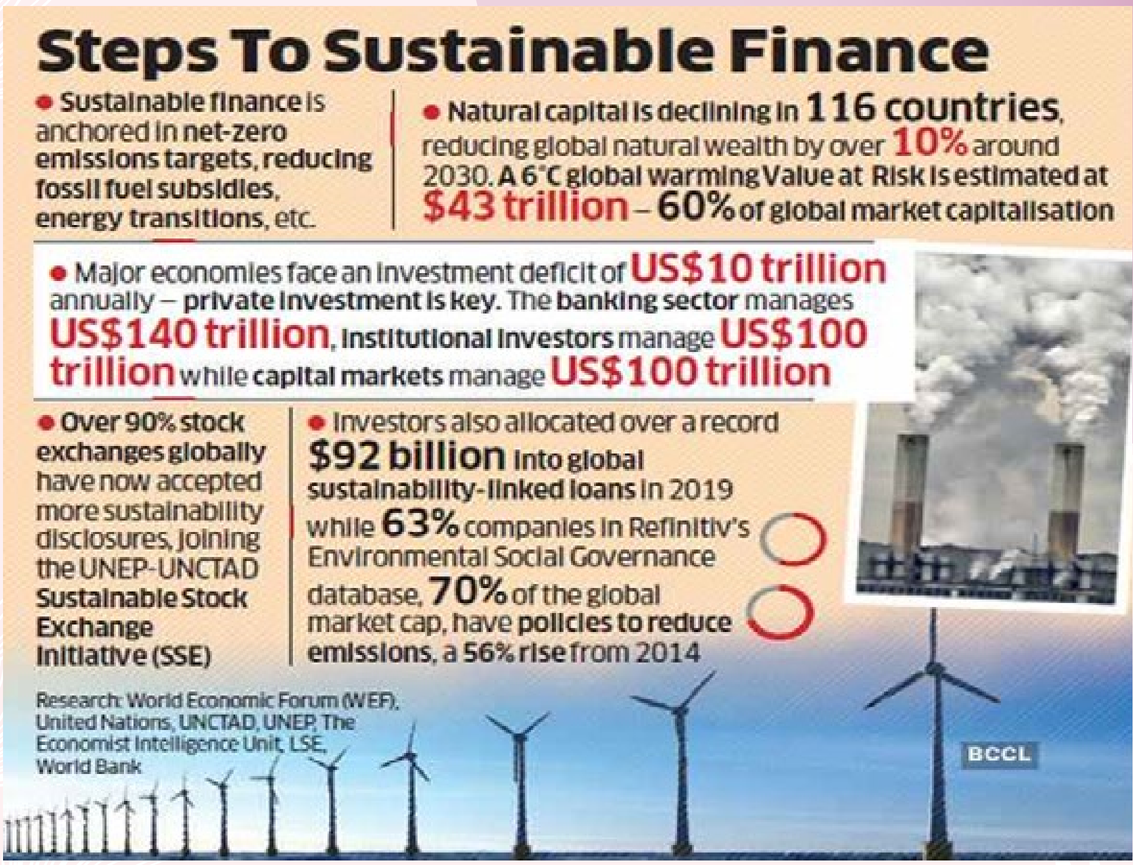
FINANCIAL SERVICES

CMA Soumit Das
Chief Mentor
Financial Goal Achievers
Financial Planning
Risk Management
Wealth Creation Solutions

I was attending Morningstar Investment Conference 2020, which had an exciting line of speakers including veterans like Mr.Narayana Murthy - Founder Infosys, Dr.Rajiv Kumar – NITI Ayog, Kunal Kapoor – CEO Morningstar Inc., Dr.Jim Walker – Founder & MD Asianomics, Rupal Bhansali – CIO Ariel Investments, Don Phillips – MD Morningstar, Lord Nicholas Stern – Economist amongst others.The impact of Covid-19 pandemic worldwide, had increased our awareness about the need to nurture nature. I was anxiously waiting to hear Lord Nicholas Stern ,IG Patel Chair of Economics and Government at the London School of Economics (LSE).

He started his presentation with the statement that,worldwide, firms with sustainable purpose are doing better by all measures. The term 'sustainable' means offering the next generation opportunities which are at least as good as ours. 'Opportunities' include human capital or health and education, natural capital or the environment, physical capital or infrastructure and social capital or a society that holds together despite tensions. It is vital to ask, using such criteria, whether we are creating 'sustainable finance' today.

The measures are clear. If you are financing a coal-based power station, that is not sustainable finance. That undermines natural capital, and damages human capital with its negative health impacts. Finance also should be sound from the point of view of risk and return – that soundness is shaped by what finance is financing. As an example, in the last four years, the US stock market has gone up by about 50% – yet, oil and gas companies have come down by around 50%. That shows risk-return profiles are now based on whether the finance is associated with projects that are sound for the environment.



Importantly, investments which are responsible towards the environment are doing better by all the conventional measures. Reshaped by Paul Polman, Unilever took a lead in social and environmental responsibility. Itsefforts have done well commercially. It also gets the best professionals, the most discerning customers, the healthiestcapital. We will thus see new definitions of the purpose of the firm – one states 'the purpose of the firm is to findprofitable solutions to the problems of people and the planet.'By negating such purpose, Milton Friedman was unambiguously wrong. The idea that the firm has no responsibilityexcept to its shareholders is dangerous. A world like that would damage society – and eventually damage the firm itself.The private sector should reject this doctrine. Over the last five years, I've seen an encouraging move towardsresponsibility in Indian corporate life. Reliance and Mahindra have committed to net zero targets. The Tatas haveundertaken philanthropy while Wipro and Infosys show deep social responsibility.The current crisis now offers an opportunity – Kristalina Georgieva, head of the IMF, has emphasised how the need ofthe hour is sustainable stimulus packages. The Covid-19 moment should be used to build a bridge towards climatechange mitigation. If we don't seize this opportunity, we will face even bigger risks than we do now. The positive stepswe need to take require a resetting of our imagination – we can make green buildings, use renewable energy, chooseelectric vehicles, etc. Keynesian economics, where firms and labour can both be very positive social forces, can inspire theworld of sustainable finance. The steps we need are fast, labour-intensive and have strong economic multiplier effects –that is exactly what Keynes would have approved of. And that benefits us enormously.

What is ESG?

ESG lens enables to look beyond the traditional investment parameters, to identify high quality socially responsible companies, for investing. ESG investing shifts focus from"How profitable a business is"to "How does the business earn its profits".

ESG investing symbolizes Sustainable and Responsible Investing (SRI). Exposures are taken in companies by assessing them based on 3 non-financial parameters:

√ Environmental Empathy (E) – Duty towards the Planet

√ Social Responsibility (S) – Relationship with External and Internal Stakeholders

√ Corporate Governance (G) – Functioning of the Business and conduct of the Management.

Environmental Empathy

Under Environmental Empathy, companies are scored based on activities undertaken to

► Efficiently Dispose Waste

► Address Climate Change

► Prevent Pollution

► Conserve Energy

► Conserve Water

► Carbon Emissions

► Biodiversity

► Deforestation

Case I - Stock of a Paper Manufacturing Company that inefficiently uses water will not qualify for ESG Portfolio. As, water is vital for the Paper Industry. Inefficiency can affect their future operations.

Case II - Stock of a Software Company that opts for Renewable Energy Sources, will qualify for ESG Portfolio. As, conserving Non-renewal Energy is of utmost importance. This helps in reducing Operating Costs.

Social Responsibility

Under Social Responsibility, companies are scored based on activities undertaken for

√ Gender Equality

√ Women Empowerment

√ Labour Welfare & Rights

√ Donations to Social Causes

√ Quality Products

√ Data Protection & Privacy

√ Human Rights

Case I - Stock of a Company that is Negligent towards, the Safety of it's Workers will not qualify for ESG Portfolio. As Labour may go on an Indefinite Strike and affectProduction.

Case II –Stock of a Company that Encourages Women to Restart their Career after a Break, will qualify for ESG Portfolio. As, Companies Gain Recognition and Consumer Confidence by demonstrating Progressive Thinking and improved Male to Female Ratio in a Work Environment.

Corporate Governance

Under Corporate Governance, companies are scored based on activities undertaken for

- Ethical Practices
- Efficient management
- Strong Internal Controls
- No Fraud or Illegal Activities
- Board Composition
- Ownership
- Executive Remuneration

Case I - Stock of a Company that is known for Manipulation of Records will not qualify for ESG Portfolio. As it may be Subject to Action by Regulators.

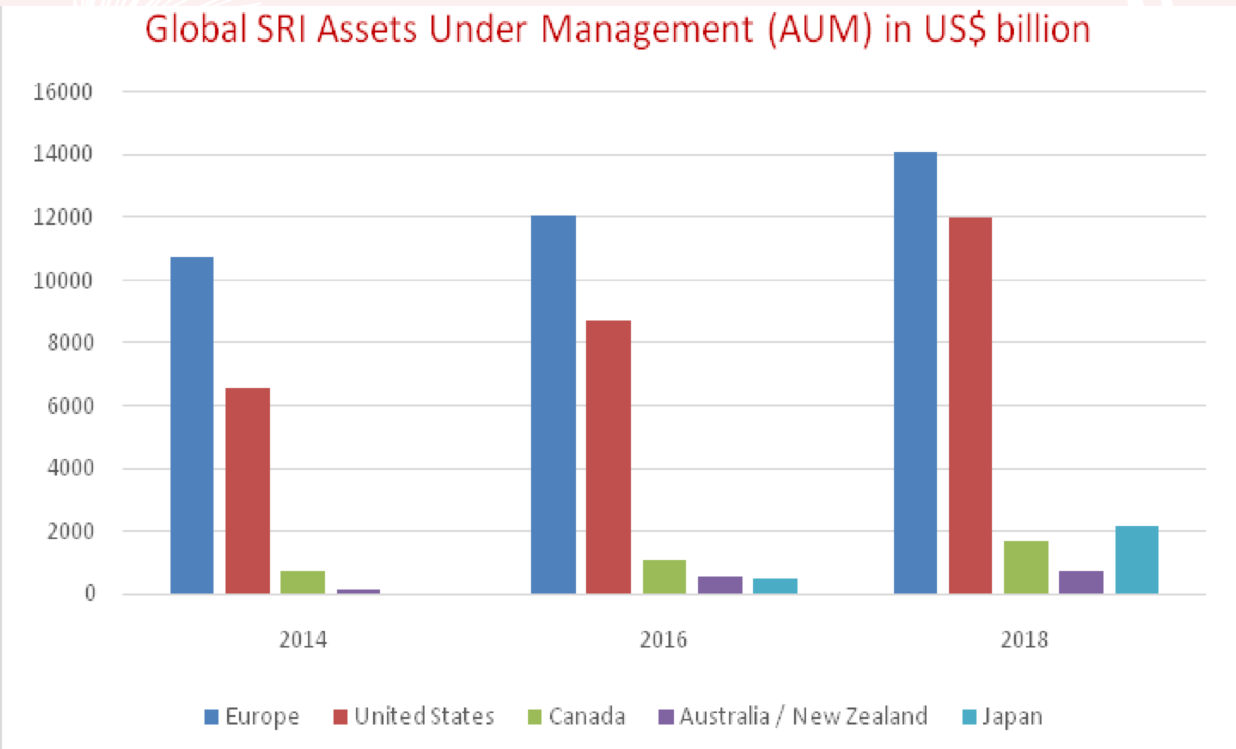
Case II – Stock of a Company that is backed by a Strong Management team, will qualify for ESG Portfolio. As, Stake Holders will have Confidence in the Functioning of the Business.

Relationship between the Factors:

Corporate Governance plays a pivotal role in selecting companies. A Company with good Governance will also ensure fulfilment of their Environmental and Social Duties.

Global Presence :

World is moving towards Responsible and Sustainable Investing (SRI)



Source : GSIA

- Global AUM under sustainable investing has risen to US$30.7 trillion in 2018.
- Europe accounts for 46% of global AUM under Sustainable Investing.
- In the US focus on Responsible Investing is continuously increasing
- Number of Signatories at UNPRI grew to 3038 in FY20

Flows into ESG investing is expected to further increase with growing awareness.

ESG related risks are becoming more important than traditional financial risks.

Top Global Risks in Terms of Likelihood

Year	1st	2nd	3rd	4th	5th	6th	7th
2021	Extreme Weather	Climate Action Failure	Human Environmental Damage	Infectious Diseases	Biodiversity Loss	Digital Power Concentration	Digital Inequality

Year	1st	2nd	3rd	4th	5th
2020	Extreme Weather	Climate Action Failure	Natural Disasters	Biodiversity Loss	Human-made Environmental Disasters
2019	Extreme Weather	Climate Action Failure	Natural Disasters	Data Fraud & Theft	Cyber Attacks
2018	Extreme Weather	Natural Disasters	Cyber Attacks	Data Fraud & Theft	Climate Action Failure
2017	Extreme Weather	Involuntary Migration	Natural Disasters	Terrorist Attacks	Data Fraud & Theft
2016	Involuntary Migration	Extreme Weather	ClimateAction Failure	Interstate Conflict	Natural Catastrophes
2015	Interstate Conflict	Extreme Weather	Failure of National Governance	State Collapse or Crises	Unemployment

Economic	Environmental	Geopolitical	Societal	Technological

Source: World Economic Forum –The Global Risks Report 2021

Rising risks from ESG factors are increasingly pushing companies to adopt more Responsible and Sustainable way of doing business.

Non-compliance to ESG practices increases Business Risk

Global Experience – Impact of poor Environmental practice

- November 2014 - Global Auto major fined $100 million for violations of Clean Air Act in the US.
- January 2018 - Global Petroleum major fined a record $65 billion by US govt for Deepwater Horizon oil spill in Gulf of Mexico.
- January 2020 - Global Auto giant fined $149 million for diesel emissions violations in Canada.
- July 2020 - Global Mining giant to pay $2 billion for Arctic fuel spill in Russia.

Global Experience – Impact of poor Social practice

- May 2018 - Global Banking major pays $480 millionto settle fake accounts lawsuit in US.

- July 2019 - Global Social Media giant faces $5 billion fine over privacy violations in US.
- September 2019 - Workers strike costs global auto major up to $4 billion in 2019.
- October 2020 - Six oil and gas fields shut as workers strike over payin Norway.

Global Experience – Impact of poor Governance practice

- January 2020 - Global Aircraft major to Pay $4 billion to settle Corruption Inquiry.
- June 2020 - German Financial powerhouse filed for insolvency after $2.1 billion financial fraud disclosed.
- September 2020 - Global Auto major to pay $18 million fine for disclosing misleading information for fund raising in US.
- October 2020 - Global Financial conglomeratefined $350 million in Hong Kong for 1MDB Malaysian bribery scandal.

Indian Experience – Impact of poor Environmental practice

- Supreme Court imposes ban on old petrol, diesel vehicles in Delhi
- Tamil Nadu Government orders permanent shutdown of Sterlite copper plant in Thoothukudi.
- Government launches mega drive against single-use plastic.

Indian Experience – Impact of poor Social practice

- US apparel watchdog probes Jockey's Indian partner after Human Rights abuse allegations.
- Gurgaon Builder fined Rs.68.51 lakhs penalty by NGT
- Doctors at Delhi Hospitals on strike over pending salaries, services affected

Indian Experience – Impact of poor Governance practice

- USFDA slaps 19 warning letters to Indian Pharma Firms, highest in 4 years.
- SEBI penalizes rating agencies over lapses in IILF&S.
- Bank faces fresh audit into complaints by whistle blower.

ESG Concerns and need in India :

Environmental Issues

- 17% of World's Population Resides in India
- India only shares 2.4% of the World Land
- Water Stress Levels are at 54%
- 11 Out of Top 12 Polluted Cities Globally are in India

Social Issues

- Poverty is nearly affecting 18% of Population
- Labour Laws issues

- Gender discrimination still prevails in many parts
- Illiteracy is still a concern in India

Corporate Issues

- India is still lagging behind it's developed market peers
- Overseas companies prefer companies with strong backgrounds
- Good Corporate Frameworks attract more talent and young workers
- India has seen a lot of frauds and illegal activities coming to light

Benefits of ESG Based Investing

- Encourages efficient usage of resources.
- Unlikely to be impacted by any regulations, taxes and restrictions imposed to save the planet, society or maintain governance.
- Can push companies to become more aware of their negative actions.
- Encourage companies to behave more responsibly, which is need of the hour.
- Climate change, societal issues and poor corporate governance ultimately pose a threat to a company's future, sustainability, earnings and growth.
- Exposure to long-standing companies that are usually ESG-compliant.
- Enhances ability to attract and retain talent.
- Improves customer satisfaction and increases brand loyalty.
- Improves ability to raise capital at lower cost.

All stakeholders (regulators, owners, customers and employees) are becoming aware ofimplications of integrating ESG factors in business.

Scope of ESG based Investing in India

- The concept is at a very nascent stage and unexplored
- Can expect participation from pension funds (long-term), large institutions (large sums) and millennials(60% of the population)
- Growing awareness about the need and benefits of ESG investing

Nifty 100 ESG Index

NIFTY 100 ESG Index is designed to reflect the performance of companies within NIFTY 100 index based on Environmental, Social and Governance (ESG) score. The weight of each constituent in the index is tilted based on ESG score assigned to the company, i.e. the constituent weight is derived from its free float market capitalization and ESG score. The index can be used for a variety of purposes such as benchmarking, creation of index funds, ETFs and structured products. Nifty 100 ESG has 90 companies spread across 16 sectors.

Top constituents by weightage:

SECTOR	WEIGHTAGE (%)	COMPANY	WEIGHTAGE (%)
Financial Services	28.47%	Infosys Ltd.	6.71
IT	21.59	Tata Consultancy Services Ltd.	5.18
Consumer Goods	12.63	Housing Development Finance Corporation	5.05
Automobile	9.63	HDFC Bank Ltd.	3.44
Pharma	4.83	Wipro Ltd.	3.01
Oil & Gas	4.36	HCL Technologies Ltd	2.68
Cement	3.56	Tech Mahindra Ltd.	2.39
Power	3.15	Bajaj Finance Ltd.	2.36
Telecom	2.73	Titan Company Ltd	2.34
Metals	2.50	Kotak Mahindra Bank Ltd	2.33

Source: NSE India May 31, 2021

ESG focussed companies show better growth, which translates into better wealth creation for investors. ESG friendly portfolios can be more resilient in downturns.

Key Takeaways :

√ Indian companies too have started taking steps towards adopting better practices.

√ Increasing Shareholder awareness and rising Millennial Voice.

√ Regulatory actions in India are being implemented to ensure better ESG standards.

√ India has maximum exposure to environmental and social issues which can be dealt with through ESG Investing.

We would like to conclude, that this Global Pandemic should be a wake-up call for all. Industries and Governments World-Wide,should collaborate for faster adoption of Sustainable and Responsible Investing, that includes Environmental Empathy (E), Social Responsibility (S) and Corporate Governance (G). If we don't seize this opportunity now, we will face even bigger risks than we do today.

Source and Reference: Economic Times, ICICI Prudential AMC and Aditya Birla Sun Life AMC.

In case you have any specific query, suggestion or feedback, please drop in a mail to soumit@4fga.net. You can also call us on +91-7506648757. We will be happy to hear from you.

UNDERSTANDING DEBT INSTRUMENTS & MARKETS

FINANCIAL SERVICES

CMA Sushant Parakh
Founder, Candid Solutions
Corporate Training and
Wealth Management

Capital market plays an important role in the economic development of any country. So, as India marches on to achieve 'economic superpower' status, all the components of the capital markets will have to play their part well.

In the developed economies, trading volumes are higher in the debt markets as well as equity markets both, providing ample liquidity, and hence drawing a large pool of issuers, buyers, and sellers. The debt markets in India, however, are still plagued by key bottlenecks 'narrow supplier/investor base', 'inefficient secondary markets' and 'poor-liquidity'. This hampers in providing adequate amount of debt capital required for growth, especially in case of long-gestation areas such as infrastructure.

To be sure, the efforts of the government, regulators and market participants are gathering pace. Notable reforms in this area include increasing the investment limit for Foreign Portfolio Investors (FPIs), opening of certain debt securities for NRIs and launching a new debt exchange traded fund (ETF) comprising primarily of government securities.

In theUnion Budget of 2021 speech, Finance Minister Smt. Nirmala Sitharaman announced: "To instill confidence amongst the participants in the Corporate Bond Market during times of stress and to generally enhance secondary market liquidity, it is proposed to create a permanent institutional framework. The proposed body would purchase investment grade debt securities both in stressed and normal times and help in the development of the bond market."

Debt Markets are set to play a much bigger role in the coming days. In this context, it is expected that the supply of Corporate Bonds, which was at Rs. 8.89 Lakh Cr. (FY 2011) has grown to Rs. 32.5 Lakh Cr. (FY 2020) and further estimated to grow to a whopping Rs. 70 Lakh Cr. (FY 2025 projection). Given this backdrop, it is imperative for professionals and students alike, to study the nuances of the debt securities and the debt markets.

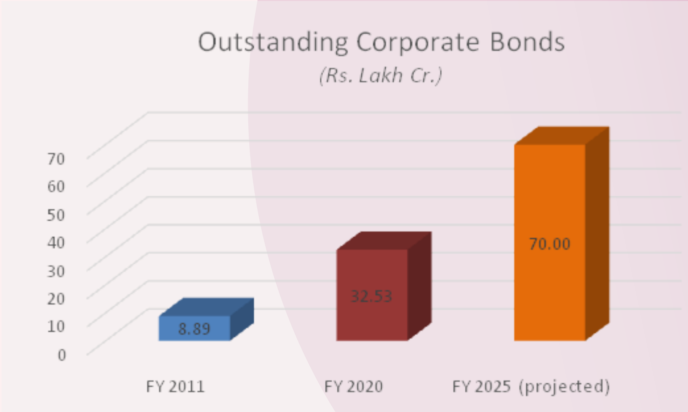


Exhibit 1. Growth of Corporate Bonds Market

What are debt securities?

Debt securities refer to 'financial instruments' embedded with promise by the 'issuer' to pay to the 'holder', a pre-determined sum/stream of payments in the form of interest and/or principal repayment, over a pre-defined period.The debt securities usually represent borrowed funds, that must be repaid. Some of the examples of debt securities are – G-Secs, Treasury Bills, Corporate Bonds, Debentures, Commercial papers etc.

(Source: CRISIL Yearbook on the Indian Debt Market, 2021)

Debt securities and Loans are both represent borrowings, and yet, are not the same. The core difference between debt securities and Loan is that bonds are the debt instruments issued by the company for raising the funds which are highly tradable in the market i.e., a person holding the bond can sell it in the market without waiting for its maturity, whereas loan is an agreement between the two parties where one person borrows the money from another person which are not tradable generally in the market. Further, debt securities involve issue of 'security' as referred to in The Securities Contracts (Regulation) Act, 1956.

Bond Indenture

Various 'features' or 'parameters' of a debt security – which are enumerated in a legal document between the borrowers and the lenders (investors) - usually referred to as 'Bond Indenture'. This contains items such as: purpose, rate of interest, payment frequency, method of interest calculation, payment dates and maturity date, details of call and put options (if any), conversion features, rights of parties, collaterals and other covenants.

Let us understand various features of a debt security, with a simple example:

G-Sec: 8.20% GS 2022 (IN0020060037), maturing 15-Feb-2022, implies:

√ Coupon (i.e. interest on face/par value) for the security is 8.20% p.a.

√ Coupon (i.e. interest on face/par value) payable half-yearly basis

√ Maturity date for this security is 15-Feb-2022. On this date, principal will be fully paid.

√ Residual maturity is less than 1 year (period from today till maturity date)

√ After the maturity date, this security will no longer exist.

Covenants: An important aspect of debt securities are the covenants. Covenants refer to the set of restrictions that the lenders (creditors, debtholders, investors) put on the actions of the borrowers (issuers of debt securities). Simply put, they lay down certain rules and specifications within which the borrowing entity (issuer of debt) will have to operate. The primary objective of these covenants is to prevent borrowers from taking steps that will adversely impact the interests of the lenders. Some examples of covenants/restrictions for the borrower are:

- Target certain threshold in operational performance – as measured by key financial ratios such as Debt/ Equity, Interest coverage etc.
- Ensuring regular maintenance of production facilities
- Submitting financial statements at specified intervals
- Restrictions on dividend pay-outs and share buy-backs

Upon violation of covenants, the lenders (creditors, debtholders, investors) may

- Terminate the agreement and demand full repayment
- Demand increase in security/collateral and/or increase in rate of interest on the loan
- Any other action as stipulated in the indenture

CATEGORISATION OF SECURITIES

Debt securities or fixed-income securities can be classified in multiple ways, depending on its features, issuer, tenor, coupon (interest), repayment schedule, collateral security etc. Let us look at each of these in detail:

Classification by Issuer:

- Issued by Central Government: In India, thecentral government can issue both, Treasury-bills (T-Bills) and Bonds/dated-securities, more commonly referred to as G-Secs.These instruments carry practically no risk of default and, hence, are called risk-free or gilt-edged instruments
- Issued by State Governments: Governments of various states and union territories can issue bonds/dated securities. These are usually referred to as State Development Loans or SDLs.

  Note: Governments of states & union territories cannot issue T-Bills.
- Issued by Others: This category covers bonds or dated securities issued by Banks, NBFCs, Public Sector Undertakings,NBFCs and others.

Classification by Tenure:

- Depending on the tenure for which they are issued, bonds can also be classified as short term, medium term, and long-term bonds.
- Securities with maturities upto 1 year are commonly referred to as Money Market Instruments. Examples of money-market instruments include T-Bills, Commercial Papers, Certificate of Deposits, Call Money etc. The Reserve Bank of India (RBI) regulates the Money Market in India.
- Securities with longer term maturities are part of the Capital Market andare regulated by the Securities and Exchange Board of India (SEBI).

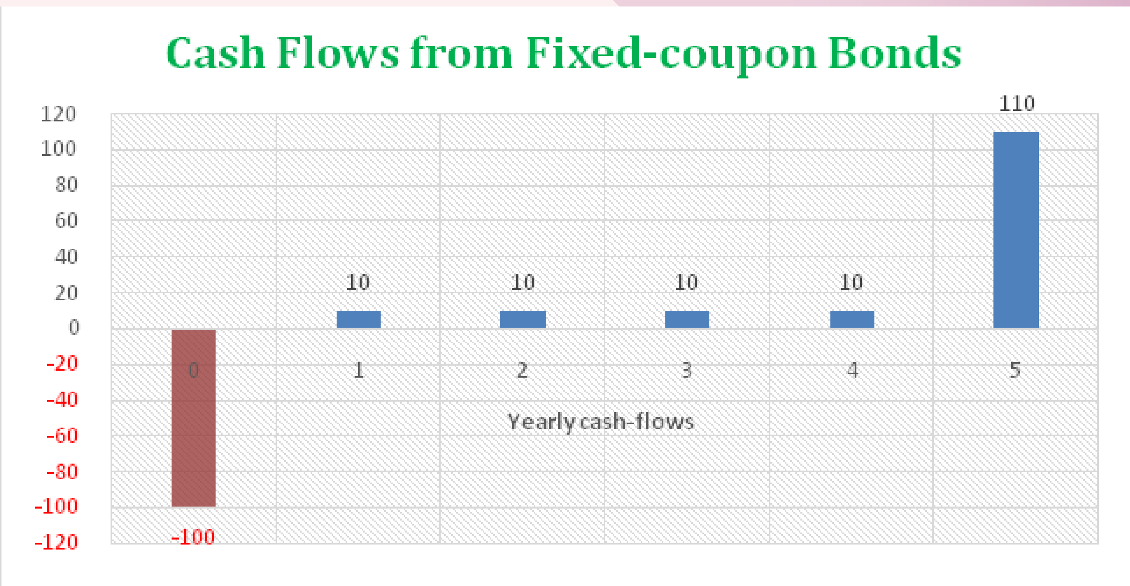
Classification by variation in Coupon Payment

- **Fixed-coupon bonds / Vanilla Bonds:**

  These are most common types of bonds issued in the market. Historically, debt-securities were associated with fixed coupon payment (interest calculated as a percentage of face value) at periodical intervals, usually monthly, quarterly, half-yearly or annually, and the principal being paid at the time of maturity. It must be noted that – the coupon payments for these bonds will remain fixed, irrespective of any changes – such as interest-rate changes in the market, changes in inflation or change in the issuer's creditworthiness etc.

  Example of Cash-flows from a Fixed Rate Bond with features:

  Issue Price: Rs. 100, Tenor: 5 years, and Coupon: 10% p.a., payable annually



- **Floating-rate bonds:**

  In Floating-rate bonds, the coupon rate (interest rate applied to the face value) changes over time. The bond indenture usually specifies a reference-rate, a mark-up rate, and the reset period. The reference rate is usually an external benchmark rate, whereas the mark-up represents the borrower's credit worthiness at the time of issue of bonds. This mark-up, or the 'spread', usually remains the same over the entire tenure of the bond

  So, in the case of floating-rate bonds,

  Floating Rate = Reference Rate + Spread

  Example of Cash-flows from a Floating-rate bondwith features:

  Issue Price: `100, Tenor: 5 years, and Coupon: Benchmark + 1.5% p.a., payable annually

		Coupon Calculation				
Year	Principal (₹)	Benchmark Rate	Spread	Total Rate	Coupon (₹)	Total Amount (₹)
0	-100				0	-100
1	0	7.50%	1.50%	9.00%	9	9

2	0	8.50%	1.50%	10.00%	10	10
3	0	8.50%	1.50%	10.00%	10	10
4	0	9.50%	1.50%	11.00%	11	11
5	100	9.50%	1.50%	11.00%	11	111

Notice that as the external benchmark rates rise from year 2 onwards, the coupon payments also increase accordingly.

- Inflation Linked Bonds ILBs:

Inflation-linked bonds are somewhat likefloating-rate bonds. Here, the bonds' par Value (on which interest or coupon payment is calculated) is adjusted for inflation, and the coupon rate is applied on this adjusted value. By making changes to the par-value, these bonds aim to cushion the likely dampening impact of inflation and protect their real-returns. Most inflation linked bonds are referenced to the consumer price index, i.e., the CPI.

Inflation Indexed Bonds (IIBs) were issued in 2013, with much fanfare during the tenure of RBI Governor Raghuram Rajan. These bonds aimed to provide cushion from inflation to both principal and interest payments.

Now, it is likely that there may be deflationary scenario in the economy also. In such case, capital protection was sought to be provided in the IIBs by paying higher of the adjusted principal and face value (FV) at redemption.In other words, if the adjusted principal goes below FV due to deflation, the FV would be paid at redemption and thus, capital will get protected.

Because of the inflation protection offered by these bonds, the coupon rate on an inflation-linked bond is usually lower than the coupon rate on a comparable plain vanilla bond.

Refer the illustrations given below, to understand the likely cash-flows from IIBs:

Illustration 1: Continuous inflationary scenario:

DETAILS			Example 1 (Continuous inflation)				
Sr	Year	Coupon	Inflation Index	Index Ratio	Inflation adjusted principal	Coupon Payments	Principal Repayment
I	II	III	IV	$V_{ti}=(IV_{ti}/IV_{t0})$	VI=(FV*V)	VII=(VI*III)	VIII
A	0	1.50%	100	1	100		
B	1	1.50%	106	1.06	106	1.59	
C	2	1.50%	111.8	1.12	111.8	1.68	
D	3	1.50%	117.4	1.17	117.4	1.76	
E	4	1.50%	123.3	1.23	123.3	1.85	
F	5	1.50%	128.2	1.28	128.2	1.92	
G	6	1.50%	135	1.35	135	2.03	
H	7	1.50%	138.5	1.39	138.5	2.08	
I	8	1.50%	142.8	1.43	142.8	2.14	
J	9	1.50%	150.3	1.5	150.3	2.25	
K	10	1.50%	160.2	1.6	160.2	2.4	160.2
			Total Cash Flow		**₹ 179.90**	**19.7**	**160.2**

Illustration 2: Inflation and deflation cycles scenario:

DETAILS			Example 2 (For inflation & deflation cycles)				
Sr	Year	Coupon	Inflation Index	Index Ratio	Inflation adjusted principal	Coupon Payments	Principal Repayment
I	II	III	IV	$V_{ti}=(IV_{ti}/IV_{t0})$	VI=(FV*V)	VII=(VI*III)	VIII
A	0	1.50%	100	1	100	1.5	
B	1	1.50%	106	1.06	106	1.59	
C	2	1.50%	111	1.11	111	1.67	
D	3	1.50%	104	1.04	104	1.56	
E	4	1.50%	98	0.98	98	1.47	
F	5	1.50%	99	0.99	99	1.49	
G	6	1.50%	105.5	1.06	105.5	1.58	
H	7	1.50%	110.2	1.1	110.2	1.65	
I	8	1.50%	106.5	1.07	106.5	1.6	
J	9	1.50%	104.2	1.04	104.2	1.56	
K	10	1.50%	99.2	0.99	99.2	1.49	100
			Total Cash Flow ₹ 117.16			**17.16**	**100**

It can thus be seen that the cash-flows from Inflation linked bonds can be unpredictable, although they do tend to offer better protection from inflation-related risks.

- **Zero Coupon Bonds**

Zero-coupon bonds are instruments which do not offer any coupon payments during the life of the bond. Instead, these bonds are offered to the investors at a discount to their par value/face value, and at the time of redemption, the investor gets full face/par value. Zero coupon bonds are also commonly known as 'Deep-discount Bonds'.

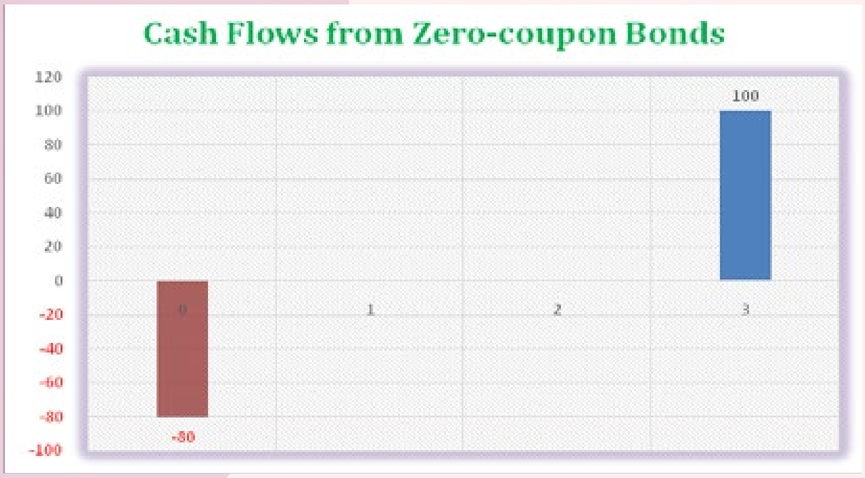
In other words, Zero-coupon bonds are issued at a discount to the face/par value. This difference between the lower issue price and higher face/par value – represents the investment returns/gains for the investor – which he/she receives at maturity.

Many bonds with tenures less than a year are usually offered as 'zero-coupon' bonds. For instance, T-Bills issued by the central government are like zero-coupon bonds.

Sometimes, in order to plan their cash flows better, corporates may want to issue zero-coupon bonds with longer maturities. However, because of the higher risk involved (returns are realized only on maturity), the investors may be willing to invest if the expected return is considerably higher as compared to the coupon-paying bonds.

Further, if the buyer/holders of Zero-coupon bonds want to sell the bonds prior to maturity, their returns from investment may be significantly different due to changes in interest rates in the market, changes in the issuer's creditworthiness etc.

For example, a company issues Zero-coupon bonds, with 3-year maturity and Face Value (FV) of `100, to investors at a price of ` 80. Returns made by the investors is thus `20. Here, the investor does not receive any clash flows before the maturity.



- **Deferred Interest Bonds**

  These bonds are a combination of coupon-paying bonds and zero-coupon bonds. In the initial years, these bonds do not pay any coupon interest, and later pay a higher coupon to compensate for no coupon during the initial years. Usually, for projects which have long gestation periods before they become operational – such as infrastructure & construction – such companies prefer these types of bonds.

- **Step-Up Bonds**

  These are bonds where the coupon payment gradually steps up after periodic intervals. Such step-ups may be after few years or even every year, depending on the structure. Companies where cash flows are expected to improve gradually – may prefer to issue such type of bond. For example, infrastructure projects which become operational in phases and revenue is projected to increase accordingly phase-by-phase. These bonds are commonly referred to as multiple coupon bonds.

- **Step-Down Bonds**

  These bonds are the exact opposite of Step-Up Bonds. Here, the coupon payments will decline gradually. In projects where cash flows are expected to gradually decline due to wear and tear of the assets deployed – these types of bonds may be preferred.

Classification by variation in principal repayment/maturity redemption

- **Callable Bonds**

  These are bonds where the issuer has the 'right' to retire/call back the bonds at a pre-determined price and at a predetermined date. This pre-determined price is known as 'Call Price' and the pre-determined date is known as 'Call date'.

  For instance, a company issues 7-yearvanilla bonds that are callable after 3 years from issue. Now, if at the end of 3 years, the interest rates in the market are much lower, then the company may want to exercise the 'call' option to buy back the existing bonds, using the proceeds from new issue of bonds at a much lower interest rate.

  Thus, callable bonds give the benefit to the issuer to repay off the dues before maturity. Hence, these bonds generally offer a higher coupon rate as compared to similar plain-vanilla bonds.

In most cases, the issuer can have the call option only a few years after issuance. Further, the pre-determined call price at which bonds can be bought back early – is also usually at a premium to the par/face value. This is referred to as call premium.

- **Puttable Bonds**

A 'Put' option gives the lender (bondholder) the right to sell the bond back to the issuer – at a pre-determined price and a pre-determined date (prior to the maturity date). Bonds which confer this right to the bondholder are called Puttable Bonds.

For instance, a company issues 7-year vanilla bonds that are puttable after 3 years from issue. Now, if at the end of 3 years, the interest rates in the market are much higher, then the bondholder may want to exercise the 'put' option to buy sell these existing bonds and buy new bonds from the market using the proceeds from sale of puttable bonds.

Thus, puttable bonds give the benefit to the bondholderto redeem off the bonds before its maturity. Hence, these bonds generally offer a lower coupon rate as compared to similar plain-vanilla bonds.

Usually, the bondholder will have the put option only a few years after issuance. Further, the pre-determined call price at which bonds can be sold by the bondholders back to the issuer– is commonly referred to as put price.

- **Amortizing Bonds (Fully amortizing and partly amortizing)**

Most common structures of bonds is vanilla bond, where the coupons (interest) is paid periodically during the tenure of the bond, and the principal is repaid in lumpsum at maturity. These are also knowns as 'bullet bonds' because entire principal is repaid at the time of maturity.

However, in the case of Amortizing bonds, both, the coupon (interest) and the principal (partly) repaid over the course of the tenure. In other words, the periodic payments on these bonds go partly towards interest and partly towards the principal. Here, two structures are possible – viz. Fully amortizing bonds and partly amortizing bonds – depending on the proportion of principal that is sought to be repaid periodically.

Thus, in case of a bond with Rs. 100 par value and annual coupon rate of 8%,

- In case the bond is 'fully amortizing' - the annual payments are constant (like an annuity) and include both the principal and coupon (interest). Over the bond period, the interest component decreases, and the principal component increases.
- In case the bond is 'partially amortizing' – the annual payments will go towards meeting the coupon (interest) fully and principal only partially. Therefore, at maturity, there will be a component of balloon payment towards part of the par/face value.

- **Perpetual Bonds**

These are type of bonds where, as the name suggests, coupon (interest) is paid till the life of the company. As such, theissuers of perpetual bonds are not required to repay the principal or par/face value to the bond holders. The issuers are, however, obligated to make coupon (interest) payments in perpetuity – theoretically, forever.

These types of instruments are also commonly called as ‘perps’.

Perpetual Bonds

To compensate investors for “no principal repayment date”, issuers of perpetual bonds usually offer higher coupon rates.

However, many economists consider governments and corporations raising capital through perpetual bonds – where they have ‘no obligation to repay the principal’ as undesirable.

The YES Bank saga: When Yes Bank nearly collapsed in early March 2020, and RBI wrote off the entire value (`8,415 crore) of the Perpetual AT-1 bonds as a part of the hurriedly-put-together rescue package for the cash-strapped lender, investors in these bonds lost their money. Many of these investors were retired individuals who had parked a sizeable chunk of their life savings in these bonds at the behest of their relationship managers from wealth management and broking firms.

AT1 bonds are issued by banks to shore up their core capital base to meet the Basel-III norms. These bonds are unsecured, perpetual in nature and so pay a higher coupon rate. But they carry a remarkably high degree of risk.

- **Convertible Bonds**

  These are bonds which gives the bondholder the right to convert their bonds into the equity shares of the issuer company. As such, convertible bonds are ‘hybrid securities’ having characteristics of both equity and debt.

Understanding G-Secs:

- **Government Securities**

  G-Secs are securities issued by the Government of Indiaand are usually like a pain vanilla long-term bond. They carry a fixed coupon (interest), which is calculated on the par/face value, and paid on a half-yearly basis. The tenor of G-Secs ranges from 5 years to 40 years.

  The Public Debt Office (PDO) of the Reserve Bank of India (RBI) acts as the registry / depository of G-Secs. It also deals with the issue, interest payment and repayment of principal at maturity. Most of the G-secs issued in India are fixed coupon G-secs.

  The nomenclature of a typical G-Sec contains - coupon, name of the issuer, maturity year.

  For example, - 7.17% GS 2028 would mean:

Coupon	: 7.17% p.a. interest paid on par/face value
Name of Issuer	: Government of India
Date of Issue	: January 8, 2018
Maturity	: January 8, 2028 (If the maturity date falls on a Sunday or a holiday, the redemption proceeds are paid on the previous working day.)
Coupon Payment Dates	: Half-yearly (July 08 and January 08) every year. (If the coupon payment date falls on a Sunday or any other holiday, the coupon payment is made on the next working day.)

Each G-sec issue is assigned unique ISIN (International Security Identification Number) at the time of issuance, to facilitate proper identification.

Understanding Money Market securities:

Basically, money market securities are those with a maximum tenor of 1 year. Further classification within money market securities can be as under:

- Overnight market - Tenor of securities transacted is one working day.
- Notice money market – Tenor of securities transacted is from 2 days to 14 days.
- Term money market – Tenor of securities transacted from 15 days to 1 year.

Various money market instruments include- Call Money, Repos, Treasury Bills, Cash Management Bills Commercial Paper, Certificate of Deposit and Collateralized Borrowing &Lending Obligations (CBLO). Let us understand them:

Call Money:Call money market is the market for uncollateralized lending / borrowing of funds. This may be from 1 to 3 days (usually overnight) and is open to participation for scheduled commercial banks and primary dealers only.

Repo & Reverse Repo:

Repotransaction is a transaction involving borrowing funds by selling securities with a prior agreement repurchase the same securities on a pre-decided future date and a pre-decided price. This price differential usually covers the interest for the funds borrowed.

Similarly, Reverse Repotransactions are those which involve lending of funds by buying of securities, with a prior agreement to resell the same securities at a pre-decided future date and a pre-decided price. This price differential usually covers the interest for the funds lent.

The repo market is regulated by the RBI.

Recently, todevelop the corporate debt market, RBI has permitted certain entities – such as (scheduled commercial banks excluding RRBs and LABs, PDs, all-India FIs, NBFCs, mutual funds, housing finance companies, insurance companies) to undertake repo in corporate debt securities. This is similar to repo in G-Secs - except that corporate debt securities are used as collateral for borrowing funds. Only listed corporate debt securities that are rated ‘AA’ or above by the rating agencies are eligible to be used for

Triparty Repo

“Tri-party repo” means a repo contract where a third party (apart from the borrower and lender), called a Tri-Party Agent, acts as an intermediary between the two parties to the repo to facilitate services like collateral selection, payment and settlement, custody, and management during the life of the transaction.

Treasury Bills (T-bills)

T-bills are short term debt securities issued by the central government – usually in 3 tenors: 91-days, 182-days, and 364-days. These securities are basically zero-coupon bonds which are issued at a discount and redeemed at par/face value on maturity.

Cash Management Bills (CMBs)

CMBs are recently introduced instruments (2010) to meet temporary mismatches of cash flows of the central government. They have a maturity of less than 91-days and are similar to T-Bills.

Commercial Papers (CP)

Commercials Papers (CP) are in the nature of promissory notes issued by entities specifically permitted by RBI. These are unsecured in nature and are issued in dematerialized form to facilitate trading and investing.

CPs are issued in multiples of `5 lakh and are issued at a discount to their par/face value. These instruments cannot be underwritten, nor can they carry any call or put option. Further, can be issued only by corporates and NBFCs, as well as co-operative societies, government entities, Trusts, LLPs etc. corporate having presence in India and with net worth of more than `100 cr.

CPs can be traded in the secondary market. They offer relatively higher returns compared to T-Bills.

Certificate of Deposit (CD)

CDs are instruments issued by banks and financial institutions. They offer a fixed rate of interest, and are usually issued in multiples of ` 1 lakh. Banks can issue CDs for a period from 7 days to 1 year, whereas other financial institutions can issue CDs for period from 1 year to 3 years.CDs can be traded in the secondary market.

The above discussions cover basics, covenants and main types of debt securities. In the forthcoming articles, we will cover aspects such as risks and rewards, ratings, valuation and so on.

EQUITY MARKET OUTLOOK

FINANCIAL SERVICES

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Last financial year (April 20-March 21) saw a dramatic turnaround in equity market from panic and despair to one of the sharpest rebound in history, led by global stimulus & flows, low interest rates, rebound in business activity and a hope of vaccine acceleration to contain covid. The year turned out to be biggest opportunity for equity investors with a lesson - 'never let a crisis go waste'.

Businesses across the board recovered sharply before the 2nd wave of Covid, except a few that are related to travel, aviation, restaurant or multiplexes. Revival in demand for auto, steel and other metals, electricity consumption, cement dispatches, road construction, pharma and technology services bore a testimony of increased business activity. The new challenge for business is not on the demand side as reflected by strong 4th quarter results, but on the rising raw material or cost side of the equation or supply chain disruption including logistics (shortage of containers/higher freight costs). This may probably have temporary negative impact on the profitability or margins of corporate sector in the near term, though firms with better pricing power and ability to pass-on cost hikes are relatively better placed.

Over the last few weeks, there are instances of recent spike in covid cases in India that has led to state-level lock downs. The economic impact is being be felt by corporate India due to some softness in demand, though it may not be as significant as last year. Besides, government, businesses and individuals are better prepared and well aware of the associated risks. With lessons of last year, equity market too is unlikely to panic now, so impact on the market & economy is likely to be well contained. While there are sporadic rise of covid cases in different cities, acceleration of vaccine programme is likely to contain covid surge. Currently, we do not see material risk to the market and are hopeful of gradual covid containment.

Post this equity rally, it may also be reasonable to assume some consolidation or correction, though trying to time the market is a futile exercise. Market valuation is no longer cheap and the days of easy money are behind us. Hence, buy and hold approach in portfolio of superior companies to take advantage of secular growth in the economy is the way forward.

We expect the earnings momentum to sustaingiven that there will be further revival in the economy, albeit cost pressures will lead to some decline in margins.Government's focus on capex spending along with PLI scheme augurs well for the revival of the long-awaited private investment cycle. Corporate capex outlook is looking up again after two years of continuous decline, driven by PLI linked investments and growth in emerging segments like data centres. Cement, auto, pharma,consumer electronics and chemicals are the key sectors driving investments.Besides, despite directional rise in inflation due to cost pressures, we expect that interest rates are like to remain low for long with ample liquidity to get into risk assets.

US inflation will be a temporary affair as US Fed's statement of not raising interest rates till end 2023 is comforting. We expect Fed will dismiss inflation pressure as being transitory and as such, expect interest rates are likely to remain low for long with ample liquidity to get into risk assets. (besides US is yet to witness any strong recovery in their job market).

So, the structural foundation of this bull market is very much intact with low interest rates and earnings revival despite near-term cost pressures. With growth returning sharply and capex cycle picking up, broader market should handsomely outperform over time. The trend has already started as reflected in the big outperformance by mid and small caps over the last 6-8 months. In small caps specifically, mean reversion of distress valuation is happening deeper down the market cap curve. We believe out of favour value opportunities exist and will outperform expensive quality stocks going forward.

Time has come for India's manufacturing sector driven by government's PLI scheme of close to Rs 1.97 lac cr over the next 5 years, besides other factors like anti-dumping duty adopted locally, while China + 1 strategy is being adopted globally. Govt's thrust on import substitution is likely to play out well over the next many years through raising of anti-dumping duty or providing production linked incentive (PLI) scheme. This may benefit sectors such as electronics, medical devices & mobile phone manufacturing, autos, chemicals, metals and even defense. Earnings of capital goods companies are at cyclical lows and can improve significantly as capex cycle picks up.

The other area where we need to be watchful is govt. owned enterprises (PSUs). If what is planned in the budget such as setting up of Asset Restructuring Company, monetisation of assets, privatisation, divestment & providing liquidity support to power Discoms is implemented well, then we could see revival of PSUs and its efficiency. They have been traditionally undervalued for many reasons for many reasons including poor capital allocation, loss of market share to private sector etc. But looks like, value of their 'real" assets may finally get recognised.

Sectors and Investment strategy -

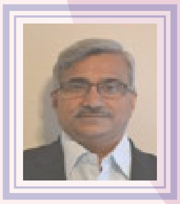
The equity market rally is spreading and is becoming even more broad-based, as reflected by small cap index touching all time highs. 2nd line stocks or value including the likes of capital goods & engineering, utilities, manufacturing sector, select PSUs will continue to get recognised in terms of relative undervaluation. Incidentally, earnings of capital goods companies are at cyclical lows and can improve significantly as capex cycle picks up.

Preference should be for investmentsin superior growth companies with resilient earnings in sectors such as agriculture (which includes crop protection companies, farm mechanisation) and speciality chemicals (that are building blocks for agro-chemicals, pharma or flavors & fragrances that are in the essential category). Besides, selective companies in Pharma and health-care, engineering & capital goods, cement, digital platform or select technology companies in cloud migration services as well as food processing could be rewarding investments. Given that banking sector may again have to face higher NPA (Non Performing Asset) cycle with SMEs (small-medium enterprises) getting impacted by 2nd wave, one should be selective in financial services. Emphasis should be to continue to own companies that will benefit from long term sustainable structural changes led by import substitution and thrust on local manufacturing, ongoing digitisation wave, shift from unorganised to organised, increased automation, renewables and green technology. Covid disruption has clearly accelerated shift from weaker unorganised players in favour of more organised larger players to capture market share gains.

Happy Investing,

COVID-19 AND IMPORTANCE OF INSURANCE

INSURANCE



Shri Sudhakar Kulkarni
Certified Financial Planner
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Currently the whole world is under the grip of Covid-19 since last almost 18 months. We in India currently going through second wave which is much severe than the first one. Experts in the medical field are expressing the fear of third wave too. In light of this adequate and proper insurance has become very essential to every individual.

“Though umbrella can’t stop the rain but make us stand in the rain, similarly Insurance can’t stop corona but can surely hedge it’s financial damage “

Let us see what type of insurance needs to be taken by individual.

First and the foremost risk in this pandemic is nothing but death due to corona disease. Till date more than two lakh people have succumbed to death due to corona in India across the age group of 40 and above. Death of the bread winner in the family causes serious financial problem along with grief of losing near and dear one. Family is likely to come out of grief over a period of time but not out of financial crises. Proper life insurance cover will solve the financial issue to large extent.

Life Insurance Policy: Just by taking any life insurance policy will not help in such situation, however one needs to understand his insurance need. Ideally one should take insurance cover between twelve to fifteen times of his/her annual income. For e.g., if your monthly income is about `1 lakh and your age is 30 then you need to have insurance cover of at least of `1.5 Cr. This is possible if and only if you go for term insurance policy. Cover of `1.5 Cr for 30-year-old person having 30 years term i.e., till the age of 60 is likely to have annual premium in the range of `15000 to 18000 depending up on insurance company you choose for healthy person. The term insurance policy has only death claim and no maturity claim. It means if a policy holder having cover of `1.5 Cr dies due to any reason including corona disease, during the policy term, his survivors will get death claim of `1.5 Cr. Soon after lodging the claim with required documents along with death certificate. No other traditional form insurance policies will give this much cover with the given premium for e.g., endowment policy with `15000 annual will premium will give cover to the extent of `3 lakh only or ULIP policy with this premium can give you cover to the extent of `6 lakh only. Both these policies will not give required financial support to the survivors in the event of untimely death of policy holder. It is high time all those who are in the age group 25 to 50 should take term insurance with adequate cover as suggested above. (Please note premium will depend up on age & health condition of the individual.)

Another insurance is health insurance which has become very important in light of corona pandemic. There are different types of health insurance policies which are also known as Mediclaim policies. One has to understand the intricacies of these policies and select the suitable one. Will see all the policies in details.

1) **Family Mediclaim policy:** This is one policy having individual cover for the individual family member foe e.g., Mr. Gupta having 4 members in his family himself age 42, wife age 39, elder daughter age 14 and son age 10, he can take family Mediclaim policy of individual cover of ` 3 lakh, 3 Lakh, 1 lakh & 1 Lakh respectively, you can include your parents also with their individual cover. The individual can get hospitalization reimbursement equal to actual expenses and maximum up to his cover under the policy. In this policy the premium for individual cover is charged as per the age of the individual (more the age more the premium). Policy needs to be renewed every year. Mostly after the age of 45 medical test is done at insurance companies approved pathological labs and fees are charged the same. However, if the policy is accepted by the insurance company, then these charges refunded. In this policy any member who has not claimed hospitalization reimbursement his cover is enhanced by 10% of the initial cover by way of no claim bonus however such enhancement can be only up to 50% of his initial cover. For e.g., in above case husband had no claim for three years continuously his cover will be 3.9 lakh at the time of 4th year's renewal with same premium, but wife has claimed once in second year her cover will be 3.60 lakh only. Premium increases in the slab of 5 years.

2) **Family Floater Plan:** This policy is quite popular now a days. In this policy the insurance cover is not for the individual but for the entire family. In above example total insurance cover is `8 lakh and individual having separate cover but if Mr. Gupta goes for floater policy, then cover for the entire family will be `8 lakh and any member of the family under goes hospitalization reimbursement up to `8 lakh is allowed to any individual member who is covered in the family. However, once this limit of `8 lakh is reached neither the same member nor the other member is entitled for the claim. For e.g., if Mr. Gupta is hospitalized in the expenses are `9 lakh then claim of `8 will be settled and if any other member undergoes hospitalization during the same year there will not be entitlement claim. As against if Mr. Gupta's hospitalization expenses are `4 lakh only and during the same year Mrs. Gupta undergoes hospitalization and her expenses comes to `3 Lakh then claim of `3 lakh will be settled since the total claim is within `8 lakh cover, however if her hospitalization expenses come `6 lakh the then though policy cover is `8 lakh but since claim of another member of family of `4 Lakh has already been settled earlier during the policy year hence remaining for `4 lakhs only out of `6 lakh bills will be settled. The disadvantage of this policy is that it does not have no claim bonus facility and also the premium of this policy is charged as per the age of eldest member covered in the policy. It is not advisable to include senior parents in such policy because premium will be considered as per the age of senior most member. It is better to have separate floater plan for them.

3) **Top Up and Super Top Up Mediclaim Policy:** In the young age you can go for Mediclaim cover of `2 to3 lakh for individual or cover of `5 lakh floater plan. However, this cover is not sufficient with growing edge more particularly after the age of 50 because chances of any type of medical treatment and subsequent hospitalization increases after this age. Going by the ever-increasing medical treatment cost the earlier cover of 2 to 3 lakh for individual or floater cover of 5 to 6 lakh for family becomes very inadequate, but increasing the cover becomes very costly. Top up insurance policy allows you to take adequate health cover at affordable cost. Let us understand the concept of top up policy. Take the case Mr. Gupta who is having Family Mediclaim policy with individual cover of `3 lakh to him and his wife and `1 lakh cover for both kids. Now his age is 50 If he wants to increase individual cover for both he and his wife to `7 lakh and for his both kids to `3 lakh which seems to be adequate at this stage however yearly

premium will became unaffordable. Instead, he should go for top up cover `5 to 7 lakhs will be at almost 40% premium of his exiting family Mediclaim policy. Suppose he has floater policy of `8 lakh instead of increasing the cover of this floater policy he should take floater policy of `3 lakh cover andTop up policy of `5 to 7 lakh which will be cheaper to him. Top up policy works on the basis of threshold limit. For e.g., in the first case of family Mediclaim policy current Mediclaim cover to Mr. & Mrs. Gupta is `3 lakh if he purchases top up policy of `5 lakh cover with thresh hold limit of `3 Lakh then whenever hospitalization expenses exceed ` 3 lakhs then his policy will get him claim of ` 3 lakhs where as amount in excess of `3 lakh and up to `5 lakhs will be claimed under floater policy. For e.g., Mr. Gupta's hospitalization expenses during the policy year are `4.5 lakh he will get claim of ` 3 lakhs from his base policy (Family Mediclaim Policy where his individual cover is `3 Lakh) and remaining `1.5 lakh claim from top up policy of `5 lakh cover, suppose during the same year wife's hospitalization expenses are `5 lakh then claim of `3 lakh will come from base policy and remaining of `2 lakh will come from out 3.5 remaining from top up policy leaving balance of `1.5 can be used by any of the family member during the policy year if required. Now let us see how top up policy works for floater plan, in earlier example the cover of floater plan is `8 lakh, Mr. Gupta should have floater policy having cover of `3 lakh and keeping this as threshold limit, he should go for top up plan of ` 5 lakhs to 7 lakh this will provide him adequate cover that too at affordable cost.

Let us now see what is difference between top up and super top up policy.

Super Top-Up insurance plans are very similar to top up policies. Both are used with the purpose of keeping the total premium at a low cost while having high coverage at the same time. Top-up policies will reimburse you only if the claim amount (which is the amount for a single hospitalization) has crossed the threshold. Referring to the previous example, the top-up medical insurance helps you only when your bill amount goes over `3 lakhs every time. So, in the `5lakh bill amount case, you were getting an extra `2 lakhs. However, if you had two separate bills each of `3.5 lakhs, then a regular top-up policy would not help because none of the bills has crossed the base-threshold amount of `3 lakhs individually. This is where a Super-Top up plan would be beneficial. Here you can get claim of `2 lakhs even if each bill of hospitalization is less than threshold limit.

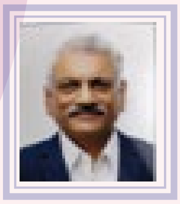
Your first recourse is the basic health insurance that you have. The problem is that most health insurance policies do not cover treatment taken at home. But now some insurance companies have started offering this cover as part of their regular policies. "Even if the condition is mild and does not require hospitalisation, but the doctor advises treatment at home, you can file a claim under this facility. While taking the policy one needs to confirm that the company is giving reimbursement for corona home treatment also.

In addition, since 10th July 2020 all most insurance companies are giving Corona specific polies viz. Corona Kavch and Corona Rakshak having cover minimum of `50000 and Maximum of `5 lakh for Corona kavch and `2.5 Lakh for Corona Rakshak, these two policies are of short-term nature having cover for minimum 3 months and maximum 9 months. Corona Kavach policy offers you reimbursement of actual expenses maximum up to the cover you taken, whereas Corona Rakshak gives payment equal to the amount of cover subject to hospitalization of minimum 72 hours. IRDA has recently extended the period till 30th September 2021 which was earlier up to 30th March 2021. These two policies are allowed only up to the age of 65.

From the above you will understand the importance of Life as well Health Insurance in light of Corona pandemic and will opt for best suited cover with minimum possible expenses and maximum possible cover.

ARBITRATION AND COST ACCOUNTANTS

INSURANCE



Shri K. B. Vijay Srinivas
Former Joint Additional Charge,
Chairman cum Managing Director,
United India Insurance Company Ltd.

The deal was in excess of twenty four thousand crores. Involved in the dispute were the richest man in the world and the richest man in India. The reference is to the deal between the Reliance group and the Future group which was objected by Amazon. The issue went for arbitration, to an arbitration in Singapore.

A few months back, in a dispute involving Vodafone and the Government of India, the Permanent Court of Arbitration at The Hague ruled against the Indian Government. The amount in dispute was around twenty two thousand crores.

These are just a couple of instances of high value disputes taking the arbitration route for redressal, instead of going to Courts. But there are many more disputes which regularly are taken up for arbitration all over the world. In India also it is used often, though not to the extent that it could and should be.

ARBITRATION- A FIELD LESS VISITED

The question that may arise is what is the significance of these two instances given above, other than the huge sums involved. There are two important points which come up. One is that, in both the cases Indian parties were involved and yet, the arbitration took place abroad. The second is that with such a huge sum involved, the parties did not approach the Courts and instead chose to go in for arbitration.

Both these takeaways are significant from the Indian standpoint and the Government is keen on developing a framework which would not only make the use of arbitration popular but also make India a major hub for international arbitrations also. The area is therefore at a takeoff stage.

ARBITRATION AND IT'S ADVANTAGES:

So what is arbitration and why the requirement to popularise it.

Arbitration is one of the important forms of dispute redressal. Usually, disputes would find their way to Courts for getting justice. However, there are certain issues involved in the judicial process which makes people go in for alternative dispute redressal mechanisms. Arbitration is an important alternative method.

Confidentiality is an important feature of arbitration proceedings. Often the parties involved would like the details and the proceedings to be kept confidential. This is possible in the arbitration process. This set's it apart from the judicial process where proceedings are open and in very exceptional circumstances only in-camera hearings are held.

It has inbuilt in it, the freedom to appoint the arbitrator,who would examine the dispute and decide. There could be a sole arbitrator where both the disputing parties agree. If not, each would appoint one or more arbitrators as agreed upon in such a way that the the number of arbitrators is an odd number. So it would effectively become a tribunal of arbitrators who would decide on it. Such a choice would be unthinkable in the judicial process.

It is quicker. There are timeframes for concluding the process. In a country like India, the judiciary is groaning under the load of pending cases and consequent delays in finalising cases which come up before it. Hence the thrust towards alternative dispute redressal methods. Arbitration can provide relief to the judicial system too while speeding up redressal of disputes.

The law also has provided for finality of arbitration awards. The provisions for appeals against the awards to Courts does exist but is restricted. This is an added attraction of the process of arbitration .

In terms of cost, it is less expensive than the regular judicial process. There are no elaborate procedures unlike in a Court proceeding.

Arbitration, obviously is not available for criminal cases. Similarly it cannot be used for matrimonial disputes, guardianship natters, insolvency petitions, testamentary suits, Trust disputes, Labour and industrial disputes, Tenancy and eviction matters governed by rent control statutes.It is there for civil commercial cases.

Arbitration happens by agreement. The terms of arbitration can form part of the agreement. The flexibility is there as to what are the issues which can go in for arbitration. For instance there could be agreements which may specify that only the quantum is arbitrable and not the terms and conditions of the agreement.

Again, there could be agreements which could specify who would be the arbitrator in the event of a dispute. The place where arbitration should happen may also be part of the agreement. Even if not part of the agreement it could be agreed upon after the dispute arises.

Yet another feature is that a technical person who understands the specialities involved in the trade or activity can be chosen as arbitrator. This is a major advantage as the arbitrator would be aware of the nuances of the trade and there would be no need to explain the finer distinctions. This is not a new concept. It has been in vogue in India for ages. Such respected people of the trade were called 'Srenis'. Disputes would be referred to them for redressal.

Inspite of all these obvious advantages, arbitration is not used to the extent it could be. Hence the government and the judiciary are keen to give a thrust to it.

INDIA AS A GLOBAL HUB FOR ARBITRATION

The second important aspect which we saw in the cases above was that for disputes arising in India even though involving local parties, go to places abroad for resolution through arbitration. The question is, why not in India itself. Further, just like certain locations have emerged across the globe as centre's for arbitration, why not India. Therefore the initiative by the Government to make India a hub for International Commercial Arbitration.

After all, India does have a strong and established legal system and skilled practicioners. Why is this not capitalised. The reason is perhaps the law's relating to arbitrations had certain lacunae. These have been sought to be addressed through a series of amendments to the law, in the last three decades the latest being towards the end of last year.

QUALIFICATIONS;

Who can be an arbitrator?

What is the role of cost accountant's in arbitration? What does the law say and what are the pitfalls? What are the qualifications prescribed for arbitrators?

No specific qualifications are prescribed for arbitrators. But as per the seventh schedule certain person's like employees, those having an interest on the outcome etc have been kept out. Again, prior to the 2021 Amendment Act, certain qualifications had been prescribed in the eighth schedule to the Act. According to this, Cost Accountants with specified experience also qualified. This was done away with by this amendment. Now it states that qualifications, experience and standards for accreditation of arbitrations will be specified by the Arbitration Council of India .

CONCLUSION:

In conclusion, there is a serious thrust by the Government to develop India as a major hub for arbitrations. The system's which are sought for by international entities are being put in place. Irritants are being removed. The field is at the threshold of a giant leap forward. Cost Accountants, being expert's in commercial areas can make use of their talents in this emerging space. The potential is huge.

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ACTIVITIES OF THE BFSI BOARD

We feel very happy to share that as decided by the Council, the 'Banking, Financial Services & Insurance Committee' has been renamed as 'Banking, Financial Services & Insurance Board' for which a Notification has been issued on 26th May, 2021.

Now a brief on the activities of the BFSI Board during the month of May 2021 is appended below:

a) Certificate Courses on Banking

The 2nd batch classes for Certificate Course on Concurrent Audit of Banks for 30 hours' duration had started on 9th January ,2021 was concluded on 28th February, 2021 and we took the examination on 1st March, 2021. Similarly, the 2nd batch Certificate Course on Credit Management of Banks for 50 hours' duration which was started on 26th December,2020 and concluded on 20th March, 2021. We took the examination for the course on 21st March, 2021. For both of the above courses the certificates were distributed to the candidates. The 2nd batch of Certificate Course on Treasury and International Banking which had started on 16th January, 2021 for 50 hours would be concluding on 10th April, 2021 and on 11th April, 2021 the examination was conducted.

- On 17th April, 2021 we started the 3rd batch of Certificate Course on Credit Management of Banks. CMA Manoj Batra, DGM, IDBI Bank was the Chief Guest for the Inaugural session. It was attended by bankers, CMAs and other professionals.
- On 24th April, 2021 we started the 3rd batch of Certificate Course on Treasury and International Banking. Shri Vikas Babu, DGM (Treasury), Union Bank was the Chief Guest for the Inaugural session. It was also attended by bankers, CMAs and other professionals.
- On 1st May, 2021 the 3rd batch of Certificate Course on Concurrent Audit of Banks was inaugurated under the gracious presence of Shri Suresh Kumar, General Manager & Chief Compliance Officer, Indian Bank.

The admission for the 4th batch of Certificate Course on the three courses viz. Certificate Course on Credit Management of Banks, Treasury & International Banking and Concurrent Audit of Banks has started and already we are seeing a fillip in the admissions. We request all the members and students to enroll for the courses for skill development and capacity enhancement.

b) Certificate Course on Investment Management in association with NISM

The course of Investment Management (Level-III) Batch No. 1 started from 18th April, 2021 and the valedictory session along with conclusion of classes were organized on 29th May,2021 under the gracious presence of Shri S.K.Mohanty, Director of NISM and Whole Time Member of SEBI.

The class for 2nd batch of Level-II has started from 29th May, 2021 and is presently continuing The 4th batch of Investment Management (Level-I) started on 4th April, 2021 and concluded on 9th May, 2021. The 5th batch of Level-I classes commenced from 12th June, 2021.

We have started the admissions for 6th batch of Level-I. Members and the students are requested to avail the opportunity by registering in the course on Investment Management.

c) Annual ICAI National Awards - Essay Contest for Bankers:

The BFSI Board has opened registrations for an annual ICAI National Awards essay contest for bankers and we call upon all members and students working in the banking sector to wholeheartedly participate in the event. The topic of the essay competition is "Digital Banking and Inclusive Growth". The winners would be felicitated and honored by the Institute with a medal and a certificate and would be presented by a luminary in the banking field. The details of the event have been published by the BFSI department and the last date for application has been extended again till 15th June, 2021 due to the onslaught of pandemic.

d) Webinars

We are happy to announce that BFSI Board has completed 53 webinars and 21 WEBINTs since March, 2020 and we thank the participation of all members, students and stakeholders for knowledge dissemination. The Board hosted four webinars on the topics in the month of May,2021 and are stated as follows:

- Pre-Pack Insolvency Resolution Process (Micro, Small and Medium Enterprises-MSMEs) on 10th May, 2021
- Right Time for 5th Generation Banking Reforms on 12th May, 2021 ,
- Labour Laws Audit-(Labour Reforms to Labour Code) on 17th May, 2021 and
- Public debt: Opportunities for CMAs on 31st May, 2021.

All the webinars were deliberated by CMA Dr.P.Siva Rama Prasad, Former AGM of State Bank of India.

During the month of March 2021. The Board conducted 3 more webinars as detailed below

- Complexities in Life Insurance on 13th March,21 where the speaker was Shri P.Venugopal, Chair Professor,Life, National Insurance Academy
- Opportunities to CMAs in cloud computing on 14th March,21 where the speaker was CMA (Dr) P. Siva Rama Prasad, Former AGM of SBI
- Explore the Opportunities, DDU-GKY: DeenDayal Upadhyaya Grameena KaushalyaYogna on 28th March,21 where the speaker was also CMA (Dr)P.Siva Rama Prasad, Former AGM of SBI

e) Special MSME Edition published by the Board

The BFSI Board has published a special edition of MSME in continuation of the activities undertaken by the Committee for observance of MSME month in the month of April, 2021. It includes articles from various experts in MSME and allied areas. We request all to read the issue uploaded in the BFSI portal.

f) Observance of MSME in April, 2021:

I am happy to share that under the dynamic chairmanship of CMA Chittaranjan Chattopadhyay, the BFSI committee took the initiative for observance of April 2021 as MSME month considering the significance of the MSME sector in the Indian economy. The Institute organized a series of WEBINARs on relevant topics with presence of eminent persons from across the country and globe. The committee also organised an international WEBINAR in association with International Affairs Committee, Training & Education Facilties Committee and London Overseas Chapter of Cost Accountants (LOCCA). The following are the webinars organized by BFSI Committee for MSME month:

- On 6th April, 2021 on the topic "Project Evolution to Execution". Shri K.D.Bhattacharya, Joint Director, MSME-Inst, Eastern Region graced as Chief Guest along with the gracious presence of Shri P.S.Manoj, Dy.General Manager, SIDBI as the Guest of Honour and Shri P.N.Prasad, Director, Bank of India.
- On 13th April, 2021 on the topic "Concurrent Cost Management through Value Chain" was graced by past presidents CMA (Dr.) A.S.Durga Prasad,CMA M.Gopalakrishnan and CMA Kunal Banerjee as guests of Honour along with CMA R Venkatramani, Director, Westcott Pvt.Ltd.,Chennai and Shri Hariharan S Ramamoorthy, National Vice-President, Laghu Udyog Bharati. The event was moderated by CMA Jyoti Satish, Former Chairperson,SIRC. The webinar was also graced by CMA H.Padmanabhan, Chairman, CAT and AAT Board.
- On 20th April, 2021 on the topic " Perpetual Sustainability (with emphasis on various MSME Schemes) "Shri Sudhir Garg, IRSEE, Joint Secretary, Ministry of Micro, Small and Medium Enterprises was the Chief Guest. Other esteemed speakers were Shri Gaurang Dixit, Director, Finance, National Small Industries Corporation, CMA Baldev Kaur Sokhey, Director, Finance, NBCC (India) Ltd., CMA Chandra Wadhwa, Past President, ICAI, CA Mukesh Singh Kushwah, Government Nominee, ICAI and CMA (Dr.) S.K.Gupta, MD, ICMAI RVO.
- The details of the International event on the topic "UK India Living Bridge (Business and Education)" was held on 23rd April 2021.

The observance of MSME Month was conducted by Regional Councils and Chapters through webinars.

Meeting with President, Federation of Small & Medium Industries (FOSMI):

CMA Chittaranjan Chattopadhyay, Chairman,BFSI Committee met on virtual mode on 9th April, 2021 with Shri Biswanath Bhattacharya, President, Federation of Small & Medium Industries (FOSMI) to discuss joint collaboration with the Institute for development of the MSME sector.

Observance of MSME Month:

BFSI is organizing April 2021 as MSME month with a series of online national, international and local events covering the MSME sector. The details of the programmes are available in the BFSI portal on the Institutes website and I am happy to share that the concluding national webinar will be held on 25th April, 2021 on the theme "Way Forward for Value Addition to and by MSME Sector" where Shri Nitin JairamGadkari, Hon'ble Minister for Road Transport & Highways and Micro, Small and Medium Enterprises, Government of India has kindly consented to be the Chief Guest. The international webinar is also scheduled to be held in association with the London Chapter of Cost Accountants of India on 22nd April, 2021. The Regional Councils and Chapters are the extended arms of the Institute and we hope that they will join us in the celebrations and observance of MSME Month by their active participation in the said webinars and also by way of conducting at local levels throughout the Month of April 2021. Regional Councils and Chapters are requested to send report of such observance of MSME Month for incorporation in the Management Accountant Journal.

1st Hybrid Seminar organized by the BFSI on 24th March, 2021

The 1st Hybrid Seminar on the theme Credit Offtake: Challenges and Strategies was organized on 24th March, 2021 at J.N. Bose Auditorium, Headquarters of the Institute at Kolkata. The Seminar was the 1st physical programme conducted by the BFSI Department in the year 2021 which was also streamed online where BEML Limited was the event partner. CMA Suraj Prakash, Director (Finance), BEML attended in person and addressed the gathering and all those who attended online through webcasting in the Youtube channel of the Institute. The other speakers on the occasion were CMA Dr.P.Siva Rama Prasad, Former AGM of SBI; CMA Jyoti P Gadia, MD of Resurgent India Ltd.; CMA Sunil P Sathe, MD & CEO of Thane Janata Sahakari Bank and Shri B. Rajkumar, Advisor of BFSI Department and Former Dy. Chief Executive of Indian Banking Association. I attended the Seminar along with CMA Chittaranjan Chatterjee, Chairman of BFSI Board and Shri Ashwin G. Dalwadi, Council Member and the event was also graced by Past Presidents, CMA Harijiban Banerjee and CMA Amal Kumar Das and. It was also attended by CMA Avijit Goswami, Former Council Member.

Representation letters for inclusion of CMAs:

The BFSI Board has represented to various authorities and employers for inclusion of CMAs in the BFSI sector whenever such a scope has come to the notice of the Institute.

Daily News Digest

The BFSI Board is giving daily updates on the BFSI sector and is getting uploaded in the BFSI portal of the Institute. The members, students and others are requested to check the portal to get daily updates collated for the knowledge enhancement of the all stakeholders.

Insurance Month

On the initiative of the BFSI Board, the Institute would be observing June, 2021 as the Insurance Month and four webinars are scheduled to be conducted in the month by the BFSI Board along with other webinars hosted in Chapters/Regional Council across the country.

Investment Month in the month of August, 2021

BFSI Board in association with NISM (An educational initiative of NISM) is planning to organise an Investment Month in the month of August, 2021. It is expected to comprise of four webinars and other activities in the genre of capital markets. We request all the Offices of the Institute to organize such programmes for capital markets to make the Investment Month a grand success as and when announced by the Institute.

LIST OF WEBINARS CONDUCTED BY THE BANKING, FINANCIAL SERVICES AND INSURANCE BOARD SINCE 2020-21

Sl. No.	Date and Time	Topic	Speaker
1.	9th March, 5 pm to 7pm.	Role of CMAs in Banking Sector	CMA Mohan V Tanksale, Former Chief Executive, Indian Banking Association
2.	10th March, 4-30 pm to 6-30 pm.	Overview of Credit Management of Commercial Banks	Shri Prabir Kumar Dutta, Former General Manager, United Bank of India
3.	12th March, 4-30 pm to 6-30 pm.	Trade Receivables Discount Scheme (TReDS)	CMA Dr. P. Siva Rama Prasad, Former AGM, SBI
4.	28th March, 4-30 pm to 6-30 pm.	Enterprise Risk Management - A Strategic Imperative for Organizational Sustainability	CMA Delzad D Jivaasha, Associate Vice President-Enterprise Risk Management and Finance, ICICI Lombard General Insurance Co.Ltd.
5.	11th April, 12 pm to 1 pm	GST on Bank and Insurance Sector	CMA Susanta Saha ,Tax and Management Consultant
6.	12th April, 11am -12 noon.	Audit of Health Insurance Companies	CMA C. Veeraraghavan, Former Dy. Accountant General of C&AG of India
7.	26th April, 8 to 9-30 am	Impact of COVID 19 and Strategies for Banking Sector	CMA (Dr) Shilpa Parkhi, Practising Cost Accountant
8.	3rd May, 12 pm to 1 pm	Audit of Fire and Engineering Insurance Administration at General Insurance Companies	CMA C. Veeraraghavan, Former Dy. Accountant General of C & AG of India
9.	10th May, 12 pm to 1 pm	Audit of Reinsurance department in a General Insurance companies	CMA C. Veeraraghavan, Former Dy.Accountant General of C & AG of India
10.	14th May, 4 to 6 pm	Forex and Role of CMAs in FEMA	Shri Shreedharan Chakravarthy, Former General Manager of the Reserve Bank of India.
11.	17th May, 12 pm to 1 pm	Audit of Marine Insurance administration at General Insurance Companies	CMA C. Veeraraghavan, Former Dy.Accountant General of C & AG of India
12.	24th May, 12 pm to 1 pm	Audit of Investment functions at General Insurance Companies	CMA C. Veeraraghavan, Former Dy.Accountant General of C & AG of India
13.	24th May, 4 to 6 pm	Agencies for Specialized Monitoring (ASM)	CMA Dr. P.Siva Prasad, Former AGM of SBI
14	26th May, 1-30 to 3-30 pm	Instant Opportunities to Practising CMAs- Emergency Credit Line Guarantee Scheme	CMA Dr. P.Siva Prasad, Former AGM of SBI

15	7th June,1-30 to 2-30 pm	Debit Card/ Credit Card Fraud with dos/don'ts and SOPs.	Shri Subhendu Chakraborty, Cyber Security Consultant
16	14th June,12 to 1 pm	Financial Frauds through online Phishing sites and/or fraudulent emails' links with do's/don'ts and SOPs.	Shri Subhendu Chakraborty, Cyber Security Consultant
17	21st June,12 to 1 pm	Financial Scams through Dark Web and related crimes and the related security tips.	Shri Subhendu Chakraborty, Cyber Security Consultant
18	23rd June,1 to 2 pm	Online Money Laundering, Identity Theft, etc and safety guidelines.	Shri Subhendu Chakraborty, Cyber Security Consultant
19	3rd July,3-30 to 5-30 pm	Dynamics in a Life Insurance Organisation	CMA P Narasimha Murthy, Insurance Consultant
20	10th July, 4-5 pm	Opportunities in Insurance Organisations	CMA P Narasimha Murthy, Insurance Consultant
21	17th July, 4-5 pm	Insurance Education for CMAs	CMA P Narasimha Murthy, Insurance Consultant
22	19th July, 10am -12 pm	Credit Management of Banks	CMA Dr.P. Siva Rama Prasad, Former AGM, SBI
23	20th July, 4-5 pm	Basic Principles of Insurance	CMA P Narasimha Murthy, Insurance Consultant
24	26th July, 10 am-12 pm	Treasury and International Banking: An essential Skill Set	CMA Dr.P. Siva Rama Prasad, Former AGM, SBI
25	27th July, 4-6 pm	Concurrent Audit of Banks	CMA Dr.P. Siva Rama Prasad, Former AGM, SBI
26	31st July, 4-6 pm	CMA as Financial Underwriter	CMA P Narasimha Murthy, Insurance Consultant
27	7th August, 11am-12 pm	Understanding Life Insurance Products	CMA P Narasimha Murthy, Insurance Consultant
28	21st August, 5-6 pm	Finance and Accounting in Life Insurance	CMA P Narasimha Murthy, Insurance Consultant
29	28th August, 4-6 pm	Internal Audit in Life Insurance	CMA P Narasimha Murthy, Insurance Consultant
30.	29th October, 4-6 pm	Get Ready for LIBOR Phase Out 2021	CMA Dr.P. Siva Rama Prasad, Former AGM, SBI
31.	28th November, 10am-12pm	FEMA 1999, Hedging Forex Risk and Trade Finance (Series 1)	CMA Nijai Gupta,Forex Expert
32.	5th December, 10am-12pm	FEMA 1999, Hedging Forex Risk and Trade Finance (Series 2)	CMA Nijai Gupta,Forex Expert
33.	12th December, 10am-12pm	FEMA 1999, Hedging Forex Risk and Trade Finance (Series 3)	CMA Nijai Gupta,Forex Expert
37.	19th December, 10am-12pm	FEMA 1999, Hedging Forex Risk and Trade Finance (Series 4)	CMA Nijai Gupta,Forex Expert

38.	26th December, 10am-12pm	Incoterms-2020, Terms of Payments, LC & UCP 600 (Series 1)	CMA Nijai Gupta,Forex Expert
39.	2nd January,21, 10am-12pm	Incoterms-2020, Terms of Payments, LC & UCP 600 (Series 2)	CMA Nijai Gupta,Forex Expert
40.	9th January,21, 10am-12pm	Incoterms-2020, Terms of Payments, LC & UCP 600 (Series 3)	CMA Nijai Gupta,Forex Expert
41.	16th January, 21, 10am-12pm	Incoterms-2020, Terms of Payments, LC & UCP 600 (Series 3)	CMA Nijai Gupta,Forex Expert
42.	23rd January, 21, 10am-12pm	Financial Planning in the current economic environment	CMA Soumit Das, Chief Mentor - Financial Goal Achievers
43.	13th February, 21, 10 am -12 pm	Impact of Treasury Operations on Balance Sheet	Shri Symal Ghosh Ray, Former General Manager of Andhra Bank
44.	20th February, 21, 10 am -12 pm	Cyber Security and Fraud Management	Shri V.A.Prasanth,Senior Domain Expert, IDRBT
45.	27th February, 21, 10 am -12 pm	Financial Planning	Shri Sudhakar Kulkarni, Financial Planner
46.	13th March,21, 10 am-12 pm	Complexities in Life Insurance	Shri P.Venugopal, Chair Professor,Life, National Insurance Academy
47.	14th March,21, 10 am -12 pm	Opportunities to CMAs in cloud computing	CMA Dr.P.Siva Rama Prasad, Former AGM of SBI
48.	28th March,21, 2 -4 pm	Explore the Opportunities,DDU-GKY: Deen Dayal Upadhyaya Grameena Kaushalya Yogna	CMA Dr.P.Siva Rama Prasad, Former AGM of SBI
49.	10th May,21, 5-7 pm	Pre-Pack Insolvency Resolution Process (Micro,Small and Medium Enterprises-MSMEs)	CMA Dr.P.Siva Rama Prasad, Former AGM of SBI
50.	12th May,21, 5-7 pm	Right Time for 5th Generation Banking Reforms	CMA Dr.P.Siva Rama Prasad, Former AGM of SBI
51.	17th May,21, 5-7 pm	Labour Laws Audit-(Labour Reforms to Labour Code)	CMA Dr.P.Siva Rama Prasad, Former AGM of SBI
52.	31st May,21, 5-7 pm	Public Debt: Opportunities to CMAs	CMA Dr.P.Siva Rama Prasad, Former AGM of SBI
53.	9th June,21 , 5-7 pm	Asset Reconstruction Companies-ARCs (Role in NPA Resolution)-Opportunities to CMAs	CMA Dr.P.Siva Rama Prasad, Former AGM of SBI

LIST OF WEBINTS CONDUCTED BY THE BANKING,FINANCIAL SERVICES AND INSURANCE BOARD IN 2020-21

Sl. No.	Date and Time	Topic	Speakers
1.	8th May, 4 to 6 pm	Impact of COVID-19 and Strategies for the Insurance Sector	• CMA G.Srinivasan, Director of National Insurance Academy and Former CMD of New India Assurance Co. Ltd. • Shri K.B. Vijay Srinivas, Former Joint CMD of Oriental India Insurance Co. Ltd. • CMA P.Narasimha Murthy, Insurance Consultant • CMA C.Veeraghavan, Former Dy.Accountant General in C&AG • CMA Shiba Prasad Padhi, Former Chairman of EIRC of ICAI and Insurance Consultant
2.	27th May, 3-30 to 6 pm	Impact of Covid-19 and strategies for the Banking Sector	• CMA Mohan V Tanksale, Strategic Consultant of SWIFT India and Former Chief Executive of Indian Banking Association and Former CMD of Central Bank of India • Dr. Charan Singh, Chief Executive, EGROW Foundation • Shri Mrutyunjay Mahapatra, OSD,Canara Bank • Shri Ashok Kumar Pradhan, OSD,Punjab National Bank • Shri Samuel Joseph Jebaraj, Deputy Managing Director of IDBI Bank • CMA Dr. Shilpa Parkhi, Practising Cost Accountant
3.	12th June, 3-30 to 6 pm	WEBINT on Impact of COVID-19 on Financial Services and Strategies for Investors: Series 1	• Smt Deena Mehta, Former President of BSE and Group Managing Director of Asit C Mehta of Companies (Moderator of the Session) • CMA B.Renganathan, Executive Vice-President and Company Secretary,Edelweiss Financial Services Limited • CMA Dr. Latha Chari, Professor, National Institute of Securities Markets (An educational initiative by SEBI) and • Shri Pradeep Ramakrishnan, General Manager,Corporate Finance Department of SEBI

4.	22nd June, 3-30 to 6 pm	WEBINT in the form of Panel Discussion on the topic 'India in the Global Economy 2021	• Dr. Charan Singh, Chief Executive, EGROW Foundation and Moderator of the Session • Dr. Sugata Marjit, Economist and Distinguished Professor , Indian Institute of Foreign Trade • CMA Subhash Chandra Garg, Former Finance Secretary, GoI & IAS Officer • CMA Kunal Banerjee,Former President of The Institute of Cost Accountants of India
5.	24th June, 4 to 6 pm	WEBINT on Impact of COVID-19 on Financial Services and Strategies for Investors: Series II	• Smt Deena Mehta, Former President of BSE and Group Managing Director of Asit C Mehta of Companies (Moderator of the Session) • CMA Navneet Munot, Executive Director and CIO of SBI Mutual Fund. • CMA Dhiraj Sachdev, Managing Partner and CIO, Roha Asset Managers LLP
6.	8th July, 5-7 pm	WEBINT on "Capacity Building for the lending Institutions Post COVID-19 "	• CMA Suresh Khatanhar, Deputy Managing Director of IDBI Bank, Chief Guest for the event • CMA M.K.Bhattacharya, Executive Director of Indian Bank, Guest of Honour for the event • CMA Saikat Roy, Director, West, Care Ratings Limited, Guest of Honour for the event • CMA Mohan V Tanksale, Former Chief Executive of Indian Banking Association, Moderator of the session • CMA Dr. P. Siva Rama Prasad, Former AGM of SBI, Chief Architect for formulation of the courses
7.	24th July, 3-30 -6 pm	WEBINT on 'Risk Mitigation and fraud prevention by Forensic Techniques in Post COVID-19'	• CMA Yogesh Gupta, IPS, Special Director of Enforcement Directorate (Eastern Region) • Dr. Rishabh.C. Lodha, Chairman of ICMAI, RVO • Shri Ajay Vyas, Executive Director of UCO Bank • CMA Aloke Kumar Bardhan, Assistant Director (Banking), SFIO, Kolkata,MCA • CMA Neeraj Arora, Advocate • CMA Nayana Savala, Practising Cost Accountant • CMA Vijender Sharma, Council Member, ICAI

8.	6th September, 5-7 pm	WEBINT on Digital Payments: Progress and Prospects	• CMA P.Vasudevan, Chief General Manager, Reserve Bank of India was the Chief Guest and speaker. • Shri NDSV Nageswara Rao, Deputy General Manager, Financial Inclusion & Micro Markets, State Bank of India, Local Head Office
9.	10th September, 3-30 to 6 pm	WEBINT on "Post COVID-19 Synchronize Economy, Banks & Industry"	• Shri Debashish Mukherjee, Executive Director, Canara Bank • CMA Suresh Khatanhar, Deputy Managing Director,IDBI Bank • CMA Suraj Prakash, Director (Finance),BEML • CMA Sunil Bhatia,Director (Finance),Engineers India Ltd. **Moderator** • CMA B.B.Goyal, Former Addl. Chief Advisor (Cost), Ministry of Finance, Govt of India and Head of the ICoAS **Theme Introduction** • CMA Manoj Batra,Deputy General Manager,IDBI Bank
10.	16th September, 11 am -1-30 pm	WEBINT on the Role of CMAs in Capital Markets and Launch of Course on Investment Management with NISM	• Shri S K Mohanty, Whole Time Member and Director, NISM, Chief Guest • CMA Yatrik Vin, CFO,NSE, Guest of Honour • CMA Nayan Mehta, CFO,BSE,Guest of Honour • Dr. V R Narasimhan, Dean SRSS and SCG ,NISM • Shri Sunil Kadam,Register,NISM • CMA Dr.Latha Chari, Associate Professor, NISM
11.	12th October, 4-6 pm	WEBINT on Onshore and Offshore Market for Indian Rupee	CMA Dr. P.Siva Rama Prasad, Former AGM of SBI
12.	8th November, 2020 5-7 pm	WEBINT on How to Prepare for IBBI Limited Insolvency Examination? (Old Syllabus upto 31.12.2020 only)"	CMA Dr. P.Siva Rama Prasad, Former AGM of SBI

13.	3rd December, 2020 5-7 pm	WEBINT on International Conclave on Macro Economics, International Trade, Banking & Finance in Post Covid-19.	Key Note Speaker: • Prof. Lakshman R Watawala, President, Institute of Certified Management Accountants of Sri Lanka Speaker & Guest of Honour: • Prof. (Dr.) Manoj Pant, Director, Indian Institute of Foreign Trade • Dr. Hiranya Mukhopadhyay, Principal Public Management Specialist, Asian Development Bank • CMA Agneshwar Sen, Associate Partner and Head, Trade Policy, Tax and Economic Policy Group EY, LLP • Dr. Soumya Kanti Ghosh, Group Chief Economic Adviser, SBI Corporate Centre • CMA B.B. Goyal, Former Addl. Chief Adviser (Cost), Ministry of Finance, Govt. of India and Head of the Indian Cost Accounts Service
14.	20th January, 2021 5-7 pm	WEBINT : Banking Analytics for Strategic Growth	• Dr.Nethra Sambamoorthi, Founder, Promoter and Managing Director, Institute of Analytics (USA) and CRMportals Inc,USA • CMA (Dr.) S.Vasudevan, Director-Business Development, Institute of Analytics (USA) and • Shri Utpal Chakraborty, Head of Artificial Intelligence, Yes Bank.
15.	6th April, 2021	Project Evolution to Execution	• Shri K.D.Bhattacharya, Joint Director, MSME-Inst,Eastern Region Chief Guest • Shri P.S.Manoj, Dy.General Manager, SIDBI as the Guest of Honour and • Shri P.N.Prasad, Director, Bank of India, Guest of Honour
16.	13th April, 2021 4-6 PM	Concurrent Cost Management through Value Chain	• CMA Dr.A.S.Durga Prasad,Past President,Guest of Honour • CMA M.Gopalakrishnan, Past President,Guest of Honour • CMA Kunal Banerjee, Past President,Guest of Honour • CMA R Venkatramani, Director, Westcott Pvt.Ltd.,Chennai , Guest of Honour • Shri Hariharan S Ramamoorthy, National Vice-President, Laghu Udyog Bharati, Guest of Honour
17.	20th April, 2021 4-6 pm	Perpetual Sustainability (with emphasis on various MSME Schemes)	• Shri Sudhir Garg, IRSEE,Joint Secretary, Ministry of Micro, Small and Medium Enterprises, Chief Guest • Shri Gaurang Dixit, Director, Finance, National Small Industries Corporation, Guest of Honour • CMA Baldev Kaur Sokhey,Director, Finance,NBCC (India) Ltd.,New Delhi, Guest of Honour • CMA Chandra Wadhwa, Past President,ICAI , Guest of Honourand CA Mukesh Singh Kushwah, Government Nominee,ICAI.Guest of Honour • CMA Dr.S.K.Gupta, MD,ICMAI RVO was the special speaker.

18.	8th June, 2021 5-7 pm	Evolution of Insurance Industry Pre and Post COVID-19	• CMA P.K. Arora, Member (Actuary),IRDAI, Chief Guest • CMA G.Vaidyanathan, Chief Financial Officer, Shriram Life Insurance, Guest of Honour • CMA Delzad D. Jivaasha, Associate Vice President – Risk Management, ICICI Lombard General Insurance Company Limited, Guest of Honour
19.	14th June, 2021 5.30-7.30 pm	Successful Insurance Sector means: Protection, Investments and Jobs: All in one	• Shri Niraj Shah, CFO, HDFC Life Ltd.,Chief Guest • CMA Kandikonda Srikanth, C F O, Manipal Cigna Health Insurance Company Limited., Guest of Honour • CMA P.N.Murthy, Insurance Specialist,Moderator of the session
20.	18th June,2021 5-7 pm	Digitalisation of Insurance Business: Opportunities and Challenges	• Dr. Steward Doss ,Faculty, NIA moderator Panelists • Shri Anand Pejawar, President - Operations, IT & International Business SBI Life Insurance Company Ltd • Shri Girish Nayak, Chief, Service, Operations and Technology Customer Services ICICI Lombard General Insurance Co.Ltd. • Ms.Darshana Shah,HOD ,Marketing & Digital, Aditya Birla Health Insurance Co.Ltd.
21.	25th June, 2021 5 to 7 pm	Impact of Pandemic on Insurance Business - Challenges and Opprotunities	CMA G. Srinivasan, Director, National Insurance Academy moderator of the session **Panelists** • CMA Mayank Bathwal, CEO, Aditya Birla Health Insurance Company Ltd. • CMA Kalpana Sampat, MD & CEO, Pramerica Life Insurance Company. • CMA Eswar Natarajan, President and Chief Operating Officer, COO, Kotak General Insurance Company.

INSURANCE MONTH IN THE MONTH OF JUNE, 2021

BFSI Board organised an Insurance Month in the month of June, 2021. The BFSI Board organized four webinars and other activities in the genre of insurance sector. The following webints were organized by BFSI Board and top echelons of Insurance sector in life, non-life and also regulators graced the occasion and made it a grand success. the following WEBINTs were organized by the BFSI Board which are as follows:

Sl. No.	Date and Time	Topic	Speakers
1.	8th June, 2021, 5 to 7 pm	Evaluation of Insurance Industry Pre and Post COVID-19	• CMA P. K. Arora, Member (Actuary), IRDAI, Chief Guest • CMA G. Vaidyanathan, Chief Financial Officer, Shriram Life Insurance, Guest of Honour • CMA Delzad D. Jivaasha, Associate Vice President - Risk Management, ICICI Lombard General Insurance Company Limited, Guest of Honour
2.	14th June, 2021, 5.30 to 7.30 pm	Successful Insurance Sector means : Protection, Investments and Jobs: All in one	• Shri Niraj Shah, CFO, HDFC Life Ltd., Chief Guest • CMA Kandikonda Srikanth, CFO, Manipal Cigna Health Insurance Company Limited, Guest of Honour • CMA P. N. Murthy, Insurance Specialist, Moderator of the session
3.	18th June, 2021 5 to 7 pm	Digitalisation of Insurance Business: Opprotunities and Challenges	Dr. Stweard Doss, Faculty, NIA moderator **Panelists** • Shri Anand Pejawar, President - Operations, IT & International Business, SBI Life Insurance Company Ltd. • Shri Girish Nayak, Chief, Service, Operations and Technology Customer Services ICICI Lombard General Insurance Co. Ltd. • Ms. Darshana Shah, HOD, Marketing & Digital, Aditya Birla Health Insurnace Co. Ltd.
4.	25th June, 2021 5 to 7 pm	Impact of Pandemic on Insurnace Business - Challenges and Opprotunities	CMA G. Srinivasan, Director, National Insurance Academy moderator of the session **Panelists** • CMA Mayank Bathwal, CEO, Aditya Birla Health Insurance Company Ltd. • CMA Kalpana Sampat, MD & CEO, Pramerica Life Insurance Company. • CMA Eswar Natarajan, President and Chief Operating Officer, COO, Kotak General Insurance Company.

Several Regional Councils and Chapters are organizing various webinars in celebration of the Insurance Month.

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

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OBSERVANCE OF JUNE 2021 AS INSURANCE MONTH

Webinars organized by

BANKING, FINANCIAL SERVICES & INSURANCE BOARD (BFSIB) OF THE INSTITUTE OF COST ACCOUNTANTS OF INDIA (ICAI)

In view of the significance of the Insurance sector in the Indian economy and to spread the awareness of various schemes in Insurance especially during this pandemic, the Institute of Cost Accountants of India has decided to **observe June 2021 month as the Insurance month.** The Institute will be spreading the temper of insurance awareness and the scope as professionals to work in the sphere of Insurance. We have association with National Insurance Academy as a partner who would be jointly collaborating in our efforts for organizing a series of webinars across the country.

Observation of **INSURANCE MONTH** is an initiative of the Banking, Financial Services & Insurance Board (BFSIB) of the Institute in association and active involvement of other Committees, Regional Councils and Chapters of the Institute. All the events will be streamed live through the official YouTube channel of the Institute to reach the students, members and all stakeholders of the Institute.

Chief Guest for the Inaugural Webinar

CMA Parmod Kumar Arora
Member (Actuary)
Insurance Regulatory and Development Authority of India

Lists of Webinars

(Streaming link will be made available on the Institute's website)

Webinar	Topic	Date	Time
Webinar 1	Evolution of Insurance Industry Pre and Post COVID-19 (in association with the Hyderabad Chapter of Cost Accountants)	08.06.2021	5 pm - 7 pm
Webinar 2	Successful Insurance Sector means: Protection, Investments & Jobs- All in one	14.06.2021	5 pm - 7 pm
Webinar 3	Digitisation of Insurance Business **(in association with NIA)**	18.06.2021	5 pm - 7 pm
Webinar 4	Pandemic – An opportunity for Insurance Sector **(in association with NIA)**	25.06.2021	5 pm - 7 pm

CMA Biswarup Basu
President
ICAI

CMA P. Raju Iyer
Vice President
ICAI

CMA Chittaranjan Chattopadhyay
Chairman
BFSI Board, ICAI

CEP Credit: 1 Hour for each webinar

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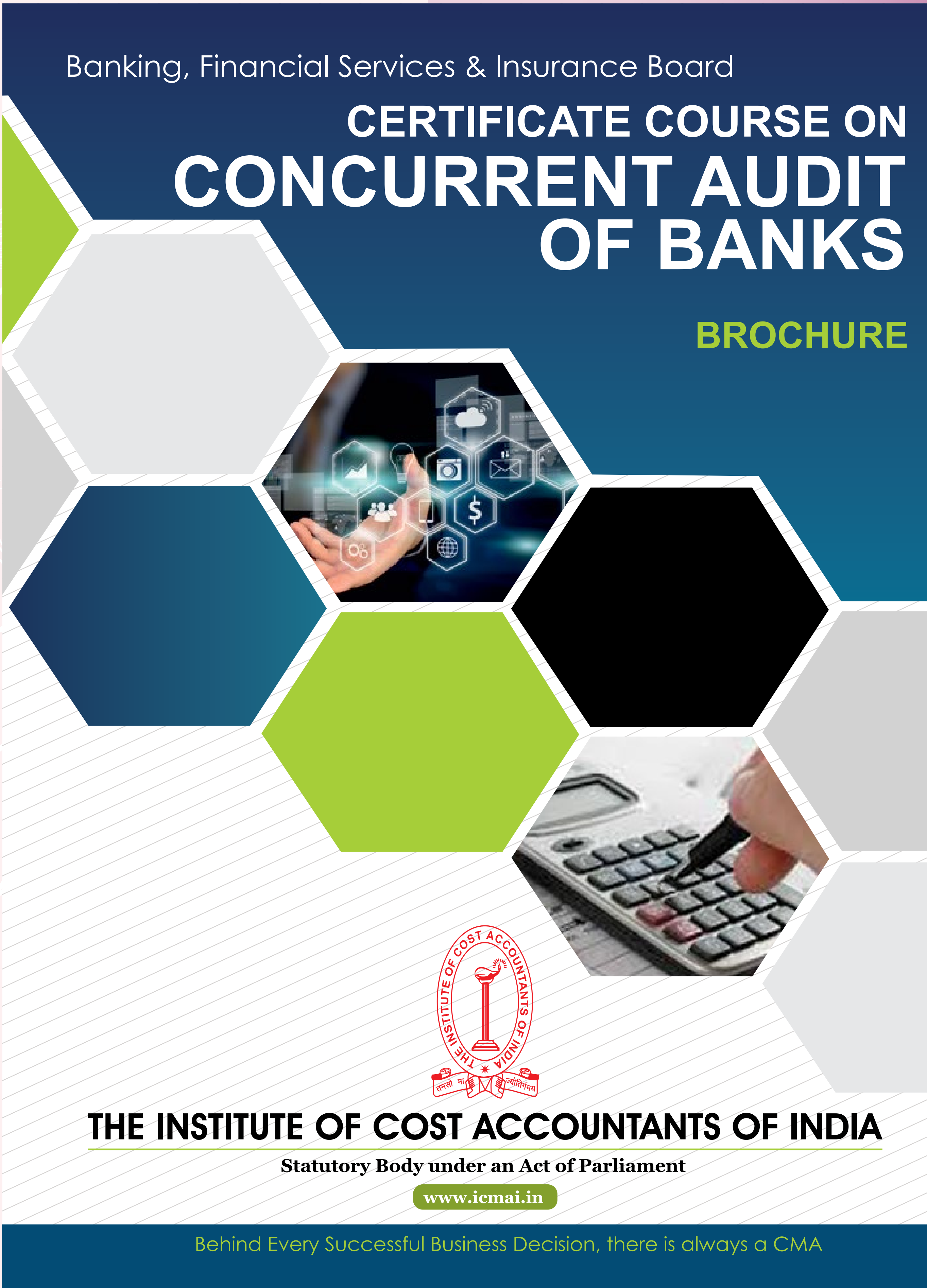
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Certificate Course on Concurrent Audit of Banks

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.

Behind Every Successful Business Decision, there is always a CMA

Detailed Course Content

1. Differentiated Banks and Banking Services.
- 1.1 Scheduled Commercial Banks.
- 1.2 Regional Rural Banks.
- 1.3 Small Finance Banks.
- 1.4 Payment Banks etc.
- 1.5 Types of Deposits & Advances.
- 1.6 Miscellaneous Services like Lockers, Safe Deposit Articles, Remittances, Third Party Products, Currency Chest.
- 1.7 Alternative Delivery Channels ATMs, Internet Banking, Mobile Banking, Business Correspondents etc.

2. Types of Audit in Banks and Importance of Concurrent Audit / Concurrent Audit Procedures / e Concurrent Audit.
- 2.1 Risk Focus Internal Audit.
- 2.2 Credit Audit.
- 2.3 Income Leakage Audit/Revenue Audit.
- 2.4 Stock & Book Debts Audit.
- 2.5 Statutory Audit.
- 2.6 Concurrent Audit.
- 2.7 FEMA Audit.
- 2.8 SWIFT Audit.
- 2.9 e-Concurrent Audit etc.

3. Role and Areas of Concurrent Auditor.
- 3.1 Verification Transactions of Deposit, Advance Accounts.
- 3.2 Verification of Services of the Banks like Lockers, Safe Deposit Accounts, Cash Department Procedures, Forex Transactions, Alternative Delivery Channels etc.
- 3.3 Unit Inspection (Advance A/Cs), End-use of Funds, Verification of pending Fraud cases, Staff Accounts etc.

4. Bank Risk Management – Credit, Market and Operational Risk Areas.
- 4.1 Credit Risk Areas.
- 4.2 Market Risk Areas.
- 4.3 Operational Risk Areas.
- 4.4 Credit Policy Guidelines and Regulatory Guidelines etc.

5. Legal and Regulatory Frame Work & KYC / AML.
- 5.1 RBI Act and Banking Regulation Act.
- 5.2 Different Types of Charges.
- 5.3 Limitation Act.
- 5.4 Registration Act.
- 5.5 Indian Stamp Act.
- 5.6 Limitation Act.
- 5.7 SARFEASI Act and CERSAI etc.
- 5.8 KYC/AML Guidelines of Bank / RBI.

6. IRAC Norms / Provisions and Capital Adequacy Ratio / CRAR / Basel-III / Disclosure Requirements.
- 6.1 Classification of Advances.
- 6.2 Provision requirements.
- 6.3 Capital Adequacy Ratio and its importance.
- 6.4 Basel-III recommendations.
- 6.5 Asset Liabilities Management.

7. Loans and Advances.
- 7.1 Demand Loans.
- 7.2 Term Loans.
- 7.3 Overdrafts, Working Capital Loans and Working Capital Term Loans.
- 7.4 Various Types of Products like Home Loans, Car Loans, Personal Loans, Mortgage Loans, Education Loans etc.

8. Non-fund-based Business
- 8.1 Types of Bank Guarantees.
- 8.2 Types of Letters of Credits.
- 8.3 Margins, Collateral Security, Standard formats of BGs / LCs, Commission on BGs / LCs.

9. Credit Process: Pre-sanction, Sanction & Post-sanction
- 9.1 KYC, Verification of Application / Project Report, CIBIL, CIC Reports.
- 9.2 Appraisal, Projections etc.
- 9.3 Verification of Proposal, Sanction and Submission of Control Forms.
- 9.4 Documentation, Creation of Charges, Equitable Mortgage, Disbursement, End Use of Funds etc.

10. Common Serious Lapses in Sanction, Follow-up & Documentation
- 10.1 Non-adherence of Delegation of Powers.
- 10.2 Short / Excess / Double Finance.
- 10.3 Take-over Norms.
- 10.4 Diversion of Funds / End-use of funds.
- 10.5 Wrong Documentation, Less Stamping on Documentation, Time-barred Documents.
- 10.6 Units Inspection, Non-obtention of Stock Statements, Coverage of Insurance for both Primary and Collateral Security, Initiation of legal measures for recovery, monitoring of SMA-0 to SMA-2 etc.

11. Forex Transactions – Inward & Outward Remittances
- 11.1 Opening of NRE / NRO / FCNR / RFC accounts.
- 11.2 Purchasing of Foreign Currency Cheques / Currency / Export Bills – Forex Rates – Card Vs. Fine Rates.
- 11.3 Selling of Foreign Currency Drafts / Currency / Import Bills etc.
- 11.4 Submission of R-Returns to RBI.
- 11.5 Verification of SWIFT Message Inward / Outward – Bank / RBI Guidelines.
- 11.6 Nostro, Vostro and Loro Accounts etc.

12. Pre-shipment and Post-shipment Export Finance
- 12.1 UCPDC Guidelines – FEDAI Guidelines – FEMA Guidelines.
- 12.2 Pre-shipment packing credit Advance.
- 12.3 Discounting of Export Bills / Import Bills payment etc.

13. Treasury and Investment Audit Part-I
- 13.1 Organization Structure of Treasury Department – Front, Mid, Back Office Functions.
- 13.2 Investment Policy Manual of the Bank
- 13.3 Integrated Treasury – Money Market, Capital Market, Forex Market Products etc.
- 13.4 Held-to-Maturity, Available-For-Sale, Held-For-Trading etc.

14. Treasury and Investment Audit Part-II
- 14.1 FIMMDA Guidelines on Money Market / Dealers.
- 14.2 RBI Guidelines on Treasury Department.
- 14.3 Empanelment of SEBI Authorised Dealers for Sale and Purchase of Investments and payment of Commission.
- 14.4 Non-performing Investment guidelines of RBI.
- 14.5 Job Rotation of Dealers – Usage of Bloomberg in Treasury etc.

15. Operational Risk Management – ORM-I
- 15.1 Job Rotation–Staff Attendance-Branch Documents–Security Systems (Fir-Extinguisher, Smoke Detectors, Gun Licences etc.), Currency Chest Fitness Certificate–Disaster Recovery Management–Business Continuity Plan etc.
- 15.2 Safe Deposit Lockers, Safe Deposit Articles, Deceased Claims Settlement etc.

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Certificate Course on Concurrent Audit of Banks

Detailed Course Content

16. Operational Risk Management – ORM-II
- 16.1 Complaints–Banking Ombudsman– Customer Forums–Submission of MIS Returns etc.
- 16.2 Deposit of Branch Duplicate Keys–Reconciliation of Office Accounts–System Suspense Accounts–Parking Accounts– Recovery of Service Charges – Income Leakages etc.
- 16.3 Customer Service Meetings–Display of import information notices in Banking Hall–Cheque Truncation System–Complaints and Suggestion Box–Police Beat–ATM Cash Replenishment outsourcing agencies (SLAs)–Branch Outsourcing Staff Monthly Payments, Drop Box etc.

17. Detection, Classification & Reporting of Frauds
- 17.1 Classification of Frauds–Internal & External Frauds.
- 17.2 Provisions / Recovery Efforts of Frauds.
- 17.3 Disciplinary action initiation / Reporting of Frauds to RBI through On-line.
- 17.4 CBI Cases Follow-up etc.

18. Tools for Concurrent Audit of Banks
- 18.1 Bank Systems and Procedures Book-lets.
- 18.2 Standard Operating Procedures of various Products of the Bank.
- 18.3 Current Chest guidelines of the Banks.
- 18.4 Loan Balancing File – CBS.
- 18.5 Delegation of Powers.
- 18.6 Service Charges Book-let etc.

19. Audit in CBS / TMS Environment – Banking / Treasury Software
- 19.1 Core Banking System – Major functionalities.
- 19.2 Various Reports Generated by CBS like Exceptional Reports etc.
- 19.3 Treasury Management Solutions.
- 19.4 TMS-Front, Mid and Back-office Reports etc.

20. Bank Panel Discussion (DGM / GM of Audit Dept.)
- 20.1 Effectiveness of Concurrent Audit.
- 20.2 Compliance of Concurrent Audit remarks by Bank Branches.
- 20.3 Risk Categorisation of Branches Guidelines.
- 20.4 Latest Developments in Concurrent Audit Procedures.

Contact for further queries

CMA Arup S Bagchi, Sr. Director at bfsi.hod@icmai.in/membership.director@icmai.in
CMA Dibbendu Roy, Joint Director at bfsi@icmai.in
Dr. Madhumita Sengupta, Dy. Director at studies.dd3@icmai.in

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

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Certificate Course on Credit Management of Banks

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.

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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.

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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.

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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
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.

Behind Every Successful Business Decision, there is always a CMA

Detailed Course Content

✓ **Introduction & Overview of Credit (Module 1)**

- Principles of Lending: Safety, Liquidity, Profitability, Purpose of Loan, Diversification Risk. Credit
- Policy: Importance, Contents, Exposure Norms
- Types of Borrowers: Individuals, Proprietorship Firms, Partnership Firms, Private & Pubic Limited Companies, Limited Liability Partnerships (LLP).
- Types of Credit Facilities: Various Types of Credit Facilities - Cash Credit, Overdrafts, Demand Loan, Term Loans, Bills Discounting
- Credit Delivery: Sole Banking Arrangement, Multiple Banking Arrangement, Consortium Lending, Syndication
- Credit Appraisal: Validation of proposal, Dimensions of Credit Appraisals, Credit Risk, Credit Risk Rating, Credit Worthiness of Borrower, Purpose of Loan, Source of Repayment, Cash Flow, Collaterals
- Credit Rating: Measurement of Risk, Objective of Rating, Internal & External Rating, Model Credit Rating, Methodology of Rating, Internal & External Comparison, Model Rating Formats. Guidelines on CERSAI registration.

✓ **Analysis of Financial Statements (Module 2)**

- Analysis of Financial Statements: Classification of Assets & Liabilities, Current Assets, Fixed Assets, Non-current Assets, Intangible & Fictitious Assets, Liabilities - Current Liabilities, Medium & Term Liabilities, Capital & Reserve, Classification of Current Assets & Current Liabilities, Balance Sheet Analysis
- Analysis of Profit & Loss Account, Auditor's Note
- Ratio Analysis - Classification of Ratios, Liquidity Ratios, Leverage Ratios, Activity Ratios, Profitability Ratios, Interpretation of important Financial Ratios, Fund Flow Statements and Cash Flow Statements
- Project / Term Loan Appraisal: Technical Appraisal, Commercial / Market Appraisal, Managerial Appraisal, Financial Appraisal, Economic Appraisal, Environmental Appraisal, Project Cost & Means of Finance, Cost of Production & Profitability, Sensitivity Analysis, Break-even Analysis, Capital Budgeting - Pay Back Period Method, Time Value Money, Net Present Value, Internal Rate of Return, Life of the Project.

✓ **Working Capital Management (Module 3)**

- Working Capital Assessment: Concept of Working Capital, Gross Working Capital, Net Working Capital, Working Capital Gap, Components of Working Capital, Source of Working Capital, Operating / Working Cycle, Various Methods of Assessment of Working Capital, Computation of Working Capital - Turnover Method, MPBF Method, Cash Budget System, Analysis of CMA Data
- Quasi Credit Facilities: Advantages of Non-Fund Facilities, Various types of NFB Facilities, Various types Letter of Credits, Assessment of LC limits, Bills Purchase / Discounting under LC
- Various types of Bank Guarantees: Performance Guarantee, Financial Guarantees, Deferred Payment Guarantees, Types of Performance and Financial Guarantees, Assessment of Bank Guarantees Limit, Period of Claim under Guarantee

✓ **Other Credits (Module 4)**

- Export Finance: Pre-Shipment Finance-Export Packing Credit in Rupees, Pre-Shipment Credit in Foreign Currency (PCFC), Post Shipment Rupee Export Finance, Purchase / Discount of Export Bills, Negotiation of Export Bills, ECGC Whole Turnover Post-Shipment Guarantee Scheme.

✓ **Monitoring, Supervision & follow up and Management of Impaired Assets (Module 5)**

- Documentation: Meaning, Importance, Types of documents, Requisites of documentation, Stamping of different documents, Mode and time of Stamping, Remedy for un-stamped / under-stamped documents, Documents of which registration is compulsory, Time limit of registration, Consequence of non-registration, Execution, Mode of Execution by different executants, Period of Limitation, Law of Limitation to Guarantor, Extension of period of limitation.

Certificate Course on Credit Management of Banks

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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THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

Statutory Body under an Act of Parliament

www.icmai.in

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

Behind Every Successful Business Decision, there is always a CMA

Banking, Financial Services & Insurance Board

CERTIFICATE COURSE ON TREASURY AND INTERNATIONAL BANKING

BROCHURE

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

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Behind Every Successful Business Decision, there is always a CMA

Certificate Course on Treasury and International Banking

About The Institute

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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.

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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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Course Eligibility

FCMA/ACMA/those who have qualified Final CMA examination, Final year Students of the CMA Course/Any Graduate.

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Examination

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Certificate Course on Treasury and International Banking

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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Certificate Course on Treasury and International Banking

Syllabus

b. Measurement and Control of Risk:

- ✓ Identifying Measures and Controlling Risk – Statistical Methods
- ✓ Risk Exposure Analysis
- ✓ Risk Management Policies
- ✓ Fixation and Delegation of Limits
- ✓ Different Limits- Open Position / Asset Position Limits/ Deal Size/Individual Dealers/Stop Loss Limits

c. Assets Liability Management:

- ✓ Components of Assets and Liabilities – History of AL Management
- ✓ Organisational and Functions of ALCO
- ✓ Management and Interest rate Exposure / Liquidity
- ✓ Risk Adjusted Return on Capital
- ✓ Capital Adequacy Concerns

d. Hedging the Risk:

- ✓ Forward, Futures and Options Market
- ✓ Mechanics of Futures
- ✓ Foreign Currency Futures Market
- ✓ Options Market- Options Strategies
- ✓ Hedging Strategies and Arbitrage
- ✓ Call Options and Put Options

Contact for further queries

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BROCHURE

ONLINE
CERTIFICATE COURSE IN
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Banking, Financial Services & Insurance Board

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NATIONAL INSTITUTE OF SECURITIES MARKETS (NISM)

www.nism.ac.in

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Certificate Course in Investment Management

About ICAI

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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.

Behind Every Successful Business Decision, there is always a **CMA**

Certificate Course in Investment Management

ONLINE CERTIFICATE COURSE IN INVESTMENT MANAGEMENT

(With Exclusive Hands on Trading in Algo and Trading Analytics Lab)

Course Objective

The course aims at providing a better understanding of the Investment decision making process and strategies for investment, with emphasis on equities, equity derivatives and mutual fund investments. The course helps to develop fundamental skills for successful investment by providing insights into how the models can be applied in the real world dynamic environment with the objective of maximising returns and minimising risk. Provides an exposure to trading simulations through the NISM Algo and Trading Analytics lab.

Course Content

The course is divided into **3 levels.** Each level can be taken separately and completed based on the needs and priorities of the participants. The contact classes and hands on practice time for **each level** will be **30 hours.** All three levels put together aim at providing a holistic view of investment management and help in preparing for different roles offered by capital market intermediaries.

The Bridge course is meant to introduce the securities markets basics to participants who are not conversant with the same. The bridge course will provide an overview of Financial markets, investible assets, the concept of risk and return and financial ratios for investment evaluation. The duration of the **bridge course** will be for about **6 hours.**

Stock Selection and Trading in Equity – Level I

- Stock picking and investing styles
- Equity Market operations and concepts
- Lab based sessions on order execution, order and trade management and queries.
- Risk management framework and client level investment risk management

Technical Analysis and Mutual Fund – Level II

- Chart types and Chart construction
- Patterns and indicators- trend, momentum, volatility, oscillators.
- Strategy building and backtesting - reading reports.
- Hands on session covering above concepts
- Mutual funds - introduction, products, investment goals - how to pick mutual funds for investment needs using case studies

Basic Derivatives and Derivatives Trading Strategies – Level III

- Introduction, derivative products - futures and options.
- Equity futures - pricing, trading strategies, hedging using futures
- Equity options - Strategies for option buyers and use of option greeks
- Strategies for option writer and use of option greeks
- Hands on session - building derivative strategies for bull, bear and consolidating market phases and execution

Behind Every Successful Business Decision, there is always a **CMA**

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

Course Fee for each level - **Rs. 3,600/- + GST @18%**

Details of Payment is stated in BFSI Portal of the Institute's website.

Behind Every Successful Business Decision, there is always a **CMA**

Certificate Course in Investment Management

Key Features

- Delivered online through WebEx platform by experienced faculty from NISM
- Webex platform Offers opportunity for participant interaction and Q&A through chat box, questions etc
- Exposes the participants to the dynamic trading environment through lab based sessions
- Brings real world experiential learning to the classroom
- Course offers unique hands on trading and investment experience through the Algo and Trading Analytics lab
- Access to the Algo and Trading Analytics Lab for 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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BROCHURE

Online Admission Portal Link:
https://eicmai.in/advscc/DelegatesApplicationForm-New.aspx

For more details

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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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FINANCIAL SNIPPETS:-

- Government infuses Rs.14,500 crore capital into four public sector banks
- Digital payments : India pips China, US, others in 2020 ,leads global tally in real time on line transactions. . 25 .5 billion real-time payment transactions were processed in the country followed by 15 .7 billion in China as per a report by the UK-based payment system company ACI worldwide..
- Payments bank deposit limit hiked to Rs.2,00,000 by RBI
- Government brings ordinance for prepackaged insolvency resolution of MSMEs under IBC
- Fin tech firms will soon process NEFT, RTGS payments
- PSBs to push Co-lending with NBFCs, digital Agri financing under Ease 4.0 reforms
- Citibank to look for a buyer for its India retail business
- RBI decides not to activate countercyclical capital buffer at this point of time
- RBI says that banks can pay up to 50% dividend for FY 21 to conserve capital and stay resilient amid the COVID-19 crisis.
- RBI fixes tenure of MD, CEO and WTD; maximum age of 70 years in private banks .
- Supreme Court rejects banks pleas for recall of 2015 verdict asking RBI to disclose information about them under RTI
- Bank privatisation: cabinet approves strategic disinvestment and transfer of management control in IDBI bank
- RBI excludes Lakshmi Vilas Bank from second schedule of RBI act
- Bajaj finance gets go ahead for a digital wallet
- India’s reserves adequacy improved to 18.6 months in December 2020
- RBI modifies norms for undertaking government business by private banks
- Cash in circulation at a decadal high even as digital payments soar
- RBI Annual Report : Stress tests indicate banks have sufficient capital even in severe scenario
- Banks list Rs. 89 000 crore NPAs for Bad Bank
- RBI raises heat on foreign banks over data storage norms violations
- Regulatory system for digital banking intermediaries likely
- 15 banks are joining forces to use Blockchain to power letters of credit – a move that would be a boon for MSMEs
- Retail inflation as measured by the consumer price index (CPI) accelerated to 6.3% from 4.23% in April breaching the upper band of RBI’s 2 to 6% range for the first time in six months

- Supreme Court rejects petition asking for fresh loan moratorium
- ATM penetration to rise as RBI increases interchange charges
- Cash with public rises to Rs.1 lakh crore as Covid cases jump
- RBI extends the internal audit system to HFCs
- LIC capital has gone up to 100 cr from 25 cr
- Stand up India Scheme -25 000 cr loans given in the last 5 years
- MCA has allowed CSR funds for setting up COVID facilities
- LIC booked a record Rs.37,000 crore profit from share sales in 2020-21, highest in its 65 year history. The latest profit is 44.4% jump against its Rs.25,625 crore profit from stock sales in fiscal 2020.
- RBI announced a special on- tap liquidity of Rs.50,000 crores with tenor up to 3 years at repo rate of 4% for lending to emergency healthcare required to fight Covid crisis
- National Financial Reporting Authority (NFRA) a regulatory body that oversees public interest entities, as regards their compliance to accounting and auditing standards has compiled a provisional database of companies and their auditors as of March 31, 2019
- The number of companies being rated as ‘ issuer non- cooperating ‘ has risen sharply for all rating agencies with as many as 45-50 % of the rated entities falling in this category.
- Government notifies final rules for 74% foreign investment in insurance sector.
- RBI’s new norms on inter-operability ,put mobile wallets on par with banks.
- The Supreme Court upheld a government move to allow lenders to initiate insolvency proceedings against personal guarantors who are usually promoters of big business houses along with the stressed corporate entities for whom they gave guarantee.
- Firms can now set off excess CSR spent in FY20 against obligation for FY21.
- RBIs Central board approved the transfer of Rs.99,122 Cr surplus to the Centre for the accounting period of 9 months ended March 31, 2021.
- Banks sanction more than Rs.15 lah cr under Mudra Yojana to 28 crore beneficiaries.
- RBI has decided to extend a special liquidity facility of Rs.16000 crore to SIDBI to support the funding requirements of micro, small and medium enterprises (MSMEs) particularly smaller MSMEs and other businesses , including those in deficient aspirational districts.
- To expand the coverage of the resolution framework 2.0 , RBI announced a doubling of the maximum aggregate exposure to Rs.50 cr.
- Starting August 1, one can get his salary and pension credited over the weekend to the National Automated Clearing House (NACH) becoming available on all days of the week.
- RBI decided to open an On-tap liquidity window aggregating Rs.15000 crore till March 31, 20224 sectors including hotels and restaurants, tourism and aviation industry and ancillary services.

- Wholesale price index (WPI) is set for an overhaul with the base year being revised to 2017-18 from 2011-12.
- Currency in circulation increases by 17% over the year against average of 12% growth.
- At 24% , bad loan recoveries under IBC fare poorly
- RBI hiked interchange fee and customer charges. ATM usage to cost more.
- SEBI slaps Rs. 15 cr fine on top Franklin Templeton Mutual Fund Officials
- Canara Bank to be the lead sponsor of NARCL (Bad Bank) with 12% stake.
- As per BCG report, Financial wealth of India grew 11% to US $ 3.4 trillion in 2020.
- MCA opens digital door fully for India Inc. Removes rule that restricted conduct of businesses through video conferencing.
- IBC amendment on the cards to check promoters delaying tactics.
- Direct tax collections shot up 57% to Rs.2.16 lakh crores during the financial year so far. Advances taxes grow 2.5 times amid challenging times this fiscal year.
- New norms of TDS/TCS from July 1.
- Banks see 80% average haircut in top NCLT bankruptcy resolutions.
- Centrum - BharatPe SFB to rescue PMC Bank.
- LIC Card services & IDBI Bank unveil Shagun Gift Card.
- To prevent financial loss due to cyber fraud and build confidence in digital payments the Union Home Ministry has operationalised a help line number 155260 to detect and check such fraud.
- Finance Ministry allows small HFCs the SARFESI route.
- IT department functionality to identify ‘ specified persons ‘ on whom higher TDS will be levied from July 1. CBDT issued a circular on implementation of Sec 206AB & 206CCA with respect to higher tax deduction/ collection for certain non- filers.
- Payment Modes log sharp volume uptick in signs of revival in June. In 21 days of June, UPI sees 12.3% growth , while debit, credit card payments clock 12.7% and 18.6%.
- E way bill generation has picked up.
- Household savings is at 8.2% of GDP in Q3 of 2020-21 , compared to 10.4% in Q2 and 21% in Q1.
- RBI links NBFC dividend payout to Capital, NPA norms.
- The banking sector has recorded its highest ever profits of Rs.102252 crore in FY21 a year, when the economy was battered by the pandemic . This is a significant turnaround compare to a net loss of nearly Rs.5000 crore for the industry in FY 19.

Please refer to the BFSIB portal of the Institute for daily updates.

Notes

Notes

Notes

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