BANKING FINANCIAL SERVICES AND INSURANCE (BFSI)

CHRONICLE

9th EDITION - MARCH 2022

Azadi Ka Amrit Mahotsav

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

Statutory Body under an Act of Parliament

www.icmai.in

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

MISSION STATEMENT

"The CMA Professionals would ethically drive 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 113 Chapters situated at important cities in the country as well as 11 Overseas Centres. It is under the administrative control of Ministry of Corporate Affairs, Government of India.

Behind every successful business decision, there is always a CMA

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

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CHAIRMAN'S MESSAGE

"As a LEADER you will never get ahead until your PEOPLE are BEHIND YOU"

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

With deep sorrow and heavy heart, I on behalf of Banking, Financial Services and Insurance Board pay respectful tribute to the departed soul of CMA Rakesh Singh, Former President of the Institute (2012-13) who left us for the heavenly abode on 28th March, 2022. CMA Rakesh Singh had been a key support to all of our Institute's activities and was a visionary for the profession. He had been actively working for the growth of the profession and till his last breath he worked for the development of the Institute. We dedicate this issue of BFSI Chronicle to him. We hope that we will be able to carry forward his unfinished agenda with all of our strength and passion.

I am delighted to greet you in this New Year, this chronicle being the first issue in 2022. Good wishes for all my CMA families across the world. Since I am writing this message on 'Holi Day', I wish everyone of you to be a 'Rainbow' in someone else' s 'Cloud'

Again one more occasion for the celebration in this month. Yes, it's International Women's Day. On the eve of International Women's Day, let me reiterate.

"Our generation is becoming so busy trying to prove that Women can do what men can do that Women are losing their uniqueness. Women were not created to do everything a man can do. Women were created to do everything a man cannot do".

With the Covid receding, the next event unfolding is Russia- Ukrainian war and is keeping the world on its edge. Is this a bane or boon or an opportunity for India? India has one of the best Central Banks and a stable government waiting to encash the opportunities available. The last two years were very challenging for our country and we have come out of the crisis with flying colours. This time too I am very positive that we will come out unscathed. The first step was moving almost 20,000 Indian students from war torn Ukraine to safety with machine like precision.

We're off to a good start as far as our Indian economy is concerned.

Exports is expected to touch USD 400 billion this fiscal. Indian exports have rebounded strongly despite the pandemic waves. PLI scheme likely to propel incremental exports in key sectors.

The estimated GDP growth for FY 22 is the fastest in the world.

India is the second largest global venture capital investment hub for digital shopping companies at a whopping 175%, from USD 8 billion to 22 billion in 2021

Fitch raises outlook on Indian banks operating environment to stable from negative

No immediate impact of Russian-Ukrainian war crisis on Indian banks as per CRISIL

India breaks into "Top five club" in terms of market capitalisation

Risks are shifting fast from Covid -19 to geopolitics, crude oil and interest-rate hikes in the US

Indian is better prepared than in 2013 to face external shocks due to its Forex shield

Indian Rupee has been lately very stable since November compared with previous episodes

No Public sector banks faced loss in three quarters to December 21 of this fiscal

Credit off take is picking up and

with Bad Bank and NaBFID taking off this year, the banking sector is given a boost for further growth.

India's banking sector is in a healthier position that he has ever seen during his five decades career as a banker according to KV Kamath Chairperson National Bank for Financing Infrastructure Development

Finance Ministry has said that Indian economy is well prepared to absorb any upcoming external shock in terms of capital outflow induced by an uncertain geopolitical environment.

As per RBI, economy gaining traction has helped in rebuilding consumer confidence as reflected in the all India Centre for Monitoring Indian economy (CMIE) index of consumers sentiment, which rose to its highest level since the first wave of the pandemic across both urban and rural constituents.

We have concluded the 1st batch of the Certificate Course on General Insurance successfully concluded on 16th January, 2022 and the examination was done on 23rd January, 2022 and we congratulate all the successful participants. The 2nd batch admission of the course have already started for the members and students who should avail the opportunity of enrolling in the course for skill development and capacity building in the Insurance Sector. BFSIB and NIA are developing the modalities of the Level-2 of the certificate course.

BFSIB and NISM conducted the inaugural session for the Batch No. 2 of Level-IV of the Investment Management course organized by BFSIB in association with NISM on 15th December, 15, 2021 and concluded on 30th January, 2022. The programme was graced by Dr. C K G Nair, Director, NISM, CMA Dr. Latha Chari, Associate Professor, NISM, and other faculties of NISM.

The inaugural session for the Batch No. 7 of Level-I of the Investment Management course organized by BFSIB in association with NISM on 15th January, 2022. The programme was graced by Dr. C K G Nair, Director, NISM, Chairman, BFSI Board, CMA Dr. Latha Chari, Associate Professor, NISM, and other faculties of NISM. The batch concluded on 13th February, 2022. The Batch No. 8 of Level-I admission has started along with Batch No. 4 of Level-II and Batch No. 3 of Level-III respectively.

BFSIB inaugurated the 6th batch of the Certificate Course on Concurrent Audit of Banks on 8th January, 2022 where Shri Chandrasekaran, Zonal Head Mumbai of Indian Bank was the Chief Guest.

Further, BFSIB inaugurated the 6th batch of the Certificate Course on Credit Management of Banks on 16th January, 2022 where Shri Ram Narayan Boga, General Manager& Director, SBIRB was the Chief Guest.

The 5th batch of Certificate Course on Treasury and International Banking was launched on 12th March, 2022. Shri Ravindra Babu, Field General Manager, Union Bank was the Chief Guest for the inaugural session.

Like all other courses of the Institute, I am sure members and students who take up the three certificate courses on Banking will greatly benefit towards their skill development and knowledge enhancement. I call upon all members and readers to visit the BFSI section on the Institute's website for further information.

BFSIB has started the concept of BFSI enrolment form which is a Google Form to be filled up by the candidates and once there is an adequate numbers of such expression of interest the admission window is opened for the students, members and others to undertake the admission for the course.

As a continuous effort for further development of the profession in the BFSI sector, BFSIB has represented to various authorities and employers for inclusion of CMAs in the sector as and when such scope has come to the notice of the Institute.

BFSIB observed the January, 2022 as the pension month and all regional council and chapters organized various programmes across the country in the pension month by webinars and other educative activities for spreading the awareness of pension planning through NPS, Atal Pension Yojana etc.

We were honoured to have the gracious presence of Dr. Bhagwat Kishanrao Karad, Hon'ble Minister of State, Ministry of Finance, Government of India as the Chief Guest and the kind presence of Shri Supratim Bandyopadhyay, Chairperson, PFRDA for the event which was attended in large numbers by members, students and stakeholders.

The BFSIB will be coming out with the much anticipated publication titled Aide memoire on infrastructure financing which we are sure will be immensely useful for all stakeholders. It is in the final phase of reviewing and would be published vary soon.

We met various dignitaries in Mumbai during our team visit at Mumbai from 9-11th March, 2022. Shri Gopal Murli Bhagat, Dy. Chief Executive, Indian Banks' Association, Ms. Padamaju Chandru, MD & CEO, NSDL, CMA Srikanth Kandikonda, Chief Financial Officer, Manipal Cigna Health Insurance Co. Ltd. and Mr. Abdul Rauf, IA&AS, Director General, Indian Audit & Accounts Department, Regional Training Institute, Mumbai were few of the names we had a meeting for our professional endevours.

The Banking, Financial Services and Insurance Board (BFSIB) under the directions of the Ministry of Corporate Affairs under the celebrations of Azadi Ka Amrit Mahotsav organized a webinar on 4th March, 2022 on the topic of " Journey to the Future of Banking in India". The Chief Guest of the event was Shri M. Karthikeyan, Executive Director, Bank of India. The other guests who graciously participated were Shri C. Bharathi, General Manager, Indian Bank, Shri Burra Butchi Babu, Member, IT Advisory Board, Punjab and Sind Bank and Shri Nagamohan Gollangi, Chief Information Security Officer, Bank of India. The moderator of the event was CMA Mohan Vasant Tanksale, Former Chief Executive of Indian Banks' Association.

When the power of love overcomes the love of power the world will know PEACE.

So, this is in the mind of every one, expecting the Russia - Ukrainian war to end with peaceful negotiations. When we have each other, we have everything.

Let us think BIG and other problems become small. Efforts, thoughts, words and courage don't have value until we use them. You just need one person to change everything and that person is YOU.

With Warm Regards

(CMA Chittaranjan Chattopadhyay)

FROM THE DESK OF THE DEPARTMENT

Greetings from team BFSI!

Greetings and optimistic wishes of a happy new year to all our readers!

The last quarter of the financial year 2021-2022 witnessed significant developments which had far reaching effects and consequences for not only the country's economy but for the world as a whole.

Certain events in the recent past during the quarter may define the times to come not only in the BFSI sector but rather India as an economic power in the days to follow. A few of such defining moments which may serve as indicators of how things unfold in the immediate future are listed at random for the readers to ponder upon –

- Considering the COVID-19 pandemic in India, the first paperless Union Budget was presented On 1 February 2021 by Hon'ble Finance Minister, Sm Nirmala Sitharaman.
- COVID-19 declines within the country but continues to ravage many parts of the world.
- RBI has been strengthening the regulatory and supervisory framework for both banking and non-bank financial sectors to proactively identify, assess and deal with vulnerabilities.
- The Russia Ukraine war which started on 24th February, 2022 saw major sanctions and implications on world markets and economies in the midst of which Operation Ganga was carried out as an evacuation operation by the Government of India to evacuate the Indian citizens amidst the Russian invasion of Ukraine.
- The End of March 2022 witnessed continuous rise of fuel prices while talks between the Indian and Russian Government continue to discuss the sale of Russian oil and work out a payment method.
- State run lenders recover over Rs 10,000 crore after taking over assets of defaulters. The Hon'ble Finance Minister has gone on record saying that writing off loans does not mean complete waive off and the banks are following up every loan to recover the outstanding amount.
- The industry continues to look forward to a simplified tax regime and stable policy environment.
- Indian stock markets remain volatile and the last quarter of the financial year 2021-2022 saw the Sensex declining more than 1% while BSE MidCap and BSE SmallCap indices dropped in excess of 5% and 6% respectively.
- Analysts predicted a hike in real estate prices by realtors to cover the surge in input costs.
- The hospitality and aviation sector expects a bumper quarter ahead this summer as curbs are lifted after two consecutive years of lull due to the pandemic
- The Commerce and Industry ministry has begun drawing up export strategy for the next financial year, which will build on the milestone achievement in excess of $400 billion export turnover in FY22 for which the ministry has initiated talks with stakeholders and Indian embassies abroad for next year's export plan.

We are sure that readers will find the articles very informative and interesting and we hope that readers also contribute articles relevant to the BFSI sector.

Stay safe and happy reading!


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FORENSIC AUDIT IN BANKS

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

Forensic Audit' means "an examination and evaluation of a firm's or individual's financial information for use as evidence in court. A forensic audit can be conducted to prosecute a party for fraud, embezzlement or other financial claims".

Forensic Reports can be admitted in a court trial and forensic auditors may directly submit evidence in the court or depose it before a judicial authority.

With the rise in digital transactions, the number of banking frauds in the country has also gone up. On average, India saw 229 banking frauds per day in the financial year 2020-21, of which less than 1 percent amount has been recovered, as per the data from the Reserve Bank of India (RBI).

India saw 83,638 cases of banking frauds in FY21, involving Rs. 1.38 lakh crores. Of this, only Rs. 1,031.31 crores have been recovered so far, as per the data provided by the RBI.

However, the numbers of FY21 show a slight improvement from FY20, when India witnessed about 231 banking frauds daily. 84,540 frauds took place in FY20. The total amount involved was Rs. 1.86 lakh crore, of which Rs. 16,197 crores has been recovered.

The decisions are taken in the following areas/ domains of Banks where Forensic Auditor Services are required:

1. **Credit Decisions.**
2. **Investment Decisions.**
3. **Income and Expenditure.**
4. **Violation of Regulator's guidelines and prescriptions.**
5. **Unlawful activities.**
6. **Non-adherence of Systems and Procedures.**

Role of Forensic Auditors in the Banking Sector:

Forensic Auditors in the banking and finance sectors play increasingly sensitive and challenging roles. These highly skilled and competent professionals work to fight crimes and combat fraud in the banking sector.

Fighting Crime & Fraudulent Practices:

Forensic accounting is a traditional accounting realm, which focuses on examining audits and taxes to identify fraudulent practices. They assist banks and law enforcement personnel in fighting crime and combatting fraud. Forensic Auditors play an instrumental role in helping banks eliminate financial conflicts that can cost them lakhs of rupees. Forensic Auditors enjoy immense significance in the banking sector as they prevent substantial losses to sustain profitability.

It is crucial to understand fraud's various natures before knowing the forensic auditor. Fraud is wide-ranging and multifaceted in its impact and nature. It can refer to individuals failing to pay/defrauding on loans, credit payments, and more.

Fraudulent practices cost banking organizations and governments corers of rupees, and these figures are rapidly growing. With the advent of technological innovations, cyber frauds have increased at an alarming pace. Forensic auditors deploy various tools and strategies to prevent fraudsters and prevent them from falsely stealing money from the bank.

Preparing Financial Evidence:

The dramatic increase in the risk of cyber fraud and security attacks has made fraud mitigation increasingly challenging. Experts believe that the longer a fraudulent activity lasts, the more substantial the bank's financial loss is likely to incur.

They assist banks and financial organizations in preventing and mitigating such crimes. If such a crime has occurred, forensic auditors hand over the task of preparing financial evidence. Forensic auditors have the formidable responsibility of analysing data to prepare evidence for court proceedings against fraudulent activity.

Naturally, this requires forensic auditors to conduct a detailed investigation, review audits, and financial records, and compiled detailed records. They also represent organizations in courts to provide consultancy services and review financial data.

Forensic Auditors specialize in forensic research to trace the transfer of funds and use financial data to derive actionable insights. They crunch numbers to conduct analysis and prepare reports and testimonies to entrap fraudsters and criminals effectively.

Risk Assessments:

Forensic Auditors are entrusted with the crucial responsibility of risk assessment as part of their core duty to mitigate fraud. They run lengthy and detailed forensic processes and financial assessments to evaluate the risks associated with borrowers, businesses, and potential criminals. These activities allow banks to effectively identify potential criminals and mitigate the risk of fraud, preventing substantial losses from occurring.

Forensic Auditors are responsible for conducting detailed analysis and deploying data-driven techniques to assess the risks associated with banking transactions. They monitor massive volumes of financial data and figures to identify hazards that can cost banks huge amounts of money. They also aid banks in preserving their integrity and credibility by preventing loss of consumer information and privacy.

Risk Prevention:

Forensic Auditor's ability to conduct risk assessments makes them ideally positioned to prevent and mitigate these risks effectively. Banks are increasingly hiring forensic auditors to implement robust prevention measures and fraud mitigation protocols. These professionals aid banks in preventing fraud and reducing the associated expense of conducting investigations and criminal proceedings.

Forensic Auditors conduct detailed internal audits and review financial records to uncover potential risk factors and pitfalls. They effectively identify challenges and aid banks in taking the necessary measures to reduce fraud risk factors. They merge their accounting understanding with investigative skills and innovative technological tools to catch criminals.

They can design and execute strategies to reduce the risk of large-scale criminal activities and frauds.

Selection Criteria:

The following are the general parameters for the Selection of Forensic Auditors in Commercial Banks.

- Overall exposure of the Firm in forensic investigation.
- The Forensic Auditor firms should have employed Private Detective Agencies / Ex law enforcement professionals / Corporate Fraud investigators / Persons having experience in Industrial espionage

/ legal experts/experts on anti-money laundering activities, etc.

- Number of Certified Fraud Examiners or Qualified persons in Forensic Science and Cyber securities with the Firm having expertise in:
  - Book Debt Analysis/credit appraisal.
  - Verification of stock books / cash books / petty cash / stock ledgers / sub-ledgers.
  - Documentary Analysis in Foreign Trade.
  - SWIFT (remittance) trail tracking tools.
  - Buyer's credit / Letters of credit / Forward Exchange contracts.
  - Foreign Trade Finance mechanism.
- The Investigative Tools presently used by the Firm in its Forensic Laboratory (the IT and Non-IT tools) For Example:

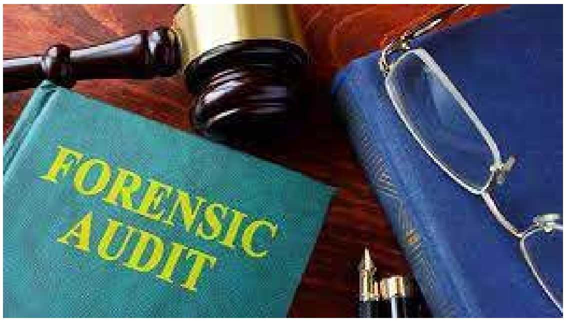
  - Email cracking tools.
  - Voice Interpreter.
  - Mobile Call Interpreter.
  - Big Data Analysing tools.
  - Retrieval of deleted data etc.
  - Lie Detecting Machine - Interrogating tools/ software.
  - Audit Trail Finder.
  - RTGS / NEFT / Other payment solution methodologies.
- Experience in concurrent audit / Stock Audit in Banks. (Rationale: Since the work assigned by Banks would require a considerable coverage of credit and forex-related investigation, experience in these areas provides an edge to such firms).
- Number of judgments passed in the Indian court of Laws based on the Forensic Investigation Report submitted by the Firm as a decision-making reference.
- The Firm empanelled should undertake that their report will be termed as "Forensic Audit Report" and the firm will undertake that they will be ready to appear in the Court as a witness when Court / Counsel will challenge their reports.
- The Firm empanelled should unambiguously conclude in their report about various observations made by them during the audit to enable the Bank to take various decisions based on their report, including that of declaring the Fraud by the customer.

  a) Obtaining a certificate (initially and on-going basis) from the firm /concern about no disciplinary proceedings pending or contemplated against them by the Institute of Chartered Accountants of India / Institute of Cost Accountants of India / Reserve Bank of India / SEBI.

  b) No disciplinary proceedings should be pending against the proprietor/partners with the Institute of Chartered Accountants of India/ Institute of Cost Accountants of India.

  c) Having an unblemished track record and should not have been blacklisted by any PSBs/FIs/Govt Departments. The firm should submit a stamped affidavit to that effect.

  d) There will not be any criminal case pending against any Court of Law against the firm and/or its partners.
- List of Banks / FIs served as concurrent auditors / Statutory auditors in the past and serving at present (Mention the list of banks / FIs and number of years working with them).
- Submission of sample reports about Forensic Investigation of large value Asset Frauds in banks under a large consortium lending.
- Preferably the Firm should be empanelled/worked with regulatory bodies like CBI, SEBI, SFIO, EOW of State Police, etc.
- Geographical Presence of the Firm in India i.e., Offices / Branches.



Conclusion: As the quality of decisions made and their result are the direct outcomes of different departments within the bank, the forensic audit cannot overlook other functions of the bank. Then only a total and comprehensive picture can be obtained. To be effective and successful, the forensic audit must study various inter-related activities of the bank carefully and submit its report within a reasonable time.

A Specimen of Letter Addressed by Indian Banks Association to the Institute to empanel of "Forensic Auditors" for Member Banks is appended below:

Indian Banks' Association

Corporate & International Banking

CIB/FA/
July 19, 2021

The Institute of Cost Accountants of India
12 ,Sudder Street
KolKata – 700 016

Dear Sir / Madam,

Empanelment of Audit Firms for conducting
<u>Forensic Audit for the period 2021-2023</u>

In line with the Reserve Bank of India guidelines, IBA has been empaneling the Forensic Auditors since 2019. The empanelment was for two categories of borrowal accounts having exposures (Fund based and Non Fund based) (i) upto Rs.50 crores and (ii) above Rs.50 crores. Presently, the IBA list of empanelment consist of 213 audit firms having validity upto August 27, 2021.

2) We have initiated the process of renewing the empanelment of the firms. Alongside we are also inviting fresh applications from firms / entities who desire to apply for the IBA empanelment in the process.

3) IBA has released advertisements in leading newspapers viz. Economic Times and Times of India in major cities on July 19, 2021 for inviting applications from Forensic Auditors for both, renewal and fresh cases. In the backdrop of the Covid-19 pandemic, this time, the applications will be collected through the IBA web portal at https://ibanet.xyz/efa21. The last date for receipt of applications is August 2, 2021. The details of the eligibility criteria and process flow have been furnished on the said portal.

4) We request you to take note of the same and bring to the notice of your members / affiliates through your communication channels. This would facilitate all eligible firms / entities who desires to be empaneled with IBA to send in applications for conducting Forensic Audit for the period 2021 – 2023.

Yours faithfully,

D ShivaKumar Sharma
Senior Advisor

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BANKING FRAUDS - AN ANALYSIS OF THE TREND

Shri Syamal Ghosh Ray
Former General Manager
Union Bank of India (eAndhra Bank)

Indian corporates are now vying with each other for the amount of money they had allegedly defrauded the banks by taking the entire banking system for a ride. Till India woke up on 16th February 2022 with the headlines of all the newspapers, big or small about the alleged embezzlement of a whopping Rs228.42 billion perpetrated by M/s ABG Shipyard , it was Nirav Modi and his Gitanjali companies which had the dubious distinction of holding the top position and be the centre of attention. Now the spotlight is on Mr Rishi Agarwal, founder and former chairman of ABG Shipyard for which Mr Nirav Modi must be immensely thankful to Mr Agarwal as it will give him some respite for the time being from the media glare

Categorisation of Bank Frauds

It is clearly evident from the incidents of the past and present that the amount and number of frauds committed are on the rise since there are more number of banks now and the business of the banks has grown manifold. Broadly bank frauds can be categorised into three groups namely:

a) Deposit related or KYC related frauds,

b) Credit related frauds and

c) Services or technology related frauds.

Even though KYC related frauds and technology related frauds are more in numbers "frauds related to the advances portfolio , according to Dr K C Chakraborty, former DG of RBI, account for the largest share involved in frauds in the banking sector and therefore a huge concern for the banks."It is a double whammy for the banks as the regulator, on one hand, stipulates that the entire provisioning is to be made at once where there has been delay, beyond the prescribed period, in reporting the fraud to the Reserve Bank and, on the other, the asset does not generate any income or the banks require to reverse the interest already booked from the date of declaration of fraud.

Top Five Bank Frauds and their nature

Vijay Mallya and King Fisher Airlines (2016)

Vijay Mallya, the founder and CEO of Kingfisher Airlines, used the Airlines company allegedly to launder Rs 99.50 billion. ED in its charge sheet stated that Mallya entered into a criminal conspiracy, cheated the consortium of banks by way of over invoicing, misrepresentation in diverting the outward remittances, layering and integration through a complex web of financial transactions. Mallya is in UK now and the matter is pending in court for his extradition.

Sterling Biotech Group Companies (2017)

The case of Sterling Biotech is also not much different from Mallya case as the ED had filed a charge against the company for alleged money laundering through a web of multiple domestic and offshore entities. The Sandesaras. the main promoter, alleged to have opened 249 domestic and 96 offshore shell companies by using the names of their employees and allegedly defrauded the banks led by eAndhra Bank approximately for an amount of Rs 81.00 billion

Videocon (2019)

It is a straight forward case of quid pro quo where

Venugopal Dhoot , Chairman of Videocon allegedly invested a huge sum to a firm promoted by Mr Deppak Kochar and his relatives after a loan of Rs 32.50 billion was sanctioned by ICICI Bank to the Videocon Group companies. Ms Chanda Kochhar , wife of Mr Deepak Kochar, was accused of influencing the Credit Committee and misusing her position in getting the loan of Rs 32.50 billion loan sanctioned to the Videocon Group on a quid pro quo basis in 2012.

Nirav Modi & Gitanjali Companies (2019)

This fraud alleged to have been perpetrated in one of the specialised branches of Punjab National Bank shook the entire banking system not only for its size of Rs 114.00 billion but because of involvement of one or two staff at a very lower level who had taken the entire system of outward remittance for a ride. RBI immediately reviewed the Centralised Banking System(CBS) of all banks and directed the bank to bring the outward message system (SWIFT) under strict supervision of senior officials .The simple format of Letter of Undertaking (LOU) used by the banks as an instrument to guarantee overseas payments was immediately stopped and later on after a lot of deliberation was replaced by Standby Letter of Credit(SBLC).

ABG Shipyard (2022)

This is considered to be the mother of all bank frauds till date in India involving an amount of Rs 228.42billion. As per Press Release of CBI dated 15.02.2022 " The fraud is primarily on account of huge transfer by M/s ABG Shipyard Ltd to its related parties and subsequently making adjustment entries" They further alleged that huge investments were made in its overseas subsidiary by diverting bank loans.

Common Link

Five different bank frauds ranging from different period and diversified fields such as Airlines, Oil exploration and Production of Energy, manufacturer of Electronic products to Ship building and Gems & Jewellery have been analysed in brief but a few common factors which emerge from the above discussion, do not go unnoticed. A few of such factors may be summarised below:

1. Failure of Board members in ensuring quality Corporate Governance practices
2. Role of Auditors
3. Credit under Consortium / Multiple Banking arrangement

Corporate Governance & Role of Board members

All the above companies are listed companies and as per SEBI guidelines there has to be a robust board consisting of Executive directors and adequate independent directors as well. All board members should have proper qualification and experience for their positions with a clear understanding about the role they need to play for ensuring quality corporate governance. The independent directors should have the ability to exercise independent judgement irrespective of the views of the management.

The primary responsibility of the Board is to help

- Grow and nurture a culture of integrity
- Ensure long term corporate success and economic growth.
- Encourage positive performance and sustainable business over all
- Appoint an effective chairperson
- Build strategies for effective Risk Management policies
- Follow appropriate and transparent decision- making processes

BASEL Committee guidance on Corporate Governance for banks stipulates that primary responsibility for ensuring good Corporate Governance rests with Bank Board and senior management.

Questions are there in the minds of the people in general whether the corporate governance practices were upheld or practiced by the Board of the above companies. Otherwise how could the alleged diversion of fund goes un-noticed when all qualified directors including independent directors were sitting in the board. The failure of ICICI Bank Board role in Videocon case was even more palpable. Even when the issue relating to Videocon was gaining momentum, ICICI bank defended Ms Kochar in their Press Release dated 28th March, 2018 which reads as " The board has come to the conclusion that there is no question of any quid pro quo/ nepotism/ conflict of interest as is being alleged in various rumours. The board has full confidence and reposes full faith in the Bank's MD and CEO Ms.Chanda Kochhar."

Role of Auditors

It is a fact that the existing system of audit in banks has not been very effective in detecting fraud. Paucity of time allotted to annual audit and lack of quality staff could be the main reasons for this. Section 177 of Companies Act 2013 states that the Board of Directors of every listed public company … shall constitute an Audit Committee and review and monitor the auditor's independence… effectiveness of audit process, examine the financial statement and auditor's report thereon.

When the Board is so empowered as per the Act, the question arises whether the board was competent enough to assess the performance of the auditors or they had deliberately overlooked the dubious practices followed by the companies and failed to perform their responsibilities.

PNB's Brady House Branch which handled the Letters of Undertaking of Nirav Modi and his associate companies had been severely commented in RBI's Risk Assessment Report for FY 2018 which states that PNB's internal and statutory audits were a complete failure in identifying control gaps which "facilitated issuance of unauthorised LOUs ." Even Central Vigilance Commissioner was critical about RBI, the regulator saying that "no appropriate audit" had been taken up by the central bank during the period of the scam. Mr K C Chowdary, the then CVC, felt the need for a more robust auditing system to be in place.

Credit under Consortium Arrangement

Under Consortium banking, several lending institutions group together to finance a single borrower. The underlying principles of such lending necessitate the selection of a leader bank who is primarily responsible for making the assessment of the credit requirement of the borrower and preparing the appraisal note accordingly which is then shared among the other members. The other member banks are required to appraise their proposal individually but in practice the appraisal note of the leader bank is copied and the proposal of member bank is placed before the sanctioning authority. This normally happens due to lack of quality personnel available in most of the member banks.

The ideal members of a consortium should be 10/12 but in reality the banks make a beeline before the office of the CFO of a blue chip company as well as the leader bank to take a share in the consortium. There is always complacency and sense of security in a consortium advance led by a big bank as the leader largely takes care of appraisal and credit monitoring. In case of sole banking if there is a default, the probability of witch hunt and staff accountability are more but in consortium credit, the responsibility of managing the credit risk is distributed among all the members proportionately and the slippage, if any, does not attract the ire of the bank's top management. Moreover, even a small exposure in a blue chip company is considered prestigious which may not be otherwise possible for a small bank because of its size and availability of resources. A spectacular growth in credit at a short time, according to the bankers, can only be possible by joining a consortium.

We may take the example ABG where there were 28 banks and one can easily assume the kind of co-ordination and exchange of information the member banks had between them. The Central Vigilance Commission has attributed the incidence of frauds in banks mainly to the lack of effective sharing of information about the credit history and the conduct of the account of the borrowers among various banks.

Multiple Banking

The position of availing credit facilities under multiple banking is even more deplorable. In such arrangement the borrower avails different credit facilities from more than one bank independent of each other by executing separate documents and offering securities separately. RBI in its guidelines has stipulated the sharing of information among the bankers in multiple banking but in practice such an arrangement has lacked discipline and co-ordination and a large number of borrowers have taken the advantage of the lacunae in the system and the bankers are not very keen to extend such credit facility.

Road Ahead

RBI data on frauds over the years shows that the bank frauds are on the rise. Banks operating in India has reported frauds of a humongous Rs4.92 trillion as on Mar 31, 2021 which is roughly about 4.50% of bank credits outstanding in the corresponding period. The figure in 20-21 alone is Rs1.38 trillion which is quite high keeping in mind the total profit of Rs1.22 trillion posted by all commercial banks in FY 20-21. The Govt. of India is on a special drive on digitisation and more the thrust on digitisation, the more will be the gullible customers susceptible to cyber- crimes.

In addition to technology related frauds, there will be always one or two surprises of credit related frauds of large volumes. Even today we do not really know how many such frauds are hidden under the carpet waiting for the right time to see the light of the day.

The perpetrators of frauds have tremendous ingenuity, guts and skill and there can not be a tailor-made solution to eradicate their activities. However, a combined effort from all and the following few steps are required to be taken immediately to address the issue.

- Customer literacy and awareness about the digital transactions which RBI and banks have been focussing through different mediums of communication
- Improvement of pre-sanction and post-sanction monitoring system
- Address the root cause of weak Corporate governance
- Improvement of pay structure of senior executives of PSBs
- Lateral hiring of competent officers at the top level
- Providing adequate training in contemporary fraud prevention techniques
- Reconstitution of the board with qualified and competent directors
- Restriction of the number of members in the consortium, the process of which has already been started and implemented in some banks
- Stringent punishment to the perpetrators of frauds
- Appointment of ASM (Agency for Special Monitoring) for all advances wherever required

Undoubtedly the task ahead is hard but with proper system in place it is not too difficult to be overcome.

BID BYE BYE TO SWIFT, WELCOME SFMS

Shri Hargovind Sachdev
Former General Manager
State Bank of India

Not everything that is faced can be changed, but nothing can be changed until it is faced."

The withdrawal of the SWIFT facility from large banks and the freezing of Russian reserves worth $ 600 billion have exposed the fragile nature of international banking platforms. The system is so brittle that a dissenting block of nations can easily poach and block the entire savings of the country with a mere click of the mouse. Russia appears to have delineated its reserves overnight by mere switching off of servers of the SWIFT by the NATO member Belgium. Earlier, the U.S. regulators had seized the entire forex reserves of Afghanistan before the inauguration of the Taliban government in Kabul. The U.S. financial system blocks millions of dollars every day due to the failure of transactions to pass through the watch list of the Office of Foreign Assets Control (OFAC), a part of the U.S. Department of Treasury.

The developments are watched keenly by regulators worldwide, especially by countries like China and India, whose reserves are in dollars lying lazily in banks in the U.S. The vehicle of global transfer of their reserves is also the same SWIFT which is more loyal to the managers of the messaging system than to the owner of funds.

China leads in forex reserves, followed by Japan and Switzerland. In July 2021, India overtook Russia as the fourth largest country with foreign exchange reserves. China has forex reserves worth $ 3399.9 billion, Japan $1387.40 billion, Switzerland $ 850.8 billion, and Russia $602.30 billion. India's forex reserves comprise gold, foreign currency assets, SDRs, and resources with the International Monetary Fund (IMF). As of March 2021, RBI held over $ 600 billion as reserves, including 695.31 metric tonnes of gold, mainly in the Bank of England and Bank for International Settlements custody.

However, the concern is that the accumulation of Indian reserves is not out of exports or inward remittances from NRIs. India is an import-based economy with a deficit balance of payment situation. The inward remittances from Indians, though highest globally at $ 80.0 billion, can not move mountains. Indian stock exchanges triggered the accretion of forex reserves in 2020-21 through increased buying of Indian equities by foreign portfolio investors. The majority of funds are in the Capital Account. These funds are tourists to the Indian economy brought in by Foreign Portfolio Investors for speculative gains. The funds are returnable. Although already parked in the US Banks. The banks can immobilise all these funds for political reasons.

A parallel financial communication system like SWIFT is essential to circumvent political risks like the ongoing Ukraine War.

Fortunately, India has already innovated a sturdy financial messaging tool called "Structured

Financial Messaging Solution" or SFMS, akin to SWIFT. This secure messaging standard serves as a platform for intra-bank and inter-bank applications. The indigenous, Institute for Development and Research in Banking Technology, Hyderabad (IDRBT) developed and implemented the SFMS. It runs on the closed user group network, INFINITE; it is an Indian standard similar to SWIFT (Society for Worldwide Interbank Financial Telecommunications), the international messaging system used for financial messaging globally.

Based on the success of SFMS, India has operationalised three different domestic methods to transfer funds online, namely, Immediate Payment Service (IMPS), National Electronic Funds Transfer (NEFT), Real-time Gross Settlement (RTGS).

With IMPS, customers transfer money 24x7 via IMPS utilising the internet and mobile banking. The digital banks in India use IMPS services to transfer money. Under NEFT, funds move from one branch to another bank branch participating in the scheme. However, NEFT transactions take longer when compared to IMPS. Another payment mode that occurs in real-time and grossly is RTGS. RTGS moves higher-value transfers that require immediate clearance. RTGS transactions are completed only during business hours.

The SFMS operates like SWIFT with modularised and web-enabled software; Its flexible architecture facilitates a centralised or distributed deployment. The Intra-bank transaction messages use standard encryption and authentication services conforming to ISO standards. SFMS messages between banks reach via Bank Gateways and the Hub located at IDRBT Hyderabad. The Hub and the bank gateway connect via VSAT communication links, dedicated leased lines, and dial-up lines depending on proximity and the traffic volume with Bank Servers. The bank servers connect to the branches in offline mode.

The significant advantage of SFMS is its practices for secure communication. The inter-bank messaging part is helpful for applications like Electronic Funds Transfer (EFT), Real-Time Gross Settlement System (RTGS), Delivery Versus Payments (DVP), and Centralized Funds Management System (CFMS). SFMS reduces transaction time costs and makes trade finance operations more efficient. SFMS alleviates the possibility of fraud cases in the case of L.C. discounting and B.G.s, which was a significant cause of concern.

The electronic handling of communications reduces considerable time. SFMS facilitates securities, treasury operations, forex transactions, and negotiation of bills drawn against the Letters of Credit. With SFMS, banks avoid paper-based transactions. The SFMS provides application program interfaces (APIs), integrating existing and future applications with the SFMS in the Regional Rural Banks and Cooperative Banks. Many state governments use the SFMS platform for NEFT transactions. The nonpayment applications like domestic L.C.s and Bank Guarantees handles securely and cost-effectively. The platform has sufficient resilience, security, and scalability.

Everyone thinks of changing the world, but no one thinks of changing oneself. Coming to SWIFT, the network sends and receives international electronic payments to banks worldwide, and SWIFT payments are predominantly international wire payments. In the present geopolitical situation, political risks consume the economic assets overnight, and nations attack the economies of each other using SWIFT as a weapon. There is an urgent need to introduce the alternate SFMS for the long term safety of financial assets of individual countries.

SFMS can initially be introduced in SARC countries, Asian groups, and India, China and Russia to escape whims and fancies of syndicates misusing political differences to ruin the economy at the fall of the hat. Since doing the same old thing is far higher than the price of change, strong statesmanship is required to implement India's SFMS as the new global messaging system.

The difference between a great nation and an average one comes down to how swiftly one responds to the windows of change that show up from time to time. Bravo India take the leadership role to implement the SFMS as a global alternative. Bye Bye SWIFT, Welcome SFMS.

CREDIT RISK MANAGEMENT

(Identification of 'Early Warning Signals' during Renewal / Review of Credit Proposals)

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Banks in India are reeling from the overhang of bad loans on their books across both the public and private sector. After a prolonged period of stress, which saw the gross non-performing assets (GNPA) of scheduled commercial banks rising drastically.

Reserve Bank of India's (RBI's) Financial Stability Report (FSR) of December 2020 has stated that banks' gross non-performing assets (GNPAs) may rise sharply to 13.5 per cent by September 2021, and escalate to 14.8 per cent, nearly double the 7.5 per cent in the same period of 2019-20, under the severe stress scenario. Indian public sector banks collectively owed approximately 6.8 trillion Indian rupees as non-performing assets at the end of fiscal year 2020.

Early Warning Systems (EWS) are specialized tools, built using a set of parameters and processes that identify probable risks at a nascent stage. A comprehensive and well-structured EWS assists the top-level management to predict possible defaults from borrowers that may adversely affect the institution. Such systems can prevent manual omissions and other oversights, thereby securing the bank's valued assets.

Most major Banking Problems have been either explicitly or indirectly caused by Weaknesses in Credit Risk Management. In Supervisors' Experience, Certain Key Problems tend to recur. Severe Credit Losses in a Banking System usually reflect simultaneous problems in several areas, such as:

- Concentrations.
- Failures of Due Diligence and
- Inadequate Monitoring.

Reserve Bank of India made available an illustrative list of Early Warning Signals (EWS) which should Alert Bank Officials about Wrongdoings and Frauds in Loan Accounts. The One or More Early Warning Signals so complied by a Bank would form the basis for Classifying an Account as Red Flagged Accounts (RFA).

In case the account is Classified as an RFA, the Bank will act upon for further investigations or remedial measures necessary to protect the Bank's interest within a stipulated time which cannot exceed Six Months. The Bank upon identifying the Fraud should also report the matter immediately to Investigative Agencies for instituting Criminal Proceedings against the Fraudulent Borrowers.

Instances of Few of Negative Signs while Review / Renew Loans of the prospective Borrowing Companies who requires funding from Banks / Financial Institutions are:

1. Default in Undisputed Payment to the Statutory Bodies as declared in the Annual Reports: Delays in payment of undisputed dues to the Statutory Bodies indicate two possibilities either:

    - Liquidity Issue of the Company or
    - Malafide Intentions to Clear Statutory Dues.

    Both instances are ultimate lead the Company to Prosecution and Compulsory Payment of Penalty, Interest etc. with a High Risk at Solvency.

2. Bouncing of High Value Cheques: If the Company is Current Account from the Bank, then, the Company is required to operate his account as specified by the Banker. Depositing Cheques as received from the Customers and Withdrawing from the same Bank Account for Expenses and Payment to Suppliers are the Standard Operating System for the Company.

    Frequent Bouncing of High Value Cheques of the Customers denotes, that the Company is not Appraise properly the Credit Rating of Debtors before giving Credit to the Customers.

    If the Credit Policy of the Company is Strong, this type of Bouncing of Cheques will not Happen. Hence, the Quality of Debtors showing the Balance Sheet is not upto the mark and probable of Bad Debts will increase.

    In the similar manner, if the Company issue Cheques to the Creditors and due to Non-availability of Funds in the Account, the Cheque to be returned by the Bank. Then the Supplier will file an Application in Court under Section 138 to 142 of Negotiable Instrument Act, 1881. This denotes that Company is having Liquidity Problem and without adequate Balance in their Account, the Company is issuing Cheques to Creditors etc. This is also early warning Signal.

3. Delay Observed in Payment of Outstanding Dues: Delays in payment of outstanding dues to Creditors of Goods or Services are Contractual Liability and it has been required to be mentioned in the Auditors Report, if delay happens beyond specified threshold limit.

    Here age-wise Analysis of Creditors are to be Verified like Debtors more than 90 is Probability of Doubtful Debts. If the Creditors are not paid on-time, the Creditworthiness of the Company will deteriorate.

4. Frequent Invocation of Bank Guarantee (BGs) and Devolvement of Letter of Credits (LCs): The Company has to adhere to the directions issued by the Bank in respect of Bank Guarantees and Letter of Credits. In order to defraud the Bank, Siphoning-off and Parking fund, related party transactions have been entered into by the Company resulting into invocation of BGs and devolvement of LCs and thereby converting non-fund-based limits to Fund-based limit. Even known party may become supplier, comply with all Terms and Conditions lays down by the LC Issuing Bank and then the issue relating to defective goods comes into picture which will also result into the devolvement of LCs.

5. Under Insured or over Insured Inventory: Generally, Working Capital Limit and Credit facilities are granted by the Bank on the basis of Valuation of Inventory and Debtors. Fake and false Sales and Purchase Invoices without e-way bills, purchase orders mixing up stock of related party into the main inventory section, substantial increase in Sales and Purchase without any effect over other Overheads and Net Profit seems alarming situation.

6. Funds coming from other banks to liquidate the outstanding loan amount unless in normal course: If funds come from other banks to liquidate the outstanding loan amount in the normal course of

business-like takeover of loan account by another bank with competitive rate of interest, second charge in favour of another bank etc. However, if major chunk of fund comes from the unknown party's bank account for repayment of instalment by last moment of due date, then dubious eyes of Corporate Manager must be fixed over such transaction.

7. Request received from the borrower to postpone the inspection of the godown for flimsy reasons: When the management prefers to postpone inspection by the officials of bank or any other Regulatory Body, of the godown for the flimsy reasons like non-availability of concerned staff or internal vehicle of factory, own illness, heavy work orders and productions activities, renovations, few days' vacation in factory due to heavy inventory, electricity-cut in the factory area etc., then doubt must be raised for inventory and working of the factory in the mind of KMP.

8. Critical issues highlighted in the stock audit report: Submission of monthly stock statement to the Bank (in case of bank loan / cash credit limit) is compulsory. When Independent Auditor is appointed for stock audit, and he highlights critical issues in his stock audit report then such report must be reviewed not only by way of mere material discrepancy but also from the perspective of fraudulent activities.

9. Liabilities appearing in ROC search report, not reported by the borrower in its annual report: It is advisable to compare ROC search report and secured / unsecured loan portion of the annual report before printing of Annual Report. In case there is major material discrepancy like any charge ID appeared in the Search Report but no such loan is shown in the Annual Report. The facts must be checked. There is possibility that charges id is created for cash credit limit but no such limit is utilised and hence annual report does not speak about such loan.

10. Frequent requests for general purpose loans: Management's frequent request in the form of loan application to the bank even for general purpose of business is a matter of worry. It must raise question in the mind of KMPs as to why, even all credit facilities are available, yet management is frequently preferring for general purpose loans because, it will make repayment capacity, more and more weakened and lead the Company to liquidity crisis.

11. Frequent ad hoc sanctions: Ad hoc sanctions from the Bank is required for maintain working capital cycle of the Company. Sudden bulk orders may require further ad hoc sanctions of credit facilities from the Bank. However, inefficient fund management, siphoning off fund, increase in frequency of related party transactions, escalation of project cost is also out of box reasons which compel the finance team to seek frequent ad hoc sanctions from the Bank.

12. Not routing of sales proceeds through consortium/ member bank/lenders to the company: It is prima facie condition to route all sale proceeds through consortium / member bank / lender at the time of availing of cash credit and other working capital facilities. At the time of period review and renewal of such credit facilities, Drawing Power will be judged by the Bank mainly, based on sale proceeds routed from the Cash Credit Account.

13. High value RTGS payment to unrelated parties: "Unrelated parties" means such party with whom no sale-purchase transactions or agreement are executed by the Company. High value RTGS payment to unrelated or unidentified or fictitious party with illogical reasons must be termed as fraudulent transaction and reviewed in the strict purview of EWS by KMP.

14. Heavy cash withdrawal in loan accounts: In the Digital Payment and plastic money era, necessity of cash is reduced in the business depending upon the type of industries. The organisation must avoid to withdraw cash from loan account unless until barely required to maintain the business cycle. Otherwise, it may term differently and negatively and become point of inquiry even for Regulatory body in the event of collapse.

15. Non-production of original bills for verification upon request: All original bills are required to be kept in the safe custody of the Company. Section 128(5) of the Companies Act, 2013 states that

the books of account of every company relating to a period of not less than eight financial years immediately preceding a financial year, or where the company had been in existence for a period less than eight years, in respect of all the preceding years together with the vouchers relevant to any entry in such books of account shall be kept in good order. When the Company denies or issue flimsy reason for production of original bills for verification upon request of bank or any Regulatory body then such act must be treated as EWS.

16. Disproportionate change in other current assets: Current assets have tendency to convert into the cash or cash equivalent during the working capital business cycle of the Company. Such turn on and on, give breathing to the working capital cycle. However, diversion of or siphoning off fund, frequent related party transaction, wrongful accounting entries compel disproportionate change in other current assets of the Company, which is one of the EWS and disturb working capital cycle.

17. Claims not acknowledged as debt high: Generally, any legal claim or future liability under any pending litigations with Regulatory Body or private party has been treated as contingent liability. When the management conceal such information and do not prefer to acknowledge as debt then chances of increase in liability and liquidity crunch is very high and must be termed as EWS.

18. Raid by Income tax /GST/ TDS/central excise duty officials: As we know, raid, search, survey, seizure is undertaken by the officials of the Income Tax/ GST/TDS/ Central excise on the basis of various information, inquiry and documents. E.g., if GST department has conducted raid and tax evasion is confirmed during such raid then it becomes surely fraudulent and risky indicators for which KMP must reviewed situation with a serious note.

19. Significant reduction in the stake of promoter/ director or increase in the encumbered shares of promoter/director: The situation of reduction in the stake of promoter/director or increase in the encumbered shares of promoter/director indicate intention of promoter towards the overall business of the Company which may be exit, either by way of en-cash and dilution of stake to the open market or re-organisation of share capital by way of amalgamation or invitation to private equity in the Company or such compulsive situation. It must be counted and reviewed as EWS.

20. Resignation of the key personnel and frequent changes in the management: All Corporate business have their own knowledgeable team, funds, strategy, policy, slogan and goal to remain competitive in the market. Promoters, Board of directors, Managers, Key managerial personnel are the backbone, symbol and identity of the Company. The famous proverb "when Ship is shrinking, rats are leaving it first" needs to analyse when frequent changes in the management of the Company happens due to resignation of KMP. Deteriorating financial health, management dispute, inefficiency of management in operation of business, continuous losses may be reasons of resignation of the KMP which is risk indicator.

While the continuous monitoring of an account through the tracking of EWS is important, banks also need to be vigilant from the fraud perspective at the time of annual review of accounts. Among other things, the aspects of diversion of funds in an account, adequacy of stock vis-a-vis stock statements, stress in group accounts, etc., must also be commented upon at the time of review.

Conclusion: The most effective way of preventing frauds in loan accounts is for banks to have a robust appraisal and an effective credit monitoring mechanism during the entire life-cycle of the loan account. Any weakness that may have escaped attention at the appraisal stage can often be mitigated in case the post disbursement monitoring remains effective.

FOUR-TIER SCALE BASED REGULATORY GUIDELINES FOR NON-BANKING FINANCIAL COMPANIES-NBFCS (W.E.F. OCT 2022)

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A Non-Banking Financial Company (NBFC) is a company registered under the Companies Act, 1956 engaged in the business of loans and advances, acquisition of shares/stocks/bonds/debentures/ securities issued by Government or local authority or other marketable securities of a like nature, leasing, hire-purchase, insurance business, chit business but does not include any institution whose principal business is that of agriculture activity, industrial activity, purchase or sale of any goods (other than securities) or providing any services and sale/purchase/construction of the immovable property.

A non-banking institution which is a company and has principal business of receiving deposits under any scheme or arrangement in one lump sum or instalments by way of contributions or in any other manner is also a non-banking financial company (Residuary non-banking company).

Features of NBFCs:

- NBFC cannot accept demand deposits.
- NBFCs do not form part of the payment and settlement system and cannot issue cheques drawn on themselves.
- The deposit insurance facility of Deposit Insurance and Credit Guarantee Corporation is not available to depositors of NBFCs.

The contribution of NBFCs towards supporting real economic activity and their role as a supplemental channel of credit intermediation alongside banks is well recognized. Over the years, the sector has undergone considerable evolution in terms of size, complexity, and interconnectedness within the financial sector. Many entities have grown and become systemically significant and hence there is a need to align the regulatory framework for NBFCs keeping in view their changing risk profile.

The proposed framework is aimed at protecting financial stability while ensuring that smaller NBFCs continue to enjoy light regulations and grow with ease.

The regulatory structure for NBFCs shall comprise four layers based on their size, activity, and perceived riskiness.

1. NBFCs in the lowest layer shall be known as NBFC - Base Layer (NBFC-BL).
2. NBFCs in the middle layer and upper layer shall be known as NBFC - Middle Layer (NBFC-ML) and
3. NBFC - Upper Layer (NBFC-UL) respectively.
4. The Top Layer is ideallyexpected to be empty and will be known as NBFC - Top Layer (NBFC-TL).

1. Base Layer: The Base Layer shall comprise of:

a) Non-deposit taking NBFCs below the asset size of Rs. 1,000 crores and

b) NBFCs undertaking the following activities:

i. NBFC-Peer to PeerLending Platform (NBFC-P2P).

ii. NBFC-Account Aggregator (NBFC-AA).

iii. Non-Operative Financial Holding Company (NOFHC) and

iv. NBFCs not availing public funds and not havingany customer interface.

2. Middle Layer: The Middle Layer shall consist of:

a) All deposit-taking NBFCs (NBFC-Ds), irrespective of asset size.

b) Non-deposit taking NBFCs with asset size of Rs. 1000 crore and above and

c) NBFCs undertaking the following activities:

i. Standalone Primary Dealers (SPDs).

ii. Infrastructure Debt Fund - Non-Banking Financial Companies (IDF-NBFCs).

iii. Core Investment Companies (CICs).

iv. Housing Finance Companies (HFCs) and

v. Infrastructure Finance Companies (NBFC-IFCs).

3. Upper-Layer: The Upper Layer shall comprise of those NBFCs which are specifically identified by the Reserve Bank as warranting enhanced regulatory requirement based on a set of parameters and scoring methodology as provided in the Appendix to this circular. The top ten eligible NBFCs in terms of their asset size shall always reside in the upper layer, irrespective of anyother factor.

4. Top Layer: The Top Layer will ideally remain empty. This layer can get populated if the Reserve Bank thinks that there is a substantial increase in the potential systemic risk from specific NBFCs in the Upper Layer. Such NBFCs shall move to the Top Layer from the Upper Layer.

Regulatory changes under SBR applicable to NBFC-BL:

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

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

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

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

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

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

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

i. Corporate Governance report containing composition and category of directors, the shareholding of non-executive directors, etc.

ii. Disclosure on modified opinion, if any, expressed by auditors, its impact on various financial items, and views of management on audit qualifications.

iii. Items of income and expenditure of exceptional nature.

iv. Breaches in terms of covenants in respect of loans availed by the NBFC or debtsecurities issued by the NBFC including incidence/s of default.

v. Divergence in asset classification and provisioning above a certain threshold to be decided by the Reserve Bank.

d) Chief Compliance Officer: To ensure an effective compliance culture, it is necessary to have an independent compliance function and a strong compliance risk management framework in NBFCs. NBFCs are, therefore, required to appoint a ChiefCompliance Officer (CCO), who should be sufficiently senior in the organization hierarchy. NBFCs shall put in place a Board approved policy laying down the role and responsibilitiesof the CCO to promote better compliance culture in the organization.

e) Compensation guidelines: To address issues arising out of excessive risk-taking caused by misaligned compensation packages, it has been decided that NBFCs shall putin place a Board approved compensation policy. The guidelines shall at the minimum include:

i. Constitution of a Remuneration Committee.

ii. Principles for fixed/ variable pay structures, and

iii. Malus/ claw back provisions. The Nomination and Remuneration Committee shall ensure that there is no conflict of interest.

f) Other Governance matters: NBFCs shall comply with the following:

i. The Board shall delineate the role of various committees (Audit Committee, Nomination, and Remuneration Committee, Risk Management Committee, or any other Committee) and lay down a calendar of reviews.

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

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

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

Additional Regulatory changes under SBR applicable to NBFC-UL:

a) Qualification of Board Members: Board members shall be competent to manage theaffairs of the NBFC. The composition of the Board should ensure the mix of educationalqualification and experience within the Board. The specific expertise of Board members will bea prerequisite depending on the type of business pursued by the NBFC.

b) Listing & Disclosures: NBFC-UL shall be mandatorily listed within 3 years ofidentification as NBFC-UL. Disclosure requirements shall be put in place on the same linesas applicable to a listed company even before the actual listing, as per Board approvedpolicy of the NBFC.

c) Removal of Independent Directors: NBFC-UL shall be required to report to thesupervisors in case any Independent Director is removed/ resigns before completion of hisnormal tenure.

Regulatory guidelines for NBFCs under Top Layer-NBFCs falling in the Top Layer ofthe regulatory structure shall, inter alia, be subject to higher capital charge. Such higherrequirements shall be specifically communicated to the NBFC at the time of its classificationin the Top Layer. There will be enhanced and intensive supervisory engagement with theseNBFCs.

Once an NBFC is identified for inclusion as NBFC-UL, the NBFC shall be advised about its classification by the Department of Regulation, Reserve Bank and it will be placed under regulation applicable to the Upper Layer.

Conclusion: Reserve Bank to mitigate the risks involved with NBFCs has come up with many revisions in the current regulatory system. At present these revisions seem to be complex but upon introduction of further guidelines better understanding can be made. All the existing NBFCs shall be categorized in the manner as explained hereinabove into 4 layers, NBFC-BL, NBFC-ML, NBFC-UL, and NBFC-TL. The majority of NBFCs would fall under NBFC-BL and NBFC-ML. Further, the NBFCs shall prudently adopt the regulatory changes as the penalties are likely to be high on non-compliances.

UNDERSTANDING SOME IMPORTANT ASPECTS OF INSOVLVENCY AND BANKRUPTCY CODE, 2016

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

Synopsis: The Purpose of Insolvency law is to establish an efficient and effective legal framework to address the financial difficulties of debtors. The transparency and predictability of Insolvency Law will enable potential lenders to assess the associated risks in lending and their position as a creditor in the event of insolvency of borrowers. In this article an attempt is made to highlight and explain certain basic aspects of the Code in the light of various judgments of the Apex Court.

A. Insolvency and Bankruptcy Code, 2016 received the assent of the President of India on 28th May, 2016 and was notified in the Gazette of India on 28th May, 2016.

B. Corporate Person is defined as a "Company" as defined under the Companies Act, 2013, a Limited Liability Partnership or any other Person incorporated with limited liability but SHALL NOT include a Financial Service Provider.

C. "Financial Service Provider" is separately defined as a person engaged in the business of providing financial services in terms of authorization issued or registration granted by a financial sector regulator such as RBI, SEBI, IRDAI, Pension Fund Regulatory Authority … etc.

D. It may be observed that "Corporate Debtor" is defined as a "Corporate Person" who owes a debt to any person. It is thus obvious from the definitions that a "Corporate Debtor" does not include "Financial Service Provider".

E. The Financial Creditor is defined as a person to whom a financial debt is owed and Operational Creditor is defined as a person to whom an operational debt is owed. Financial debt is elaborately defined and operational debt is defined as a claim in respect of the provision of goods or services including employment and including any dues payable to any Government or local authority. "Financial Creditor" or "Operational Creditor" includes any person to whom such debt has been legally assigned or transferred.

F. Sub section 6 of Section 5 defines "dispute".

"Dispute" includes a suit or arbitration proceedings relating to –

(a) The existence of the amount of debt;

(b) The quality of goods or service; or

(c) The breach of a representation or warranty

G. It is pertinent to mention here that Insolvency resolution by Operational Creditor as dealt with under section 8 of the Code. As per this section, an operational creditor, on occurrence of a default,may serve a demand notice to the corporate debtor and the corporate debtor should, within a period of 10 days of the receipt of the demand notice bring to the notice of the operational creditor the existence of a dispute [if any, or] record of the pendency of the suit or arbitration proceedings filed before the receipt of such notice or invoice in relation to such dispute.

H. The Hon'ble Apex Court in Civil Appeal No. 9405 of 2017 [Mobilox Innovations Private Limited versus Kirusa Software Private Limited], in their order dated 21.09.2017, discussed the issue of what constitutes a "Dispute". In this case, it was argued on behalf of the Appellant that the definition of "dispute" under Section 5(6) of the Code is an inclusive one while it was argued on behalf of the Respondent the expression "dispute" under Section 5(6) covers only three things, namely, existence of the amount of debt, quality of goods or services or breach of a representation and warranty.

In the instant case, the dispute pertains to breach of Non-Disclosure Agreement by the Respondent. There was a non-disclosure agreement signed between the parties with effect from 01.11.2013 and on 30th January, 2015, the Appellant wrote to the Respondent that they were withholding payments as the Respondent breached the NDA.

The Hon'ble Apex Court, inter alia, held

- The definition of "dispute" is an inclusive one.
- The present case is not a case of a suit or arbitration proceeding filed before receipt of notice- Section 5(6) only deals with suits or arbitration proceedings which must "relate to" one of the three sub-clauses either directly or indirectly.
- So long as there is a real dispute as to payment between the parties that would fall within the inclusive definition contained in Section 5(6).

The Court further held that the adjudicating authority, when examining an application under Section 9 of the Code will have to determine:

i. Whether there is an "operational debt" as defined exceeding Rs. 1 lakh? [Section-4]

ii. Whether the documentary evidence furnished with the application shows that the aforesaid debt is due and payable and has not yet been paid? And

iii. Whether there is existence of a dispute between the parties or the record of the pendency of a suit or arbitration proceeding filed before the receipt of the demand notice of the unpaid operational debt in relation to such dispute?

IF ANY OF THE AFORESAID CONDITIONS IS LACKING, THE APPLICATION WOULD HAVE TO BE REJECTED.

In their Judgment, the Hon'ble Apex Court referred to its order dated 31.08.2017 in Innoventive Industries Ltd vs ICICI Bank & Anr [Civil Appeal Nos. 8337-8338 of 2017] in which it is held "the moment there is existence of such a dispute [read section 8(2), the operational creditor gets out of the clutches of the Code."In this case, the Apex Court also ruled that by virtue of Section 238 (Provisions of this code to override other laws) of the code, the Provisions of this code shall prevail over other laws.

I. Section 238A was inserted in the Insolvency and Bankruptcy Code by the Insolvency and Bankruptcy Code (Second Amendment) Act, 2018 with effect from 06.06.2018. The said Sections reads:

"238 A. Limitation- The provisions of the Limitation Act, 1963 (36 of 1963) shall, as far as may be, apply to the proceedings or appeals before the Adjudicating Authority, the National Company Law Appellate Tribunal, the Debt Recovery Tribunal or the Debt Recovery Appellate Tribunal, as the case may be."

A question was raised before the Hon'ble Apex Court as to whether the Limitation Act, 1963 will apply to the application that are made under Section 7 and / or Section 9 of the Code on and from its commencement on 01.12.2016 till 06.06.2018 in Civil Appeal No. 23988 of 2017, B K Educational Services Private Limited versus Parag Gupta and Associates.

In their Judgment dated 11.10.2018, the Hon'ble Apex, inter alia, observed:

- The National Company Law Tribunal is set up under Section 408 of the Companies Act to discharge such powers and functions that are conferred on it not merely under the Companies Act but also under "any other law for the time being in force".
- Section 433 of the Companies Act states that the provisions of the Limitation Act, 1963 shall, as far as may be, apply to the proceedings or appeals before the Tribunal or the Appellate Tribunal, as the case may be.
- Section 434 (1)(c) of the Companies Act is important in that it indicates that proceedings under the Companies Act relating to arbitration, compromise, arrangements and reconstruction and winding up of companies, that were

pending before the District Court or the High Court, may now be transferred to the Tribunal. Each of these proceedings would directly be governed by the Limitation Act as they are proceedings before Courts. Obviously, upon transfer of such proceedings to the Tribunal, it cannot be said that because these proceedings are now before the Tribunal, the Limitation Act will cease to apply.

- Section 433 of the Companies Act, 2013 would apply to the Tribunal even when it decides applications under Sections 7 and 9 of the Code.
- It is settled law that periods of limitation are procedural in natural and would ordinarily be applied retrospectively. (M P Steel Corporation vs. CCE, (2015) 7 SCC 58)
- Limitation, being procedural in nature, would ordinarily be applied retrospectively, save and expect that the new law of limitation cannot revive a dead remedy.
- An application that is filed in 2016 or 2017, after the Code has come into force, cannot suddenly revive a debt which is no longer due as it is time-barred.
- The amendment of Section 238A would not serve its object unless it is construed as being retrospective, as otherwise, applications seeking to resurrect time-barred claims would have to be allowed, not being governed by the law of limitation.
- Corporate Insolvency resolution process against a corporate debtor can only be initiated either by a financial or operational creditor in relation to debts which have not become time – barred.

The Hon'ble Apex Court held:" It is thus clear that since the Limitation Act is applicable to applications filed under Sections 7 and 9 of the Code from the inception of the Code, Article 137 of the Limitation Act gets attracted. "The right to sue", therefore, accrues when a default occurs. If the default has occurred over three years prior to the date of filing of the application, the application would be barred under Article 137 of the Limitation Act, save and except in those cases where, in facts of the case, Section 5 of the Limitation Act may be applied to condone the delay in filing such application.

J. While disposing of the Civil Appeal Nos. 8512 – 8527 of 2019 in Anuj Jain Interim Resolution Professional for JapeeInfratech Limited vs. Axis Bank Limited ETC, the Apex Court, in their judgment dated 26.02.2020, inter alia, observed:

i. For a debt to become 'financial debt' for the purpose of Part II of the Code, the basic elements are that it ought to be a disbursal against the consideration for time value of money.

ii. For a creditor to become financial creditor for the purpose of Part II of the Code, there must be a financial debt which is owed to that person. He may be the Principal Creditor to whom the financial debt is owed or he may be an assignee in terms of extended meaning of this definition but, and nevertheless, the requirement of existence of a debt being owed is not forsaken.

iii. A third party to whom the corporate debtor does not owe a financial debt cannot become its financial creditor for the purpose of Part II of the Code.

iv. A "secured creditor" in terms of section 3(30) means a creditor in whose favour a security interest is created.

v. What is intended by the expression "financial creditor" is a person who has direct engagement in the functioning of the corporate debtor.

vi. Keeping the objectives of the Code in view, the position and role of a person having only security interest over the assets of the corporate debtor could easily be contrasted with the role of a financial creditor because the former shall have only the interest of realizing the value of its security while the latter would, apart from looking at safeguards of its own interests, would also and simultaneously be interested in rejuvenation, revival and growth of the corporate debtor. Thus understood, it is clear that if the former, i.e., a person having only interest over the assets of the corporate debtor is also included as a financial creditor and thereby allowed to have its say in the processes contemplated by Part II of the Code, the growth and revival of the corporate debtor may be the casualty. Such result would defeat the very objective and purpose of the Code, particularly of the provisions aimed at corporate insolvency resolution.

vii. A person having only security interest over the assets of corporate debtor would stand outside the sect of 'financial creditors' as per the definitions contained in Sub-sections (7) and (8) of Section 5 of the Code. If a corporate debtor has given its property in mortgage to secure the debts of a third party, it may lead to a mortgage debt, and it may within the definition of 'debt' under section 3(10) of the Code. However, it would remain a debt alone and cannot partake the character of a "financial debt" within the meaning of Section 5(8) of the Code.

K. The Hon'ble Apex Court, while disposing of Civil Appeal No. 5146 of 2019 in Phoenix Arc Pvt Ltd versus KetulbhaiRamubhai Patel, in their Judgment dated 03.02.2021, relied on the observations in the Judgment of Jaypee Infratech Limited [quoted above], held that a person having only security interest over the assets of corporate debtor, even if falling within the description 'secured creditor' by virtue of collateral security extended by the corporate debtor, would not be covered by the financial creditors as per the definitions contained in sub-sections (7) and (8) of Section 5.

L. In the Civil Appeal No. 2734 of 2020, Laxmi Pat Surana versus Union Bank of India & Anr, the Apex Court, in their judgement dated 26.03.2021, addressed the issue "whether an action under Section 7 of the Insolvency and Bankruptcy Code, 2016 can be initiated by the financial creditor against a Corporate Person (being a corporate debtor) concerning guarantee offered by it in respect of a loan account of the principal borrower, who had committed default and is not a "corporate person" within the meaning of the Code? In their judgement, the Apex Court, inter alia, observed:

(a) Section 7 is an enabling provision which permits the financial creditor to initiate CIRP against a corporate debtor. The corporate debtor can be the principal borrower or a corporate person assuming the status of corporate debtor having offered guarantee, if and when the principal borrower/debtor (be it a corporate person or otherwise) commits default in payment of its debt.

(b) 'Financial debt' is defined under Section 5 (8) and sub-clause (i) of Section 5(8) of the Code takes within its ambit a liability in relation to a guarantee offered by a corporate person as a result of default committed by the Principal borrower.

(c) A right or cause of action would enure to the financial creditor to proceed against the principal borrower as well as the guarantor in equal measure in case they commit default in repayment of amount of debt acting jointly and severally. It would still be a default committed by the guarantor itself, if and when the principal borrower fails to discharge his obligation in respect of amount of debt. The obligation of the guarantor is coextensive and coterminous with that of the principal borrower to defray the debt as predicated in section 128 of the Contract Act. As a consequence of such default, the status of the guarantor metamorphoses into a debtor or a corporate debtor if it happens to be a corporate person within the meaning of Section 3(8) of the Code.

(d) The Principal borrower may or may not be a corporate person, but if a corporate person extends guarantee for the loan transaction concerning a principal borrower not being a corporate person, it would still be covered within the meaning of the expression "corporate debtor' under Section 3(8) of the Code.

The Hon'ble apex Court thus ruled that action under Section 7 of the Code could be legitimately invoked even against a (corporate) guarantor being a corporate debtor.

Disclaimer: There may be typographical errors while referring to various provisions of the Act or the Judgments. Readers are requested to refer to the relevant Act and judgments for proper appreciation. Only, the gist of the judgments is given in the article.

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EQUITY INVESTMENT STARTEGY - NAVIGATING INFLATION AND WAR

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

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

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

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

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

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

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

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

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

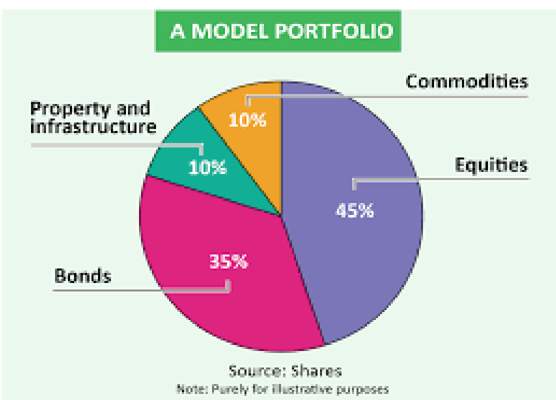
With reference to FII out-flows over the last few months, we may be unable to predict it's direction for the rest of 2022. However, what is impressive is the rise in domestic equity culture and flows into equity market. Domestic institution investors (DIIs) and retail investors have demonstrated strength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

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

REBALANCE THE PORTFOLIO ACCORDING TO AGE

Shri Sudhakar Kulkarni
Certified Financial Planner

Simply put a portfolio is a collection of financial investments like stocks, bonds, commodities, cash, and cash equivalents, real estate, gold, paintings, antiques and collection of art. Diversification is a key concept in portfolio management. A person's tolerance for risk, investment objectives, and time horizon are all critical factors when assembling and adjusting an investment portfolio. However, the risk tolerance decreases with increasing age,



As our body needs regular health checkup, our car needs regular servicing, similarly your investment portfolio needs to be rebalanced in tune with our age. Rebalancing means selling some stocks and buying some bonds, or vice versa, so as to match your asset allocation to the level of returns you're trying to achieve and the amount of risk you're comfortable taking.

The purpose of rebalancing is to ensure your investment portfolio is correctly weighted to suit your risk tolerance and financial goals. If you feel that your portfolio has become too risky or too conservative, you can take action to return it to your original asset allocation target by selling something you're overweight in and replacing it with whatever is lacking.

Alternatively, if you don't want to sell, consider depositing extra funds or using dividend payments to purchase more of the investments you're underweight in until your portfolio meets your objectives again.

Portfolio management can be done by yourself or by taking advice of investment consultant or handing your funds to portfolio manager. However whichever option you may opt rebalancing of your portfolio needs to be done in tune with your age.

One the best options is to use "Rule of 100" which means make the asset allocation on the basis of 100-your age, this much % you should allocate to equity which carries comparatively more risk and delivers more return than other assets, with this your equity allocation will go on decreasing with your increasing age. The basic principle behind age-based asset allocation is that your exposure to investment risk needs to reduce with age. It is primarily referred to as the proportion of equity as a component of your portfolio as these investments offer a higher return at a greater risk

Around 30-year age:

Your portfolio equity allocation should be 70%

(100-30), The rationale behind this rule is that young ones have longer time horizons to face the volatility in the stock market. Historically, equities have outperformed other types of assets in the long run. A simplistic formula like 100 minus your age to get the percentage of your portfolio to allocate to stocks (70% for a 30-year-old) might be a useful starting point, but you'll need to decide that percentage which suits to your risk appetite. You can invest 100% in stocks if you have a very high-risk tolerance and long-time horizon. However, you don't necessarily need to follow this Rule of 100-age, If you're only comfortable with 50% in stocks and want to keep the other 50% in bonds, that's fine.

Between 45 to 50-year age:

During this period, you might be needing considerable amount of funds for kids' higher education as such part of your portfolio should consists of liquid assets like balance in NPS Tier-II account, short term deposits or mutual funds, shares and like.

Also, during this period, you are likely to inherit from parents or grandparents the assets you are likely to inherit may be as per risk tolerance of the respective parents, you need to rebalance your existing portfolio considering this new addition.

Between 55 to 65-year age:

During this period, you are nearer to your retirement either from the service or from the business. You need to keep close watch on your portfolio. This is the transition stage for your portfolio. During this period since you are nearer to retirement you need to closely monitor the risk of portfolio. This is time to shift from equity to debt from safety as well as assured return pint of view. Although you are prepared to the risk it is advisable to maintain at least 50:50 proportion of equity and debt.

After 60-65-year age: This beginning of your retired life, here in after you need regular and assured income to meet your day-to-day expenses, health care expenses. Life expectancy has increased considerably as such you should have sufficient monthly cash inflow to meet your requirements considering the inflation. Major portion of debt in portfolio will not be able to meet your financial needs for long period of about 20-25 years. Hence instead applying Rule of 100 as it is you need to modify it and should apply 110-age or 120-age depending upon your health and risk appetite.

Below given table shows risk tolerance and suitable investment accordingly. Please note that, asset allocation is written as a ratio of stocks to bonds, such as 80/20, which means 80% stocks and 20% bonds.

AGE	LOW RISK TOLERANCE	MEDIUM RISK TOLERANCE	HIGH RISK TOLERANCE
20	80/20	90/10	100/0
30	70/30	80/20	90/10
40	60/40	70/30	80/20
50	50/50	60/40	70/30
60	40/60	50/50	60/40
70	30/70	40/60	50/50

Finally, we can say that Asset allocation and rebalancing is an extremely important foundation for one's investment portfolio. It is dependent on the investor's time horizon, goals, and risk tolerance and these three components of portfolio management go on changing with change in age. Hence rebalancing of portfolio needs to be done in tune with age of the individual.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Online
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Future of Banking
in India"
Friday, 4th March, 2022
4:00 - 6:00 PM
Chief Guest
M Karthikeyan
Executive Director
Bank of India
CMA P. Raju Iyer
President, ICAI
CMA Vijender Sharma
Vice President, ICAI
Moderator
CMA Mohan V Tanksale
Strategic Consultant, SWIFT India and
Former Chief Executive, Indian Banking Association
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WEBINAR ON "JOURNEY TO THE FUTURE OF BANKING IN INDIA"

Azadi Ka Amrit Mahotsav is an initiative by the Government of India to celebrate and commemorate 75 years of progressive India and the glorious history of its people, culture and achievements. This journey of 75 years is a testimony to the resilient spirit of the Indian people who have been instrumental in bringing India to its present state, fuelled by the Prime Minister of India's vision of Atmanirbhar Bharat. The official journey of Azadi Ka Amrit Mahotsav commenced on 12th March 2021 which started a 75-week countdown to our 75th anniversary of independence and will end post a year on 15th August 2023.

The Banking, Financial Services and Insurance Board (BFSIB) under the leadership of CMA Chittaranjan Chattopadhyay ,Chairman, BFSIB, had organised a webinar on a contemporary topic " Journey to the Future of Banking in India" which saw a huge number of participations from Cost and Management Accountants and Bankers. The Chief Guest of the event was Shri M.Karthikeyan, Executive Director, Bank of India. The other guests who graciously participated in the webinar were Shri C. Bharathi, General Manager, Indian Bank, Shri Burra Butchi Babu, Member, IT Advisory Board, Punjab and Sind Bank and Shri Nagamohan Gollangi, Chief Information Security Officer, Bank of India. The moderator of the event was the doyen of our profession, CMA Mohan Vasant Tanksale, Former Chief Executive of Indian Banks' Association.

Shri M. Karthikeyan stressed the relevance of the country to be financially inclusive. He iterated that it is the necessity that the last man should have insurance coverage along with livelihood cover, accidental cover, credit cover as well as of health coverage. Only when such an universal coverage is guaranteed a nation can be called a financially inclusive country. He stressed that with the help of technology and the support of the Government who had merged several Public Sector Banks, there are plenty of funds for the infrastructure development. He further stated that it is the time for Know- Your -Technology has come, which will leapfrog from ways in which things have been conducted thus so far. He stated that a huge country of 1.3 billion, we have huge opportunities to implement various

Government insurance schemes such as Pradhan Mantri Suraksha Bima Yojana and Pradhan Mantri Jeevan Jyoti Bima Yojana. Further, he elucidated how the PM Street Vendor's Atmanirbhar Nidhi (PM SVANidhi) Yojana has helped crores of small vendors and how the United Payment Interface (UPI) is helping them, even with smaller currency values to connect digitally in the age of online banking. He has pointed out how, in the financial inclusion portfolio, around 18,000 Bank accounts gets opened daily, 50 per cent of which under the Jan-Dhan category. He wanted the nimble-footedness and agility of the NBFCs combined with the humongous Current Account and Savings Account (CASA) of the Banking industry in both public and private can join in the collaboration and the customer may benefit in the process.

CMA Mohan V Tanksale took the discussion further by touching upon the relevance of the topic. He stated that Banking is the lifeline of the economy and can drive the financial inclusion to the last mile connect. He stated how proud we as a nation are of the Jan-Dhan, Aadhaar seeding and Mobile linkage (JAM trinity). He exemplified how India has got one of the best payment systems in the world.

Shri Burra Butchi Babu explained as to how has the pandemic changed the consumer behaviour and the technology which have determined the path of the future. He touched upon as to how IMPS and the UPI are game-changers and that Artificial Intelligence and Machine Learning are useful to the Banks and will take the Banks forward. The utility of the technology outweighs the greatness of the technology.

Shri C.Bharathi addressed about the technology being an enabler. It is the business vertical who should improve the adoption and the implementation in the Banking industry. demonetisation, the effect of Covid and now Fintech have all made stiff competition in the Banking industry. The inequalities or the tyranny of distance, for a small MSME, such as a bangle manufacturer are suddenly gone due to more opportunities on a platform. Due to techniques such as data mining now new potential borrowers can be identified and approached easily via the Credit Ledger. Gradually, inequalities are disappearing and now the products are reaching in every corner of the globe. The whole documentation is becoming seamless and the turnaround time is now getting reduced.

Shri Nagamohan Gollangi discussed about the cyber-security challenges and how it can it be perfected with respect to the future of the Banking industry. He spoke in length about digitisation being real-time and mobile-based. The connectivity between Banks will increase the common portal between Banks and there will be an advent of super-apps.

The discussion came to the stage where how digital connectivity will bridge the economic disparity between urban India and rural Bharat. CMA Mohant V.Tanksale pointed out about the prevalent rules of the Reserve Bank of India's rules about data localisation .

The webinar concluded with thought provoking question and answer session.

I) Certificate Course on General Insurance in association with National Insurance Academy (NIA):

The 1st batch of the Certificate Course on General Insurance successfully concluded on 16th January, 2022. In the valedictory session CMA Chittaranjan Chattopadhyay, Chairman, BFSIB along with CMA G.Srinivasan, Director, National Insurance Academy addressed and inspired the participants. The 1st batch examination concluded on 23rd January, 2022 and we congratulate the successful participants. The 2nd batch admission of the course have already started for the members and students who should avail the opportunity of enrolling in the course for skill development and capacity building in the Insurance Sector. BFSIB and NIA are developing the modalities of the Level-2 of the certificate course.

Kindly fill up the Expression on Interest Form for joining such course if you are curious to join the course.

II) Investment Management Course in association with National Institute of Securities markets (NISM) :

BFSIB and NISM conducted the inaugural session for the Batch No. 2 of Level-IV of the Investment Management course organized by BFSIB in association with NISM on 15th December, 15, 2021 and concluded on 30th January, 2022. The programme was graced by Dr. C K G Nair, Director, NISM respectively along with CMA Chittaranjan Chattopadhyay, Chairman, BFSI Board, CMA Dr. Latha Chari, Associate Professor, NISM, and other faculties of NISM.

The inaugural session for the Batch No. 7 of Level-I of the Investment Management course organized by BFSIB in association with NISM on 15th January, 2022. The programme was graced by Dr. C K G Nair, Director, NISM respectively along with CMA Chittaranjan Chattopadhyay, Chairman, BFSI Board, CMA Dr. Latha Chari, Associate Professor, NISM, and other faculties of NISM. The batch concluded on 13th February, 2022. The Batch No. 8 of Level-I admission has started along with Batch No. 4 of Level-II and Batch No. 3 of Level-III respectively.

III) Banking Courses:

BFSIB inaugurated the 6th batch of the Certificate Course on Concurrent Audit of Banks on 8th January, 2022 where Shri Chandrasekaran, Zonal Head Mumbai of Indian Bank was the Chief Guest.

Further, BFSIB inaugurated the 6th batch of the Certificate Course on Credit Management of Banks on 16th January, 2022 where Shri Ram Narayan Boga, General Manager& Director, SBIRB was the Chief Guest.

The 5th batch of Certificate Course on Treasury and International Banking was launched on 12th March, 2022.Shri Ravindra Babu, Field General Manager, Union Bank was the Chief Guest for the inaugural session.

Like all other courses of the Institute, I am sure members and students who take up the three certificate courses on Banking will greatly benefit towards their skill development and knowledge enhancement. I call upon all members and readers to visit the BFSI section on the Institute's website for further information.

BFSIB has started the concept of BFSI enrolment form which is a Google Form to be filled up by the candidates and once there is an adequate numbers of such expression of interest the admission window is opened for the students, members and others to undertake the admission for the course.

IV) Representation letters for inclusion of CMAs

As a continuous effort for further development of the profession in the BFSI sector, BFSIB has represented to various authorities and employers for inclusion of CMAs in the sector as and when such scope has come to the notice of the Institute.

V) Pension Month in the month of January, 2022

BFSIB observed the January, 2022 as the pension month and all regional council and chapters organized various programmes across the country in the pension month by webinars and other educative activities for spreading the awareness of pension planning through NPS, Atal Pension Yojana etc .

CMA Vijender Sharma, Vice President and CMA Chittaranjan Chattopadhyay, Chairman BFSIB attended the online event organised by the BFSI Board in association with PFRDA on 28th January, 2022 based upon the topic, "Creating Pension Society in India-Importance and Challenges". We were honoured to have the gracious presence of Dr. Bhagwat Kishanrao Karad, Hon'ble Minister of State, Ministry of Finance, Government of India as the Chief Guest and the kind presence of Shri Supratim Bandyopadhyay, Chairperson, PFRDA for the event which was attended in large numbers by members, students and stakeholders. The conference was graced by Shri Sudhir Shyam, Economic Advisor, Department of Financial Services. Further, the technical session was moderated by Shri Deepak Mohanty, Whole Time Member (Economics), PFRDA, Former Executive Director, Reserve Bank of India. The technical speakers were Mr.William Price, Global Pension Expert, Former Official of World Bank, UK Treasury & UK Pension Regulator and Ms. Bahroze Kamdin, Taxation Consultant, Partner, Deloitte Haskins & Sells LLP. BFSIB released a Monograph on NPS and was inaugurated by the Hon'ble Minister with aplomb.

VI) Handbook on Aide Memoire on Infrastructure Financing

The BISIB will be coming out with the much anticipated publication titled Aide memoire on infrastructure financing which we are sure will be immensely useful for all stakeholders. It is in the final phase of reviewing and would be published vary soon.

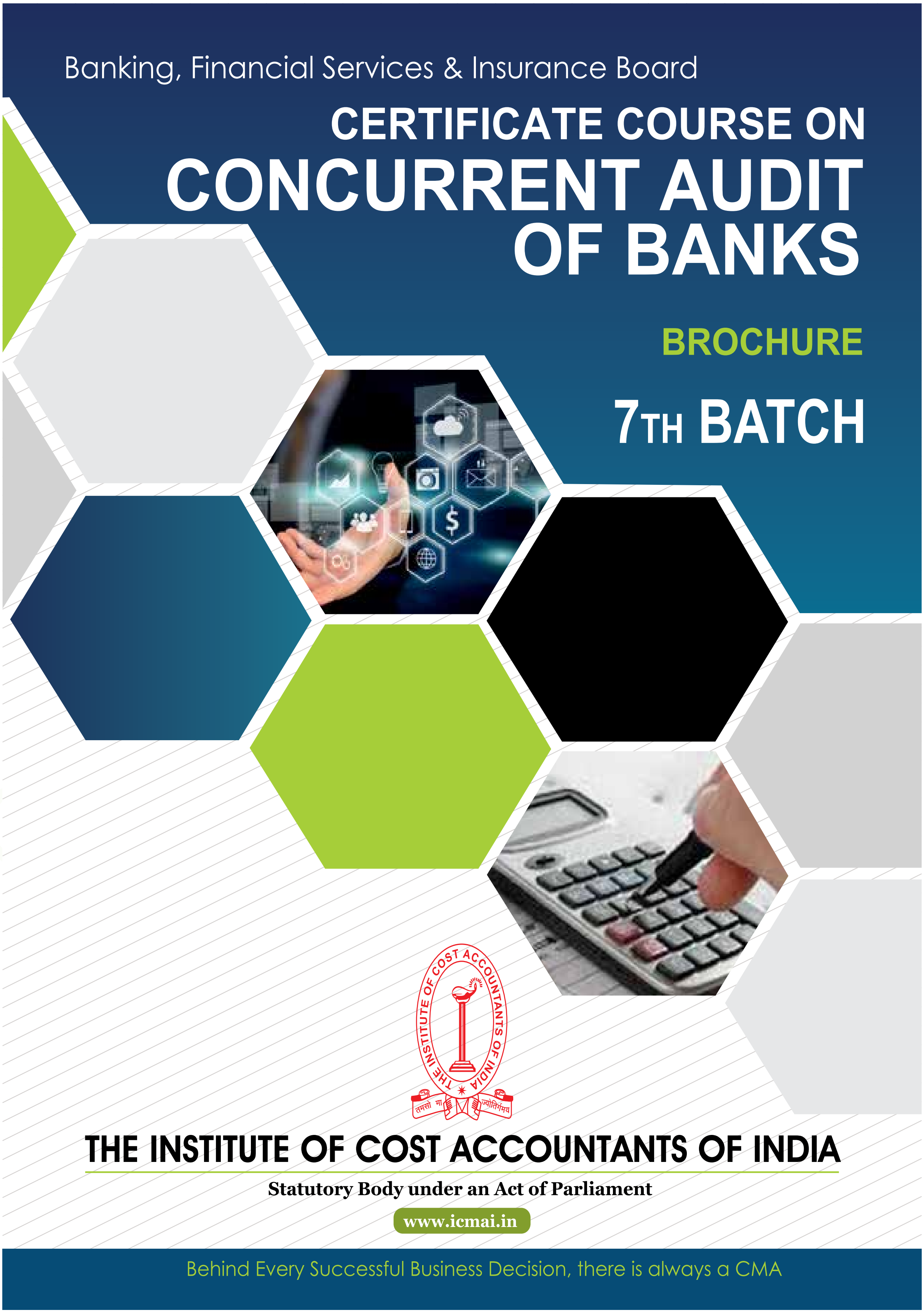
VII) Meeting with dignitaries

The Chairman, BFSIB meet various dignitaries in Mumbai during his visit at Mumbai from 9-11th March, 2022. He met Shri Gopal Murli Bhagat, Dy.Chief Executive, Indian Banks' Association on 10th March, 2022 and discussed various matters pertaining to the activities undertaken by the BFSIB. The Chairman, BFSIB also met Ms.Padamaju Chandru, MD & CEO,NSDL on 10th March, 2022 to discuss various aspects of the BFSIB and future discourses to be undertaken by the Institute in the sphere of BFSIB. On 11th March, 2022 the Chairman, BFSIB met CMA Srikanth Kandikonda, Chief Financial Officer, ManipalCigna Health Insurance Co.Ltd. and discussed various matters pertaining the profession and ways & means in which the CMAs can play an active role in the General Insurance sector. Further, on 11th March, 2022 the Chairman, BFSIB met Mr.Abdul Rauf, IA & AS, Director General, Indian Audit & Accounts Department, Regional Training Institute, Mumbai to discuss the various collaborative activities to be undertaken.

He also met various IRDAI Officials including CMA P.K.Arora Member (Actuary) and CMA Ramana Rao A, General Manager ,Finance and Accounts –Life Insurance Department in the month of March, 2022.

VIII) Webinar on "JOURNEY TO THE FUTURE OF BANKING IN INDIA" held on 04.03.2022

The Banking, Financial Services and Insurance Board (BFSIB) under the directions of the Ministry of Corporate Affairs under the celebrations of Azadi Ka Amrit Mahotsav organized a webinar on 4th March, 2022 under the leadership of CMA Chittaranjan Chattopadhyay ,Chairman, BFSIB, on a contemporary topic " Journey to the Future of Banking in India" which saw a huge number of participations from Cost and Management Accountants and Bankers. The Chief Guest of the event was Shri M.Karthikeyan, Executive Director, Bank of India. The other guests who graciously participated in the webinar were Shri C. Bharathi, General Manager, Indian Bank, Shri Burra Butchi Babu, Member, IT Advisory Board, Punjab and Sind Bank and Shri Nagamohan Gollangi, Chief Information Security Officer, Bank of India. The moderator of the event was the doyen of our profession, CMA Mohan Vasant Tanksale, Former Chief Executive of Indian Banks' Association.


Banking, Financial Services & Insurance Board
CERTIFICATE COURSE ON
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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 2d largest Cost & Management Accounting body in the World and the largest in Asia, having a large base of about 85,000 CMAs either in practice or in employment and around 5,00,000 students pursuing the CMA Course.

Institute's Network

Institute's headquarters is situated at Kolkata with another office at New Delhi. The Institute operates through four Regional Councils at Kolkata, Chennai, Delhi and Mumbai as well as through 110 Chapters situated in India, 11 Overseas Centres abroad, 2 Centres of Excellence, 52 CMA Support Centres and 434 Recognized Oral Coaching Centres.

Vision Statement

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

Mission Statement

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

Course Objective

The Banking, Financial Services and Insurance Board is pleased to offer **Certificate Course** on **"Concurrent Audit of Banks"** to enable participants to understand the intricacies of Concurrent Audit of Banks.

This course aims to impart in-depth knowledge on concurrent audit of banks and to help the participants to acquire with the knowledge/skills to undertake related assignments/Special Audits of the Banks like:

- Forensic Audit (including Forensic Audit of IBC, 2016 Cases).
- Stock and Book Debts Audit of Working Capital Loans/Bills Discount/ TReDS.
- Income Leakage Audit.
- FEMA Audit of Category A, B, C Branches.
- KYC/AML Audit.
- Treasury Department Audit.
- Credit Audit of Rs. 5 Crores and above Advances.
- Agencies for Specialized Monitoring of Accounts (Rs. 250 Crs. and above Advance Accounts).
- To issue Compliance Certificate (Rs. 5 Crs. and above Multiple or Consortium Advances).
- Staff Accountability Exercise in respect of Failed/NPA Advances at incipient Stage.
- To supplement the effort of the Banks in carrying out Internal Audit of the Transactions and other Verifications and Compliance with the Systems and Procedures laid down by the Banks and RBI.

Online Admission Link:
https://eicmai.in/advscc/DelegatesApplicationForm.aspx

CEP Hours: 10 hours
for members of The Institute of Cost Accountants of India

Course Eligibility

FCMA/ACMA/those who have qualified Final CMA examination, Bank Officer or Ex-Bank Officer.

Course Duration

a) Classroom Learning of 3 hours per day in the Weekend through online mode
b) 30 Hours on-line Coaching
c) 2 months course
d) Online Examination for 100 marks

Course Fees

Course Fees (including learning kit) of Rs. 5,000/- plus GST of 18 %.

Special Discount for Corporates
For number of employees 5-10, discount is 15%. For number of employees more than 10, discount is 20%

Examination

Rs. 750 plus GST per attempt.

2 Behind Every Successful Business Decision, there is always a CMA

Certificate Course on Concurrent Audit of Banks

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, Additional Director at bfsi@icmai.in

Dr. Madhumita Sengupta, Joint Director at studies.jd2@icmai.in

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

Statutory Body under an Act of Parliament

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Banking, Financial Services & Insurance Board

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CERTIFICATE COURSE ON CREDIT MANAGEMENT OF BANKS

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Certificate Course on Credit Management of Banks

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Course Objective

The world is increasingly getting inter-connected and complex. Bank Credit mechanism has also undergone phenomenal changes in recent years. Few years ago, Credit meant only Cash Credit, Overdraft and Term Loan. Today quasi credit facilities like Letters of Credit, Bank Guarantees, Co-acceptances, Buyer's Credit and Supplier's Credit etc. are gaining predominance. Keeping in view of importance of Credit Management by banks, The Institute of Cost Accountants of India offers the **Certificate Course** on **Credit Management (CCCM).**

Professionals dealing with Finance or Financial Institutions in one way or other need to possess knowledge of 'Credit Management' guidelines of Financial Institutions like Banks, so that they can provide Value Additive Services to their clients like recommending to the banks the business proposals of entrepreneurs, performing preliminary credit appraisal on behalf of the banks and collate additional supporting information required by the banks/credit institutions etc.

In addition to the above, this course is also useful to the professionals who are dealing with:

- ✓ Various assignments like Forensic Audit, Stock and Book Debts Auditor (As recognized by IBA)
- ✓ Issuance of Compliance Certificate for Banks by practicing professionals in areas like Consortium and Multiple Lending by Banks (RBI Guidelines)
- ✓ Acting as Agencies for Specialized Monitoring (As recognized by IBA)
- ✓ Assignments like 'Concurrent Audit' of Banks and 'Credit Audit' of the Banks.

The Course provides a holistic insight into the various dimensions in Bank Credit Management.

Online Admission Link:
https://eicmai.in/advscc/DelegatesApplicationForm.aspx

CEP Hours: 10 hours
for members of The Institute of Cost Accountants of India

Course Eligibility

FCMA/ACMA/those who have qualified Final CMA examination, Final year Students of the CMA Course/Any Graduate.

Course Duration

a) Classroom Learning of 3 hours per day in the Weekend through online mode
b) 50 Hours on-line Coaching.
c) 2 months course
d) Online Examination for 100 marks

Course Fees

Course Fees (including learning kit) of Rs. 6,000/- plus GST of 18%. Final year Students of the CMA course for an amount of Rs. 4,500 plus GST of 18%.

Special Discount for Corporates
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.

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Certificate Course on Credit Management of Banks

Detailed Course Content

✓ **Introduction & Overview of Credit (Module 1)**

- Principles of Lending: Safety, Liquidity, Profitability, Purpose of Loan, Diversification Risk. Credit
- Policy: Importance, Contents, Exposure Norms
- Types of Borrowers: Individuals, Proprietorship Firms, Partnership Firms, Private & Pubic Limited Companies, Limited Liability Partnerships (LLP).
- Types of Credit Facilities: Various Types of Credit Facilities - Cash Credit, Overdrafts, Demand Loan, Term Loans, Bills Discounting
- Credit Delivery: Sole Banking Arrangement, Multiple Banking Arrangement, Consortium Lending, Syndication
- Credit Appraisal: Validation of proposal, Dimensions of Credit Appraisals, Credit Risk, Credit Risk Rating, Credit Worthiness of Borrower, Purpose of Loan, Source of Repayment, Cash Flow, Collaterals
- Credit Rating: Measurement of Risk, Objective of Rating, Internal & External Rating, Model Credit Rating, Methodology of Rating, Internal & External Comparison, Model Rating Formats. Guidelines on CERSAI registration.

✓ **Analysis of Financial Statements (Module 2)**

- Analysis of Financial Statements: Classification of Assets & Liabilities, Current Assets, Fixed Assets, Non-current Assets, Intangible & Fictitious Assets, Liabilities - Current Liabilities, Medium & Term Liabilities, Capital & Reserve, Classification of Current Assets & Current Liabilities, Balance Sheet Analysis
- Analysis of Profit & Loss Account, Auditor's Note
- Ratio Analysis - Classification of Ratios, Liquidity Ratios, Leverage Ratios, Activity Ratios, Profitability Ratios, Interpretation of important Financial Ratios, Fund Flow Statements and Cash Flow Statements
- Project / Term Loan Appraisal: Technical Appraisal, Commercial / Market Appraisal, Managerial Appraisal, Financial Appraisal, Economic Appraisal, Environmental Appraisal, Project Cost & Means of Finance, Cost of Production & Profitability, Sensitivity Analysis, Break-even Analysis, Capital Budgeting - Pay Back Period Method, Time Value Money, Net Present Value, Internal Rate of Return, Life of the Project.

✓ **Working Capital Management (Module 3)**

- Working Capital Assessment: Concept of Working Capital, Gross Working Capital, Net Working Capital, Working Capital Gap, Components of Working Capital, Source of Working Capital, Operating / Working Cycle, Various Methods of Assessment of Working Capital, Computation of Working Capital - Turnover Method, MPBF Method, Cash Budget System, Analysis of CMA Data
- Quasi Credit Facilities: Advantages of Non-Fund Facilities, Various types of NFB Facilities, Various types Letter of Credits, Assessment of LC limits, Bills Purchase / Discounting under LC
- Various types of Bank Guarantees: Performance Guarantee, Financial Guarantees, Deferred Payment Guarantees, Types of Performance and Financial Guarantees, Assessment of Bank Guarantees Limit, Period of Claim under Guarantee

✓ **Other Credits (Module 4)**

- Export Finance: Pre-Shipment Finance-Export Packing Credit in Rupees, Pre-Shipment Credit in Foreign Currency (PCFC), Post Shipment Rupee Export Finance, Purchase / Discount of Export Bills, Negotiation of Export Bills, ECGC Whole Turnover Post-Shipment Guarantee Scheme.

✓ **Monitoring, Supervision & follow up and Management of Impaired Assets (Module 5)**

- Documentation: Meaning, Importance, Types of documents, Requisites of documentation, Stamping of different documents, Mode and time of Stamping, Remedy for un-stamped / under-stamped documents, Documents of which registration is compulsory, Time limit of registration, Consequence of non-registration, Execution, Mode of Execution by different executants, Period of Limitation, Law of Limitation to Guarantor, Extension of period of limitation.

Behind Every Successful Business Decision, there is always a CMA 3

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

CMA Arup S Bagchi, Sr. Director at bfsi.hod@icmai.in/membership.director@icmai.in

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Banking, Financial Services & Insurance Board

CERTIFICATE COURSE ON

TREASURY AND INTERNATIONAL BANKING

6TH BATCH

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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.

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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
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.

2 Behind Every Successful Business Decision, there is always a CMA

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

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

CMA Arup S Bagchi, Sr. Director at bfsi.hod@icmai.in/membership.director@icmai.in

CMA Dibbendu Roy, Additional Director at bfsi@icmai.in

Dr. Madhumita Sengupta, Joint Director at studies.jd2@icmai.in

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

Statutory Body under an Act of Parliament

www.icmai.in

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8TH BATCH

ONLINE

CERTIFICATE COURSE IN

INVESTMENT MANAGEMENT

(With Exclusive Hands on Trading in Algo and Trading Analytics Lab)

Banking, Financial Services & Insurance Board

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

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NiSM NATIONAL INSTITUTE OF SECURITIES MARKETS An Educational Initiative of SEBI

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.

2

Behind Every Successful Business Decision, there is always a **CMA**

Certificate Course in Investment Management

ONLINE CERTIFICATE COURSE IN INVESTMENT MANAGEMENT

(With Exclusive Hands on Trading in Algo and Trading Analytics Lab)

Course Objective

The course aims at providing a better understanding of the Investment decision making process and strategies for investment, with emphasis on equities, equity derivatives and mutual fund investments. The course helps to develop fundamental skills for successful investment by providing insights into how the models can be applied in the real world dynamic environment with the objective of maximising returns and minimising risk. Provides an exposure to trading simulations through the NISM Algo and Trading Analytics lab.

Course Content

The course is divided into **3 levels.** Each level can be taken separately and completed based on the needs and priorities of the participants. The contact classes and hands on practice time for **each level** will be **30 hours.** All three levels put together aim at providing a holistic view of investment management and help in preparing for different roles offered by capital market intermediaries.

The Bridge course is meant to introduce the securities markets basics to participants who are not conversant with the same. The bridge course will provide an overview of Financial markets, investible assets, the concept of risk and return and financial ratios for investment evaluation. The duration of the **bridge course** will be for about **6 hours.**

Stock Selection and Trading in Equity – Level I

- Stock picking and investing styles
- Equity Market operations and concepts
- Lab based sessions on order execution, order and trade management and queries.
- Risk management framework and client level investment risk management

Technical Analysis and Mutual Fund – Level II

- Chart types and Chart construction
- Patterns and indicators- trend, momentum, volatility, oscillators.
- Strategy building and backtesting - reading reports.
- Hands on session covering above concepts
- Mutual funds - introduction, products, investment goals - how to pick mutual funds for investment needs using case studies

Basic Derivatives and Derivatives Trading Strategies – Level III

- Introduction, derivative products - futures and options.
- Equity futures - pricing, trading strategies, hedging using futures
- Equity options - Strategies for option buyers and use of option greeks
- Strategies for option writer and use of option greeks
- Hands on session - building derivative strategies for bull, bear and consolidating market phases and execution

Behind Every Successful Business Decision, there is always a **CMA** 3

Certificate Course in Investment Management

Course Takeaways

- At the end of Level I the participant will be able to pick stocks for investment and also execute those decisions efficiently through online trading terminals. The participant will also understand risk and capital required for trading in equity cash markets.
- Level II will help in timing the execution of investment decisions using technical tools. Understand major patterns and indicators and predict trends. Overview of Mutual Fund schemes and how to select Mutual Fund schemes for investment.
- Level III will build basic understanding of derivatives and also help in understanding and applying strategies for different market regimes like bull markets, bear markets and markets in consolidation mode.

For YOU

- Understand online trading operations and how markets work
- Using technical indicators to predict market trends
- Formulate investment strategies (equity and equity derivatives), apply and maximise profits with reduced risk
- Explore new strategies and apply in the real world simulation environment
- Understand the impact of events and news on markets
- Minimise the impact of volatility and manage risk

For Your COMPANY

- Prepare for roles like "dealer desk" and client management in broking firms
- Proficiency in dealing with both equity and equity derivatives
- Improve the potential to execute and manage trades and positions across both equity and equity derivatives more effectively
- Understand the risk management framework

Eligibility

- Students pursuing CMA Course (Foundation/ Intermediate/Final)
- Qualified CMAs and members of the Institute of Cost Accountants
- Student with non-commerce or non-accounting bachelor's degree will have to enrol for bridge Course

Course Fees

Sl. No.	Particulars	Proposed Course Fees (Rs.)	
		Members or Others	Students
1.	Investment Management (Level – I)	4,000	3,600
2.	Investment Management (Level – II)	6,000	5,400
3.	Investment Management (Level – III)	9,000	8,100

\# GST of 18% is applicable on the basic rate

Details of Payment is stated in BFSI Portal of the Institute's website.

4

Behind Every Successful Business Decision, there is always a **CMA**

Certificate Course in Investment Management

Key Features

- Delivered online through WebEx platform by experienced faculty from NISM
- Webex platform Offers opportunity for participant interaction and Q&A through chat box, questions etc
- Exposes the participants to the dynamic trading environment through lab based sessions
- Brings real world experiential learning to the classroom
- Course offers unique hands on trading and investment experience through the Algo and Trading Analytics lab
- Access to the Algo and Trading Analytics Labfor a period of 4 weeks for self-study, assignment and hands on practice sessions as per market working hours on working days and Saturdays.
- Rigour maintained through periodic assessment – online quiz and lab based assignments

Assessment for Each Level

- Quiz – online quiz with weightage of 60%
- Assignment – With weightage of 40%

Certificate of Completion – Will be issued to those participants who complete the assessment with minimum of 50% marks in aggregate.

Detailed Course Outline for Each Level (Level I/II/III)

Stock Selection and Trading in Equity - Level I

The Level I is a foundation level program for Investment management professionals. It blends the methods of valuation of equity and identifying stocks for investment with the process of execution of the investment idea through trading terminals. The course combines investment decision making with trading operations covering both the idea and the execution aspects of investment.

Objectives

- Understand the methods for valuation for equity and investment decision making styles – value and growth investing.
- Understand the nuances of operations in equity cash markets – trading, order matching,
- Session in a market and global market structure.
- To provide an overview of trading operations and market operations, across Equity cash segments
- From a dealer role perspective enable the participants with hands on sessions on trading in equity cash markets with emphasis on order punching, trade and position Management and understanding of trading strategies.
- Understand Risk management at client level and exchange level.

Content

The program is designed as an intensive practical program spread across 30 hours of online sessions, hands on sessions in lab and self paced explore the lab sessions. The following topics will be covered:

- Overview of Financial Markets – Institutions and instruments
- Investment in Equity – Valuation methods, models and investment styles
- Trading basics Equity Cash Markets – Products, Concept, trading clearing and settlement process, order matching Rules and trading operations with emphasis on order and trade management.

Behind Every Successful Business Decision, there is always a **CMA** 5

Certificate Course in Investment Management

- Lab based session – Getting started, Order and trade management, position management
- and queries and trading strategies
- Extensive hands on sessions on understanding client level risk, news based trading sessions and case studies using live and recorded data.
- Risk Management at client and exchange level – Margins, circuit breakers, price limits, minimum capital etc.
- Global Market micro structure - overview

Assessment

Quiz – online quiz with weightage of 60%
Assignment – With weightage of 40%

Certificate of completion – Will be issued to those participants who complete the assessment with minimum of 50% marks in aggregate.

Technical Analysis & Mutual Fund - Level II

Level II is structured to provide insights into technical analysis as a tool to time the execution of equity investment decisions so as to buy low and sell high. The course blends the understanding of different indicators like trend, volatility, Momentum and combinations of the above indicators, back test the same on historical data, improve the strategy and create profitable strategies that are ready to implement in the markets.

Pre-requisite

Good understanding of the trading process, trading operations, margining system, cash market products and fundamental valuation methods is required. – Level I on equity valuation and trading in equity is a desirable pre-requisite for this program.

Objectives

To understand the importance of technical analysis, different indicators and patterns. To prepare the trading strategy and the set up for intra day trading or short term trading. To apply the strategies developed in real markets and understand the effectiveness of the strategies developed.

Content

The program is designed as an intensive practical program spread across 20 hours of online sessions, hands on sessions in lab and self paced explore the lab sessions. The following topics will be covered:

- Overview of Financial Markets – trading operations, Introduction to Technical Analysis
- Chart types and chart construction
- Support, Resistance, Patterns
- Trend indicators, Momentum indicators, Oscillators and Volatility Indicators. Using combination of indicators for strategy.
- Dow and Elliot wave theory
- Hands on session on building and application of different indicators, forming strategies and backtesting strategies
- Hands on sessions on reading backtesting reports and arriving at profit maximisation trading strategies
- Risk management – Stop loss, trailing stop loss, Risk reward ratio
- To choose Mutual Fund schemes for investment

Assessment

- Quiz – online quiz with weightage of 60%
- Assignment – With weightage of 40%

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6 Behind Every Successful Business Decision, there is always a **CMA**

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

BROCHURE

Online Admission Portal Link:
https://eicmai.in/advscc/DelegatesApplicationFormNew.aspx

For more details

Course Coordinator from BFSI Department

CMA Dibbendu Roy - Additional Director
E-mail: *bfsi@icmai.in*
Mobile: 96434-43047 / 83686-93781
&
Mr. Ashutosh Kumar
E-mail: *ssir@nism.ac.in*
Mobile: 93260-22370 / 75065-81992

Also, the program will be on webex platform and software is accessible on Windows Operating System of 7 and above. Good internet connectivity is a must for participants and connection must be through desktop/laptop.

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3RD BATCH

ONLINE
CERTIFICATE COURSE IN

INTEGRATED TECHNICAL ANALYSIS AND ADVANCED DERIVATIVES

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Certificate Course in Integrated Technical Analysis and Advanced Derivatives

ONLINE CERTIFICATE COURSE IN INTEGRATED TECHNICAL ANALYSIS AND ADVANCED DERIVATIVES

Program Objectives

The program is designed to enable the participants with advanced knowledge that integrates Technical Analysis with Derivatives so that they can meaningfully use derivatives for risk management, hedging and trading activities. Formulate strategies that blend with the market trend and achieve the goals of Investment. The course (prerequisites) assumes that the participants are well versed with basic technical analysis and have exposure to trading in equity derivative products – Futures and Options.

Programme Takeways

- Trade setup with technical analysis and derivatives for consolidating, bull and bear market phases.
- Options and option writing – Understanding use of Greeks for option strategies.
- Meaningfully combine Technical Analysis with derivatives to better understand markets.
- Understand and manage the impact of events on stock prices.

Key Contents

1. News based Technical Setup
2. Breakout and positional trade setup
3. Option trading strategies
4. Swing trading strategies
5. Option writing
6. Option Greeks setup and strategies

Who Can Attend

- All those who have participated in the 3 levels of NISM ICAI joint online investment management program
- Candidates who have basic knowledge of Technical analysis and have completed Equity Derivatives NISM certification examination can also take the course

Course Fees

Sl. No.	Particulars	Proposed Course Fees (Rs.)	
		Members or Others	Students
1.	Investment Management (Level – IV)	20,000	18,000

GST of 18% is applicable on the basic rate. *Details of Payment is stated in BFSI Portal of the Institute's website.*

Course Timing

The total course duration will be 30 hours.

LAB Access

Will be provided for a limited period of one month to apply the strategies learnt in the classroom

LAB access system requirements –

- Should have a laptop or desktop with windows version 7 or above.
- Good internet access to attend the classes without any interruption.

PROGRAM WILL BE ON GOOGLE PLATFORM...
THIS CAN BE CHANGED DEPENDING ON THE REQUIREMENTS OF THE INSTITUTE

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3

BROCHURE

Online Admission Portal Link:
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Details for Purchase of ***"AIDE MEMORIE ON LENDING TO MICRO, SMALL & MEDIUM ENTERPRISES SECTOR"*** please visit :

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

Snapshots

CMA Chittaranjan Chattopadhyay, Chairman BFSIB of the Institute met Mr Abdul Rauf, IA&AS, Director General of Regional Training Institute of CAG and handed over a copy of the book titled Aide Memoire on Lending to Micro Small and Medium Sector Enterprises (including Restructuring of MSME Credit).

CMA Chittaranjan Chattopadhyay, Chairman BFSIB of the Institute met Shri P K Arora, Member IRDAI and apprised him of various activities undertaken by BFSIB on Insurance sector.

CMA Chittaranjan Chattopadhyay, Chairman BFSIB of the Institute met Smt Padmaja Chundru, MD & CEO of NSDL, Former MD & CEO of Indian Bank and discussed on the role and relevance of CMAs in Capital Market.

Snapshots

CMA Chittaranjan Chattopadhyay, Chairman BFSIB of the Institute met Shri Gopal MurliBhagat, Dy Chief Executive Officer and Shri Shiva Kumar Sharma, Senior Advisor of the Indian Banks' Association.

CMA Chittaranjan Chattopadhyay, Chairman BFSIB of the Institute met CMA Srikanth K, CFO, Manipal Cigna Health Insurance Co.Ltd.

FINANCIAL SNIPPETS

From December 16, 2021 to March 15, 2022

- UPI - In December 2021, 4.56 billion transactions and Rs. 8 trillion by value
- Digital payments have gone up by 40% as on September 20 21 as per RBI index
- India's residential real estate saw a 71% rise in sales year-on-year in 2021. The sales stood at 90% of pre-pre-Covid levels
- Exports to touch US dollar 400 billion this fiscal
- RBI extends tokenisation deadline
- RBI monetary policy on 8 Feb 22 has kept the benchmark interest rate at 4% and decided to continue with its accommodative stance. It is the tenth consecutive time since the rate remains unchanged.
- RBI unveils framework to enable small value digital payments in off-line mode
- Consumers sentiment index has gone up
- State Bank raises IMPS transaction limit to Rs.5 lakhs.
- Large, mid-sized banks report 11 to 23% loan growth in December quarter
- LIC assets at US dollar 463 billion, exceeds GDP of several economies
- ECLGS stop 14% of loans from Slipping into NPA as per SBI report
- CVC expands ambit of advisory board (ABBFF) on large bank frauds to cover all frauds of over Rs.3 Cr
- GDP may grow 9.2% in FY 22 as per government estimates- fastest in the world
- Auto debit payment bounces or bounce rates in December 2021 fell to their lowest since the COVID-19 pandemic breakout and were even lower than pre-Covid levels, continuing the trend witnessed since July 2021
- RBI has created a new Fintech department
- World Bank upgrades India FY 23 forecast to 8.7% from 7.5%
- Industrial growth slows in December while retail inflation soars in November
- Credit growth visible across sectors in Q3 says SBI research report
- LIBOR, most important number in international finance dies at 52
- RBI study – Omicron maybe flash flood, not Wave
- Credit growth surges to 9.2% in December. Business in last fortnight of Q3 drives growth.
- LIC stake sale may ease fiscal deficit in FY23 as per SBI research report.
- Digital payments see rapid growth in March – September as per RBI. The Reserve Bank of India's digital payments index (DPI) which was launched in January 2021 to integrate extent of digitisation of payments across the country shows that the index for September 2021 stood at 304.06 against 270.59 in March. This indicates rapid adoption and deepening of digital payments across the country.
- Centre notifies new guidelines to enhance capital goods sector's competitiveness
- Capital markets more important than banks for economic revival. Rs.89 066 crore was raised via 75 IPOs. It is pointed out that the current financial year proved to be exceptional for primary markets with a boom in fundraising through IPOs by many new-age companies/ tech start-ups/unicorns, much higher than in any year in the last decade
- 51% of bank deposits are insured. This was higher than the international benchmark of 20–30%

- India home to more than hundred space start-ups as per economic survey. A total of 47 start-ups were added in the space sector in 2021 compared to just 21 in 2020
- Private banks stingy in passing on lower borrowing costs. They trail State run lenders in slashing cost of funds in current rate-easing cycle despite record profits
- Before admission to NCLT, 18629 applications seeking resolutions for Rs.5.90lakh Cr Debt resolved even before admission to bankruptcy court. Up to September 2021 number of debt resolutions under IBC 421 and lenders could recover Rs.2.55 lakh Cr
- In a bid to make the MSME sector more competitive the centre said it will be rolling out the Raising and Accelerating MSME Performance (RAMP) programme with an outlay of Rs.6000 crore over five years
- PMAY allotment higher at Rs. 48,000 crore.India's flagship – Pradhan Mantri I Awas Yojana had been allocated Rs.48,000 crore across the urban and rural categories budget 2022–23
- Indian Corporate's overseas borrowings up 19% in first nine months of FY 22. Companies use low interest issuances to refinance existing debt
- IBC recovery as on 31 Dec 21 is Rs.2.5 lakh crores against Rs.7.54 lakh crores which is at 33%
- RBI accepts the plea for penalty waiver in case of ATMs run out of cash in unforeseen circumstances
- Bounce rates lowest in January 22 since August 19.
- Bank credit growth is at 8.2% yoy as on 28 Jan 2022
- e- Rupi cap hiked to Rs. One lakh
- Unclaimed amount with LIC is at Rs. 24356 Cr
- AUM of LIC is at Rs. 39 lakh Cr.The AUM is 3.3 times the total AUM of all private life insurers in India, 1.1 times of AUM of all Mutual Funds in India, 18.5% of annualised GDP of fiscal 2022
- Pass through of rate cuts is complete at 115 basis points as per RBI
- Specified NBFCs must introduce Core Financial Services Solution CFSS by 30th September 2025 as per RBI
- Currency in circulation touches 52-week high at Rs.30.5 lakh Cr rupees– 8.2% yoy
- Bounce rates lowest in Q3 since Covid 19
- Zombie firms, ie perpetually loss-making companies, absorbed 10% of total bank credit as per RBI
- Forex reserves at USD 632.95 billion
- Public sector banks to get 15,000 crores via zero coupon bonds
- Digital payments continue robust growth in February.UPI processed Rs.457.2 CR transactions worth Rs.8.26 lakh Cr
- LIC may postpone IPO
- Swift payments between lenders in India and Russia grind to a halt amid sanctions
- Urban loan sanctions shrink as NBFCs focus on rural
- Co-lending to MSE sector to get a boost with introduction of guarantee cover
- Assets of alternative investment funds grew 38%, cross Rs.6 LAKH crore in 2021
- RBI may keep rates on hold in April say bankers
- Consumers spending using credit cards remained robust in January and February even after the festive season and it is a sign of growing consumers confidence and pickup in consumption
- SBI stops transactions related to sanctioned Russian entities
- February services PMI improve a tad to 51.8
- Government plans to bring out new accounting norms for LLP
- Bankers see trade, forex as concerns amid Russia curbs
- NBFCs looking to sell bad loans before RBI norms set in
- Iran model rupee – ruble peg being considered for Russian payments

- India's banking sector is leading in implementation of AI as per PwC – FICCI survey
- India is the second-largest global venture capital investment hub for digital shopping companies, growing by a whopping 175 per cent from USD 8 billion in 2020 to USD 22 billion in 2021, according to an official analysis released here
- RBI to immediately stop on boarding new customers Action against Paytm Bank
- Growth is likely to be impacted by Russia – Ukraine conflict. Inflation, increase in current account deficit and rupee depreciation among concerns
- RBI unveils UPI for feature phones. 24×7 helpline for digital payments. These features will further deepen the digital ecosystem and financial inclusion.
- RBI extends interest subsidy scheme for exporters till March 2024
- Credit card spends down 7% in January as shoppers go easy post festive splurge
- Bankers may miss March- end target for moving stressed assets to NARCL
- Retail inflation at eight month high, double digit WPI for 11th month. Crude jumped to put pressure on prices, discretionary spends down, shift to any branded products seen.
- Bank frauds fall drastically over last 5 years to Rs. 648 Cr in Apr- Dec FY 22
- Proposed digital currency by RBI to speed up transactions, reduce cost of cash as per Deloitte.
- Fitch revises outlook on Indian banks operating environment to stable from negative
- Lenders seek loan demand, rush to raise funds
- No immediate impact of Russia Ukraine crisis on Indian banks as per Crisil ratings
- IIP growth inches up to 1.3% in January 22 from 0.7% in December
- India breaks into world's 'top five club' in terms of market capitalisation.
- Exports up 25.1% to $34.57 bn in Feb; trade deficit widens to $20.88 bn India's exports rose 25.1 per cent to USD 34.57 billion in February on account of healthy growth in sectors like engineering, petroleum and chemicals, even as the trade deficit widened to USD 20.88 billion, according to data released by the Commerce ministry.

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