BANKING FINANCIAL SERVICES AND INSURANCE (BFSI)

CHRONICLE

3rd VOLUME - SEPTEMBER 2020

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

(Statutory Body under an Act of Parliament)

www.icmai.in

Headquarters: CMA Bhawan, 12 Sudder Street, Kolkata - 700016

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Behind every successful business decision, there is always a CMA

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"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 108 Chapters situated at important cities in the country as well as 10 Overseas Centres. It is under the administrative control of Ministry of Corporate Affairs, Government of India.

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Chairman's Message

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

"Opportunities don't happen. You create them."- Chris Grosser

For the first time perhaps in the last 6 months, I begin my communiqué on an optimistic note with the economy limping back to normalcy even as the deadly covid-19 virus continues to wreck havoc around the world and there seems to be no respite from it. India is now in the Unlock-4 stage of the Post COVID-19 scenario after the after effects of the pandemic has left a deep and cavernous scar on the economy which has encountered a torrid 1st Quarter with the GDP expected to contract 6.3% year-on-year.

The economy is expected to rebound in the second half of the Financial Year as the impact of pandemic recedes and is expected to grow by 6.7% in the next FY. Now that the normal business activities have commenced and the wheels of commerce have started to roll the economy is poised to make a turn around. Thanks to a slew of measures undertaken by the Government of India, one of which was the appointment of Shri K. V. Kamath as the Chief of the Expert Committee for preparation of Resolution Framework for Covid-19 related stress. Our Institute has given such representation to the Committee for availing the services of the CMAs for independent evaluation of such resolution plans. The Institute has also made communication with the Reserve Bank's top management for them to take immediate action for inclusion of CMAs in such framework.

I am happy to state that with the persuasive efforts of CMA Vijender Sharma, Chairman, PD & CPD Committee we have been included as CMAs for stock audit in Indian Bank. I acknowledge and appreciate their endeavor for inclusion of CMAs in activities which helps us in level playing field with other professionals. The Banking, Financial Services and Insurance Committee, for the first time in the history of the Institute, had taken initiative of launching of three courses under the aegis of the Institute. The courses that have been launched are Certificate Course on Concurrent Audit of Banks, Certificate Course on Treasury and International Banking and Certificate Course on Credit Management of Banks. These courses are primarily aimed at capacity building and skill enhancement of our members and are offered on online mode. I am happy to state the BFSI Department has conducted a series of webinars on Banking, Financial Services and Insurance (29 of them) and also 10 WEBINTs in the areas of contemporary interest in the areas of BFSI for the benefit of members and students. The Department has also conducted 3 programmes with Indian Chambers of Commerce where a sizeable number of members had joined for the programmes jointly conducted with them. I sincerely hope that with our association with National Institute of Securities Markets (an educational initiative by SEBI) would bring about a joint course on Investment Management which would be useful for the members and students in the genre of Capital Markets. The objective is to create awareness and skill development in the field of Capital Markets which is very much necessary in the current times.

With such constructive objectives in mind I am pleased to launch the 3rd issue of the BFSI Chronicle and with our zest for knowledge dissemination we hope to undertake many more such activities in the days to come for the interest of all the stakeholders connected with the Institute.

Wish you all to take care in this pandemic scenario of yourselves and your near and dear ones.

Jai Hind!

With Warm Regards

CMA Chittaranjan Chattopadhyay

September 16th, 2020

From the Desk of BFSI Team

With another edition of the BFSI Chronicle ready to see the light of the day, the economy is limping back to normalcy with resumption of normal activities, even though there seems to be no respite from the deadly virus with each state recording its highest spike every second day and breaking its own record. The daily average spike being close to a lakh PAN India, the Jury is undoubtedly out that there has been an exponential growth in covid-19 cases with total cases close to 60 lakhs and more on the cards in very near future. Thankfully, we are getting used to the neo-normal way of life and nothing can deter us from going back to the normal way of living.

The Government, on its part, has ensured that the economy should not come to a standstill and has allowed significant relaxations and directed that states will no longer be permitted to impose restrictions outside the containment zones without the permission of the centre. The deadly virus has made a huge dent in the economy though it could not damage the economy as India fights back with almost all economic activities resuming. The stock markets have shown spectacular recovery with the S&P BSE SENSEX enjoying a third straight month of gains and the price index has now risen 49% since the lows of late March. Smaller firms outperformed this month as the S&P BSE Small Cap became the first size range to move into positive territory for 2020. The SENSEX had seen a great run from 25981 on 23rd March 2020 to 38000 plus during last week of August 2020 showing great recovery triggered by inflow of funds from FIIs coupled with excellent monsoon this season.

Another silver lining that we must mention is the decision of the Reserve Bank of India's (RBI's) to bring startups under the purview of priority sector lending (PSL), a move that will make it easier for startups to raise funds from banks. This is a very commendable initiative of the RBI which will ensure the startups to avail of loan facilities and improve upon their liquidity position. Sectors that are already under PSL are agriculture, MSMEs, education, housing, social infrastructure among others.

The present BFSI Chronicle carries interesting articles from our esteemed authors and we are pretty sure that these will make a good reading.

Happy reading!!!

FINANCIAL SERVICES

EMERGING LANDSCAPE FOR INDIVIDUAL INVESTORS IN INDIA

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Background and Context

The Bombay Stock Exchange (now the BSE Ltd) has a glorious history since 1875, and was an outcome of the innate trading skills developed by 'natives' in the cotton trade. Cotton was a major export from British India, as an outcome of the Civil War in USA, which led to the stoppage of American cotton to the textile mills of UK.

Upon attaining independence, Indians took over ownership of several companies, and also established several companies on their own, leading to the emergence of business houses. Public Sector Units (PSUs), the 'temples of modern India' came into being from the 1950s. However, retail ownership in shares was spurred by two major events: firstly, the enactment of the Foreign Exchange Regulation Act, 1973, necessitating compulsory dilution of a minimum 40% of foreign ownership in Indian companies; secondly, the public issue of shares of Reliance Industries in 1977, which broad-based the equity cult in India. This, a small but distinct breed of individual investors came into being in the 1970s. There was one bout of stock-market euphoria followed by its puncture in the late 1980s.

SEBI got its statutory teeth in 1992. The Harshad Mehta boom-bust of the early 1990s was followed by a sense of despondency for a decade that followed. Then came the National Stock Exchange (NSE), Dematerialisation, electronic trading, and the introduction of Futures, and later, Options.

From 2004 to 2008, there was a dramatic rise in investors in tandem with a three-fold rise in the stock indices, which ultimately collapsed in the aftermath of the Global Financial Crisis of

2008. This again led to a shakeout in the community or individual investors, and coincided with the rising popularity of mutual funds. With every fall in the market, investors' faith was reinforced in Real Estate, Gold and Bank Fixed Deposits.

Another phenomenon, a demographic one, that has taken place in India, particularly since the late 1980s is that of the 'working couple', leading to more than one earning member in a family (sometimes, three, with the child attaining adulthood and taking up employment). This adds to the investible surplus of a household.

Just as in 2008, the Covid-19 pandemic of 2020 has forced a rethink among the investor community. What are the choices before an individual investor at the current juncture? This is the question uppermost in mind, at the time of penning this article.

Organization of Contents

This article attempts to trace the transition of the Indian investor from physical assets to financial assets, induced by the fall in global equities in March 2020. While the development of a domestic investor base consisting of individuals augurs well for the Indian corporate sector, it remains to be seen as to whether this trend is sustainable.

The article is organized into four parts:

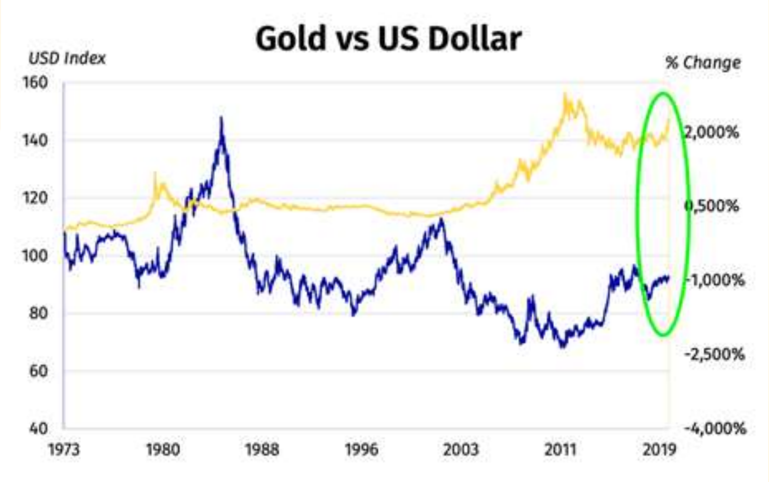
I. Investment Characteristics of Non-Financial Assets: Real Estate and Gold
II. Investment Scenario for Interest Bearing Securities
III. Investing in Mutual Funds
IV. Direct Investing in Equities

Each of these aspects are discussed in the paragraphs below.

I. Investment Characteristics of Non-Financial Assets: Real Estate and Gold

The three most popular investment avenues among Indians are: Real Estate, Gold and Bank Fixed Deposits. Of these, Real Estate investments are large and lumpy. As regards Gold, a weakening of the US Dollar and heightened global uncertainty has led to a sharp increase the price of Gold, as shown in Figure 1 below.

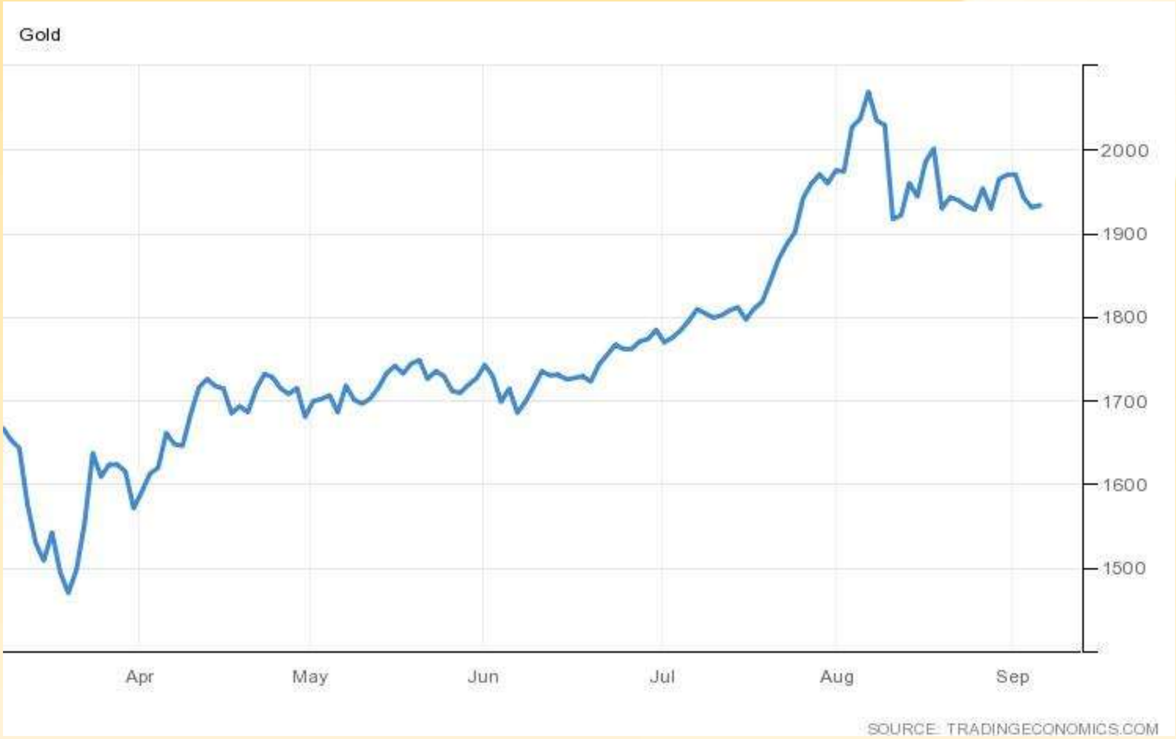
Fig. 1 Gold US Dollar Relationship



Source: kitco.com

Figure 1 depicts a decline in the USD (the blue plots) contrasting with the rise in the price of Gold (the yellow plots), on the vertical axes and the time from 1973 to 2019 on the horizontal axis, respectively. This increasing divergence over time potentially moves investors away from USD (a fiat currency like all other currencies) and into Gold. This had the effect of raising the price of Gold at a rapid pace, as can be seen in the paragraph below.

Figure 2: Gold Prices, March to September 2020



Source: https://tradingeconomics.com/commodity/gold

Figure 2 depicts time on the x-axis and gold prices in USD/ounce on the y-axis. As per Figure 2, the steepness and pace of price acceleration placed gold out of the reach of investors, making it less attractive as an investment option.

II. Investment Scenario for Interest Bearing Securities

With the gold prices taking itself out of the reach of investors, bank deposits come into consideration. As a reference, a history of the RBI repo-rate trend is captured in Figure 3 below.

Figure 3: RBI Repo Rate

Source: https://tradingeconomics.com/india/interest-rate

The declining trend in the repo rates, backed by RBI's steps to revive the economy in the backdrop Covid-19 is not conducive for savers and investors in debt instruments and hence they may seek other alternatives, such as mutual funds and equities.

III. Investing in Mutual Funds

Benjamin Graham, the Dean of Securities Analysis, had advocated a diversified portfolio, 50% in bonds and 50% in blue-chip dividend-yielding stocks as an investment avenue for individual investors, in his seminal work, 'The Intelligent Investor'. Towards this end, he advocated mutual funds as an investment vehicle. John Bogle, founder of Vanguard, who revolutionized the world of investment, offered a low-cost solution for individuals through index-mutual funds. As a result, mutual funds became the de-facto investment vehicle for individual investors in USA. This trend caught on across the world.

The Securities and Exchange Board of India (SEBI) has constantly been working at lowering the cost of mutual fund investing. In parallel, the disadvantages of investing in complex, high-commission, non-transparent bundled products such as Unit Linked Insurance Plans (ULIPs) by the life insurance sector were brought to the notice of the public since 2008. Regulatory pressure from SEBI have since led mutual fund products to shed reduce fees, loads, commissions, expense ratios and also enhanced transparency in processes such as separation of advisory and distribution activities, and consolidation of schemes. An industry-wide drive along the lines of *'Mutual Funds Sahi Hai'* had the effect of popularizing mutual funds. This is represented by statistics from the Association of Mutual Funds of India (AMFI).

The Industry's AUM had crossed the milestone of ₹10 Trillion (₹10 Lakh Crore) for the first time in May 2014 and in a short span of about three years, the AUM size had increased more than two folds and crossed ₹20 trillion (₹20 Lakh Crore) for the first time in August 2017. The Industry AUM stood at ₹27.12 Trillion (₹27.12 Lakh Crore) as on July 31, 2020.

The total number of accounts (or folios as per mutual fund parlance) as on July 31, 2020 stood at 9.21 crore (92.1 million), while the number of folios under Equity, Hybrid and Solution Oriented Schemes, wherein the maximum investment is from retail segment stood at about 8.03 crore (80.3 million). **This is 74th consecutive month witnessing rise in the no. of folios.**

Source: https://www.amfiindia.com/indian-mutual

Over the years, the number of SEBI-registered Mutual Fund houses has reached 49, as per SEBI's website accessed on September 7, 2020. There are a total of 1792 schemes as at the end of July 2020. How does one select a mutual fund scheme? Perhaps one may need a Financial Advisor. The total number of available schemes exceeds the number of companies listed on the NSE, which is 1381. While the number of MF schemes may confuse investors, episodes such as IL&FS, DHFL, Zee Entertainment and Yes Bank reveal that MFs have been unable to shield investors from bad companies. Side-pocketing has been permitted by SEBI, subject to certain procedures and disclosures. The closure of 6 schemes by Franklin Templeton has also served as a dampener for existing and potential MF investors.

MFs also align themselves to a benchmark, for evaluating performance. A frequently used index is the NSE Fifty or NIFTY. It has been observed, particularly from 2019 and subsequently, that the NIFTY is influenced heavily by 5 big movers, viz., HDFC, HDFC Bank, Bajaj Auto, Bajaj Finance and Reliance Industries. Moreover, some stocks in the index were laggards, such as Yes Bank (in the past, Satyam Computers), due to governance issues. Thus, laggards in the index are also likely to be bought by MFs as part of the basket, supposedly replicating 'the market'. It follows that returns from such a basket are likely to be subdued. Logically, direct investment in the 5 top stocks would have fetched better returns, simply by avoiding the other 45 stocks in the index, especially the laggards such as Yes Bank, that were removed later. These are some factors that possibly turned investors towards direct investment in stocks. It is important to note that inclusion of 'rogue' companies in an index tends to subsidize the cost of equity of such rogue companies. This is an unintended subsidy, and also exposes the funds of the public (through MFs) to wrong companies, at the expenses of bypassing another deserving company.

IV. Direct Investing in Equities

For a few years now, companies such as Zerodha have been onboarding clients and providing them with an experience of direct investment in equity stocks. One more opportune moment for direct investment came to the fore from March 23, 2020, following the global fall in equity prices. Index stocks were available at 2017 prices, and mid-cap and small-cap stocks were available at 2012 prices, in the panic that followed. Concerted action by central governments and central bankers the world over, led to a market rebound to pre-Covid-19 levels within a span of a few months. As reported in the Economic Times on May 4, 2020, about 1.2 million new investors opened demat accounts with the Central Depository Services (CDSL) alone in March 2020 and April 2020. About 6.18 lakh new demat accounts were opened in CDSL in March and another 6 lakh in April. As per the same report, Zerodha added a record 3 lakh new customers in these two months, 65% being first-time investors. Zerodha is a Depository Participant (DP) under CDSL. The prime reasons for such an interest in the equity market are attractive valuations, free time due to the lockdown and ease of transactions because of the work-from-home routine, as per Nitin Kamath, CEO of Zerodha. A growing community of domestic investors is a welcome development for the Indian capital market. It remains to be seen if these new entrants will continue to stay in the market, and if so, as investors or traders. NIFTY was at 7801 levels on March 24, 2020 and 11355 on August 28, 2020, a rise of 45%. This happened in a period during which Foreign and Domestic Institutional Investors remained on the side-lines, with most of the action being initiated by the individual investors (i.e. High Net-worth Individuals and Retail Investors). As the P/E multiple of the index and index-stocks rose, attention shifted to mid-cap stocks. A few months ago, a scandal had erupted in Karvy Stock Broking, pertaining to the sale of shares by the said firm from the customers' demat accounts. In response, effective September 1, SEBI enforced a new margining system, introducing pledging of shares as a mechanism to contribute as margin for trading. SEBI was also, perhaps, concerned about the large-scale onboarding of first-time demat account holders with trading accounts, and their potential penchant for speculation. During this process, there was a total lack of investor education on the new procedure, either from SEBI, the Stock Exchanges, Depositories or member-brokers or member-DPs.

There are some specific malpractices prevalent in the investing universe, adversely impacting direct equity investing.

1. Some broking firms charge a minimum brokerage (say, Rs.21). A long-term investor may pay Rs.21 extra (plus taxes) on the quoted price of a single share that he/she purchases. This gets spread out if more shares or more scrips are added. Clearly, this is an attempt by brokerage firms to drive up volumes. In fact, the system is gamed to pamper day traders and overcharge a long-term investor who attempts to do a 'Systematic Investment Plan' (SIP) of a few good stocks per day/week/month. The philosophy of stock-brokers seems to be 'quantity is quality', where the emphasis is on Quantity of shares being bought, and not Quality. This is obviously a brokerage-maximising tactic.
2. Television programmes (particularly the Hindi channels) focus on terms like 'target', 'stop-loss', 'support', 'resistance', 'break-out', etc., conveying an impression that there is only one way to approach the market, i.e., trading. Most of the 'experts' are technical analysts. Sage words of wisdom by legends such as John Templeton, such as 'buy right, sit tight' are given the go-by.
3. The fuelling of volumes is also done by unnecessarily exposing individuals with derivatives (Futures and Options, F&O). In reality, individual investors who deploy their own savings ought to buy blue-chips (say, HDFC twins, Bajaj twins) systematically over time, albeit in small quantities. Such investors do not find the need for derivative products. It is institutional investors who need to protect their portfolios using F&O to hedge their positions. Unlike the statutory warning on a cigarette packet, there is no disclaimer by TV channels to discourage individuals from resorting to F&O. Here again, the attempt is to target sucker-individuals into the minimum 'lot-size' and garner margins. The popularity of Bank NIFTY is a case in point.
4. Likewise, for commodity derivatives. It is mainly businessmen and industrialists who have a position in the underlying commodities, who need to hedge their positions, who need to resort to F&O in commodities. However, the constant exposure to commodity derivatives on TV channels lulls individuals into a false world of quick profits.
5. Speculators (as those looking to make quick profits cannot be termed as investors) who make losses and retreat from 'the stock market' are then advised to invest in Mutual Funds. This brings individuals back to the end of a full circle, where the Mutual

Funds benchmark themselves against a defective index, where the laggards (e.g. Yes Bank) are not removed until they damage the overall basket over a sustained period. MFs are also in the 'AUM' game, seeking to garner funds from corporate treasuries to bolster their Assets Under Management.

There are reports that SEBI may introduce a system where direct investing in equities may take place through Stock Exchanges and directly bypassing stock-brokers. This is a welcome move, using technology as an enabler. Simultaneously, the 5 malpractices highlighted above, i.e. high 'pro-trader-anti-small investor' brokerage structure, overemphasis on technical analysis, pumping up of trading volumes (quantity), unnecessary exposure to derivatives, and removal of index laggards need to be dealt with on an urgent basis.

Summary and Concluding Remarks

Multiple-income families have investible surpluses. Investment in Real Estate is large and lumpy. Gold prices have run up due to international factors, making them increasingly unattractive. Falling interest rates have made Bank Fixed Deposits unattractive, compelling investors to turn towards Mutual Funds (MFs). Stock Indices are mirrored in MF schemes, and faulty indices lead to sub-optimal performance of the MFs. Moreover, with the number of MF schemes exceeding the number of listed companies on the NSE, the concept of MFs itself seems to have been defeated. Attractive equity valuations in March 2020 were an ideal setting for investors to try direct investing in equities, with some measure of success, going by a rise in the NSE from 7801 to 11355 (March 24 to August 28). However, it is not known as to how many of these new participants were traders. Nonetheless, equity participants need to be nurtured for the long-term benefits to the economy.

Warren Buffet prides himself as a patriotic American, and invests in companies with 4 tenets: Business tenets, Management tenets, Financial tenets and Market tenets. Picking up the thread from this initial line of thinking, **it is a great idea for a country like India, to have a large base of domestic individual investors,** to buffer the impact of foreign portfolio investors. A large pool of domestic individual investors also places a check on mutual funds and pull them up for misallocation of investment.

The **potential for establishing large individual investor base certainly exists, going by the past investments in Real Estate, Gold, Bank Fixed Deposits and Mutual Funds.** There is a need to migrate some of the over-investment in Real Estate and Gold into financial assets for the growth of the country.

There are **a few experienced investors** who have created wealth for themselves, the Warren Buffet way. Those that participated in the 1973 FERA dilution, and **remained invested consistently in blue chips through the following decades, benefitted from the dividends, bonus shares, rights shares, stock splits, share buy-backs and capital appreciation over the long term.** 'Stocks for the Long Run' is an apt term, going by the title of the famous book by Wharton Professor Jeremy Seigel. Precious little has been done to respect, retain and nurture such long-term investors. Brokers view investors as 'customers' but prefer 'traders'. Mutual Funds chase corporate treasurers in their quest for raising AUMs. MFs are also over-burdened by compliance, with a repetitive (albeit with good intentions) tweaking in regulations. Investee companies look at investors as 'sources of funds' rather than partners in progress, and VCs and PEs (Venture Capital and Private Equity investors) view individual investors as 'exit routes'.

Unfortunately, **investor wealth in India has been subjected to massive erosion, due to, inter alia, bad governance in the Real Estate sector and mis-selling of Unit-Linked Insurance Plans (ULIPs). It appears that investors have been milked rather than nurtured.**

A lot of talk has centred around Corporate Governance (Entrepreneur Education) and Investor Education. However, at the ground level, **entrepreneurs are seldom advised to respect the individual investor. Investors have not been adequately cautioned against the malpractices** highlighted in this article. Some of the malpractices are: over-emphasis on trading, trading volumes, technical analysis, derivatives. Also, failure of timely removal of laggards in stock indices is a combined failure of the Stock Exchanges as well as the MFs.

The **importance of nurturing a large domestic investor base** cannot be understated. A case in point being the large number of new demat accounts that were opened around the time of the Coal India IPO, the biggest in India, with an issue of Rs. 14,000 crore. (The performance of Coal India is a different matter). The Department of Investment in Public Assets and Management (DIPAM) has set a disinvestment target of Rs. 2,00,000 crore this fiscal year 2020-21. At the moment, the PSUs are in the mood for capital expenditure. From the private sector, it is mainly banks that are seeking to raise buffer capital. Apart from this, a number of VC & PE exists may be on the anvil, as an outcome of 'Start-Up India' and 'Stand-Up India' initiatives.

One of the important developments in recent times is the increasing isolation of China, and its waning attractiveness as an investment theme. The China-exit *(Chexit)* theme gets increasingly popular; coupled with the theme of Make in India and *Atmananirbhar Bharat,* **equity investments in a reinvigorated infrastructure and manufacturing sector become extremely important.** Some of the emerging sectors are **domestic infrastructure, road construction, electrical and electronic goods, pharmaceuticals and intermediates, textiles and garments, toys, food processing, defence production and space technology.** These services and products are aimed **at not only domestic, but also export markets,** to partly fill the vacuum arising from the isolation of China. In light of the Non-Performing Assets (NPA) problem faced by banks, a deleveraging economy needs equity infusions, not more debt.

India has shown great initiative in converting the 2020 crisis into a potential opportunity. From an investment perspective, **a beginning has been made.** In treading the path ahead, **the criticism against the prevalent practices need to be viewed constructively,** for a more robust capital market.

CAPITAL MARKETS

EQUITY INVESTMENT STRATEGY IN POST COVID WORLD

CMA Dhiraj Sachdev
Managing Partner & CIO
Roha Asset Managers LLP

Surprise to many, but history has proved that **equity market precedes economic bottom.** So there will always be a disconnect between market rallies and ground level reality. The sharp rally over the last few months clearly reflects that market is focusing beyond short-term demand issues and seems to have factored in worst ever near term quarterly performance from corporate India.

Proactive reaction from global central bankers in providing huge stimulus and low interest rates has created both global and emerging markets to rally. While it may be reasonable to see some sell-off or consolidation post this rally, we expect declines or corrections to be short lived given that incrementally factories & shops are opening up in the midst of acceptance of Covid. Many **high frequency economic data** such as E-way bills, power consumption, online payments, freight carried by trains and Google mobility trends indicate month-on-month improvement and activity levels are currently at about **80-85% of normal levels**. Improvement in factory utilisation is also confirmed by several management commentary in the ongoing results season. Though a few of these indicators have remained static over last few weeks given rise in covid cases. The risk is that the pace of economic recovery may be slower as few states have reverted back to stricter lock-downs in containment zones.

From **valuations perspective**, many companies are still attractive in terms of their long term potential. In mid-small caps specifically, there had been a long hibernation or bear phase of close to two-and-a-half years due to polarised market and so mean reversion is happening deeper down the market cap curve. A large number of companies are available at even 6-8 times their sustainable operating cash flows even though near term earnings will be muted. In the current period of uncertainty, its prudent to invest in companies where business is cash flow generating and there is no existential threat. Markets will continue to reward such companies.

Currently, number of people waiting for markets to correct to deploy money is touching an all-time high! In such a case any major equity market correction will be even more elusive in near term, though there will be short bouts of declines. Hence, any **attempt to time the market is a futile exercise**.

Sectors to Invest

In the current environment, under-mentioned sectors look worthy of investing from a long term perspective -

Consumer companies in food processing, beverages and personal care. Being in the essential category, these businesses are largely insulated from factory closures or consumer demand issues. Online delivery channel is becoming increasingly dominant fuelling demand. Consumer durable goods in kitchen appliances and other durables like washing machines, etc should do well from better replacement and rural demand. However, one needs to be selective given some of the large consumer staples companies are valued at 50-60x earnings and do not leave too much room of upside to invest.

A**griculture related** companies that produce farm equipment like tractors including fertilisers, seeds and crop protection companies. Their earnings impact has been very limited during lock-down. Rural demand could remain strong since the rural economy has been positively affected by a bumper rabi crop, bright prospects of kharif and MSP price hikes of almost 12%+ in 2019. There has been a quick supply normalization for agro-produce along-with stimulus measures. Govt. data shows large expansion of MNREGA scheme which is good for rural demand.

Specialty chemicals is another area we like given continued business shift from China due to pollution control norms. Huge amount of capital expenditure is happening in this space which is an indicator of growth prospects of speciality chemicals spectrum. Besides, specialty chemicals are the building blocks for pharma, personal care and agro-chemicals that are in the essential category.

Pharma companies has done exceptionally well particularly those operating in API space, Select chronic ttherapies and ccomplex ggenerics due to partial supply shift from China, pricing improvement and lower raw material costs. So companies who supply to regulated and unregulated markets are expected to continue the momentum given global market size is fairly huge. But one has to be selective on companies in this space as in few cases if not all, pricing and margin improvement may not sustain. But broad structural long term growth story remains intact. Pharma companies operating in domestic market of prescription driven drugs are also expected to do well due to their strong growth brands and domestic launches.

Metals is another space where valuations have turned attractive. We are seeing commodity prices on an improving trend both for ferrous, non-ferrous and precious metals. Prefer companies with cost competence here. In **autos, personal mobility** like 2 wheeler & cars can recover with pent up demand and preference to avoid public transport. Latest online car purchase inquiries from potential buyers are up to 15% higher than February month as per Google data. So this desire to own personal mode of transport is an early indicator for expected improvement in passenger volumes going forward.

Financial sector offers highest margin of safety post sharp correction provided there is access to capital and quality of book is secured. As normalcy in business comes back, we expect collection efficiency to improve gradually. At this stage would prefer secured lending companies like housing finance (with low exposure to builder loan). Micro-finance companies being unsecured are at risk but given that their target market is rural lending or agriculture that are in essential category, selective opportunities exist in micro finance space as well. Large private banks are better placed given their strong liability franchise and asset quality positioning in a heightened delinquency like environment.

The financial services may go through a volatile phase in the short term. Challenges exist in the near term related to moratorium, asset quality and growth. Fund raising exercise has been resorted to by many a NBFCs in the recent past to shore up their capital in this tough environment. We will have a better handle on the credit costs once the moratorium period is over and whether borrowers make payments (or not) for a few months post the moratorium period.Overall, one needs to be extremely selective or cautious to invest in this sector.

Technology The Covid-19 pandemic has significantly accelerated the shift to digital. Many companies are yet to make the transition to a fully digital operating model and have only digitalized select operations. So this is a key positive, however growth in the sector is still likely to remain modest given that specific verticals like travel, aviation, retail and BFSI may witness IT budget cuts. So better to invest in technology companies exposed to clients or verticals not impacted by pandemic and are well diversified in their service offerings.

Telecom sector should benefit from tariff bottoming out with Average revenue per user (ARPU) or price increases. Besides further consolidation in the sector will benefit especially top incumbent players.

Insurance Is a structural long term growth business given under-penetration and under insurance. Both life and general (or non-life) insurance offers investment opportunity. Persistency trends for most players have improved sequentially from trough levels observed in April 2020 and early trends in July are better than June 2020. General insurers reported growth in premium sin health and revival in motor premium over the past two months.

Sectors facing challenges in the current environment

Businesses such as tourism, cinema multiplexes (added competition from OTT players), commercial vehicles in autos, real estate sector will get impacted significantly in the current Covid environment and will take a longer time to come back. Until we see early signs of normalisation, advisable to avoid them given stress on earnings and elongated recovery timeline.

Overall, our relative preference continues towards investing in health-care or pharmaceuticals, agriculture related businesses, specialty chemicals, non-discretionary consumer that have limited earnings impact due to lockdown. E-commerce & digital platform oriented businesses is another area we prefer due to scale opportunity, asset-light & unique business model with entry barriers.

LIFE INSURANCE

INSURANCE: HELPING NATION TO GO FROM STRENGTH TO STRENGTH

Shri Nirjhar Majumdar
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Are the Indians more appreciative of the value of insurance now? The recent experience of the insurers and web aggregators suggests so. There has been a spurt of sale of life and health insurance by as much as 30% in the month of May and afterwards. Covid-19 has suddenly made a lot of people aware of the unpleasant realities of life. For most life insurers, more than 50% business was procured just by selling term insurance products during last three months as the customers believed protection plans were the most cost effective way of protecting the dependants. There is demand for "Income Protection" products (e.g. life annuities) as well, as people want guaranteed income products in these days of economic uncertainties. Sale of health insurance policies has registered maximum growth. Covid is an eye opener for all as people find with utter disbelief that even a virus related disease can cost more than 15 lakhs of rupees. Most people had health insurance cover to the extent of five to ten lakhs of rupees. They are now increasing coverage to forty lakhs and beyond. People are also enquiring about Business Interruption and even Job Loss insurance. IRDAI is thinking about creating a Pandemic Risk Pool which can take care of cases of Business Interruptions (without material damage) in future.

Now, let us see how many of the covid affected people had been covered by life and health insurance. According to data collated so far, less than 4% of those admitted to hospital for the treatment of covid had taken some health insurance cover, though found inadequate to foot hospital bills. Again, only 2% of people who died of the disease had been covered by life insurance. Cyclone Amphan is estimated to have caused losses of properties worth Rs. 1 lakh crore. Only Rs. 350 crores were insured losses out of this. Even when seventy insurers and re-insurers exist in the market to offer risk management solutions, Indians find themselves so grossly underinsured!

Life is full of nasty surprises like Covid and Amphan. Misfortunes can knock at the doors of anyone, rich or poor. In reality, our life is full of risks. Fortunately, many of such risks are predictable and hence, quantifiable. Insurers world over have perfected the art of doing risk modelling, on the basis of hundreds of years of experiences and their risk models factor in the cases of pandemics and natural disasters. Let us see what the Indian insurers have been doing now to help people manage various risks.

Need based Insurance Products

There is no dearth of products suitable to specific insurance needs. There are innovative term insurance products that are moderately priced, annuity products that give long term guarantee of decent returns, children's plans to make their dreams come to fruition. Low cost micro insurance products are there for the benefit of low income households. On top of these, there are social security type insurance schemes launched by the government of India and administered by the commercial insurers. Pradhan Mantri Jeevan Jyoti Bima Yojona costs just Rs. 330 per annum for a life cover of Rs. 2 lakh! So, nobody can really say that life insurance is unaffordable. Fifty crores of poorer people of the country are getting health insurance cover free of cost under the scheme Ayushman Bharat. The farmers are enjoying a great bonanza. Under Pradhan Mantri Fasal Bima Yojona, they get adequate crop insurance cover by paying only 20% of the premium, the balance being paid by the government.

Even in low cost term insurance, people have a wide variety of products that does not just cover the life risk, but provides important benefits at most critical hours of life. For example, HDFC Life’s 3-D plus plan offers protection in the events of death, critical disease and disability. When a critical illness is diagnosed, all future premiums are waived while risk cover remains the same throughout the policy term. LIC’s Tech Term is a term plan that allows the customer to pay premiums for a limited period only and also allows to opt for a sum assured which will increase by 10% every year. This plan charges lower premium to the women and non-smokers. Customers these days are aware of these innovations as they regularly visit websites of the insurers and web aggregators before talking to the insurance intermediaries.

Short term Covid specific products

Insurers have launched low cost, short duration, Covid insurance plans, following the instructions of IRDAI. Two plans have been launched, Corona Kavach and Corona Suraksha. The former one is indemnity type and the latter one is Fixed-Benefit type. These can also be availed as group products. The regulator has asked the insurers to settle claims of where treatment takes place even at makeshift hospitals since beds are not always available in the hospitals recognised by the insurers. IRDAI is taking proper action against hospitals denying cashless treatment to Covid patients.

Even under the comprehensive health plan called Arogya Sanjeevani, where the maximum sum assured is Rs. 5 lakh, the regulator has allowed the customers to opt for higher insurance cover owing to the treatment costs of Covid exceeding Rs. 5 lakh in many cases.

Innovation through Sandbox system

IRDAI has introduced a regulatory sandbox system which allows tech driven companies to ideate, innovate and test insurance products. These innovative products can be launched on a pilot basis with a cap of 10,000 policies and the first premium collection of Rs. 50 lakh. If the experience of the insurers is favourable, then the products are expected to be launched countrywide. For example, Acko General Insurance Company has developed a sandbox product that allows motorbike owners to get fixed sum of money (say, Rs. Six thousand) in case of every accident, without claim investigations. The long drawn process of claim settlement can be done away with and the motorbike will soon be back on the roads. This product is expected to increase insurance penetration rapidly. ICICI Lombard has developed a sandbox product in health insurance space. Their product is for the benefit of borrowers who take short term (say one year) unsecured loans from NBFCs. If the borrower is afflicted by some critical illness during the term of the policy, then he will get money for medical treatment and repayment of loan. To administer the scheme smoothly, the insurer has tied up with a number of banks and NBFCs already.

Wellness Benefits

Worldwide, insurers are selling not just “insurance covers” but actually ensuring long and healthy lives of their customers. Insurance is one industry in which both the insurer and the customers stand to gain if the risky events do not take place at all. Insurers believe, they have a role to play in promoting wellness of their customers. Now, Indian insurers too, are actively engaged in that role.

Let’s discuss a few wellness benefits that are now available. Sensors fitted in personal vehicles are making driving easier and go a long way in reducing accidents. Insurers are tying up with auto manufacturers in developing systems that record the driving behaviour of the customers. This enables the insurers to assess the risks properly, charge appropriate premiums and also help the customers drive safely. Indian insurers have started encouraging the car owners to use telematics devices and opt for User Based Insurance. These are slowly transforming the industry. People are eager to take advantage of lower premiums (by as much as 30%) by the use of telematics. According to a survey made by Tech Mahindra in 2019, 90% of respondents are willing to use cars with telematics capabilities and 65% respondents have no issues in sharing location details and driver behaviour.

Health insurers are providing various wellness benefits, starting from free health check-ups to reduction of premium as a reward for adopting healthier lifestyle. Wearables enable the insurers to understand the changing health conditions of the customers and guide customers to change lifestyle. All these measures are reducing the cases of hospitalisations and claim costs. That is why IRDAI has passed regulations for insurers to incorporate various wellness benefits into policy conditions.

In some health products, policyholders are getting the support of wellness coaches who help them in the areas of weight management, nutrition, physical fitness etc. Customers are getting reimbursement of telemedicine as this type of treatment has become quite common in these days of social distancing. Now, health insurance plans do not see the customers as just policyholders but as fellow citizens deserving better access to healthcare benefits and personalised health monitoring services.

Customer Protection is the top priority

Customers today are not only getting better products, they are getting better protection against unfair business practices and shoddy post sales services. Under Insurance Amendment Act 2014, if an agent sells a policy unethically or misappropriates policyholder's money, both the agent and the insurer face heavy financial penalties. Any complaint that is registered with an individual insurer automatically escalates to IRDAI and each complaint has to be resolved within 15 days, failing which insurer will be taken to task by the regulator. Claim settlement issues are resolved expeditiously by consumer forums and insurers cannot get away by rejecting any claim on flimsy grounds. Insurance ombudsmen are handling the grievances of claimants with a lot of sympathy and this makes insurers very cautious in rejecting claims arbitrarily.

Insurance Amendment Act stipulates that no life insurance claim can be rejected after three years from the issue of a policy, no matter what evidences insurers are in possession against the bonafides of claims. The insurers cannot keep on investigating claims beyond a period of 30 days. Under new health insurance regulation, no claim can be rejected after a period of eight years from commencement of the policy, on the specious ground that the policyholder had suppressed some health conditions while buying the policy.

Alternate Investment Funds (AIFs)

The insurers (and more specifically the PSU insurers) have so far been investing in Central and State Government Securities, other approved securities, approved categories of equity investments and generous investments in housing and infrastructure sectors. Although, the insurers can invest a small portion of their investable assets into AIFs which are SEBI approved, they have not really done so. Of late, they have shown willingness to invest in AIFs which can go a long way in providing much needed capital to the Indian start-up ecosystem. IRDAI and SEBI are working in tandem to make this a reality. Since, FDI norms of the country has undergone a sea change in recent times, the onus is on the big financial institutions to provide domestic capital to the industries.

It has been estimated that even if the insurers invest 1% of their investable assets to AIFs every year, still the start-up enterprises will get a lot of money to carry out their operations quite profitably. Insurers' investable funds stood at Rs. 38.47 lakh crores as on 2019. So, there can be a welcome infusion of about 40,000 crores of rupees to AIFs. Statistically it can be shown that there is not much of risk involved in this venture. Many start-ups are sure to become unicorns in foreseeable future and return on investments can be really great to the insurers.

Besides AIFs, the insurers are also considering making investments into global pension funds which can fetch attractive returns. After all, if global fund managers can make investments into Indian pension funds quite regularly, there is no reason why Indian insurers can not make similar forays into global markets which are more mature and transparent.

Surety Bonds to fund Infrastructure Projects

IRDAI is all set to finalise the project of launching Surety Bonds through the general insurers. This will be a very novel kind of insurance scheme to ensure that the big infrastructure projects are never stalled for want of funds. This will even be a better alternative to Bank Guarantee (BG) since unlike BG the contractors will not be required to mortgage collaterals to borrow money. The general insurers will act as Sureties. The Surety Bond will act as Payment Undertakings issued by a Third Party on behalf of a contractor.

In most developed countries, insurers have provided this type of surety support to the contractors throughout the project's life cycle. This method brings down the costs of contractors and free up capital to be used for completion of the projects. The government has a plan to create infrastructures worth 1.02 Trillion USD and the insurers can extend full support to the government by way of Surety Bonds. At the same time, insurers will earn a lot of revenues from doing this kind of business.

Arresting Insurance Frauds

While the industry is desperately trying to gain a better growth momentum, some crooks and organised groups of fraudsters are out there to dent the profitability and even the sustainability of the insurers. The fraud industry is flourishing like never before as the fraudsters have found in this industry an opportunity to get returns of 500% or even 1000% on their "Investment". Of late, insurers have been able to identify 80 districts of the country where the fraudsters have perfected the art of committing insurance frauds. There are rings of fraudsters that operate like corporate firms with modern electronic gadgets, softwares and "educated" men and women as employees. These rings are in constant lookout for opportunities to commit various types of Insurance Frauds, mainly in the space of life insurance, health insurance and motor insurance. According to a recent report of moneycontrol.com, insurance fraud in India is in the tune of Rs. 45,000 crore annually, e.g. about 9% of total premiums collected by all insurers.

Insurers now understand that penal measures in India are not strong enough (under IPC) to severely punish the insurance fraudsters working in groups. So, they are waking up to the new realities of doing business and adopting various fraud control measures. They are also investing in Artificial Intelligence (AI) enabled fraud detection tools now available at reasonable cost.

Insurance frauds are affecting the interests of honest customers. With the increase of claim costs, price of insurance cover is increasing and return under the policies is declining. To combat the menace of fraud, the insurers are taking fraudsters to courts, taking help of Cyber branch of Police, insisting on sending of spot-photos of accidents and getting the claims investigated by employees and checking financial details of the proposers more closely. Predictive Fraud analytics offered by Experian and Lexis Nexis are helping the insurers becoming more careful at underwriting stage itself.

Insurers need to walk that extra mile

While insurance awareness has increased significantly since the opening up of the sector in 2000, that has not significantly increased insurance penetration and density of the country. Insurance penetration and density of the country stand at 3.7% and $74 as compared to the world average of 6% and $682 respectively. Insurers have to introspect a lot to understand why they lag behind others in the developed and emerging countries, in spite of adopting some forward looking measures.

Insurers must launch massive campaign to insure greater number of people of the country. It is not enough to show growth rates of new business. The insurers need to focus on insuring more lives and properties. An individual should take insurance not just to save some taxes or help someone taking up insurance agency as occupation. The campaigns like "Sabse Pehle Life Insurance" should have more enthusiasm and gumption.

The industry needs to develop a more dedicated band of insurance intermediaries. Instead of using them only as instruments of policy selling, the emphasis has to be on using the foot soldiers in cementing relationship with the people. There are far too many mis-selling related complaints against the agents/corporate agents. This is resulting in policies getting lapsed and surrendered. Only deeper customer engagement can lead to better "Insurance Persistency" which in turn can increase insurance penetration and density. For most of the insurers, 61 month persistency is below 50%. That means most of the policies do not even continue for even 5 years. Low persistency results in low solvency margins which are ominous for the future of this industry. The insurers should concentrate more on improving persistency rather than just improving market share and first premium growth. If persistency is taken care of, everything else will fall in place.

Insurers are expected to launch more innovative cyber insurance and unemployment insurance products. These products can enhance the risk taking abilities of the employers and employees, so vital for taking the country to high growth trajectory again.

The industry also needs to overhaul its talent management policy. Youths today value certain things very highly, like work-life balance and innovative culture in the organisations. They want to make their mark in the organisation early in the career. The insurers should make the industry more millennial friendly, so that people join here out of choice and not out of compulsion. The employees and field personnel should be given enough flexibility to be more creative and not micro-managed on daily basis.

Finally, insurers need to discharge their Corporate Social Responsibility (CSR) more creatively. There are seventy insurers in the market and the nation can expect them to come forward with financial assistance in the moments of crisis like Covid, Amphan, Nisarga etc. For example, insurers can build "shelters" for migrant workers, provide food and other necessary supplies to the covid affected people living isolated at their homes, supplying masks, sanitisers and immunity boosting food to the poorer people of the society etc. These are gestures of goodwill shown to the fellow citizens. When an insurer improves its brand image, it is likely to register better business in the post covid era.

**** All views expressed here are author's personal*

BANKING

RECENT MERGER OF PUBLIC SECTOR BANKS: ITS OBJECTIVES AND IMPACT

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United Bank of India

Generally and truly speaking l, bank merger occurs when any of the banks or sometimes both the banks like to improve their productivity, absorb the losses or raise the revenue. Normally, banks try to merge to enhance their abilities, services and work culture. Bank mergers usually take place when the banks think about improving the economy and building up more revenue for the banks. There are both positive and negative impacts of a bank merger,

Bank merge may cause a slight inconvenience to the customers. Though the customers can enjoy the quality enhancement of the banks after the merger, there are also some confusions and negative situations that they have to go through

- Due to the merger, rules and regulations of the newly formed bank will be different and sometimes cannot be adapted by the customers.
- As both banks merge, some of the branches of any of the banks can get closed which may result in the disappointment of the customers if it includes the branch they got habituated with.
- The merger may also create confusion among the customers as on what to expect from the newly formed bank
- The charges and fees on their accounts can also vary as now the decision will be taken by both the banks as a single entity
- Due to bank mergers, there can be a threat to employment as some of the branches of both the banks can get closed

- As the organizational culture will get changed all of a sudden, the employees might feel the inconvenience and might also get differences among themselves.
- Top positions of the banks will get reduced due to the lesser number of GMs, CMDs, etc., leading to slow promotions in the bank.

Keeping aside the effects mentioned above, banks merger has its own advantages. Here are the few benefits that can be taken into consideration. The merger of two banks obviously makes the bank a bigger entity in its operations as the resulting bank includes the features of both the banks together. As the two banks merge, you no need to worry about the withdrawals from the ATMs of the banks as you can find more ATMs available for you for the bank after the merger. Due to the merger of banks, you can find more branches evolve making the operations of the banks extend in a broader way. Also due to the increase of branches, you will feel convenient to approach the branch that is available near you to avail your services. The merger of a bank leads to improving its scale as the bank acquires more capital to work with when it comes to lending and investments. Not only this, the geographic footprint in which the bank operates also gets increased. There are certain things to be remembered during merger. We have to gain knowledge about the newly formed bank as early as possible. Know about the account details, the structure of the newly formed bank and other details by going through their website. This is very important as you need to know any new information regarding the bank. For example, things you are offered for free may be payable now and the things you used to pay for may be obtained for free now. So, always keep an eye on the new bank's process and details. Once you came to know and went through a thorough verification of changes that have taken place in the formation of a new bank, then take a decision to leave or get accustomed to the new changes. If the changes of the bank are minor or if the things like your account did not get affected, then choose to stay as changing the bank can cost you a lot of effort. But on the other hand, if the charges are increased and if any of the new scenarios or programs of the new bank make you feel inconvenient then don't think twice to choose a new bank that meets your requirements. Everybody should be ready for the transition Bank merger always involves major or minor transitions. So, you need to be prepared and follow certain steps to face the transitions during a bank merger

- Divert the direct deposit you have with your current bank to another bank if you have any or disable the direct deposit on a temporary basis.
- Have some safe amount of cash at hand just in case if your debit card stops working.
- Have a detailed financial record of your account history to make sure that your details are safe even if the bank databases get corrupted during the transition.
- If you stop the services like direct deposit and bill payments, don't forget to restart them once the merger gets completed.

On the whole, bank mergers can lead to an extreme rise or extreme fall, so bank merger can take place by weighing all the pros, cons and the impact it has on both the customers and the employees.

1st major merger happened when State Bank of India Associates were merged with State Bank Of India. Bharatiya Mahila Bank was also merged at the same time with State Bank of India. Then in April 2018 talk on consolidation of other public sector banks started. In October 2018 Bank Of Baroda Vijaya Bank and Dena Bank merger was proposed with effect from 1st April 2019 as the second merger to create the country's third biggest lender. The third round of merger discussion by the Ministry of Finance took place in April 2019 when Punjab National

Bank and Union Bank of India were called. However it was opposed on the ground that the time was ripe for merger because small banks have just started to recover and many banks were still under the Prompt Correction Action (PCA). Nevertheless The Government on 30th August 2019 announced The latest merger of 10 public sector banks into 4 large banks .After these mergers the total number of Public sector banks will come down to 12 from 27 two years ago. The details merger proposal and the four Major Banks (Bold).

1. Allahabad Bank will merge with **Indian Bank**
2. Oriental Bank Of Commerce (OBC) and United Bank Of India (UBI) will merge with **Punjab National Bank (PNB)**
3. Syndicate bank will merge with **Canara Bank**
4. Andhra Bank and Corporation Bank will merge with **Union Bank Of India (UNI)**

New Banks will look as:

Particulars	Indian Bank	Allahabad Bank	Indian Bank + Allahabad Bank
Total Advances (Rs.cr)	187896	163552	351448
Total Deposits (Rs. cr)	242076	214335	456411
Employees	19604	23210	42814
Branches	2875	3229	6104
CASA (%)	34.71	49.49	41.65
Net NPA (%)	3.75	5.22	4.39
Capital Adequacy (%)	13.21	12.51	12.89

Particulars	PNB	OBC	UBI	PNB+OBC+UBI
Total Advances	506194	171549	73123	750867
Total Deposits	676030	232645	134983	1043659
Employees	65116	21729	13804	100649
Branches	6992	2390	2055	11437
CASA (%)	42.16	29.40	51.45	40.52
Net NPA (%)	6.55	5.93	8.67	6.61
Capital Adequacy (%)	9.73	12.73	13.00	10.77

Particulars	Union Bank	Andhra Bank	Corporation Bank	UNI+ANDHRA+Corporation
Total Advances	325392	178690	135048	639130
Total Deposits	415915	219821	184568	820304
Employees	37262	20346	17776	75384
Branches	4292	2885	2432	9609
CASA (%)	36.10	31.39	31.59	33.82
Net NPA (%)	6.85	5.73	5.71	6.30
Capital Adequacy (%)	11.78	13.69	12.30	12.39

Particulars	Canara Bank	Syndicate Bank	Canara+Syndicate
Total Advances	444216	217149	661365
Total Deposits	599033	259897	858930
Employees	58350	31535	89885
Branches	6310	4032	10342
CASA (%)	29.18	32.58	30.21
Net NPA (%)	5.37	6.16	5.62
Capital Adequacy (%)	11.90	14.23	12.63

The main objectives of such reform as per the Government and Ministry of Finance are:

The main objectives of this reform as per the Government and Ministry of Finance are:

1. The credit supply and the lending capacity of the merged banks will increase which will help economy to reach 5 lakh crore dollar by 2024.
2. Some banks are still under Prompt Corrective Action (PCA) because of huge non-performing assets and restriction on new credit sanction. They can .after merger, will be able to increase their credit exposure to industries to boost up the economy.
3. It is better to have less amount of strong banks instead of many weak banks.
4. It will pave the way to build a next generation technology features in banks.
5. The capital proposed to be infused by the Government can be utilized in a better way.
6. The merger will create broader national entities with uniform presence.
7. The merger will rationalize the branches
8. It will save cost of operation through rationalization of overlapping branches and accordingly the cost of lending will come down.
9. The depressed and the fallen economy will be strengthened.
10. The bonds of the weaker banks will gain more post-merger.
11. The Customers will not have much pain in the operation of bank accounts.
12. The quality of Management will improve.
13. The Risk taking ability will be increased.
14. There will no hurdle in combining Balance Sheets, Treasury functions and ATMs.
15. There will be rationalization of workforce.
16. The merged entities will have a high CASA (Current and Savings Account)

Besides the above there are certain other benefits that can accrue are

- Consolidation under big banks will improve operational efficiency Large means the benefit of low cost.
- The number of Boards will be reduced and accordingly the board members will be reduced and rationalized.
- After consolidation the cost of structure will come down and consequently the interest rate on both advances and deposits is also like to come down.
- Cost of lending will be reduced
- The merger will ensure enhanced capacity, strong national presence and global reach which are the needs of the hour
- to build next gen banks

Banks	**Gross Advance**		**Gross NPA**		**Net NPA**		**Gross NPA to Gross Advance**		**Net NPA to Net Advances**	
	2018	**2019**	**2018**	**2019**	**2018**	**2019**	**2018 (%)**	**2019 (%)**	**2018 (%)**	**2019 (%)**
PNB	430324	491000	55370	86620	48684	30038	10.15	17.64	11.24	6.56
OBC	136367	159284	26133	21717	14282	9439	19.16	12.66	10.48	5.93
UBI	68692	73123	16552	12053	10316	5785	24.10	16.48	16.49	8.67
TOTAL	**635383**	**723407**	**98055**	**120390**	**73282**	**45262**				
IND BANK	156569	181262	11990	13353	5059	6793	7.37	7.11	3.81	3.75
Allahab Bank	166435	163562	26562	28704	12229	7419	15.96	17.55	8.04	5.22
TOTAL	**323004**	**344824**	**38552**	**42057**	**17288**	**14212**				

Union Bank	288760	296932	33712	48729	24326	20332	15.73	14.98	8	7
Andhra Bank	149064	158823	28124	28974	12636	9091	17	16	8	6
Corpn Bank	119868	121251	22595	20723	14077	6927	17.35	15.35	11.74	5.71
TOTAL	**557692**	**577006**	**84431**	**98426**	**51039**	**36350**				
Canara Bank	381703	427727	47468	39224	28542	22955	11.84	8.83	7.48	5.37
Synd. Bank	181477	174822	25768	24680	13239	12627	11.53	11.37	6.28	6.16
TOTAL	**563180**	**602549**	**73236**	**63904**	**41781**	**35582**				

From the above different parameters of the merged and acquiring banks it reveals:

- The gross advances of PNB led banks have gone up from Rs.635383 to Rs.723407 thereby registering a growth of 13.85 % .where PNB alone increased the loan book by about Rs. 60000 crore which is much higher than other merged entities indicating a better lending capacity.
- In respect of Gross NPA the group's figure has gone up by 22335 crore which has been achieved by the lowering of GNPA of other two banks other than PNB where the GNPA has increased by 31250 crore attributed by a big amount of fraud.
- This is a major area of concern of this group and after the merger is effected from 31.3.2020 the real scenario can be judged.
- In the Indian Bank and Allahabad Bank question was raised whether this was at all necessary because both the banks are almost in the same footing .The growth in GNPA and Gross Advances was normal. The health of Indian Bank so far the NPA is concerned is better than any other bank because the bank has not ventured in corporate financing for infrastructural advances.
- In respect of the merger of Union Bank, Andhra bank and Corporation Bank, Union Bank holds the leadership of the group with about 52% of gross advances both in 2018 and in 2019 but the gross NPA percentage is only 40% in 2018 which went up to 50% in 2019.
- The merger of Syndicate Bank and Canara Bank does not seem to be an wise decision because in NPA front Syndicate Bank has done well in 2019 over 2018 through well planned recovery. The NPA of Canara Bank on the other hand has increased their NPA by about 12%. The % of GNPA to Gross advances and NNPA to Net advances are almost same in case of both the banks.

Objectives of merger - Will it be able to reduce the NPA menace?

The main objectives of this reform as per the Government and Ministry of Finance are:

17. The credit supply and the lending capacity of the merged banks will increase which will help economy to reach 5 lakh crore dollar by 2024.
18. Some banks are still under Prompt Corrective Action (PCA) because of huge non-performing assets and restriction on new credit sanction. They can .after merger, will be able to increase their credit exposure to industries to boost up the economy.
19. It is better to have less amount of strong banks instead of many weak banks.
20. It will pave the way to build a next generation technology features in banks.
21. The capital proposed to be infused by the Government can be utilized in a better way.

22. The merger will create broader national entities with uniform presence.
23. The merger will rationalize the branches
24. It will save cost of operation through rationalization of overlapping branches and accordingly the cost of lending will come down.
25. The depressed and the fallen economy will be strengthened.
26. The bonds of the weaker banks will gain more post-merger.
27. The Customers will not have much pain in the operation of bank accounts.
28. The quality of Management will improve.
29. The Risk taking ability will be increased.
30. There will no hurdle in combining Balance Sheets, Treasury functions and ATMs.
31. There will be rationalization of workforce.
32. The merged entities will have a high CASA (Current and Savings Account)

Besides the above there are certain other benefits that can accrue are

- Consolidation under big banks will improve operational efficiency Large means the benefit of low cost.
- The number of Boards will be reduced and accordingly the board members will be reduced and rationalized.
- After consolidation the cost of structure will come down and consequently the interest rate on both advances and deposits is also like to come down.
- Cost of lending will be reduced
- The merger will ensure enhanced capacity ,strong national presence and global reach which are the needs of the hour
- to build next gen banks

V.2. Problems to be faced by the merger banks in the initial stage:

However the connoisseur and experts of the banking industry and the economists have raised many issues:

1. In the short run the merged entities may face manpower and cultural integration hiccups. But if implemented properly in a planned manner it may bring structural benefits to ensure profitability.
2. Systematic Risk can damage the economy of the country (Merger of Global Trust Bank with Oriental Bank of Commerce)
3. The main business of the banks will take a back seat.
4. The weak banks may sink the strong banks.
5. Integration of systems and procedures including core banking solution will be big challenge.
6. Integration of Human Resource Policies will pose many problems.
7. The recovery of NPA process, which is most important issue now will suffer a setback.
8. Much of management bandwidth in the next few years will be spent in making the merger work .Punjab National bank, Canara bank and Indian Banks are to see increased investor interest but a lot will depend on the share swap ratio among banks.
9. Merges entities may face great challenge in technology integration due to mismatch in operating systems.

Strength in numbers

The government announced a series of mergers involving PSBs in recent time The move cut down the number of banks from 27 in 2017 to 12 in 2020 .The decision is expected to facilitate the creation of strong and competitive banks in public sector space to meet the credit needs of a growing economy, absorb shocks and have the capacity to raise resources without depending unduly on the state exchequer. It will further add commercial strength and prevent multiplicity of resources being spent in same area.

Banks to be merged	Size of merged entity	Total Business
Punjab National Bank, Oriental Bank of Commerce and United Bank of India	2nd largest Public Sector Bank	Rs. 18.00 lakh crore
Canara Bank and Syndicate Bank	4th largest Public Sector Bank	Rs. 15.02 lakh crore
Union Bank, Andhra Bank and Corporation Bank	5th largest Public Sector Bank	Rs. 14.60 lakh crore
Indian Bank and Allahabad bank	7th largest Public Sector Bank	Rs. 8.08 lakh crore

It is felt that the Government has selected merger partners on the basis of their IT compatibilities instead of geographic reach. The best available benefits from the merged entities will be passed on the employees according to HR issues. Repeated capital infusion from the Government will not save the Government owned banking system. This reform should encompass Governance, ownership and organization, structure, culture, technology, talent management, autonomy. The merger has already taken place with effect from 1st April, 2020.

CORPORATE GOVERNANCE

WIRECARD AG FIASCO: ENRON OF GERMANY!

Shri Biplob Chakraborty
Former General Manager
Reserve Bank of India

Wirecard AG a German fintech giant, payment processor and provider of solutions to financial services has been embroiled in a nasty accounting scandal labelled as **Enron of Germany** in the recent times. A sum of €1.9bn in cash appearing in its accounting statement was fictitious. Fraud since revealed at Wirecard is elaborate involving multiple parties across the world. Ernest &Young (EY) was its auditor. As per audited financial reports during 2016-18 the group generated operating margin of about 22% and nearly doubled EBIT to €439m.Such profits appear to have been generated through accounting manipulation and fraud. Reportedly the company instituted a special audit conducted by KPMG at the end of the last year in response to questions on accounting practices. As reported by Financial time this audit findings have spilled the bins! In 2018 when its valuation reached€24bn it replaced Commerzed bank in prestigious DAX stock index of Germany. But actually the loss sustained in activities under its direct control amounted to €74m which was concealed by the profit attributed to non-existent outsourced activities in Asia where, as contended by the company, it had licensing issue to operate directly. This payment group had to file insolvency petition in June25, 2020 after disclosing that a sum of €1.9bn in cash appearing in its accounting statement was missing and cited over-indebtedness (€3.5 bn) as the reason to seek judicial protection in Munich. The company reported to have said that it was considering whether the insolvency proceedings should cover its subsidiaries. However, Wirecard Bank AG has not been included in the proceedings. But final decision in this regard rests with the German regulator BaFin. CEO Markus Braun resigned as troubles blew up. He was later arrested on suspicion of market manipulation and released on bail after spending a night in jail. He however have recently been rearrested for investigation into allegation that he and his associates agreed to and connived as early as 2015 to inflate Wirecard revenue to mislead the investors with fraudulent intention.

Wirecard AG offers Internet payment and processing services. The Company provides software and systems for online payment, electronic funds transfer, fraud protection and enterprise solutions. Wirecard also offers call centre services. It functioned through three segments viz., the Payment Processing and Risk Management (PP&RM) segment accounting for all products and services for electronic payment processing and risk management; the Acquiring & Issuing (A&I) segment encompassing the activities of Wirecard Bank AG, including credit card issuing and credit card sales as well as processing of clients' payment transactions via accounts kept with Wirecard Bank AG. Call Centre& Communication Services (CC&CS) segment catered to all products and services related to call centre-supported relationship management of corporate and private customers, including after-sales service and mailing activities, among others.

Wirecard expanded its activities outside Germany in the Asia-Pacific region and entered the North American market through acquisition of the business of Citigroup's prepaid card service in 2016. Once recognised as the fastest growing company in the financial technology space its share price suffered precipitating fall from its peak in the wake of the report by the Financial Times on its accounting irregularities. Wirecard was one of the fastest growing companies having valuations over $28 billion. Wirecard's stock, traded at €104 a share in mid-June 20 but suffered an exponential fall to 2.67on July 06, 2020. For years it projected itself as a highly profitable business.

After the Financial Times reported in April 2019 that Wirecard relied closely on three opaque accomplice firms in Asia to perform funds processing on its behalf, McKinsey, was engaged jointly by the management and the Supervisory Board of Wirecard to look into the matter and related issues. Under German corporate law, companies should have both a supervisory board and a management board. The supervisory board is responsible for exercising control management. McKinsey alerted in August 2019about significant risk dangling on the company due to absence of control over third party business and advised that Risk and compliance culture obtaining in the company needed substantial up gradation. Management compliance to these observations was perfunctory and the Supervisory Board winked at it. Thus, control vacuum continued to persist enabling the staff to illicitly cut the corner to meet internal targets, as prophesised by McKinsey, leading eventually to its great fall.

The Wirecard accounting scandal has raised fresh questions about corporate governance in Germany. Connivance and active involvement of management in falsification of accounts year after year are palpable. The Wirecard scandal is not the first to come as shock to the German corporate world. Siemens was hit by a corruption scandal in the late 2000s, while Volkswagen's standing was significantly dented by the so-called "Diesel-gate" emissions scandal in 2015. German corporate governance code was upgraded only recently. However, with the new rules in place still the things of the past bad omens continue to resurface! There is need for drastic action and further revision of the existing codes of governance.

Question has also arisen as to audit adequacy and auditors' competence & credibility. EY was the auditor of the company over about a decade. How this accounting irregularities that date back to years continued to escape audit eyes over such a long time. It would not have perhaps come to light had the matter not been reported by the Financial Times. EY ultimately pressed the alarm by declining to sign off on Wirecard's 2019 financial report as it on sensing "spurious balance confirmation" was unable to ensure veracity of existence of €1.9 bn in cash balance in trust accounts accounting for about one fourth of Wirecard balance sheet. This triggered a cascade of events that ultimately led to filing of bankruptcy petition by the company. Unholy nexus between auditors and the management is difficult to sense in the nick of time by the regulators who lack required nimbleness in using market intelligence. Incentivising whistle blowing might be of some help if used in prudent manner.

Wirecard scandal is another case of regulatory and political failure in Europe. It has been alleged that until the last stage the authorities continued to winked at the red flag and remained impressed by the window dressed glittering performance of the company pampered as home-grown success. Financial Times (FT) editorial commented "'So eager seemed the German authorities to champion the once highflying firm that officials failed to follow up effectively on numerous media and analyst reports about suspected fraud. Not only that but BaFin investigated short-sellers and two FT journalists who had raised the alarm". Several analysts who doubted the financials of the company resorted to short selling of its share. BaFin has since been sued by Wirecard AG investors alleging that the regulator turned a blind eye to widespread evidence of an accounting scandal leading to collapse of the company wiping out about €12bn of shareholder value.

This accounting scandal points to persisting serious inadequacies and deep flaws in supervision process in place in Germany. German financial regulator BaFin has come under fire for its handling of the situation. Wirecard was considered a technology company and not a financial services provider and thereby kept the holding company outside the jurisdiction of BaFin's direct oversight while BaFin regulated Wirecard Bank. In the wake of this episode German Finance Ministry has decided to confer sovereign power to BaFin to intervene directly and immediately in public companies. BaFin would be empowered to carry out audit of capital market-oriented companies including power to access information from third parties.

Financial sector is fast evolving on the back of fintech, shadow banking and techno savvy new entrants with the emergence of new breeds of demanding customers having varied risk-return preference and new service needs, expanding bouquet of new products and delivery channels, drifting away from bank-centric models. Therefore, regulation and supervision to be effective has to be system-wide not in silos. However, no regulation /supervision system could be designed to make it invincible. Sound Corporate governance standard is what is the most crucial in avoiding such murky frauds involving blatant breach of trust. Inculcation of sound risk and ethical culture in financial organisations need pointed attention of the top management. Prevalence of strong risk and ethical culture would motivate everyone to speak and act prudentially with honesty and integrity aligned to corporate objectives. This would go a long way to make internal system hugely resilient against wrong doings rendering the organisational climate deterrent to perpetration of frauds, malfeasance and even tendencies to indulge in misdemeanour. It is the tone at the top which matters most in this regard.

BANKING, FINANCIAL SERVICES AND INSURANCE COMMITTEE

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

(Statutory Body under an Act of Parliament)

ADMISSION

has started for the

2nd Batch of **BFSI** Courses.

Please login to the **BFSI portal** for further details.

The link is stated as follows:

https://icmai.in/Banking_Insurance/Courses.php

For details please call the department:

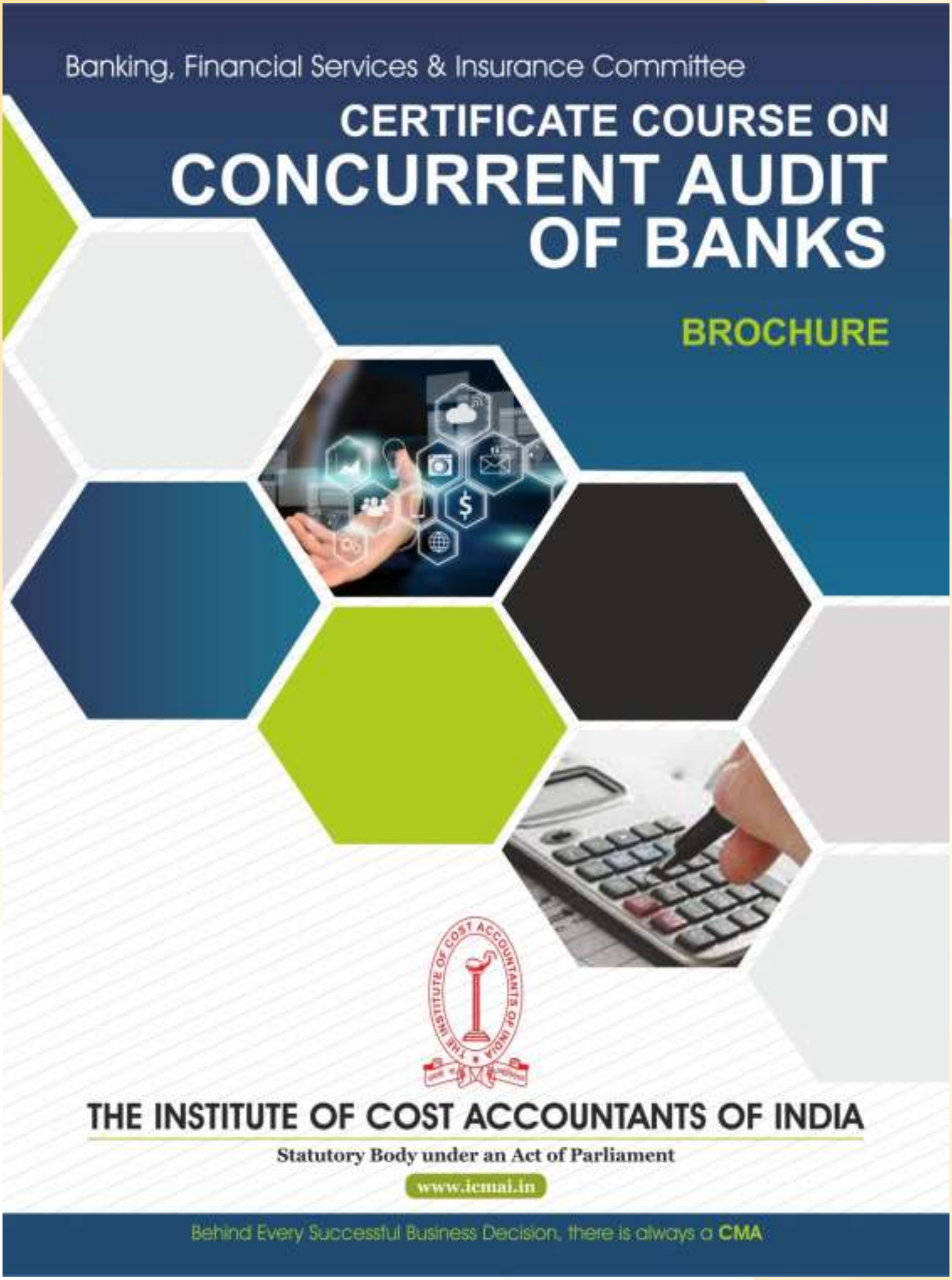
CMA Dibbendu Roy
Joint Director
9643443047/8368693781

CMA Rajendra Bose
Joint Director and HOD of BFSI Department
9007068555

Please email to ***bfsi@icmai.in*** *for any queries*

Courses Launched by the BFSI Department

CERTIFICATE COURSE ON CONCURRENT AUDIT OF BANKS



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CERTIFICATE COURSE ON CONCURRENT AUDIT OF BANKS

Certificate Course on Concurrent Audit of Banks

About The Institute

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

International Affiliation

The Institute of Cost Accountants of India is Founder member of International Federation of Accountants (IFAC), Confederation of Asian & Pacific Accountants (CAPA) & South Asian Federation of Accountants (SAFA). The Institute, being the only institution from India, is a member of the Accounting Bodies Network (ABN) of The Prince's Accounting for Sustainability (A4S) Project, UK and International Valuation Standards Council (IVSC), UK.

Institute's Strength

The Institute is the 2nd largest Cost & Management Accounting body in the World and the largest in Asia, having a large base of about 85,000 CMAs either in practice or in employment and around 5,00,000 students pursuing the CMA Course.

Institute's Network

Institute's headquarters is situated at Kolkata with another office at New Delhi. The Institute operates through four Regional Councils at Kolkata, Chennai, Delhi and Mumbai as well as through 107 Chapters situated in India, 10 Overseas Centres abroad, 2 Centres of Excellence, 51 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 Committee 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/advscr/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**

Courses Launched by the BFSI Department

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.

Courses Launched by the BFSI Department

CERTIFICATE COURSE ON CONCURRENT AUDIT OF BANKS

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 Nisha Dewan, Addl. Director at pd.hod@icmai.in
CMA Rajendra Bose, Head, Banking, Financial Services and Insurance Department & Joint Director at bfsi.hod@icmai.in
CMA Dibbendu Roy, Joint Director at bi@icmai.in

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

Statutory Body under an Act of Parliament

www.icmai.in

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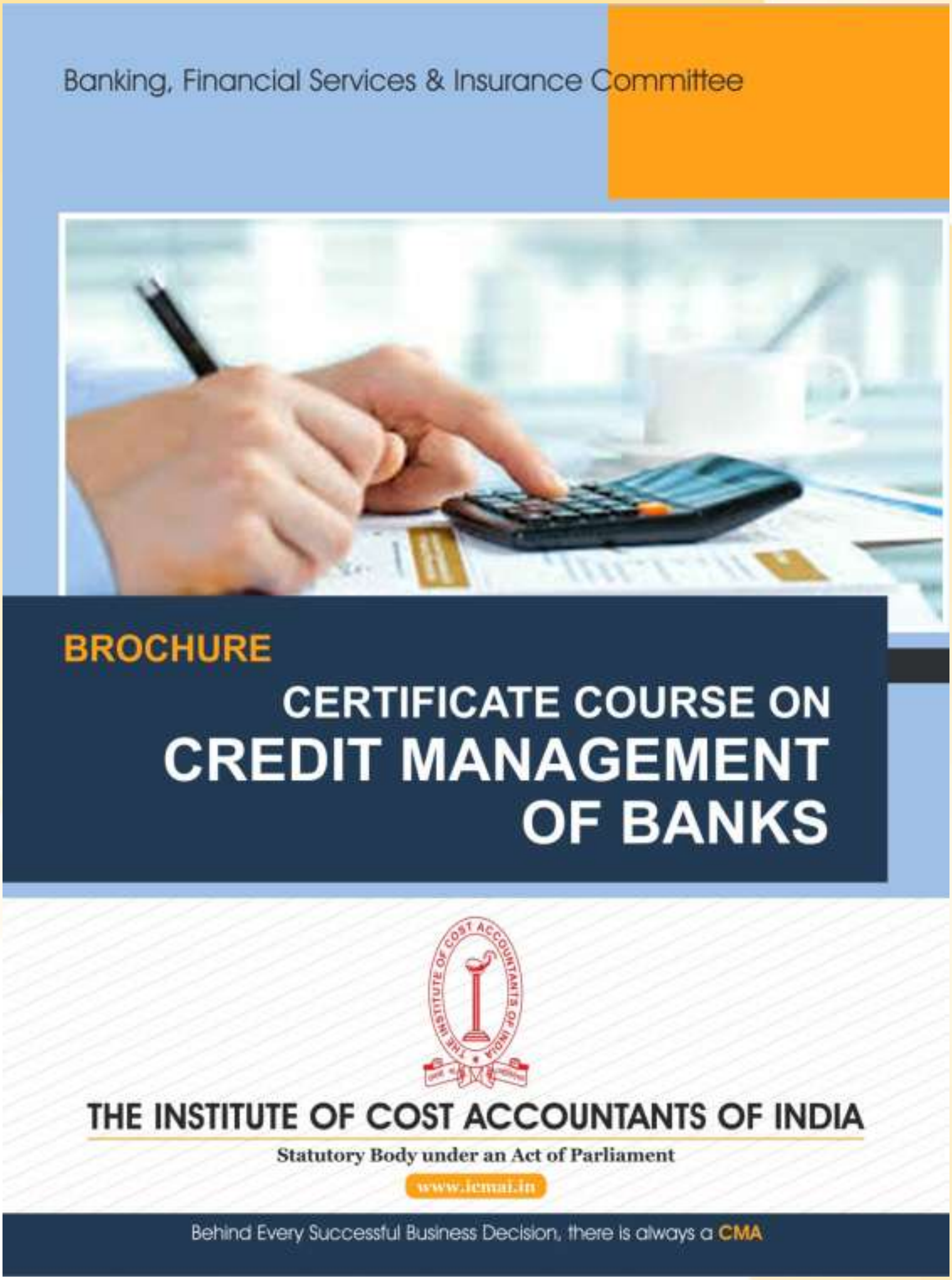
Delhi Office: CMA Bhawan, 3 Institutional Area, Lodhi Road, New Delhi - 110003

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

Courses Launched by the BFSI Department

CERTIFICATE COURSE ON CREDIT MANAGEMENT OF BANKS



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CERTIFICATE COURSE ON CREDIT MANAGEMENT OF BANKS

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:
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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

Courses Launched by the BFSI Department

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.

Courses Launched by the BFSI Department

CERTIFICATE COURSE ON CREDIT MANAGEMENT OF BANKS

Certificate Course on Credit Management of Banks

Detailed Course Content

- Types of Charges: Purpose, Various types of charges, Types of Security, Mode of charge, Lien, Negative Lien, Set Off, Assignment, Pledge, Right of Banker as a Pledgee, Duties as a Pledgee, Mode of Charges, Hypothecation, Mortgage - different types of mortgages, Difference between Simple and Equitable Mortgage.
- Credit Monitoring, Supervision & Follow Up: Credit Monitoring - Check-list for Monitoring, Monitoring by using various statements, QIS Formats / guidelines, Supervision & Follow Up.
- Management of Impaired Assets : NPA Management Policy, Income Recognition Policy, Assets Classification, Guidelines on Asset Classification, Take out Finance, Provisioning Norms for NPA, Provisioning Coverage Ratio (PCR), Options available to banks in Stressed Assets, Prudential Guidelines on Restructuring, New RBI Framework for Distressed Assets, Wilful Defaulters, Penal Measures, Compromise, Legal Action, Civil litigation, Pre and Post - filing precautions, Type of Decrees, Modes of Execution of Decree, Lok Adalat, Debt Recovery Tribunal, SARFAESI, IBC-2016, Write Off.

Contact for further queries

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THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

Statutory Body under an Act of Parliament

www.icmai.in

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

Behind Every Successful Business Decision, there is always a CMA

Courses Launched by the BFSI Department

CERTIFICATE COURSE ON TREASURY AND INTERNATIONAL BANKING

Courses Launched by the BFSI Department

CERTIFICATE COURSE ON TREASURY AND INTERNATIONAL BANKING

Certificate Course on Treasury and International Banking

About The Institute

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

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

International Affiliation

The Institute of Cost Accountants of India is Founder member of International Federation of Accountants (IFAC), Confederation of Asian & Pacific Accountants (CAPA) & South Asian Federation of Accountants (SAFA). The Institute, being the only institution from India, is a member of the Accounting Bodies Network (ABN) of The Prince's Accounting for Sustainability (A4S) Project, UK and International Valuation Standards Council (IVSC), UK.

Institute's Strength

The Institute is the 2nd largest Cost & Management Accounting body in the World and the largest in Asia, having a large base of about 85,000 CMAs either in practice or in employment and around 5,00,000 students pursuing the CMA Course.

Institute's Network

Institute's headquarters is situated at Kolkata with another office at New Delhi. The Institute operates through four Regional Councils at Kolkata, Chennai, Delhi and Mumbai as well as through 107 Chapters situated in India, 10 Overseas Centres abroad, 2 Centres of Excellence, 51 CMA Support Centres and 434 Recognized Oral Coaching Centres.

Vision Statement

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

Mission Statement

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

Course Objectives

Treasury Management is an essential function of a Bank or any Entity dealing with Large volume of funds. With the increased Globalization of Markets, it has become essential to have an in-depth knowledge of the functioning of the Domestic Money and Debt Markets as also the Foreign Exchange Markets for effective management of funds.

On account of several Policy measures undertaken by Reserve Bank of India (RBI) and other Regulatory Authorities, different segment of financial markets (Money, Securities, Foreign Exchange and Derivatives Markets) have witnessed significant growth and development in terms of new financial instruments, number of players, volume of business, etc.

In the light of such developments, treasury functions in Banks, FIs and Corporates have grown manifold and therefore have become challenging to manage. Therefore, it has become indispensable for Banks, Financial Institutions and Corporates to make their newly inducted treasury officers well versed with various segment of the financial market, different products and operations, so that they not only serve their clients better, but also manage the risks inherent in Treasury.

Practicing CMAs who dealing with their Clients are in one way or other linked to Finance and Financial related Issues. Hence, they should possess Good knowledge of 'Treasury Operations', so that they can provide Value Addition Services to their Clients. Treasury Operations of Banks and Commercial Organizations are more are less with difference of Regulatory Compliance. Even in small business entities, Treasury Operations helps a lot to minimize the Cost of Borrowings and Maximize the Yield on Investments etc.

In addition to the above, this course is also useful to CMAs who are: -

- Empanelled with Banks for Treasury Audit and Forex Audit.
- For Forensic Audit of Treasury Operations / Forex Operations in Banking Industry
- In Credit Audit, if the Bank Sanctions Loans to Clients like Pre-shipment and Post Shipment Packing Credit Advance, this course is also useful.
- And also, useful to take up the Assignments like 'Concurrent Audit in Treasury Department' of Banks, Commercial entities etc.

The Course provides a holistic insight into the various dimensions in Bank Treasury and Forex Operations.

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

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

Course Eligibility

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

Course Duration

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

Course Fees

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

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

Examination

Rs. 750 plus GST per attempt.

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Courses Launched by the BFSI Department

CERTIFICATE COURSE ON TREASURY AND INTERNATIONAL BANKING

Syllabus

SECTION - 1

a. Introduction to the Money Market:

- ✓ Economic Function-Definition-Classification of Intermediaries
- ✓ Types of markets-Participants-Nature of Domestic Market
- ✓ Repurchase Agreements
- ✓ Types of Interest Rate Quotations

b. Capital Markets:

- ✓ Economic Function
- ✓ Classification of Instruments-by Issuer and Types
- ✓ Principles of Valuation

c. Foreign Exchange Markets:

- ✓ Introduction-Definitions-Direct and Indirect Quotations: Cross Rates, Factors affecting Exchange Rates
- ✓ Spot Operations
- ✓ Relationship with Market Operations-Financing Spot Operations Interest Arbitrage-Forward-Forward Business
- ✓ Forward Transactions-Factors affecting / influencing forward rates
- ✓ Premiums: Discounts, Forward Cross Rates
- ✓ Swap Transactions
- ✓ Outright Deals

d. External Markets:

- ✓ External Commercial Borrowings
- ✓ GDRs / ADRs

e. Derivatives Markets:

- ✓ Introduction – Definition and Characteristics of FUTURES, SWAPS and OPTIONS
- ✓ Nature of Local Derivatives Market
- ✓ Elementary Hedge Applications

SECTION - 2

a. Scope and Function of Treasury Management:

- ✓ Objectives of Treasury
- ✓ Structure and Organisation
- ✓ Responsibilities of Treasury Manager

b. Domestic Cash Management:

- ✓ Short Term / Medium Term Funding – Meaning and Importance of Cash Management
- ✓ Objectives of Cash Management
- ✓ Cash Flow Budgeting and Forecasting
- ✓ Electronic Cash Management

c. Cost Centre / Profit Centre:

- ✓ Financial Planning and Control
- ✓ Capital Budgeting
- ✓ Risk Analysis

d. Liquidity Management:

- ✓ Objectives
- ✓ Sources of Liquidity
- ✓ Maturity Concerns: Projected Cash Flow and Core Sources Contingency Plans
- ✓ Short term and Long-term Liquidity
- ✓ Maturity Ladder Limits
- ✓ Internal Control – The Need and Importance – Financial and Operational risks – Internal vs External Control Segregation of Duties among Front and Back Offices – Management Information – Netting

e. Treasury's Role in International Banking:

- ✓ Changing Global Scenario and Treasury Functions
- ✓ Treasury Structure- Front and Back Office
- ✓ Control of Dealing Operations – Trading Limits – Trading and Operational Policy – Moral and Ethical aspects
- ✓ Confirmations

f. Revaluation Mark to Market and Profit Calculations:

- ✓ Supervision and Exchange Control Departments
- ✓ RBI requirements
- ✓ Recent Developments in the Central Bank's Policy Framework

SECTION - 3

a. Introduction:

- ✓ Meaning of Risk in Banking Operations-Financial and Non-Financial Risks
- ✓ Risk Process
- ✓ Key Risks in Relation to Treasury Management – Interest Rate Risk, Currency Risk, Liquidity Risk, Credit Risk and Operational Risk

Courses Launched by the BFSI Department

CERTIFICATE COURSE ON TREASURY AND INTERNATIONAL BANKING

Certificate Course on Treasury and International Banking

Syllabus

b. Measurement and Control of Risk:

- ✓ Identifying Measures and Controlling Risk – Statistical Methods
- ✓ Risk Exposure Analysis
- ✓ Risk Management Policies
- ✓ Fixation and Delegation of Limits
- ✓ Different Limits- Open Position / Asset Position Limits/ Deal Size/Individual Dealers/Stop Loss Limits

c. Assets Liability Management:

- ✓ Components of Assets and Liabilities – History of AL Management
- ✓ Organisational and Functions of ALCO
- ✓ Management and Interest rate Exposure / Liquidity
- ✓ Risk Adjusted Return on Capital
- ✓ Capital Adequacy Concerns

d. Hedging the Risk:

- ✓ Forward, Futures and Options Market
- ✓ Mechanics of Futures
- ✓ Foreign Currency Futures Market
- ✓ Options Market- Options Strategies
- ✓ Hedging Strategies and Arbitrage
- ✓ Call Options and Put Options

Contact for further queries

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CERTIFICATE COURSE IN INVESTMENT MANAGEMENT

Courses Launched by the BFSI Department

CERTIFICATE COURSE IN INVESTMENT MANAGEMENT

Certificate Course in Investment Management

NiSM NATIONAL INSTITUTE OF SECURITIES MARKETS

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**

Courses Launched by the BFSI Department

CERTIFICATE COURSE IN INVESTMENT MANAGEMENT

Certificate Course in Investment Management

NISM NATIONAL INSTITUTE OF SECURITIES MARKETS

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

Courses Launched by the BFSI Department

CERTIFICATE COURSE IN INVESTMENT MANAGEMENT

Certificate Course in Investment Management

NISM

Course Takeaways

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

For YOU

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

For Your COMPANY

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

Eligibility

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

Course Fees

Course Fee for each level - **Rs. 3,600/- + GST @18%**

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

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

Courses Launched by the BFSI Department

CERTIFICATE COURSE IN INVESTMENT MANAGEMENT

Certificate Course in Investment Management

NISM NATIONAL INSTITUTE OF SECURITIES MARKETS

Key Features

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

Assessment for Each Level

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

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

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

Stock Selection and Trading in Equity - Level I

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

Objectives

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

Content

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

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

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

Courses Launched by the BFSI Department

CERTIFICATE COURSE IN INVESTMENT MANAGEMENT

Certificate Course in Investment Management

NiSM

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

Assessment

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

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

Technical Analysis & Mutual Fund - Level II

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

Pre-requisite

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

Objectives

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

Content

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

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

Assessment

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

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

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

Courses Launched by the BFSI Department

CERTIFICATE COURSE IN INVESTMENT MANAGEMENT

Certificate Course in Investment Management

NISM NATIONAL INSTITUTE OF SECURITIES MARKETS

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

Courses Launched by the BFSI Department

CERTIFICATE COURSE IN INVESTMENT MANAGEMENT

Activities of the BFSI Department

One of the objectives of the BFSI Committee was to propagate and disseminate the latest developments and issues of contemporary interest amongst the members and students of the Institute among others. The BFSI Department was tuned with such objectives of the Committee and made all efforts to ensure that the latest developments in the fields of Banking, Financial Services and Insurance are brought to the knowledge of all stakeholders. This saw a spate of WEBINTS wherein the top management from the Banking and Insurance sector were invited for the WEBINTS who not only deliberated and discussed among the panel the current issues but also addressed several thought provoking questions that came from the participants which added significant value towards enhancement of knowledge of all the participants. Webinars were also held at regular intervals by experts who have made a name for themselves in their own fields and these went a long way in capacity building and skill enhancement of the participants.

1. Conduct of Webinars:

The Committee conducted 6 more webinars since it was last reported in the BFSI Chronicle published in July 2020 on various topics in the fields of Banking, Financial Services, Insurance and others.

Sl. No.	Date and Time	Topic	Speaker
1	26th July 10 am-12 pm	Treasury and International Banking: An essential Skill Set	CMA Dr. P. Siva Rama Prasad, Former AGM, SBI
2	27th July 4-6 pm	Concurrent Audit of Banks	CMA Dr. P. Siva Rama Prasad, Former AGM, SBI
3	31st July 4-6 pm	CMA as Financial Underwriter	CMA P Narasimha Murthy, Insurance Consultant
4	7th August 11am-12 pm	Understanding Life Insurance Products	CMA P Narasimha Murthy, Insurance Consultant
5	21st August 5-6 pm	Finance and Accounting in Life Insurance	CMA P Narasimha Murthy, Insurance Consultant
6	28th August 4-6 pm	Internal Audit in Life Insurance	CMA P Narasimha Murthy, Insurance Consultant

2. Conduct of WEBINTs:

The Committee as on date conducted 4 more WEBINTs since it was last reported in the BFSI Chronicle published in July 2020 and brought in luminaries of Banking, Insurance, Financial Services and from Economics fields.

Sl. No.	Date and Time	Topic	Speakers
1.	24th July, 3-30 -6 pm	WEBINT on 'Risk Mitigation and fraud prevention by Forensic Techniques in Post COVID-19'	1. CMA Yogesh Gupta, IPS, Special Director of Enforcement Directorate (Eastern Region) 2. Dr. Rishabh. C. Lodha, Chairman of ICMAI, RVO 3. Shri Ajay Vyas, Executive Director of

			UCO Bank 4. CMA Aloke Kumar Bardhan, Assistant Director (Banking), SFIO, Kolkata, MCA 5. CMA Neeraj Arora, Advocate 6. CMA Nayana Savala, Practising Cost Accountant 7. CMA Vijender Sharma, Council Member, ICAI
2.	6th September, 5-7 pm	WEBINT on Digital Payments :Progress and Prospects	1. CMA P.Vasudevan, Chief General Manager, Reserve Bank of India was the Chief Guest and speaker. 2. Shri NDSV Nageswara Rao, Deputy General Manager, Financial Inclusion & Micro Markets, State Bank of India, Local Head Office
3.	10th September,3-30 to 6 pm	WEBINT on "Post COVID-19 Synchronize Economy, Banks & Industry"	1. Shri Debashish Mukherjee, Executive Director, Canara Bank 2. CMA Suresh Khatanhar, Deputy Managing Director, IDBI Bank 3. CMA Suraj Prakash, Director (Finance), BEML 4. CMA Sunil Bhatia, Director (Finance), Engineers India Ltd. **Moderator** CMA B. B. Goyal, Former Addl. Chief Advisor (Cost), Ministry of Finance, Govt of India and Head of the ICoAS **Theme Introduction** CMA Manoj Batra, Deputy General Manager, IDBI Bank
4.	16th September,11 am -1-30 pm	WEBINT on the Role of CMAs in Capital Markets and Launch of Course on Investment Management with NISM	1. Shri S K Mohanty, Whole Time Member and Director, NISM, Chief Guest 2. CMA Yatrik Vin, CFO,NSE, Guest of Honour 3. CMA Nayan Mehta, CFO, BSE, Guest of Honour 4. Dr. V R Narasimhan, Dean SRSS and SCG, NISM 5. Shri Sunil Kadam, Register, NISM 6. CMA Dr. Latha Chari, Associate Professor, NISM

3. Launch of the 2nd Batch of Certificate Courses of BFSI Department

The department has also started admission for the three Certificate Courses namely Certificate Course on Concurrent Audit of Banks, Certificate Course on Credit Management of Banks and Certificate Course on Treasury and International Banking. We are pleased to share that the number of participants in the very first batch launched exceeded 200 which motivated the department to launch the second batch for which admissions are on. The members are requested to enroll at the earliest as the courses are conducted for Capacity Building and Skill Development. The Department has also represented to all General Managers of Public Sector Banks for registering in the courses of the BFSI for their employees.

4. Representation for CMAs

The BFSI also provided support services for representation from the Institute for inclusion of CMAs in KV Kamath Committee. The Department has also provided representation to State Bank of India for including CMAs for Specialist Cadre Officers- Risk Specialists – Credit.

5. Conduct of Examination of BFSI Courses

The BFSI candidates for the 1st batch for the courses would be notified very soon so that the participants can appear for the examination through Test From Home (TFH) format in the Post COVID-19 environment. The Department has concluded the mock test scheduled for the Certificate Course on Concurrent Audit of Banks.

6. Launch of Certificate Course on Investment Management in association with NISM

The Department has launched the certificate course on Investment Management in association with NISM and we hope the members and the students would take the opportunity in taking registration in the course of capital markets.

BFSI COMMITTEE OF INSTITUTE OF COST ACCOUNTANTS OF INDIA IN ASSOCIATION WITH NISM

Present WEBINT

'Role of CMAs in Capital Markets'

''Launch of Course on Investment Management"

On Wednesday 16th September, 2020 from 11 am to 1-30 pm

11:00-11:05	Introduction	**CMA Ms. Nisha Dewan** Secretary of Banking, Financial Services & Insurance Committee
11:05-11:10	Welcome Address (did not happen due to technical glitches)	**CMA Kaushik Banerjee** Secretary ICAI
11:10-11:15	Opening Remarks	**CMA Dr. Latha Chari** Associate Professor, NISM

- Thank you Nisha Ji and I would like to thank NISM and CMA. Respected chief guest Mr. SK Mohanty, WTM SEBI and Director NISM. President of ICAI CMA Balwinder Singh, Vice President CMA Biswarup Basu, expert speakers CMA Yatrik and Nayan Mehta ji. Dean Dr V R Narasimhan. Majistrar NISM Sunil Kadam, Chairman BFSI Chittaranjan ji, chairman's and heads of different regional offices and boards of ICAI. Professional colleagues and students, it's a great pleasure to be addressing all of you today. This a very unique association between ICAI old and well-known institution and NISM, young strong National and strong in the domain of investment management. Very unique association to bring to the people of this country, financial literacy, literacy related to investments, understanding about the capital market and whole range of programs which can be offered together for the ICAI fraternity. With these goals this MOU has been formed and the joint venture has taken the shape of today in the form of launch of the first online program on investment management. We would like to thank the management of NISM and the management of ICAI who have actually put in special efforts to forge this program and make it see the light of the day. We realize that both institutions have put their trust and responsibility on the execution team which is going to be executing this programs in the months to come and that makes us feel much more responsible and accountable to see that this program should happen in a very smooth way and carry with it the investment management money literacy that contributes to managing money effectively. We have all been hearing various quotes like "make money work for you", "do not work for money". right?

We also hear Warren Buffet who says that 'If you don't find a way to make money while you're sleeping then you are going to work till you die". So, actually save properly and create wealth and parallel you also understand the risks associated with different savings instruments which are emerging new and available to all of us. Right so the program tries to provide an overview of these and is supplemented by very very unique and practical hands on experience learning tool which is the Algo and the Trading analytics app. Like our chairman of the BFSI committee was saying ' the program tries to build upon the the foundations which are created in the ICAI curriculum, the CMA curriculum and capitalize on those foundations and reorient them towards the talent requirement that related to investing in investment management and capital market groups. So, this is a small effort, a beginning we look forward to more such things to come up in future. With these few introductory words, I would like to thank the management, institutions and hand over back to Nisha Dewan.

11:15-11:20	Address	**CMA Chittaranjan Chattopadhyay** Chairman, BFSI Committee
11:20-11:25	Address	**CMA Padmanabhan** Chairman, Regional Council and Chapters Coordination Committee, CAT and AAT Board, ICAI
11:25-11:30	Address by V P	**CMA Biswarup Basu**, Vice-President, ICAI
11:30-11:35	Presidential Address	**CMA Balwinder Singh** President, ICAI
11:35-11.50	Address by Chief Guest	**Shri SK Mohanty** WTM SEBI and Director NISM

- Thank you, Nisha, respected CMA Balwinder Singh ji, CMA Biswarup Basu ji, CMA Chittaranjan Chattopadhyay Ji, and some other galaxy of extreme CMA that we have with us. I am not going to name each and every one of them for the sake of time. I wish I was a CMA and I find this very Niche and glamourous prefix to be attached to anybody's name. I have always been having a lot of respect towards financial professionals since my childhood and I find that CMA would have really given some kind of a boost to me. I think I am the first Non- CMA to speak today right now. All others were CMA prior to me. I am happy that Narasimhan is there without the CMA tag. Anyways, when I heard about this program, I was wondering what really, we are going to teach them, because I heard since many many years and I have so much of regards for these professionals from cost accountant community and chartered accountant communities. They know everything. I just presume, maybe it's a false presumption but I just presume that you know everything. The person who knows the balance sheet, knows a financial statement, knows all the ratio analysis, knows valuation, knows how to do a feasibility study, a project report and other things are simply a cake walk for them and what is there left of us to teach them. I am from income tax department background and I even didn't know what is credit and debit when I joined this job. Couple of years after I joined this income tax, I was really wondering that what comes in is debited and what goes out is credited. So, you know this is such a technical and this account is not a joke and if somebody is understanding accounts and financial aspect of a company. Financial aspect of anything as a matter, if a person can do reconciliation of a balance sheet in 5 minutes, I think that's a big deal to be achieved and we should struggle a lot in our examination that used to be conducted in our academy when we were trainee professionals in income tax academy of Nagpur. Account is something one has to master if you really want to do something else. If the CMA's and that if we are going to train them the CMA's who want to learn, I think this will be a very easy course for them and at the same time very interesting. Later on when I grew up on this financial market and when I started working, I find in this age of specialization and super specialization no matter how export you are in financial matters no matter how expert you are in understanding the books of the accounts and balance sheets and no matter how expert you are in doing valuations and all sorts of financial analysis part. I think we really need each one of us becoming a cog in the wheel because of the specialty we do sometimes it becomes so tough in life that we even don't know what is happening in the the next segment of the same financial market. The micro picture is missing. We always think of the work that we do, if we are doing auditing, we are doing cost accounting we are doing costing, due diligence, we are doing project report. Sometimes we lose sight of the bigger picture and lose sight of the entire financial market and lose sight of the capital market, securities market and so many products and innovations that have come into to this market over the years and the CMA come out of the institute and start doing only the work because the work is so rigorous these days that I think 9-9 definitely is a must for any cost accountant who is going to take up any assignment be it entrepreneur sell phone or any professional organization or a company. So as a result of that what is happening is that every professional is losing out on the bigger canvas and picture the macro picture and is somehow rather doing his profession and at the same time, he is missing out so many segments and aspects of this financial market. See I will tell you something, even during the SEBI some to the investment awareness program that I have gone for some time I was holding the portfolio of awareness and I find that it is so tough to tell people that what is the difference between saving and investment. People tend to confuse between savings and investment vice-versa. if they keep some emergency money for their future use, they think that they have invested. They don't understand no saving that saving money has to be translated and invested in some kind of financial asset to call it an investment. So that small differentiation and we should take hours together how to make understand the audience comprising school teachers, polytechnic people engineers and all those guys, are not understanding this fine distinction between these two. Forget about telling them to invest on this or that product. so, savings and investment has definitely been a household subject and it is very important aspect of our economy since a long time. People have been saving and at the same time investing in real estate, hotels, savings, enrollment funds, gold silver, various metals, lic provident fund etc etc. Even in earlier Kolkata the Peerless and other group started this micro financing and people started investing some of their savings in the Peerless group and it is their part for life. Happening is that this financial market is so dynamic and is changing so fast that it is very difficult to keep pace with it and one has to be very constantly told what is happening in this market. I mean particularly today's context in rapidly declining of interest rate and fall in the market of bond etc when you have to beat the inflation itself there are these when the inflation rate was 10 to 12% and the interest we use to get from Bank was 10% and I used to tell people what is the adverse effect of fraud schemes which you are falling prey in my native places of Orissa and Bengal and all Eastern region people. I simply used to tell them one thing " Can anybody give you a return beating the inflation". How can you take care of the overhead, office, and traveling cost and give you a 20-28%? no things have come to such a stage that getting 7% post tax paid is a nightmare for common people who have traditionally been in is your LIC people and who has been always saving rupees. I will tell you one live example; we have a WhatsApp group comprising of 15 to 25 people of my age who are studying in Delhi. One of my friends who is working in in authority of India limited in a senior position, yesterday he first said that he got an offer of NFO from Sundaram Blue Chip company. he invested in mutual fund and somebody has given him off NFO application. Then he said that somebody has given me this in next day he took some experts opinion who told that without knowing the NFO and the fund manager we don't accept it. There is no need to go for NFO when there are so many existing open-ended funds, rightly so. When you first invest some liquid funds and gradually you move to a phase when an open-ended funds and other things if somebody gives an opinion. Later on, he said that this is why I don't get into the market. Later on, he said that he is happy with his FD whether it's 3% of 4%. This is really so contextual and happened so recently that this is the fate of thousands and thousands of people of my age group who are going to retire in a couple of 2-3 years and then I don't know what to do. as they know that their interest rate is coming down and it is not possible to keep the worth of your money even if you are saving. They know that some little bit more return should come but how to to ask people because they give this type of contradictory advises and he is getting loss. Similar things have been happening to so many thousands of people who have retired and have so many liabilities like daughter's marriage and children's education. at the same time they want to use their savings and earn something in between and nobody is there to guide them and here the question is about the aspect of financial planning and good advisor and a good person who can really hand over them to the wealth creation of their wealth and there is a huge scope for people taking young talent to come in because what is happening we do financial planning for people and we tell them to give us your capital and we will help them instead of that ,I believe that the financial planners should step into his shoe not as a profit making entity but as a family man. He should see through his eyes that what are his obligations and liabilities and what is that he is going to get out of it and what is the horizon of time he wants to save and give him a very very realistic idea. We should not give an idea to a person which we think ok we are not going to do with our family. we should give advice to the person considering his wish and his side. We have CMA understand everything on ratio analysis and financial models and so many things have come to the market that you really get an idea of it. The moment you give some data and process it very beautiful models and creative models will come out and finally what is happening people get really confused by this that whether they should do it or not and that psychosis needs to be overcome. In that context I think CMA have the most advantage because whenever they will come into this wealth creation do men they will not be the kind of people who come and go they are hard core finance people the only thing there is little bit of a bridge that needs to be created from the finance hardcore accountancy side to cross the bridge and go to the other side of the market and understand what are the things available here and what is derivative market and what is equity market and what are the products making equity and what are mutual funds aspects and they should understand the market to the deepest core of it. They need to understand and come back again to the profession to do a great job to converting savings into proper investment so that not only the help people doing great service to the society and this is where I think ok, I got the experience. As a layman I think CMA are in a great advantages position to do this and not only to take this up as a profession they can also sustain this very nicely. They can cater to 30- 40 people who are near to their retirement at the age of 60 and 65. They will do great service if they give some suggestions to those people. I think that traditional accounting professional part is fine by asking them and making them do it. Today's generation is technical generation who know all sort of mobile technology and communication data analysis and everything they'll know by the time they come out of the institute. They must be doing some more value additions by their hobbies as well. This side has to be explored in a great way and I think we are also planning to layout some courses for them and lot of regulations of changed for SEBI about PMS, Investment advisory services. you all know that investment advisory services are now increased to become corporate body and they are not like the way they used to operate. So, advisory services are going to be very very corporatized, competitive and segmented and advisory and distribution is going to have firewall between them and there is going to be lot of competition in cities for the benefit of the protection of investors lot of things have come up because of the SEBI regulation. to cater and address to all these things I have initiated my people who have formulated courses for PMS, investment advisory is short term courses and coupled with this type of exposure to this with Dr Lata chari an expert in training people in smart lab training and analytical lab training that we have in NISM with almost live data to feed. They can really upgrade and upskill them to build and enrich their knowledge to a great extent and by the time they come out as CMA or even if they are an existing CMA, in the coming year or two there will be whole some professional with nothing to worry about and with a lot of confidence and they really can do good work for the society. That much from my side as a director. I don't want to get into any much details of it and I think Mr. Narasimhan and BSE NSC professionals that we have with you will take you further forward. Thanks a lot. Thank you, Nisha, for giving me the opportunity. Thanks to all the galaxies of PMS that we have here today. I am really glad to be here. Thanks a lot.

11.50-12.00	Address by Dean (About the program)	**Mr. V R Narasimhan** Dean SRSS and SCG

- Thank you, Nisha madam, Mr. SK Mohanty and Mr. Balwinder Singh and the galaxy of PMS who are present, here. Good afternoon to everyone. My job is to introduce to this program which we are going to launch very soon. We are launching it today and registration will be announced very soon. I would like to congratulate and compliment Mr. Chittaranjan Chattopadhyay and Lata Chari whose untiring efforts have resulted into launch of this program. This is a very unique program as our director has rightly said, mostly CMA known several principle and valuation analysis of financial reports and financial results but the question is how do you make them applicable to the real life investment processes that's why the whole difference comes in and therefore it is for you can have very good speed to make a food but when you cook and serve people understand how the dish is. So, in the case of this program which we have designed there, it's about investment management, online certificate investment management program and it's been architected in a way that it has got three stages in it. In stage 1 we have equity valuation and modelling and trading an equity in level 1 introduction we will try to take the candidate through the trading screens and application of basic information about the stocks and help in stock picking. when we are speaking about stock picking and we are trying to pick a stock because of the various margin levels which we have there are various principles with the brokers which are generally applied with the client then there is a difference between the revenue generated from the investment which you actually wanted to make. Applicability of risk management from the market perspective. Risk management principles are there with the broker and the regulator. Keeping this too into interview you trade on the stock on the exchange of the known trade in level 1. We will try to take a higher level slightly and explain them the technical analysis and fundamental analysis parts of it. Fundamental analysis is understandable to CMA already. Technical analysis is probably new to them. Creation of various types of charts and understand the patterns, indications and communications coming out of the chart, what is momentum, volatility, auscultators, will the market move now, will the market move tomorrow. Even if it's moving should I buy or sell tomorrow. How will you build a strategy in the moving market is very important? This will be taught in the second level and along with this there will be a session of mutual funds. It will be for people who don't want to bomb themselves down with the residue of the markets or Mutual fund investments. How mutual fund will help them will be taken through in 2nd level. Third level will be a little bit competitive in terms of derivative trading and all related to derivatives trading and all that. In all the three levels it is important to learn how do you apply the principles which you have learnt in the institute and also how do you to use your experiences in terms of stock picking and asset picking. The most important and attractive part of this is that you will be able to apply all of this in our smart lab. I will take 2 minutes to describe what it is. Smart lab is a real-life market. The only thing is that the data which goes in the smart lab will be 5-10 minutes delayed. You will have the information's on 5 minutes delay on your screen about the market. Colleagues order separate in market. you will be able to see how you can influence the market or get influenced by the market. You will get to know what is the strategy you have developed and is your strategy working in the market. All this information's will be understandable by experiential learning. You will be able to see the impact and learn from it and that's a very important thing. We also planned of a bridge program for those people who are not having the essential background required to be able to take the level 1. In order to see that the people who doesn't have the basic understanding about stock markets can you come through bridge program as well but this bridge program will be available to only those who have enrolled for at least first level of this program. While we have put the last level 1 level 2 and level 3 while addressing professionals already have accomplished in their life. It's not necessary that they have to go from level 1 to level 3 e taken enjoy anywhere they can start from level 2 and end up level 3. The course curriculum is made available to be upfront and therefore candidate with its maturity understanding can decide what kind of learning they want to have from it. Therefore, they can go to level 2 level 3 or level 1 depending upon their choice and background and requirement. What we believe is that this program will help, as the director rightly said. Being a CMA, you have multiple roles to play. A - to manage investment.

B - help your colleague or family member in terms of investment. C - In your profession you need to have a for understanding of investment processes. We talk about valuation for acquiring a business will be seen from a different point of view and valuation for investment stock will be seen from a different point of view. Valuation for a stock as a part of Port value will be e seen from a different point of view. Valuation is a simple word. As our director rightly said 'as I am a cost accountant and know balance sheet, I also know about it but actually when you are trying to put your 1000 rupees in market you will understand what it means actually". You don't want to get defeated by the market and therefore you want to be extra careful and you want to make sure investment decision is right or wrong. You want to see that you have experience shall learning, the theory and practice together. We will have delivered to you in the form of a program and you will understand and experiment with your ideas when you feel that your ideas have been successful in the laboratory then you will go and experiment in the real-life market and that's how you become more successful. we believe that we have structured this part in a way that people who go through in all the three levels will be selling professionals while trading and they will be proficient in handling the investments and we believe that we will be able to bring them together. Institutes will be able to bring a valuable program and professionals will be able to manage themselves. The date of launch will be announced by institute very soon. As far as NISM is concerned, are professors are on top of that what has been taken through and we will have all the flexibility required in case of candidates want some extra work to be done in the laboratory we will request Ms Lata Chari to see how this can be accommodated. Actually, for those people who like to do a little more advance thing and want to have some algorithm tested we don't mind providing them the opportunity on this actually experiment on the lab. They will understand their logarithms and it will be helpful to them so that they can use that in the market. We call it the ATAR lab, i.e. the Algorithm and Trading Analytical Lab. This lab will stay Atal and try to get the advantage. this is one of the unique laboratories in the country and not everybody can offer this type of facilities and therefore the professional expertise that you have and the trading experience that we are going to provide you, together we can make you a very successful investment professional and I wish all the members who have joined this program very best and I look forward to have a very fruitful association with ICAI. Thank you.

12.00-12:15	Address on the topic Role of CMA in Investment and Corporate Management	**CMA Mr. Yatrik Vin** CFO, NSE

- Good afternoon Nisha. Honorable Deputy Sri Mohanty sir, Honorable president of the institute Shri Balwinder Singh ji, Honorable vice president shri Biswadip Basu ji and galaxy of CMA and distinguish members of the webinar and all the participants. At the outside let me thank both NISM and institute to give me an opportunity to share some of my thoughts on investment management. Indeed, it's a great initiative by NISM and the institute to launch a specific program on industrial management. there are some subjects which never go out of fashion in life. Investment management is one such subject which focus is not only in our personal lives but very important and critical when we actually work as professionals in the organization about it. Whether it's an individual on investment management principles or whether it's in a corporate level both are philosophies and principle surrounding to investment management. It is a very simple term of safety equity and returns. The core of any investment management is that one must look for safety of the amount that you have invested. When you talk about safety there are some of the risks associated with any of the investment decision that you make. The risks could pan out to credited risks, it could be liquidated risks or it could be concentration risks. So, if you look at the safety part of the investment one also need to have a credibility and thoughtful approach surrounding how do you have risk as a part of investment strategy. The second layer is surrounding liquidity because ultimately when you make the investment decisions and you have the business strategy you must have the money available as in when every time you earn and therefore the choice of investment in products. The choice of your strategy also has to be equally calibrated on the grounds that how risky my investment or strategy is going to be. We don't know when that emergency is going to occur in our personal lives and we do not know when other organization we may need some money and at that point of time it shouldn't be the case that we don't get our money back. The third and equally important principle is that surrounding the returns because both the safety part and the liquidity part has lot of other impacts. If you lose out on the balance it will take some aggressive credit calls and obviously your returns will look good but at some point, of time you will endanger your money. As Nisha was explaining there at some point of time you get investment opportunities when you get to earn something much lower than the normal returns that the market is offering. How is that possible? Obviously without compromising on the risk part it is not possible that you generate money, risk and return goes together. every time when you make a particular choice and look at a particular investment strategy there has to be a very thoughtful and cautious approach about the expectations. Now if these are the three core principles about investment both corporate and individual level there has to be some outcomes which are well defined so that you have your goals and your working towards your goals. Particularly when you are working in a corporate as a treasury manager the first outcome is that to have investment strategy which is long term value creator. In in short term you may win lose earn or get defeated but the journey is important. in the journey of investment, one has to take a long-term look and if I just define what is a long-term view in a corporate life cycle probably three years and five years could be a long-term goal. When it comes to individual money management and wealth management, I think nothing before 10 to 15 years should be the overall horizon went when has to look at a long-term investment. the second important part of investment management is that it has to eventually grow money has to grow itself. Somebody did a remark that "money has to work while you are sleeping". Now the question is that how is that possible? It is possible only when your investment strategy focuses on growth because there are two sides of an investment, one is the growth aspect of an investment and the other one is the steady cash flow path of the investment. Both are very important. It needs to be understood and defined before you make an investment decision. Different age groups will have different definitions of how much you make growth and how make you make a study cash. If someone is in his mid-twenties or mid 30 then probably growth will be 70-80%. The cash flow will be 10,20 or 30%. Somebody who is in in late sixties aur early seventies probably routine systematic cash flows would become more important than the growth path of it. So there has to be a right credibility of balance between investment growth and the steady cash flow that you expect. the third important principle is that you need to have a prudent capital allocation structure, now when you talk about capital allocation structure 100 rupees that we actually want to deploy and there are so many products and asset classes and so many avenues available. The fundamental groups are either you go into the interest making securities like FD, PF, PPF and bonds or you go on the equity side. In equity either it can be direct investment into the shares and stocks of the company or it could be into the participation of derivatives market if you have the right kind of knowledge and information with you or it could be that is the second bucket in which one can go. Third one could probably with the real estate and fourth one could probably be the gold and silver traditionally as Indians have lot of attraction towards gold and silver and therefore that could be the fourth asset for us. The 5th one could be people investing on insurance products. I am not too sure that even investment product is relevant to insurance or not but it there are a group of people who continue to invest on insurance products. Now the allocation of the investment surplus has to be rightly bifurcated and understood again in terms of the safety the liquidity and the returns. Different asset classes offered different risks and rewards inequations. The third part is right kind of capital allocation and again it takes us back to the what age group and what kind of financial understanding one possesses. It can be a youngster in mid twenties with right kind of financial background and education and understanding of the market may have some understanding and decision towards it but somebody who is senior may not want to expose themselves to the fluctuations of the market. They would look for a steady cash flow. Capital allocation therefore becomes and other reason and outcome for investment strategy. The fourth part specially when you are dealing with the treasury at corporate level and when you are into a borrowing treasury because at corporate level you will have borrowing treasury and you will have lending treasury.

Especially when you are a borrowing treasury that means you are borrowing money from the banks in your business and earning some profits out of it and generating a deployable surplus which is back to the investment in the market. in third case one has to have a right coordination between what is my borrowing cost and what is my generation of the returns in my treasury. Typically, in the simplest way the way you will generate the returns on the treasury and the amount that you will end up being paid for the borrowing cost you will have the borrowing cost to be 3 to 4 percentage higher. Now how do you narrow the gap so that this 4% become 3%? It all depends on not the aggressive treasury operations but the largely owned efficient usage of the borrowed capital. Specially in a manufacturing organization, 100 rupees you borrow if you don't have an efficient capital allocation mechanism and if you don't have right kind of discipline and capital efficiency in the organization lot of money and interest cost goes and sits on the shop floor. Lot of money and cost goes and sits with the debtors. Lot of money goes and sits into your stocks which is not moving in the godowns. The way to bring in the capital efficiency is how do I narrow the gap between my borrowing cost and my lending cost. Another important principle of investment management is that you have to be well guided by prudential norms. These norms have to be followed with discipline at highest level of ethics. Without prudential norms, one cannot start the journey on investment management. Why these prudential norms are required? It's is required to handle all the three buckets of the key principles of liquidity and returns. When you carve out these prudential norms all the three units has to be given equal focus and privilege, all the three parts have to be looked at in a much more calibrated manner and with the investment objective and the goal that the organization have. As Dr Narasimhan was explaining that this program is actually expressing the students and the candidates taking risk today equity market. It is also giving them experiential learning in terms of trading and also at some point training them from derivatives and cash flows and how the market operates. My colleague Nayan I will definitely tell us that how the capital market and what are the nuisance of it but two or three important it marks I wanted to make that over last 25 30 years markets have now become very safe. The way today Indian capital market is, the way today some of our process, systems and regulations of products and services we offer and also the technology, I think today as a country we have done remarkably marvelous job. Today you compare any exchange of the world whether it is American market or European markets or Asian peer, I think probably India has done a wonderful job. Markets have become extremely safe because our regulations and processes has become so robust over a period of time, we have ensured that the risk management and surveillance systems in financial education, data analytics part, data discerning part are taken care of. All these things are very important. Right kind of participation is required. I will also share one statistic that we are the only country in the world which has highest retail participation, 50% plus retailers participated in the market and nowhere in the world this is the statistics. We only have to keep increasing this percentage of participation. Today less than 5% of the domestic savings flow into equity market. In abroad those markets have 20-25% of domestic savings swing in the market indirect as well as mutual fund indirect roles. So, we have easily three to four times opportunity for a market to further grow and expand and we have the right ecosystem and infrastructure and regulations and building blocks and we only have to see how we increase this particular participation. Launching 20 investment management programs for the CMA and also for non-CMA to participate in this particular program. I am sure that this will be a good initiative and go and add in the overall various other programs and initiatives that different institute in the country are already taking. I am sure that this will bring all the market participants as well as the CMA to a different level of understanding of market and it will help the overall market a lot. My best wishes to the institute and NISM and NSC would be happy to participate in whatever way that we could participate with NISM and we will do in whatever form whether it's the technological or data support or any other aspect we think there to help. Our best wishes and thank you for again inviting me for this particular program. Thank you so much.

12:15-12:30	Opportunities in Financial Markets for CMA	**CMA Mr. Nayan Mehta** CFO, BSE

- Thank you, madam. Respected Shri Mohanty Sir, CMA Balwinder Singh Ji, CM H. Padmanabhan, Lata Chari ji, Mr. Chittaranjan and all other dignitaries and friends. Let me start convening my thanks to National Institute Securities of the Market (NISM) and institute of cost accountant in India to invite me to speak on this opportunity in financial market. In mid 1980’s where I pursued my B.com graduation and studies. My main intent was to get a professional degree to get a good job and to provide me a decent standard of living. I joined CMA course just like my many other colleagues who were friends in college. During those days there was a simple perception that this course was mainly for students looking forward to make a career in manufacturing organization. As the course covered a couple of course on specialization and focus on cost accounting I never really thought that I had too much of choice then and at which industry or market I will end up I have working in my entire life. We don’t have any good source of seeking council or career options or paths unlike today. But destiny would have it my entire career till date has been spend in financial market and without privilege. As of date a significant proposal of CMA professional I have been looking in financial market and financial services. The advantage of being a CMA is that the course exposes the student who has advance understanding of financial market which I have tested for available practical situations. The grasp of understanding financial market is that the value which will simply bring to this organization. I realized that I have studied many practical concept while pursuing my CMA degree on various subjects like cost accounting, operation research, financial market etc which I have observed that We haven't able to apply the same in a big manner in course of my career and not only in special work situation but in day to day situation such as without even realizing that I am applying those principles and practices. The study and application of constant into a practical situation is a problem. The knowledge and skill set developed by CMA, not only here same or manufacturing service industry but prepares the CMA to take a career in financial market also. I know that the course content of CMA has changed to last 35 years since I did the CMA. Dwelling with current market and service sector we will make the students job ready by the time they complete the course. When we talk about financial market, we refer to the market place where the activities related to the creation and trading of financial assets since bond, shares, equities, derivatives, etc take place and avail the platform to sell and buy of financial assets to meet and trade with each other at a price as determined by the market essence. Thus, financial market genuinely equity market, equity derivative market, derivative market, commodity market and other related markets. These are the mar4kets where students are not familiar with business and services. All the above scenarios required good financial knowledge, strong analytical skills, accounting, and tax knowledge which will be a part of the course CMA training. The first area where CMA are the natural fit is financial research to several products available in the financial markets. I mean a strong background in the financial management back up good accounting knowledge. CMA will become ideal for candidates for research on equity markets, commodity markets and all related markets. CMA is also valuable in financial and economic research. So, these are another area available to CMA. There are also sort in the financial markets especially broking and dealing with securities in equities and derivatives and all other financial products. They are the natural fit for undertaking any type of transactional activities in any of these markets. Another opportunity for CMA and financial market is the role of investment advisor, financial planner, wealth manager in banking and investment advisory from and having a background of accounting as well as financial management. We would be able to understand and study the financial products which are available and the financial caliber available for the clients or for themselves. CMA can also focus on corporate advisors such as investment banking, corporate banking, evaluating valuation, compliance, risk management. These are all areas available to CMA in financial markets and off course as more I have said earlier CMA has fit natural in any financial market and of-course we are suited for accounting transaction. CMA has given opportunities to employment and otherwise and previous entities from the financial market equity system which banks, stock exchanges, clearing corporations, fund manager, MBFC, etc. SEBI is allowed to appear because of the jurisdiction authorities. They can practice as insolvency professionals by following compliances rules to do serve in financial markets in India. Though there are lots of opportunities in CMA and financial markets. Participants in these markets required very skills and high-level knowledge with structure behavior compliance and other aspects. I heartily congratulate the NISM and ICA to launch this course in this institute management. There is no doubt in my mind that CMA round with the knowledge of financial market its from NISM is far more resourceful and valuable to any organization in financial markets. Then with any other qualification and they can look forward to how much further and subsidiary are there in financial market. Therefore, I encourage all the CMA's to take their expert level knowledge by enrolling these courses and to take their financial knowledge as well as to grow their percept for the next higher level and avail the opportunities in financial markets. I am convening my best wishes to NISM, ICAI, and all the sources of this course. CMA would be proud to support whatever actions required helping you. Thank you very much.

12:30-12:45	Overview of Investment	**CMA Arup S Bagchi** Sr. Director, ICAI

- Good Afternoon everyone. Shri S K Mohanty, Chief Guest of the day and his excellent team under Dr. Narasimhan our two professional colleagues from our leading stock exchange of our country and our team from the Institute under the capable leadership of Sri Balwinder Singh Sir President & Biswarup Sir our Vice-president and two of the most dynamic council members, Chitta sir and Padmanabhan sir and my fellow colleagues from the institute. I was wondering like when sir will ask me or I will be the last speaker when such illuminati are there ahead of me I know w my job will be either very easy or my job will be very tough But being a CMA I prefer to look it as very easy because most of the ideas would have come and all I had to is to take forward to those ideas. So, I will remain very brief. I will pick up from where respected Shri Mohanty left because he touched the very very important thing and I will try to connect the links of all the speakers into this investment opportunity that our member of world at large can gain from course. Taking from where Mohanty Sir has left that there is a line between savings and there is a line which is differentiating investments. Other than the professionals yes many of us who muddle up between the two some kind or another. Let me talk about investment or savings. The typical what Vin sir said almost 50% of our retail investors are individuals. They can be professionals; the others are institutional investors. Noe from retails investors point of view unless he has some technical knowledge whatever line he is working in. He is working in administration; he is working in finance; whatever line he is working in he will be much safer because each one of us is working each one of us are earning so each one of us has the potential and the urge to save and to invest. When we should save, we should save because we need the money. Why should we invest, to take care of the inflation to take care of our life in the future not only for us, for our family as well as for our return life. It is very very important for us to know how we are investing. Kindly permit me a couple of minutes to tell you two incidents that happens in my life which perhaps will set the tone to my understanding of why the relevance of this particular course with such a repudiated Institute. The scenario between two institutes- when I came back Calcutta from Bombay after serving Stock Holding Corporation, we Bengalis are famous for evening gossips. Our days is incomplete unless you come back sit together not only just gossip, its professional gossips. So, we were sitting may be dozen friends or so with great fields we have finance professionals, we have doctors, we have engineers, we have people from the management sides because I was from Stock Holding, the favorite question from a non-finance or a non-marketing person is like what is the tips… They think there is answer to that but it's not so easy so they ask. So, I said it's too deep you have to understand it. So, they said okay you tell us about the investment about the world and all that. Without much thinking I said that yes, the market is safe, SEBI has now done a wonderful job but off course you need a hearing member to take care of your orders and off course you must have a deposit to the participant because everything has now deauthorize. You have lots of NFO's and IPO's are coming out all that you have to off course know and you have to know that money float is not enjoyed by others because as by is there and now the book filling process is there so get a fairly and then I was stop and I told my friends please talk in English. It actually happened, then I realized however educated one is unless you have some sort of educational learning in this capital market scenario, your education, your investment education cannot be complete and that is when I understand today the tremendous importance of this particular course that is launch between the two institute of national and international repute. The other small incident I will say is all of us are having car. Some of us drive some of us has drivers. Think about your car as an investment. Think about the driver as your fund manager. How safe will you feel if you are driving the car which is fine as you have the control that means you the knowledge to drive the car. That means you are the fund manager. Now imagine the situation where you are sitting at the back of the luxury car and your driver is driving, you do not know driving. So, you do not know the health of your car. You really do not know the health of your investment. You have to depend on the professional that is the driver but if your driver is driving the car and if you are driver itself also that means you have the tactical knowledge of the gears, the clutch, the brake, the acceleration and basics of the car. You will feel much more secure, you will know what exactly your fund manager is up to and you will be able to at least advice your driver like switching off the engine in signals which will give you more fuel efficiency and more returns. So, having these particular courses will be unique not only for our professionals but also for our students and also for people professionals at large because another very important part which Mohanty sir touch the point is all of you will retire some day or others especially the service class where to guard the money. After retirement we get a substantial dividend by of our gratuity and by our provident fund, our savings and we have plan we have saved money how we should further to ensure that we lead a comfortable healthy financial life. It is very important. Now while we are going with the course curriculum. We will be covering equities, mutual fund scenario even derivatives. It is very crucial for anyone who is investing from his personal sight to take care of his investment or on behalf of the company the corporate or the institution he is representing as director finance as the general finance because they need to investment also. Without understanding the basic technicalities of technical analysis. Yes, being a finance manager, one expected to know the valuations, the valuations of the company, the financials but what about the technical, what about the trends in the markets. As our Dr. Narasimhan said these markets are so dynamic once you are investing whether as a retail investor or even through fund managers. It is very timing is the essence; knowledge is the essence of the investment. Each one of us wants out investment to grow and as my extremely learner speaker before has said liquidity, the risk factor, the safety factor has to take up into to develop our own investment models. We should not be 100% depended on the fund managers. Yes, we have a driver he will drive the car but it is much safer as it is our car, it is our money. We will sleep a lot better if we understand the basics of the markets, the basic technicalities of the market, the basic juggle of the market. Once this course is done, I am very very sure that the people who are planning to invest, they will be enlightened much more than what they are today. I really look forward to this association of two great institutes which of course has the blessings of me because Mohanty sir there and what are the changes he bought to the capital market. As rightly said by one of the speakers it is much a safer market now but SEBI can only make safe as far as regulation is concerned as far as the environment is concerned but it is you the investor who can make your investment safe by knowledge so I wish Chito Sir all the best and our esteem invitees who have joined us today and I look forward to a very fruitful outcome of this meeting. Thank you so much. Over to you Nisha madam.

12:45-1:15	Q &A from attendees	**CMA Dr. Lata Chari**

Dr. Lata Chari: Thank you so much ma'am. A lot of questions have come in from across the domain. Many of them have deal with very specific questions about companies and way to invest. I would like to say that we would not be dealing with questions that talk about way to invest and how to maybe choose and things like that because after all this program is not meant to provide tips or insights of the kind so we were a little pass of the course I think we will be teaching on how to fish or fishing is going to be your thoughts ability. So, basically that's the way the program is going to be design. So, we won't be taking very specific questions related to company etc. We will deal with broader questions. So, how can we deal with financial risk with the capital market is a question which Mr. Ravi has asked. So, anyone who can actually take up from among the… How can we deal with financial risks in the capital markets?

Mr. Yatrik Vin: Ok if I may with your permission. Ok so, there are 3 parts of doing this financial risk handling in the financial markets. One is obviously I am trying to mention is that firstly you need to understand what is your risk appetite and once you refine your risk appetite, then you have your own surrounding risk management, principals and policies that would lead you to what kind of products, what kind of asset class, what kind of time horizon. With which you are actually undertaking you finance decision. So, first way of handling the risk is to start with your own selves and your own strategies. The second piece of it is having gone one step ahead and choosing an amount of particular asset class or a product then there within the amount of particular asset class. Then there are some products and hedging mechanism available which helps you party meeting the risk by for example. If you are investing into bonds which are interest bearing kind of investment products then in order to partly hedge against the increase rate fluctuation as we call it the market risk. You would like to take interest rate derivatives as the hedging mechanism or hedging product. So, within an asset class you have some other product available to meeting it your risk. The third part is that you continuously evaluating your risk appetite as well as your investment because it is not about risk appetite, evaluation which happens once and it rest there. No. It's a continuous exercise to. It is also not about how to efficiently to hedge my investment risk. It is not about that but continuous keep calibrating your investment under both of this is the third part to the entire risk management. So, the short answer is it's a continuous journey or exercise. You need to have right data, right products, right hedging and fundamentally your own risk appetite. To do something for which you don't have the appetite you have the mishaps.

Dr. Lata Chari: Thank you sir! Now moving on to the next question is it good to invest in Equity Cash market or derivatives trading are better option. Anyone who wants to take up this answer…

Mr. Nayan Mehta: Derivatives is whatever he said earlier that is obviously he compares derivates with nuclear bomb something like that. As you don't know the exact code, then why you want to invest in derivatives. Obviously derivates is out of question for you. We have to basically invest in Equities. By the nature of question, it is clear that I would not be telling you to treading in derivatives. Just invest and obviously take professional advice.

Dr. Lata Chari: The next question is about what is the fees and duration f the program. See actually there are three levels across all the three levels put together. The contact hours will be going around 90 hours of contact programs across the three levels. For each level the price starts at 3600 plus applicable GST for participants. These Program fee includes the cost of instruction and access to the lab resources and online reading material which can shared with all the party. So, basically the tuition fees access to lab. So, it includes two major components part of the fees that is being charged. So, that is about the duration of the program. I think we have dealt with the some of the questions and maybe with the interest of time we can take the other questions of and maybe deal with them individually other queries we have received because we are already around 1 pm. So, I would like hand over back to Nisha Ji. Are you there? One more final question on the program – Is it totally online. Yes. The program will be totally online. The lecture will happen using the platform where students can log in and listen to the different lectures and grace queries to the chat box. As I can see many of you are comfortable with this method of actual learning and the software access is also provided online through the internet system. We will actually familiarize you to how to log in to the software and what is required from your side and need to have very good laptop and internet connectivity and windows operating system with windows which is 7 or above. So those are the few requirements of the online program. It is going to be completely online including hands on sessions. I think we are through with questions. Ma'am I would like to hand over back to you.

1.15-1.20	Vote of thanks	**Register, NISM**

Sunil Kadam: Thank you madam. Respected Mohanty sir, Respected Balwinder Singh Ji, president of ICAI and all other senior dignities who are in this panel today. Really honor for me to be a part of this panel where all of the senior dignities are available on a single platform and how they are interacting with the participants. It's nice to be a part of this program today and I would like to thanks the institute to come forward and have a joint association with the NISM and to conduct this program. Basically, this program will not institute and participants but it is mandate to this capital market SEBI. SEBI has a mandate to develop the securities of the market, there are more, more people should be aware about securities market, and NISM has a major role to play in to that thing. So, when we are dealing with the institute we are also dealing with the professionals. So, we are dealing with the inform investors who will be further informed about the securities of the market and these inform investors will now not only be the brand ambassadors of the Institute of Cost Accountant. They will be also the bran d ambassador of the capital market and this is on our common interest that capital market is more and more into inform people to become part of it because it not only to develop capital market as such but it is also the develop of the Institution, their development and work opportunities and all other methods of advantages are there when we work whether on this common objectives together. So, I thank you on behalf of this institution to senior dignitaries to consider N19ISM to be a part of this educational activity. I thank Lata Ma'am to nicely design this program and along with the consultation with the senior's members of the institution and nicely designing this program and though this program is over still it is the beginning of our new association, new era together and we will work together for this development of this all institute members in this capital market. Thank you all.

Chittaranjan Chattopadhyay: Thank you Nisha ma'am. Already our time is up. I understand that most of the busy personalities in the world of capital market are all with us. We should take this privilege to drag this program for a long time although we want to learn more from them. I know that this situation what is to be it is really a dream situation. I could never imagine personality like our Mohanty Sir conducting with us. Our Yatrik sir, our Dr Narasimhan Sir registrar of NISM. Our Lata Chari all is here. Sir this is a bondage and let me just inform you sir I am assuring you from the BFSI because we committed for that. Because this is a commitment from the institute that our institute is going to be definitely this into that scale because we have that amount of confidence and already members are asking us when we going to launch the course and another I just want to put before you sir we also want your advice and since we have dedicated financial management service chronicle I request you sir we have our institute BFSI portal in that way we are all putting all the advisory from SEBI and all the various circular from Reserve Bank of India and various insurance IFBI. My request to you sir that when we are requesting you by our management accounting journal which is of a very premium journal which is circulated to all the members here and abroad. Sir we will be looking for your light up your views on this capital market so that we can push it to our all members how they can invest and adapt and how they can avail this opportunity learning this course and sir I am requesting to you and sir I am just saying to you CMA fraternity you are also a member of our CMA fraternity. You word sir simply touch our heart. Heartily welcome you sir the next program we will be looking for and I am praying to god to let us having this opportunity to get back this Covid 19. Let us congregate into any program where we will be hearing from you in physical congregation. Thank you, sir thank, you…. Dr Narasimhan and the participants who have come here and we have enjoyed. I want to thank my president because our president is doing 24 hours for this institute

Balwinder Singh: Once again I will congratulate Mr. Chatterjee. Definitely we are united. Thank you, Bharti Sir, for being with us and looking forward to this course… It's a historical day today. We are looking forward to meet you personally.

Santosh Mohanty: Thank you. Thanks a lot. Thank you, Nisha ji you have connected this program very well.

BFSI Updates

Banks to raise Rs.1.5 lakh crore in next 18 months

All leading banks have announced their plans to raise capital in the last few weeks to augment up their balance sheets and make provisioning of banks which has been adversely impacted by the COVID-19 pandemic as economic contraction reduced corporate earnings and individual incomes, reducing the capacity to repay debts. The Banks has been lined up to raise a record Rs.1.5 lakh crore from the capital market in the next 12-18 months, against the backdrop of weak capital cushion and the expected increase in stress on asset quality and profitability in the wake of the economic impact of the COVID-19.

RBI Governor Shaktikanta Das had said that "building buffers and raising capital will be crucial not only to ensure credit flow but also to build resilience in the financial system". It was further inferred that Banks have raised their capital requirements as bad loans are expected to rise significantly and profits are likely to be under pressure in coming months. Especially after the moratorium which ended in August. A big amount may be required to make provisioning.

The recapitalization plan for Public Sector Banks and private Banks has become necessary as the economic impact of the pandemic-due to lockdown and anticipated post lock down compression in economic growth may result in higher NPAs and capital erosion of banks.

State Bank of India had planned to mobilize around rs. 20,000 crore while Punjab National Bank will raise equity capital up to Rs. 7000 crore via share sale to strengthen its balance sheet. Bank of Baroda board approved fund raising plans of up to Rs.13,500 crore and Canara Bank has planned to raise Rs. 6000-8000 crore in capital. For the five years 2015-16 and 2019-20 the government had infused a total of Rs.3.08 lakh crore capital PSB. However, this will not be sufficient given the expected spike in non-performing assets.

Private Banks have also firmed up plans for capital raising activity of around Rs.75000- 1 lakh crore. Three private Banks-Yes Bank, Axis Bank and ICICI Bank- have already announced plans to raise Rs. 45,000 crore. While HDFC Bank recently obtained approval to raise Rs. 50,000 crore by way of additional tier-1 bonds, it's unclear how much will it raise in FY21. Kotak Mahindra Bank had raised its Rs.7442 crore through a qualified institutional placement issue. Besides, several small private Banks are also gearing up to raise funds. More Banks are expected to announce capital raising plans going forward.

The uncertainty on the asset qulity of Banks remains high with almost 30-40 percent of loan book across various banks under moratorium announced by the RBI.Gross NPAs are likely to rise to 11.3-11.6 percent by March 2021 from an estimated level of 8.6 percent for March 2020, with a fresh gross slippage of 5.0-5.5 percent of standard advances during FY 2021 which ICRA had stated.

RBI Governor asks banks to do COVID stress test

RBI Governor Shaktikanta Das said there was a necessity to have recapitlisation plan for public sector banks and private banks to absorb shocks of COVID-19. In his address at the SBI Banking and Economics conclave, the RBI Governor said every financial institution needed to do a COVID-19 stress test. He said there is a need for legislative backing to have Resolution Corporation for dealing with revival of stressed financial firms.

The setting up of resolution corporation was earlier proposed by the government through financial resolution and deposit insurance (FRDI) Bill, 2017. However, the bill was later withdrawn due to apprehensions among the public about the ‘bail-in’ clause of the bill. The clause had led to fears that customer deposits could be used to bail out of a failing bank.

The RBI governor also cited example of Yes Bank to emphasize handling of weak institutions by the RBI. “The timely and successful resolution of Yes Bank in which SBI along with other banks, had infused Rs. 10,000 crore as equity capital. SBI had also approved investment of Rs. 1760 crore in Yes Bank’s forthcoming follow-on public offer (FPO).

RBI and Banks deploy close to Rs.8000 crore to ease Mutual Fund liquidity

Banks and the RBI have deployed close to Rs. 8,000 crore to ease the liquidity pressure in the mutual fund industry in April and May.

The data compiled by the RBI shows banks deployed Rs. 5,522 crore from their own resources under the Special Liquidity Facility for Mutual Funds (SLF-MF) scheme for Rs.50,000 crore announced by the regulator. This is in addition to Rs. 2,430 crore availed from the RBI under the SLF-MF scheme.

In March-April 2020, mutual funds faced redemption pressure due to volatility in capital markets.

Their woes intensified after closure of six debt MF schemes by Franklin Templeton MF. On April 27, the RBI introduced SLF-MF with several regulatory benefits in order to ease liquidity pressure on MFs. The funds availed under SLF-MF were to be used by Banks exclusively for meeting the liquidity requirements of MFs by extending loans and undertaking outright purchase or repos against the collateral of investment grade corporate bonds, commercial papers and debentures held by MFs.

On April 30, the regulatory benefits announced under the SLF-MF scheme were extended to banks, which deployed their own resources. While easing the redemption pressure on MFs, these measures also helped to increased the trading volume in the secondary market by corporate bonds.

The RBI’s liquidity offer brought some degree of comfort in the debt market which was under huge redemption pressure. Faced with huge redemptions, Franklin Templeton had closed six credit schemes, effectively locking up Rs. 28, 000 crore of investors’ money.

Indian Banks boost holdings of corporate notes

Banks have boosted their holdings of rupee notes from Companies to an all time high. Total holdings of corporate bonds and commercial paper held by local banks surged to a record of almost 7 trillion rupees ($ 93 billion) in late May, data from the RBI. The central bank extended a $ 550 billion emergency credit line to lenders in March to spur them to boost financing to companies squeezed by the pandemic and an economic contraction caused by steps to contain it.

Indian borrowers have been rushing bond deals to market in recent weeks, after government and central bank measures to support companies pushed the average yield on rupee notes to the lowest since 2004 earlier this month. Lower rated companies have also benefited from those initiatives, with issuance from weaker names, rising to a 15 month high in the month of June, rebounding from a plunge in April and May.

With India's central bank forecasting the economy will contract this fiscal year for the first time in more than four decades, the bond market also gives banks, wary of defaults, the ability to invest in the debt of top-rated companies.

Centre may classify Insurance as a strategic sector

The Centre may classify insurance as a strategic sector under the new privatization policy, according to government sources. In other words, there will be a maximum of four state owned insurance firms in the long run. Other sectors that could get the strategic tag are railways, oil and gas, defence, space and atomic energy.

Banking is also likely to be in the club with the government considering putting up some state owned banks on the block.

Based on the new privatization policy announced by Finance Minister (FM) Nirmala Sitharaman as part of the Atmanirbhar Bharat Package, the government will come up with a list of strategic sectors.

"Insurance is being considered as a strategic sector," said a senior government official.

The Union Cabinet recently scrapped the long pending proposal to merge the three unlisted general insurers-Oriental, National and United India= and then take the merged entity public. Instead, these could be among the candidates for privatization, once a strategic sector policy is approved by the Cabinet.

India's General Insurance Business may grow 4 % in the year 2020

General Insurance Industry in India is projected to grow 4 % in 2020, compared with a 10 % growth in the previous year, according to GlobalData, a London based data and Analytics Company. GlobalData revised India's insurance forecast in the aftermath of the global covid-19 outbreak.

As per the latest data, India's general insurance market is estimated to grow at a compound annual growth rate (CAGR) of 6.2 % during 2019-23. At present, there are 25 general insurers in India, excluding seven standalone health insurance firms and two agricultural insurance companies. For the fiscal year 29=019-20, the 25 general insurers underwrote a gross direct premium of Rs. 1.64 trillion as compared to Rs. 1.5 trillion in fiscal year 2019, according to a data by the IRDAI.

"The country wide lockdown that lasted for over two months added pressure on the economy that was already showing signs of slowing down. Indian economy is now expected to grow at 1.63 % in the financial year 2020-21, as compared to the pre-COVID estimate of 6.4 %. The slowdown in the economic activity will result in lower premium collections in the general insurance segment "Pratysusha Mekala insurance analyst at GlobalData said. Decline in key sectors such as auto, manufacturing and construction is expected to heavily impact insurance industry. These industries accounted for more than 47 % of general insurance premiums in 2019, said the report.

Auto Industry is facing severe slowdown due to supply chain disruptions, stalled production and low demand. "In April 2020, automobile manufacturers registered zero sales due to the lockdown. Sales have picked up marginally in May after the lockdown restrictions were eased by the Government, but are well below the pre-COVID-19 levels," said the report.

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