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International Financial Centers

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2	JAIIB / Diploma in Banking & Finance	English	Accounting & Finance for Bankers	4th Edition, 2021	M/s Macmillan India Ltd.	Rs. 570/-
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Special Features

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लेखों तथा अन्य रचनाओं में व्यक्त किए गए विचार लेखकों के निजी विचार हैं । लेखकों द्वारा व्यक्त किए गए विचारों के लिए संस्थान किसी प्रकार से उत्तरदायी नहीं होगा ।

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MISSION

The mission of the Institute is to develop professionally qualified and competent bankers and finance professionals primarily through a process of education, training, examination, consultancy / counselling and continuing professional development programs.

ध्येय

संस्थान का ध्येय मूलत: शिक्षण, प्रशिक्षण, परीक्षा, परामर्शिता और निरंतर विशेषज्ञता को बढ़ाने वाले कार्यक्रमों के द्वारा सुयोग्य और सक्षम बैंकरों तथा वित्त विशेषज्ञों को विकसित करना है ।

Printed by Mr. Biswa Ketan Das, **published by** Mr. Biswa Ketan Das on behalf of Indian Institute of Banking & Finance, and **printed at** Onlooker Press 16, Sasoon Dock, Colaba, Mumbai-400 005 and **published from** Indian Institute of Banking & Finance, Kohinoor City, Commercial-II, Tower-I, 2nd Floor, Kirol Road, Kurla (W), Mumbai - 400 070. **Editor** Mr. Biswa Ketan Das.

Mr. Biswa Ketan Das
Chief Executive Officer, IIBF, Mumbai

As we are set to move into 2022, I wish our readers and their family members a very warm and Happy New Year.

The 37th Sir Purshotamdas Thakurdas Memorial Lecture was delivered through a virtual platform on November 12, 2021 by Shri Supratim Bandyopadhyay, Chairperson, Pension Fund Regulatory and Development Authority (PFRDA) on "Increasing Longevity: Significance of Pension & Innovation". According to the speaker, the expansion of security cover for the entire working population of 40-50 crore individuals to ensure old age income security is a primary requirement to ensure a life of dignity for the elderly population. This task of enrolling this huge number into in a pension scheme is enormous. A wider coverage of the working population in pension schemes will enable the fund homes to invest judiciously for creation of assets that will help in nation building. Pension assets are long term funds and are most suited for financing infrastructural projects and at the same time, these investments would facilitate in deepening the capital markets and support government borrowings programmes. The speaker concludes by mentioning that financial systems will evolve in the right direction to overcome the imminent challenge of ageing population which is inevitable and the elderly citizens of our country will have a life of dignity and respect. The first article of this issue brings gist of the lecture to our readers.

The theme of this issue of Bank Quest is "International Financial Centers". Quite aptly, the first article on the theme of this issue is penned by Shri Injeti Srinivas, Chairperson, International Financial Services Centres Authority (IFSCA) on "IFSCA's approach to regulatory regime for banking business in GIFT-IFSC". In the opinion of the author, India's strategic geographic location, strong economy, well-developed financial system, large population of English-speaking and technologically skilled youth give a competitive edge to India to have IFCs. In April 2020, the International Financial Services Centres Authority (IFSCA) was established as an independent unified regulator for business and entities in IFSCs, under the International Financial Services Centres Authority Act, 2019. The article goes on to highlight the importance of the International Financial Centres with special focus on the IFSCA Banking Regulations.

The next article is on the theme of this issue of Bank Quest and is jointly written by Mr Rajesh Kumar, DGM, Treasury & International Banking Division, Union Bank of India and Mr Prashant Sharma, Senior Manager, International Banking Division, Union Bank of India on "India's dream of being International Financial Centre taking shape". This article discusses various key products offered by International Financial Centres and traces the development of International Financial Centres in India.

The fourth article of this issue is penned by Dr. T. G. Saji, Associate Professor (Finance), School of Management Studies, Cochin University of Science and Technology & Mr George Paul, Vice President, ESAF Small Finance Bank on "Offshore Finance Centers: Means or Menace?". In this article, the authors have discussed the benefits and shortcomings of OFCs for the society and economy. They conclude by mentioning that the financial climate prevailing in the OFCs cannot be experienced in any other economic landscape around the world and hence, it is no surprise that such financial centers will flourish in future and global economy shall reap the benefits provided by them.

The fifth article in this series is written by Mr Kommana V. Ganesh Kumar, Chief Manager, State Bank of India on “Role of Artificial Intelligence & Analytics in Banking”. The author has highlighted the growing role of artificial intelligence and analytics. According to the author, artificial intelligence and analytics together provide cutting edge tools to banks and enable management to take proactive decisions to achieve their main goals viz., Business development, Profitability, Risk and Compliance. They are the game changers and can help banks differentiate themselves and remain competitive in the future data driven world.

The sixth article is jointly written by Mr Subhransu Gupta, Chief Manager (Research), State Bank of India and Mr Havyang B. Zala, Assistant General Manager (Faculty), State Bank of India on “Talent Management in the Emerging Banking Scenario”. The authors have outlined Talent Management strategies adopted by Indian Banks and have discussed various challenges of Talent Management. The authors conclude by mentioning that from hire to retire, talent management program is pivotal to address wider concerns such as employee engagement, performance management, connecting employees to the organisation and thereby, achieving organisational growth and development with specific reference to the banking sector

The next article is authored by Ms Alokita Krishna, a promising Ph.D. Scholar with the West Bengal National University of Juridical Sciences and former Deputy Manager, Clearing Corporation of India Limited on “Regulation of Decentralised Financial Technology in the Derivatives Market”. In the article, the author talks about the infrastructure available presently in the derivative market and its decentralisation, regulatory outcomes of adoption of decentralised technologies and the way forward.

In addition to the above articles, this issue also features an article written in Hindi by Dr Bibekanada Panda, Assistant General Manager (Economist), State Bank of India and Mr Hiralal Karnavat, Former Assistant General Manager (Rajyabhasha), State Bank of India on “कितना ‘गुड’ रहेगा ‘बैड’ बैंक” I

We are happy to carry the summary of acclaimed Macro Research Report (2019-20) by Dr P. Baba Gnanakumar and Dr Nelson Michael Justin on “Transforming Rural Agricultural Cooperative Banks with Microfinance Model - A Ubiquitous way of Banking Resurgence”.

All the articles in this issue are chosen carefully and we hope our readers will find these articles enriching and stimulating.

The pandemic continues to pose challenges for all the organisation more specifically Banks. Banks have devised new ways to engage with their employees and enhance their morale. On behalf of IIBF, I take this opportunity to congratulate all the employees of Banks for their commitment as to the organisations and selfless service to the customers.

Take care and stay safe.

Biswa Ketan Das

Increasing Longevity: Significance of Pension & Innovation

Supratim Bandyopadhyay*

Apart from the common notion that 'economic strength of a country is measured by the development of its manufacturing industries', another important factor that affects and gets affected by the overall economic growth is the Population of a country and a number of factors come into play when we talk about population i.e. its growth rate, age structure, size of workforce, economic equality, migration etc.

India currently is enjoying demographic dividend, as the population of 1.4 billion comprises 67% of young population in the age group of 15-64 years and the elderly population constitutes only 6.4% of the population.

With declining fertility rates (live birth per woman decreasing from 5.90 in 1950 to 2.24 in 2020) and increasing longevity with Life expectancy at birth - 69.7 years and Life Expectancy at the age 65 years - 14.7 years, attributable to improving health care systems, there is an emerging trend that it will lead to a faster reduction in growth of working-age population (15-64 years) and increase in elderly population.

The projections of UN Population Report of 2019 predict India to be the most populous country in the coming years (2027) and the elderly population would rise to almost 14% of the total population by 2050 meaning that the old-age dependency ratio (65+ year-olds as a share of the working age population) would rise and the Potential support ratio (ratio of the population aged 25-64 to the population aged 65 years or over) would decrease from 7.7% to 3.9%. In simple words, the number of individuals working to support the elderly population will decrease over the years and will exert more economic pressure on them. A rising dependency ratio will exert downward pressure on GDP per capita growth.

The ageing pattern is changing rapidly and the way it is changing, our country's demographic dividend will be reversed in the next 30 years.

In addition to the changing demographics, India is witnessing cultural shifts also. Nuclear families are on the rise due to urbanisation and migration of population from villages to the cities with changes in occupational structures and female employment. It is an acceptable fact that children nowadays, prefer to live separately without their parents, denoting disintegration of the joint family culture which offered economic support to the elderly parents.

Concepts of old age homes are being implemented and widely getting accepted in the society and there has been an annual increase of 25% in the number of old age homes. In 2016, the number of old age homes was around 500 which have risen to 728 and only 325 are free and 95 of them are on a pay-and-stay basis as per a news portal (the sparrow). The average cost of living in a paid old-age home is around Rs 50,000 per annum and can go upto Rs. 15 lakhs per annum.

Product like reverse mortgage loan has also been launched in India in 2008 that provide regular flow of income/finances to benefit the elderly owning a house but are having inadequate sources of income to meet their current needs. However, that also has not met with much success.

*Chairperson, Pension Fund Regulatory and Development Authority (PFRDA).

The question now arises, are we prepared for these imminent changes and limit its implications.

From an economic standpoint, an aging population will impact labour productivity as physical and cognitive abilities of older workforce declines with age and this will compel investments in newer productivity-enhancing technologies to maintain the tempo of growth trajectory. At the same time to support the elderly population with adequate income and provide improved medical facilities, situation will demand large outlay of funds for old age income security and healthcare services which will exert tremendous pressure on public finances. In other words, revenue collections will get expended in non-developmental areas than creation of asset/capital.

Therefore, it becomes essential to have a clear understanding of the interconnections of capital-labour ratios, its resulting effects on factor prices, production, savings and investments and lay down a well-thought-out policy to address these challenges. Economic policy plays an important role, either directly through changes in public saving or indirectly by providing incentives to households to save or supply work and to entities to invest & innovate.

Aging can impact the banks' business models also with fewer young borrowers availing traditional lending products leading to decline in loan-to-deposit ratios and forcing banks to enter new activities and act more like non-banks. Experiences of Japan suggests that population aging has been an important driver of an ongoing shift in regional banks' business models,

Effect of Population Aging on the Financial Sector

Aging can affect the stability and structure of the financial systems through its effects on economic growth, real interest rates, and risk premiums.

moving away from primarily lending-oriented banking towards a greater focus on securities investments and fee-based sources of income.

An analysis by IMF found that economies with an aging population tend to feature smaller term spreads with less bank finance, which is consistent with other evidence on the negative effects of flat yield curves on bank profitability. The analysis suggested that the increase in the old-age dependency ratio observed in Japan between 1990 and 2015 could account for upto 40% of the decline in the importance of bank finance observed during the same period. For the G7 and G20-averages the estimates are about 20 and 30%, and for the world it is 6%.

The monetary policy and the financial system also gets impacted as retirement planning turns out to be imperative for the workforce and savings & investment behaviour of individuals change, seeking real returns (inflation protection) to secure their retirement income.

In the Indian context, the retirement space is quite fragmented with statutory and voluntary schemes applicable to different segments of the workforce and roughly less than 15% of the working population are covered under formal pensions.

- National Social Assistance Programme (NSAP) comprises of Indira Gandhi National Old Age Pension Scheme (IGNOAPS), Indira Gandhi National Widow Pension Scheme (IGNWPS), Indira Gandhi National Disability Pension Scheme (IGNDPS), National Family Benefit Scheme (NFBS) and Annapurna
- Civil Service Pension – discontinued and replaced with NPS - National Pension System regulated by PFRDA
- Employees' Provident Fund & Employees' Pension Scheme
- Approved Superannuation Funds & Recognised Provident Funds
- Special Provident Funds - Coal Miners, Seamen, J&K, Assam Tea Plantations

- Social Security Schemes of Government - Atal Pension Yojana being administered by PFRDA, Pradhan Mantri Shram Yogi Maan-dhan (PM-SYM), Pradhan Mantri Karam Yogi Maan-dhan, Pradhan Mantri Kisan Maan Dhan (PM-KMY)
- Public Provident Fund
- Annuity Plans of Life Insurance companies
- Retirement Plans of Mutual Funds

The Indian Pension System has been ranked 40th out of 43 countries in the Mercer CFA Institute Global Pension Index Report of 2021 with Philippines, Argentina and Thailand below India. The report compares the retirement income system of countries based on 03 sub-indices - adequacy, sustainability and integrity and on the Indian pension system it has commented that "the overall index value for the Indian system could be increased by:

- introducing a minimum level of support for the poorest aged individuals
- increasing coverage of pension arrangements for the unorganised working class
- introducing a minimum access age so that it is clear that benefits are preserved for retirement purposes
- improving the regulatory requirements for the private pension system'

Another concern that predominantly exists is the low level of financial literacy. As per (Global Financial Literacy Excellence Center (GFLEC), only 24% of adult Indian population are financially literate and Pension literacy is even far lower. Steps have already been initiated to improve the overall level of financial literacy and a 5-year plan has been documented through the National Strategy for Financial Education (NSFE) - 2020-25 which lays down the roadmap for dissemination of financial education to across all sections of the society. Moreover, an institution National Centre for Financial Education (NCFE) has been set-up by the Financial Sector Regulators (RBI, SEBI, IRDAI and PFRDA) for implementing the vision envisaged in NSFE.

As per the RBI report, the household savings in India is 11% of Gross National Disposable Income (GNDI) out of which only 2.2% is for pensions and this proportion has been range bound over a decade. Post pandemic, there has been a drastic change in financial behavior, as 90% Indians have changed their personal spending preferences and 70% Indians have placed emphasis in securing their future by investing and savings, newer investments etc. Further, impetus to this change has been provided by surging digital & contactless payments (UPI, e-wallets, cards).

On a larger perspective, for addressing the challenges posed by aging population progressions or ingenuities needs to be built around the pension, healthcare and fiscal framework of the country.

Changes are required in the public pension systems to achieve a balance among a multitude of objectives; ensuring pension sustainability, maintaining appropriate national saving levels and providing adequate old-age support. As reforming the public pension system is challenging, alternative measures such as automatic adjustment mechanisms can be considered. The Defined Contribution Pension schemes can support higher saving rates and with wider coverage or increased replacement rates, the pension system can be strengthened. NPS is one such initiative which is regulated by PFRDA. As on 30th Oct 2021 the coverage under NPS & APY (a Government guaranteed pension scheme) is 4.7 crores and the corpus accumulation is Rs 6.76 lakh crore. Government employees both central & state constitute 76.6 lakh subscribers, APY/NPS Lite 3.61 crore subscribers and 31.6 lakh subscribers have joined voluntarily from 9000+ corporate and individual segment. The average returns generated by the Pension Funds is over 10% for the last 13 years. (CAGR since inception).

The healthcare system and its spending can be re-examined by focussing on primary and preventive health care system, increasing health insurance coverage and encouraging competition among insurers and service providers and making more effective use of health information technology.

The financial industry including Banks will also be required to adapt themselves to the emerging demographic landscape and meet the demands of elderly population. With customers living longer and share of elderly clients increasing over the years, Banks will need to innovate their

- Processes being user friendly
- Accessibility of services
- Product offerings being easily understood
- Service Delivery is efficient

In India, we tend to refer financial products/schemes/offerings for the elderly with a pre-tag or identifier as "Senior Citizen' and this notion should evolve towards the way we engage with them for financial products & services as with aging the cognitive and physical abilities declines.

Banks have been working towards this and provide dedicated counters, have senior citizen charter, 'Senior Citizen Account', simplified ways of collecting life certificates from pensioners but some of the thoughts that I would like to share is uniformly applicable to the financial sector are:

- Simplify the processes so that they engage with the minimal requirements of intermediaries for their financial well-being.
- Create awareness about 'Facilities available for Senior Citizens'.
- Content of financial literacy for senior citizens may provide information about preventing scams/frauds calls/mails, reporting of complaints, estate planning tools, schemes/offers for pensioners, suitable investment products and rights/facilities available to senior citizens.
- Forms/Screens of kiosk/Apps may be made simple, distinct and readable.
- Customise products or design schemes that are easy to understand and they can relate to.
- Products offered should be appropriate to their needs and based on personal assessment of the elderly person's financial circumstances and understanding.
- Train the frontline staff to handle them with sensitivity and respect as they often have many concerns/questions and sometimes are impatient and condescending.
- A dedicated channel for addressing their queries and grievances redressal.
- Enable disbursement of social security benefits or other benefits through an unique digital identity system for reducing abuse and fraud to some extent.

Our country is unique and the emerging challenge needs to be dealt distinctively. The expansion of old age income security to the entire working population of 40-50 crore individuals is a primary requirement to ensure a secured life of dignity for the elderly population and this task of enrolling them in a pension scheme is enormous. A wider coverage of the working population in a pension scheme which is contributory will enable creation of assets that will help in nation building as these long-term funds are invested in financial assets within the country. Currently our pension assets are 14% of GDP in comparison to 80% of GDP globally. (Netherlands - 191%, Canada - 159%, Switzerland – 141%, US - 147%, Australia - 135%, UK - 123%). Pension assets are long term funds and can aid the economy in financing infrastructural projects and at the same these investments would facilitate in deepening the capital markets and support government borrowings programme.

I am confident that our financial systems will evolve in the right direction to overcome the imminent challenge of ageing population which is inevitable and the elderly citizens of our country will have a life of dignity and respect.

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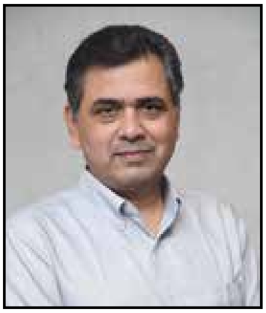

IFSCA's approach to regulatory regime for banking business in GIFT-IFSC

Injeti Srinivas*

A backdrop on International Financial Centres (IFCs)

1. The pathbreaking developments in information and network technology over the last few decades have provided an unprecedented impetus to the international trade as well as international financial services activities. Alongside the continuous improvements in the efficiency of transportation systems, the progress in the spheres of communication technology had resulted in many of the established international trade centres also acquiring the characteristics of IFCs. The cities such as London, New York, Tokyo and subsequently, Singapore and Hong Kong, among others, emerged as the major centres for international financial services for supporting the international due to their locational advantage.

2. We may consider an IFC as a clearly identified geographical area that facilitates providing of a wide variety of international financial services by and to entities - foreign ('non-resident') as well as local ('resident') to the country in which such geographical area is located; under an internationally accepted regulatory framework and relatively favourable tax regime. Thus, an IFC is expected to have a heavy concentration of financial services entities and large values of international financial transactions.

3. However, in the modern world, a strategic location with respect to international trade alone may not be sufficient or even a necessary condition for a city to acquire the features and status of an international financial centre, as factors like political and economic stability, quality of the business eco-system, good physical and social infrastructure and a conducive regulatory regime with emphasis on investor protection without excessive restrictions, assume greater importance in making an international financial centre.

Challenges and importance of IFCs for developing economies

4. The fundamental economic theorem based on merits of competitive market forces would imply that all countries would move towards full convertibility of currency and removing capital controls and eventually aspire to become international financial centres. However, even in a rapidly globalising world, considerations of specific national objectives and priorities have resulted in use of policy and tools to deliberately restrict the free flow of capital during different periods of time.

5. In the wake of the major financial crises during last three decades, it was widely recognised (by IMF also) that while capital flows provide significant benefits to the countries, they also carry risks for macroeconomic and financial stability. Thus, the decisions and actions on capital controls by most Emerging Market Developing Economies (EMDEs), are expected to be

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The author is thankful to Mr. Kamlesh Sharma, General Manager, International Financial Services Centres Authority (IFSCA) for sharing his insights in developing this article.

mainly guided by the need for balancing the needs for external capital with the stability of their domestic economy and financial systems as per the country's circumstances.

6. Also, it has been observed that even with a significantly open capital account policy approach many countries chose to keep certain restrictions on financial services and vice versa, i.e. it was possible to encourage international financial services while still keeping some capital controls. This flexibility and the potential benefits from enabling international financial services underline the rationale for EMDEs to aim for establishing IFCs within their territory.

7. IFCs bring in a lot of advantages for their respective host countries, in qualitative and quantitative terms, apart from achieving greater efficiency and capital inflows in various areas of international financial services, viz. banking services, asset management, stock market and intermediary services. The wider economy stands to make big gains from the increased employment opportunities across the job spectrum as the international entities enrich the eco system through the technical expertise and global exposure.

Importance of IFCs for India

8. On the foundation of strong fundamentals, India continues to exude the promise of breakthrough growth and potential position among the leading economies in the coming decades. India's financial system is well developed and its payment systems, financial markets and infrastructure are seen to be at par with those of a developed economy country. While the large and complex Indian economy will require growth in all dimensions - including agriculture and manufacturing sectors, its underlying comparative strengths especially in financial, technology and other services sectors will remain important. With all the progress seen in the recent years on most fronts, including the improvement on the ease of doing business parameters, India's bank-led financial system needs to continue to prioritise the goals such as financial inclusion and enhanced credit-flow to the large number of micro, small and medium enterprises while also nurturing the sunrise sectors and start-up entities.

9. Notwithstanding the complex challenges for policy-making for India, a renewed focus on international financial services is one of the ways of supporting the economy. The trend of outward shifting of significantly large volumes of India's currency and commodity trading and other financial services activities has been drawing attention for last two decades or so. The nature and extent of the opportunity loss from this trend may be understood from the perspective of large external capital inflows into India - including portfolio flows. Since most of the fund management and risk management activities related to the inflows were mainly carried out by the offshore entities and fund houses there was a strong case for taking steps to stem and reverse this trend.

10. As the shift of such India-centric financial services were primarily driven by the favourable regulatory / tax regimes of such preferred foreign destinations, this could be addressed through setting up IFCs in India, where an international competitive regulatory environment could be provided, without compromising the other policy imperatives for the larger economy and financial system. Such IFCs could provide a platform for fostering innovation in international financial services with new financial products and services, structures and processes, that would in turn help the domestic economy.

11. Apart from its strategic geographic location, strong economy, well-developed financial system, India's large population of English-speaking and

technologically skilled youth lend a competitive edge to have IFCs. It may be asserted that the policy makers were aware of the potential benefits from leveraging India's strengths in international financial services. As India was going through the phase of a fast and stable growth and financial sector development since the turn of the millennium, the policy makers did consider taking some big steps forward, as evidenced by the setting up of the Tarapore Committee on Fuller Capital Account Convertibility in 2006 and the High-Powered Expert Committee Report on 'Making Mumbai an IFSC' in 2007. However, the initiatives towards pushing for fuller capital account convertibility and setting up the first Indian International Financial Services Centre (IFSC) were thwarted by the onset of the global financial crisis in 2007-09.

Broad regulatory framework for IFSC

12. The Special Economic Zones Act, 2005 (SEZ Act) provides for setting up of an IFSC in an SEZ. The first IFSC was set up at the Gujarat International Finance Tec-City (GIFT), Gandhinagar, Gujarat. Although the idea was first mooted in 2007, the ground work on building GIFT City commenced in 2011. The GIFT-IFSC became operational in April 2015 and the Union Budget of 2016 and in subsequent years provided a competitive tax regime for promoting the business at GIFT-IFSC.

13. The Reserve Bank of India issued the Foreign Exchange Management (International Financial Services Centres) Regulations, dated March 2, 2015 (referred hereinafter as FEMA 339), under the Foreign Exchange Management Act, 1999 (FEMA), that paved the way for conduct of international financial services business in IFSC. As per FEMA 339, any financial institution or branch of a financial institution set up in the IFSC is treated, for the purposes of the FEMA, as a non-resident entity that shall conduct permitted business activities in such foreign currency and with such persons, whether resident or otherwise, as the concerned Regulatory Authority may determine.

14. As provided in the SEZ Act and consequent to the notification of FEMA 339, the domestic financial sector regulators namely Reserve Bank of India (RBI), Securities and Exchange Board of India (SEBI), Insurance Regulatory and Development Authority of India (IRDAI) issued regulations / directions / guidelines for Indian and foreign institutions and activities - in their respective regulatory domains, to set up their branches / offices / subsidiaries for conducting the permitted business activities in GIFT-IFSC.

15. In April 2020, the International Financial Services Centres Authority (IFSCA also referred to as 'Authority') was established as an independent unified regulator for business and entities in IFSCs, under the International Financial Services Centres Authority Act, 2019. The IFSCA, headquartered at GIFT City, Gandhinagar, is vested with the powers under the relevant statutes (mentioned in Schedule I of the IFSCA Act) exercisable by the four financial services regulators in India viz, RBI, SEBI, IRDAI and Pension Fund Regulatory and Development Authority (PFRDA), in so far as it relates to the regulation of financial institutions, financial services and financial products in the IFSCs.

16. The initial guidelines for setting up business in GIFT-IFSC in the areas of banking, capital markets and insurance were issued by the respective sectoral regulators in 2015. The business growth seemed to get energised since October 2020 as the IFSCA brought enabling regulations in the areas of banking, global in-house centres, international bullion exchange, finance Companies, capital market infrastructure institutions and intermediaries, issuance and listing of securities and insurance business, among others.

Evolution of Banking Regulations in IFSC

17. Banking entities and activities are central to any financial system, including IFCs. The RBI had issued guidelines (dated April 1, 2015) for setting up of IFSC Banking Units (IBUs) by Indian banks and foreign banks already having presence in India. Under the guidelines (as amended till January 21, 2020), an Indian bank authorised to deal in foreign exchange business in India were eligible to set up one IBU in each IFSC, that were to be treated - for regulatory purposes, broadly on par with a foreign branch of an Indian bank.

18. The IBUs are exempt from CRR and SLR requirements and priority sector lending norms and are required to maintain separate nostro accounts distinct from those maintained by other branches of their parent bank and operate and maintain balance sheet only in foreign currency. The IBUs are not allowed to deal in Indian Rupee except for having a Special Rupee (SNRR) account (with an AD bank in India) out of convertible fund to defray their administrative and statutory expenses. Further, there would be no liquidity support or Lender of Last Resort (LOLR) support to IBUs from the RBI and that the deposits of IBUs are not covered by deposit insurance.

19. The parent bank was required to provide a minimum capital of USD 20 million while the minimum prescribed regulatory capital, including for the exposures of the IBU, was to be maintained at the parent level. The RBI guidelines also provided that while IBUs were permitted to deploy funds with both resident entities (subject to the FEMA) as well as non-resident entities in India; they could raise funds, only from non-resident entities and overseas branches of Indian banks. All prudential norms applicable to overseas branches of Indian banks applied to IBUs as well.

20. Under the RBI guidelines, the IBUs were prohibited from undertaking any transactions with and opening saving account for individuals - including HNIs / retail customers, whether resident or non-resident. The RBI guidelines had mandated that the IBUs must maintain LCR and NSFR (as and when) applicable to Indian banks on a stand-alone basis. Further, the RBI guidelines required the IBUs to obtain RBI's prior approval for offering any derivative products other than those permitted for the banks operating in India.

IFSCA Banking regulations – Need for some liberalisation and a smooth transition

21. The specific provisions of the IFSCA Act relating to the Authority's powers in respect of financial products, financial services and financial institutions in IFSCs, came into force with effect from October 01, 2020. These powers also included those covered in the enabling amendments to relevant enactments related to banking business and entities in IFSC such as the RBI Act, 1934, the Banking Regulation Act, 1949, among others. The IFSCA Banking Regulations were the first important independent regulations by the Authority, in exercise of the above mentioned powers and were notified on November 20, 2020.

22. These Regulations were designed around the RBI guidelines on setting up of IBUs (as amended till January 2020), while effecting certain enabling provisions and providing relaxations that were considered necessary for promoting the banking business in IFSC. The minimum capital to be provided by the parent was retained at 20 million USD - to be maintained on unimpaired basis, at all times. The licensing criteria included the requirement of a No Objection Letter from 'home' regulator and an undertaking that the parent bank shall provide liquidity to its IBU whenever needed for its operations. In respect of foreign bank applicants not having presence in India the Authority shall specify a

suitable mechanism and additional conditions – such as adequacy of supervisory arrangements /disclosure requirements and compliance with FATF standards in the country of incorporation of the foreign bank.

23. As an important enabler, the IFSCA Banking Regulations allowed the IBUs to undertake retail deposits also by opening all types of bank accounts (including saving bank account) for eligible individuals by introducing the concept of Qualified Individual and Qualified Resident Individual (QRI) based on the net worth criterion. This was guided by the thought that while the IFSC would primarily strive to attract capital and investment flows from foreign sources - including from the large Indian diaspora, the participation of resident retail community for their foreign portfolio investment would help in creating a signalling effect for the wider community of global investors. The deposits raised from such eligible individuals (both QI and QRI) were subject to a retail deposit reserve ratio to be specified by the Authority (3%), to be maintained at the IBU level.

24. Subsequently, the RBI issued a circular to the authorized dealer banks in India on February 16, 2021 about the permission to resident individuals to make remittances under LRS to IFSCs, for making investments in securities in IFSCs other than those issued by entities resident in India (i.e. in domestic tariff area). The circular also stated that resident individuals were permitted to open a non-interest-bearing foreign currency account in IFSCs, subject to certain conditions. Consequently, the Authority clarified that the minimum net worth condition laid down in the IFSCA Banking Regulations, was not applicable for a resident individual, who opens an account with an IBU for the purpose of investing in securities under the LRS.

25. The IFSCA Regulations also permitted the IBUs to operate as a Foreign Portfolio Investor (FPI) after obtaining registration from the Authority (if the parent bank was not already registered as FPI, with SEBI) and to offer Segregated Nominee Account Structure for routing orders of foreign investors. The IBUs were enabled to carry out additional activities such as investment advisory services and portfolio management (wealth management) services under the respective guidelines / frameworks. The regulations required the maintenance of LCR, NSFR for IBUs on standalone basis, unless the IBUs were permitted by the Authority to maintain LCR, NSFR and Leverage Ratio at parent bank level, based on reasonable grounds. In view of the need for continuity and a smooth transition, IBUs were instructed to comply with the directions and instructions (including prudential guidelines and directions on KYC-AML-CFT) issued by the Reserve Bank of India as applicable for IBUs, unless otherwise specified by the Authority.

Move towards a principle based regulatory framework

26. The IFSCA Banking Regulations of November 2020 were woven around the framework of RBI guidelines, with some modifications, relaxations and insertions of enabling provisions. While this helped in ensuring a certain degree of continuity, as more IBUs were being set up including a few by some major foreign banks, it was felt that the regulations for banking business in IFSCs needed to be prepared afresh, from an international perspective. Thus, there was a move to amend the banking regulations and to comprehensively revamp the entire regulatory framework for banking.

27. The new framework was guided by a principle - based approach to regulations, as against a prescriptive, rule-based approach. It aspired to

be an internationally benchmarked regulatory and supervisory framework applicable for IBUs of all hues and colours, while providing necessary flexibility to encourage a rapid development of banking business in IFSCs. It was decided to give adequate credence to the robustness of 'home' regulatory and supervisory jurisdictions in the licensing processes, ensuring adherence to Basel-III standards applicable on the respective parent banks. Also, the framework aimed to permit the IBUs to follow the 'home' regulations and directions, including prudential guidelines as applicable on it as a branch of the parent bank, unless specific guidelines / directions were issued on a particular aspect by the IFSCA. This approach also took a pragmatic and practical view by permitting the maintenance of capital and risk management for IBUs (as branches) at the parent level, with the requirement of periodic declarations / returns to be submitted by the parent bank in respect of its IBU, ensuring that the IBUs continue to function in a safe and sound manner. Accordingly, the amended IFSCA Banking Regulations were notified on July 6, 2021.

28. As a move towards improving ease of business and achieving an international orientation in regulatory directions, it was decided to prepare a 'Handbook' by consolidating all the directions / circulars / guidelines / instructions issued by the IFSCA to IBUs. Among other major amendments, the definitions of Qualified Individuals (QI) and Qualified Resident Individuals (QRI) were withdrawn from the Regulations, as the classification and differential treatment of clients would be covered as part of directions under the Handbook. The amendment allows the IBUs to undertake activities permitted to be undertaken by any financial institution under IFSCA Act, except for the activities prohibited for IBUs (such as writing an insurance contract); apart from the lines of business enumerated under section 6 of the Banking Regulation Act, 1949 (as amended from time to time).

29. The IFSCA Banking Handbook was brought out in August 2021 and has come into effect from January 1, 2022. The Handbook consists of three components which containing modules that communicate the Authority's regulatory expectations with greater clarity and transparency on the various aspects. The General Directions (GEN) deal with licencing of IBUs, define the 'controlled' and 'designated' functions and the requirements from 'approved / authorised individuals' who can carry out such functions and also lay out the broad principles for banking business. The Conduct of Business (COB) directions are aimed at ensuring that IBUs meet the minimum standards of conduct expected, particularly with regard to the treatment of their clients, their dealings with counterparties and other market participants for fostering and maintaining the integrity of financial markets in the IFSC. The Prudential Directions (PRU) clarify that the non-qualitative prudential requirements applicable on the parent bank under the respective home regulations are made applicable in respect of the IBU, unless the Authority prescribes any directions on any aspect.

30. At present there are 15 IBUs functional in GIFT-IFSC out of the total 19 IBU licences issued – including 6 licenses issued by the IFSCA, during the period from October 2020 to December 2021. The total aggregate assets of the IBUs grew by more than 40 per cent during the period of one year after IFSCA assumed the regulatory powers, to USD 21.3 billion as at end September, 2021 from USD 15.2 billion as at end September 2020. Many international banks and financial institutions have evinced interest in setting up IBUs in GIFT-IFSC and the business volumes are expected to increase at a faster rate during the coming years.

31. The IFSCA's regulatory framework for banking will continue to evolve as part of the overall regulatory approach of the IFSCA, in response to the demands of the business growth in IFSC. The IFSCA would strive to support the IBUs in playing a leading role in the new business areas for which IFSC is aspiring to become a hub including aircraft leasing, ship leasing, International Trade Financing Services platforms (ITFS), bullion trading on the India International Bullion Exchange (IIBX) that is set to become operational from mid-January 2022. The banking regulations, will look to remain conscious of the considerations of financial stability within the IFSC as well as the spillovers to / from the broader domestic economy. The regulatory framework, while aligned with the Basel norms, will be keenly observing the developments in the international regulatory landscape in the areas of climate finance / ESG, data privacy and technology issues and other such emerging themes, through an active collaboration and cooperation with the Reserve Bank of India and the banking regulatory-supervisory agencies in other major jurisdictions.

32. The setting up of the IFSCA as a unified regulator was a major step towards building a world-class institutional infrastructure for developing IFCs in India. Some major initiatives taken by the IFSCA in the first year of its functioning indicate that the requirements as envisaged in the Percy Mistry Committee Report have been largely met by the enclave-based approach to IFSCs. In the coming years, the IFSCA is determined to develop other essential pillars such as an international arbitration centre, while striving to establish GIFT-IFSC as a hub for international bullion trading, fintech and climate finance, as the larger Indian economy is also poised to reap its benefits.

☯

India's dream of being International Financial Centre taking shape

Rajesh Kumar*

Prashant Sharma**

A Financial Centre is a global city that is home to large number of internationally significant banks, asset management companies, insurance, stock exchanges or financial markets. IMF divides Financial Centres into three categories: International Financial Centre (IFC), Regional Financial Centre (RFC) & Offshore Financial Centre (OFC).

International Financial Centre (IFC): These are large international full–service centres with advanced settlement and payments systems, supporting large domestic economies, with deep and liquid markets where both the sources and uses of funds are diverse, and where legal and regulatory frameworks are adequate to safeguard the integrity of principal–agent relationships and supervisory functions. IFCs generally borrow short–term from non–residents and lend long–term to non–residents. Examples are New York, London & Tokyo.

Regional Financial Centre (RFC): Like IFC, these Centre's have developed financial markets and infrastructure but smaller domestic economies. Examples are Hong Kong, Singapore.

Offshore Financial Centre (OFC): It is country or jurisdiction that provides financial services to non-residents on a scale that is incommensurate with the size and the financing of its domestic economy, these are usually smaller, and provide more specialist services. Examples are Ireland, the Caribbean.

Key Products offered by IFC

a) Asset Management and Global Portfolio Diversification.

b) Fund Raising for individuals, corporations and governments (sovereign and sub-sovereign).

c) Financial Engineering and Architecture for Large Complex Projects.

d) Personal Wealth Management (PWM) for high-net worth individuals (HNWIs).

e) Financing for Global/Regional Public-Private Partnerships.

f) Global Transfer Pricing.

g) Global/Regional Corporate Treasury Management.

h) Global/Regional Risk Management Operations and Insurance/Re-insurance.

i) Global/Regional Mergers and Acquisitions Activity.

j) Global Tax Management and Cross border Tax Liability Optimizations.

k) Global/Regional Exchange Trading of Financial Securities, Commodities and Derivatives Contracts in Financial Instruments Indices and in Commodities.

The growth of IFCs has been shaped by history based on the capital investments from the geographies along with the domestic resources available within the territory. European and American economies have dominated global GDP since the industrial revolution and the conquest of the east by the west and are considered as traditional or classical IFCs. Offshore Financial Centers (OFCs), which are a relatively recent, post-World War II phenomenon, owe their existence to the deliberate attempts of the authorities in these centers to offer a range of advantages which were not available, or not available to the same extent, in the traditional IFCs.

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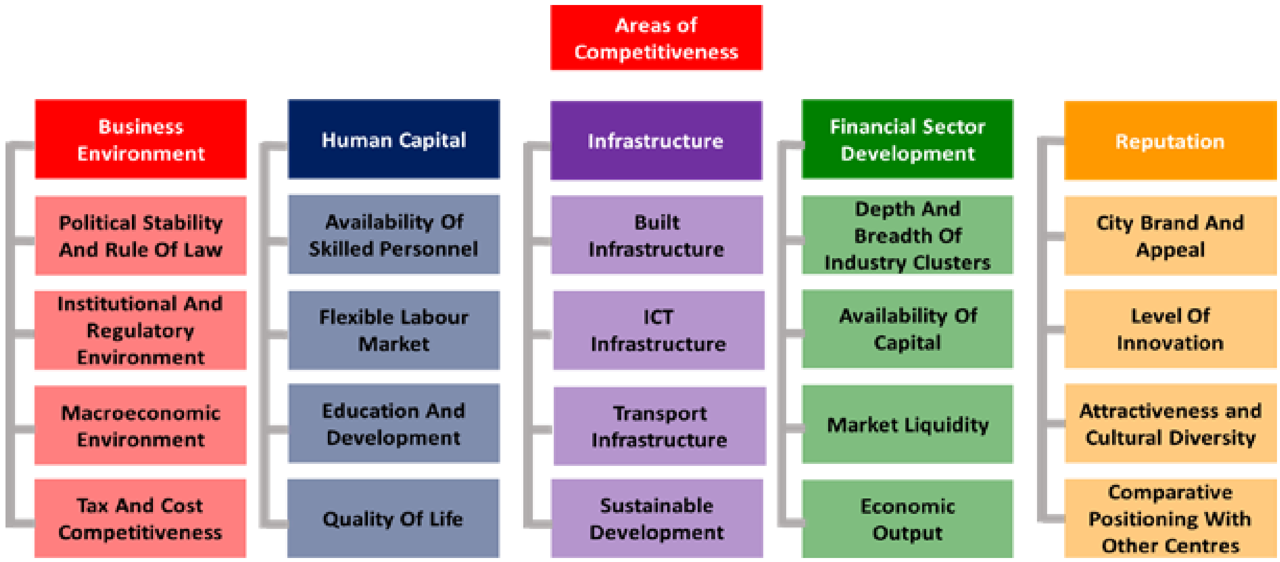
Global Financial Centres Index (GFCI)

It is the biannual evaluation report published jointly by Z/Yen group based in London and China Development Institute. Since 2007, GFCI is enriching Global financial community by evaluating and ranking financial centres based on their competitiveness & performance. Areas of importance are Business environment, Human capital, Infrastructure, Financial sector development, and Reputation.

Figure 1: Focus areas of GFCI



Source: en.cdi.org.cn / www.longfinance.net

As per latest GFCI rankings, GFCI - 30th edition published in Sep 2021, top 3 IFCs are New York, London and Hong Kong.

New York: Often regarded as Finance Capital of the World, New York retained its number one position in GFCI list of world's leading financial hub. Presence of top Universities, World's largest Banks, Financial Institutions, Credit rating agencies, Insurance companies, PE firms & Hedge funds attract talent from across the world and makes it home to most of the Fortune 500 companies. It is famous for wall street, and stock exchanges - New York Stock Exchange (NYSE) & NASDAQ.

London: London has been a global financial hub since 1698, when the second largest stock exchange of Europe, the London Stock Exchange was founded. It is also home to second oldest Central Bank of the world, the Bank of England; World's Largest market for gold and silver trading, London Bullion Market Association (LBMA). It has maintained its 2nd position in the GFCI list, despite Brexit. Though its future as leading Financial Centre is uncertain as with Brexit it has lost the Passporting rights of European Union. The City gave up the automatic right to sell its services freely throughout the remaining 27 member states.

Hong Kong: Its Strategic location and presence of good number of Banking & Financial Institutions makes it a key financial hub. After the United States, it is second largest trading partner of China. It is home to fourth largest stock exchange of the world, the Hong Kong Stock Exchange. It has attractive Tax system and an efficient and transparent judicial and legal system. The city has seen disruptions in retail, and tourism due to pro-democracy protests, but has managed to stand at 3rd position in the GFCI list.

Financial Centres of India shown improvement in latest GFCI list, as Mumbai jumped 11 Ranks and featured at 54th position, Delhi bettered its position by 25 rank and is at 55th Position and GIFT-City Gujarat is up 16 ranks and is at 76th position.

Table 1: List of Top 30 Centre's & Indian IFCs (Comparison GFCI 30 -Sep 2021 v/s GFCI 29 - Mar 2021)

	GFCI 30		GFCI 29			
Centre	Rank	Rating	Rank	Rating	Change In Rank	Change In Rating
New York	1	762	1	764	0	▼2
London	2	740	2	743	0	▼3
Hong Kong	3	716	4	741	▲1	▼25
Singapore	4	715	5	740	▲1	▼25
San Francisco	5	714	12	718	▲7	▼4
Shanghai	6	713	3	742	▼3	▼29
Los Angeles	7	712	13	716	▲6	▼4
Beijing	8	711	6	737	▼2	▼26
Tokyo	9	706	7	736	▼2	▼30
Paris	10	705	25	699	▲15	▲6
Chicago	11	704	15	714	▲4	▼10
Boston	12	703	24	703	▲12	0
Seoul	13	702	16	713	▲3	▼11
Frankfurt	14	701	9	727	▼5	▼26
Washington DC	15	700	14	715	▼1	▼15
Shenzhen	16	699	8	731	▼8	▼32
Amsterdam	17	698	28	695	▲11	▲3
Dubai	18	694	19	710	▲1	▼16
Toronto	19	693	29	694	▲10	▼1
Geneva	20	692	20	709	0	▼17
Zurich	21	690	10	720	▼11	▼30
Edinburgh	22	689	21	708	▼1	▼19
Luxembourg	23	688	17	712	▼ 6	▼24
Madrid	24	687	33	683	▲9	▲4
Sydney	25	686	18	711	▼7	▼25
Stockholm	26	685	31	688	▲5	▼3
Montreal	27	682	27	696	0	▼14
Vancouver	28	681	11	719	▼17	▼38
Melbourne	29	680	23	705	▼6	▼25
Hamburg	30	679	43	664	▲13	▲15
Mumbai	54	627	65	599	▲11	▲28
New Delhi	55	625	80	584	▲25	▲41
GIFT City-Gujarat	76	568	92	568	▲16	0

Source: en.cdi.org.cn / www.longfinance.net

Financial Centres in India

India is world's 3rd largest economy on the basis of PPP and 6th largest economy on the basis of Nominal GDP and aims to become USD 5 trillion economy and global power house by FY 2025. Despite this, India misses the list of top 50 IFCs. IFC due to its secure jurisdictions & friendly tax environment, plays a crucial role in mobilising finance.

Why India needs an IFC

India is not only one of the world's fastest growing economies, but it is also world's largest consumer of manufacturing goods and services. India's stable government, strategic location, demographic dividend, cost of living and further potential to grow, is keeping it in bright spot and India is one of the largest recipients of FDI flows. India is also one of the big purchaser of International Financial Services (IFS) from the world and as per the Finance Ministry estimates, in the absence of International Financial Services Centre in India, it may lose funds to the tune of USD 120 billion per year by 2025. To retain human capital, sustain economic growth and increase its strategic influence around the globe, India needs to promote IFS and enter in the space of financial intermediation.

Gujarat International Finance Tec-City (GIFT City- Gujarat)

It is an emerging global financial and IT services hub, a first of its kind in India, designed to be at or above par with globally benchmarked business districts. It is supported by state-of-the-art infrastructure encompassing all basic urban infrastructure elements along with an excellent external connectivity. Companies from financial services, technology and all other services sector will be targeted as potential occupants within the city.

While inaugurating GIFT City, Prime Minister of India, Shri Narendra Modi shared his vision "My vision is that in ten years from now, GIFT City should become the price setter for at least a few of the largest traded instruments in the world, whether in commodities, currencies, equities, interest rates or any other instrument."

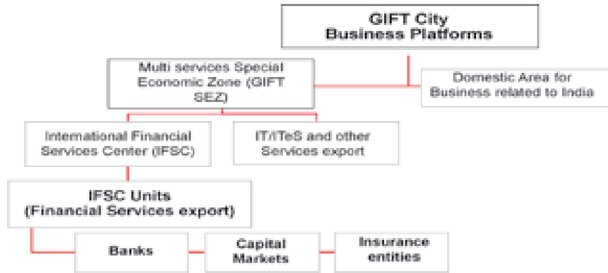


Figure 2. GIFT City - A Hub for IFS

Source: en.cdi.org.cn / www.longfinance.net

The International Financial Services Centres Authority (IFSCA)

It has been established on April 27, 2020 under the International Financial Services Centres Authority Act, 2019. It is headquartered at GIFT City, Gandhinagar in Gujarat.

The IFSCA is a unified authority for the development and regulation of financial products, financial services and financial institutions in the International Financial Services Centre (IFSC) in India. At present, the GIFT IFSC is the maiden international financial services centre in India. Prior to the establishment of IFSCA, the domestic financial regulators, namely, RBI, SEBI, PFRDA and IRDAI regulated the business in IFSC.

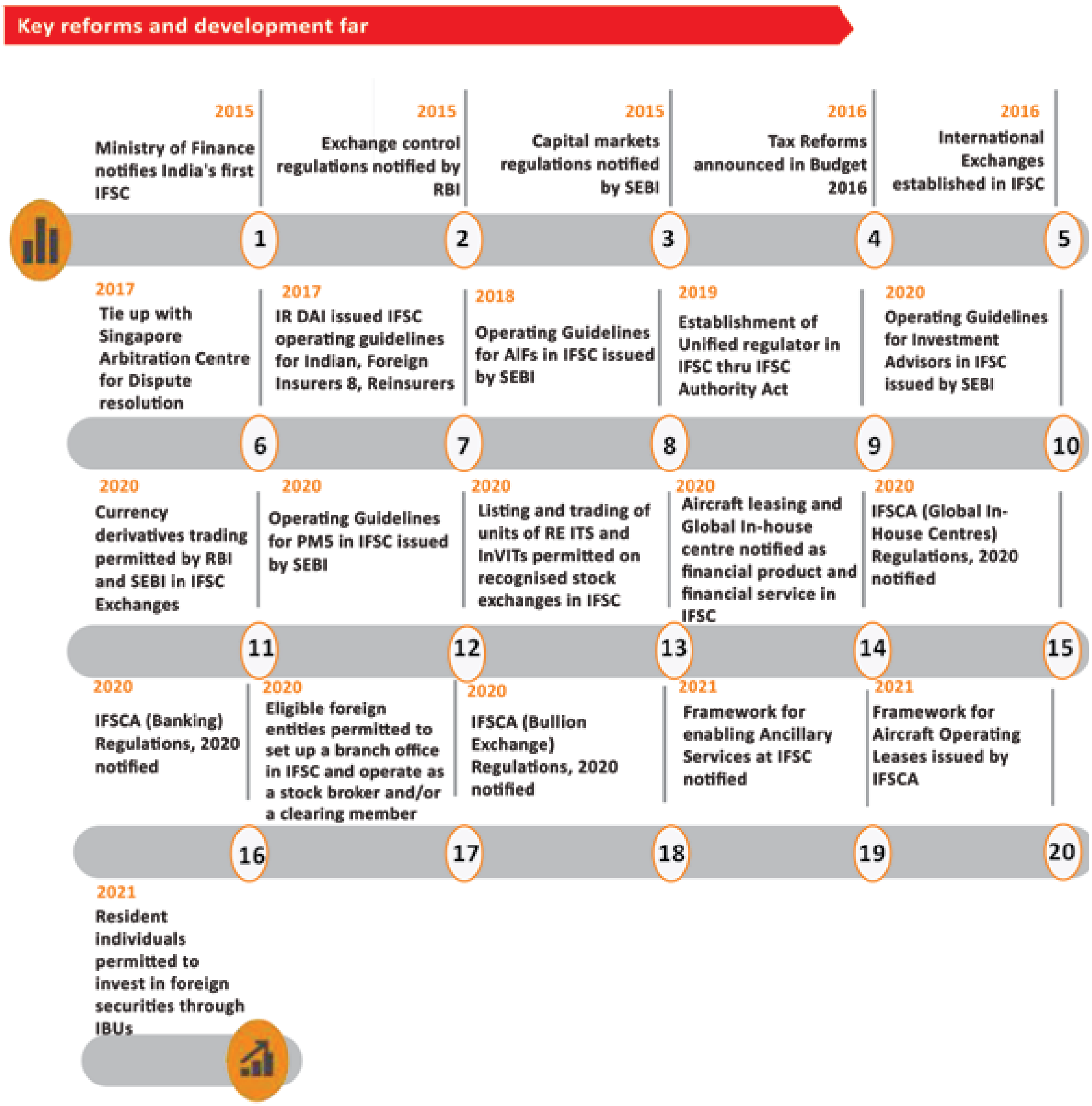
As the dynamic nature of business in the IFSCs requires a high degree of inter-regulatory coordination within the financial sector, the IFSCA has been established as a unified regulator with a holistic vision in order to promote ease of doing business in IFSC and provide world class regulatory environment.

The main objective of the IFSCA is to develop a strong global connect and focus on the needs of the Indian economy as well as to serve as an international financial platform for the entire region and the global economy as a whole.

GIFT - International Financial Services Centre (IFSC)

In India, initial thought of setting up IFSC unit was introduced by Percy Mistry Committee in the year 2007 with an objective of not only catering India's

IFSC Journey So Far



growing needs but also catering to ever increasing global financial needs, but due 2008 market crises the proposition was put off. Globally IFC's are contributor to the business of International Banking, Financial Services & Insurance (BFSI).

With the objective of bringing back to India the International financial service business generated in India, and gradually emerge as an international financial services hub at the regional and global level, in April 2015, the Government of India took the initiative to develop an International Financial Services Centre (IFSC) at Gujarat International Finance Tec-City Gujarat, a Special Economic Zone to help India realize its potential in the international financial services industry. GIFT City IFSC provides a strategic location to develop an efficient platform for all inbound and outbound foreign currency transactions.

Benefits offered by IFSC

Besides offering bare, furnished, plug-and-play and press-and-play business units on an outright purchase or lease with guaranteed service agreements, the GIFT City offers a set of advantages that no other location in India provides. For instance, the IFSC benefits include:

a. 10-year tax holiday on 100% of the profit for business units in IFSC.

b. Minimum Alternate Tax (MAT) will be 9% of profit-booking.

c. Gujarat government exempts entities from stamp duty if they have registered offices in GIFT City for capital market activities.

d. Zero Commodity Transaction Tax (CTT).

e. Zero Security Transaction Tax (STT).

f. Zero Dividend Distribution Tax (DDT).

g. Extension of long-term capital gains tax exemption to equities, exchange-traded funds, alternative investments & mutual funds.

h. Zero Good & Services Tax (GST) on transactions carried out in IFSC exchanges.

Key Activities in IFSC

Banking:
- Corportate Banking.
- Factoring / Forfaiting of Trade receivables.
- ECB Lending
- Trade Finance

Capital Markets:
- Trading Members
- Stock and Commodity Exchanges
- Clearing Corporations, Depositories.
- Brokers
- Registrar / Share Transfer Agent.

Insurance:
- General / Non Life Insurance
- Life Insurance
- Reinsurance
- Insurance Intermediaries
- Co-Insurance
- Captive Insurance.

Asset Management
- Mutual Funds
- AIFs
- Pension Fund Services.
- Custodial Services
- Portfolio Management Services
- Wealth Management
- Investment Advisors
- Trust Services

Ancillary Services:
- Consultancy - Legal, Accounting & Audit
- Aircraft Leasing & Financing
- Risk Management Services
- R&D Services
- Fintech hub

Conclusion

In recent years, India has taken several initiatives at operational, regulatory and policy levels to make system open, predictable and efficient, providing equal opportunities to all the international businesses.

India's IFSC dream has finally taken shape, with the launch of IFSC in Gujarat's GIFT City. It is not only a global financial platform, but it has also provided an easy access to the fast growing Indian economy to global investors. Domestic and international players have commenced their global operations at IFSC. We should focus on tapping domestic economy and Indian diaspora present across the world for further growth of IFSC.

India has entered late in the IFSC space, but our efforts are being recognized and are getting attention from far and wide. Gujarat's GIFT City first appeared in the Global Financial Centres Index (GFCI) in 2018 (GFCI-24) and has been featured ever since. GFCI-29 (Mar 2021) has placed GIFT city – IFSC at the top, amongst 15 centres globally which are likely to become more significant over the next two to three years. IFSC has the potential and is gradually emerging as a preferred gateway for outbound and inbound capital flow into India.

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Offshore Finance Centers: Means or Menace?

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George Paul**

Introduction

In recent years, economic growth in the world economy stands out for the size and dynamism of the financial sector. It is particularly an important industry that often has a far reaching impact on society and the economy. In the real sense, finance is the channelizing process of accumulated funds, owned by savers and investors, to those entities who need it. The straight forward process of savings, borrowing and lending had undergone a plethora of transformations day by day. Finance may be classified broadly into three discrete categories: public finance, business/ corporate finance, and personal finance.

Perennial changes have been experienced by all these segments for the past many years. Innovative institutions, instruments and process has introduced in all these financial fields.

Global financial hubs are one of the relatively recent financial innovations. Financial hubs are those centers, where there is concentration of financial activities like banking, insurance, and capital market transactions. It generally refers to a city with a strategic location, leading financial institutions, prominent stock trading spaces, a compact concentration of public and private banks, and insurance firms. Tax rules and other legislations prevailing in such jurisdictions are distinct and more relaxed. Robust legal frameworks, higher compliance standards, quality communication facilities, stable political back up, world class infrastructure, availability of competent human resources etc. are some of the prerequisites of a financial hub.

In the year 2000, International Monetary Fund (IMF) published a working paper on Offshore Financial Centers (OFCs). The purpose of the working paper was to provide some background information on the business of OFCs and its role in the development of the finance industry. The working paper, along with the discussion of OFCs, tells about the role and functions of two other classifications of Global financial hubs: International Financial Centers (IFCs) and Regional Financial Centers (RFCs). IFCs are large international full-service centers located in major cities of London, New York, and Tokyo and are equipped with advanced settlement and payments systems, supporting large domestic economies, deep and liquid markets where both the sources and uses of funds are diverse, and where legal and regulatory frameworks are adequate to safeguard the integrity of principal-agent relationships and supervisory functions. RFCs, on the other hand have developed financial markets and advanced infrastructure and intermediate funds in and out of their region, but have only small domestic economies.

Offshore Finance Center: What it means

In its simplest meaning, offshore finance is the provision of financial services by banking institutions and other agents to non-residents. These services include the borrowing of money from non-residents and lending to non-residents (IMF, 2000). At its broadest, an OFC can be defined as any financial center where offshore activity takes place. OFCs are centers much smaller in size compared to IFCs and RFCs. These centers provide specialist and skilled activities, are attractive to major financial

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institutions and more lightly regulated centers that provide services that are almost entirely tax driven and have very limited resources to support financial intermediation (IMF (2000).

Offshore Financial Centers fall under the intense and continuous scrutiny of the various governments and agencies. Low taxation, loose regulations and relaxed compliance norms are all typical features of such centers. In fact, categorization of OFC is a difficult exercise since the process involves subjective conclusions. Reputed organizations like IMF, OECD, and US Government accountability office have already published list of OFCs, although the lists seem to be not exhaustive. Based on certain common features like, relaxed tax rules, concentration of non-resident entities and identification by the international organization, a list (inclusive) of OFCs is given Table 1.

Table 1

Andorra	Barbados	St. Vincent and the Grenadines
Guernsey	San Marino	Costa Rica
Nauru	Seychelles	Malta
Anguilla	Belize	Switzerland
Hong Kong	Maldives	Cyprus
Netherlands Antilles	Singapore	Marshall Islands
Antigua and Barbuda	Bermuda	Tonga
Ireland	Liechtenstein	Djibouti
Niue	St. Kitts and Nevis	Mauritius
Aruba	British Virgin Islands	Turks and Caicos Islands
Isle of Man	Luxembourg	Dominica
Panama	St. Lucia	Micronesia
Bahamas	Cayman Islands	Vanuatu
Jersey	Macao	Gibraltar
Samoa	St. Martin	Monaco
Bahrain	Cook Islands	Grenada

Why OFCs?

Liberalization and globalization are the current norms of global economy. This paradigm change coupled with the near explosive technological advancements in tele communication facilities facilitated the birth and growth of offshore financial centers. In the modern days trade barriers become increasingly thin and physical distance is not a hindrance to do commercial transactions.

Institutional arbitrage theory suggests that firms purposely take advantage of differences in institutional attributes between countries by shifting part of their operations to locations that offer more advantages (to the firm) institutional settings (Gaur & Lu, 2007; Witt & Lewin, 2007). The logic of shifting operations of a pharmaceutical firm with strong R&D to a territory having strong patent rules or shifting operations of a chemical manufacturing company to places where environmental protection rules are feeble are all based on the theory.

The development dynamics of OFCs also rests on the Institutional arbitrage theory. Every rationally thinking business entity will try to optimize their earnings. Tax avoidance, which is well within the legal framework, is one of the effective financial tools in the kit for profit maximization. Offshore financial centers are tailor made to the needs of multinational entities while maximizing their wealth. Organizations with multinational operations are concerned about paying higher taxes by locating their operations in high tax charging jurisdictions. They are in search of places where the tax burden will be minimal and other facilities including infrastructure and human capital are of superior quality. 'Wherever there is demand, a supplier is never far behind', so says the modern economic theories and OFCs are filling that supply gap. OFCs improve the transnational flow of capital and facilitate enlarged volumes of international transactions.

As credit expansion outplaces the growth of retail deposits, financial institutions in a country depend increasingly on wholesale funding. External sources play a critical role here through cross boarder lending or interbank lending. This is truer during the boom period of the economy. While a country is passing through the upward trajectory of growth, the wholesale funding from abroad enables less established institutions with limited access to the retail domestic savings to gain market share in lending. Financial institutions in Japan and Nordic countries (Denmark, Sweden, Norway etc.) have resorted to this path during the early 1990 period. OFCs act as a conduit for these types of credit flows.

OFCs facilitate the growth of international trade and investments. They provide a platform to the development of more competitive and efficient cross border financial activities. Institutional systems and infrastructure facilities in OFCs are of higher standards. Business entities from various parts of the world will leverage these benefits. The wealth created by these entities by doing business in offshore centers can be ploughed back to their mother land and support the welfare of their home country.

Development as a financial hub will bring a lot of benefits to the city. Their tax revenues will be increased substantially. The center attracts institutions like banks, stockbrokers, investment managers, pension funds, and hedge funds. Migration of qualified personnel to the area, along with the rising demand for quality living amenities will accelerate the pace of overall development of the area.

The business model of offshore centers is quite unique. They will act as catalyst in the economic development of various countries and will also be self-developed during the process. In many countries, offshore business revenue is a major factor of their economy. A perfect example is British Virgin Islands. The islands are part of the Virgin Islands archipelago and politically affiliated to the British monarch. It is a tiny country with a population of about 24,000 people. Two main industries in the country are tourism and financial services. Government revenues are heavily dependent on these two sectors with greater than 60 per cent coming from Financial Services Commission (FSC) annual fees. GDP is estimated at US $1.095 billion and US $38,818 per capita income. Unemployment remains low at 3 per cent to 4 per cent. The workforce is dominated by expatriate labour as 65 per cent of the total workforce, with expatriates filling an estimated 80 percent of financial services jobs (IMF, 2010).

Since OFCs are intermediaries, Business and financial activities happening in OFCs contribute to the economic development of other countries. Studies revealed that competitiveness of a country's banking industry will be increased by the presence of a nearby performing financial center. Studies confirmed that interest rate spreads of banks in countries closer to the offshore centers are lower (Rose and Spiegel, 2007). Countries situated close to the offshore financial centers normally experience higher level of real income growth than those are further away, possibly because of the financial flows from the OFCs and its market effects.

Efficient corporate laws, Political and economic stability, High-level financial services, skilled human resources etc are the prerequisites of an efficient business environment. Entities operating in OFCs, where such factors are in place, will become more efficient in comparison to their peers established in other business areas. Performance indicators like ROA and ROC, which are vital and critical, will be comparatively better and wealth creation will be more (due to minimal or nil corporate taxes). These are the positive factors of OFCs, and such centers are a big attraction for the business entities irrespective of their country of origin.

What is wrong with OFCs?

Modern economic literature is extensively using the coinage 'Tax havens' to describe the offshore financial centers. Many contemporary movies and fictions are posturizing offshore financial centers as settings for shady international deals. Fiscal crimes like benami financial deals, money laundering, and tax evasions are all synonymous with such centers. Many of these allegations are plausible, but most of them are founded on anecdotal rather than systematic evidence.

The trigger for such allegations is the opaque and sometimes murky working of the OFC's (at least some among them). The major concern was about the inadequate supervision of financial transactions undertaken by the centers and non-availability of quality data. As a part of their governance exercise, IMF started an assessment program on the working of Offshore Financial Centers in June 2000. The assessment program focused on integrity standards, disclosure norms, regulatory frameworks, and supervision of the centers.

The distinct feature of OFCs is their tax culture. They will uniformly levy nil or minimal corporate taxes. Multinational establishments are utilising this advantage for tax avoidance, a perfectly legal method. But it is a fact that many clever organisations are misusing the facilities for doing 'tax evasion', which is legally prohibited. Banking and corporate secrecy offered by these centers will act as a blessing in disguise for such heinous financial crimes.

Different methods are used for tax evasion. In simple terms, earnings from OFCs will be concealed by the entities from their home country authorities to evade tax. Another method is the routing of earnings from the high tax regions through OFCs to evade tax. Transfer price adjustments between the parent company and subsidiaries are cleverly structured by many multinational firms as a tool of tax evasion. This phenomenon is also termed as regulatory arbitrage.

Many OFCs are locations for pass-through financial entities, and they experience exceptionally large volume of portfolio investment deals disproportionate to their income and GDP. For example, Cayman Islands, a prominent offshore center, is one of the largest capital inflow recipients in the world, despite having the population and income of much lesser than Mumbai (about half in size of geographical area and 5% in size of the population). Cayman Islands where it is estimated that individuals and companies hide a total of US$800bn from the scrutiny of the world's bank supervisors, securities regulators, tax collectors and law enforcement agencies. (Johnson 2002)

Enron Scandal: A Case Study of Menace of OFC

Enron, the fairy tale type meteoric rise and swift fall of the business behemoth (life span was only 16 years) is one of the largest financial scandals ever witnessed by the modern world.

Enron was formed in 1985 by merging Houston Natural Gas Co. and Inter North Inc. Founder of the corporation was Kenneth Lay and the core business then was dealing in natural gas. The company subsequently diversified its activities to commodity trading and broad band market. In the year 1995 the company was awarded as the most innovative business by 'Fortune', and they won the award for the next six years consecutively. With the ever-growing performance and profit figures, the company turned out to be the blue-eyed boy of the investors and other stake holders. The share value of the company reached more than USD 90 during its peak. All was well till August 2001, when the company reported that their broad band division had made a loss of USD 137 million. The revelation was the first stage of failure of the saga. On 2001 December 2, the corporation filed for bankruptcy and its share value plummeted to USD 0.26.

Unethical business practices and unsustainable business models eventually destroyed the company. The total loss to the stake holders was about USD 74 billion. Pension funds alone lost about USD 2 billion.

Thousands of company workers and investors lost their life savings. Jeffrey Keith Skilling, Chief Executive Officer of the company, convicted of federal felony charges and sentenced for 24 years imprisonment.

Investigations revealed the clever manipulations and illegal accounting methods followed by the corporation. It was an obnoxious example of 'Agency cost'. The financial executives of the company had done 'debt laundering'. They were able to manipulate the burgeoning liabilities of the company, by transferring it to various SPVs. The transactions were so structured that its complexities could not be properly understood by the market.

Enron had misutilised OFCs extensively to avoid paying tax to the US Government (estimated to be approximately USD 400 million), and also to conceal the large volume of their liabilities. The company had formed more than 2800 subsidiaries to structure their dubious transactions. Enron has opened 872 subsidiaries in offshore financial centers. In Cayman Islands alone, they had registered 692 subsidiaries.

Interestingly, Enron also had a controversial business connection with India. The company ran in to trouble due to the Enron scandal and stopped production in 2001. Later in the year 2005, the company was taken over by the Government of India and renamed as Ratnagiri Gas and Power Private Limited.

Conclusion

In this article, we discussed the benefits and evils of OFCs for the society and economy. There are ample evidences for the manifold contributions of such financial hubs in the development of global economy. The flipside is the rare misuse of the facilities by a few unscrupulous business entities. The major allegation of 'financial secrecy practices' followed by the OFCs is exaggerated accusation. Sovereigns like USA, UK, Hong Kong, Switzerland, and Singapore are all having certain level of financial secrecy, minimal regulations, and preferential tax structures for the non-residents. The abuse of rules can be curtailed by strict enforcement of regulations and enhanced vigilance. Initiatives taken by organisations like OECD and FATF are helping to a large extent to minimise the abuse of offshore financial hubs.

Financial climate prevailing in the OFCs cannot be experienced in any other economic landscapes around the world. Hence it is no surprise that such financial centers will flourish in future and global economy shall reap the benefits provided by them.

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Role of Artificial Intelligence & Analytics in Banking

Kommana V Ganesh Kumar*

Introduction

Banks and financial institutions in India are serving their customers through multiple platforms. Introduction of Internet Banking and Mobile banking platforms, paved a way for digital transactions in gaining significant traction and the result is "footfall in branches" experiencing gradual downfall. Now, customer expects seamless experience across all platforms and highly personalized services are the need of the hour. But interacting and understanding the unique requirements of these customers located in various geographical locations have become a major challenge for all the Banks in India.

Artificial Intelligence & Analytics have dominated all the new technologies/ inventions in the past few years. They together solved many of the problems that Banks face in today's digital world. They can pull out good information quickly and easily from Bank's database and convert it into meaningful benefits for themselves and their customers.

They help banks in following aspects:

1. Understanding, segmenting and profiling of customers
2. Targeting, acquiring and retaining of customers
3. Spending pattern of customers
4. Product selling and cross selling
5. Maintaining and growing a profitable customer base
6. Regulatory compliance Management
7. Risk management
8. Security and Financial crime management
9. Becoming more operationally efficient and much more

These technologies extract actionable insights and quantifiable predictions which help the Banks to understand customer behavior in account opening/ closing, default, fraud, and customer departure. With a capacity to garner a good number of benefits, these technologies are the future of financial institutions. Almost all Banks have adopted or are in the process of adopting these technologies in every process of Banking.

Artificial Intelligence

A name that needs no introduction in the current times. It probably may become the most important thing that humanity has ever worked on. It is something more profound than a mobile, computer, wheel, electricity or fire. It has set foot into our lives in all sorts of ways from medicine to transportation to voice interfaces in homes to financial services etc. thus making us more efficient. If properly harnessed, it can generate enormous prosperity, opportunities for people and can cure diseases that we haven't seen before. It can make us safer by eliminating inherent human errors in a lot of work. Its rate of improvement is really dramatic, and we have to figure out a way to ensure that the advent of digital super intelligence is one which is symbiotic with humanity and can be considered a boon based on how we use it and to what extent we take in the AI technologies to our daily life.

Analytics

Now a days, we are frequently listening to the phrases "Data is new Oil" or "Data is new Gold" etc.

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These statements underline the importance of data and its analysis. This is where data analysts come into picture. So, what do these data analysts do? They combine information technology with statistics and business. Tons & tons of data which include text in black & white, huge intricate databases, or unprocessed sensor data are extracted, categorized and transformed into a useful and manageable formats. Then various statistical and machine learning techniques are employed to analyze the new data. A thriving data analytics initiative will help us in understanding:

1. What happened?
2. Why things happened?
3. What may happen in future?
4. What should be done?

These insights will be shared with the stakeholders to make predictions and to make effective and informed decision making. This helps executives and managers in optimizing efficiency, improving performance and in succeeding in these competitive environments. All these have transformed every organization into a data-driven organization.

Banking in India

Banking services have been expanded to every nook and corner of the country. Many people came into banking, thousands of Bank branches were opened across the length and breadth of the country and millions of job opportunities were created.

Sr. No	Type of the Bank	Branches - As on March 2020				
		Rural	Semi-urban	Urban	Metropolitan	Total
1	Public Sector Banks	28,921	24,586	17,030	17,355	87,892
2	Private Sector Banks	7232	10,990	7,336	9,236	34,794
3	Foreign Banks	15	8	40	245	308
	Total Branches	36,168	35,584	24,406	26,836	122,994

**Source: www.rbi.org.in*

Banking is one of the sectors that is committed to the national goals to eradicate poverty and to ensure a reasonable standard of living of the people of this country. It has remarkable contribution in extension of schemes sponsored by governments, and in financial inclusion of a huge un-banked population and in inculcating saving habits in people of the country. Let us have a look on deposits with scheduled commercial Banks as on March 2020 which reflects saving habits of Indians:

Table No. 2.2 -Deposits of Scheduled Commercial Banks According to Bank Group-As on March 2020

(no of Accounts in Thousand and Amount in ₹ Crore

BANK GROUP	No Of Offices	Current		Saving		Term		Total	
		No. Of Accounts	Amount	No. Of Accounts	Amount	No. Of Accounts	Amount	No. Of Accounts	Amount
PUBLIC SECTOR BANKS	91498	6084	536792	1225427	3018696	183610	5020532	146988	857602
FOREIGN BANKS	312	868	212781	5486	69984	1000	82023	7354	64788
REGIONAL RURAL BANKS	22130	304	9442	47129	44475	17317	213505	267495	467422
PRIVATE SECTOR BANKS	34973	20965	512503	38045	172420	49479	2292834	308489	3977757
SMALL FINANCE BANK	4189	275	2238	3513	10284	2034	50145	15823	62667
ALL-INDIA SCB's	**153102**	**86007**	**1273756**	**172960**	**4515859**	**253441**	**7959040**	**2069047**	**13748655**

**Source : www.rbi.org.in*

Banking sector has extended credit facilities all over the country and is singularly responsible for the success of the nation in the field of Agriculture, Industry and Commerce. Let us have a look at credit of scheduled commercial banks as on March 2020.

Table No. 1.1 - Bank Group-Wise Outstanding Credit of Scheduled Commercial Banks as on March 2020

BANK GROUP	No. of Offices	Credit	
		No. of Accounts	Amount Outstanding
	1	2	3
PUBLIC SECTOR BANKS	87576 (59.7)	92738274 (34.0)	6069991 (57.7)
FOREIGN BANKS	275 (0.2)	6815203 (2.5)	440334 (4.2)
REGIONAL RURAL BANKS	21827 (14.9)	25426814 (9.3)	301051 (2.9)
PRIVATE SECTOR BANKS	33464 (22.8)	127083740 (46.6)	3612994 (34.3)
SMALL FINANCE BANKS	3669 (2.5)	20456152 (7.5)	94441 (0.9)
ALL SCHEDULED COMMERCIAL BANKS	146811 (100.0)	272520183 (100.0)	10518812 (100.0)

**Source: www.rbi.org.in*

However, the Banking industry has not remained static and is currently in a state of change, with the advent of electronic banking and reduced in-branch service. The Information Technology has brought

ATMs, online & mobile banking, speedy processing, easy marketing, wider networking and better centralized control over branches thus ensuring comprehensive customer service. The following table depicts the ATMs position of Public sector, Private sector and Foreign Banks.

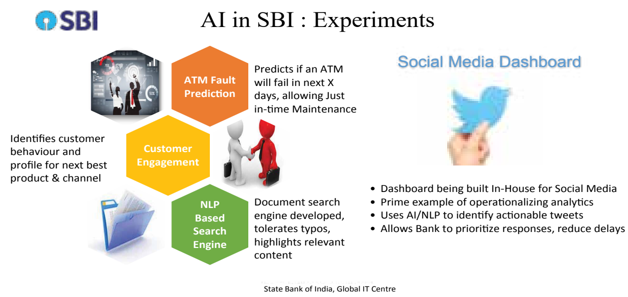
Sr. No	Type of the Bank	ATMs - As on March 2020		
		On-site	Off-site	Total
1	Public Sector Banks	78,484	56,379	134863
2	Private Sector Banks	32,690	40,362	73,052
3	Foreign Banks	225	678	903
	Total ATMs	111,399	97,419	208,818

*Source: www.rbi.org.in

Artificial Intelligence in Banking

Banking & Financial sector are upgrading their technologies to give better service to its customers and help them plan their investments properly. Banks are able to know about customer usage patterns and use those insights to develop more precise and customer centric applications, products and services. This sector is showing a lot of progress in AI kind of usage models in both front end and back end. Front end being the channels viz., Branches, Internet Banking, Mobile Banking. These are the gateways to deliver AI to the customers. These channels are getting better and better over the course of time. We can have a chatbot on our mobile device understanding what products or services we want without us even knowing it. It allows the user smarter ways to invest, spend and save the money. At the back end, it is the processes which are getting transformed very quickly with newer technologies like process automation which gets done a one-hour work in a minute.

Artificial Intelligence has helped the industry in multiple finance related roles like accounts, credit decisions, detecting frauds, investing, trading, advisory services, risk management etc. AI helps to retrieve data faster and manage data more efficiently. State Bank of India has successfully experimented usage of Artificial Intelligence technologies in various fields and tasted resounding success. Following figure gives us the fields where SBI has experimented.



*Source: SBI, Global IT Centre

Analytics in Banking

Banking & Financial services is a vertical with quality information and a lot of data. Data analytics plays a pretty important role here. With rapid digitization, data analytics has become extremely essential with its ability to create value and address issues across various functions in Banks. Analytics not only address issues but also provide solutions and automate the processes. This sector being the earliest adopters, use data analytics in assessing and reducing credit risk, improving efficiency and also in forecasting market trends.

Some important areas where Analytics has already set its foot are:

1. Pre-Approved Personal Loans: Existing customers who are eligible are informed through SMS/email. Accordingly, instant loans will be sanctioned through internet/mobile banking without need for documentation and even without visiting the branch.

2. Pre-Approved Business Loans: Debit & Credit transactions in existing current accounts are scrutinized using advanced applications developed based on various parameters. Eligible customers will be identified and preapproved offer will be sent through internet banking. If the customer accepts the offer, loan will be approved after minimal documentation.

3. Early warning System: Stress signals in standard account are identified and alerts will be sent to operating staff. So that bank can take corrective action and can prevent slippage thus mitigating credit risk.

4. Credit Scores: Credit score has made the credit decision easy for the bankers. So a bank can lend to a right customer, reduce NPA, mitigate credit risk and increase profitability. These scores have become so integrated in our lives, that one should maintain a healthy score in order to get even a basic personal loan.

5. Marketing & Sales: Can understand customer's spending patterns and can devise & suggest products which suit the customers. So that bank can maximize sales at minimum cost thus optimizing revenue. This also results in increased customer loyalty and reduced attrition.

6. Fraud detection: With increase in digital transactions, number of frauds also increased significantly. Fraud detection involves user activity monitoring and analysis to find any unusual or malicious pattern. The faster a bank detects fraud, the sooner it can limit account activity to curtail loses. etc.

Outcome of usage of Artificial Intelligence & Analytics in State Bank of India

Team Analytics in State Bank of India, began as a small dedicated unit for excel-based reporting in 2013, but has since evolved into a pioneering department which leverages the latest tools and techniques to deliver value. It has come out with 40 + AI and ML based models in all the areas under the purview of the Bank. These models of State Bank of India have given huge growth to business, reduced risk and increased operational efficiency.

Some examples are:

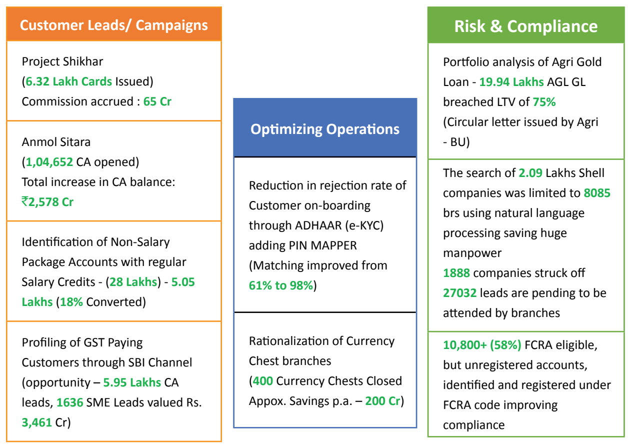
Model Name	Total Business Booked as on 30.11.2020
PAPL	Rs.28,860 Crs. Total 20.88 lakh loans sanctioned
PABL	Rs.47 Crs @ 11% Conversion rate
Gold Loan- P Segment	Rs.3,651 Crs
Home Loan Topup	Rs.165 Crs
Home Loan Takeover	Rs.100 Crs
Gold Loan- Agri Segment	Rs.681 Crs

Income Leakage for Processing Fee and Facility Fee	Processing Fee Recovered : FY 18-19 Rs.58.00 Crs FY 19-20- Rs.24.00 Crs Facility Fee Recovered : FY 18-19 Rs.14.00 Crs FY 19-20 Rs.9.00 Crs
Project Shikhar	Total 28.90 lakh cards issued since Sept' 2017
Charges Analysis	Misclassification of Capital Expenditure identified during FY 2018-20 ~Rs 500.00 Cr
Footfall Reduction Tool	~22% reduction in branch share of transactions
Fraud Prone branches	Risk rating of 1355(32%) risky branches have improved over last four quarters

**Source: State Bank of India, Analytics Department*

Few other examples of "Analytics & Artificial Intelligence" journey in State Bank of India creating value to the organization.

Few Examples of Such Journey Creating Value to the Organization



**Source: State Bank of India, Analytics Department*

These examples prove that how useful/helpful both Analytics/Artificial Intelligence are in enhancing business leads, reducing income leakage, optimizing day to day business operations, in mitigating risk and ensuring compliance.

Intelligent Banking: The Future of Banking

With its ability to help mankind innovate, Artificial Intelligence has set foot into our lives in all sorts of ways from electronic trading platforms to medicine, transportation, voice interfaces in homes, entertainment, education, Banking services etc. In future, it may impact entire Banking value chain.

Some of the expected changes are:

1. AI probably becomes the most important thing that humanity has ever worked on. Something more profound than a computer, mobile, electricity or fire.

2. AI makes possible giving top notch service to all the customers which banks can't afford currently. Instead of customer giving a request for a service, virtual agent analyses data, predicts the customer requirement & proposes the services personalized to the customer needs.

3. Conversational UI (User Interface) to help customers more seamlessly with normal enquiries in natural language, via natural language processing. That means users can ask questions and receive an answer in natural language thus giving a better experience for the customer.

4. AI analyses customer's data and helps banks to have insight into his creditworthiness. Pre-approved loans will be given to a large range of customers without documentation and without even visiting the branches thus making physical branches redundant.

5. Robo or an artificial agent helps you in better managing money across whole banking life.

6. An autobot will analyze legal documents, agreements, contracts etc. in seconds thus saving lot of human hours. JP Morgan Chase has already introduced a bot by name "COIN". These bots will become a common thing across all banks.

7. AI will be of much help in detecting every instance of Money Laundering in much lesser time at much lesser cost which in today's times is a complex task.

8. Totally, AI changes the banking scenario and gives banks and financial institutions fresh avenues of business and previously untapped savings, margins and profit.

9. Finally, AI will be our friend, providing conversation and comfort to the lonely, will be our assistant and will help you to cut down our work.

Conclusion

With ever increasing digital transaction, there will be a large data trail from opening of accounts to day to day credit/debit/wallet transactions. Banks need to adapt to latest technologies to store and manage this unstructured data in real time. To gain competitive edge, banks must analyze this data, extracting valuable insights which in turn add a significant business value.

To conclude, Artificial Intelligence and Analytics together provide much more strength and helps banks to boost organizational success and in achieving their main goals viz., Performance, Profitability, Compliance, Competitiveness and Risk Reduction. They are the game changers & can help banks distinguish themselves and remain competitive in the future data driven world.

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Talent Management in the Emerging Banking Scenario

Subhransu Gupta*

Havyang B. Zala**

Competition from Fintech and resultant changing talent priorities in Banking Sector is posing a big challenge. The growth in digital technologies in banking industry has been phenomenal. In just last five years, according to data from the RBI, the volume of digital payments has moved from 6.09 million in 2013 to 24.33 million in 2018. There is an increase in the penetration of banking and digital services. In fact, India ranks on the top of the list with the highest number of global bank branches, closely followed by China.

As technology based digital disruption creates new opportunities it also creates new challenges. The Banking & Finance sector is facing multiple challenges - such as regulatory landscape, changing customer preferences, changing expectation of stakeholders, and delivering secure and secrecy compliant services. As the sector realigns itself to changing technologies and intelligent automation, Talent management has become more challenging.

In view of the aforesaid emerging scenario, it is pertinent to discuss the 'Talent Management' in wider spectrum, covering various relevant aspects in relation to banking sector such as Talent, Talent Management, Objectives of Talent Management, Process, Models, Strategies, Challenges, Futuristic Talent Management challenges, Expected qualities from the talent in changing time etc.

Talent may be defined as the natural aptitude, an internal quality that emerges effortlessly. Studies have proved that genes play a vital role in talent. Talent defines the way an individual responds to certain stimuli. The environment also plays an important role in talent identification and development. With the advent of Liberalisation, Privatisation and Globalisation era, there has been a paradigm shift in the present Human Resource Development approach in which enablers have been created so that the employees could fulfil their aspirations and utilise their potential to the best. This shift has come due to the belief that human resources are sources of competitive advantage and not merely employees fulfilling their job responsibilities. In order to compete and create its own position, every organization has to adopt the latest technology, hire the best talent, offer the best quality in terms of product and services at economical prices in order to retain both – the customers as well as the employees. Under the present scenario, the most familiar talent functions related to human resource are:

- Talent Acquisition- It refers to the process of attracting and recruiting skilled employees.
- Talent Management- It refers to the process of developing and retaining employees with skill training and succession planning.
- Talent pool- Formation of a group of candidates who are potentially a good fit for organisation's current of future needs.

Definition of Talent Management

Talent Management may thus be defined as the goal oriented and integrated process of planning, recruiting, developing, managing, and compensating employees.

Talent Management can be better described through the following three main perspectives:

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1. In the first perspective, talent management is considered as a set of functions and practices which are typically the functions and practices of Human Resource Management.
2. In the second perspective, talent management is defined in terms of Human Resource planning and projecting employee needs.
3. In the third perspective, talent management is treated as a generic entity and either focusses on high performing and high potential or on talent in general.

The resource-based view of strategic management assumes that only strategically valuable, rare, non-imitable and non-substitutable resources may become a foundation of a sustainable competitive advantage (Barney, 1991). As talent fulfils the stated criteria, talent management is the key process for development of the organisation and building a competitive advantage.

Talent management is defined at various levels and from different perspectives and its definition is influenced by markets, industries, organisations, geographies, intellectual disciplines, generations, and the nature of work (Olivier Serrat, 2010). Talent management can be considered as the systematic process of attraction, identification, development, engagement /retention, and deployment of the individuals who possess high potential add value to the organisation.

In view of the above stated facts and including the various school of thoughts, talent management can be summarised as adoption of continuous holistic strategy by an organisation for sustained competitive advantage and overall growth.

Global Perspective on Talent Management

i) Ever since the Global Financial Crisis in 2008, the business world has witnessed persistent growth accompanied by pressure which demands for renewed perspective on performance and associated practice of talent management.

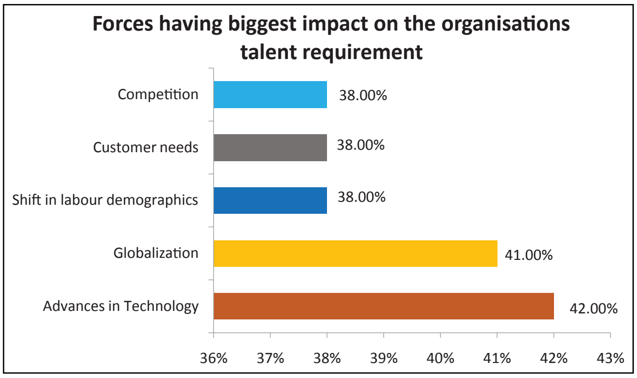
ii) According to Oxford Economics Global Talent 2021, the following forces which will have the biggest impact on the organisation's talent requirement in the years ahead:

- Advances in Technology (42%)
- Globalization (41%)
- Shift in labour demographics (38%)
- Customer needs (38%)
- Competition (38%)

iii) The strategic use of data and analytics in talent management by the Human Resource Department in an organisation will lead to employee development practices which would ultimately enhance the performance and contribute towards attainment of goals and objectives.

iv) Organisations aspiring to reap the best benefit of talent management need to implement a top-down methodology that starts with business strategy and moves down the ladder to specific competencies.

v) Human Resource professional of an organisation needs to share the data on talent management with the executives, top management, and other stakeholders so as to create an overall awareness and take appropriate steps as deemed necessary for achieving the business objectives.



Source: Oxford Economics Global Talent 2021

vi) It is very important for an organisation to align business and people strategies and Human Resource Department can provide the required assistance.

vii) The use of data and analytics shall enable Human Resource Department to portray metrics-based talent management and be associated with more tangible ownership over performance.

What is talent data and its relevance in banking scenario?

Talent data is defined as the information and insight on Talent available with an organisation which is assimilated through the Talent Management System comprising of recruiting, onboarding, learning, performance, compensation, succession, and workplace collaboration. The information includes demographic, mobility/activity, behavioural data associated with talent internally or externally.

Talent data helps the organisation in improving the employee engagement and productivity which enables for better workforce decision.

As per Institute for Development and Research in Banking Technology (IDRBT), the Banking Sector needs to increase focus on the artificial intelligence strategy, data management, internal digitisation, talent creation and developing safe systems. (Source: Business Standard, September 12, 2020).

The report on Deloitte's Human Resource Benchmark for Banks 2012, has reviewed the investment in Talent Management and Human Resources. After reviewing both the internal and external pressures, the report highlights investment gaps, most notably in talent management. Key findings within the banking sector identify vital areas to focus on including:

- Staffing inefficiency in the centres of expertise, particularly in areas of talent management and Strategy and program design.
- Transaction inefficiency within talent management administration.

There have been far-reaching developments in the roles and activities of banks and financial institutions in recent years which has highlighted the need for appropriate manpower planning and personnel development. The most vital challenge is to ensure that the banks can recruit and retain appropriately qualified and experienced staffs. However, the developments outside the financial sector and competition for key personnel even from international agencies has made the task increasingly difficult.

Main objectives of Talent Management in the banking scenario

1. ***Creates overall improvement in businesses performance***

   The objective of overall improvement in business performance is achieved when Talent Management incorporates the 3 vital components viz: rapid talent allocation, positive employee experience and a strategic HR professional team.

2. ***Keeps the organisation active, focussed and competitive***

   The basic function of Talent Management is hiring and developing the talented employees. It provides strength to the organisation and prepares for facing the changes and challenges and design risk mitigation in competitive world. Banks have to comply with the rules and regulations of the various regulators. It is imperative for the banks to percolate these traits amongst its employees which can be made possible through proper talent management.

3. ***Propels innovation***

   Technological advancement has brought revolutionary changes in every field- industry, service etc. The success in harnessing the benefits of these technological developments lies with skills and capabilities of the talented employees. These employees either utilise the technology for the betterment of operation which ultimately improves the performance level or brainstorm other techniques which could yield better result by using the technology. There has been a paradigm shift in the banking operation - from manual to CBS, from local to anywhere banking. Such transition involves proper talent management.

4. ***Helps in better cohesion amongst members and yields productive teams***

   With the application of appropriate talent management strategies, better cohesion can be created amongst the team members which would ultimately create a more productive team in the organisation.

5. *Lowers Attrition*

For any organisation, the level of satisfaction amongst the talented employees plays a major role in its success. Proper Talent Management is bound to play a pivotal role in this aspect. Higher level of satisfaction amongst such employees leads to greater motivations, better performance and remain associated with organisation for longer period. The proper succession planning and nurturing of the talents since inception helps these employees climb the management ladder through their long-term association with the organisation. Attrition at lower level has always been a concern for the banks which can be addressed by proper talent management.

6. *Enhances the brand value as employer*

Adoption of proper talent management strategies by an organisation creates positive impression not only amongst the internal workforce but also creates strong brand in the external world thereby attracting talents in future.

7. *Growth of the individual as well the organisation*

The talented individuals act as source of motivation for others and help in growth of the individual as well as that of the organisation.

The Talent Management Process in Banks

The activities pertaining to Human Resource Management in Banks involves recruitment, selection, training, performance appraisal and management, career planning and compensation. These activities can be summarized in the following sequential steps:

i) Decisions regarding filling up the vacant positions through job analysis, personnel planning, and forecasting.

ii) Creating a pool of job applicants by recruiting internal and external candidates.

iii) Initial screening through interviews for the applicants with completely filled application forms.

iv) Further, usage of various other selection tools such as written test, exhaustive interviews, background checks, medical test to identify the viable candidates.

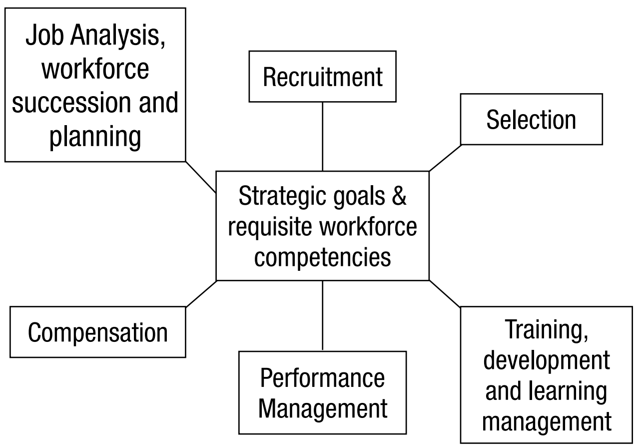
v) Decision about providing the offers and creation of waiting list if required.

vi) Conduction of orientation, training, and development of the employees to inculcate the required competencies to perform the job assigned.

vii) Performing proper appraisal to assess the performance level and communicate the same to the respective employee to make them aware about the strength and weaknesses. This would help in rectifying the position and lead to overall improvement.

viii) Properly motivating the employees through rewards and compensation.

The above activities form integral part of Talent Management process and is illustrate below:



Talent Management Model

Various schools of thought have proposed various Talent Management Models, however, there are no standard models. According to the experts, the most appropriate model should invariably include the following processes as applicable to the banking industry:

1. **Planning:** It is a vital process as proper planning directs the model in conformity with the goals of the organisation. It will not only ensure availability of right talent with experience for

the organisation, but also assess the current scenario for the existing employees and propose road map ahead. With the merger of the banks and offer for Voluntary Retirement Schemes, it has become necessary for the banks to undergo proper planning with regard to Human Resources and its associated talent management in the present context and in the near future.

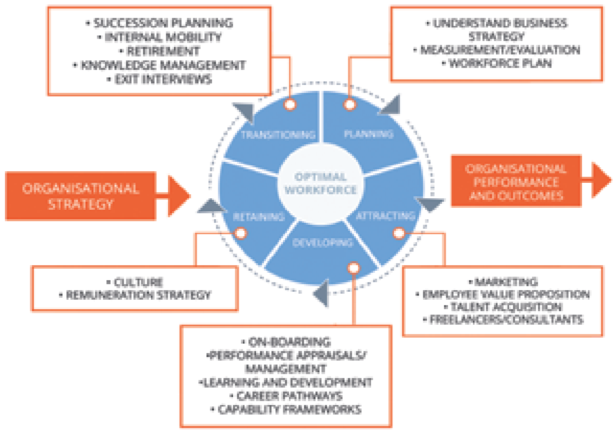
2 **Attracting:** In the present scenario, it is equally important to attract the best talent as numerous options are available with the job hunters. The attracted talent has to possess required skills and should develop further while working with the organisation and align with objective of the organisation. Attracting right talent also brands the organisation as a coveted employer and increases the visibility and approachability amongst the job seekers. Last, but not the least, a positive impression is created in the minds of the people and ensure continuity is attracting best talents for the job.

3 **Developing:** Developing of the talent has wide scale impact by not only allowing individual growth of the employee but also as a strategic plan to equip the employees by sharpening their skills so that organisation can face new challenges in the dynamic world. In banking scenario, this is very much required. Development motivates employees and encourages them to excel further.

4 **Retaining:** Another aspect of Talent Management is to retain the talent. The various inputs provided to employees in the form of compensation (monetary and non-monetary) and self-actualisation through training and development enhances the sense of belongingness towards the organisation. This brings long term association which ultimately benefits the organisation by bringing down the attrition rate. Studies have revealed that higher attrition rates in banks have led to economic and opportunity loss. Retainment of talent would avoid such loss.

5. **Transitioning:** The next stage involves transitioning. The talent which has been recruited and developed in accordance with organisation's objective needs transitioning as per the requirement. This would enable knowledge management and pave way for further talent development. The various phases of transition such as promotions and preferred postings instil positivity among the employees and enhances the productivity. Banks have been modifying its structure and functional outlay.

The various processes of talent management as applicable in the banking scenario are depicted below in the illustration.



Source: expert360.com

Talent Management Strategy adopted by different banks

The Talent Management Strategy in an organisation is derived from the talent management model being deployed and is properly aligned with the organisation's goals. Further, the strategy defines the processes. Following are some of the strategies being adopted by the different banks:

Strategy 1: Recruitment of Employees at Top Position

With the change in the bank's internal policies and effect of the policies issued by the Government of India, many banks are now recruiting top level management (Managing Directors, Chief Executive

Officer etc) from outside the organisation. Pros and Cons attached in adoption of this strategy are given below:

Pros

- The organisation gets the best talent for the top position.
- By utilising the experience and expertise of the recruit, the organisation is able to grow faster.
- The organisation is prepared better to face the challenges and risks.

Cons

- It is an expensive effort.
- It could lead to dissatisfaction among the existing top management.
- Process is time consuming.
- It may pose a challenge for the newcomer to manage the existing team.

Strategy 2: Recruitment of Specialists and developing them.

Banks are recruiting specialists at lateral positions to fill the immediate vacuum in the specialised areas. Recruitment of Chartered Accounts as Credit Analyst has become a common phenomenon in the banks.

Pros

- Leads to finding of talents in short period when the organisation is in the urgent need for the specialised talent and there is insufficient time for grooming up of the existing workforce with specialised knowledge.
- In most of the cases, such talents are hired initially on contractual basis whose total Cost to Company is less as compared to the existing employee. Thus, saves cost for the banks.
- With proper training and development, the specialised talent is aligned with the organisation's objective.

Cons

- Organisations have to impart greater effort and larger investment for all round development of specialised talent as they lack knowledge and experience in other areas.
- Pace of organisation's overall growth may be hindered.
- Being on contract, the recruits lack sense of belongingness and it is difficult for the banks to retain such talents.

Strategy 3: In-house Development of Talents

Job Family concept has been introduced in the various banks. The employees are identified for the different job families depending upon their inherent aptitude, talent, skills and the expertise developed while working with the bank for a period. Such identified employees are further groomed according to the job family.

Pros

- As the in-house talent is groomed, it is less expensive and less time consuming.
- Allocation of job families motivates the employees to perform better thus improves productivity.
- Since it is an in-house process, clash of interest/ opinions does not take place amongst the talents.

Cons

- Implementation of the strategy at the core level faces lot of resistance.
- Proper Talent Management might suffer due to non-uniform weightage given to the different job families by the organisation.

Banks adopt a judicious mix of the strategy depending upon the requirement.

Challenges of Talent Management

Some of the top talent challenges in the context of emerging banking scenario could be as under:

Retraining & retaining a digital workforce: Among the top challenges that the sector faces is the need to retrain the talent to meet the needs of the business at a time when there is continuous change and disruption. The need for specialized digital skills is changing the demand for skills, recruiting, and retaining such quality digital talent is a challenge.

As regards upskilling talent, how you deliver the present needs of Core Banking Systems through technologies like mainframes yet reskill and poly-skill this employee base to cater to Cloud Computing and Big Data is a key to success.

Once banks have identified skilled employees, and/or retrained their workforce, the key challenge then is to retain this talent. The challenge is the ability to recruit the right mix of technically skilled people, integrate them into the business and keep them engaged enough to be retained.

Banks will need to have a different mindset in the way they treat employees. It is not just money that today's talent is after-it is meaningful work, flexible methodologies and being challenged by working with more agile teams.

To succeed in the marketplace of talent, banks will need to get better at not just identifying and reskilling, they need to build an organizational culture of continuous learning.

Leverage the power of data: The banks need to leverage data to make Talent Management decisions – instead of making decisions on subjective biases or customary practices, some areas where banks need to leverage data to are Recruit, Retain, Motivate and Promote talent.

Cultural Diversity: As talent strategies get more robust and agile, banks will also need to take a call on managing cultural diversity issue in addition to enabling a workplace culture that considers a new generation of digital native employees.

Futuristic issues in Talent Management

With so much volatility in the financial services sector, different types of learning and development would be required to keep the current workforce

Banks are facing the challenges on one hand, they need cloud computing, AI, and digital marketing to remain competitive. On the other hand, they also have large workforces which need to be retrained. Learning programs can help develop these new capabilities.

At the same time, reinforcing employee engagement is also key to staying competitive with other banks, insurance companies, and financial technology firms. Cloud solutions can help, providing easier access to HR information, a marketplace for internal opportunities, and learning for career development.

Talent management for financial services is different among generations and will require different programmes

Technology is revolutionizing how bank employees and personal financial advisors interact with customers. Technology driven ways of interaction such as New self-service, AI based advisory etc. are playing pivotal role coupled with face-to-face interactions for specific value-added services sought by the customers.

This revolution impacts the capabilities and tools required by financial services teams. Different generations have differing viewpoints on the arrival of AI and other emerging technologies. Millennials are most excited about AI, followed by Generation Z and Generation X and Baby boomers.

Training programs on the other hand, generate more interest. Millennials and Generation Z have the most interest along with Generation X, with baby boomers at the least.

As younger generations pursue finance careers, culture issue would be demanding different dealing

Younger generations are used to higher levels of collaboration across the organization and want workplaces with immediate access to colleagues, managers, mentors, and subject matter experts where they can build meaningful relationships.

Digital assistants make onboarding tasks, performance assessment, and general self-service easier to handle. Cultural diversity is important. HR Personnel are now inclining on bringing about cultural diversity and obviating monoculture. It is important to bring in and welcome people who have different cultural backgrounds and experiences. This results in ushering in talented people, regardless of their backgrounds, to fill positions and be ready to progress to senior roles.

Hierarchy Structure

Up till now Rank and Status in the company carry a lot of weight. But times are changing, same will be less important. Collaboration is increasingly becoming more important to the future workforce than authority and rank. Toward this end many organisations are switching towards leaner structures. These structures offer greater responsibility to employees and require leaders to rethink ways of communicating and influencing.

Emotional fulfilment

Offering talent, a purpose bigger than their needs is essential. In the talent management process of this sector, experts have found that an EVP (Employee Value Proposition) focusing on financial rewards is not enough anymore. Banks are recalibrating what they can offer talent, and there is a greater focus on emotional fulfilment. For example, there is a need to rethink Variable Pay for those who prioritise opportunities for a challenge over financial rewards, or those who value a workplace that offers development and learning opportunities.

Flexible work arrangements

Flexible work arrangement will continue to evolve across industries and around the world. This includes allowing talent to choose work locations, providing internal candidates devices to work remotely, and more. Of course, flexible schedules are not suitable for every department in a financial institution, which is required to run 24/7. Managers are therefore empowered to decide on flexible work in the interest of the company as well as the individual.

Qualities of future talent in Banking

Automation technology has enabled banks to increase productivity, simplify work design and improve customer service, growing deposits and revenue without adding staff. So, with the future at our doorstep, there are desirable qualities a banking industry should be looking for in potential talent:

1. Digital Fluency: A general comfort level with technology and the ability to quickly pick up on advancements are now essential characteristics of successful employees. They are expected to be digitally fluent and contribute towards creating, testing, and refining new automation capabilities and experiences in the organisation.

2. Interpersonal Skills: With automation covering many back-office tasks, the demand for interpersonal skills has skyrocketed, particularly in respect of customers' preference for bricks & mortar for value-add interactions and advisory need.

3. Tenacity: IQ and EQ remain important - but are no longer enough in view of massive social, economic, and technological changes and resultant transforming environment in which we operate.

Future leaders are going to be people best equipped to handle these upheavals, challenges, dead-ends, roadblocks and yes, failures that go along with them. These leaders will have the strength to honour their commitment during adverse times, rather than succumb to the temptation to quit. They will have the drive, self-belief, and patience to persevere despite setbacks, the agility to withstand the impact of failure and grow from it. Meaning, Tenacity is the quality demanded of the leaders in a time to come.

Disruption, change and consequent element of uncertainty is now compelling organisation to pay due weightage to the Tenacity Quotient (TQ) of the leaders and due place in formulating Training & Development system, Performance Assessment System and Capability Building strategy.

4. Entrepreneurial Spirit: A go-getter mentality goes a long way. As the role of many bank team members becomes less defined, they can take more initiative in creating and pursuing new projects that can enhance the customer experience and benefit the organization at large. Having a tendency for exploration, which will drive them to go out of their way to find new areas of interest, to break the boundaries of the present, and to search for new opportunities for their organization, customers, and teams.

5. Adaptability: The ability to adapt to changing technologies, evolving processes, shifting responsibilities and a fresh repertoire of skills to master is essential.

6. Problem-Solving Abilities: The top reasons customers will go into the bank of the future are to resolve an issue and to seek advice from a human advisor on complex products such as mortgages. Both scenarios require bank employees to think on their feet. Employees must be able to quickly assess a situation and be able to turn any interaction into an opportunity for product cross-sell is a must-have tool for the job.

Adopting learning initiatives by Organisation

One key element to successful talent management is learning and development. The bank which adopts learning and development initiatives will reap the rewards of an engaged workforce. From formal training programs to informal mentoring schemes, it is imperative that everyone is an active participant in the initiatives. Achieving buy-in will help organisation to identify areas in need of development, individual employee performance and areas at risk.

The challenge throughout learning and development program is to create an environment that cultivates leaders who, in turn, encourage growth and learning and facilitate achieving a competitive edge. From matching the right candidates to leadership roles in the hiring stage to setting career goals, training, feedback and support, learning and development programs are key drivers to employee retention and effective talent management.

To sum up, it can be said that from hire to retire, talent management program is pivotal to address wider concerns such as employee engagement, performance management, connecting employees to the organisation and diversity and thereby achieving organisational growth and development with specific reference of banking sector. The drivers are technology and fast changing trends reshaping workforce, pressure for performance and challenge of retaining performers, ever increasing expectations of stakeholders, regulations and ofcourse, fierce competition. HR leaders are at the very core of this transition as pivotal enablers to strategize taking on challenges successfully.

☯

Regulation of Decentralised Financial Technology in the Derivatives Market

Alokita Krishna*

Introduction

The global and the Indian Derivatives market has seen an unprecedented reform in their regulation post the 2008 global financial crisis. The G20 reforms that mandated the requirements of central clearing, trading on electronic platforms and reporting of trades in the OTC market strengthened the role of financial intermediaries in the financial system. The idea of creating this financial structure was to decentralise the amount of risk undertaken by the different financial participants and distribute those risks within the system. Thus, a number of central counterparties, trade repositories and alternate trading platforms (the swap execution facilities in the United States, Organised trading facilities in Europe and the Electronic Trading Platform in India) mushroomed across the world.

However, from a regulation point of view, oversight of these financial intermediaries became a greater cause of concern. These entities were then categorised as 'too big to fail' and global regulatory standards were introduced for their oversight. The Committee of Payment and Markets Infrastructure introduced the Principles of Financial Market Infrastructure in April 2012, applicable to such kind of intermediaries. The implementation of these global standards has been an ongoing process and is still yet to be implemented in some jurisdictions in the world.

While these developments were still in progress, the advances in the financial technology (FinTech) has taken the world by storm. While Fintech aims at touching every aspect of the financial system, the most revolutionary could be the complete elimination of one or more intermediaries from the financial structure. Technologies such as the Distributed Ledger Technology, cloud computing, storage and big data may soon reduce or remove the need of 'brick and mortar' intermediaries.

Present Derivative Market Infrastructure and its Decentralisation

As discussed above, the reforms after 2008 in the derivatives market led to serious changes in the way these markets functioned. The Over the Counter Derivatives market too were made subject to stringent regulations and all trades were mandated to be cleared through a Central Counterparty and reported to a Trade Repository. The idea behind these intermediaries was distribution of risk and centralised record keeping. But fintech is aiming at further decentralisation of this risk taking and record keeping activities. This comes as a consequence of the rising 'too big to fail' debate around these financial intermediaries.

The two technologies capable of bringing about these changes are- the Distributed Ledger Technology and

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the Peer to Peer model of direct user interaction which is currently serviced by the alternate trading platforms. These technologies when supported by the existing IT infrastructure of artificial intelligence and big data along with the fast growing base of internet users will catalyse these changes.

Smart Contracts along with the P2P model would eliminate the features of settlement and custody from the derivative's trading process and automate these financial services.

The smart contracts work on information available on the blockchain or any other external data source. The most popular blockchain platform is Ethereum whereas the most common programming language for smart contracts is Solidity. A common elucidation of the working of a smart contract in the field of derivatives has been discussed below:

Two parties A and B decide to enter into a swap transaction whereby, both parties have certain payable and receivable at a given point of time. In case of a traditional contract, both parties would face counterparty credit risk as one of them may fail to fulfil their obligations. A solution to this would be to go through an intermediary which could be a clearing house or any other financial institution. But this could also be risky as a lot depends on the intermediary's health i.e. it should be "too big to fail". Smart contracts, on the other hand, provide a risk free architecture whereby, there is no intermediary involved. The information is stored on all nodes of a blockchain making it immutable and the contractual obligation will be executed by the program only when both parties have made their required deposits.

Regulatory Outcomes of Adoption of Decentralised Technologies

Adoption of these technologies may give rise to several regulatory and governance issues which are detailed hereunder:

Jurisdictional issues

As discussed above, the new products and technology may lead to an inevitable overlap of the jurisdictional authorities of various regulatory agencies. These overlaps may be obstructive in the course of quick actions and timely response in a crisis situation. Not only regulators from within the jurisdiction, the nationality and the product offering may also attract the regulatory jurisdiction of foreign regulatory authorities. This emphasizes on the need to have a cooperative arrangement between authorities to work in tandem and have a common objective and course of action for crisis situations.

Conflict of laws

The use of distributed ledger technology and smart contracts also poses a fundamental issue of governing law in the cases of dispute. While the technology has surpassed borders, the legislations and the justice system is still bound in the confines of sovereignty. The choice of law would no longer be decided by the parties but would be system driven. All aspects of investor protection and enforcement would lay with the system provider. It may be very difficult to enforce awards from different jurisdictions especially in cases of insolvency where the sovereign and national claims would take precedence over any other foreign claim.

Competition law

The heavy use of technology would also create a barrier for the entry of new forms as technology cartels could easily form on the distributed ledger technology networks. There would be a monopoly of the first movers and lack of technology sharing arrangements would result in a heavy capture of market share.

Accounting and Governance issues

While it may be easier to get true and complete information about transactions in the blockchain systems, it may be an accounting nightmare to log the entries based on the current accounting standards. Therefore, changes have to be made to the accounting norms to incorporate changes based on product categories. This may also require changes in the governance standards to incorporate specific changes to reflect the correct picture before the Board.

Data and privacy protection

The amount of data that would be stored on these networks would be enormous and accessible to many nodes in the network for verification. A key component of the financial markets is confidentiality of information and very strict cautions are placed in law today over it. Leak of vital information about trading behaviour can cause disruption in the system. Therefore, a strict privacy policy and data protection regime at a global level has to be implemented to prevent any disclosure of confidential information. Also information within the networks should be end to end encrypted and decryption of such data may be allowed only in exceptional cases.

Criminal laws & Penal Process

Financial markets are susceptible to frauds, data theft, unauthorised access and breach of protocols among other crimes. As discussed for the data protection and privacy above, a task force and a harmonious crime handling procedure will have to be formulated to ensure that no such incidents cause a disarray in the financial markets.

While there may be several issues arising due to the implementation of technology, it cannot be argued that it is imminent and inevitable. Therefore, the best approach for any regulatory agency or any nation would be to update its regulatory technical standards as quickly as possible. Merely ignoring the change will not make it go away. The national authorities of different jurisdictions must come together at a consensus to jointly resolve the legal issues that may arise.

Embedded Supervision

The most viable solution before the regulatory authorities is to incorporate supervisory programs within the network itself. This is popularly known as the ‘SupTech’ or ‘RegTech’. While RegTech is mostly beneficial to the person who has to comply with regulations, Sup Tech is beneficial for regulators. RegTech is a program designed to automatically report compliances to the regulator by extracting information from the system's real time. SupTech on the other hand are supervisory programs embedded in the system that alert the regulators on any unwarranted change in the system.

RBI and SEBI fintech regulatory sandboxes

The financial regulators in India, RBI and SEBI have recognised the need for developing and encouraging these fintech innovations for the benefit of the market. For this purpose, they have set up regulatory sandboxes.

> *‘A regulatory sandbox usually refers to live testing of new products or services in a controlled/test regulatory environment for which regulators may (or may not) permit certain regulatory relaxations for the limited purpose of the testing. The regulatory sandbox allows the regulator, the innovators, the financial service providers (as potential deployers of the technology) and the customers (as final users) to conduct field tests to collect evidence on the benefits and risks of new financial innovations, while carefully monitoring and containing their risks.’*

Accounting

Accounting and audit norms and standards may also have to be modified to include new products and complex transactions.

Updation of technological changes

Technological changes in the regulatory system has to be one step ahead of the market if proper supervision is to be maintained in a proper manner. The global task force of regulators working on technology can help immensely in importing such surveillance measures in the system.

AML/ KYC Norms

The cross linkages between the nations has also required strict adherence to the anti-money laundering and know your customer norms. Most of these controls are applicable for a large number of financial market transactions even today.

Cross country cooperation

In addition to the above, a strong cooperative arrangement has to be formed between nations to ensure that these issues are deliberated and resolved at a global level.

Cost Benefit Analysis

The 'too big to fail' intermediaries have always carried a burden of concentration risk. While many risk management measures have been implemented to counter it, decentralisation with the help of technology appears to be the best measure. The benefits of such a technology can however be realised when used at a large scale and adoption by all parties in the financial service industry. The management of cyber security and maintenance of the integrity are the most crucial questions when it comes to the implementation of these technologies.

The Financial Stability Board conducted a study and reported its findings on the new risks that these technologies could give rise to. These included newer greeter forms of concentration risks like those regarding the operational controls over the DLT systems, greater procyclicality, lack of accountability, recovery and resolution challenges and a plethora of legal risks.

However, the disadvantages that the modern trade and post trade cycles have brought about can be greatly limited by the use of DLT and Smart Contracts. These include the cost that the parties bear on parking the collateral towards liquidity costs which still tilt the advantages towards uncleared trades. Secondly, reporting errors have caused problems and caused severe glitches in the post trade procedures.

The Way Forward

Consumer confidence forms the basis of the stability of any financial system. Decentralisation may impact consumer behaviour in a large way. Therefore, implementation would require handholding and proper training and awareness. As discussed above, there may be regulatory and legal issues arising out of this transformation but they don't pose as a dead end, rather a framework for a more organised and transparent set up.

In the Indian context, the technology laws would need the most amendments to include the provisions for such an intermediary in the financial space. The extent of regulations that can be imposed on an entity or person or technology provider residing abroad will also be have to be considered. Cross border cooperation between jurisdictions will also be based on an enforceable agreement than just a common understanding.

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   Articles should generally be around 2000-3000 words in length.

2) *Title:*

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3) Autobiographical note and photograph:

   A brief autobiographical note should be supplied including full name, designation, name of organization, telephone and fax numbers, and e-mail address (if any), or last position held, in case of retired persons. Passport size photograph should also be sent along with the submission.

4) *Format:*

   The article, should be submitted in MS Word, Times New Roman, Font Size 12 with 1½ line spacing. A soft copy of the article should be sent by e-mail to admin@iibf.org.in

5) *Figures, charts and diagrams:*

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6) *Tables:*

   Use of tables, wherever essential, should be printed or typed on a separate sheet of paper and numbered consecutively using Arabic numerals (e.g. Table-1) and contain a brief title. In the body of the article, the position of the table should be indicated on a separate line with the words 'Insert Table 1'.

7) *Picture/photos/illustrations:*

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8) *Emphasis:*

   Words to be emphasised should be limited in number and italicised. Capital letters should be used only at the start of the sentences or for proper names.

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कितना 'गुड' रहेगा 'बैड' बैंक

डॉ. बिबेकानंद पांडा*

हीरालाल करनावट**

भूमिका

केंद्रीय कैबिनेट ने बहु-प्रतीक्षित राष्ट्रीय आस्ति पुनर्निर्माण कंपनी लिमिटेड (एनएआरसीएल) NARCL के लिए अनुमोदन प्रदान कर दिया है। माननीय वित्त मंत्री ने 16 सितंबर, 2021 को इसकी घोषणा की। इस प्रकार की इकाइयों का मुँहबोला नाम 'बैड बैंक' है, क्योंकि ये 'बैड डेट्स' यानी अशोध्य ऋणों की वसूली का कार्य करती हैं। वर्ष 2021-22 के केंद्रीय बजट में की गई घोषणा के अनुरूप आस्ति पुनर्गठन कंपनी (ARC) और आस्ति प्रबंधन कंपनी (AMC) की संरचना का अनुमोदन किया गया है। ये कंपनियाँ मौजूदा दबावग्रस्त आस्तियों (स्ट्रेस्ड् एसेट्स्) को बैंकों से लेकर समेकित करेंगी, और उनके प्रोफेशनल तरीके से प्रबंध करेंगी और संभावित क्रेताओं को बेचेंगी, ताकि बेकार पड़ी आस्तियों का कुछ मूल्य प्राप्त हो सके। एन.ए.आर.सी.एल. (NARCL) का निगमन 7 जुलाई, 2021 को कंपनी अधिनियम के अंतर्गत किया गया है। इसकी अधिकृत पूँजी 100 करोड़ रुपये और प्रदत्त पूँजी 74.6 करोड़ रुपये है। इसने आस्ति पुनर्गठन कंपनी का लाइसेंस प्राप्त करने के लिए भारतीय रिज़र्व बैंक को आवेदन किया है। इसी के साथ इंडियन डेट रेज़लूशन कंपनी लिमिटेड (IDRCL), जो कि परिचालन इकाई है, की स्थापना भी अशोध्य ऋणों के प्रबंधन के लिए की गई है। यह इकाई दबावग्रस्त आस्तियों का मूल्य वसूलने के लिए इस बाजार से संबंधित प्रोफेशनल व्यक्तियों और कायापलट विशेषज्ञों (टर्न-अराउंड एक्सपर्ट) का सहयोग लेगी। एन.ए.आर.सी.एल. (NARCL) ऋणदाता-समूह के अग्रणी बैंक को बताएगा कि वह आस्ति का कितना मूल्य दे सकता है। यदि अग्रणी बैंक उसके प्रस्ताव को स्वीकार कर लेता है तो आस्ति के प्रबंधन और मूल्यवर्धन के लिए आइ.डी.आर.सी.एल. (IDRCL) का सहयोग लिया जाएगा।

सरकारी बैंक एन.ए.आर.सी.एल. (NARCL) में 51 प्रतिशत स्वामित्व बनाए रखेंगे, किंतु आइ.डी.आर.सी.एल. (IDRCL) में सरकारी बैंकों और सरकारी वित्तीय संस्थानों का एक्सपोज़र अधिकतम 49 प्रतिशत होगा। सबसे महत्वपूर्ण बात यह है कि दोनों इकाइयों में बैंक ही ईक्विटी धारक होंगे, न कि सरकार। बैंक और गैर बैंकिंग वित्तीय संस्थान ईक्विटी के माध्यम से एन.ए.आर.सी.एल.(NARCL) को पूँजी प्रदान करेंगे। कैनरा बैंक, भारतीय स्टेट बैंक, बैंक ऑफ बड़ौदा, यूनियन बैंक ऑफ इंडिया, इंडियन बैंक, पंजाब नैशनल बैंक, बैंक ऑफ इंडिया और बैंक ऑफ महाराष्ट्र तथा चार निजी बैंकों – एचडीएफसी बैंक लिमिटेड, आइसीआइसीआइ बैंक लिमिटेड, एक्सिस बैंक लिमिटेड और आईडीबीआई बैंक लिमिडेट का इस पर स्वामित्व होगा।

एन.ए.आर.सी.एल. (NARCL) 500 करोड़ रुपयों से अधिक की हर एक दबावग्रस्त आस्ति को दो चरणों में अधिग्रहित करेगा। इस प्रकार की कुल आस्तियाँ लगभग 2 लाख करोड़ रुपयों की है। पहले चरण में लगभग 90,000 करोड़ रुपयों की उन आस्तियों को अंतरित (ट्रांसफर) किया जाएगा जिनके लिए शत-प्रतिशत प्रावधान किया गया है। सौ प्रतिशत से कम प्रावधान वाली आस्तियाँ दूसरे चरण में भारतीय रिज़र्व बैंक के प्रचलित विनियमों के अनुसार अंतरित की जाएँगी। एन.ए.आर.सी.एल. (NARCL) बैंकों से क्रय अशोध्य ऋणों का मूल्य 15:85 के फार्मूले के अनुसार चुकाएगा, यानी आस्ति के निवल मूल्य का 15% नकद दिया जाएगा और बाकी के मूल्य के लिए प्रतिभूति रसीदें (SRs) जारी की जाएँगी। अठारह प्रतिशत की वसूली का लक्ष्य रखते हुए सरकार ने एन.ए.आर.सी.एल. (NARCL) द्वारा जारी प्रतिभूति रसीदों पर कुल मिलाकर 30,600 करोड़ रुपयों की गारंटी प्रस्तावित की है, जिसके लिए एन.ए.आर.सी.एल. को 0.25% गारंटी शुल्क चुकाना होगा, जो अगले वर्षों में निरंतर बढ़ता जाएगा। गारंटी केवल 5 वर्ष की अवधि के लिए होगी। समाधान (रेज़लूशन) या परिसमापन (लिक्विडेशन) से प्राप्त राशि प्रतिभूति रसीदों के अंकित मूल्य से कम होने पर, जितनी राशि कम हो उतने के लिए, गारंटी आहूत (इनवोक) की जा सकेगी।

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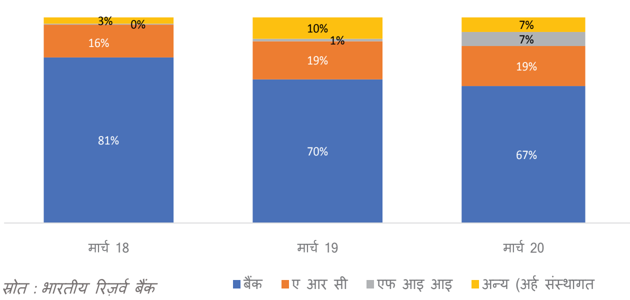
**सहायक महाप्रबंधक (सेवानिवृत्त), भारतीय स्टेट बैंक।

स्थापना अब क्यों?

वर्ष 2015 में भारतीय रिज़र्व बैंक ने भारतीय बैंकों की आस्तियों की गुणवत्ता की समीक्षा (एसेट क्वालिटी रिव्यू) की थी। इस समीक्षा में उजागर हुआ था कि विभिन्न ऋणदाताओं के पास ऐसी आस्तियाँ प्रचुर मात्रा में हैं, जिनका कोई खरीदार नहीं हैं और जो बिखरी पड़ी हैं। तब भारतीय रिज़र्व बैंक ने ऐसे कई साधन प्रस्तुत किए थे, जिनसे बैंकिंग क्षेत्र की अशोध्य आस्तियों का हल निकल सके। वित्तीय आस्तियों का प्रतिभूतिकरण और पुनर्गठन तथा वित्तीय हितों का प्रवर्तन अधिनियम, 2002 (सरफेसी एक्ट 2002) के अस्तित्व में आने के बाद भारत में आस्ति-समाधान में वित्तीय पुनर्गठन कंपनियों का महत्व स्वाभाविक रूप से बढ़ गया। छोटी राशि की दबावग्रस्त आस्तियों के समाधान में वित्तीय पुनर्गठन कंपनियाँ निश्चय ही सहायक रहीं, किंतु 2 लाख करोड़ रुपये जितनी विरासती अनर्जक आस्तियों (legacy NPAs) के लिए ऐसी आस्ति पुनर्गठन कंपनी और आस्ति प्रबंधन कंपनी की जरूरत थी, जिसे सरकारी आश्रय प्राप्त हो।

विश्व के अन्य भागों में स्थित आस्ति पुनर्गठन कंपनियों के विपरीत भारत में ये कंपनियाँ निजी संस्थान के रूप में कार्यरत हैं। इस कारण प्रबंधन अधीन आस्तियों (एसेट अंडर मेनेजमेंट), इनके लिए जारी प्रतिभूति रसीदों और निवल स्वाधिकृत निधियों (net owned funds) के मामले में यह उद्योग संकेद्रण (कंसेंट्रेशन) से ग्रस्त है। भारत की आस्ति पुनर्गठन कंपनियाँ अपनी पूँजी के लिए मुख्यत: घरेलू स्रोतों पर, उसमें भी बैंकों पर, निर्भर हैं, जो स्वयं में अनेक विरोधों को जन्म देता है। बैंक न केवल आस्ति पुनर्गठन कंपनियों के शेयरधारक और ऋणदाता हैं, बल्कि अपनी अशोध्य आस्तियाँ इन कंपनियों को बेचने वाले विक्रेता भी हैं। इस प्रकार की अंत:संबद्धता (interconnectedness) से कभी-कभी निधियाँ बैंक और वित्तीय पुनर्गठन कंपनियों के बीच ही परिभ्रमण करने लगती हैं।

चार्ट 1: ए आर सी द्वारा जारी प्रतिभूति रसीदों के अभिदाता



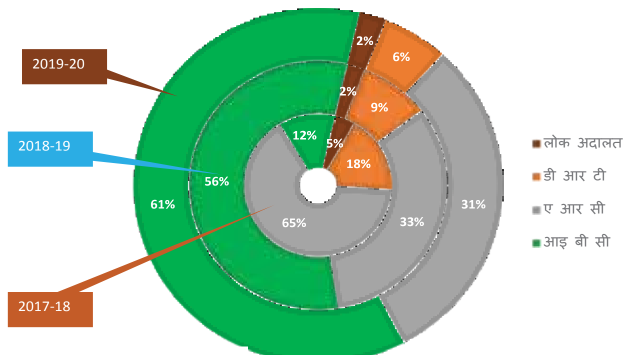
स्रोत : भारतीय रिज़र्व बैंक

प्रारंभ से बैंक ही आस्ति पुनर्गठन कंपनियों द्वारा जारी प्रतिभूति रसीदों के प्रमुख अभिदाता रहे हैं, किंतु हाल के वर्षों में प्रतिभूति रसीदों में बैंकों के अभिदान में भारी कमी आई है और यह मार्च 2018 के 81% से कम होकर मार्च 2020 के अंत में 67% रह गया। इसके लिए भारतीय रिज़र्व बैंक ने आंतरिक निवेशक बढ़ाकर और अन्य वित्तीय संस्थानों को भी इस क्षेत्र में लाकर निवेशक आधार में विविधता लाने के प्रयास किए हैं।

इस समय प्रचलित ऋण समाधान व्यवस्था की प्रभावोत्पादकता

इस समय ऋण-समाधान के लिए लोक अदालतें, ऋण वसूली प्राधिकरण, सरफेसी अधिनियम (2002) के अंतर्गत कार्यरत आस्ति पुनर्गठन कंपनियाँ तथा दिवाला और शोधन अक्षमता संहिता (IBC) (2016) कार्यरत हैं। इनमें से आइबीसी को उल्लेखनीय सफलता प्राप्त हुई है।

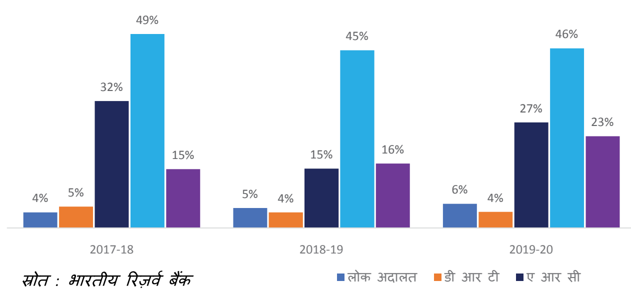
चार्ट 2 : कुल ऋण वसूली में अंश



स्रोत : भारतीय रिज़र्व बैंक

ऋण-समाधान के आँकड़ों के विश्लेषण से मालूम होता है कि 2019-20 में आइबीसी के माध्यम से ऋणों की वसूली 61.3% हो गई, जो कि 2017-18 में केवल 12.2% थी। वसूल हुई राशि की बात करें तो आइबीसी के माध्यम से 2017-18 में 4,923 करोड़ रुपये की वसूली हुई थी, जो 2019-20 में बढ़कर 1.06 लाख करोड़ रुपये हो गई। आइबीसी के बाद दूसरे क्रम पर आस्ति पुनर्गठन कंपनियाँ रहीं। वैसे आइबीसी के पूर्व आस्ति पुनर्गठन कंपनियाँ अपनी शुरुआत से ही ऋण-वसूली में अग्रणी रही थीं।

चार्ट 3 : विभिन्न चैनलों से हुई वसूली की दर



स्रोत : भारतीय रिज़र्व बैंक

वर्ष 2014 में इनके माध्यम से 25,600 करोड़ रुपयों की वसूली हुई थी, जो कुल वसूली का 83.1% थी, किंतु वसूली-क्षमता (अर्थात् वसूली योग्य कुल राशि में से वास्तव में वसूल हुई राशि) की दृष्टि से आइबीसी अन्य उपायों से बहुत आगे है। वसूली-तंत्र की वर्ष 2019-20 की समग्र प्रभावोत्पादकता (23%) से तुलना करने पर आइबीसी की 46% की वसूली दर के बाद अगला स्थान एआरसी (27%) का रहा। आइबीसी के आने के बाद एआरसी का अंश कम हो गया और आइबीसी अग्रणी स्थान पर आ गया, किंतु तब भी वित्तीय पुनर्गठन कंपनियों ने आस्ति-समाधान में अपनी सार्थकता बनाए रखी है। वर्ष 2003-04 से 2019-20 तक के आँकड़े बताते हैं कि इन वर्षों में एआरसी की औसत वसूली दर 28% रही, जबकि डीआरटी की 26% और लोक अदालतों की सिर्फ 8%।

भारत के लिए ध्यान रखने योग्य बातें

एन.ए.आर.सी.एल. (NARCL) के माध्यम से 2 लाख करोड़ रुपये की जिन विरासती अनर्जक आस्तियों का समाधान करने का लक्ष्य रखा गया है, उनका बड़ा हिस्सा पिछले कई वर्षों से जमा होता रहा है। इन सभी आस्तियों के सार्थक समाधान के लिए इस समय प्रचलित सभी व्यवस्थाओं का परीक्षण किया गया है। इसलिए इस प्रकार की विरासती अनर्जक आस्तियों के समाधान के लिए अन्य देशों के अनुभवों से कुछ सीखने की जरूरत है। बैड बैंक के माध्यम से सार्थक समाधान प्राप्त करने में विभिन्न देशों का अनुभव मिला-जुला रहा है। जहाँ चीन में इसके परिणाम बड़े भयंकर रहे, वहीं मलेशिया, दक्षिण कोरिया, अमेरिका, स्वीडन और अन्य कई देशों की अर्थव्यवस्था को इससे वांछित परिणाम प्राप्त हुए।

वर्ष 1996-97 में पूर्व एशिया की मुद्राओं पर आए संकट (East Asian currency crisis) के बाद मलेशिया, दक्षिण कोरिया, चीन आदि कई देशों ने अशोध्य ऋणों के बोझ तले दबे अपने बैंकों को उबारने के लिए बैड बैंक की तरह की व्यवस्था की थी। मलेशिया ने 'धनहर्ता' नाम से बैड बैंक स्थापित किया था, जिसकी दो वित्तीय पुनर्गठन कंपनियाँ थीं – एक बैंकों से अशोध्य ऋण खरीदने के लिए और दूसरी कमजोर बैंकों को नई पूँजी प्रदान करने के लिए। सात वर्ष बाद दोनों कंपनियों ने अपना कामकाज समेट लिया। इसी प्रकार दक्षिण कोरिया ने अशोध्य ऋणों की खरीदी के लिए 5 वर्ष तक कोरिया एसेट मैनेजमेंट कंपनी (कामको) संचालित की।

धनहर्ता ने चाहे 2005 में अपना कामकाज समेट लिया हो, पर इसी दौरान उसने 58.7% की उल्लेखनीय वसूली की, जो एशिया की इसी प्रकार की इकाइयों में सबसे ज्यादा है। इसका एक प्रमुख कारण यह था कि वह दबावग्रस्त आस्तियों की एकमात्र स्वामी थी और समाधान के निर्णय तेजी से ले सकती थी। सबसे अच्छी बात यह थी कि धनहर्ता के कर्मचारी उद्योग जगत के प्रोफेशनल थे। विदेशी उद्योगों और दबावग्रस्त ऋणों के विशेषज्ञ भी उनमें शामिल थे। इस कारण धनहर्ता और कामको ने निर्धारित समय में ही बीमार बैंकों की दबावग्रस्त आस्तियों का सफलतापूर्वक समाधान किया।

इसी प्रकार अमेरिका में 1989 में स्थापित रेज़लूशन ट्रस्ट कारपोरेशन ने स्वत:समापन अवधि (sunset clause) दिसंबर 1996 रखी थी, जिसे बाद में कम कर दिसंबर 1995 कर दिया था। कुछ इसी तरह का मामला स्वीडन के बैड बैंक 'सेकुरु' (Securum) का था। यह 1993 में 10-15 वर्ष के लिए स्थापित किया गया था, किंतु 1995 में ही सेकुरु के निदेशक मंडल ने तय कर लिया था कि 1997 के मध्य में कंपनी का कामकाज समेट लिया जाए। इसी अनुसार वह अपनी 98% आस्तियों का निपटान कर 1997 में भंग हो गया।

दूसरी ओर इसी दौरान चीन में 1999 में चाइना हुआरोंग एसेट मैनेजमेंट कंपनी लिमिटेड (हुआरोंग) नाम से स्थापित बैड बैंक को कड़ा संघर्ष करना पड़ रहा है। उससे भुगतान में कई बार चूक हुई है और वह इस कगार पर आ गया है कि उसे उबारना पड़े। एशिया में आए वित्तीय संकट के समय चीन ने अपने चार बड़े सरकारी वाणिज्यिक बैंको में से हर एक के लिए एक-एक एसेट मैनेजमेंट कंपनी/बैड बैंक की स्थापना की थी। हुआरोंग उन्हीं चार बड़ी सरकारी संस्थाओं में से एक है। इनकी स्थापना के समय सोचा गया था कि ये कंपनियाँ उन बैंकों के अशोध्य ऋणों को अधिग्रहित कर 10 वर्ष में उनका समाधान कर देंगी, किंतु 2009 में इनकी कार्यावधि अनिश्चित काल के लिए बढ़ा दी गई। इसके साथ ही 2012 में हर प्रदेश के लिए एक स्थानीय बैड बैंक बनाने का निर्णय किया गया। वर्ष 2016 में निर्णय किया गया कि हर प्रदेश में दो बैड बैंक बनाए जाएँ। इस समय चीन में 59 स्थानीय बैड बैंक हैं।

ये बैंक अपनी स्थापना के मूल उद्देश्य से भटक कर अब अनर्जक आस्तियों को छुपाने में बड़े मददगार बन रहे हैं। शोध से पता चला है कि अनर्जक आस्तियों से संबंधित 90% लेनदेन बैंकों द्वारा बैड बैंकों को प्रत्यक्ष ऋण देकर या अन्य प्रकार के अप्रत्यक्ष वित्तीय साधनों प्रदान कर पूरे किए जाते हैं। बैड बैंक 70% से अधिक आस्तियाँ जिन पक्षों (parties) को अधिक मूल्य पर (at inflated prices) बेचते हैं, वे उन्हीं बैंकों के ऋणी होते हैं। यही वो स्थिति है, जिस पर भारत को पैनी नजर रखनी होगी और इसके परिहार के लिए पहले से पर्याप्त वित्तीय नियम बनाने होंगे।

बैड बैंकों के अन्य देशों के खट्टे-मीठे अनुभवों के आधार पर भारत को भी एन.ए.आर.सी.एल. की स्वत: समापन अवधि (sunset clause) तत्काल निर्धारित करनी चाहिए। चूँकि बैड बैंक का प्रयोजन विरासती

अनर्जक आस्तियों (legacy NPAs) से छुटकारा पाना है, इसलिए इसे चिरकाल तक जीवित रखने की कोई आवश्यकता नहीं है, क्योंकि नियमित प्रकार के अशोध्य ऋणों से निपटने के लिए आइबीसी में उपलब्ध समाधान व्यवस्थाएँ ही पर्याप्त हैं। चीन के बैड बैंक के असफल होने का अन्य कारण था – मूल रूप से तय की गई सीमाओं का क्रमिक विस्तार। इसलिए चीन की राह पर न जाते हुए एन.ए.आर.सी.एल. को अपनी निर्दिष्ट सीमाओं में ही रहना चाहिए। क्रेताहीन आस्तियों (toxic assets) को बैड बैंक को अंतरित (transfer) करना कोई समाधान नहीं है। इनके समाधान के लिए कोई स्पष्ट रणनीति होनी चाहिए।

बैड बैंक के मामले में एक और महत्वपूर्ण बात है नेटवर्क प्रभाव। बैंकों और आस्ति पुनर्गठन कंपनियों की अंत:संबद्धता को लेकर बहुत सावधानी की जरूरत है। यही सावधानी एन.ए.आर.सी.एल. (NARCL) और अन्य आस्ति पुनर्गठन कंपनियों के मामले में रखनी होगी। भारतीय रिज़र्व बैंक ने भारतीय बैंकिंग की प्रवृत्तियों और प्रगति पर अपनी 2019-20 की रिपोर्ट में इस बिंदु पर ध्यान आकर्षित किया है। हालाँकि रिज़र्व बैंक ने प्रावधानीकरण (provisioning) को कठोर किया है और आस्ति पुनर्गठन कंपनियों की प्रतिभूति रसीदों में विदेशी पोर्टफोलियो निवेश के नियमों में ढील दी है, जिसके परिणामस्वरूप आस्ति पुनर्गठन कंपनियों द्वारा जारी प्रतिभूति रसीदों में बैंकों का अंश मार्च 2018 के 81% से कम होकर मार्च 2020 में 67% पर आ गया है, किंतु एन.ए.आर.सी.एल. के कार्यरत होने के बाद अंत:संबद्धता के मुद्दे को और भी गंभीरता से लेना होगा। नियामक तंत्र को आस्तियों के मूल्य पर पैनी नजर रखनी होगी, ताकि आस्ति औने-पौने दाम पर न बिके और नियत से कम वसूली न हो।

बैंकों को लाभ

एन.ए.आर.सी.एल. के रूप में जिस बैड बैंक की लंबे समय से प्रतीक्षा की जा रही थी, उसकी घोषणा से शेयर बाजार में खुशी छा गई है और सरकारी बैंकों के शेयरों में कुछ उछाल आया है। निस्संदेह यह बैंकों की पुरानी ख्वाहिश थी, जो उम्मीद से ज्यादा सकारात्मक आश्चर्य लेकर आई। सबसे महत्वपूर्ण बात यह है कि अनर्जक आस्तियाँ एक ही इकाई में संचित होने से उन्हें खरीदने के इच्छुक क्रेताओं को ढूँढने, आस्तियों को अंतरित करने और अवलेखन (write down) की औपचारिकता पूरी करने आदि प्रक्रियाओं में तेजी आएगी। गारंटी शुल्क से दबावग्रस्त आस्तियों के द्रुत समाधान को प्रोत्साहन मिलेगा, जिससे आस्तियों का बेहतर मूल्य प्राप्त होगा।

लगभग 2 लाख करोड़ रुपयों की विरासती दबावग्रस्त आस्तियों का समाधान होने पर वाणिज्यिक बैंकों की सकल अनर्जक आस्तियों (Gross NPAs) में कमी आएगी। मूल्य का 15% प्रारंभ में ही नकद रूप में मिलने से नकदी प्रवाह बढ़ने में मदद मिलेगी। इसके अतिरिक्त विरासती अनर्जक आस्तियों के अंतरित हो जाने से बैंक अपने मूल परिचालनों पर पूरा ध्यान दे सकेंगे, क्योंकि बैंक के शीर्ष प्रबंधक विरासती अनर्जक आस्तियों की वसूली की चिंताओं से मुक्त हो जाएँगे। हो सकता है कि पूँजी बाजार में बैंकों के मूल्यांकन में सुधार हो जाए और वे ज्यादा पूँजी उगाहने लायक हो जाएँ। इसके अतिरिक्त एक बार प्रतिभूति रसीदें जारी होने पर बैंक सरकार द्वारा समर्थित प्रतिभूति रसीदों को पूँजी बाजार में बेचकर नकदी प्राप्त कर सकेंगे, जो उनकी लाभदायकता और पूँजी के लिए फायदेमंद होगा। सरकार की गारंटी होने से ये इन प्रतिभूति रसीदों को समुचित कीमत-खोज (price discovery) के लिए तरल बाजार (liquid market) मिलेगा।

आस्तियों के समाधान में विलंब को हतोत्साहित करने के लिए यह प्रावधान किया गया है कि एन.ए.आर.सी.एल. को गारंटी शुल्क का भुगतान करना होगा, जो समय बीतने के साथ बढ़ता जाएगा और गारंटी पाँच वर्ष के लिए ही होगी। आशा की जाती है कि यह प्रावधान आस्तियों के द्रुत समाधान में महत्वपूर्ण भूमिका निभाएगा। एन.ए.आर.सी.एल. के लिए यह अतिरिक्त प्रावधान भी किया गया है कि वह सीधे निवेशकों को आस्तियाँ बेच सकता है, जबकि आइ.बी.सी. में यह प्रावधान नहीं है। इससे एन.ए.आर.सी.एल. को आस्तियों के मूल्य की वसूली अधिक शीघ्रता से करने में मदद मिलेगी। सारी आस्तियाँ एक ही इकाई के पास आ जाने से आस्तियों के निपटान के बारे में ऋणदाताओं के अलग-अलग मत के कारण उत्पन्न होने वाली समस्या समाप्त हो जाएगी।

दूसरी ओर एन.ए.आर.सी.एल. का सकारात्मक प्रभाव नगण्य प्रतीत होता है। बासेल-3 के दिशानिर्देशों के अनुसार प्रतिभूत अशोध्य ऋणों का जोखिम भार बैंकों द्वारा धारित समर्थक जमानत में समायोजित किया जाता है। अशोध्य ऋणों के अंतरण से इन बैंकों के सकल अनर्जक आस्ति जैसे कुछ अनुपात निश्चित रूप से सुधरेंगे और वसूली को लाभ के रूप में दर्ज किया जाएगा, क्योंकि इन आस्तियों के लिए पूर्ण रूप से प्रावधान किया गया है और अपलिखित (written off) आस्तियों का बही-मूल्य बैंकों के तुलनपत्रों में शून्य रखा गया है। सरकार की ओर से दी गई 30,600 करोड़ रुपयों की गारंटी से न्यूनतम 18% वसूली सुनिश्चित हो जाएगी, लेकिन वह नि:शुल्क नहीं होगी, क्योंकि एन.ए.आर.सी.एल. को सरकार को गारंटी शुल्क चुकाना होगा।

वस्तुत: एन.ए.आर.सी.एल. विलंब से आया हुआ समाधान है। विरासती अनर्जक आस्तियों की कीमत निर्धारित करना प्रोफेशनल रीति से कार्य करने वाली आस्ति प्रबंधन कंपनियों के लिए बड़ी चुनौती है, क्योंकि इनमें से ज्यादातर व्यवसाय अब परिचालन में नहीं हैं। साथ ही, अशोध्य ऋणों का अंतरण करने पर भी केवल उतनी सीमा तक पूँजी मुक्त हो सकती है, जितनी राशि के अशोध्य ऋणों के लिए पूरी तरह प्रावधान

नहीं किया गया है, किंतु बैंक लगभग सारी आस्तियों के लिए पूरी तरह प्रावधान कर चुके हैं।

निष्कर्ष

एन.ए.आर.सी.एल. और आइ.डी.आर.सी.एल. की स्थापना वैश्विक प्रथाओं के अनुरूप है, हालाँकि इसे कार्यान्वित करने में विलंब हुआ है। नरसिंहन समिति ने 1998 में इसकी अवधारणा प्रस्तुत करते हुए बैड बैंक की तरह की केवल एक आस्ति पुनर्गठन कंपनी की कल्पना की थी। आस्ति गुणवत्ता समीक्षा (AQR) के तत्काल बाद बैड बैंक स्थापित कर दिया गया होता तो अधिक सफल रहता।

अब नवगठित बैड बैंक की सफलता समेकन की गति, तेजी से निर्णय और बेहतर दरों से वसूली पर निर्भर करेगी। ऋणदाताओं के आपसी विवाद से मुक्ति, बाजार-अग्रसर समाधान व्यवस्था तथा सरकार के समर्थन से दबावग्रस्त आस्तियों के द्रुत समाधान में मदद मिलेगी। इस समय ढाई दर्जन निजी आस्ति पुनर्गठन कंपनियाँ हैं, किंतु उनका आकार छोटा और पूँजी आधार कमजोर होने के कारण वे बड़ी राशि की आस्तियों के समाधान में हाथ नहीं डाल सकतीं। सरकार द्वारा समर्थित एन.ए.आर.सी.एल. के सामने पूँजी की समस्या नहीं रहेगी।

एन.ए.आर.सी.एल. के रूप में बैड बैंक की स्थापना बैंकों द्वारा वित्तपोषित दबावग्रस्त आस्तियों के मूल्य पर पड़े ताले को खोलने की दिशा में सकारात्मक कदम होगा। एन.ए.आर.सी.एल. को सरकार को गारंटी शुल्क चुकाना होगा, जो समय बीतने के साथ बढ़ता जाएगा। यह आस्तियों के समाधान में विलंब को टालने में सहायक होगा। आस्तियों की वसूली की दर को लेकर बाजार में कई तरह के अनुमान लगाए जा रहे हैं। कई प्रकार के उद्योगों में बिखरी हुई और बहुत पुरानी हो चुकी बहुत सारी आस्तियों को बेच पाना लगभग असंभव होगा। तथापि अंतरराष्ट्रीय अनुभव के आधार पर कहा जा सकता है कि निर्धारित समापन अवधि (sunset clause) वाले, बैंकों और बैड बैंक के बीच आवश्यकता से अधिक अंत:संबद्धता का निराकरण करने वाले, औने-पौने दाम पर बिक्री के कारण कम वसूली से बचाने के लिए आस्तियों का उचित मूल्यांकन करने वाले और निर्दिष्ट सीमा में रहते हुए समयबद्ध समाधान करने वाले बैड बैंक से विरासती अनर्जक आस्तियों के समाधान में बेहतर परिणाम प्राप्त होंगे।

संदर्भ

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Summary of Macro Research Report

Transforming Rural Agricultural Cooperative Banks with Microfinance Model
A Ubiquitous way of Banking Resurgence

Dr. P. Baba Gnanakumar and Dr. Nelson Michael Justin,
Kristu Jayanti College Bengaluru Karnataka

Rural cooperative societies have demonstrated success in providing small loans to rural people by using the microfinance model. In terms of improving the cooperative-microfinance model, this research looks at identifying the characteristics of the adept financial products, which are more acceptable to members of cooperative banks.

A strategic objective of this research is to create a new financial product that is capable of cutting loan recovery times and promoting sustainable development for cooperative banks using the microfinance system. An agenda for this research is to determine the characteristics of innovative financial products. To develop new products in coordination with a holistic national and cooperative mission, the policy agenda will suggest the criteria.

The research is motivated to find out the answers to the following queries:

1. Is it possible to integrate the cooperative banking models with three-level stakeholders such as cooperative society members, self-help groups and policymakers?
2. What type of financial products can a cooperative bank offer to the agriculturists under the new model?
3. Will the new financial product solve the problem of cash crunch in the cooperative banks?

The research design has been established by considering the customer-centric approach used by MFIs research in Egypt, which is based on the conceptual value that "poor to be served". Even though the research tools and designs are based on different countries, the research sample has been selected only from India. The findings are listed below.

Integration of the co-operative banking models with three-level stakeholders such as cooperative society members, Self-help groups and policymakers:

The pilot study conducted among the 302 agriculture cooperative members concludes that a new model that links microfinance along with the cooperative model is imperative to have financial viability of the society. The integration of microfinance with the co-operative system in the Janseva Credit cooperative society is a successful one in reducing the barriers in the loan repayment system. Hence, to reduce the problems in the loan redemption system, we suggest the integration of the microfinance model with the cooperative sector. The integration of these two models will be done by linking three stakeholders, i.e., Cooperative society members, the Self-help group and the Cooperative society. Exhibit 6.1 shows the re-engineered model needed for the co-operative system.

Integrated Cooperative and Microfinance Model

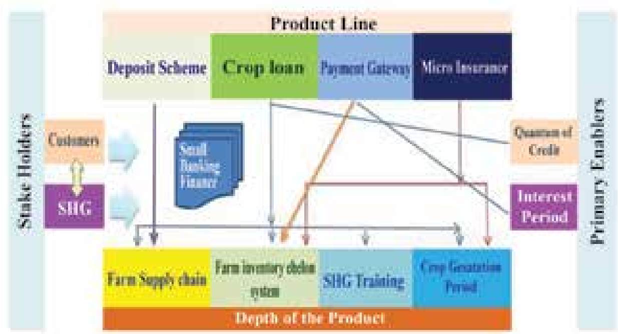
Under this model, the co-operative society, before providing a loan to the members get the opinion of the self-help group, where the member belongs (1). The co- operative society will decide about the microfinance services to the members based on the recommendation of the self-help group. (2). The self-help group will train or help the cooperative society members in the respective agriculture business (3). After the proper training, the members will be given microfinance loan to the cooperative society members (4). The micro-loan repayment will be monitored by the self-help group. The interest rate of microfinance is decided mutually by the cooperative society and the self-help group. The self-help group activities have been linked with the cooperative society. A cooperative society is having a partnership with more than one self-help group based on the nature of business activities done by the self-help group. The borrower will be a member of both a self-help group and a cooperative society.

The discrete choice model created by the cooperative managers also proved that the probability of linking the two products, i.e., micro-venture and supply chain credit with a flexible interest rate system is 0.549. Hence, we conclude that it is feasible to introduce the flexible interest payment system for supply chain credit and micro- venture credits.

The type of financial product - a cooperative bank can offer to the agriculturists under the new model.

To test the objective, 780 customers of the primary agricultural bank have been interviewed. Among them, 661 are having transactions with Small banking companies (previously Micro-finance institutions). The responses are validated. The outcome of the analysis shows that a farm-based supply chain system, flexible inter-bank payment system, compliance with regional standards, flexible payment system and risk coverage are the necessary elements of a micro-finance product. We found that the flexible payment method is favoured by the customers over the other factors. Small banking products such as savings services, inter-bank transfers and risk coverage can be customised to fit according to the requirements of the customers. The micro-credit services schemes of the small-banking companies are widely accepted by the customers. We suggest that customised financial products are needed for customers belonging to the agricultural community. The financial product should focus on the farm-based occupation, ease the compliance procedures, and safeguard the customers from abnormal loss. At present, the model used by small-banking institutions is based on supply-side factors. Small-banking companies are giving preference to savings and micro-credits products. The demand-side factors are excluded by the small-banking companies. Hence, the attention should move to demand-side products such as insurance and micro-guarantees. The remittance system is to be made flexibly. The following Exhibit shows the customised service delivery of the financial products of small-banking companies based on the findings of this research. Hence, we strongly suggest a discrete micro-financing model which is based on the 'nano financing' model that prevailed in Egypt.

Clients' Discrete Choice model



The product line of the Small banking companies includes savings schemes, micropayments and micro-insurance. These financial products are to be designed based on the farm-based supply chain system. For example, the savings period is based on the post-harvest period, the micro-payments are based on the cultivation period and the insurance scheme is based on the individual crop echelon system. The quantum of agricultural credit to individual customers depends on farm-based income. The credit payment channel integrates the multiple convergence payment gateways. The regulatory compliance for sanctioning the credit is based on the gestation period in cultivation and productivity index in the particular region. The credit repayment time lag depends on the sale of agricultural output based on the echelon inventory system. The interest will be calculated based on the crop cultivation stages rather than fixed periods. The risk coverage premium will be paid once for a single cultivation system. The joint liability of recovering the credit vested with Self-help Groups.

This model is a re-engineered model of the 'nano financing' model of Egypt. The Egyptian government successfully integrated the informal economy into the formal sector and empower economically marginalised people through 'nano' financing mechanisms that improve their living conditions. (The Arab Weekly, Jan 12, 2020)

Viability of new financial product

Independent of the above two stages, a survey was conducted among the 127 Primary Agricultural cooperative bank mangers. A panel of seven primary cooperative bank managers was interviewed. The problem of cash crunch is attributed to many factors. The factor component analysis carried among the responses from the 127 cooperative bank managers revealed that under-reporting of credit exposure, refinancing from banks, uncontrollable costs, risk mitigation strategies and risk compliance are the reasons for a cash crunch. 68 cooperative bank managers are having a favourable opinion that cash crunch issues with relate to working capital management can be reduced if the risk mitigation process will be taken over by Self-help groups. 121 cooperative bank managers are favourable towards the conversion of cooperative banks into small banking companies, because of the integration of microfinance with the core banking system. There is a significant agreement between the opinion of the cooperative members between the loan recovery process and the product features such as supply chain credit, micro-venture credit with the loan redemption remittance system. Hence, we conclude that - to decrease the loan delinquency cost in loan redemption; the new financial product should focus on supply chain credit, micro- venture credit and flexible interest payment system.

Conclusion

Innovative financial products like micro-ventures are essential for the upliftment of agricultural society. This can be effectively done by implementing the microfinance model in the cooperative system. To implement the microfinance model in co- operative societies, we must integrate the services of a self-help group. As the stakeholders are aiming for the value for credit, the beneficiaries are not only able to redeem the debt but also able to earn for their livelihood. Thus, the cash crunch problems in the cooperative system can be overcome by the microfinance model and enable to have flawless credit. It enables us to satisfy the national goal of financial inclusion and sustainable growth in agriculture. The co-operative model that integrates microfinance is also used for cross subsiding the transaction cost incurred in the agriculture loans. Hence, we conclude that the integration of the microfinance model with the credit delivery system is a ubiquitous way of economic resurgence in rural economics.

Scheme for Research Fellowship in "Banking Technology": 2021-22
(Joint initiative of IIBF & IDRBT)

Adoption of technology has changed the contours of banking. The Core Banking Solutions (CBS) opened new vistas. A customer no longer banks with a branch but with a bank. Banks of today have however moved beyond CBS and have embraced newer and emerging technologies like Big Data Analytics, Artificial Intelligence, Blockchain, etc. These technologies have ushered in a metamorphosis of change in the Indian banking landscape and are considered to be a creative force. Nevertheless, these emerging technologies are not without their challenges. Cyber security assumes critical importance in an internet-based banking environment. Cyber frauds can happen with global footprints. Research covering the above emerging technologies would prove to be highly beneficial for the banks.

In the above milieu, the Indian Institute of Banking & Finance (IIBF) and the Institute for Development & Research in Banking Technology (IDRBT) have taken an initiative to jointly announce a "Research Fellowship in Banking Technology" in 2019.

About IIBF

Indian Institute of Banking & Finance (IIBF), formerly known as The Indian Institute of Bankers (IIB), is a professional body of banks, financial institutions and their employees in India. Since its inception in 1928, IIBF has emerged as a premier institute in banking and finance education for those employed as well as seeking employment in the sector, aiming for professional excellence.

About IDRBT

The Institute for Development and Research in Banking Technology (IDRBT) was established by Reserve Bank of India in March 1996 as an Autonomous Centre for Development and Research in Banking Technology. Over the years, the institute has positioned itself at the intersection of academia and industry by focussing on applied research in various areas of technology directly relevant to the banking and financial sector and reaching it to banks through training, publications, banking technology forums, and consultancy.

Themes or Thrust Areas

The research fellowship in Banking Technology, a joint initiative of IIBF and IDRBT, aims to sponsor technically and economically feasible technology research projects which has the potential to contribute significantly to the Banking and Financial Sector. Research proposals, focussed on the following thrust areas of Banking Technology, are invited:

- Cyber Security
- Analytics
- Mobile Banking
- Emerging Technologies
- Payment Systems

Research Proposal:

The research proposal submitted should, *inter alia*, with technology at its core, focus on the research objective/s, hypothesis, research design, methodology, execution plan and deliverables of the proposed project.

Eligibility

Teams sponsored/identified by research organisations/institutes, as well as individuals working in Banks/Fin-Tech Companies/corporates/research organisations/institutions having a proven track record, are eligible to apply. If the research is undertaken by individuals, the proposal should be routed through their organizations after taking requisite permission, wherever applicable.

The staff / faculty members of IIBF and IDRBT are not permitted to apply for the research fellowship.

Time frame:

The final research report should be submitted within a maximum period of six months from the time the project is awarded. In case of delay in submission of report, the award may be forfeited.

During the period of six months, the awardee can avail the infrastructural facilities available at IDRBT for a maximum period of four weeks. This phase which will be available twice during the six-month period, can be used by the awardee to carry out his/her research, test the same in simulated conditions, interact with the faculty of IDRBT and with CTOs/CISOs of banks and financial institutions. IDRBT may provide suitable mentoring and guidance to the researcher

for accomplishment of his/her project. IDRBT may also provide logistic support to the research candidate. Costs to be incurred in this connection will be borne by the researcher.
Candidates may highlight in their proposal their tentative plan to avail the mentorship and facilities at IDRBT and how it will enhance their work.

A mid-term review of the project should be submitted within a maximum period of 4 months, which will be reviewed and suggestions for improvements made, if any, should be incorporated in the final report.

Evaluation:
Research proposals, which should be amenable for implementation on ground, will be evaluated in terms of its objective, relevance, technical contribution and methodology. All the research proposals will be examined for its suitability and the final selection will be made after the short-listed researchers make a presentation to the committee jointly formed by IIBF & IDRBT. Final report should clearly mention key action points for policy makers for implementing the project.

Research Grant:
The selected research project which carries a cash award of Rs.5,00,000/- (Rupees Five lakhs only) will be fully funded by the Institute. On commencement of the project, a part (25%) of the award money may be given by way of advance, based on the request of the researcher.
On completion of the project, the researcher will be called to make a final presentation of his/her work done before the committee jointly formed by IIBF & IDRBT. The committee may also include CTOs/CISOs of banks and financial institutions. The balance of the research grant will be disbursed only on acceptance of the final report. In case a report is found unacceptable during the final review, the research organization / researcher will not be paid the balance amount. In case, a research organization/researcher abandons the project mid-way, they would be required to refund the advance availed together with interest at the prevailing MCLR of the State Bank of India (SBI).

Research report:
It should be comprehensive covering all aspects described in the research proposal.

Submission
Applicant research organizations/researchers are required to submit soft copy of the proposals in English MS Word file along with a brief biodata highlighting their experience in conducting sim ilar research and forwarding letter from the employer at ***kratika@iibf.org.in***

The last date for submitting the proposals under this scheme is 31-01-2022 .

Applicants must mention following details on the front page of their proposals:

Name:	
Topic:	
Objective of Research:	
Designation & Employer:	
Correspondence address:	
Mobile no. /Landline no.	
Email ID:	
Qualification/s	

The Director of Academic Affairs,
Indian Institute of Banking & Finance,
Kohinoor City, Commercial-II,
Tower-I, 2nd Floor, Behind Kohinoor Mall,
Off. L.B.S. Marg, Kurla (West), Mumbai-400 070
Tel.: 022-68507000/68507033/68507011

Indian Institute of Banking & Finance

Macro Research: 2021-22

Indian Institute of Banking & Finance (Estd: 1928) is working with a mission "to develop professionally qualified competent bankers and finance professionals primarily through a process of education, training, examination, consultancy/counselling and continuing professional development programmes. One of the objectives of the Institute is to promote research relating to Operations, Products, Instruments, Processes, etc. in Banking and Finance and to encourage innovation and creativity among banking and finance professionals. With this in view, in 2003, the Institute had started to fund research studies on selected areas in banking and finance, known as 'Macro Research', the term macro suggesting the scope of the research and to distinguish it from the other research initiative of the Institute namely the 'Micro Research'. Under the Macro Research scheme, the Institute invites proposals from research scholars from universities, colleges and banks to take up research in identified areas.

Topics for Macro Research:
The Institute encourages empirical research in which, the researchers can test their hypothesis through data (primary/secondary) from which, lessons can be drawn for the industry (banking & finance) as a whole. In this regard, the Institute invites Macro Research Proposals for the year 2021-22 on the following topics. (See important clause on copyrights below[1])

1. Impact of EASE Reforms on Banking
2. Impact of COVID on Banking
3. Climate change and banking
4. Customer complaints redressal mechanism in India & abroad
5. Changing role of NBFCs
6. Competency Mapping & Succession planning in Banks

Who can participate?
Teams sponsored/identified by research organizations/institutes, as well as individuals presently serving in banks/corporates/research organizations/institutions having a proven track record, are eligible to apply. Research proposals from bankers are specially encouraged. The individuals applying under this scheme should not be more than 58 years as on 31.01.2022.

The winners of the macro research award during the last three years (2020-21, 2019-20 and 2018-19) are not eligible to apply for the research award. Also, those winners of macro research who have been awarded twice in the past 10 years are not eligible to apply. If the research is undertaken by individuals, the proposal should be routed through their organizations after taking requisite permission, wherever applicable.

Research Proposal:
The Research Proposal/s submitted should, among others, focus on the research objective/s, hypothesis, research design, methodology and execution plan of the proposed project.

Evaluation:
The Research proposals will be evaluated in terms of its objective, relevance and methodology. Action points flowing from the research for policy making, should be clearly listed out in the final research report to be submitted. The

[1] Candidates may please note that copying materials as it is from various sources should completely be avoided. Wherever information used in the proposal/report is taken from other sources, the author should acknowledge and provide complete reference of the source. It should be ensured that there is no violation of copyrights, if any.

track record of the research organizations/researchers submitting the proposal is also taken into account for awarding the research. All the research proposals will be prima facie considered for suitability and final selection will be made after the short listed researchers make a presentation to the members of the Research Advisory Committee (RAC) of the Institute.

Research Grant:
The selected research project carries a cash award of Rs.2,50,000/- (Rupees two lakh and fifty thousand only). On commencement of the project a part (25%) of the award money will be given by way of advance as per the request of the researcher. The balance will be disbursed only on acceptance of the final report. In case a report is found unacceptable during the midterm review and final review, the research organization / researcher will not be paid the balance amount. In case a research organization/researcher abandons the project mid-way, they would be required to refund the advance availed together with interest at the prevailing MCLR of the State Bank of India (SBI).

Size of research report:
Around 200-250 pages

Time frame:
After completing the research work, the final research report should be submitted within a maximum period of six months from the time the project is awarded. **In case of delay in submission of report, the award may be forfeited.** The copyrights of the report will lie with IIBF.

Applicant research organizations/researchers are required to submit typed proposals in English along with a brief bio-data highlighting their experience in conducting similar research. The front page of the proposal should contain following details:

Name	
Designation	
Address	
E-mail	
Phone No.	
Title of Research Proposal	
Major Objective/s of Research	

The last date for submission of the proposal is **31st January 2022. The soft copy of the proposals can be sent at kratika@iibf.org.in**

The Director of Academic Affairs,
Indian Institute of Banking & Finance,
Kohinoor City, Commercial-II,
Tower-I, 2nd Floor, Behind Kohinoor Mall,
Off. L.B.S. Marg, Kurla (West), Mumbai-400 070
Phone: 022 - 022-68507000/68507033/68507011

Indian Institute of Banking & Finance

MICRO RESEARCH PAPERS: 2021-22

Indian Institute of Banking & Finance (formerly The Indian Institute of Bankers) was established in 1928 and is working with a mission "to develop professionally qualified competent bankers and finance professionals primarily through a process of education, training, examination, consultancy/ counselling and continuing professional development programmes". One of the objectives of the Institute is to promote research relating to operations, products, instruments, processes, etc. in banking and finance and encourage innovation and creativity among banking and finance professionals. 'Micro Research' is a sort of an essay competition for members of the Institute (bankers) to present their original ideas, thoughts and best practices on areas of their interest. This initiative was started in 2004-05. Since then, the Institute invites Micro Research papers every year, on topics identified by the Research Advisory Committee of the Institute.

The competition is open to life members of IIBF, who are presently working in banks and financial institutions. In this regard, the Institute invites Micro Research papers for the year 2021-22 on the following topics. (See important clause on copyrights below[1])

1. Retail investors in Government securities market
2. In future we need banking not banks…
3. Disintermediation – Changing dynamics
4. Central Bank Digital Currency – Way forward
5. Audit as a line of defence
6. Progress in ESG Finance

The essays/papers will be judged on their content/relevance and originality. The authors of the accepted papers will be rewarded with a citation and cash prize ranging from Rs. 5,000/- to Rs. 15,000/- depending on the merit of the paper. The copyrights of the selected essays/papers will lie with IIBF.

All the interested members of the Institute may submit the soft copy of the Micro Research papers in English with the word limit of 5000 words or 10 – 12 pages (A4/ Times New Roman / Font size 12) in MS Word format through email to **kratika@iibf.org.in**

The last date for submission of the paper is **31st January, 2022**.

Applicants must mention following details on the front page of their papers:

Name:	
Membership No.:	
Topic:	
Designation & Employer:	
Correspondence address:	
Mobile no. /Landline no.	
Email ID:	

Applications without membership numbers/incomplete details will not be considered.

Phone: 022 - 022-68507000/68507033/68507011

[1] Candidates may please note that copying materials as it is from various sources should completely be avoided. Wherever information used in the essay is taken from other sources, the author should acknowledge and provide complete reference of the source. It should be ensured that there is no violation of copyrights, if any.

DECLARATION FORM

The Editor,

Bank Quest,
Indian Institute of Banking & Finance, Kohinoor City, Commercial II,
Tower I, 2nd Floor, Kirol Road, Kurla (W), Mumbai - 400 070.

Dear Sir / Madam,

Re : Publication of my article

I have submitted an "____" for publication at your quarterly journal Bank Quest.

In this connection this is to declare and undertake that the said article is my original work and that I am the author of the same. No part of the said article either infringes or violates any existing copyright or any rules there under.

Further, I hereby agree and undertake without any demur: to indemnify and keep the Institute (IIBF) indemnified against all actions, suits, proceedings, claims, demands, damages, legal fees and costs incurred by the Institute arising out of infringement of any copyright /IPR violation.

Yours faithfully,

(____)

Author

Name : ____

Designation : ____

Organisation : ____

Address : ____

Tel. No. : ____

E-mail ID : ____

Signature : ____

Date : ____

IIBF - PUBLICATION LIST

Sr. No.	Examination	Medium	Name of the Book	Edition	Published By	Price (Rs.)
27	Certificate Examination in Customer Service & Banking Codes and Standards	English	Customer Service & Banking Codes and Standards	2017	M/s Taxmann Publications Pvt. Ltd.	Rs. 525/-
28	Certificate Examination in IT Security	English	IT Security	2016	M/s Taxmann Publications Pvt. Ltd.	Rs. 425/-
29	Certificate Examination in MSME Finance for Bankers	English	Micro Small & Medium Enterprises in India	2017	M/s Taxmann Publications Pvt. Ltd.	Rs. 375/-
30	Certificate Examination in Anti-Money Laundering & Know Your Customer	Hindi	Anti-Money Laundering & Know Your Customer (Hindi)	2014	M/s Taxmann Publications Pvt. Ltd.	Rs. 245/-
31	Certificate Examination in Rural Banking Operation	English	Rural Banking Operation	2017	M/s Taxmann Publications Pvt. Ltd.	Rs.545/-
32	Certificate Banking Compliance Professional Course	English	Compliance in Banks	2017	M/s Taxmann Publications Pvt. Ltd.	Rs.1,135/-
33	Certified Information System Banker	English	Information System for Banks	2017	M/s Taxmann Publications Pvt. Ltd.	Rs. 645/-
34	Certificate Examination in International Trade Finance	English	International Trade Finance	2017	M/s Taxmann Publications Pvt. Ltd.	Rs. 255/-
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