A Monthly Newsletter of Indian Institute of Banking & Finance

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Committed to professional excellence

IIBF VISION

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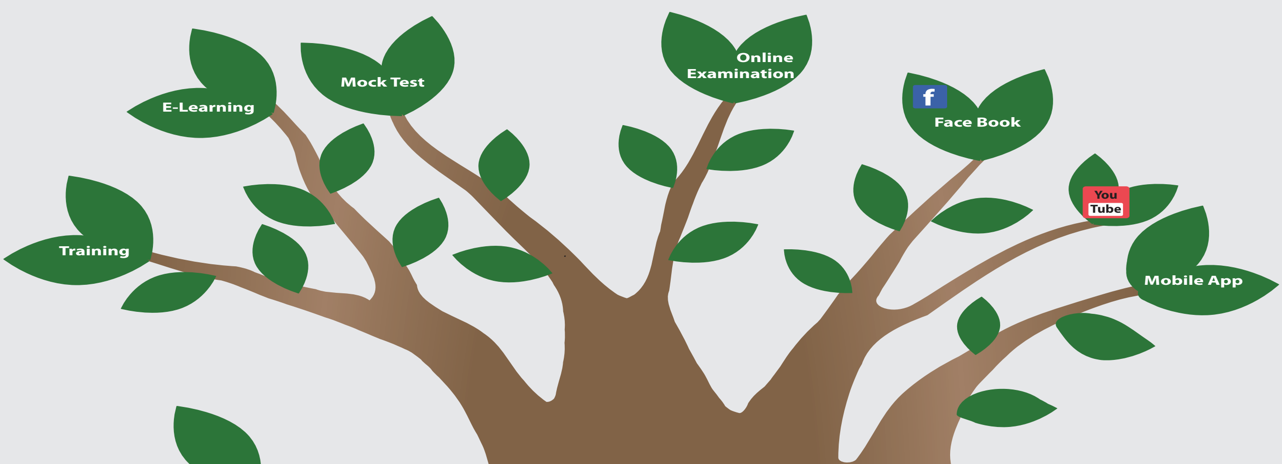
VISION

To be premier Institute for developing and nurturing competent professionals in banking and finance field.

MISSION

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.



INSIDE

TOP STORIES

RBI launches Integrated Ombudsman Scheme

In order to make the alternate dispute redress mechanism simpler and more responsive to the customers of entities regulated by the Reserve Bank of India, the three Ombudsman schemes – (i) the Banking Ombudsman Scheme, 2006, as amended up to July 01, 2017; (ii) the Ombudsman Scheme for Non-Banking Financial Companies, 2018; and (iii) the Ombudsman Scheme for Digital Transactions, 2019 have been integrated into the Reserve Bank -Integrated Ombudsman Scheme, 2021.

The Scheme covers the following regulated entities:

i. all Commercial Banks, Regional Rural Banks, Scheduled Primary (Urban) Co-operative Banks and Non-Scheduled Primary (Urban) Co-operative Banks with deposits size of Rupees 50 crore and above as on the date of the audited balance sheet of the previous financial year;

ii. all Non-Banking Financial Companies (excluding Housing Finance Companies) which (a) are authorised to accept deposits; or (b) have customer interface, with an assets size of Rupees 100 crore and above as on the date of the audited balance sheet of the previous financial year;

iii. all System Participants as defined under the Scheme

Select NBFCs asked to appoint Internal Ombudsman by RBI

The RBI has directed select NBFCs to appoint an Internal Ombudsman (IO) to deal with complaints that have been already examined by the NBFC but rejected in part or whole. Thus, this IO will not entertain complaints coming directly from customers or members of the public. NBFCs selected to introduce this scheme include Deposit-taking NBFCs (NBFCs-D) with 10 or more branches, and non-deposit taking NBFCs (NBFCs-ND) with asset size of ₹5,000 crore and above and having public customer interface. The NBFCs have been given six months from the date of issue of the direction, to establish the IOs. NBFCs including stand-alone primary dealer, NBFC-Infrastructure Finance Company, core investment company, Infrastructure Debt Fund - NBFC; NBFC – Account Aggregator; NBFCs under Corporate Insolvency Resolution Process; NBFCs in liquidation and NBFCs having only captive customers, have been excluded from the directive.

Banking Policies

RBI issues revised Prompt Corrective Action framework for banks

Aiming to enable supervisory intervention at the appropriate time, as well as, provide a tool for effective market discipline, the RBI has issued a revised Prompt Corrective Action (PCA) framework for banks. The framework, which will be effective from January 1, 2022, will focus on capital, asset quality and leverage as the key areas for monitoring. Among other things, the framework will require the Supervised Entity to take cognisance of the lacunae and implement commensurate remedial measures to revive its financial health in a timely manner.

The report stated that "A bank will generally be placed under PCA framework based on the Audited Annual Financial Results and the ongoing Supervisory Assessment made by RBI.

"RBI may impose PCA on any bank during the course of a year (including migration from one threshold to another) in case the circumstances so warrant."

The framework for exit from PCA and withdrawal of restrictions has also been outlined in the report.

NPA-classified accounts can be upgraded only after full payment of arrears: RBI

Discovering that a few lending institutions are upgrading NPA-classified accounts to 'standard asset' category based only on payment of interest overdues or partial overdues, the RBI has categorically clarified that such an upgradation should be done only after the entire arrears of interest and principal are paid by the borrower.

Lenders have been instructed to mention exact due dates for repayment of loans, the frequency of repayment, breakup between principal and interest, and examples of SMA/NPA classification dates, in the loan agreements. Borrowers shall be apprised of these details when the loan is sanctioned, along with timely notification of subsequent changes, if any, to the sanctioned terms/loan agreement, till the full repayment of the loan is done. As for accounts that have availed the moratorium facility, the exact date of commencement of repayment shall also be specified in the loan agreements.

For fresh loans, the lenders have been instructed to follow these mandates by December 31, 2021. As for existing loans, the mandates have to be followed as and when such loans become due for renewal or review.

Regulator Speaks

RBI Governor asks banks to remain vigilant to vulnerabilities and take timely steps for mitigation

RBI Governor Shaktikanta Das, along with RBI Deputy Governors M K Jain, M Rajeshwar Rao and T B Rabi Sankar held a spate of virtual meetings with MDs and CEOs of PSBs and few private sector banks. While acknowledging the improved financial and operational resilience of the banking sector that has contributed to financial stability, the Governor asked banks to continue giving the necessary support to revive economic activity. He has also asked banks to remain vigilant to any emerging signs of vulnerabilities and take timely steps to mitigate the risks.

Other topics under discussion in these meetings included, credit flow to micro and small enterprises, outlook for stressed assets and measures for mitigation, pricing of risks, collection efficiencies and engagement of banks with fin-tech entities, regulatory measures for ensuring consumer protection.

Bank should avoid herd mentality; choose their business strategies consciously: RBI Governor

Speaking at the SBI's Banking and Economics Conclave in November 2021, RBI Governor Shaktikanta Das urged bank boards to leave the mechanical, 'follow the market' approach, and instead choose their business models and strategies with robust brainstorming to suit their needs. He further emphasised that banks in pursuit of true growth must avoid the herd mentality, and should rather look for differentiated business strategies. The Governor also emphasised that business priorities should be complemented with responsible governance and ethical actions, through the oversight role of the board, its composition, directors' skill profile, strong risk & compliance structure and processes, more transparency, and a robust mechanism of balancing various stakeholder interests.

Loss of output caused by the pandemic may take several years to recover: RBI Deputy Governor

RBI Deputy Governor Michael Patra has stated that it may take several years for the loss of output of over 1/10th of the annual GDP of a normal year, caused by the pandemic. Moreover, countries moving back to normalisation of policy will involve global spillovers to which India cannot remain immune.

The health crisis aggravated by agglutination of supply disruptions, an unparalleled mass migration and a hostile global environment has caused a considerable loss of output - over 1/10th of the annual GDP of a normal year. "Recovering this lost output may take several years" said Patra while speaking at a conference on 'Growth and Development in the BRICS Economies'.

In 2013, India was one of the fragile five countries as external sector viability deteriorated during the taper tantrum. But today we are comparatively better positioned. Our macroeconomic fundamentals have improved significantly and external sector indicators have highlighted the availability of enough cushions to manage external shocks.

Economic Wrap Up

Performance of some of the key economic indicators, as per the Monthly Economic Report October 2021 from the Department of Economic Affairs are highlighted below:

- Industrial production grew 4% Y-O-Y in September with the sharpest rise in the capital goods category combined with the other industry outputs from coal, natural gas, steel, cement and electricity crossing its pre-covid level of Sept'19
- Wholesale price index (WPI) inflation softened to 6-month low of 10.7% in Sept'21 from 11.4% in Aug'21.
- PMI Manufacturing and PMI Services have accelerated in Oct'21 to 55.9% and 58.4% respectively, thus affirming the demand recovery in the country.
- GST collections in Oct'21 were Rs.1.3 lakh crore, reflecting robustness of growth revival.
- The 10-year G-sec and AAA rate corporate bond yields remained stable at around 6.5% & 7.5% respectively, indicating adequate liquidity in the market for both sectors to borrow.
- Forex reserves declined from USD 642 billion in Oct'21 to USD 638 billion in Nov'21 on account of decline in foreign currency assets
- Gold reserves also declined from USD 39.01 billion in Oct'21 to USD 38.82 billion, thus leading to a decline in the overall reserve position with the IMF from USD 5.24 billion in Oct'21 to USD 5.16 billion.

Forex

Foreign Exchange Reserves

Item	As on November 26, 2021	
	₹ Cr.	US$ Mn.
	1	2
1 Total Reserves	4776057	637687
1.1 Foreign Currency Assets	4304119	574664
1.2 Gold	290793	38825
1.3 SDRs	142576	19036
1.4 Reserve Position in the IMF	38569	5162

Source: Reserve Bank Of India

Benchmark Rates for FCNR(B) Deposits applicable for December 2021

Base Rates for FCNR(B) Deposits

Currency	1 Year	2 Years	3 Years	4 Years	5 Years
USD	0.32400	0.69200	0.96700	1.14200	1.25800
GBP	0.84820	1.2073	1.2918	1.2855	1.2623

Base Rates for FCNR(B) Deposits					
Currency	**1 Year**	**2 Years**	**3 Years**	**4 Years**	**5 Years**
EUR	-0.44000	-0.240	-0.104	-0.024	0.036
JPY	0.00880	0.050	0.054	0.063	0.073
CAD	0.50000	1.54000	1.775	1.882	1.936
AUD	0.47750	1.100	1.428	1.683	1.805
CHF	-0.58500	-0.390	-0.275	-0.175	-0.085
DKK	-0.13010	0.0720	0.1755	0.2515	0.3100
NZD	1.61500	2.368	2.605	2.695	2.717
SEK	0.12800	0.385	0.558	0.662	0.770
SGD	0.47000	0.885	1.215	1.435	1.590
HKD	0.39000	0.780	1.065	1.270	1.400
MYR	2.23000	2.620	2.870	2.970	3.100

Source: www.fedai.org.in

Glossary

Prompt Corrective Action (PCA) framework

The PCA framework is a framework under which banks with weak financial metrics are supervised by the regulator at appropriate times to implement remedial measures for restoring the bank's financial health. Three key areas viz capital, asset quality and leverage are monitored under the revised framework. The PCA Framework is also intended to act as a tool for effective market discipline.

Financial Basics

Risk Reward Ratio

The risk/reward ratio is the prospective reward an investor can earn against the risk an investment carries. Risk/reward ratios are used to compare the expected returns of an investment with the amount of risk an investor has to undertake to earn these returns. An ideal risk reward ratio is anything greater than 1:3.

Institute's Training Activities

Training Programmes for the month of December 2021

Programmes	Dates	Location
Risk Management in Banks	13th -14th December 2021	Virtual
MSME Credit	13th – 15th December 2021	
Effective Branch Management	13th – 15th December 2021	
Certified Credit Professional	16th – 18th December 2021	
KYC, AML & CFT	20th – 21st December 2021	
Certified Treasury Professional	28th – 30th December 2021	

News from the Institute

JAIIB/DB&F/SOB/CAIIB – Introduction of Revised Syllabi

To keep pace with the developments and to ensure greater value addition to the flagship courses offered by IIBF, the syllabi of JAIIB/DB&F/SOB & CAIIB have been restructured to make them more conceptual and contemporary.

The JAIIB/DB&F/SOB/CAIIB examinations under the revised syllabi are tentatively proposed to be held from November/December 2022 onwards or latest from the May / June 2023 onwards in any case.

The last exams under JAIIB/DB&F/SOB/CAIIB as per the old syllabi (present syllabi) will be held during November/December 2022 after which, it will be discontinued. JAIIB/DB&F/SOB/CAIIB exams from May / June 2023 onwards will be held as per the revised syllabi only. For more details, please visit our website www.iibf.org.in.

Research Fellowship in Banking Technology 2021-22

The said fellowship is a joint initiative of IIBF and IDRBT. It aims to sponsor technically and economically feasible technology-research projects which has the potential to contribute significantly to the Banking & Financial Sector. The last date for submitting proposals under this scheme is 31st December 2021. For more details, please visit website www.iibf.org.in.

Micro and Macro Research

The topics for the Micro and Macro Research have been finalised and the details have been placed on the Institute's website. The last date for submitting proposals under this scheme is 31st January 2022. For more details, please visit website www.iibf.org.in.

AMP Immersion Programme at Mumbai, Central Office

The Immersion Programme at the Institute's central office at Mumbai was held for the 10th batch of Advanced Management Programme (AMP) students from 27th to 30th November 2021 and 9th to 12th December 2021. Industry experts were invited to deliver lectures on the latest developments in the sector.

Registration for FRR Exam by GARP USA

The Institute has entered into a MoU with the Global Association of Risk Professionals (GARP), USA for offering the Financial Risk & Regulations (FRR) course to JAIIB or CAIIB passed candidates at a discounted fee of USD 300. The FRR course gives an overview on core aspects of Risk Management viz Credit Risk, Market Risk, Operational Risk and Asset & Liability Management (ALM). The registration window will be open from 1st January to 15th January 2022. For more details, please visit our website www.iibf.org.in.

E-learning for All

The Institute has introduced "E-learning for All" where any individual irrespective of his/her Membership status or Exam Registration status can access the E-learning modules developed by the Institute on various contemporary topics of Banking & Finance. For more details visit www.iibf.org.in.

Two certificate courses introduced under RPE mode

From October 2021, two new certificate examinations were conducted under the Remote Proctored Examination (RPE) Mode. The two new subjects are Strategic Management & Innovations in Banking and Emerging Technologies. For more details, please visit www.iibf.org.in.

Introduction of Professional Banker Qualification

The Institute will be introducing a gold level aspirational qualification which will epitomize the pinnacle in learning and knowledge. This qualification which will be known as "Professional Banker" will be a unique qualification to plug the long-felt skill gap in mid-management levels and will provide cutting edge knowledge to professionals in banking & finance fields. A banker seeking to achieve status of a "Professional Banker" needs to have an experience of five years.

Bank Quest included in UGC CARE List of Journals

IIBF's Quarterly Journal, Bank Quest has been included in UGC CARE list of Journals. The University Grants Commission (UGC) had established a "Cell for Journals Analysis" at the Centre for Publication Ethics (CPE), Savitribai Phule Pune University (SPPU) to create and maintain the UGC-CARE (UGC – Consortium for Academic and Research Ethics). As per UGC's notice, research publications only from journals indexed in UGC CARE list should be used for all academic purposes.

Bank Quest Theme for upcoming issue

The theme for the upcoming issue of Bank Quest for the quarter October – December, 2021 is International Financial Centres.

Cut-off date of guidelines /important developments for examinations

The Institute has a practice of asking questions in each exam about the recent developments / guidelines issued by the regulator(s) in order to test if the candidates keep themselves abreast of the current developments. However, there could be changes in the developments / guidelines from the date the question papers are prepared and the dates of the actual examinations. In order to address these issues effectively, it has been decided that:

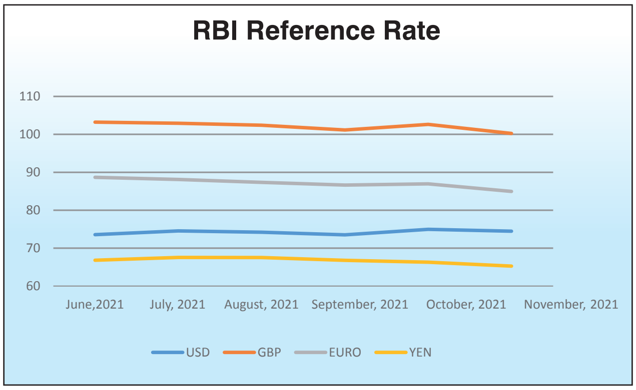
(i) In respect of the exams to be conducted by the Institute for the period from February 2021 to July 2021, instructions/ guidelines issued by the regulator(s) and important developments in banking and finance up to 31st December 2020 will only be considered for the purpose of inclusion in the question papers.

(ii) In respect of the exams to be conducted by the Institute for the period from August 2021 to January 2022, instructions/guidelines issued by the regulator(s) and important developments in banking and finance up to 30th June 2021 will only be considered for the purpose of inclusion in the question papers.

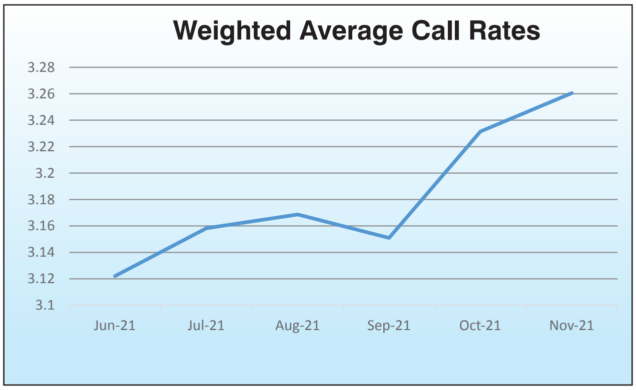
Green Initiative

Members are requested to update their e-mail address with the Institute and send their consent to receive the Annual Report via e-mail

Market Roundup



Source: FBIL



Source: Weekly Newsletter of CCIL

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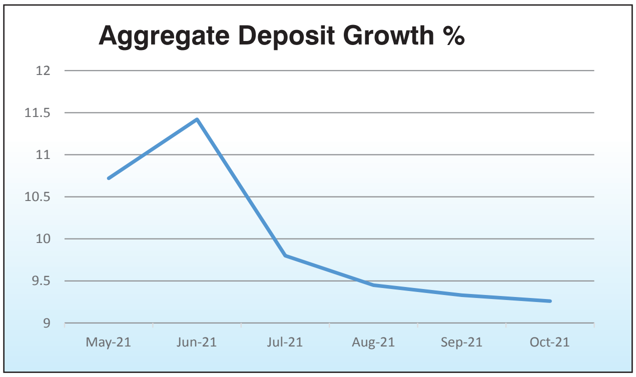
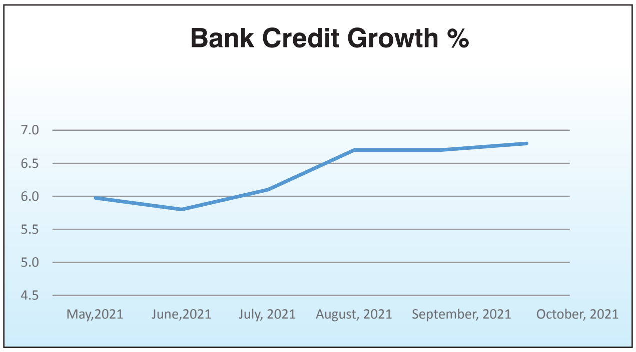
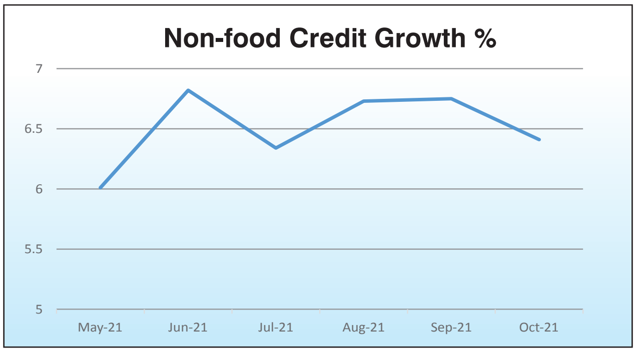


Source: Monthly Review of Economy, CCIL, October, 2021



Source: Reserve Bank of India



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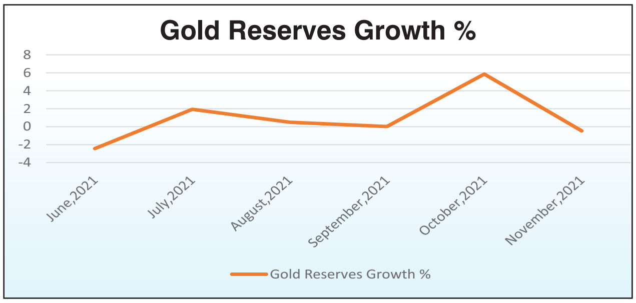

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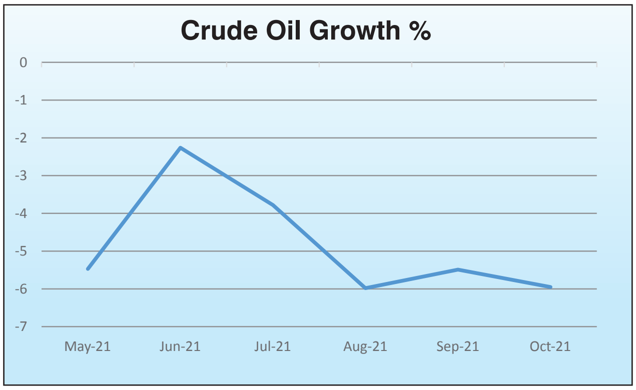
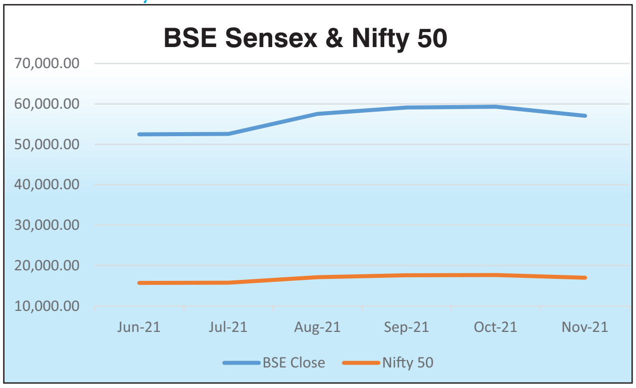


Source: Ministry of Petroleum & Gas



Source: BSE & NSE

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Editor : Biswa Ketan Das

INDIAN INSTITUTE OF BANKING & FINANCE
Kohinoor City, Commercial-II, Tower-I, 2nd Floor, Kirol Road, Kurla (W), Mumbai - 400 070.
Tel. : 91-22-6850 7000
E-mail : admin@iibf.org.in
Website : www.iibf.org.in