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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 increases WMA limit of states, UTs; relaxes export rules

The Reserve Bank of India (RBI) has increased the Ways and Means Advances (WMA) limit for State Governments and Union Territories by 60% till September 30, 2020. The WMA for the Centre has been increased to Rs 1.2 trillion for the first half, vis-à-vis Rs 75,000 crore in the first half last year. RBI may issue bonds if the Centre utilises 75% of its WMA.

The increase will help states to rely less on the bond markets. The spread between equivalent maturity government bonds and those of states have increased to more than 120 bps, as against the usual 40-60 bps. The move is, thus, expected to ease the liquidity crunch, as well as, the rush to raise funds through primary market auctions, which will eventually bring down market borrowing costs for states.

On an additional note, in order to help exporters deal with the economic fallout of the coronavirus pandemic, RBI has allowed them to take 15 months (as against the usual 9 months) to realise and repatriate their export proceeds, for exports made up to July 31, 2020. The relaxation also works as a marketing tool for exporters. In the absence of demand, customers ask for credit, which exporters can now give with an aim to recover the proceeds a little later. This helps Indian exporters to expand their presence in the overseas markets.

RBI eases overdraft facility norms for states, UTs

The RBI has relaxed norms for State Governments to avail overdraft facilities for a longer period until September 30, 2020, to help them make up for the cash-flow mismatches they are facing amid the coronavirus outbreak. According greater flexibility for this purpose, the number of days for which a State/ UT can be in overdraft continuously has been increased to 21 working days from the current stipulation of 14 working days. Similarly, the number of days for which a State/ UT can be in overdraft in a quarter has been increased to 50 working days from the current 36 working days. All other stipulations remain unchanged. This arrangement will remain valid till September 30, 2020.

RBI provides limited provisioning relief for unresolved cases

The RBI has relieved banks from providing an additional 20% for unresolved cases under its June 7, 2019 circular. The relief is only for cases in which the 210 days resolution timeline, after signing inter-creditor agreement (ICA), has not expired as on March 1, 2020. In respect of accounts where the review period (30 days) is over, but the 180-day resolution period has not expired as on March 1, 2020, the timeline for resolution shall be extended by 90 days from the date on which the 180-day period was originally set to expire. The requirement of making additional provisions shall be triggered as and when the extended resolution period expires.

Banks to hold back dividends for FY 2019-20: RBI

In order to encourage capital conservation on the backdrop of extreme uncertainty brought by the Covid-19 pandemic, RBI has directed banks to hold back dividends for FY20. SCBs and cooperative banks shall not make any further dividend pay-outs from profits pertaining to the financial year ended March 31, 2020, until further instructions. This restriction shall be reviewed on the basis of the financial position of banks for the quarter ending September 30, 2020.

RBI grants NPA relief, but with 10% additional provisioning stipulation

The RBI has granted banks and NBFCs a breather from recognising non-performing assets (NPAs) during the three-month moratorium from March 1, 2020. Hence, the bad loan classification period will change to 180 days effectively.

While granting this relief, the RBI has maintained caution by asking banks to provide 10% additional provisioning spread over two quarters, in view of the risk build-up in balance sheets. The provisions can be adjusted later against the provisioning requirements for actual slippages.

RBI to provide Rs 50,000-crore refinance facility to AIFIs

The RBI has announced special refinance facilities amounting to Rs. 50,000 crore to All-India Financial Institutions (AIFIs) like the National Bank for Agriculture and Rural Development (NABARD), Small Industries Development Bank of India (SIDBI) and National Housing Bank (NHB). The measure has been taken to meet sectoral credit needs since the institutions are facing difficulties in tapping the market.

The amount of Rs 50,000 crore includes Rs 25,000 crore to NABARD for refinancing regional rural banks (RRBs), cooperative banks and microfinance institutions (MFIs); Rs 15,000 crore to SIDBI for on-lending/refinancing; and Rs 10,000 crore to NHB for supporting housing finance companies (HFCs). Advances under the facility will be charged at the policy repo rate at the time of availment.

The AIFIs raise resources from the market through specific instruments allowed by the RBI, in addition to relying on their internal sources. The measure is expected to help the agriculture and the rural sector, small industries, HFCs, NBFCs and MFIs, meet their long-term funding requirements.

Reverse Repo rate cut for encouraging banks to lend more

In order to encourage banks to deploy surplus funds, the RBI has cut the reverse repo rate by 25 bps, thus making it stand at 3.75%. The liquidity coverage ratio (LCR) of SCBs has also been brought down to 80% from the existing 100%. The LCR requirement will be gradually restored in two phases. It will be brought to 90% by October 1, 2020, and 100% by April 1, 2021.

RBI extends deployment time limit under TLTRO 2.0

Based on the feedback received from banks, and, the disruptions caused by Covid-19, the RBI has extended the time limit for deploying money drawn under Targeted Long term Repo Operations 2.0 (TLTRO 2.0) to 45 days from the previous limit of 30 days.

Funds that are not deployed within this extended time frame will be charged an interest at the prevailing policy repo rate plus 200 bps for the number of days they remain un-deployed. The incremental interest liability will have to be paid along with regular interest at the time of maturity.

Funds availed by banks under TLTRO 2.0 should be invested in investment-grade bonds, commercial paper (CPs), and non-convertible debentures of NBFCs. At least 50% of the total amount availed should go to small and mid-sized NBFCs and MFIs. About 10% of the money should be invested in securities and instruments issued by MFIs. Another 15% should be invested in securities/instruments issued by NBFCs with asset size of Rs 500 crore and below and 25% in securities/instruments issued by NBFCs with assets size between Rs 500 crore and Rs 5,000 crore.

Continue with incentives on crop loans: RBI to banks

The RBI has asked banks to continue extending the interest subvention (IS) and prompt repayment incentive (PRI) on short-term crop loans to farmers where installment is due between March 1 and May 31, 2020. The government will continue the facility of 2% IS and 3% PRI for short-term crop loans up to Rs 3 lakh per farmer for the extended period of repayment up to May 31, 2020, or the date of repayment, whichever is earlier. This will ensure that farmers do not have to pay penal interest and can yet continue benefitting from the IS scheme.

Banking Policies

RBI limits FPI investment in G-secs for FY21

RBI has reduced the general category foreign portfolio investors' (FPI) investment limit in central government securities (G-secs) to Rs 2.34 lakh crore for FY2021, from the earlier Rs 2.46 lakh crore. Long term FPI investment limits too have been reduced to Rs 1.03 lakh crore from Rs 1.15 lakh crore. Meanwhile, the general category FPI investment limits in state development loans (SDL) have been increased by Rs 3,215 crore to Rs 64,415 crore for the first half of FY21. The limits will again rise by Rs 3,215 crore to Rs 67,630 crore for the second half of FY21. The limits for FPI investment in G-secs and SDLs have been unchanged at 6% and 2%, respectively, of outstanding stocks of securities for FY20-21.

Carry out money laundering assessment: RBI to banks, NBFCs

RBI has asked banks and NBFCs to carry out money laundering (ML) and terrorist financing (TF) risk assessment exercises periodically. A new section has been added in the Master Direction on KYC to identify, assess and take effective measures to mitigate ML and TF risk for clients, countries or geographical areas, products, services and transactions or delivery channels. While assessing the ML/TF risk, the regulated entities aka REs are required to take cognisance of the overall sector-specific vulnerabilities that the regulator/supervisor may share with them from time to time. Further, the internal risk assessment carried out by the RE should be commensurate to its size, geographical presence, and complexity of activities/structure.

Banking Developments

RBI issues final directions on hedging of forex risk

In a bid to ease access to the domestic foreign exchange derivative markets, the RBI has released final directions on hedging of foreign exchange (forex) risk. The directions include merging facilities for residents and non-residents into a single unified facility, and allowing users with valid exposures to hedge the same via any available instrument. Other directions include introducing facility to hedge anticipated exposures and simplifying procedures for authorised dealers (ADs) to offer foreign exchange derivatives. The directions, which will come into effect from June 1, have been finalised based on the public comments received and the recommendations of the Task Force on Offshore Rupee Markets.

RBI extends recast benefit on commercial real estate loans to NBFCs

The RBI has extended the benefit of restructuring some commercial real estate loans (CRE) to non-bank lenders. As a result, NBFCs will now be able to restructure loans to real estate projects, where the date of commencement of commercial operations (DCCO) has been delayed for reasons beyond the promoter's control without classifying them as bad loans, for another year.

Banks can issue electronic cards to overdraft account customers

The RBI has permitted scheduled commercial banks (SCBs) to issue electronic cards to customers having overdraft accounts only in the nature of personal loans. The cards will come without any specific end-use restrictions and will be usable for domestic transactions only. Cards can be issued for a period not exceeding the validity of the facility.

Further, banks have to implement adequate checks and balances to ensure that these cards are used only to facilitate online/ non-cash transactions. Restrictions on cash transaction will not apply to overdraft facility applicable to Pradhan Mantri Jan Dhan Yojana (PMJDY) accounts.

Prior to launching the product, banks are required to frame a board-approved policy on issuance of electronic cards for overdraft account customers, encompassing appropriate risk management, periodic review procedures, grievance redressal mechanism, etc. These will be subject to supervisory review. Cards will be issued subject to instructions on terms and conditions, security, grievance redressal, confidentiality of customer information as applicable for debit cards and all other relevant instructions on card operations issued by the RBI.

RBI opens Rs 50,000-crore special liquidity window to support mutual funds

The RBI has opened a Rs 50,000-crore special liquidity window for mutual funds (MFs) to give a line of credit to the industry. W.e.f. April 27, 2020, the window allows MFs to access liquidity through two routes. Banks can borrow funds from the statutory liquidity facility (SLF) from the RBI and lend to MFs against their collateral debt securities. Else, they can buy CPs or corporate debentures from the MFs. The investment can be classified as held to maturity (HTM), even in excess of 25% of total permitted investment and will be excluded for computation of adjusted non-food bank credit, as also, be exempt from banks' capital exposure limits. Moreover, the exposures under this facility will not be reckoned under the large exposure framework.

Further, the RBI has said that All banks that are meeting the liquidity requirements of mutual funds (MFs), irrespective of whether they use the MF facility by the RBI or not, will get due regulatory benefits.

Forex

Foreign Exchange Reserves		
Item	As on April 24, 2020	
	₹ Cr.	US$ Mn.
	1	2
Total Reserves	3665786	479455
1.1 Foreign Currency Assets	3376090	441564
1.2 Gold	251551	32901
1.3 SDRs	10865	1421
1.4 Reserve Position in the IMF	27280	3570

Source: Reserve Bank of India

Benchmark Rates for FCNR(B) Deposits applicable for May 2020

Base Rates for FCNR(B) Deposits					
Currency	1 Year	2 Years	3 Years	4 Years	5 Years
USD	0.40600	0.32980	0.34000	0.36900	0.41100
GBP	0.38280	0.4437	0.4369	0.4461	0.4607
EUR	-0.23520	-0.299	-0.298	-0.284	-0.265
JPY	-0.01250	-0.038	-0.053	-0.054	-0.053
CAD	0.90000	0.614	0.674	0.746	0.796
AUD	0.17650	0.238	0.304	0.427	0.522
CHF	-0.60000	-0.650	-0.640	-0.605	-0.560
DKK	-0.06690	-0.0923	-0.1019	-0.0826	-0.0541
NZD	0.22300	0.230	0.270	0.328	0.400
SEK	0.13600	0.105	0.114	0.150	0.160
SGD	0.49000	0.485	0.535	0.630	0.710
HKD	0.99000	0.860	0.850	0.870	0.910
MYR	2.37000	2.270	2.280	2.330	2.390

Source: www.fedai.org.in

Glossary

Ways and Means Advances (WMA)

Ways and Means Advances (WMA) is a temporary liquidity arrangement, which enables the Centre and States to borrow money up to 90 days from the RBI to tide over their liquidity mismatches. This is guided under Section 17(5) of RBI Act, 1934.

Financial Basics

Interest Coverage Ratio

The interest coverage ratio measures the ability of a company to pay the interest on its outstanding debt. This measurement is used by creditors, lenders, and investors to determine the risk of lending funds to a company. A high ratio indicates that a company can pay for its interest expense several times over, while a low ratio is a strong indicator that a company may default on its loan payments. The formula for this ratio is:

Earnings before interest and taxes ÷ Interest expense

News from the Institute

Special initiatives by the Institute during lock down period.

In view of the lock down, the Institute is in physical shut down till 17th May 2020. However, its employees continue to work from home and seek to ensure that critical activities are functional. The Institute has invoked its Business Continuity Plans (BCP), nearly 10,000 certificates have been digitally signed and sent, all its publications are released in digital mode etc.

The Institute has also taken the initiative of offering some special online learning courses for the banking and finance professionals. The following have been made available free of cost for a period of 3 months:

- Video lectures of JAIIB (3 subjects), CAIIB (2 subjects), MSME and Business Correspondents.
- E-learning for JAIIB (3 subjects), CAIIB (2 subjects) and Credit Management.

While the video lectures are already available on the YouTube page of the Institute for all, the e-learning will be available for a period of three months to those who register.

The Institute has also organised certain online knowledge sessions on some contemporary topics like Introduction of various type of risks and Basel III guidelines, Basic Derivative products, New developments in Digital technologies and Payment systems and MSME Financing.

The Institute has seen a good number of registrations and participation in the above special initiatives taken. For more details, please visit www.iibf.org.in.

Bank Quest included in UGC CARE List of Journals

IIBF's Quarterly Journal, Bank Quest has been included in the Group B of UGC CARE list of Journals. The University Grants Commission (UGC) had established a "Cell for Journals Analysis" at the Centre for Publication Ethics (CPE), SavitribaiPhule 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.

Self-paced E-learning (SPeL) Courses

The Institute is pleased to announce Self-paced E-learning courses for two of its certificate courses *viz* Digital Banking and Ethics in Banking. The objective of self-paced e-learning is to provide a more conducive training environment to professionals employed in the banking & finance sectors. Under this mode, a candidate will have the flexibility to register for the exam, learn, and take an examination from his/her own place. Online registrations for the two courses has commenced from 9th April 2019. For more details, please visit http://www.iibf.org.in/documents/SPeL-notice.pdf.

Mandatory certification of Business Correspondents

RBI has identified IIBF as the sole certifying agency for certifying the BCs of both SCBs and Payment Banks. The syllabus for the exam has been revised in consultation with RBI. The Institute has also tied up with CSR – e – Governance and BFSI-SSC for certifying the BCs.

Capacity building in banks

The Institute offers courses in the five key areas of operations identified by RBI i.e. Treasury Management, Risk Management, Accounting, Credit Management, Foreign Exchange. These are blended with an online examination followed by training for those who successfully clear the online examination. The Certificate Course in Foreign Exchange, offered by IIBF in association with FEDAI, will be a mandatory certification for all bank employees who are working or desirous of working in the area of foreign exchange operations, including, treasury operations. Please visit the website www.iibf.org.in for examination registration and more details.

Virtual Classroom Solution

The Institute has acquired a software for conducting training through the Virtual Classroom mode. This will enable the Institute to disseminate training inputs to a larger audience, without diluting quality. Virtual training for Certificate in Risk in Financial Services, Certified Treasury Professional and Accounting & Audit have also been introduced. For more details, please visit our website www.iibf.org.in.

Mock Test facility for Examinations

The Institute is offering mock test facility for three of its specialized courses, *viz.* Certified Treasury Professional, Certified Credit Professional and Risk in Financial Services, in addition to its flagship courses *viz.* JAIIB & CAIIB. The mock test can be taken by any bank staff.

Bank Quest Themes for upcoming issues

The theme for the upcoming issues of our quarterly Bank Quest journal are:

April-June 2020 – Strategic Technology Trends in Banks – Sub-themes: Traditional lending to digital flow based lending, Fintech Landscape in India, Cyber Security, Big Data Analytics, Customer Experience

July-September 2020 – NBFCs, Systemic Risk and Interconnectedness amongst Financial Institutions

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.

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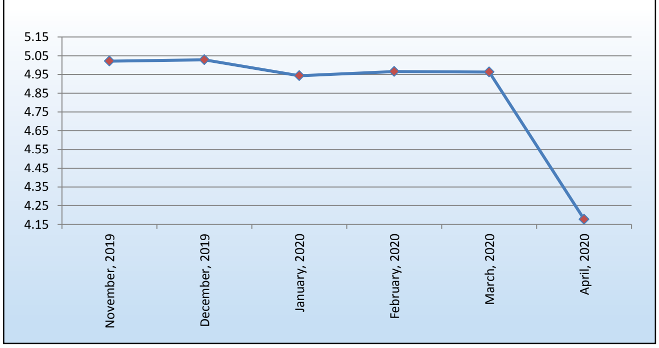
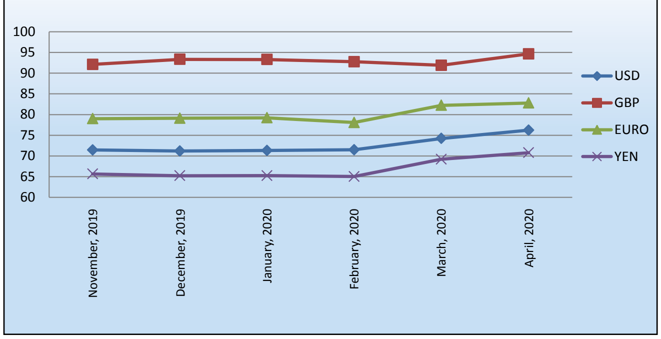
Market Roundup

Weighted Average Call Rates



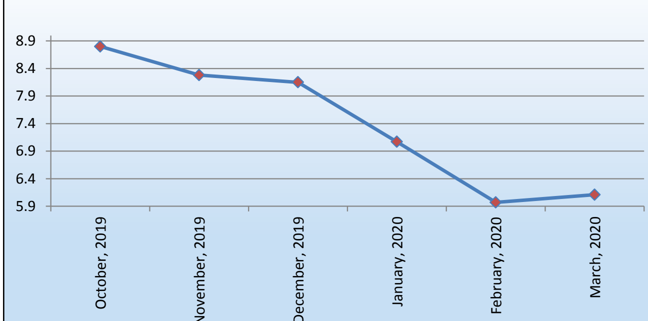
Source: CCIL News Letters – April 2020

RBI Reference Rate



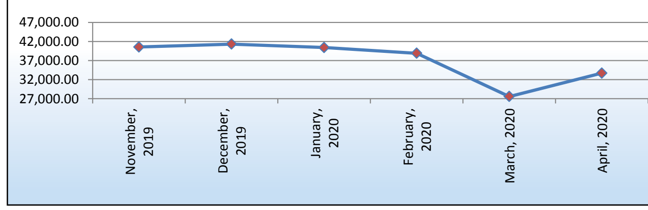
Source: FBIL

Non-food Credit Growth %



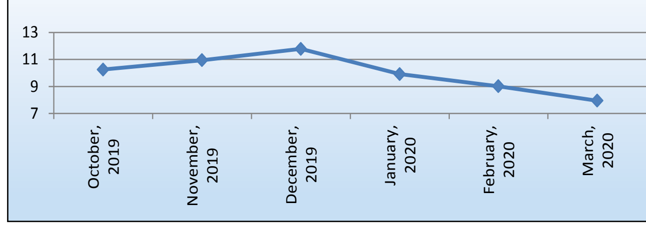
Source: Monthly Review of Economy, CCIL, April 2020

BSE Sensex



Source: Bombay Stock Exchange

Aggregate Deposit Growth %



Source: Monthly Review of Economy CCIL, April 2020

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