A Monthly Newsletter of Indian Institute of Banking & Finance (Rs. 40/- per annum)
(ISO 9001 : 2015 CERTIFIED)

Committed to professional excellence

IIBF VISION

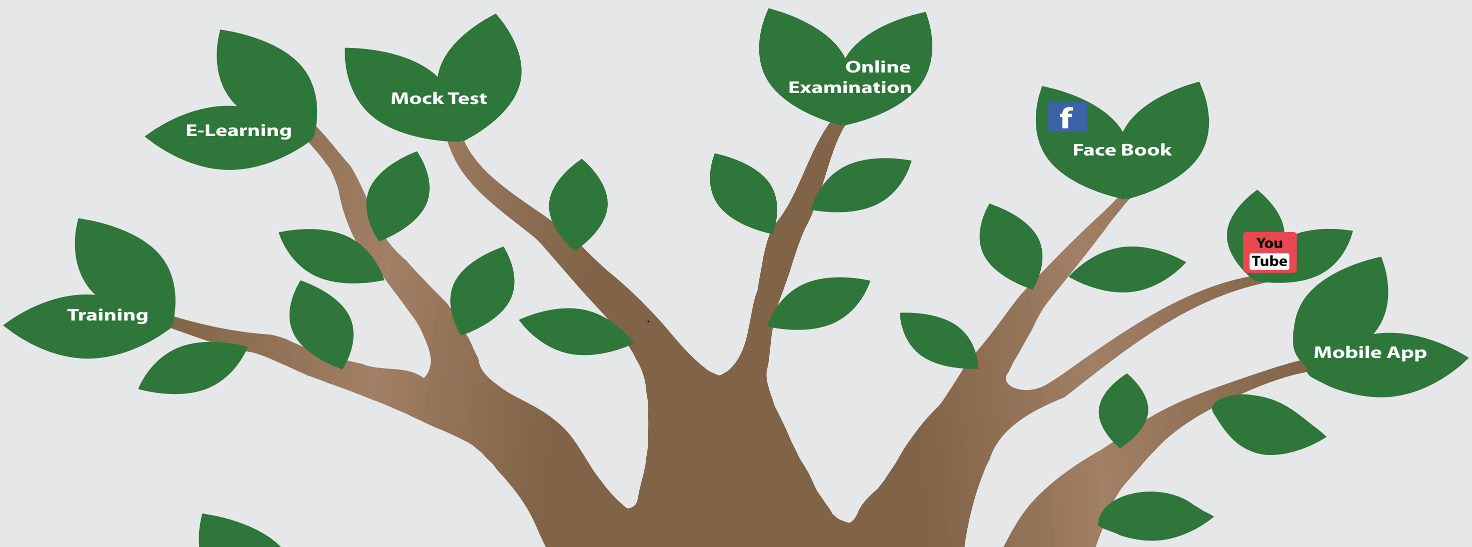
Volume No. : 13 | Issue No. : 3 | October 2020 | No. of Pages - 8

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 steps in with measures to escalate demand for bonds; check yields

The Reserve Bank of India (RBI) has introduced various measures to boost demand for government bonds, keep yields under check, and improve liquidity in the system. The HTM is pegged at 25% of the minimum 18% SLR maintained. RBI allows this HTM investment to rise up to an overall limit of 19.5% of the deposit base, which has now been increased to 22% for bonds purchased upto 31st March 2021.

Apart from this, another round of special open market operations (OMO) was conducted, under which it simultaneously bought and sold bonds worth Rs 20,000 crore in two tranches. In September, it also conducted term repo operations for an aggregate of Rs 1 trillion at the prevailing repo rate "to assuage pressures on the market on account of advance tax outflows."

The RBI has allowed banks to reverse the funds taken under **long-term repo operations (LTROs)**, to ease their cost of funds. Further, it has allowed the rupee to appreciate to a six-month high, while keeping its forward markets intervention intact, because theoretically, it makes import cheaper, controls inflation, and is considered an indirect way of raising interest rates without touching policy rates, which remain in "accommodative" mode.

Resolution framework for 26 sectors stressed due to Covid-19

The RBI-appointed expert committee, set up to create a resolution framework for bank loans stressed due to the pandemic, has outlined parameters for 26 Covid-19 hit sectors including auto, real estate, and aviation. Sectors like agriculture, food, pharma, and IT, remained mostly unaffected.

The committee has identified a few mandatory financial ratios to be used for restructuring the 26 sectors, allowing banks to work out their own extra criteria as well. These include, total outstanding liabilities/adjusted tangible net-worth, total debt/EBITDA (earnings before interest, depreciation, tax, and amortisation), the current ratio, the debt service coverage ratio, and the average debt service coverage ratio.

In cases involving multiple lending institutions, RBI has made it mandatory to sign the inter-creditor agreement (ICA) when the resolution process is invoked. Banks are expected to ensure compliance with the ratio total outside liability/adjusted tangible net worth (TOL/adjusted TNW) agreed in accordance with the resolution plan March 31, 2022, and on a continuous basis thereafter. All other key ratios will have to be maintained in accordance with the resolution plan by March 31, 2022, and on an ongoing basis thereafter.

In segments where the sector-specific thresholds had not been specified, lending institutions can make their own assessments regarding TOL/ATNW and total debt/EBITDA.

Banking Policies

Start-up loans of up to ₹50 crore get PSL tag

RBI has revised its norms to allow loans up to ₹50 crore towards start-ups to qualify as priority sector lending (PSL). The overall limit for such loans towards renewable energy and health care has also been doubled.

Now, banks have to earmark 10% of their loan book (instead of the earlier 8%) for advances towards small and marginal farmers. A farmers' collective could take loans of up to ₹ 30 crore for purposes like solar-based or biomass-based power generators, wind mills, micro-hydel plants, and for non-conventional energy-based public utilities, viz., streetlighting systems and remote village electrification, etc. For individual households, the loan limit will be Rs 10 lakh per borrower.

The revised guidelines are aimed at aligning them with emerging national priorities and bring sharper focus on inclusive development to enhance credit penetration to credit-deficient areas, increase lending to small & marginal farmers and weaker sections, and boost credit to renewable energy and health infrastructure.

Advances to weaker sections will now be 12% of credit for scheduled commercial banks (SCBs), as also, for small finance banks. Within agriculture credit, 10% will have to be mandatorily given to small and marginal farmers over the next three years, starting 2020-21.

The RBI has also doubled the credit limit for health infrastructure, including for 'Ayushman Bharat'. Banks can now give loans of up to ₹5 crore per borrower for setting up schools, drinking water facilities, and sanitation facilities including construction/ refurbishment of household toilets and water improvements at household level, etc.; and loans up to ₹10 crore per borrower for building health care facilities including under 'Ayushman Bharat' in Tier II to Tier VI centres.

RBI to banks on not complying with the automation on NPA identification process

The RBI has told banks to comply with the guidelines on automating the process of identifying non-performing assets (NPA) provisioning, and filing returns with itself, by June 30, 2021.

Now the RBI has mandated that all accounts (borrowing), including temporary overdrafts (irrespective of size, sector, or types of limits), as well as, banks' investments, should be covered in the automated system within the new deadline. Asset classification rules should also be configured in the system, in compliance with the regulatory stipulations. The process of calculating of provisions should also be system-based as per pre-set rules for various categories of assets, value of security. Income recognition and de-recognition of impaired assets (NPAs/NPIs) shall also be system driven. The amount required to be reversed from the income account will have to be obtained from the system without any manual intervention.

RBI extends time to avail additional market borrowing, OD

In order to help state governments tide over the pandemic-induced financial problems, the RBI has extended the additional flexibility provided to states and Union Territories (UTs) in April 2020 by six months, to help raise funds through market borrowing and overdraft. Accordingly, the flexibility that was available till September 30, 2020 has been extended till March 31, 2021.

Banking Developments

RBI issues norms for appointing CCOs; selection through 'fit & proper' criteria

In a bid to bring uniformity in the compliance culture of banks, the RBI has prescribed norms for appointment of chief compliance officers (CCOs). A CCO should be a senior-level executive, preferably general manager and above, and will have a term of minimum three years. The CCO will report to the chief executive officer (CEO) and/or the board committee. The Audit Committee of the Board (ACB) will meet the CCO every quarter on a one-to-one basis, in the absence of the senior management, including the MD and CEO. The CCO will not have any reporting relationship with business verticals nor have any business targets. The CCO's performance appraisal will be reviewed by the board/ACB. The CCO shall be selected through a process with an appropriate 'fit and proper' evaluation criteria. The CCO has the authority to communicate with any staff member. He/she can access all records or files needed to fulfil one's responsibilities in respect of compliance issues. The compliance function will also be subject to internal audit.

RBI to UCBs: Adopt more robust cyber security infra

In its technology vision document for 2020-23, the RBI has proposed cyber security rules based on the size and complexity of UCBs, to bring the largest of them at par with other banks that run a full gamut of protections against online threats. Accordingly, UCBs with higher digital depth will now have to appoint Chief Information Security Officer (CISO), and set up various committees such as IT Strategy Committee, IT Steering Committee, etc. There will have to be a board-approved IT governance framework.

RBI's vision for the UCBs till 2023 is based on five pillars -- GUARD, viz, - Governance Oversight, Utile Technology Investment, Appropriate Regulation and Supervision, Robust Collaboration and Developing necessary IT, cyber security skills set.

Positive pay system for cheque payments from January 1: RBI

In order to check banking fraud, from January 1, 2021, the RBI will be introducing the 'positive pay system' for cheques, under which re-confirmation of key details may be needed for payments beyond ₹50,000. While availing this facility may be discretionary for an account holder, however, banks may consider making it mandatory in case of cheques of ₹5 lakh and above.

Under the 'positive pay system', the cheque-issuer will need to submit electronically (through SMS, mobile app, internet banking or ATM) certain minimum details of that cheque like date, name of the beneficiary, payee, amount, to the drawee bank. These details will be cross-checked before the cheque is presented for payment. In case any discrepancy is flagged by cheque truncation system (CTS) to the drawee bank and presenting bank, redressal measures would be undertaken. The National Payments Corporation of India (NPCI) will develop the facility of positive pay in CTS and make it available to participant banks.

Regulator Speaks

RBI ready to meet economy's needs: Governor Shaktikanta Das

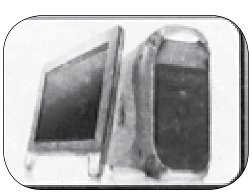
RBI Governor Mr. Shaktikanta Das has said that the economic recovery would be slow, but the RBI stands fully prepared for whatever measures are needed to prop up growth. Speaking at an event, the governor stated that recovery is likely to be gradual as efforts towards reopening the economy are being confronted with rising infections.

Though the immediate policy response to Covid-19 had been to prioritise economic stabilisation and support a quick recovery, policies for the medium term after the crisis would also be equally important. He suggested five focus areas, including prioritising human capital, increasing productivity, and trying to get into the global supply chain.

The governor averred that banks play an important role in spurring economic development in an emerging-market economy like India as they are the prime credit providers.

He accepted that the RBI could not give the same leeway to NBFCs as it gave to banks, because NBFCs had enjoyed a light-touch regulation until now. The loan-to-value ratio in the case of gold loans for NBFCs is 75%, whereas for banks it could go up to 90%. Besides, gold loan companies have to take permissions for branch opening, whereas banks do not have such restrictions. This is because gold loan business is just a tiny portion of banks' business, whereas gold loan companies are wholly dependent on that. If there is a fluctuation in gold prices, NBFCs can get wiped out – an undesired scenario for the RBI.

Mr. Das said, the government's borrowing programme, despite its large size of Rs 12 trillion, was being done at a decade-low level of around 6%, which has benefitted the private corporations and also narrowed the spreads for all firms. The governor opines that domestic policies need to focus on a right mix of local and global rules. Provision related to investment, competition, intellectual property rights protection has a larger positive impact on global value chain trades and need to be assiduously cultivated and intergraded in the Indian ecosystem. Covid-19 has changed our lives beyond recognition, but we should look upon these fundamental changes as opportunities rather than threat.



Products & Alliances

Name of the alliance	Purpose
Axis Bank with Bayer's BLF (Better Life Farming)	To provide enhanced and holistic financial solutions to small holder farmers and rural farming communities.

Forex

Foreign Exchange Reserves		
Item	As on September 25, 2020	
	₹ Cr.	US$ Mn.
	1	2
Total Reserves	3989568	542021
1.1 Foreign Currency Assets	3679789	499941
1.2 Gold	264971	35999
1.3 SDRs	10836	1472
1.4 Reserve Position in the IMF	33972	4608

Source: Reserve Bank of India

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

Base Rates for FCNR(B) Deposits					
Currency	1 Year	2 Years	3 Years	4 Years	5 Years
USD	0.23400	0.22900	0.25600	0.27000	0.34000
GBP	0.05800	0.071	0.1038	0.1392	0.1785
EUR	-0.47610	-0.481	-0.472	-0.452	-0.429
JPY	-0.03750	-0.043	-0.046	-0.048	-0.041
CAD	0.73000	0.552	0.609	0.686	0.757
AUD	0.09650	0.126	0.150	0.233	0.306
CHF	-0.70500	-0.714	-0.693	-0.653	-0.603
DKK	-0.13510	-0.1800	-0.1964	-0.1889	-0.1709
NZD	0.14500	0.075	0.075	0.100	0.150
SEK	-0.04700	-0.025	-0.003	0.015	0.064
SGD	0.20500	0.255	0.317	0.400	0.470
HKD	0.56500	0.550	0.560	0.595	0.630
MYR	1.94000	1.960	2.030	2.130	2.220

Source: www.fedai.org.in

Glossary

Long-term repo operations (LTROs)

Long-term repo operations (LTROs) is a tool announced by RBI to inject liquidity into the banking system through auctions with long term maturity periods at interest rates of one-day repo. This will lead to a decline in the short term lending rates.

Financial Basics

Provisioning Coverage Ratio (PCR)

The Provisioning Coverage Ratio (PCR) is essentially the ratio of provisioning to gross non-performing assets and indicates the extent of funds a bank has kept aside to cover loan losses. Higher the PCR, lower is the unexposed part of the debts.

Institute's Training Activities

Training Programmes for the month of October 2020		
Programme	Dates	Location
Certificate in Risk in Financial Services	8th to 10th October 2020	Virtual
Training program on AML/KYC	17th to 18th October 2020	Virtual
Certified Credit Professional	20th to 22nd October 2020	Virtual
MSME Financing	27th to 28th October 2020	Virtual

News from the Institute

Chief Executive Officer of IIBF

Mr. Biswa Ketan Das has joined the Institute as Chief Executive Officer on 1st October 2020 after having served for more than three decades in SBI in different capacities and in different verticals.

Remote Proctored Examinations

The Institute has introduced Remote Proctored Examinations (RPEs). RPEs allow flexibility to candidates of appearing for the exams from the comfort of their homes while simultaneously enhancing the knowledge base. The salient features are as under:

- Remote proctoring for 8 Certificate examinations was held in August 2020 and 13 Certificate examinations were held in September 2020.
- Examination shall be conducted on second and fourth Saturdays and all Sundays.
- There will be no change in the examination fee.
- Remote proctoring will be done in combination with auto-proctoring and physical remote proctoring processes.

  Important instructions and FAQs on this mode of examination have been placed on the website of the Institute. For details, please click on the link http://iibf.org.in/exam_related_notice.asp

New course

A certificate on "Resolution of Stressed Assets of Banks, with special emphasis on the Insolvency & Bankruptcy Code 2016" has been introduced by the Institute. The date of the first exam will be announced shortly. The course aims to develop among banking professionals and employees an understanding of the Code, enable bankers to better understand the procedure to be followed for resolution of stressed assets and their roles in an insolvency resolution process and strengthen their capacity to discharge their duties and responsibilities, including commercial decisions with utmost care and diligence, in the best interests of all stakeholders.

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. The details of the qualification will be announced by the Institute in due course.

Revised Continuous Professional Development (CPD) scheme

The Institute has revised the existing Continuous Professional Development (CPD) scheme, effective 15th September 2020. New courses introduced by the Institute have been included, credits for lectures/seminars/webinars attended have been revised. Such candidates who have scored the required credits under the CPD scheme within a year shall now be given the certificate, subject to validation of the documents submitted. Qualifications acquired from IIBF in the last 9 months, commencing from the date of declaration of result up to date of registration under CPD program, are eligible for credits under the revised scheme. For more details, kindly visit www.iibf.org.in.

Collaboration with Chartered Banker Institute.

On 27th June 2017, IIBF had entered into a Mutual Recognition Agreement (MRA) with the Chartered Banker Institute offering a pathway for the Certified Associates of the Indian Institute of Bankers (CAIIB) from India to have their qualifications recognised by the Chartered Banker Institute, and be able to become Chartered Bankers by studying the Chartered Banker Institute's Professionalism, Ethics & Regulation module, and successfully completing a reflective assignment.

Taking forward this MRA, a pathway is now being made available for the Junior Associates of the Indian Institute of Bankers (JAIIB) to also acquire the Chartered Banker Status through the JAIIB Professional Conversion Route.

The date of announcing the programme will be decided in consultation with the Chartered Banker Institute and will be announced shortly.

Functioning by the Institute during lock down period.

The majority of work of the Institute is being handled by the employees working from home to ensure that critical activities are functional. The Institute has invoked its Business Continuity Plans (BCP), nearly 30,000 certificates have been digitally signed and sent, all its publications have been released in digital mode etc.

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.

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.

Bank Quest Themes for upcoming issues

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

- October-December 2020 - Challenges & opportunities due to COVID 19 for credit intermediaries
- January–March 2021: Role of financial sector in supporting Atmanirbhar Bharat initiative of GOI.
- April–June 2021: Infrastructure Financing – New Normal
- July–September 2021: Evolution & future of Monetary & Fiscal Policies – Sub Themes: Regulatory Framework, Monetary Framework, Fiscal Framework
- October–December 2021: International Financial Centres.
- January–March 2022: Effective resolution of stressed assets.

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 2020 to July 2020, instructions/guidelines issued by the regulator(s) and important developments in banking and finance up to 31st December, 2019 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 2020 to January 2021, instructions/guidelines issued by the regulator(s) and important developments in banking and finance up to 30th June, 2020 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.

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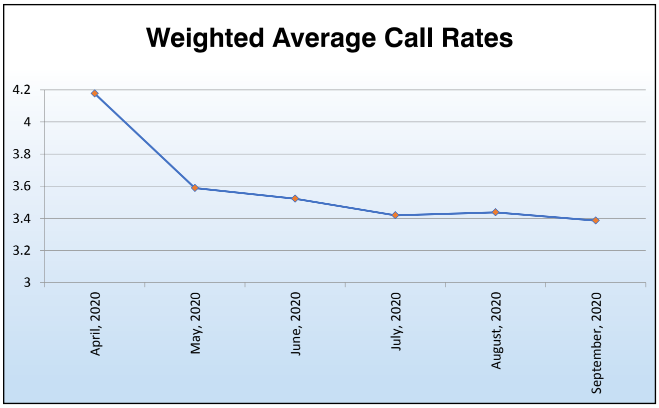
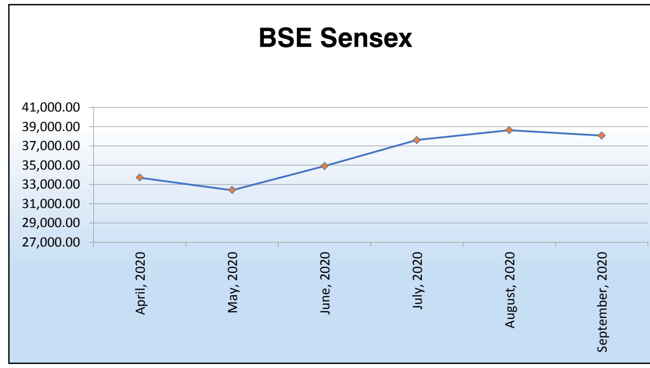
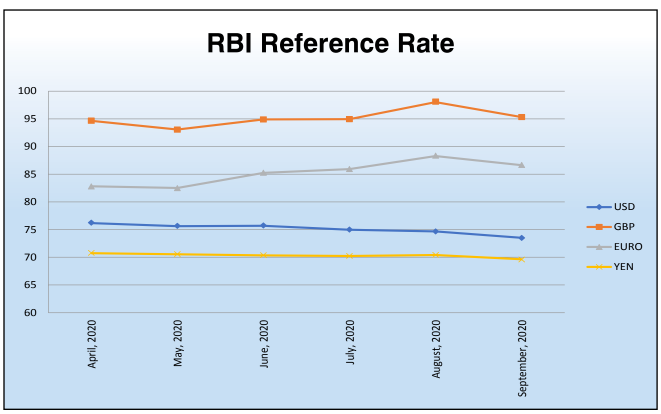
Market Roundup



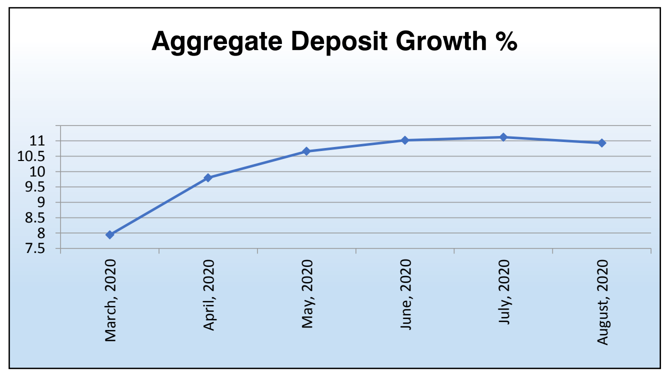
Source: CCIL News Letters September 2020



Source: Bombay Stock Exchange

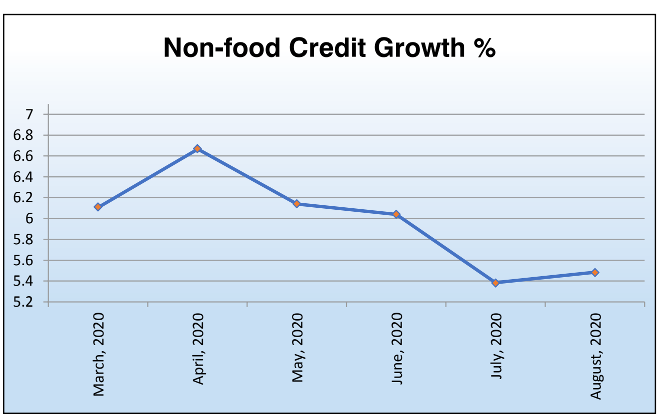


Source: FBIL



Source: Monthly Review of Economy CCIL, September 2020

Printed by Biswa Ketan Das, **Published by** 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** at Indian Institute of Banking & Finance, Kohinoor City, Commercial-II, Tower-I,2nd Floor, Kirol Road, Kurla (W), Mumbai - 400 070.
Editor : Biswa Ketan Das



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