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Committed to professional excellence

IIBF VISION

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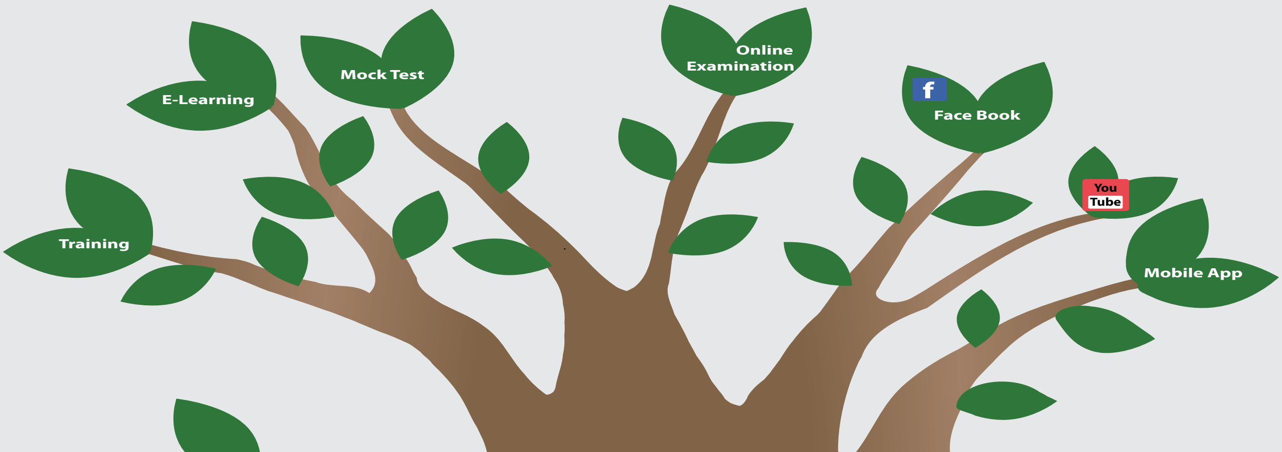
VISION

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

Grievance redressal system for NBFCs to improve with RBI introducing Ombudsman

Grievance redressal systems in NBFCs having higher customer interface, is set to get bolstered with RBI introducing the Internal Ombudsman Scheme (IOS) for such finance companies, on lines similar to IOS for banks and non-banking payment system participants. In addition to their existing redressal systems, the NBFCs will now appoint an ombudsman to examine complaints about deficiencies in service. This move gains increased importance with many NBFCs adopting digital modes to ensure quick delivery of their financial products and services to a wide spectrum of customers.

RBI's fourth sandbox focusses on prevention of financial frauds

The Reserve Bank of India's (RBI's) fourth cohort under the regulatory sandbox structure will be focussing on 'prevention and mitigation of financial frauds'. RBI says, "The focus would be on using technology to reduce the lag between the occurrence and detection of frauds; strengthening the fraud governance structure; and minimising response time to frauds". Further, in an effort to ensure continuous innovation and engagement to match up to the rapidly-evolving fintech scenario, RBI will also facilitate on-tap applications for themes of cohorts earlier closed.

RBI to introduce countrywide framework for retail digital payments in offline mode

The RBI will soon be introducing a new framework for retail digital payments in offline mode, in order to enhance the reach and adoption of digital payments in areas with low internet connectivity. Further, the apex bank has also given another boost to the country's digital payments ecosystem by raising the daily transaction limit for immediate payment service (IMPS), from ₹2 lakh to ₹5 lakh.

Current account opening rules made easy for exposure under ₹5 crore

The RBI has provided relief to small-size firms by relaxing some rules for opening current accounts with the banking system's exposure of less than ₹5 crore. Banks have been asked to take an undertaking from borrowers that they will inform lenders when the credit facilities availed reaches ₹ 5 crore or beyond. As for borrowers with banking system's exposure of ₹5 crore or more, they can maintain current accounts with any one of the banks with which it has CC/OD facility. Such banks must have at least 10% of the exposure of the banking system to that borrower. Other lending banks may open only collection accounts; that too, on condition that funds deposited in such accounts are remitted within two working days of receiving these to the CC/OD account.

NBFCs to get four-tier scale-based regulatory guidelines

In a bid to ensure tight oversight of the system, NBFCs will be strapped with a four-tiered scale-based regulatory approach from October 1, 2022. The layers, starting from the lowest as base layer, will be created as per factors like size, activity, and perceived risk. The top layer may be allowed to be kept empty. Further, from April 1, 2022, a ceiling of ₹1 crore per borrower for financing subscriptions to initial public offerings (IPO) will be made applicable by the RBI. The NBFC sector will be free to fix more conservative limits.

The base layer of the four-tiered framework will have non-deposit-taking NBFCs with assets up to ₹1,000 crore. The middle layer will comprise deposit-taking NBFCs irrespective of asset size; non-deposit-taking firms with assets worth ₹1,000 crore or more; housing finance firms; standalone primary dealers; infrastructure debt fund investment companies; and infrastructure finance companies. The upper layer will include NBFCs that warrant enhanced regulatory requirements based on a set of parameters and scoring methodology. Irrespective of other factors, the top-10 eligible NBFCs as per asset size will always be in the upper layer. Government-owned NBFCs will be placed in the base or middle layer, until further notice.

The regulatory minimum net-owned fund for finance companies acting as microfinance firms and those factoring business will be increased to ₹10 crore. However, for NBFC-P2P, NBFC-AA, and those with no public funds and no customer interface, the NOF shall continue to be ₹2 crore.

Banking Policies

Premature withdrawal from gold scheme allowed for family of deceased depositor: RBI

RBI has given permission for premature withdrawal of deposits under gold monetisation scheme before the lock-in period in the event of demise of the original depositor. In the case of medium-term gold deposit scheme (MTGD) with lock-in period of three years, no interest will be paid if the deposits are withdrawn within six months. For a long-term gold deposit scheme (LTGD) with lock-in period of 5 years and applicable interest rate 2.50 %, no interest would be paid for withdrawal within one year of making the deposit. The MTGD and LTGD deposits run for 5-7 years and 12-15 years recpectively. Therefore, even if deposits are withdrawn after the lock-in period, they would become premature withdrawals.

Regulator Speaks

Quality, depth of audits need to improve: RBI Governor Shaktikanta Das

RBI Governor Mr. Shaktikanta Das has asked auditors to pay closer attention to undesirable practices and structures, including incorrect assumptions in determining provisioning requirement for financial assets, diversion of funds and/or transfer of profits to connected parties. He has also asked them to focus on real transactions getting camouflaged beneath various layers of IT solutions. Speaking at the National Academy of Audit and Accounts (NAAA), Shimla, the Governor stated that "One of the important roles of audits is to check the so-called smart accounting practices followed by the managements to overstate profits or understate expenses / liabilities. Auditors should test the models used by the entities, challenge the management, and validate the model outputs." The Governor opined that a strong and resilient financial sector can only be built when financial sector entities, the audit community, financial sector regulators, and supervisors work together to take proactive steps to ensure good governance and ethical practices. "Adopting technology tools such as computer-assisted audit tools and techniques (CAATTs) through constant upgradation and integration of new technologies will bring in a lot of efficiency in audits. In parallel, it has to be kept in mind that adoption of such technology tools for auditing cannot replace professional judgment," he said, adding that integration of technology tools in audit should be done with a holistic approach. "The profile of tomorrow's auditor will be that of a critical, yet constructive challenger, with a clear focus on public interest and quality audits. There is a need to be even more professional, qualified, impartial, value-driven, ethical and display awareness and foresight."

RBI Dy. Governor to banks: Be ready for fully convertible capital account

RBI Deputy Governor Mr. T Rabi Shankar has stated that with foreign investors getting full access to India's debt market, our banks must be prepared to meet challenges related to full capital account convertibility.

Speaking at his keynote address at the Foreign Exchange Dealers' Association of India (FEDAI) 5th annual day, he said "The rate of change in capital convertibility will only increase. With that comes the responsibility to ensure that such flows are managed effectively with the right combination of capital flow measures, macro-prudential measures and market intervention".

He also said that in the future, the liberalised remittance scheme under which an Indian can send up to $250,000 abroad each financial year, will have to be reviewed. There might also be the need to review whether the limit can remain uniform or can be linked to some economic variable for individuals.

Failure of large NBFCs may prove risky for its lenders: RBI Dy. Governor M Rajeshwar Rao

According to RBI Deputy Governor Mr. M Rajeshwar Rao, the NBFC sector's reputation has suffered a dent in recent times, owing to failure of certain entities due to idiosyncratic factors. Thus, the sector faces an imminent challenge of restoring trust in itself by ensuring that few entities/activities do not generate vulnerabilities which go undetected, create shocks, and cause systemic risk through their interlinkages with the financial system. NBFCs are the largest net borrowers of funds from the financial system, with banks providing a substantial part of funding to NBFCs and HFCs. As on March 31, 2021, the NBFC sector (including HFCs) had assets worth more than ₹54 lakh crore. This makes it behold 25% of the asset size of the banking sector. Over the last five years, NBFC sector assets have grown at cumulative average growth rate of 17.91%.

Microfinance lenders should balance their profits with social objectives

RBI Deputy Governor Mr. M Rajeshwar Rao has advised lenders in the microfinance space to not mimic mainstream finance strategies, as they need to balance social objectives with their lending operations. Speaking at his inaugural address at the Sa-Dhan National Conference, Rao said "Prioritisation of profitability at the expense of social and welfare goals of microfinance may not be an optimal outcome". Recurring criticisms against microfinance lenders include leading borrowers into debt-trap like situations; charging usurious rates of interest (often disproportionate to their funding and operational costs); and deploying harsh recovery methods that cause distress among borrowers. Rao has advised lenders to introspect and address these issues to eradicate these criticisms.

Economic Wrap Up

Performance of some of the key economic indicators, as per the Monthly Economic Report September 2021 from the Department of Economic Affairs and Monetary Policy Statement from RBI are highlighted below:

- Projection for real GDP growth is retained at 9.5% in 2021-22
- The external debt to GDP ratio declined to 20.2% at end-June 2021 from 21.1% at end-March 2021.
- Index of Industrial Production (IIP) witnessed a broad-based YoY growth of 11.5% in July 2021, led by growth in capital goods and consumer durables.
- Consumer price index (CPI) retreated to a four month-low of 5.3% in August 2021.
- Wholesale price inflation (WPI) in August 2021 inched up to 11.4% from 11.2% in July, driven by an uptick in prices of primary articles coupled with rigid prices in the fuel and manufacturing segment.
- G-sec yields remained unchanged at 6.22% as on end September, 2021.
- FPI inflows remained robust at $3 billion in Sep'21
- Bank credit growth stood at 6.7% in Sep'21.

Need to focus on supply-side reforms: RBI

In its State of the Economy report in the October bulletin, the RBI has stated that instead of focusing single-mindedly on normalisation, the need of the hour is to focus on supply-side reforms and easing various bottlenecks and disruptions. Furthermore, policy support for a sustained and inclusive recovery may be needed for a longer period. The apex bank has averred that, going forward, it will continue to support growth, bolstered by the fact that softer-than-expected food prices have eased headline inflation into closer alignment with the target.RBI Deputy Governor Michael Patra has stated that RBI is following a step-wise approach to policy normalisation. This is in keeping with the apex bank's iteration in the report that premature tightening could bring about stagflation.

New Appointments

Name of official	Designation
Mr. Shaktikanta Das	Re-appointed as Governor, RBI

Forex

Foreign Exchange Reserves		
Item	As on October 29, 2021	
	₹ Cr.	US$ Mn.
	1	2
1 Total Reserves	4807657	642019
1.1 Foreign Currency Assets	4331763	578462
1.2 Gold	292141	39012
1.3 SDRs	144553	19304
1.4 Reserve Position in the IMF	39201	5242

Source: Reserve Bank Of India

Benchmark Rates for FCNR(B) Deposits applicable for November 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
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

Fully Accessible Route (FAR)

Certain specified categories of Central Government securities are opened to non-resident investors without any restrictions under a separate route called the Fully Accessible Route. The list of securities eligible for investment are listed by RBI. Further, from FY2020-21, any new G-sec issuances with 5/10/30 year tenors will be eligible securities. However, RBI may add any new tenors or change tenors of new securities from time to time.

Financial Basics

CD Ratio

Credit-Deposit (CD) Ratio indicates how much of the money mobilized by banks as deposits has been deployed as advances. It is calculated as Total Advances/Total Deposits x 100. Low CD ratio denotes poor credit growth and vice versa.

Institute's Training Activities

Training Programmes for the month of November 2021

Programmes	Dates	Location
Program on Balance Sheet Reading & Ratio Analysis	11th - 12th November 2021	Virtual
FEMA Regulations & Compliances in Export, Import & Current A/c Transactions	11th - 12th November 2021	
Resolution of Stressed Assets through Insolvency & Bankruptcy Code 2016	15th - 16th November 2021	
Certified Treasury Professional	16th - 18th November 2021	
Know Your Customer, Anti-Money Laundering & Combating Financing of Terrorism	22nd - 23rd November 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.

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:

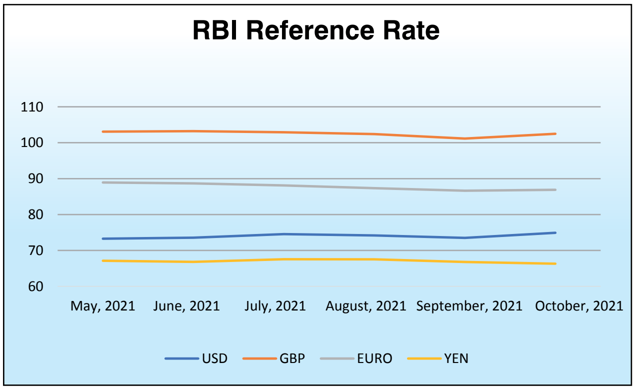
(i) In respect of the exams to be conducted by the Institute for the period from February 2021 to July 2021, instructions/ guidelines issued by the regulator(s) and important developments in banking and finance up to 31st December 2020 will only be considered for the purpose of inclusion in the question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

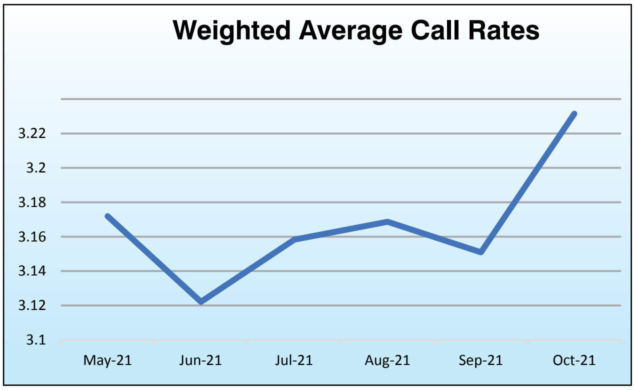
Green Initiative

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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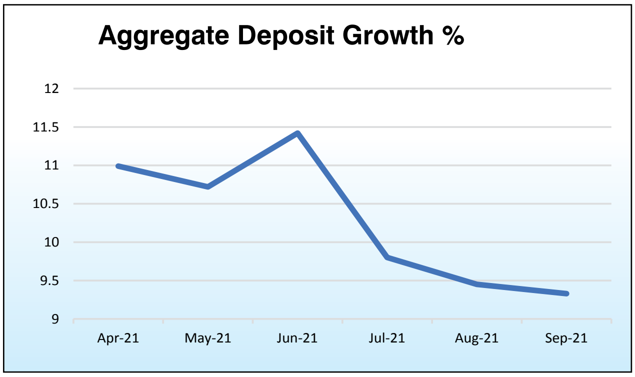
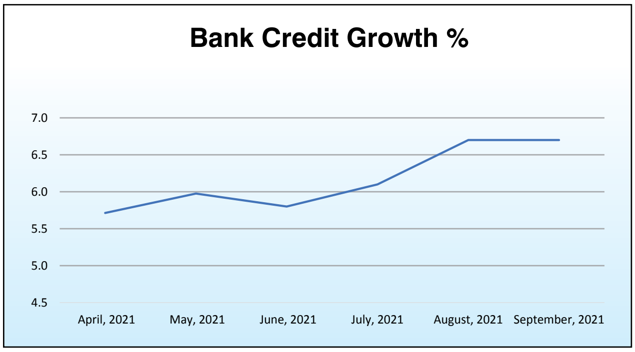
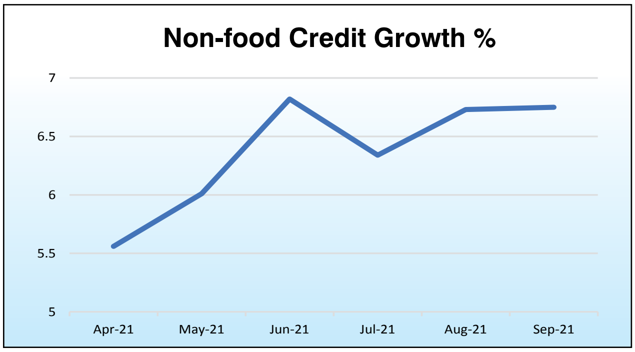


Source: Monthly Review of Economy, CCIL, October, 2021



Source: Reserve Bank of India



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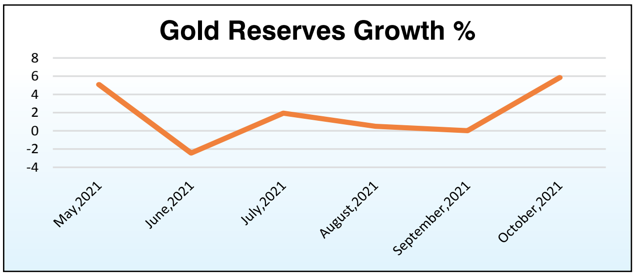

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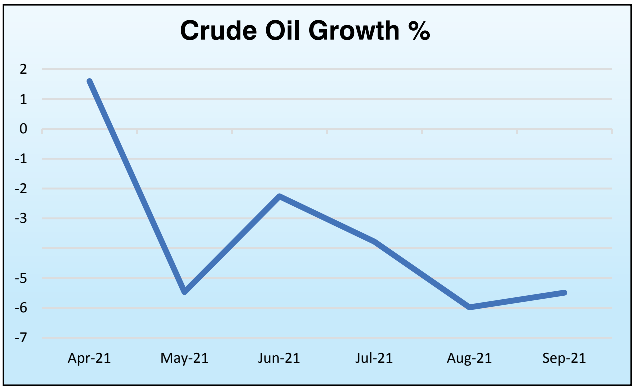
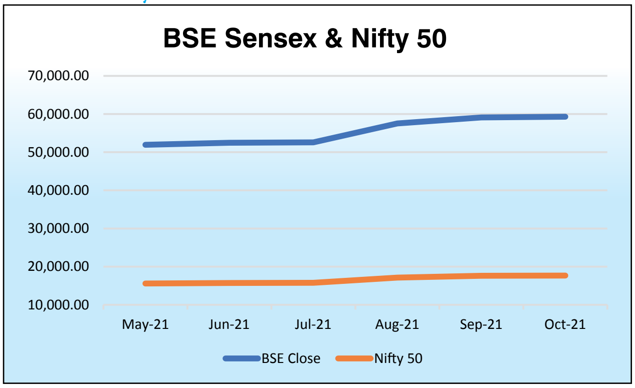


Source: Ministry of Petroleum & Gas



Source: BSE & NSE

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