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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

Securitisation of standard assets; specifies a variety of MRRs: RBI

The Reserve Bank of India (RBI) has issued the Master Direction on Securitisation of Standard Assets, applicable to all scheduled commercial banks (SCBs), excluding RRBs, all-India term financial institutions, small finance banks, and NBFCs.

The Master Direction lays down specific Minimum Retention Requirement (MRR) for various asset classes. MRR for underlying loans with original maturity of 24 months or less, will be 5% of the book value of the loans being securitised. In cases where the original maturity is more than 24 months, as well as in case of loans with bullet repayments, the MRR shall be 10% of the book value of the loans being securitised. As for residential mortgage-backed securities, the MRR will be 5% of the book value of the loans being securitised. The original maturity will not matter in this respect.

The minimum ticket size for issuance of securitisation notes shall be ₹1 crore.

RBI to banks: Can sell 'fraud loans' to ARCs

On the heel of banks reporting frauds totalling ₹3.95-lakh crore between FY19 and FY21, the RBI has permitted banks to transfer the loan exposures classified as 'fraud', to Asset Reconstruction Companies (ARCs).

Banks can transfer stressed loans that have been in default for more than 60 days or have been classified as non-performing assets (NPA); including loan exposures classified as fraud as on the date of transfer. However, the apex bank has made it clear that such transfers do not absolve the transferor (banks) from rectifying the staff accountability in accordance with the extant instructions on frauds.

Furthermore, when stressed loans, above ₹100 crore negotiated bilaterally between lenders and permitted acquirers (including ARCs) are transferred, the transaction must necessarily be followed by an auction through the Swiss Challenge method, under which the price negotiated bilaterally for the sale of a stressed asset becomes the floor price for inviting counter-proposals from other buyers.

Under RBI's new guidelines, the loans can be transferred in adherence to a certain minimum holding period (MHP). In case of loans with tenor up to 2 years, the MHP will be three months; whereas, for loans with tenor of more than 2 years, the MHP will be six months. For loans where the security does not exist or cannot be registered, the MHP will be calculated from the date of first repayment of the loan.

Banking Policies

RBI tweaks guidelines for card-tokenisation services

In an attempt to enhance the current framework on card-tokenisation services, the RBI has extended device-based tokenisation framework to Card-on-File Tokenisation (CoFT) services. The device-based framework was advised through circulars of January 2019 and August 2021. Further, RBI has also permitted card issuers to offer card tokenisation services as Token Service Providers (TSPs), but only for the cards issued by them or affiliated to them. The same TSP will behold the ability to tokenise and de-tokenise card data.

Apart from improving customer data security, the CoFT will also offer customers the same degree of convenience that they enjoy at present.

Banking Developments

Banks can use any other ARR instead of just LIBOR: RBI

Banks authorised to deal in foreign exchange have been permitted by the RBI to use any other alternative reference rate (ARR) in place of the London Interbank Offered Rate (LIBOR) for interest payable in export/import transactions. Following this widening of scope, banks will be able to extend export credit in foreign currency using any other widely accepted ARR in the currency concerned, instead of relying only on LIBOR.

Regulator Speaks

Covid-induced inequality must be repaired for sustainable growth: RBI Governor

RBI Governor Mr Shaktikanta Das has stated that while India's financial system is maturing and economic growth is getting back on its feet, the asymmetric effect wreaked on the population by the pandemic must be bridged for sustainable, and inclusive growth.

The Governor has lauded the government's Production Linked Incentive (PLI) scheme for manufacturing, which has enabled India to host most leading global mobile phone manufacturers, thus turning to an exporter of mobile phones instead of an importer. However, he opines that the sectors and companies benefitting from this scheme must utilise this opportunity to further improve their efficiency and competitiveness, so as to make the gains long-standing and durable instead of one-off.

Shedding light on the rising inequality induced by the pandemic, he has stated that the pandemic has had a major adverse impact on contact-intensive service sectors, comprising a large number of informal, low-skilled and low-wage workers. Add to that, lack of healthcare access has disproportionately affected the family budget of the poor, in several emerging and developing economies.

He cautions that while greater automation will lead to overall productivity gain, on the flipside, it will also lead to a slack in the labour market. Thus, significant skilling and training of the workforce is the need of the hour. Demand for skilled workforce in science, technology, engineering and mathematics (STEM) is rising rapidly. Traditional education will not be enough to fulfil this demand. Hence, corporate houses will need to come on board to help design and implement courses suitable to the changing industrial landscape.

The Governor has called for a "big push" to invest in healthcare, education, innovation, physical and digital infrastructure, in order to achieve these aims.

Newly-launched Account Aggregator system can transform India's credit landscape and digital economy

Just as the payments ecosystem got transformed by the Unified Payments Interface (UPI), similarly the newly-launched Account Aggregators (AA) system is hoped to revamp the access and processing of credit in the country. According to Mr. M Rajeshwar Rao, Deputy Governor, RBI, the AA system will strengthen our lending ecosystem, in turn making India data-rich and boosting the digital economy. Mr. Rao opines that the desired objectives will be attained when a large number of customers and information providers are on-boarded. "It is important that Financial Information Providers (FIPs) and Financial Information Users (FIUs) tap into the vast potential of this innovative platform. The systems will function optimally only when a variety of customer accounts are maintained across different financial entities, cutting across financial sector regulators" he said, speaking on the topic.

Presently, eight Indian banks have joined the AA ecosystem as FIPs. Of these, four have gone live, while the others are in the process of doing so. The GSTN network has also given in-principle approval to become a FIP on this network.

CBDC can boost innovation, mitigate challenges: RBI Deputy Governor

Mr. T Rabi Sankar, Deputy Governor, RBI avers that a regulator's task becomes complex when a financial service widens its scope to include non-financial firms, as part of a constant reconfiguration of the financial value chain. The sheer diversity in the functions performed by fintech firms providing digital financial services, makes it inevitable to widen the regulatory perimeter. Add to that, frictions in the process of a non-financial firm getting used to financial regulations, makes the process even more challenging.

Mr. Rabi Sankar opines that the social benefits of a new technology or its impact on customer need to be well understood by all stakeholders – regulators, existing financial firms, and innovating fintech entities. On that backdrop, a Central Bank Digital Currency (CBDC) can boost innovation in cross-border payments. It can help make these transactions instantaneous and can overcome key challenges vis-à-vis time zones and exchange rate differences. However, these differences can be solved through platform-based solutions.

Economic Wrap Up

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

- Eight core industries index for July 21 rose by 9.4%
- G-sec yields stabilised at 6.22% at end-August'21
- Bank credit growth ascended to 6.55% in Aug'21
- CPI-Combined Inflation retreated to 5.59% in July 21 while the WPI inflation moderated to 11.16% in July 21.

India's external debt rose by USD1.6 bn from March; stood at USD 571.3 bn on June-end: RBI

India's external debt rose by USD 1.6 billion from March 2021 to reach USD 571.3 billion at the end of June. However, the external debt to GDP ratio declined to 20.2% at June-end 2021 from 21.1% as on March 31. Valuation gains due to the appreciation of the US dollar vis-à-vis the Indian rupee, stood at USD 1.7 billion. Commercial borrowings occupied the largest share (37.4%) of external debt, followed by non-resident deposits (24.8%) and short-term trade credit (17.4%). As on June 30, long-term debt (with original maturity of above one year) stood at USD 468.8 billion, thus increasing by USD 0.2 billion over its level at March-end. The share of short-term debt in total external debt rose marginally to 17.9% as on June 30 from 17.7% at end-March. However, the ratio of short-term debt (original maturity) to forex reserves declined to 16.8% from 17.5% at end-March 2021. The US dollar denominated debt remained the largest component of India's external debt, with a share of 52.4% at end-June, followed by the Indian rupee (33.2%), yen (5.8%), SDR (4.4%) and the euro (3.4%).

India's current account balance notifies a surplus: RBI

India's current account balance recorded a surplus of USD 6.5 billion aka 0.9% of the GDP in the quarter ended June. This surplus was primarily a result of contraction in trade deficit and increase in services receipts. Private transfer receipts, mainly representing remittances by Indians employed overseas, amounted to USD 20.9 billion. This amount shows an increase of 14.8% from their level a year ago. In the financial account, net Foreign Direct Investment (FDI) recorded an inflow of USD 11.9 billion as against an outflow of USD 0.5 billion in Q1:2020-21.

New Appointments

Name of official	Designation
Ms. Harsha Bhupendra Bangari	Managing Director, EXIM Bank

Forex

Foreign Exchange Reserves		
Item	As on September 24, 2021	
	₹ Cr.	US$ Mn.
	1	2
1 Total Reserves	4709016	638646
1.1 Foreign Currency Assets	4252509	576731
1.2 Gold	275988	37430
1.3 SDRs	142889	19379
1.4 Reserve Position in the IMF	37630	5106

Source: Reserve Bank Of India

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

Base Rates for FCNR(B) Deposits					
Currency	1 Year	2 Years	3 Years	4 Years	5 Years
USD	0.18900	0.40300	0.67600	0.91200	1.08800
GBP	0.39160	0.7407	0.8444	0.9274	0.9849
EUR	-0.49000	-0.420	-0.340	-0.260	-0.190
JPY	0.01130	0.028	0.034	0.039	0.046
CAD	0.51000	0.96800	1.235	1.432	1.562
AUD	0.09750	0.313	0.553	0.826	1.028
CHF	-0.64750	-0.573	-0.470	-0.368	-0.270
DKK	-0.13470	-0.0965	-0.0280	0.0435	0.1175
NZD	1.12250	1.443	1.650	1.788	1.893
SEK	0.02600	0.122	0.249	0.374	0.497
SGD	0.29800	0.560	0.890	1.145	1.310
HKD	0.26000	0.450	0.720	0.935	1.115
MYR	1.98500	2.220	2.470	2.660	2.790

Source: www.fedai.org.in

Glossary

Swiss Challenge Method

The Swiss Challenge Method is a method where any person with credentials can submit a development proposal to the government. That proposal will be made online and a second person can give suggestions to improve and beat that proposal. This method can be applied not only to projects that are taken up on a Public-Private Partnership (PPP) basis but also used to supplement PPP in sectors that are not covered under the PPP framework.

Financial Basics

Theta

Theta measures the rate of time decay in the value of an option or its premium. As time passes, the chance of an option being profitable or in-the-money lessens. Theta is always negative for a single option since time moves in the same direction. As soon as an option is purchased by a trader, the clock starts ticking, and the value of the option immediately begins to diminish until it expires, worthless, at the predefined expiration date.

Institute's Training Activities

Training Programmes for the month of October 2021

Programmes	Dates	Location
Risk in Financial Services	11th – 13th October 2021	Virtual
Governance, Challenges & Way Forward for UCBs	20th – 21st October 2021	
Anti Money Laundering (AML) & Know Your Customer (KYC)	20th – 21st October 2021	
Lending to MSMEs & Restructuring of MSME Advances	20th – 22nd October 2021	
International Trade Finance	25th – 26th October 2021	
Ethical Practices & Good Governance – Importance & Awareness; POSH	29th – 30th October 2021	

News from the Institute

Revised CAIIB elective subjects from 2021 examinations

The number of CAIIB elective subjects being offered by the Institute has been rationalised from 11 subjects to 6 subjects. For the examinations conducted from 2021 onwards, only 6 electives will be offered. Retail Banking shall also include the Digital Banking courseware. Candidates, who have already chosen any one of the discontinued 5 electives, will have to choose any one of the 6 elective subjects. 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.

Collaboration with 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 last date for applying for the course is **October 15, 2021**. For more details, please visit our website www.iibf.org.in.

Collaboration with XLRI, Jamshedpur

The Institute has entered into a collaboration with XLRI, Jamshedpur for conducting a "Leadership Development Program for Bank/FIs". The 2nd batch of the program is scheduled to start from Oct 17, 2021. 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 has introduced a gold level aspirational qualification which will epitomize the pinnacle in learning and knowledge. This qualification, 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 July – September, 2021: Evolution & future of Monetary & Fiscal Policies – Sub Themes: Regulatory Framework, Monetary Framework, Fiscal Framework.

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:

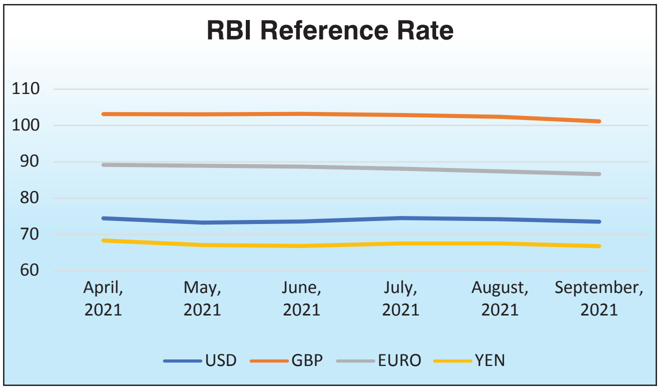
(i) In respect of the exams to be conducted by the Institute for the period from February 2021 to July 2021, instructions/ guidelines issued by the regulator(s) and important developments in banking and finance up to 31st December 2020 will only be considered for the purpose of inclusion in the question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

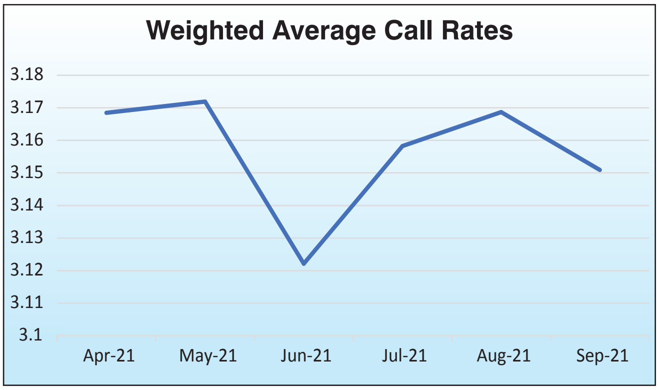
Green Initiative

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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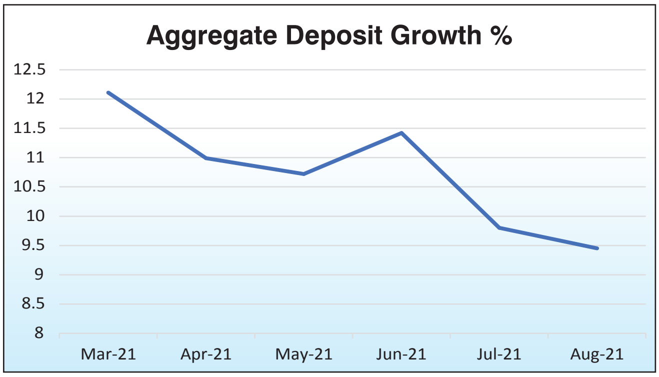
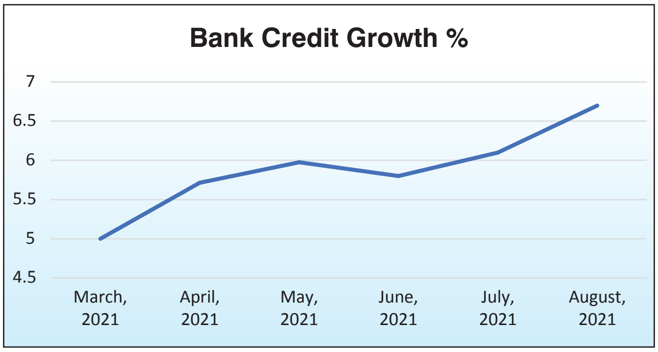
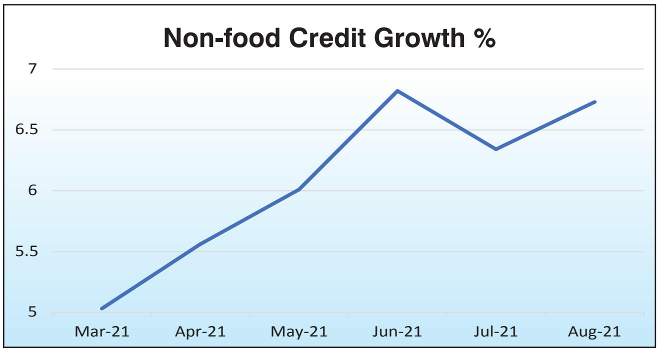


Source: Monthly Review of Economy, CCIL, September, 2021



Source: Reserve Bank of India



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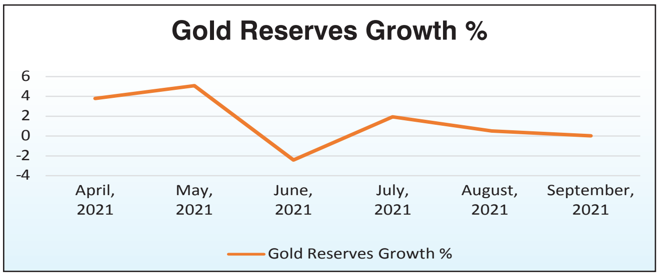
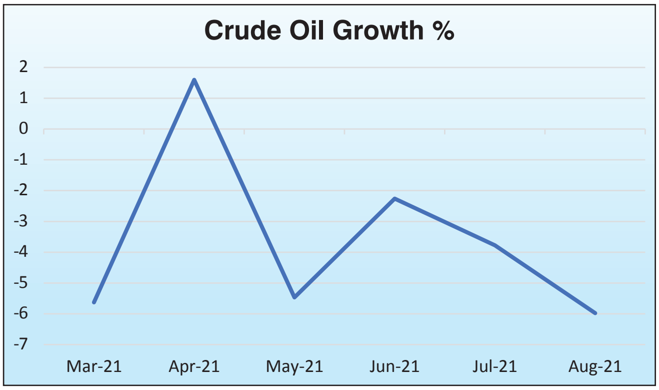
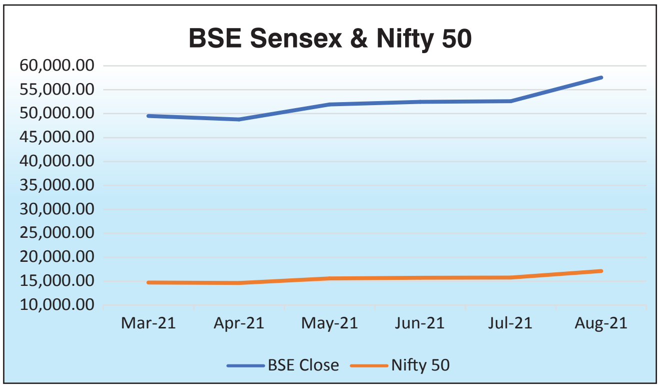


Source: Reserve Bank of India



Source: Ministry of Petroleum & Gas



Source: BSE & NSE

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