



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.



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TOP STORIES**Monetary Policy Highlights (6-8 December 2023)**

Key highlights from Reserve Bank of India's (RBI's) Monetary Policy Committee meeting, held from December 6-8, 2023, are as follows:

- Repo rate unchanged at 6.5%.
- Standing Deposit Facility (SDF) rate stays at 6.25%; Marginal Standing Facility (MSF) rate and bank rate kept at 6.75%.
- GDP growth projection for current fiscal hiked to 7%, from earlier 6.5%.
- Average retail inflation projection retained at 5.4% for FY24.
- As compared to its emerging market peers, the Rupee remained less volatile and more stable in 2023, thus, reflecting improving macroeconomic fundamentals and resilience against formidable global upheavals.
- RBI will soon issue a unified regulatory framework on connected lending for all its Regulated Entities (REs).
- From December 30, 2023 onwards, RBI has allowed reversal of liquidity facilities under SDF and MSF even during weekends and holidays.

RBI released the 'Report on Trends and Progress of Banking' in India 2022-23. The key highlights are as follows:

- The consolidated balance sheet of SCBs (excluding RRBs) grew by 12.2 per cent in 2022-23, the highest in nine years. The main driver of this growth on the asset side was bank credit, which recorded its fastest pace of expansion in more than a decade.
- In 2022-23, international liabilities of Indian banks expanded in double digits on the back of 28.5 per cent y-o-y growth in the Foreign Currency Non-Resident (Bank) (FCNR(B)) deposits.
- During 2022-23, SCBs strengthened their capital buffers, improved asset quality and maintained sufficient liquid assets.
- The amount of NPAs decreased for all bank groups, except SFBs during 2022-23.
- Issuances of green bonds grew exponentially, especially in Advanced Economies (AEs), while Emerging Market and Developing Economy (EMDEs) lag behind.

RBI issues new rules on inoperative, unclaimed savings accounts, FD, deposits

The Reserve Bank of India (RBI) has issued comprehensive guidelines on the measures to be implemented by the banks covering various aspects of how to classify deposits and accounts as unclaimed deposits and inoperative accounts respectively, periodic review of such deposits and accounts, fraud prevention measures to be taken for tracing the customers of unclaimed deposits and inoperative accounts, including their nominees/legal heirs for account reactivation, settlement of claims or closure to be followed. According to the new guidelines, only customer induced transactions, and not bank induced transactions, shall be considered for the purpose of classifying an account as 'inoperative'. Banks are required to conduct an annual examination of accounts if there haven't been any customer-initiated transactions for more than a year. If an account is deemed inoperative, the banks are not allowed to impose penalties for failing to maintain the required minimum amounts. Activating inactive accounts will not incur any fees. The revised instructions shall come into effect from April 1, 2024.

200 countries join hands at COP 28 Dubai to fight climate challenges

The representatives from almost 200 countries converged at the COP 28 meeting in Dubai, wherein they struck a new climate deal. This deal has called upon them to transition away from fossil fuels, and, has operationalised a loss-and-damage fund to help developing nations recover from climate disasters. Tripling global renewable energy capacity, and, doubling the current annual rate of energy efficiency improvements by 2030, are two measures agreed upon by the participating nations.

Banking Policies

RBI's Master Direction on Internal Ombudsman mechanism seeks to regularise, harmonise

RBI issued Master Directions to bring in uniformity in matters like timeline for escalating complaints to the IO, exclusions from escalating complaints to the IO, temporary absence of the IO, minimum qualifications for appointing the IO, updation of reporting formats, and, introduction of the post of Deputy Internal Ombudsman. The directions apply to banks and NBFCs including deposit-taking NBFCs (NBFCs-D) with 10 or more branches, and non-deposit taking NBFCs (NBFCs-ND) with asset size of Rs. 5,000 crore and above.

RBI restricts evergreening of loans

In a bid to address the concerns arising out of evergreening of loans, RBI has restricted lenders from investing in the schemes of any Alternative Investment Fund (AIF) that has invested in a borrower or investee of that lender. RBI's mandate applies to all commercial banks, cooperative banks, non-bank lenders, and All-India Financial Institutions. Lenders that have invested in AIF schemes coming under this purview have been asked to liquidate their investments within 30 days. In case lenders are not able to liquidate their investments within the prescribed time limit, they shall make 100% provision on such investments.

Banks, NBFCs get more time to implement norms on penal charges in loan accounts

In August 2023, RBI issued a circular on 'Fair Lending Practice - Penal Charges in Loan Accounts,' whose norms were to be implemented from January 1, 2024. Some Regulated Entities (REs) sought some additional time to reconfigure their internal systems and operationalize the circular, the apex bank has given them a three-month extension till April 1, 2024 to implement these modified norms. In the case of existing loans, the switchover to new penal charges regime will be ensured on the next review/renewal date falling on or after April 1, 2024, but not later than June 30, 2024.

PIDF scheme: Operational time-period increased, scope widened

The RBI's Payments Infrastructure Development Fund (PIDF) Scheme, which was operationalised in January 2021 for three years, has now been extended for two more years till December 2025. The scheme was launched to encourage deployment of payment acceptance infrastructure such as physical Point of Sale (PoS) terminals and Quick Response (QR) codes, in tier-3 to tier-6 centres, North Eastern states and Union Territories of Jammu & Kashmir and Ladakh. Apart from extending the time-period, the apex bank has also widened the scope to provide subsidy by including sound box instruments and Aadhaar-enabled biometric devices. To boost the number of beneficiaries, persons eligible under the PM Vishwakarma Scheme in all centres have been included as merchants under the PIDF scheme.

RBI enhances bulk deposit limit for large UCBs to ₹1 cr and above

The Reserve Bank of India (RBI) has decided to enhance the bulk deposit limit for large Urban Co-operative Banks (UCBs) to ₹1 crore and above from the current ₹15 lakhs and above. This will be applicable to UCBs in the Tier 3 (those having deposits more than Rs. 1000 crore and upto Rs. 10,000 crore) and Tier 4 (those having deposits more than Rs. 10,000 crore).

RBI revises criteria for Financial Benchmark Administrators (FBAs)

The Reserve Bank of India (Financial Benchmark Administrators) Directions, 2023 have been reviewed to establish a holistic risk-based framework covering all Financial Benchmark Administrators (FBAs). Accordingly, no FBA shall administer a benchmark under the scope of these Directions without obtaining the RBI's authorization. If the RBI notifies a 'non-significant benchmark' as a significant benchmark, the FBA administering the 'non-significant benchmark' shall make an application seeking authorization to continue to administer the benchmark as a 'significant benchmark' under these Directions within three months from the date of notification. The authorization granted to an FBA shall be for administration of specific benchmark(s) and shall indicate the specific benchmark(s) for which the authorisation has been granted. Such authorisation will be non-transferable.

Foreign Exchange Management (Manner of Receipt and Payment) Regulations tweaked to specify how to make and receive payment

RBI has introduced the Foreign Exchange Management (Manner of Receipt and Payment) Regulations, 2023, to replace the existing Foreign Exchange Management (Manner of Receipt and Payment) Regulations, 2016. As per the new regulations, no person in India can make payment or receive payment from a person resident outside India, unless permitted by RBI or allowed by the Act, Rules, or Directions under the FEMA. All the receipts and payments between a person resident in India and a person resident outside India shall be made through an Authorised Bank or Authorised Person. These include: (a) Trade Transactions & (b) Transactions other than Trade Transactions.

Banking Developments

RBI opens up lending and borrowing of G-Secs to widen the market

RBI has opened up lending and borrowing of Government Securities (G-Secs) to add depth and liquidity to the G-Secs market. All G-Secs issued by the Central Government (except for Treasury Bills) will be eligible for lending/borrowing under a Government Security Lending (GSL) transaction. GSL transactions may be contracted using any mutually agreed trading process/platform, including but not limited to, bilateral or multilateral, quote driven or order driven process, anonymous or otherwise. The minimum tenor of a GSL transaction will be one day and the maximum tenor shall be the maximum period prescribed to cover short sales. All GSL transactions will settle on a Delivery versus Delivery basis.

Digital payments aspect in 'value and volume terms' inserted in D-SIB designation methodology

The methodology for designating a bank as a Domestic Systemically Important Bank (D-SIB) has been revised by RBI to incorporate digital payments (value, as well as, volumes) under the substitutability indicator in the assessment. Accordingly, the data requirement stands revised from 'Payments made in INR using RTGS and NEFT systems' to the total value of Digital Payments made in Rupees (75% weightage) and total volume of Digital Payments made in Rupees (25% weightage), wherein digital payments will include all payments other than paper-based instruments.

Card-issuing banks, other institutions permitted to issue CoFT for customer convenience

RBI has now allowed card-issuing banks and other institutions to enable their cardholders to get tokens created and linked to their existing accounts with various e-commerce applications, to accord them more convenience.

This change shall provide cardholders with an additional choice to tokenise their cards for multiple merchant sites through a single process. CoF tokens can be generated through the card issuer using mobile banking and internet banking channels. Card issuer must provide a complete list of merchants for whom it can provide tokenisation services.

RBI has mandated that CoFT generation should be done only on explicit customer consent, and with Additional Factor of Authentication (AFA) validation.

RBI expands ambit of NSFR framework; includes EXIM bank and NaBFID

On the backdrop of a recent review, along with NABARD, NHB and SIDBI, now EXIM Bank and National Bank for Financing Infrastructure and Development (NaBFID) have also been identified as NDBs for Net Stable Funding Ratio (NSFR) computation. On another note, unencumbered loans to NDBs with a residual maturity of one year or more that would qualify for a 35% or lower risk weight under the Standardised Approach for credit risk shall be assigned a Required Stable Funding (RSF) factor of 65% (as against 100% currently).

Economic Wrap Up

Key highlights of the Half-yearly Economic Review, 2023-24 released by the Department of Economic Affairs:

- The real GDP grew by a healthy 7.7 per cent in H1 of FY24, following a 7.6 per cent growth in Q2.
- The Centre's capex grew by 33.7 per cent in April-October FY24 over the corresponding period last year.
- The Index of Industrial Production (IIP) has also grown by 6.1 per cent in H1 of FY24.

- During H1 of FY24, merchandise exports contracted by 8.8 per cent.
- India's services exports continued to perform well during H1 of FY24, growing positively over H1 of FY23. The growth is primarily driven by software and business services.
- Gross FDI inflows to India were 15.9 per cent lower on a YoY basis in H1 of FY24.
- The net tax revenue of the Government in Apr-Oct 2023 rose by 11.2 per cent year-on-year to reach ₹13 lakh crore.
- The Foreign Direct Investment (FDI) inflow into India net of repatriation has declined in H1 in line with the global pattern of FDI flows.
- Formal sector employment showed robust growth, indicated by a steep rise in the subscription base of the Employees Provident Fund Organisation (EPFO).

Forex

Foreign Exchange Reserves			Trends in Forex Reserve(US\$ Mn) last 6 months
Item	As on December 22, 2023		
	₹ Cr.	US\$ Mn.	
	1	2	
1 Total Reserves	5158895	620441	
1.1 Foreign Currency Assets	4571034	549747	
1.2 Gold	394739	47474	
1.3 SDRs	152383	18327	
1.4 Reserve Position in the IMF	40739	4894	

Source: Reserve Bank of India

BASE RATES OF ALTERNATIVE REFERENCE RATES (ARRs) FOR FCNR (B) DEPOSITS AS ON DECEMBER 29, 2023 - APPLICABLE FOR THE MONTH OF JANUARY 2024

Currency	Rates
USD	5.39
GBP	5.1863
EUR	3.90
JPY	-0.013
CAD	5.0300

Currency	Rates
AUD	4.35
CHF	1.701535
NZD	5.50
SEK	3.897
SGD	3.4443

Currency	Rates
HKD	3.96772
MYR	3.00
DKK	3.5150

Source: www.fbil.org.in

Glossary

Evergreening of loans

Evergreening refers to the unhealthy practice of masking the true extent of bad loans by allowing delinquent borrowers to take more loans to repay existing ones. Since evergreening of loans conceals credit stress, it delays in recognition of the stress assets of REs and therefore its on-time resolution.

Financial Basics

Cost Inflation Index

The Cost Inflation Index (CII) is used to estimate the increase in the prices of goods and assets year-by-year due

to inflation. The cost of capital investments is adjusted through indexation to account for the impact of inflation. The formula for computing the indexation cost is (Index for the year of sale/ Index in the year of acquisition) x cost of acquisition.

Institute's Training Activities

Training Programmes for the month of January 2024

Programmes	Dates	Location
Programme on Credit Monitoring and Recovery	9 th - 11 th January 2024	Virtual
Programme on IT & Cyber Security	10 th - 11 th January 2024	
Post Examination Virtual Mode Training for Certificate in Risk in Financial Services	10 th - 12 th January 2024	

News from the Institute

Webinar on “Climate Finance Strategies and Disclosures for Banks & FIs”

Institute is organising a webinar in the form of a Panel Discussion on a thought-provoking and contemporary topic of “Climate Finance Strategies and Disclosures for Banks & FIs”. The webinar is scheduled on 18th January, 2024 from 3:00 pm to 4:15 pm. The distinguished speakers for the webinar will be: Mr. Rajesh Miglani, Senior Climate Business Specialist, IFC, World Bank Group, Mr. Alok Kumar Choudhary, Managing Director, State Bank of India.

The webinar is aimed at providing valuable insights on the important areas of climate risk mitigation and disclosures for Banks and FIs.

13th R. K. Talwar Memorial Lecture

The 13th R. K. Talwar Memorial Lecture, organised in association with the State Bank of India, will be held on 16th February 2024 at SBI Auditorium, Nariman Point, Mumbai. The lecture will be delivered by **Dr. V. Anantha Nageswaran**, Chief Economic Adviser, Government of India.

3rd edition of Inter Bank Quiz Contest- Banking Chanakya

The 3rd edition of the Inter Bank Quiz Contest -Banking Chanakya 2023 successfully commenced from 25th September 2023. The first phase of the event comprising the online preliminary and quarter-finals have been successfully completed during the month of September- October'23. The Zonal semi-finals are in progress. The National finale is scheduled to be held on January 20, 2024 at Corporate Office, Mumbai which will be played between the Zonal Champions. Please visit our website- <https://www.iibfbankingchanakya.com/> for further updates on the same.

IIBF-IFC jointly introduce a Certificate course on Climate Risk and Sustainable Finance

The Institute entered into an agreement with International Financial Corporation (IFC) for providing a certification course on Climate Risk and Sustainable Finance. The course is divided into two parts- Basic and Advanced. The Basic course was launched on 23rd May 2023 at St. Regis Hall, Mumbai. The Advanced course is to be launched shortly. The course is in the form of self-paced e-learning, comprising 4-6 hours of learning followed by an assessment. On successful completion, a joint certificate will be issued by IIBF and IFC. The Advanced course will be launched shortly.

IIBF invites proposals under Macro Research 2023-24

The Institute encourages empirical research in which, the researchers can test their hypothesis through data (primary/secondary) from which, lessons can be drawn for the industry (banking & finance) as a whole. In this regard, the Institute invites Macro Research Proposals for the year 2023-24. The last date for receipt of applications is 28th February 2024. For more details visit www.iibf.org.in

IIBF invites papers under Micro Research 2023-24

The Institute invites applications for Micro Research 2023-24. ‘Micro Research’ is a sort of an essay competition for members of the Institute (bankers) to present their original ideas, thoughts and best practices on areas of their interest. The competition is open to life members of IIBF, who are presently working in banks and financial institutions. The last date for receipt of applications is 28th February 2024. For more details visit www.iibf.org.in

IIBF invites applications for Diamond Jubilee and CH Bhabha Banking Overseas Research Fellowship (DJCHBBORF) for the year 2023-24

The Indian Institute of Banking & Finance (IIBF) invites applications under Diamond Jubilee and CH Bhabha Banking Overseas Research Fellowship (DJCHBBORF) Scheme. The objective of the fellowship is to provide the successful candidate an opportunity to undertake a research study on the latest developments in the field of banking and finance in India or abroad. The last date for receipt of applications is 31st January 2024. For more details, visit www.iibf.org.in

Bank Quest Theme for upcoming issue

The theme for the upcoming issue of Bank Quest for the quarter January – March, 2024 is “Leveraging technology for effective credit appraisal”.

Cut-off date of guidelines /important developments for examinations

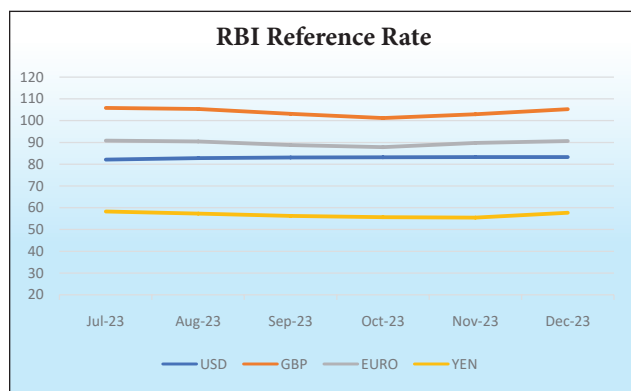
The Institute has a practice of asking questions in each exam about the recent developments / guidelines issued by the regulator(s) in order to test if the candidates keep themselves abreast of the current developments. However, there could be changes in the developments / guidelines from the date the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

- 1) In respect of the exams to be conducted by the Institute for the period from September 2023 to February 2024, instructions/guidelines issued by the regulator(s) and important developments in banking and finance up to 30th June 2023 will only be considered for the purpose of inclusion in the question papers.
- 2) In respect of the exams to be conducted by the Institute for the period from March 2024 to August 2024, instructions/guidelines issued by the regulator(s) and important developments in banking and finance up to 31st December 2023 will only be considered for the purpose of inclusion in the question papers.

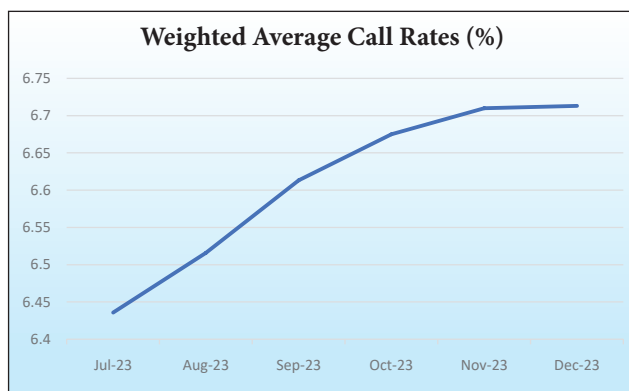
Green Initiative

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

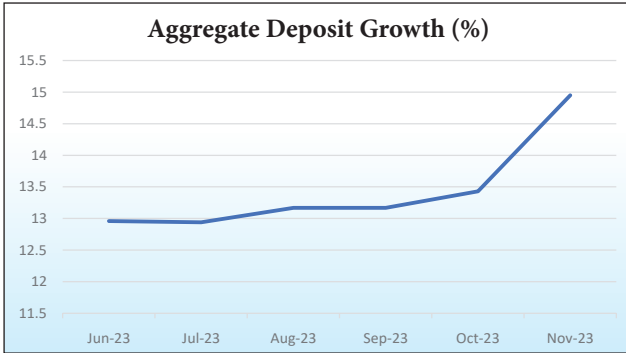


Source: FBIL

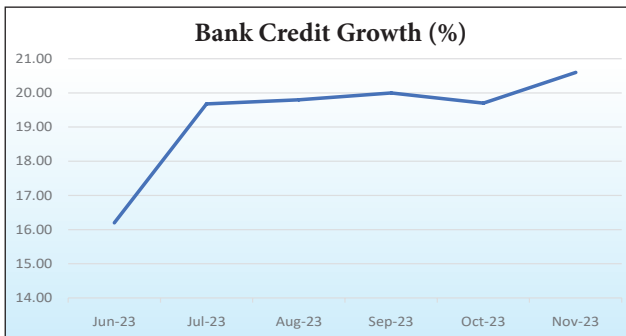


Source: Weekly Newsletter of CCIL

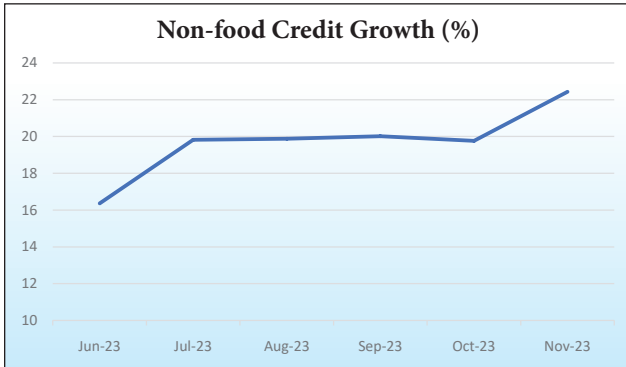
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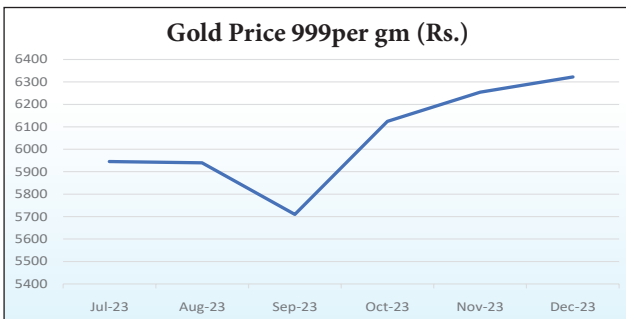
Source: Monthly Review of Economy, CCIL, December 2023



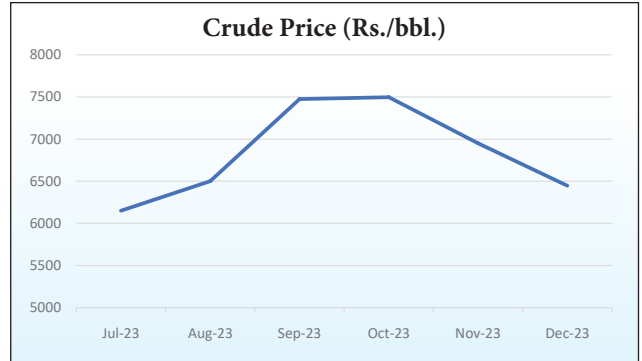
Source: Reserve Bank of India



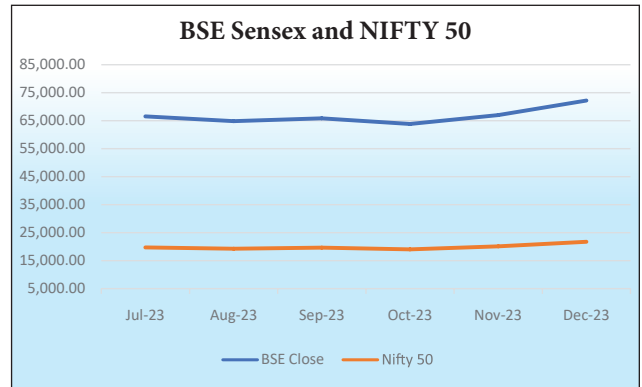
Source: Monthly Review of Economy, CCIL, December 2023



Source: Gold Price India



Source: PPAC, Ministry of Petroleum and Natural Gas



Source: BSE & NSE

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