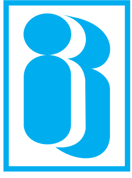

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Risk Management in Banks
Beyond Regulations

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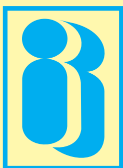

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ध्येय

संस्थान का ध्येय मूलत: शिक्षण, प्रशिक्षण, परीक्षा, परामर्शिता और निरंतर विशेषज्ञता को बढ़ाने वाले कार्यक्रमों के द्वारा सुयोग्य और सक्षम बैंकरों तथा वित्त विशेषज्ञों को विकसित करना है ।

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Mr. Biswa Ketan Das
Chief Executive Officer,
IIBF, Mumbai

Dear Readers,

The effective risk management is fundamental to the sustainable growth and resilience of banks. By continuously enhancing their risk management frameworks, banks can navigate uncertainties, capitalize on opportunities, and maintain trust and confidence among stakeholders in an increasingly complex and interconnected financial landscape. Considering the relevance of the risk management approaches of banks, we have brought out this issue of Bank Quest on the theme "Risk Management in Banks – Beyond Regulations".

Climate change poses multifaceted risks to financial institutions, ranging from direct physical risks due to extreme weather events to transitional risks resulting from policy changes, technological advancements and market shifts. These risks can affect the financial stability of institutions, influence asset valuations and expose them to potential losses. The Indian Institute of Banking & Finance (IIBF) along with UNEP FI and GIZ had organised a Conclave on "Enabling the Climate Transition in India" on 10th June 2024 in Mumbai. The conclave had structured deliberations on the roles and responsibilities of the Board and senior management of financial institutions in strengthening India's climate ambitions. Mr. Sunil Mehta, Chief Executive, Indian Banks' Association (IBA), graced the occasion and delivered the Inaugural address on "Enabling the Climate Transition in India". Mr. Mehta's address enlightened the participants regarding initiatives of Reserve Bank of India (RBI) & IBA towards risks associated with climate change. We are publishing this address in this issue of Bank Quest for wider dissemination.

During the event, Mr. Sunil T. S. Nair, Chief General Manager, Reserve Bank of India delivered the Keynote address on "India's regulatory landscape – status quo and outlook". The lecture was greatly appreciated by the senior dignitaries present in the event. We are publishing this address in this issue of Bank Quest.

Mr. Madhav Nair, Country Head & CEO (India), Bank of Bahrain and Kuwait B.S.C. delivered an impactful speech on "Enabling the Climate Transition in India" during the event. Mr. Madhav Nair discussed regarding key challenges in managing risks associated with climate change and IBA's role in creating awareness and capacity building towards climate risks among banks. The publication of this speech in Bank Quest, hopefully, will create a wider awareness regarding preparedness of banks in India towards climate risks.

The next article of this issue is penned by Mr. Ambarisha Nanda, Former Chief General Manager, United Bank of India on "Risk Management

in Banks – Beyond Regulations”. The article discusses the regulatory framework governing the Indian banking sector as robust, multifaceted system designed to ensure stability and transparency.

The next article is on “The Triumphant Take-off for Social Stock Exchanges (SSEs) in India - Transforming the Social Enterprise Financing Landscape” by Dr. Ashim Paul, Assistant Professor, Department of Commerce, Goenka College of Commerce and Business Administration, examines the recent developments, opportunities and challenges associated with Indian SSE framework.

We are also publishing an article written in Hindi by Dr. Saket Kumar Sahay, Chief Manager (Rajbhasha), Punjab National Bank on “बैंकों में साइबर जोखिम एवं बचाव प्रबंधन”. The article discusses cyber risks and prevention of cyber-crimes in banks.

This issue also features ‘‘Legal Decisions Affecting Bankers’’ by Dr. Kratika Shrivastava, Deputy Director (Academics), Indian Institute of Banking & Finance (IIBF).

In this issue, we are also carrying a summary of the Macro Research Report (2021-22) on ‘‘Impact of Ease Reforms on Banking’’ by Mr. Dinesh Mishra, Chief Manager and Faculty, Union Bank of India and Dr. Amrendra Pandey, Associate Professor, Kautilya School of Public Policy, Hyderabad.

I hope the readers will concur that Indian Banking Sector is diverse and each of its sub-sector has its own peculiar niche features. While publishing Bank Quest, IIBF endeavours to further the banking and finance knowledge quotient of its readers. I welcome you all to share your suggestions for further refining Bank Quest.

Biswa Ketan Das

Enabling the Climate Transition in India

Sunil Mehta*

The much-awaited monsoon has touched Indian coast and we are all rejoicing the pleasant weather today after the spell of hottest summer this year when temperatures soared to newer heights and breaking records across the country. Not just India, the whole world is facing the climate extremities.

Climate change is widespread, rapid and intensifying. It poses a great threat to the long-term growth and prosperity of a country and has the potential to create shocks to economies. We need countries, cities, states and businesses - to move onto a credible path to reach net zero globally in the coming decades. Climate risk is now considered to be among the top global risks currently faced by the society.

India needs a renewed focus to climate-proof its population and growth narrative and any miss now can cost decades of developmental backlog. Climate has changed forever and its curve will not flatten without concerted efforts.

Businesses, banks and investors are facing financial risks. Time has come for banks to include Climate risk and the tangible transition and physical risks, in their financial risk management systems. A global challenge requires global solutions. Policymakers across the globe are increasingly paying attention to the integration of "Environmental, Social and Governance (ESG)" principles into their regulatory frameworks.

The updated Nationally Determined Contributions (NDCs) communicated by India to the UNFCC in August 2022 represents the framework for India's transition to cleaner energy for the period 2021-2030. The Government of India (GoI) has laid out five commitments or "Panchamrit" to mitigate climate change, which are:

1. India will bring its non-fossil energy capacity to 500 GW by 2030.
2. India will bring its economy's carbon intensity down to 45% by 2030.
3. India will fulfil 50% of its energy requirement through Renewable energy by 2030.
4. India will reduce 1 billion tonnes of carbon emissions from the total projected emissions by 2030.
5. India will achieve the target of "Net Zero (NZ)" by 2070, namely, that there would be no net carbon dioxide emitted from energy sources.

India's compliance with international pressure on climate action is hinged on funding from developed nations and it stated in its NDCs that it needs an estimated USD 2.5 trillion between now and 2030 from international sources to meet its targets. Having received a positive sign from UNFCC, the nations now need to establish domestic project pipelines and infrastructure to tap into the existing climate finance

*Chief Executive, Indian Banks' Association.
This Inaugural address was delivered on 10th June, 2024 during Banking Conclave organized by IIBF, GIZ & UNEP FI on "Enabling the Climate Transition in India".

opportunities as well as those that will be launched.

In October 2022, Mission LiFE (Lifestyle for Environment) a global plan of action was launched by India and UN, aimed at saving the planet from the disastrous consequences of climate change. The Mission focusses to adopt the concept of 'reduce, reuse and recycle' and circular economy. Mission LiFE plans to create and nurture a global network of individuals namely 'Pro Planet People (P3)' who will have a shared commitment to adopt and promote environmentally friendly lifestyles.

In September 2023, under India's G20 Presidency at the G20 Leader's Summit in New Delhi, the G20 nations committed to urgently accelerate their actions to address environmental crises and challenges including climate change.

Developing a climate transition plan is a collaborative process that will require various stakeholders' active engagement, which includes Regulators, Supervisors, statutory bodies, businesses as well. Banks/Financial Institutions (FIs) have a critical role to play in accelerating the transition to a net-zero economy. The type and amount of data collected from Banks/FIs' client, transition plans varies depending on characteristics of the client; in particular, small and mid-size enterprises provide limited and no publicly disclosed data.

Efforts should be made to encourage all firms to cover different aspects of climate change, including adaptation, in their transition plans to ensure Banks/FIs can obtain information about the full suite of risks they are exposed to. Policymakers and standard setting bodies should consider development of public goods like emissions databases to facilitate ease of access. To build capacity to develop high quality transition plans, there should be active promotion of best practices by Governments, standard setters and Banks/FIs alike. Banks face unique challenges in developing a transition plan because the bulk of their emissions are related to lending, underwriting, investment and insurance activities, or what's known as financed, facilitated or insured emissions. Reducing these financed emissions means evaluating portfolios that can include thousands of financial products and clients.

Every Geography has a distinct character with respect to Climate Risk, for example in a country like India having oceans at one side and mountains at other side and within the country there is vast difference in terms of climate and terrains, which needs to be quantified/defined. Given the unprecedented nature of climate change outcomes, the historical data would be unlikely to capture future impacts.

Key challenges being faced in climate action are listed below

1. Taxonomy- There is NO uniform definition of green lending and non-green lending. What is Green? -yet to be defined.
2. Loans have not been tagged making it difficult to assess the exposure to Green House Gas (GHG) emitting sectors.
3. Transition plans have not been made to migrate to low carbon economy.
4. Getting data on Scope 3 emissions is proving to be a challenge. Engagement with clients/supply chains needs to stepped up.
5. Due to lack of standardization on data, sector specific emissions are not quantified.
6. Risk assessment is also a challenge due to lack of geo specific data.
7. Banks are realizing the importance/actively considering inclusion of clauses (example

Covenants, representations, Terms & conditions) related to E&S issues in the Loan documentation. Further, they are actively considering/working on integration of climate risk and sustainability-related matters to include in their internal controls and Audit processes.

However, data problem may get resolved over a period of time, considering that many of the companies/organizations have now started capturing emissions after the announcement of our country's NZ plan in COP26 and G20 forums. The Government, Regulators, Banks/FIs and MSMEs will have to come together to carve out their path for Low carbon Transition (LCT) and create a mechanism so as to bring down its carbon emissions in a phased manner in order to become a net-zero emitter of greenhouse gases by 2070.

In India, our banks have started their ESG journey already and we at Indian Banks' Association (IBA) are actively involved with them while collaborating with various domestic and international organizations for capacity creation/trainings for Banks at all level of functionaries on this important topic.

I must say, our Regulators are indeed doing a great job and working at right direction in this regard. They are providing the much-needed guidance to Banks/FIs and various stakeholders by bringing the needed products, regulations/norms from time to time related to climate risk and sustainable finance. The consultative approach adopted by them in the form of Draft guidelines, inviting public comments for suggestions/feedback is proving very beneficial for all of us. We are happy to share that in the recent times when these draft guidelines were released, we had extensive deliberations with our member banks and submitted our feedback to them, which is well-appreciated and noted and we are called for discussions to present our banking side concerns.

(e.g. Discussion papers- Climate risk & Sustainable finance, ECL framework, Green Deposit framework, Disclosure framework for climate-related risk, BRSR Core, etc)

RBI's recent Draft framework on Disclosures: With climate change as one of the biggest emerging risks, RBI has released a draft standard disclosure framework on climate-related financial risks for Regulated Entities (REs) on 28th February 2024. The Draft framework highlights the need for REs to detail the governance processes, controls and procedure used to identify, assess, manage, mitigate and monitor climate-related financial risks and opportunities. The disclosure requirements are structured using the four pillars namely Governance, Strategy, Risk Management, Metric & targets, aligning with the global framework of Task Force on Climate-related Financial Disclosures (TCFD).

The RBI's requirements are aligned with the Network for Greening the Financial System (NGFS's) guidelines and those of European and other Asia-Pacific jurisdictions like Hong Kong, Singapore, and Australia, encompassing measurement and disclosures for Scope 1, Scope 2, as well as Scope 3 GHG risks. These disclosures apply in addition to the disclosures that are already required by the SEBI's Business Responsibility and Sustainability Reporting (BRSR) Framework.

Integrating climate risk into credit risk assessment processes is crucial, as is establishing a governance framework for managing Environmental, Social, and Governance (ESG) risks. Additionally, scenario analysis plays a pivotal role in evaluating financial risks stemming from climate change.

While certain banks have formulated strategies based

on NGFS scenarios the recent requirements set forth by regulatory bodies necessitate significant efforts to train staff, operationalize strategies and transition from planning to execution phases. This transition phase demands comprehensive solutions that can seamlessly integrate into existing banking operations and help banks navigate the complexities of ESG risk management.

At IBA, in our Standing Committee on ESG (19 member banks and FIs) various ESG related issues are discussed from time to time and action plan is charted out. These members share their inputs which are deliberated, recommended to higher level of discussion at Managing Committee where MD & CEOs of all public sector, leading private sector, foreign banks and All India Financial Institutions (AIFIs) are members. These inputs are then finalized for sharing with various Regulators and Supervisors from time to time. We are happy to share that our inputs/suggestions are noted by them and we are called upon for further discussions during our one-to one meeting with them, which paves way for creation of necessary enablers for the ecosystem.

IBA is actively working with our member banks and collaborating with various agencies/firms for sharing their expertise on the matter. Recently, in January 2024 we had organized a full day session on "Unlocking Climate finance in India" where senior executives of banks actively participated and Top officials from RBI and Ministry of Finance (MoF) emphasized on the growing need of Banks/FIs to move towards Climate risk assessment and accelerate their efforts on green finance.

Decarbonization of Steel Sector (MoSteel): IBA is actively working with MoF, MoSteel and Ministry of New and Renewable Energy (MNRE) on decarbonization journey of banking sector. I am glad to share that I am heading one of the Task forces on Finance, with members drawn from various expert bodies, organization and banks, where we are deliberating extensively on identifying financing solutions for the green steel and we are at advanced stage of submitting our report to MoSteel.

Just to share, last week IBA had organized the IBFed Board meeting in Mumbai, where a daylong conference was held, with 4 panel discussions on various topics of Climate finance, customer protection, risk scenarios, Digital payments. These Chief Executives from various international banking associations while appreciating our digital progress also expressed to share their ongoing work on ESG related areas-specially on climate risk and sustainable finance.

The limited point to make here is that such Joint venture of Government, Industry bodies - their Associations and International banking associations, global-domestic Experts/consultants, Banks/FIs, Industry etc. for the united approach of sectoral study on other hard-to-abate sectors like Iron & Steel sector, Cement, Power, Transportation, Refineries, Agriculture & Allied Sector, Chemicals, Pharma etc. will help to arrive on definite solutions. This will help in framing a definite roadmap with action plan for creating the necessary enablers in the ecosystem so as to reduce the carbon emissions in targeted manner and achieve the desired net zero target towards our action on Climate change.

In this context, today's IIBF-UNEP-FI and GIZ's Banking conclave on "Enabling the climate transition in India" is very important where the Board members and Top executives of Banks, the decision makers of the Indian banking industry are present to delve upon this very important aspect of Climate transition. They have a big role to play in coming days when India is navigating through the challenges and opportunities in climate transition, which will impact the businesses

and the economy as well. I am glad to note that the day is lined up for very interesting panel discussions on climate risks, sustainable financing, emissions, ESG reporting regime, data disclosures and reporting.

Transition planning is effectively business strategy and require robust board oversight and governance, financial planning, risk management and importantly-culture alignment for it to be a success. As climate-related regulatory and investor expectations continue to evolve and heighten, the Board must ensure they are climate-risk aware and well-versed with public disclosures. This means building the necessary skills, culture, knowledge and governance structures at Board level. The board should be able to articulate a clear strategic business case for climate action.

Ultimately, organizations that embrace that the world has to transition to net zero and find the opportunities to transform their business model, accordingly, will reap the benefits.

These types of conclaves and conferences are the need of the day when we exchange best of Industry practices among each other.

Thank you for inviting me to this Inaugural session and my Best wishes for the enriching day ahead!

Annexure

Some of the key enablers required for achieving NZ target: India is on a cusp of change. In the midst of myriad global challenges, it has the opportunity to script an inclusive green transition with a cohesive roadmap to back it up.

1. **Need for National Taxonomy:** Policy-led Sustainability Classifications in the form of a common Taxonomy (like EU Taxonomy) should be prepared which clearly defines, from the top down, what counts as a sustainable or climate-friendly lending/ investment. The taxonomy should also set performance thresholds (screening criteria) for economic activities, by steel sector and its subsector. Transition taxonomies are prime tools to enhance data collection regarding decarbonization options and characteristics in hard to abate sectors like Steel sector.
2. **Framing Climate Policy:** Climate policies and finance are complementary—climate policies are a pre-requisite for enabling private finance, which in turn, contributes to the achievement of climate policy goals. Carbon pricing is an effective tool to make high emitters pay for the climate costs they cause and thereby, channel investment toward projects that emit less.
3. **Investments in low carbon technologies:** In the hard to abate steel sector and allied MSME sector is critical for ensuring an inclusive and just green transition. India's NDC estimates the need for USD 2.5 trillion by 2030 to achieve its NDC and an additional USD 1 trillion for its enhanced NDC targets.
4. **Scaling up capacity building and awareness on green transition for Corporate as well as MSME players:** Creating awareness amongst all the stakeholders is the first and foremost priority in our journey to net zero target. At IBA, we are actively working on the awareness and capacity building measures for banking fraternity. We are conducting series of webinars with experts and international bodies to impart knowledge sharing sessions on ESG aspects, for our member banks. On similar lines, we have to create awareness in the Businesses - Corporate and MSME sectors as well. Industry bodies-

FICCI and Confederation of Indian Industry (CII) are also working on this.

Capacity building and awareness activities need to be further intensified at both the central and state levels in order to address the lack of awareness regarding new technological solutions, industry standards, best practices and how to access commercial finance opportunities.

5. **Grant component:** of international climate finance architecture will be key for addressing the transition risk bearing capacity of hard to abate sectors and associated MSMEs. The timely, predictable and scaled up finance and technology transfer support from developed countries will be critical for enabling accelerated transition of businesses.

6. **Blending of various financial instruments:** such as grants, concessional loans, lines of credit, credit guarantee facilities, risk sharing facilities and other financial instruments need to be scaled up. International finance flow towards green transition should leverage the existing domestic financial institutions and build synergy of the expertise in the domain.

7. **Creation of Climate Fund:** States must establish an Infrastructure-Climate Fund (ICF) to support sustained investment into climate-resilient critical infrastructure and foster locally-led climate actions. Such a fund will expand the market's capacity to respond to climate catastrophes and negate risks from public and private Balance sheets. Moreover, ICF can be geared towards enhancing the market's capacity to absorb increased risk at optimal return periods. ICF should aim to pave the way for a future where traditional markets can confidently absorb and navigate risks, contributing to greater economic stability across climate-sensitive sectors.

8. **Mobilizing international climate finance:** The public sector, including Multilateral Development Banks (MDBs), Development Finance Institutions (DFIs) and other international financial institutions (like World Bank, ADB, AFD-France etc) — are crucial to help set up climate projects in low-income countries and can play a key role in crowding in private climate financing in emerging market and developing economies, including by placing more emphasis on equity rather than debt financing. They can also help design and implement innovative financial instruments to leverage private investment and provide risk absorption capacity. International climate finance sources will need to be mobilized in order to meet the additional financial needs of adopting cleaner and energy-efficient technologies.

9. **Awareness & Capacity building:** The G20 report has very well suggested that public authorities in collaboration with private sector actors and academic institutions, NGOs and industrial associations should coordinate amongst themselves to strengthen and synergize the delivery of capacity building for ESG matters including climate risk and sustainable finance in a manner consistent with national sustainable development plans and priorities.

India's Regulatory landscape–Status quo and Outlook

Sunil T. S. Nair*

Shri. Biswa Ketan Das, CEO, IIBF, Shri. Sunil Mehta, CEO, IBA, MDs, CEOs and Senior Officials of banks, Officials from GIZ, UNEP FI, other officials are who going to be part of today's panel discussions, ladies and gentlemen.

Firstly, I would like to thank the organizers, viz., Indian Institute of Banking Finance, GIZ and UNEP FI for having invited me to talk on "Indian regulatory landscape – status quo and outlook". The topic of the conclave "Enabling the climate transition in India" is very appropriately given that impact arising from climate change is being felt now by common man and is visible across the world and India. As per the latest report of European Commission funded Copernicus Climate Change Service (CCCS), the world went through the warmest May in 2024 with the global average surface temperature being 0.65°C above the 1991-2020 average. This made May 2024 the twelfth consecutive month with the global average temperature hitting a record value for the corresponding month and it was 0.19°C above the previous high set in May 2020. Further, the global average temperature for May 2024 was 1.52°C above the 1850-1900 pre-industrial average marking the 11th consecutive month (since July 2023) at or above 1.5°C. Thus, the past 12 months have broken the records like never before caused, primarily by Green House Gas (GHG) emissions and an added boost from El Nino event in Asia Pacific. If we choose to continue to add GHG to atmosphere, then 2023-24 will soon like a cool year in a similar way to how 2015-16 appears now. India has also gone through tough time due to higher global temperatures over past 12 months attributed to El Nino which emerged in June 2023 resulting in deficient south-west and north-east monsoons. This has had its impact on agricultural production. Delhi reported a high of 52.3°C on May 29, 2024 and Bangalore a city which used to pride of the pleasant weather throughout the year reported about water shortage. Further, closer home as per news reports some of the staff on election duty on last day of polling in UP and Bihar were reported to have succumbed to heat. All these is sufficient to set the alarm bells ringing and each one of us needs to pull up our socks and contribute our bit to this cause, else coming generations will curse us for not doing enough.

The learned audience seating here is aware of the aforesaid facts but what is that we as banks and Financial Institutions (FIs) and regulator can do to further this cause. Each one of us has a role to play in mitigating impact arising from climate change. And from sovereign perspective as a part of the COP26 statement our Hon'ble Prime Minister had committed that non-fossil energy capacity would be 500 GW by 2030, 50 per cent of energy requirements would be met from Renewable Energy (RE), projected carbon emissions to be reduced by 1 billion tonnes till 2030,

*Chief General Manager, Reserve Bank of India.
This Keynote address was delivered on 10th June, 2024 during Banking Conclave organized by IIBF, GIZ & UNEP FI on "Enabling the Climate Transition in India".

reduce carbon intensity of economy by more than 45 per cent by 2030 and achieve net zero by 2070[1].

From a regulatory lens, we at Reserve Bank of India have been doing our wee bit. There could be questions as to whether that is adequate or not a point of debate. Having said so if we look around the world in terms of actions of regulators (meaning the central banks), we at Reserve Bank of India have taken actions at a slow and steady pace. Given that climate risk (talking from perspective of the risk to banks and FIs) is an evolving subject and there is a yet to be a consensus among the international standard setting bodies or international bodies as to whether this is a risk itself or embedded in other risks (viz. credit risk, market risk etc.). To put things in perspective, we are not trying to run away from things and say that as central bank, we have no role in area of climate risk but globally also there is almost a consensus in terms of actions that central banks can take in area of climate risk. To quote Federal Reserve Chair Jerome Powell[2] from the statement released when Federal Reserve came out with principles for climate related risk management for large FIs – "The Fed is not and will not be a climate policy maker. Decision about policies to address climate change must be made by elected branches of Government. Over time we must be vigilant to avoid crossing the blurring line." Likewise, Christine Lagarde the President of European Central Bank (ECB)[3] had in her speech "It is Governments and not central banks who are primarily responsible for facilitating an orderly transition and who controls the main required tools. Nonetheless there are several areas where central banks can contribute".

Globally, the regulatory landscape in area of climate risk has evolved over a period of time starting from Basel Committee on Banking Supervision's work, viz. climate related financial risks – measurement methodologies[4], climate related risk drivers and their transmission channels[5] both in April 2021, a must read documents for the learned audience sitting here, as it has built a narrative of what climate risk means for banks and FIs in terms of their transmission channels and measurement methodologies. The latest work done by Basel Committee on Banking Supervision (BCBS) is principles for effective management and supervision of climate-related financial risks[6] followed by its consultative document on disclosure of climate related financial risks[7] released in November 2021 and November 2023 respectively. There are many other international bodies who have been working on area of climate risk to name a few Financial Stability Board (FSB), Network for Greening the Financial System (NGFS) and International Platform on Sustainable Finance (IPSF). I would not like to delve much into detail about it. Suffice to say that each of these entities have been doing niche work in area of climate risk like FSB looking climate risk from macro perspective, NGFS has been doing work on scenario analysis and IPSF has been doing work on taxonomy.

This gives you a flavor of work being done by various international standard setting bodies or international bodies. The work happening in various jurisdictions of world mirrors the work that has been done by these bodies but of course the pace of adoption has varied. Ultimately, it boils downs to the importance being assigned to this topic by various central banks around the world meaning that for some central banks this is an important aspect while for others it may be like central bank would not be the leaders in area of climate risk and it is better dealt by sovereigns.

Having given you a sense of work done by various international standard setting bodies or international bodies, I would now like to highlight the approach adopted by the Reserve Bank of India. For the uninitiated or those who are new to this subject as has been the case with various other jurisdictions

[1]National Statement by Prime Minister Shri Narendra Modi at COP26 Summit in Glasgow (mea.gov.in)
[2]Federal Reserve Board - Statement by Chair Jerome H. Powell on Principles for Climate-Related Financial Risk Management for Large Financial Institutions
[3]Christine Lagarde : Climate change and central banks - analysing, advising and acting (bis.org)
[4]Climate-related financial risks - measurement methodologies (bis.org)
[5]Climate related risk drivers and their transmission channels (bis.org)
[6]Principles for the effective management and supervision of climate-related financial risks (bis.org)
[7]Disclosure of climate-related financial risks (bis.org)

we also started with a survey covering 34 banks on area of climate risk and sustainable finance which was followed by release of a Discussion Paper on climate risk and sustainable finance which touched upon aspects relating to governance, strategy, risk management and metrics and settings. Basis the feedback received on the Discussion Paper, as a part of monetary policy announcement made by the Governor of RBI in February 2023, there were three announcements (a) green deposit framework (b) disclosure framework and (c) guidance note on scenario analysis. Till date, we have issued guidelines on green deposit in February 2023 and draft guidelines on disclosure framework in February 2024. We have received a good amount of feedback on the disclosure framework and the same is under examination basis which we intend to come out with final guidelines on disclosure framework. The guidance note on scenario analysis is in advanced stages and we also intend to come out with same shortly. Incidentally, the RBI did a pilot scenario analysis exercise which has been elaborated in detail in the RBI bulletin of January 2024[8].

The Government of India has also been taking various initiatives from time to time be it Production Linked Incentive for Advanced Chemistry Cell[9], FAME subsidy and now the Electric Mobility Promotion Scheme[10], launch of Indian Carbon Markets by Bureau of Energy Efficiency[11], launch of National Green Hydrogen Mission[12], etc.

There are certain missing pieces in the work we as a country have done and we need to work on, one is about having a taxonomy though we have a limited purpose taxonomy as part of Government of India's Sovereign Green Bond framework, this from a perspective of banks and FIs climate risk boils down to the implications it would have on their financials, data which is another important piece in the entire exercise and lastly capacity building.

There are other aspects which are equally important for country like ours, viz. transition finance, implications arising from impending Cross-border Adjustment Mechanism (CBAM) implementation by EU, blended finance and so on and so forth. At Reserve Bank of India, we are also cognizant of the fact that looming threat arising from climate risk and we have been taking measured steps in line with what other jurisdictions as well as standard setting bodies are doing but factoring in the local conditions. Thus, we may appear to be slow, but we are confident of navigating the journey by taking more steps in the days, months and years to come.

To conclude, I would say that it is indeed gratifying to note that today's enclave would be deliberating on three important issues, viz. climate risk to sustainability integration in FIs, measuring and reducing emissions – move towards carbon neutrality and data, disclosures and reporting. I wish the conclave all success and fruitful deliberations.

Thank you once again to organisers for inviting me opportunity to share my views on this important subject.

[8]Reserve Bank of India - RBI Bulletin
[9]pib.gov.in/PressReleaseIframePage.aspx?PRID=2014366
[10]pib.gov.in/PressReleaseIframePage.aspx?PRID=2014366
[11]Press Information Bureau (pib.gov.in)
[12]National Green Hydrogen Mission | Ministry of New and Renewable Energy | India (mnre.gov.in)

Enabling the Climate Transition in India

Madhav Nair*

Former US President, Mr. Barack Obama said "We are the first generation to feel the effect of climate change and the last generation who can do something about it."

Climate change is manifesting itself at an alarming scale and pace globally, undermining livelihoods, infrastructure and endangering health, food, energy and water security. It poses a great threat to the long-term growth and prosperity and has the potential to create shocks to monetary stability, growth, financial stability and the safety and soundness of Institutions.

In 2021, at COP26, India presented 'Panchamrit' of India's climate action:

- Reach 500 GW non-fossil energy capacity by 2030.
- 50 per cent of its energy requirements from renewable energy by 2030.
- Reduction of total projected carbon emissions by one billion tonnes from now to 2030.
- Reduction of the carbon intensity of the economy by 45 per cent by 2030, over 2005 levels.
- Achieving the target of net zero emissions by 2070.

At COP-28, Prime Minister Shri. Narendra Modi highlighted the need to implement Nationally Determined Contributions (NDCs) and voiced concerns on behalf of the Global South. The initiatives launched, including LeadIT 2.0 for industry transition, the Green Credits Programme incentivizing pro-environment actions and the focus on the Himalayan region's vulnerability, demonstrated India's commitment to diverse strategies for sustainable development.

There is a growing recognition that even if Governments are the most influential agency for climate change, central banks and financial sector regulators/supervisors are also the major stakeholders because (1) financial institutions play a key role in intermediation and hence, have a more direct role in addressing climate change; and (2) climate change is impacting the achievement of their mandates of price and financial stability.

RBI, wayback in 2007, had first highlighted the Role of Banks, highlighting the importance of global warming and climate change in the context of sustainable development.

In 2021, the SEBI took a big leap in promoting sustainable practices in companies by introducing a framework for reporting such actions. Business Responsibility and Sustainability Report (BRSR) mandated the top 1,000 listed companies (by market capitalisation) to start reporting from FY23. It aimed to establish links between the financial results of a company with its environmental, social and governance responsibilities.

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RBI created a Sustainable Finance Group within Department of Regulations and in early 2022 conducted a Survey on Climate Risk and Sustainable Finance to assess the status in leading scheduled commercial banks. This was followed by a Discussion Paper on Climate Risk and Sustainable Finance that delineated in detail the sources of climate risk as also potential impact arising there from on the Regulated Entities (REs). It had also detailed therein the need for all REs to have appropriate governance, strategy and risk management structure to manage climate change risk.

More recently in February 2024, RBI decided to put in place a standard Disclosure framework for Regulated Entities on Climate-related Financial Risks. Climate-related disclosures by REs is an important source of information for different stakeholders (e.g. customers, depositors, investors and regulators) to understand relevant risks faced and approach adopted to address such issues. The REs are already required to disclose information on material risks as a part of their Pillar 3 disclosures. Given the growing importance of climate-related financial risks, there was a need for REs to disclose a more structured information about their climate-related financial risks. This will foster an early assessment of climate-related financial risks and opportunities and also facilitate market discipline.

How are Banks seeing these developments. I think Leaders at banks are unequivocal – climate change is the biggest emerging risk they face. As extreme weather events continue to affect all of us and the world moves toward establishing a lower-carbon economy, the banking industry is working on two intertwined objectives. At the same time as figuring out the impact of climate change on their own strategy and operations, banks need to help their customers navigate this complicated and fast-moving market dynamics too.

There are three challenges which most banks perceive:

Key challenge 1: Risk Assessment

Typically, banks put climate-related risks into two buckets:

- Physical risks cover those that impact the premises and operations of the bank, its customers and the wider economy. They include extreme weather events and long-term shifts in climate leading to the closing of branches or facilities, negatively impacting the creditworthiness of clients and adversely affecting asset prices.
- Transition risks cover those that impact a bank's products and services as a result of the move toward a lower carbon economy. They include the extent to which a bank funds or has stakes in companies that emit Greenhouse Gases (GHGs), evolving stakeholder expectations and associated legal or regulatory changes.

Both these risks have a direct impact on credit worthiness and likelihood of default for credit exposures. Effective management of climate risk requires its integration throughout existing workflows as a dimension of overall risk for banks. The integration enables banks to assess the impact of climate on their customers' credit quality to make an informed lending decision.

Key challenge 2: Lack of Industry Standards

The second challenge is that there is no standardized industry model for how to embed climate risk into risk management. Industry bodies at a global level remain some way away from consolidating frameworks and standards, so it is likely that banks will have to navigate their way through a range of different methodologies in the short term.

Further, Climate change regulation and disclosure requirements are rapidly evolving and are region-specific. The regulatory framework includes guidelines and standards for ESG reporting and disclosure, as well as requirements for companies to establish policies and procedures. Some of the prominent global ESG/sustainability disclosures and frameworks include the Global Reporting Initiative (GRI), the Sustainability Accounting Standards Board (SASB), United Nations Global Compact (UNGC), and Carbin Disclosure Project (CDP). Each of these frameworks outlines specific Key Performance Indicators (KPIs) and principles that companies are required to disclose to showcase their sustainability efforts.

Bankers globally see a lack of necessary data, a lack of clarity around regulatory/supervisory expectations and a lack of agreed industry methodologies. This infact was a take away during our recent discussions with Board Members of International Banking Federation (IBFed) too.

Key challenge 3: Skills Shortages

The third challenge faced by banks– a lack of relevant skills. Executives with expertise in climate science and risk management are both thin on the ground and in high demand across all industries, so banks need to plan accordingly.

Role of Indian Banks' Association (IBA)

RBI's "Discussion paper on Climate Risk (CR) and Sustainable finance (SF)'', released in July 2022 mandated IBA to create awareness and capacity building among banks.

To embark on this journey, we constituted a dedicated IBA Standing Committee on ESG last year. As a part of our endeavour in capacity creation, we have been conducting series of webinars on different topics viz. Introduction to ESG, Transition Finance, Sustainable finance landscape, Risk Management, sector specific studies-from US/EU markets, focus on bio-diversity, Data use and climate strategy, financed emissions, Transition Planning/Finance and Taxonomy etc. and take up topics as desired by members in the specific subject area of ESG. This is being done in collaboration with various domestic and international organizations like AFD France, Climate Bond Initiative, Climate Policy Initiative, WWF India, Carbon4, Shakti Sustainable Foundation, Asia Securities Industry & Financial Markets Association (ASIFMA), PwC, BCG, ERM, RMI India, cKinetics, etc.

IBA is also working closely with Government, Industry bodies and their Associations, global-domestic Experts/various bodies, Banks/FIs, Industry etc. for the united approach of sectoral study on other hard-to-abate sectors like Iron & Steel sector, Cement, Power, Transportation, Refineries, Agriculture & Allied Sector, Chemicals, Pharma etc. will help to arrive on acceptable solutions, creating a definite roadmap with action plan for creating the necessary enablers in the ecosystem so as to reduce the carbon emissions in a targeted manner and achieve the desired net zero target towards our action on Climate change.

We at IBA had series of meetings with our member banks and are in discussions with RBI and SEBI in representing the banking side concerns on reporting requirements, like on the extent these KPIs may be attributable to the banking sector. Currently, the BRSR Core does not offer guidance on the extent of applicability, hence, the reasonable assurance provider is mandated to assess an entity on all 9 KPIs, even if certain KPIs may not be material/applicable for the nature of business of the entity.

Challenges

While it is important for India to raise the bar on ESG

reporting, globally too ESG reporting is at an evolving stage. The RBI's climate-related financial disclosures will rapidly percolate ESG risk identification and management to the organized sector, as the banks will now request their borrowers to report both their emissions and their exposure to other climate risks. Longer timelines may be needed by banks to ensure readiness for compliance.

Conclusion

Most Banks in India have or are in process of formulating an approach to address risks emanating from climate change, as part of their Risk Management Framework. As climate risk management is at a nascent stage in the Indian banking industry and regulations in this regard are being formulated, Banks will ensure that gradually the approaches evolve and get refined for integration of climate risk management within the risk management framework. IBA as an Industry body along with IIBF will work on capacity building and skilling the banking sector as well as work closely with the Government, Regulators, Global Bodies and other stakeholders and help our country in transition and achieve its Net Zero Targets.

Climate change is the defining crisis of our time and it is happening even more quickly than we feared. But we are far from powerless in the face of this global threat. As UN Secretary-General said, "the climate emergency is a race we are losing, but it is a race we can win".

BANK QUEST THEMES

The themes for "Bank Quest" are identified as:

1. July – September, 2024: Emerging trends in International Trade and Banking
2. October – December, 2024: Emerging opportunities for savings and investments
3. January – March, 2025: Cyber Risk Management

IIBF organised a Banking Conclave in collaboration with UNEP-FI and GIZ

IIBF organised a Banking Conclave on "Enabling the Climate Transition in India" in collaboration with UNEP-FI and GIZ on 10th June, 2024 at Taj Mahal Tower and Palace, Mumbai. The objective of Banking Conclave was to delve deeper into the roles and responsibilities of Board members and Senior Management of the Financial Institutions, in advancing India's climate ambitions. The event was attended by top dignitaries and Senior professionals from Banking & Financial Institutions and was appreciated by the attendees.

Risk Management in Banks–Beyond Regulations

Ambarisha Nanda*

Greek philosopher Heraclitus once observed "No man ever steps in the same river twice, for it is not the same river and he is not the same man." The same principle applies to the area of risk management. The risk landscape has been evolving since inception, more so in the 21st century. As new risks are unfolding, bank's traditional risk management techniques become inadequate. Thus, the hunt for innovative and efficient methods to address the new problems are constantly challenging risk managers and regulators alike.

Winds of Change Buffets Banking Sector

Banking has been evolving since the beginning. Even though change is a constant factor in the banking sector, the current phase of change stands out in terms of its range, depth and complexity. Geopolitical developments like the Russia-Ukraine conflict and growing tension in the Middle East have created significant uncertainty in the world economy, business and financial market. Commodity prices, including food and energy, have increased sharply as concern about supply disruptions has grown. With a view to containing rise in prices, central banks all over the world are tightening the monetary policy pushing the interest rate northward. All these changes have given rise to an enhanced sense of uncertainty, unpredictability and skepticism in the minds of banker.

Further, if we consider the winds of change blowing from the collapse of existing world order, threats of de-globalization and prioritization of short-term national interests over the global good, we can begin to appreciate the daunting nature of the task confronting risk managers and regulators around the world.

Besides, one can observe the paradigm shift in the way financial institutions are providing banking, insurance and other financial services to customers. Increasing number of customers are now opting to avail financial services through convenient, credible and secure online delivery apps. No doubt COVID-19 was the catalyst which propelled more and more people to accept and adopt technology to carry out their normal banking transactions. Observing the momentous change brought about by technology in offering financial services, we can-not but appreciate what Bill Gates had said way back in 1994 "Banking is necessary, but banks are not."

Banks, on their part, are going the extra mile to harness technology to reinvent traditional business models and offer faster, cheaper and more convenient financial products and services. They are not falling behind in offering a plethora of technological products and services to a wide range of customers from the common man to globe-trotting businessman. Besides, Environmental, Social and Governance (ESG) movements are expecting

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greater commitments from banks to the cause of Corporate Social Responsibility (CSR) and societal transformation while conducting banking operation.

To sum up, the pace of change in financial services, coupled with significant change in the external environment, have made the current changes stand out compared to those in the past.

Evolving Risk Scenarios in the 21st Century

In the 21st century, the array of risks faced by financial institutions are complex in nature. Although each institution's risk profile is unique and constantly evolving, several major challenges are vitiating the overall risk environment. While this is not an exhaustive list, we briefly discuss some of the common threats and challenges that are confronting banking system today.

Geopolitical uncertainty: Banks are closely tied to global financial market and economies, making them highly susceptible to geopolitical risk. Recent conflicts in the Middle East, growing concerns about potential US-China tensions over Taiwan and the Russian invasion of Ukraine have raised heightened concerns about geopolitical stability. Adverse geopolitical events can lead to sudden shifts in market sentiment and significant increases in uncertainty, enhancing the vulnerabilities of financial institutions and markets. They can dampen consumption and distort business plans, disrupt supply chains, all which can have cascading effects on the global economy.

Climate change: Basel Committee on Banking Supervision (BCBS) has aptly underscored the significance of climate change in the following words. "Climate change may result in physical and transition risks that could affect the safety and soundness of individual banking institutions and have broader financial stability implications for the banking system" (BIS, 2022). Reserve Bank of India (RBI) views climate-related financial risks as a potential source for systemic risk facing the banking sector. It has urged upon banks to "identify, measure, monitor, manage and report the exposure related to climate-related and environmental risk in a manner proportionate to the size, complexity of its business operations and risk profile" (RBI, 2022). Extreme weather events like floods and cyclones, landslides and prolonged drought can severely stress productivity, disrupt business continuity and cause damage to physical infrastructure. They can potentially disrupt multiple segments of the economy carrying significant economic cost and financial losses. To make things worse, climate change related risk events are hard to predict and their impacts are difficult to assess.

Cyber leap: A major cyber incident, if not properly addressed, can seriously upend the financial system of a country, including critical banking infrastructure. This can lead to broader systemic implications. The potential loss from such incidences can be monumental and the damage to public trust and confidence can be significant. Broadly, a couple of factors have exacerbated this risk. COVID-19 has given a phenomenal fillip to the digital adoption by the common public. Second, with the digital transformation, malicious actors are finding new opportunities to threaten the global financial system. Keeping up with the speed of digital and other transformations has become a significant risk management challenge in the days to come.

Digital assets: The landscape of digital assets is rapidly evolving, driven by technological advances and changing consumer preferences. Blockchain technology, Decentralized Finance (DeFi) and smart contracts are going to play considerable roles in shaping the future of financial assets.

Digital assets typically exist in digital formats which can be easily accessed, traded, or sold across global financial markets. Modern digital assets, especially those based on blockchain technology, are touted to provide transparency and security through decentralized immutable ledgers. Reduced intermediaries and streamlined processes often result in lower transaction costs particularly in doing financial transactions.

However, due to the decentralized nature of the digital asset market, complex product structures and absence of regulatory supervision, regulators around the world have expressed concerns around key risks including cybersecurity risk, systems failure, compliance risk, customer due diligence risk, regulatory risk, including challenges of risk management and compliance of AML/CFT provisions, etc. Especially, in the case of cryptocurrencies, market prices can be highly volatile. The intrinsic value of digital assets is oftentimes subjective in nature with proclivity to high level of volatility. The Reserve Bank of India's Governor Shri. Shaktikanta Das in the foreword to Financial Stability Report (Issue No. 25) has expressed his opinion about cryptocurrencies in the following words "Cryptocurrencies are a clear danger. Anything that derives value based on make believe, without any underlying, is just speculation under a sophisticated name" (RBI, 2022).

However, as an alternative, central banks around the world including RBI have launched their own digital currencies. RBI in the Concept Note on Central Bank Digital Currency (CBDC) has observed "CBDC, being a sovereign currency, holds unique advantages of central bank money viz. trust, safety, liquidity, settlement finality and integrity" (RBI, Report, 2022). These developments potentially reshape business models around payment and settlement system disrupting legacy market system and provide credible alternative to private virtual currency without any associated risks.

Regulatory expectation: As the banking system has become more complex and as unconventional risks are looming large in the horizon, it is expected that banking regulations are going to be more stringent. Regulators are expected to come up with a slew of measures to improve the safety and soundness of the banking sector. Prominent among them would be the issue of upgraded version of existing Basel III Framework popularly known as the "Endgame" or "Basel IV". Banks, on their part, will have to devote significant efforts and resources to comply to the new provisions and understand their impact on the existing business model.

Regulatory expectations would also include that banks treat their customers fairly, provide clear and accurate information and refrain from deceptive practices. This would further encompass transparent pricing, honest advertising and equitable treatment in lending practices. With the rise in digital banking, regulators expect banks to set up robust cybersecurity frameworks that include risk assessments, incident response plans and fortification of security arrangement.

As banks increasingly collaborate with fintech firms, regulators' expectation would also include that such partnerships should be robust and comply with all existing financial regulations. Aspects such as banks' third-party risk management programs, fintech partnerships and the deployment of emerging technologies like Artificial Intelligence (AI) and Distributed Ledger Technology (DLT) are likely to come under increased regulatory scrutiny too.

New face of customer's expectation

Customer's experience is the key differentiator in today's fast paced banking. As digital transformation revolutionized the bank's functioning, expectations of banks' customer have also evolved significantly. Customer loyalty has become the thing of the past as transfer of accounts can take place at the click of a mouse.

Today's customers expect seamless access to banking services through digital channels of their choice. Online and mobile banking have become crucial enabling factors for customers to carry out transactions, check balances, apply for loans, pay taxes and do many more things, anytime and anywhere. The new generation clients demand personalized experience tailored to meet individual needs based on a deeper understanding of their distinctive preference, inclination and behavior.

In an age where instant gratification is the norm, customers expect fast and efficient service. From quick transaction processing to rapid response times for inquiries and issue resolution, banks need to minimize delays and red tape to maintain competitive edge. In this regard, implementation of AI and machine learning can significantly boost operational efficiency and customer experience through multiple platforms including phone, email, chatbots and social media.

Modern banking customers value transparency. Clear communication regarding fees, terms and policies helps to build trust. Banks must be transparent in their operations and ensure that customers fully understand the products and services they are availing. Trust can further be reinforced by sound corporate governance system and ethical practices.

Meeting these comprehensive expectations requires banks to continuously innovate, invest in technology and place customer's experience at the forefront of their strategies.

Steep Challenge before Risk Management

Since the beginning, banks around the world are being challenged by risk-reward paradox. Taking too little risk can result in missed opportunity. Taking too much risk can often prove to be fatal. Ultimately, finding a judicious balance between risk and reward can ensure stable profit and long-term viability of a financial institution. A sound risk management system can enable a bank to achieve this objective by maximizing risk adjusted return.

Risks in the 21st century, however, have evolved to become far more complex and demanding than at any time in its history. They have become quicker to emerge, less predictable and far more variable in severity. To make matters worse, globalization and social media have increased the speed and distance with which risk can travel across regions, sectors, even countries.

Rise of Non-linear Risks: So far, banks have been dealing with financial risks arising from their operations such as credit, market, operational, liquidity and technology risks which are linear in nature. For example, credit risk increases when a bank give loan to a borrower. Similarly, market risk arises when a bank acquire an asset for trading. In case of linear risk, standard risk management techniques are used to identify, measure, manage and monitor such types of risks.

However, the 21st century banking has brought into focus certain types of risks which are non-linear in nature such as geopolitical risk, climate risk, reputation risk, regulatory risk etc.

Today's risks can be much more complex, unpredictable and come with significant impact. The

traditional risk management measures often prove to be ineffective in addressing them. These types of risks are harder to quantify and manage because of their intricate interactions and dependencies.

Linear risks like credit risk typically materialize after a lag period before it poses a serious threat to the business. In case of non-linear risks, circumstances can change quickly ratcheting up the scope for risk events to transpire. At the same time, the impacts of such events are highly variable and can change quickly.

Further, in an emerging economy like that of India, there can be a rise in unforeseen risks which are difficult to identify and manage. Unforeseeable risks can arise from a variety of sources, including large scale urbanization, unexpected capital outflow, migration of talent out of country, etc. It is essential that banks understand the nature of these risks and proactively develop strategies for dealing with them with appropriate contingency plan.

In the face of the changing circumstances, the ongoing monitoring and review of 'Non-Linear Risk' is critical to ensure risk management strategies to remain effective and relevant in a world of uncertainty.

Banking Regulation and Risk Management Process

Banks are among the most regulated entities in a country. Because of the pivotal role they play in the economic life of people and the trust they enjoy from the public, supervisory oversight and prudential regulation are considered as integral components of the banking ecosystem.

Regulation entails framing of rules and guidelines within which financial institutions must operate. It pertains to areas such as bank's formation, licensing arrangement, capital adequacy requirements, operational boundaries and risk management guidelines, etc.

Among the reasons why banks are regulated include macro-economic stability, protection of depositors' interest, promotion of efficient and competitive financial system and prevention of systemic shocks.

Regulators set norms and standards to ensure that banks do not take on excessive risk and that they manage their risks effectively and in an efficient manner. Since regulation refer to a set of rules, procedures, controls intended to protect the banks against risks, regulatory compliance is sometimes considered as sufficient condition to guarantee long-term survival of a bank. However, such a presumption may not be true for the following reasons.

First, risk management process of a bank is typically a bank specific and bank driven process. It involves an internal assessment of bank's risk exposures and development of an appropriate risk management system to manage and monitor them. In developing the process, the regulatory guidelines at best serve as helpful markers. For instance, while framing risk management policy or setting up risk management framework, banks are guided by the Master Circulars, Master Directions, Notifications and Guidance Notes, etc. issued by RBI from time to time.

Second, the regulatory compliance often minimizes the likelihood of a bank failure. But it can-not totally exterminate the possibility of a bank failure. It is the bank's internal governance structure and prevailing risk culture that often determine the efficacy of its risk management system. The best of risk management strategy would fail if a bank does not have appropriate risk culture to support it.

Third, a bank is run by its own internal policies, guidelines, norms and process. It is the responsibility

of bank's management to ensure smooth running of a bank. Regulators have no direct role in the day to day running a bank. However, if the regulators are not satisfied with the functioning of a bank, they can issue direction, guidelines to facilitate the bank to undertake course correction measures before it is too late.

Fourth, no set of regulation can anticipate every possible risk and failure to manage that risk. This is particularly true in case of non-linear risks, like geopolitical risk, climate risk, reputation risk, strategic risks etc. These risks can arise abruptly without any warning and often laced with catastrophic consequences. In fact, banks are in a better position to detect these risks earlier than others through their monitoring mechanism.

To sum up, risk management is a comprehensive process to identify, assess and mitigate risk. It goes much beyond the regulatory compliance. It is not about just ticking off boxes. It is about creating a well-integrated system that protects the banks from various threats.

Strategic Framework for Risk Management

According to Prof. Kaplan and Prof. Mike (2012) of Harvard Business School, it is advisable for organizations to match their risk management approach to the nature of threats they face. According to them, risks faced by an organization can be classified under three categories based on their nature and source of origination, namely;

Category 1- Preventable risk

Category 2- Strategic risk

Category 3- External risks

Each of these three categories of risks requires separate approach and strategy for effective control and management (Kaplan & Mikes, 2012).

Preventable risk: Preventable risk refers to those risks which originates from within the organization. They refer to the risks associated with the operation or working of an organization. Since, these risks arise from internal sources, it is within the bank's capacity to control and manage them. It is desirable to reduce or eliminate these risks as they do not bring any profit in return. Examples of these risks include embezzlement of funds by the bank employee, attempts to circumvent law, insider trading, flawed product design, system failure, etc.

For example, an overzealous manager might disburse loans to borrowers to meet business target without completing documentation process. Although, in the short run, this brings additional business to the bank, in the long run, such actions can put the bank's interest in jeopardy.

The strategies to annul preventable risk would include establishment of a sound risk culture, a robust internal control system and an independent and effective audit system. The first step in establishing a sound risk culture is to clearly define the mission, value system and operational boundaries of an organization (Kaplan & Mikes, 2012).

The Mission: A powerful mission statement communicates bank's goals, purpose, appetite and approach in matters of risk management which acts as a reference point for all employees of the bank to follow. This provides to the employees a sense of purpose and direction to act. It helps to convert compliance ridden risk management approach to proactive strategic endeavour.

The Values: Bank should communicate the values that should guide the employee behavior towards risk management. Clear value statements motivate the employees to avoid violation of bank's standards, norms and procedures.

The Boundaries: A sound risk culture sets boundaries within which bank's employees are required to perform. An explicit definition of boundaries is an effective way to guide actions. It helps organization to identify potential risk, prioritize them and provides a framework to take strategic decisions.

No matter how skillfully a bank formulates its mission, values and boundaries for the bank, they may not, by themselves, ensure their acceptance at the ground level. It requires total commitment from the bank's top management not only to adopt the risk management process themselves but also to inspire others to adopt it. As they say, more than anything else, the top management in the organization walking the talk goes a long way in establishing a sound and effective risk culture in the bank.

In addition, a robust internal control systems matters a lot for a bank to achieve its objectives and to overcome challenges. It helps the bank to assess, measure, evaluate its risk exposure and ensures that they remain within the acceptable boundaries. They also monitor the effectiveness of risk management function at the ground level and report whether internal rules, regulations are duly complied.

Further, a capable and independent internal audit system examines, evaluates and performs an independent assessment of the institution's internal control system and report its findings back to senior management of the bank. It also conducts risk-based audits and reviews the internal governance structure, processes and mechanisms to ascertain that they are sound and effective and they have been implemented in the bank systematically and consistently.

Strategic risks: In order to generate income, banks accept various types of risks such as credit risk, market risk, operational risk, liquidity risk, interest rate risk, etc. For example, in order to increase its interest income, a bank may willingly assume credit risk by lending money. Taking risk is an integral part of a bank's strategic outfit. Bank tries to maximize its risk adjusted return by consciously accepting calculated risk instead of assuming risk indiscriminately. At the same time, it is also equally true to say that not taking risk is the greatest risk of all.

The Strategic risks can be managed through conventional risk management system designed to reduce the likelihood of a risk event from happening and to reduce or moderate the impact of the event if it occurs.

The Risk Management process of a bank typically involves identification, evaluation, monitoring, mitigation and reporting of risks. It involves the following four steps, namely;

Identify Risks: The Risk Management process begins with risk identification. Risk identification process involves systematic capture of all potential risks arising from its operation both at the transaction (or individual) level and the portfolio (aggregate) level.

Measure Risks: The second step involves measurement of risk. It refers to the process of assessing and quantifying the potential loss associated with a particular risk. This stage is an essential precursor to risk control and monitoring process.

Monitor Risks: As the risk profile of a bank goes on changing, banks continuously monitor their risk position to detect early warning signals of emerging risk and/or breach of existing risk boundaries. As the senior management are supposed to take management decision and take remedial action based on the monitoring reports, these reports should be timely, accurate, as well as informative.

Control Risks: The main purpose of risk management is to control the risk to keep it within the boundaries of

a bank's risk appetite. Every bank seeks to establish and communicate the risk boundaries to the rank and file of the organization through policies, standards and procedures guiding risk management activity.

The Risks faced by banks are highly interdependent. Heavy interdependencies exist between financial risk and business risk, business risk and operational risk and operational risk and financial risk. With such a complex, interlocking system of bank-wide risks, it is obvious that a holistic and integrated approach for risk management is a preferable option than a silo-based risk management strategy. In this connection, Integrated Risk Management (IRM) refers to a comprehensive and unified approach that organizations adopt to identify, assess, prioritize and manage all potential risks they face.

External risks: Certain type of risks emanate from external sources such as climate change related weather events, geopolitical developments, economic swings and cyber risk, etc. These events occur outside the banking system. Therefore, banks have little control or influence over these types of risk. Hence, control of external risks requires a completely different type of approach and strategy.

Typically, external risks have a high degree of uncertainty about their timing, direction, and impact. Accordingly, models based on historical data have limited efficacy in assessing and managing external risks. However, the following techniques are widely used by banks in assessing these types of risks.

Stress tests: Stress Testing is a standard technique used by banks to assess their potential vulnerability to uncommon but possible events. It indicates how a bank's financial position gets affected in a severe but plausible situation. This information empowers the senior management of a bank to take preemptive action to control fat tail risk. Banks could use stress tests to find out, for example, how an event such as disruption of supply chain caused by war between two countries, would affect the profitability and solvency of a bank so that necessary strategy can be formulated to safeguard bank's interest.

Scenario analysis: Scenario analysis, on the other hand, assume the simultaneous change of several risk factors and quantify their combined impact on bank's financial position. These analyses can be based on hypothetical (for example, breakdown of communication systems, sudden or prolonged severe economic downturn, breakdown of payment and settlement system, etc.) and historic scenarios (for example, natural disasters, sudden rise in oil prices, stock market crash, exit of FDI from the economy, etc.). The benefit of this method is that it takes into consideration the inter-workings among risk factors and thereby, enables a bank to capture a holistic picture of its vulnerabilities. Accordingly, bank takes specific actions to reduce their impact.

Why Risk Management is Tricky?

Risk Management is not an intuitive subject. Rather, it is plagued by a number of biases and blind spots which often clouds the judgement while taking risk management decisions. Prof. Kaplan and Prof. Mike have elaborately discussed about them (Kaplan & Mikes, 2012). Some of these biases having repercussions on risk management have been discussed below:

First, as human beings, we overestimate our ability to predict the future which is primarily determined by chance. As a result, we become overconfident about our assessment of future projections based on which we do risk assessment. In the process, we tend to deliberately undermine the possibility of the projection going wrong.

Overconfidence bias is evident when a bank might overestimate the probability of successful repayment by a potential borrower based on limited information, leading to an overly optimistic estimation of his creditworthiness. This narrow assessment of risk could leave the bank exposed to a potentially higher amount of credit risk.

Second, we also tend to use readily available information as an anchor based on which we undertake risk assessment. As a result, we become close minded and develop a blind side to new developments taking place in the risk environment. The anchoring bias gets compounded in the presence confirmation bias according to which, we tend to look for information that confirms our position and ignore information that challenges them. To make things worse, when things do not go as expected, we remain committed to the failed endeavor with higher amount of investment instead of focusing on cutting down the losses (throwing good money after bad).

For example, while taking investment decisions in a bank, the managers could anchor their estimates of future market performance to past trends without fully examining the possibility of potential negative impact arising from extreme or unexpected event. To make things worse, in the face of negative indicators or feedback, the bank may exhibit confirmation bias by focusing only on information that validates their initial investment decision while overlooking warning signs or contrary data. This could lead to a scenario where, despite mounting losses indicating a flawed investment strategy, the bank continues to allocate additional resources or funds with the hope to recoup/recover the existing losses.

Third, organizational biases can also hamper sound decision-making process in a bank. Specifically, when taking decision under uncertain conditions, people commonly fall victim to "groupthink" in which they strive to reach consensus within the group. People opposed to the decisions frequently remain quiet rather than disrupt the consensus in the group. Such consensus taken under illusions of unanimity is more likely to arise when the group is led by a dominating or overly self-assured leader who despises opposition to his authority.

As an example, suppose a risk management team is evaluating a high-risk investment opportunity. If the team leader or overseeing manager is assertive and he maintains that the investment will yield positive returns, other team members may be inclined to suppress their doubts or concerns to maintain group cohesion and avoid conflict. Even if some team members harbor legitimate reservations about the riskiness of the investment, groupthink may lead them to suppress these objections and align to the manager's opinion to avoid challenging authority or causing friction within the team. In this case, a risky investment proposal gets approved without thorough consideration of potential downsides, leaving the bank exposed to significant financial losses.

Further, the effectiveness of a risk management process could be severely compromised when the bank exhibits 'normalization of deviance' trend. It describes a situation where instead of taking remedial action, banks tend to ignore minor deviations from established procedures and norms usually with good intentions. Over time, small and seemingly insignificant lapses eventually erode the risk culture and the compliance ethics where early warning signals are taken as false alarm.

Within the bank where this bias may manifest is in the area of compliance and risk management. Consider a situation where a bank's compliance team identifies several minor regulatory violations or

lapses in internal controls during routine audits. Over time, if these issues are repeatedly overlooked or brushed aside as insignificant by the management, a culture of normalization of deviance may develop within the organization. Subsequently, when more significant compliance breaches occur, they may not be appropriately addressed or escalated due to the ingrained culture of downplaying early warning signals.

A sound risk management process must strive to alleviate decision-making process from these biases. However, a bank's ability to ride through the storm eventually depends on how deeply the rank and file of an organization have embarked on risk management process and how the top management of the bank choose to respond and react during periods of financial stress.

Rules, regulations and compliance can mitigate some of the critical risks faced by a bank. But a sound, effective and responsive risk management system can overcome most of them securing a safe, secure and stable future for the bank. Under such circumstances, the management would generally function free from biases and would discern the world not as what they perceive it to be but as what it actually is or could possibly become.

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IIBF-IFC joint Certificate course on Climate Risk and Sustainable Finance

IIBF has jointly collaborated with IFC, World Bank Group to launch the self-paced E-Learning course in Climate Risk and Sustainable Finance in two levels-Foundation and Advanced, which has received encouraging response from the BFSI fraternity in India, as the delivery channel for capacity building for the frontline staff and Internal Control, Audit and Risk Management departments of banks. In order to reach out to the International fraternity, IIBF has endeavoured to launch the course for the foreign nationals from all the major countries. The same is under advanced stages of development and will be rolled out shortly.

The Triumphant take-off for Social Stock Exchanges in India - Transforming the Social Enterprise Financing Landscape

Dr. Ashim Paul*

Abstract

The present article delves into the need and rationale behind the creation of Social Stock Exchange (SSE) in India. It also endeavors to examine the recent developments, opportunities and challenges associated with the newly developed Indian SSE framework, while exploring its influence on the recent transformation in the Social Enterprise (SE) financing landscape in India.

Introduction

In 2003, the global emergence of the SSE concept began with Brazil taking the pioneering step to support its socially and environmentally focused enterprises. Following Brazil's initiative, several other countries of the world including South Africa, Portugal, Canada, Singapore, the U.K. and Jamaica established their SSEs subsequently. Many years later, India accepted and introduced the SSE concept in its (2019-20) Union Budget for leveraging its capital market for its SEs. The Securities & Exchange Board of India (SEBI), consequently formed two crucial groups, a Working Group (WG) and a Technical Group (TG), to facilitate the SSE's structural formation and regulatory framework development, respectively. The recommendations from the WG in June-2020 and suggestions from the TG in May-2021, paved the way for the necessary amendments to the Issue of Capital and Disclosure Requirements (ICDR-2018 Regulations), Listing Obligations and Disclosure Requirements (LODR-2015 Regulations) and Alternative Investment Funds (AIF-2012 Regulations), successively. These amendments laid the groundwork for the establishment of the SSE framework in India. Notably, the formation of a Social Stock Exchange Governance Council (SGC) became mandatory before opening an SSE segment in any existing Stock Exchange, in accordance with the SEBI norms. Next, in September 2022, SEBI released the final SSE framework, leading to the establishment of two SSE segments in India within the existing structures of the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE) in December 2022 and February 2023 respectively, and thereby, integrating the social and financial considerations of the investors as well as SEs into the SSE's operational structure, while underscoring India's commitment towards achieving its Sustainable Development Goals (SDGs) by transforming its SE financing landscape through developing a more socially reliable and responsible investing mechanism.

Social Stock Exchanges (SSEs) in Indian Context

SSEs, basically, are specialized electronic platforms, working as distinct segments within the operational structures of the recognized stock exchanges in India to facilitate a controlled, structured, transparent and responsible meeting ground where the SEs

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can interact with their investors and donors to have financial supports through a variety of financial instruments. Thus, SSEs are specially designed mechanisms to bridge the gap between the SEs and potential fund-providers, ensuring the fact that the funds are used efficiently and for the intended social impact. By leveraging a regulated environment, SSEs offer a secure and credible space for financial transactions and thereby, enhancing the trust of investors and donors in the SEs. The diverse funding options enable the SEs to scale their operations, innovate and address various social issues more effectively. SSEs, therefore, play a pivotal role in mobilizing resources for the SEs, fostering a collaborative ecosystem where social impact and financial returns coexist. This innovative approach not only empowers the SEs, but also attracts a broad spectrum of investors who are keen to contribute to social change while ensuring their investments are handled with the utmost integrity.

In India, the newly formed SSE segments (in the NSE and BSE) are regulated by SEBI and thus, offer well-delineated electronic platforms for the SEs to raise funds using diverse financial instruments to maintain their social objectives. Under the SEBI's guidance, the SSEs ensure regulatory adherence, transparency and investor safeguarding while fostering investment opportunities for the social impact generating activities and sustainable developments in the country.

The Rationale behind

SSE's core purpose is to connect the potential investors with the organizations that are actively participating in creating tangible social impacts in India, spanning across the target areas like education, women empowerment, financial inclusion, poverty and health and so on. By encouraging a hybrid or mixed kind of financing mechanism, SSEs endeavor to mobilize both traditional capital and social investment to tackle the prevailing societal challenges in the Indian economy. Notably, the Indian SSE framework distinguishes itself from that of the other countries in terms of offering better inclusivity and catering to the demands of both the SEs and the potential fund providers in a more scientific and reliable way. Most importantly, transparency and efficiency lie as the central theme of the present SSE mechanism in India to attract investors through its clear and streamlined operational and regulatory frameworks that aim at channelizing social contributions made by such investors in order to generate positive social impacts by the activities of the enrolled SEs. This approach stands in contrast to the existing milieu of Corporate Social Responsibility (CSR) and philanthropic investments which often lack uniform accessibility to the required amount of finances, needed by the SEs. In essence, the present Indian SSE framework, represents a significant step towards bridging the gap between the needs of the social investors and that of the social enterprises, as well by offering a promising avenue for sustainable social investments to foster an equitable distribution of resources among the SEs, as far as practicable and thereby, transforming the SE financing landscape in India.

Furthermore, SSE also appeals to those investors who seek some financial returns accompanied by tangible social or environmental impacts. And, for encouraging the SEs to articulate and measure their societal impacts, SSEs offer a structured approach for social impact reporting and thereby, facilitating the assessment of their social initiatives. Such a framework also instills credibility and acknowledgment for the SEs. Moreover, being listed on the SSE, brings in a bigger responsibility upon the enrolled SEs to foster positive social change by maintaining responsible

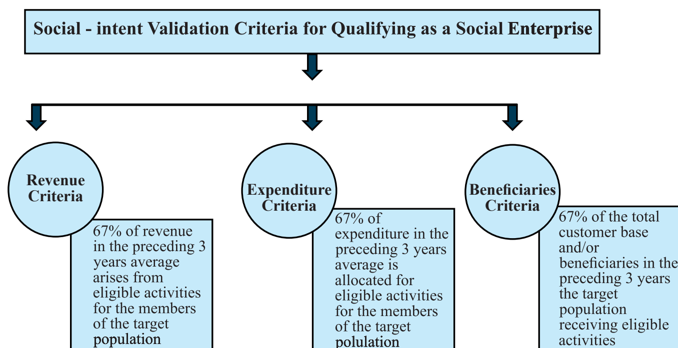
business/social practices and thereby, enhancing the trust of the investors specifically and that of the society at large.

Transformation in Social Enterprise Financing Landscape in India

The SEs, in India, play a vital role in the economy by bridging the gap between their societal aspirations and actual development and thereby, accelerating the other Governmental efforts for the overall societal development. To align with the current SSE framework in India and to become eligible to operate under the same, a SE must have to undergo certain criteria' tests such as Social-intent validation, Registration, Target segment and Eligible activity.

Firstly, in order to qualify as a SSE participant and ensure its entry into the SSE framework, a SE must meet at least one of following three social-intent validation criteria namely, Revenue, Expenditure and Beneficiary Criteria:

Chart 1: Social-intent Validation Criteria



Source: NSE database on SSE

However, any other "corporate foundations, political or religious organizations or activities, professional or trade associations, infrastructure companies and housing companies (excluding affordable housing companies)" are excluded from the SE qualifying criteria, in the present SSE framework in India.

Secondly, within the present SSE framework, the SEs in India, are allowed to operate through two modes or categories - Non-Profit Organizations (NPOs) and For-Profit Social Enterprises (FPSEs). Here, an NPO must be a registered charitable trust (under the Indian Trusts Act, 1882 or any State Public Trust Statute) or a Society (under the Societies Registration Act, 1860) or a Company incorporated under section 8 of the Companies Act, 2013 or any other entity as specified by the SEBI. Conversely, FPSEs meeting the qualifying criteria are typically for-profit entities dedicated to both social impact generation and profit-making under the ICDR-2018 Regulations, excluding Section 8 companies of the Companies Act, 2013.

Thirdly, these entities must be aiming at addressing various societal development priorities of the less privileged or underserved population segments or regions of the country.

And fourthly, these entities must engage in one or more of the 16 prescribed eligible activities (shown in Chart 2) under regulation 292E of the SEBI (ICDR) Regulations, 2018.

However, the list of eligible activities shown in Chart 2 can be extended further to include any other activity or area, if the Board or the Government of India decides so.

SSE Fundraising Modes and Financial Instruments - Transforming SE Financing

While accommodating both NPOs and FPSEs, the SSE framework mandates the NPOs to register first with the SSE platform to raise funds, whereas, FPSEs, can directly expedite listing of securities without following any prior registration. However, both the NPOs and FPSEs utilize distinct instruments prioritizing social impacts over financial gains, in line with the SSE's objective of balancing social development and

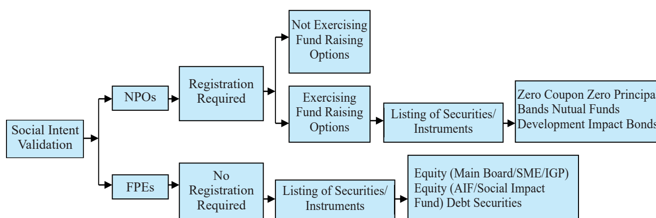
Chart 2: List of Eligible Activities

Serial No.	Eligible Activities	Serial No.	Eligible Activities
1	Work for eradicating hunger, poverty, malnutrition and inequality	9	Supporting non-profit ecosystem in fund raising and capacity building
2	Promoting health care services (including mental health, sanitation and supply of drinking water etc.)	10	Work for enhancing income of small and marginal people specially in the non-farming sector
3	Supporting education, employability and livelihoods	11	Facilitating sustainable living environment by promoting slum area development, providing affordable housing etc.
4	Encouraging gender equality through empowerment of women and LGBTQIA+ communities	12	Disaster management activities
5	Addressing issues like climate change, forest and wildlife conservation etc.	13	Advancement of financial inclusion
6	Protecting national heritage, art and culture	14	Settling land and property issues for disadvantaged group of people
7	Imparting several sports training programmes such as Rural sports, Paralympic sports and Olympic etc.	15	Promoting digitization by removing the issues of misinformation and ensuring data protection
8	Supporting incubators of social enterprises and entrepreneurs	16	Helping migrants and displaced persons

Source: NSE database on SSE

financial objectives. The following exhibit provides an overview of the fundraising instruments and modes available for NPOs and FPSEs.

Chart 3: Fundraising Modes and Instruments for NPOs and FPSEs on SSE-Platform



Source: NSE database on SE – Instruments and Process Overview

SEs, while entering into a SSE, must exhibit and prove its social intent. A NPO's registration on the SSE, with the choice to or not to raise funds, stay valid for 12 months. Conversely, FPSEs can directly list securities, highlighting their social missions.

Financial instruments for fundraising for the NPOs and FPEs include:

1. Zero Coupon Zero Principal (ZCZP) Bonds Exclusively available for NPOs, these prioritize social impact over monetary returns, concluding upon maturity or goal attainment. These bonds are generally issued by the NPOs to collect funds for a particular project or activity neither holding any obligation to repay the principal nor to pay any interest. ZCZP bonds are listed on the SSEs and are non-transferable in nature. These bonds are subject to the minimum issue size and application size of Rs. 50,00,000 and Rs. 10,000 respectively while maintaining a minimum subscription size of 75% of the proposed amount to be raised.

2. Mutual Funds: These are specially tailored for

NPO financing, presently known as Social Impact Funds (SIFs). Unlike the Social Venture Funds (SVFs), SIFs can also be used by the NPOs with no guarantee or restriction for paying off any muted return to the investors. NPOs can collect such funds by issuing of Social Units (SUs) for which investors are not allowed to claim any financial returns in future except social benefits or social returns.

3. Development Impact Bonds (DIBs): These bonds are issued to fund social projects taken up by the NPOs with pre-defined goals and involves a number of private investors such as Outcome funders who disburse funds upon goal achievement and thus, incentivize the success achieved, whereas, Risk funders provide funds on pre-payment basis and bear the associated project risks. Furthermore, at the end of the project, independent evaluators ensure impartial assessment and thereby, ensure transparency in the whole DIB funding mechanism.

4. Equity through Main Board/SME/IGP and AIF/ SIF, Debts Securities and others: FPSEs aiming to issue equity shares on the Main Board, SME Platform or Innovators Growth Platform of the Stock Exchange must adhere to the eligibility criteria specified in the SEBI ICDR-2018 Regulations. Similarly, compliance with the relevant SEBI regulations is mandatory for the FPSEs for issuing equity shares through (AIFs/ SIFs) and for collecting funds through debt securities or any other permitted financial instruments. This ensures regulatory consistency and transparency throughout the issuance process across various investment avenues for the FPSEs.

It is also contextual to note that under the present SSE funding mechanism, retail investors are allowed to invest in securities offered by FPSEs on the Main Board only. However, securities issued by the NPOs are restricted to institutional investors (such as Mutual Funds (MFs), Venture Capital Funds (VCFs), Insurance Companies, Scheduled Commercial Banks, etc.) and non-institutional investors (excluding retail and institutional investors). Moreover, registration with the SSEs is exclusively open for Indian entities while, foreign investors are not permitted to invest through such mechanism, presently.

Disclosure Requirements for SEs in the Present SSE Framework

In India, the SSE disclosure framework operates on a 'self-declaration' basis by the participating SEs and where the SEs classify themselves based on their commitment towards social objectives and other prescribed qualifying norms. The SEs must primarily focus on proving their social intents through performing specified eligible activity(s), targeting the under-privileged population groups or regions and reporting their past activities as per specified norms to justify their social intent to qualify for listing on the SSE platform. The reporting standards ensure transparency and accountability for both the FPEs and NPOs. The SE's disclosure reporting covers social impact, governance and financial aspects (including guidance notes and fund utilization report) and thereby, helping the stakeholders in assessing an organization's dedications and effectiveness towards social impact creation. Additionally, both the FPSEs and NPOs must produce an Annual Impact Report (AIR) within a specified time period, audited by a Social Audit Firm (amended further, recently and mentioned under the next section) for their credibility assurance.

Recent Developments and Achievements in the SSE Landscape in India

India's SSE segments, backed by the BSE and NSE, are gaining huge attention with some renowned organizations like SGBS Unnati Foundation, Green Age, Routes 2 Roots, Sarthak Educational Trust, Ekalavya Foundation, Mukti etc. joining in. As of April

1st, 2024, BSE-SSE has 36 registered entities while, NSE-SSE has 58. Recent developments include SSE framework revision, amendments to financial instruments' issuance and disclosure requirements and incorporation of some important regulatory and developmental advisories. These developments signify the SSEs' dynamic feature for maintaining transparency and develop impactful social investment opportunities. The important recent developments are therefore, now briefly explained below:

• ***Enhanced Scope for Registration***

Previously, only entities registered under Sections 12A/12AA/12AB of the Income Tax Act and possessing a valid 80G registration were eligible for NPO registration with the SSEs. Now, entities registered under either Section 10(23C) or 10(46) of the Indian Income Tax Act, can also register. Additionally, NPOs under scrutiny by the Income Tax department can now apply for SSE registration by disclosing such scrutiny details. Further, the SSEs are now permitted to reject NPO registrations, if such scrutiny poses significant amount of risks.

• ***Flexibility in Initial Reporting***

SEBI has now relaxed the initial reporting requirements of the NPOs to report their past social impact assessment, acknowledging the unnecessary costs and delays involved in the registration process. Now, NPOs are only required to report some key parameters such as the number of the beneficiaries, cost per beneficiary and some other relevant financial aspects etc. for initial reporting.

• ***Streamlining Financial Instruments***

A registered AIF, known as a Social Impact Fund (SIF), is now made available to raise funds through the SSEs. FPSEs can issue equity shares, while NPOs can issue ZCZP bonds under the AIF mechanism. 'Social Venture Fund' (SVF) has now been replaced by the SIF. Furthermore, specific conditions related to the issuance of ZCZP instrument have been outlined. These conditions include requirements for dematerialized form, non-transferability, minimum issue and application size, as well as a minimum subscription requirement.

• ***Fund Raising Instances***

In a recent press release, dated 14th March, 2024, the NSE has announced its five pioneering listings on its SSE platform, namely, Swami Vivekananda Youth Movement (SVYM), Transform Rural India, Mukti, Ekalavya Foundation and SGBS Unnati Foundation which have emerged as trailblazers in impact-driven finance in India. The report further clarifies that these innovative listings have collectively mobilized an impressive sum of approximately Rs. 8 crore and such funds are earmarked for an array of developmental initiatives, including education, skill development, agriculture, livelihoods and women empowerment. This milestone certainly highlights the SSE's unwavering dedication in promoting sustainable social change through innovative financial strategies, in India, in the coming times.

• ***Social Impact Assessment***

According to SEBI ICDR Amendments in December 2023, the term 'Social Auditor' has now been replaced with 'Social Impact Assessor', the term 'Social Audit Firm' has now become 'Social Impact Assessment Firm', and 'Social Audit' has been changed to 'Social Impact Assessment' to make it more commensurate with the changing social impact assessment, reporting and governance scenario both nationally and internationally.

• ***Introduction of the 'Eligible Investors' Terminology***

Regarding eligible investors criteria, the words 'institutional investors' and/or 'non-institutional

investors' are henceforth, substituted with the term 'eligible investors'.

• *Setting-up of Capacity Building Fund (CBF)*

A CBF, valuing Rs. 10 crores initially, has recently been set up. The CBF is made up of contributions received from the NABARD, SIDBI, NSE and BSE to aid in conducting nation-wide online and offline awareness programmes for making the NPOs and the other stakeholders aware of the SSE processes and instruments.

• *Consideration for CSR expenditures*

The SEBI and the Ministry of Corporate Affairs (MCA) are initiating joint efforts to extend the Corporate Social Responsibility (CSR) benefits for ZCZP donations via SSE route, in near future.

Prevalent Challenges in the SSE Mechanism

In India, the SSEs, while functioning as separate segments within the existing frameworks of the BSE and NSE, are experiencing the following crucial challenges:

• *Difficulties in Entry for Smaller Firms*

Expanding the SSE's scope to include a broader range of entities engaged in societal activities can enhance the impact and diversity within the country's social sector landscape and thereby, alleviate the challenges faced by social sector enterprises in meeting the prevailing SSE inclusion criteria. Moreover, by offering some relaxations in the operational and reporting norms for the smaller firms, Indian SSEs may attract smaller firms to enhance its inclusivity.

• *Social Impact Evaluation/Assessment*

Social impact evaluation is inherently subjective, posing serious challenges in assessment using readily-available metrics. Thus, conducting thorough research is very crucial to develop accurate and standardized evaluation metrics and which seems to be a daunting task for the SSEs.

• *Nascent Phase of Development*

The SSE mechanism in India is in its early stage. As a result, some of the proposed benefits for the investors NPOs and FPEs remain uncertain and yet to yield real-term benefits. Until these measures are implemented fully and their impacts are observed, the potential benefits for the beneficiaries may remain theoretical, only.

• *Liquidity Crux*

Liquidity issue in relation to the securities is another challenge for the SSEs and which stems from limited investor-base and fewer investment opportunities, resulting into severe hindrances in quick liquidation of such investments on the SSE platforms unlike the traditional stock exchanges.

• *Balancing Profit-motives and Social-intents*

Balancing profit motives with social impact goals presents enormous challenges before the SSEs as investors mostly seek financial returns accompanied with positive societal outcomes. Clear and stringent guidelines and norms must, therefore, be outlined and strictly observed to prevent or restrict such conflicts of interest between the philanthropic investments and the return-oriented investments, for the smooth operation of the SSE framework.

• *Experience from the Global scenario*

Learning from the global SSE failures is must for the SSE ecosystem in India. Addressing challenges faced by the failed SSE concepts in several countries such as improving transparency, accurate reporting and developing modern and scientific impact measurement tools etc. are essential to enhance sustainability and efficacy of the present SSE mechanism in India.

Despite the above mentioned challenges prevailing in the present SSE mechanism in India, it is too early to judge its success or failure, given its recent nascent phase of development. However, with recent developments and initiatives, SSEs in India are expected to find the potential areas to work on and improve upon to prove itself to be a valuable platform for its stakeholders in real terms, aligning their financial viability with positive social intents.

Conclusion

The SSE mechanism in India has thus been able to make a triumphant take-off despite numerous challenges and difficulties. Ongoing research and development efforts are continuously refining and tuning the SSE structure in India to facilitate its successful flight by harmonizing the requirements of both the SEs and investors, and thereby, attempting to achieve India's Sustainable Development Goals (SDGs) in the upcoming times by accelerating social developments in a modernized, structured and transformed way.

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बैंकों में साइबर जोखिम एवं बचाव प्रबंधन

डॉ. साकेत कुमार सहाय*

पृष्ठभूमि

बैंकिंग का जो स्वरूप हम सभी के समक्ष आज उपस्थित है ऐसा माना जाता है कि इसकी शुरूआत 17वीं शताब्दी में हुई होगी। लेकिन, आज की समस्त आधुनिक बैंकिंग प्रथाएं जैसे- जमा, ब्याज, ऋण और साख पत्र आदि प्राचीन काल में भी मौजूद थीं। भारत में कौटिल्य ने 300 ईसा पूर्व उनके द्वारा लिखित अर्थशास्त्र में मर्चेंट बैंकरों की सशक्त प्रतिभूतियों के बारे में लिखा है कि वे जमाराशियां स्वीकार करते थे और ऋण देते थे तथा हुंडियां (अंतरण-पत्र) जारी किया करते थे।

तब से अब तक बैंकिंग क्षेत्र में अनेक क्रांतिकारी बदलाव परिलक्षित हुए हैं, जिससे बैंकिंग क्षेत्र आज उत्कृष्ट ग्राहकोन्मुखी सेवा के रूप में उपस्थित हैं। इस ग्राहकोन्मुखी सेवा का ही परिणाम है कि बैंकिंग क्षेत्र ने तमाम विपरीत परिस्थितियों में भी आगे बढ़कर नागरिक आकांक्षाओं की प्रतिपूर्ति में श्रेष्ठ योगदान दिया है। जब ग्राहकोन्मुखी बैंकिंग की बात की जाती है तो हम दो शब्दों को प्रमुखता से पाते हैं – ''सहज एवं सुरक्षित'' और इसी से जन्म होता है ''ग्राहक संतुष्टि'' का। इसी सहज एवं सुरक्षित सेवा तथा ग्राहक संतुष्टि के उद्देश्य से बीते दशकों में भारतीय बैंकिंग में अभूतपूर्व बदलाव परिलक्षित हुए हैं। इस बदलाव को निम्न प्रकार से समझा जा सकता है-

- ब्रिक व मोर्टार - क्लिक व ऑर्डर - ई-बैंकिंग
- जमा व ऋण - भुगतान
- भौतिक चेक समाशोधन – इलेक्ट्रॉनिक समाधान
- उच्च संव्यवहार लागत – कम संव्यवहार लागत
- उत्पाद केंद्रित – ग्राहक केंद्रित
- बहु प्रदाता – एकल प्रदाता
- शाखा कोर – डिजिटल चैनल कोर
- फेस टू फेस इंगेजमेंट – डिजिटल माध्यम से इंगेजमेंट

बैंकिंग संरचना एवं कार्य-प्रणाली के डिजिटलीकरण का भविष्य 1950 के दशक में सबसे पहले इलेक्ट्रॉनिक कंप्यूटर के विकास के साथ ही महसूस किया जाने लगा था। दूसरे शब्दों में कहें कि इसे निर्धारित किया जा चुका था और बैंकों द्वारा मेनफ्रेम कंप्यूटरों का उपयोग करके अपने बैक-ऑफ़िस संचालन को स्वचालित करना इस बात की पुष्टि करता है। हालाँकि, समय के परिवर्तन के साथ बैंकिंग तकनीक ने डिजिटल परिवर्तन की दिशा में और अधिक महत्वपूर्ण कदम उठाना शुरू किया। इस परिवर्तन की क्रमबद्धता को हम निम्नलिखित रुप में समझ सकते हैं -

1. 1950 और 1960 के दशक में, बैंकों ने लेखांकन और लेनदेन प्रसंस्करण के लिए इलेक्ट्रॉनिक कंप्यूटरों का उपयोग करना शुरू किया, जिससे अधिक कुशल और सटीक रिकॉर्ड-कीपिंग हुई।
2. 1970 के दशक में, बैंकों द्वारा ग्राहकों को 24/7 नकदी आहरण की सेवा प्रदान करने के लिए स्वचालित टेलर मशीन (एटीएम) का उपयोग करना शुरू किया गया।
3. 1980 के दशक में, ऑनलाइन बैंकिंग के साथ ग्राहकों को अपने खातों का 24/7 परिचालन करने और

*मुख्य प्रबंधक (राजभाषा), पंजाब नैशनल बैंक।

कंप्यूटर नेटवर्क के माध्यम से लेनदेन करने की अनुमति मिली।

4. 1990 के दशक में, बैंकों ने ग्राहक संबंधों को बेहतर ढंग से प्रबंधित करने और ग्राहक सेवा में बेहतरी लाने हेतु ग्राहक संबंध प्रबंधन (सीआरएम) प्रणाली का उपयोग करना शुरू किया।
5. 2000 के दशक की शुरुआत में, मोबाइल बैंकिंग की शुरुआत हुई, जिससे ग्राहकों को मोबाइल उपकरणों के माध्यम से अपने खातों का परिचालन करने और लेन-देन करने की अनुमति मिली ।
6. 2000 के दशक के अंत में, सोशल मीडिया के उदय ने बैंकों को ग्राहकों के साथ जुड़ने और उनके उत्पादों और सेवाओं को बढ़ावा देने के लिए सोशल मीडिया प्लेटफॉर्म का उपयोग करने के लिए प्रेरित किया।
7. 2010 के दशक में, बैंकों ने अपने परिचालन में सुधार करने और ग्राहकों को बेहतर सेवाएं प्रदान करने के लिए क्लाउड कंप्यूटिंग और बिग डेटा एनालिटिक्स को अपनाना शुरू किया।
8. इसके साथ ही कृत्रिम मेधा (आर्टिफिशियल इंटेलीजेंस) एवं अन्य तकनीकी प्रयुक्तियों के माध्यम से बैंकिंग सेवाएं समय के साथ और भी सुगम एवं अद्यतित हो रही हैं।

इन बदलावों से, जहां बैंकों ने अपने दृष्टिकोण में भारी परिवर्तन किए हैं वहीं बैंकिंग सेवाओं के प्रति ग्राहकों के दृष्टिकोण में भी व्यापक बदलाव आए हैं। इसी का परिणाम है कि बैंक एक वित्तीय सुपर-बाजार के रूप में हमारे समक्ष खड़े हैं। बैंक द्वारा दी जा रही सेवाएं ग्राहकों की जरूरतों के मुताबिक है, जो विभिन्न डिलीवरी चैनलों द्वारा उपलब्ध करवाई जा रही है। इनमें से अधिकांश डिज़िटल माध्यमों से संचालित हो रही है। जिससे बैंकिंग सेवाएं ज्यादा सहजता से उपलब्ध हो पा रही हैं। परंतु इस बदलाव एवं प्रगति ने इस सेवा के समक्ष अनेक सवाल भी खड़े किए हैं जिसका एक प्रमुख पक्ष है बैंकिंग में बढ़ता साइबर अपराध।

आज के युग में यदि हम अपना व्यक्तिगत या सार्वजनिक विकास हेतु कुछ भी प्रगतिशील कार्य करते हैं तो यह सब बिना डिजिटल तकनीक के मानो असंभव-सा लगता है। बैंकिंग के साथ भी यही है। बैंकिंग की शुरुआत ग्राहकों को वित्तीय सहायता एवं सेवाएं देने के उद्देश्य से की गई थी परन्तु तब से लेकर अभी तक बैंकिंग व्यवस्था ने स्वयं को डिजिटल क्रांति के विविध आयामों से जोड़ा और अपने साथ-साथ अपने बहुमूल्य ग्राहकों को भी डिजिटल तकनीक से पूरी तरह से लैस करने का अद्भुत कार्य किया है। यह डिजिटल भुगतान व्यवस्था का ही परिणाम है कि आज बैंकिंग सेवा किसी-न-किसी रूप में 24x7 उपलब्ध है।

डिजिटल भुगतान लेन-देन हेतु एक सुविधाजनक माध्यम है। इसके बढ़ते प्रयोग के साथ-साथ इससे जुड़े जोखिम भी बढ़ते जा रहे है। धोखाधड़ी एवं जालसाजी डिजिटल बैंकिंग के समक्ष व इनके प्रयोग में बहुत बड़ी बाधा के रूप उपस्थित हो रही है। कभी भारतीय रिज़र्व बैंक के पूर्व गवर्नर श्री रघुराम राजन ने अपने कार्यकाल में यह बात रखी थी कि ''साइबर ठग रिज़र्व बैंक गर्वनर को भी आम ग्राहक समझकर लुभावनी पेशकश करते हैं।''

आज डिजिटल या साइबर अपराध भारत में ही नहीं बल्कि पूरे विश्व में एक केंद्रीय मुद्दा बन चुका है। राष्ट्रीय अपराध रिकॉर्ड ब्यूरो (एनसीआरबी) के अनुसार, वर्ष 2020 में ही भारत में साइबर अपराध के 50,035 मामले सामने आए थे, जो एक साल पहले की तुलना में 11.8 फीसदी अधिक थे। आरबीआई की वार्षिक रिपोर्ट-2022-23 के अनुसार धोखेबाजों की नजर में डिजिटल भुगतान निशाने पर रहा। रिपोर्ट के अनुसार, ऑनलाइन भुगतान में धोखाधड़ी की रकम भले घटी है, परंतु इसकी संख्या में वृद्धि हुई है। आंकड़ों के अनुसार, बैंकिंग में धोखाधड़ी के मामले वित्तीय वर्ष-2022- 23 में बढ़कर 13,530 हो गए। धोखाधड़ी के इन मामलों में शामिल कुल राशि ₹30,252 करोड़ रही, जो इससे पिछले वित्तीय वर्ष (2021-22) के मुकाबले करीब आधा रहा।

वर्ष	मामले	राशि (₹ करोड़ में)
2022-23	13,530	30,252
2021-22	9,097	59,819
2020-21	7,338	1,32,389

स्रोत: बिज़नेस स्टैण्डर्ड (31 मई, 2023)

भारत सरकार, भारतीय रिज़र्व बैंक एवं बैंक भी इस विषय पर निरंतर सतर्क एवं निगरानी में है। भारतीय रिज़र्व बैंक एवं बैंक भी उपभोक्ताओं को धोखाधड़ी के प्रति सजग रहने को लेकर निरंतर आह्वान करते रहते हैं। तमाम घटनाओं को देखकर यह भी निष्कर्ष निकलता है कि वास्तव में एक विशेष प्रकार की धोखाधड़ी जो दूसरों की तुलना में अधिक होती है और उनको लेकर जागरूक रहना ही खुद को सुरक्षित रखने की दिशा में पहला कदम है।

आरबीआई की वित्तीय स्थिरता रिपोर्ट-2021 के अनुसार, अक्तूबर, 2020 से ही बैंकिंग क्षेत्र उच्च जोखिम क्षेत्र में शामिल है। कोरोना महामारी के बाद से ही बैंकिंग प्रणाली के लिए साइबर अपराध को ज्यादा बड़ा खतरा माना जा रहा है। ऑनलाइन तकनीक के प्रयोग में बढ़ोत्तरी के साथ ही बैंकिंग क्षेत्र में साइबर आक्रमणों की संख्या, अंतराल एवं प्रभाव में वृद्धि हुई है।

बैंकों में साइबर अपराधों का स्वरूप एवं सुरक्षात्मक उपाय

बिज़नेस स्टैण्डर्ड, 07 जून, 2023 में प्रकाशित रिपोर्ट के अनुसार, भारतीय परिवार अपना 35 फीसदी लेनदेन औसतन डिजिटल माध्यम से करते हैं और रिपोर्ट के अनुसार, वित्त वर्ष 2026 तक यह आंकड़ा बढ़कर 50 फीसदी के पार होने की उम्मीद है। रिपोर्ट में यह भी कहा गया है कि स्मार्टफोन और इंटरनेट के बढ़ते इस्तेमाल तथा सरकारी नीतियों के कारण वित्त वर्ष 2026 तक भारत में कम से कम 85 फीसदी व्यवसाय डिजिटल रूप से सक्षम हो जाएंगे। आज चीन के बाद भारत में इंटरनेट प्रयोक्ताओं (70 करोड़ से अधिक) की दूसरी सबसे बड़ी संख्या है।

यह स्पष्ट है कि डिजिटल बैंकिंग की लोकप्रियता धीरे-धीरे बढ़ रही है। भारत में हुई डिजिटल क्रान्ति को देखते हुए यह कहा जा सकता है कि 'भारत ने बगैर किसी शोर-शराबा किए ऑनलाइन लेनदेन में क्रांति ला दी है और सभी हितधारक इसमें अपनी सक्रिय भूमिका निभाने को लेकर उत्साहित हैं।' परंतु इसी के साथ यह भी स्थिति निर्मित हुई है कि जहां डिजिटल बैंकिंग से इसके धारकों को कई प्रकार की बैंकिंग सुविधाएं प्राप्त हुई हैं वहीं कई बार उन्हें नए प्रकार के खतरों का भी सामना करना पड़ता है। भारत में ग्राहकों के अधिकारों की रक्षा के लिए बैंकिंग लोकपाल, उपभोक्ता फोरम, अदालतें आदि मौजूद हैं। बैंकिंग लोकपाल के आंकड़ों के मुताबिक, बैंकिंग लोकायुक्त के पास सबसे ज्यादा शिकायतें एटीएम-डेबिट कार्ड से संबंधित ही आती हैं। इसमें शामिल है - एटीएम मशीन से पैसे नहीं निकलने, कार्ड की क्लोनिंग होने, एटीएम-डेबिट कार्ड के पास में रहने के बावजूद दूसरों द्वारा पैसे की निकासी हो जाने जैसी शिकायतें सबसे अधिक हैं।

सबसे अधिक चुनौतीपूर्ण स्थिति यह है कि आज वैश्विक स्तर पर बैंकिंग प्रणाली ऑनलाइन हो चुकी है और ग्राहकों से जुड़ी तमाम वित्तीय जानकारियां सर्वर में मौजूद हैं, जिसके हैक होने की आशंका निरंतर बनी रहती है। आए दिन समाचार पत्रों में प्रकाशित रिपोर्टों से यह स्पष्ट है कि वर्तमान में बैंक इलेक्ट्रॉनिक एवं पेपर दोनों ही माध्यमों के धोखाधड़ी से जूझ रहे है। पर, इसमें बड़ी समस्या है साइबर धोखाधड़ी की, क्योंकि इसमें सब कुछ आभासी है। बैंकिंग प्रणाली में साइबर अपराधों के स्वरूप को यथाशीघ्र समझना जरूरी है एवं इस हेतु यथासंभव सुरक्षात्मक उपाय भी अपनाया जाना आवश्यक है ताकि साइबर अपराध के गंभीर खतरों से बैंकिंग प्रणाली को सुरक्षित रखा जाए।

हालांकि, इस चुनौती से निपटने हेतु बैंकों ने साइबर जोखिम प्रबंधन की ओर विशेष ध्यान दिया है एवं जी. गोपाल कृष्ण समिति के निर्देशों के अनुरूप सुरक्षा, इलेक्ट्रॉनिक बैंकिंग, तकनीकी जोखिम प्रबंधन एवं साइबर धोखाधड़ी से निपटने हेतु उपाय भी लागू किए है। फिर भी यह कहा जा सकता है कि बैंकों द्वारा उठाए गए ये उपाय फिलहाल शुरूआती

दौर में ही है और इसमें निरंतर अनुप्रयोग अपनाए जाने शेष है। क्योंकि जिस प्रकार से डिजिटल बैंकिंग अपनाने वालों की संख्या तथा इससे जुड़े साइबर अपराध के खतरे बढ़ते जा रहे है उसको देखते हुए यह आवश्यक है कि बैंकों को अपने स्तर पर नए संवर्धन एवं विकास और इस क्षेत्र में हर दिन उत्पन्न नई कठिनाइयों के आधार पर अपनी नीतियों, प्रणालियों एवं तकनीक को नए आधार पर सक्रिय रूप से तैयार एवं संशोधित करना ही होगा।

यह ज्ञात तथ्य है कि धोखाधड़ी के अधिकांश मामलों के पीछे शक्ति, लोभ, प्रचार, बदला, आनंद अथवा विध्वंसात्मक सोच की ही प्रवृत्ति पाई गई है। निश्चय ही अपराधी मानसिकता से निपटना एक जटिल कार्य है और इसकी जटिलता तब और ज्यादा बढ़ जाती है जब यह ऑनलाइन हो। ऐसे में संस्थागत, वैयक्तिक, आभासी माध्यमों से की जाने वाली साइबर अपराधों से निपटने का एकमात्र उपाय है- ''सुदृढ़ एवं सुरक्षात्मक प्रबंधन''।

बैंकों में साइबर अपराधों का स्वरूप

साइबर अपराधों की चुनौती इसलिए भी ज्यादा बड़ी है क्योंकि वित्तीय लाभ लेने के लिए कोई भी प्रेरित हो सकता है और इस क्षेत्र में लाभ प्राप्ति की संभावना सबसे अधिक है। सामान्यत: बैंकों में धोखाधड़ी के कारण निम्न हैं, अपने ग्राहक को जानिये तथा अपने कर्मचारियों को जानिये, नीति का सुचारु रुप से पालन नहीं होना, निर्धारित आंतरिक एवं बाह्य प्रक्रियाओं का पालन नहीं करना, अति विश्वास, धोखाधड़ी की जानकारी न देना, ग्राहकों का जागरूक नहीं होना आदि एवं डिजिटल धोखाधड़ी में एटीएम डेबिट/क्रेडिट कार्ड से संबंधित धोखाधड़ी, स्किमिंग, कार्ड क्लोनिंग, ऑनलाइन पासवर्ड या पिन की चोरी, मोबाइल धोखाधड़ी, फिशिंग, विशिंग आदि शामिल किए जा सकते हैं। आज सहज, सुरक्षित एवं विश्वसनीय डिजिटल बैंकिंग सेवा प्रदान करने के बीच साइबर अपराध एक बड़ी चुनौती के रूप में उपस्थित है।

विचारणीय तथ्य यह भी है कि बढ़ते साइबर अपराध की वजह से देश की बड़ी आबादी आज डिजिटल लेन-देन से परहेज कर रही है। सरकार के लिए भी बीते वर्षों में घटित रैनसमवेयर साइबर फिरौती जैसे बड़े साइबर हमले, आधार कार्ड, डेबिट कार्ड का डाटा लीक होना आदि बड़ी चुनौतियाँ सिद्ध हुई हैं। जब से ऑनलाइन बैंकिंग पर जोर बढ़ा है तब से हर दिन ऐसे मामले सामने आने लगे है। उदाहरण के लिए, कोरोना महामारी के दौरान कुछ लोगों ने बैंक शाखाओं तक जाना बंद कर दिया जिससे धोखेबाजों को 'अपने ग्राहक को जानिये' (केवाईसी) संबंधी कागजात अद्यतन कराने का बहाना धोखाधड़ी के एक अवसर के रूप में मिल गया। इस प्रक्रिया में धोखेबाज ग्राहक को एसएमएस के द्वारा यह चेतावनी संदेश देते थे कि उसका कार्ड या बैंक खाता ब्लॉक कर दिया जाएगा। यह संदेश पाने वाला ग्राहक उसकी वैधता पर विचार किए बगैर कदम उठा लेता था। जब वह एसएमएस में दिए नंबर पर कॉल करता तो उसे अपनी केवाईसी जानकारी की पुष्टि के नाम पर निजी विवरण देने को कहा जाता था। अन्य भी कई प्रकार के धोखे हैं यथा, सिम स्वैप, यूपीआई से जुड़ी धोखाधड़ी आदि में फँसकर ग्राहक धोखेबाजों के चक्कर में आ जाते हैं।

यह भी कहा जा सकता है कि आवश्यक सावधानी बरत कर इस प्रकार की धोखाधड़ी से बचा जा सकता है। देखा जाए तो दिनचर्या के सारे कार्य करते समय हम सभी पूर्ण सावधानी बरतते हैं। खाना बनाने से लेकर सड़क पार करने तक में सावधानी बरतने की जरूरत होती है, लेकिन वित्तीय मामलों में आज भी अधिकतर भारतीय निरक्षर की भांति व्यवहार करते हैं। बड़ी-बड़ी डिग्रियां हासिल करने वाले लोग भी एटीएम के इस्तेमाल में आवश्यक सावधानी नहीं बरतते। लोग अपने एटीएम कार्ड को दोस्त, रिश्तेदार आदि को देने से नहीं हिचकते हैं। पीओएस (प्वाइंट ऑफ सेल्स) के इस्तेमाल में असावधानी बरतते हैं। ई-कॉमर्स में भी ग्राहक ऑनलाइन खरीदारी करते वक्त सावधानी नहीं बरतते।

बैंकों में साइबर अपराधों के रोकथाम हेतु सुरक्षात्मक उपाय

बैंकिंग प्रणाली से जुड़ें अधिकांश साइबर अपराध के मामलों को देखा जाए तो यह कहा जा सकता है कि बैंकिंग

क्षेत्र में साइबर सुरक्षा प्रबंधन तीन स्तरों पर जरूरी है- बैंक, विनियामक एवं ग्राहक। साइबर अपराध के समुचित निपटान, कार्रवाई, समाधान एवं नियंत्रण में बैंकों, हितधारकों एवं विनियामकों तीनों की महत्वपूर्ण भूमिका है। ग्राहक स्तर पर यदि देखें तो पहला उपाय है – 'अपने डाटा को सुरक्षित रखें' और उससे भी महत्वपूर्ण है 'थोड़े अविश्वासी बने'। साथ ही, ग्राहकों को साइबर सुरक्षा को जीवन जीने की शैली के रूप में अपनाना होगा। आज के दौर में यह कहा जा सकता है कि अपनी डिजिटल गतिविधियों को लेकर जितने सतर्क और जागरूक हम खुद होंगे, उतना ही ज्यादा हम सुरक्षित रह सकेंगे।

साइबर सुरक्षा प्रबंधन हेतु बैंकों एवं विनियामकों (भारत सरकार, भारतीय रिज़र्व बैंक) द्वारा उठाए गए कदम

भारत सरकार द्वारा उठाए गए कदम

- **सीईआरटी-इन (कंप्यूटर आपात कार्रवाई टीम-भारत) एवं सीसीबी (साइबर सुरक्षित भारत)**

भारत सरकार साइबर खतरों के प्रति सचेत है। इसी के तहत सीईआरटी-इन (कंप्यूटर आपात कार्रवाई टीम-भारत) गठित है। यह संगठन साइबर सुरक्षा को दुरूस्त करने की दिशा में सक्रिय एवं प्रतिक्रियात्मक सेवाओं के साथ-साथ दिशानिर्देश प्रदान करते हुए, खतरे की आसूचना और वित्तीय क्षेत्रों सहित सभी क्षेत्रों में विभिन्न एजेंसियों की तैयारी का मूल्यांकन करते हुए कदम उठा रही है।

- **साइबर संकट प्रबंधन योजना**

बैंक साइबर संकट प्रबंधन योजना (सीसीएमपी) को प्रभावी रुप से अपना रहे है। सी.सी.एम.पी. के तहत बैंक के साइबर धोखाधड़ी कक्ष निम्नलिखित चार पहलूओं पर कार्रवाई सुनिश्चित करते हैं :

(i) पहचानना

(ii) जवाबी कार्रवाई

(iii) सुधार तथा

(iv) नियंत्रण

साथ ही, बैंकों के लिए यह जरूरी है कि विभिन्न प्रकार के साइबर खतरों, जैसे सेवा से इंकार, डिस्ट्रीब्यूटेड डिनायल ऑफ सर्विसेस (डीडीओएस), रैनसमवेयर/क्रिप्टोवेयर, घातक मालवेयर, व्यवसाय ई-मेल धोखाधड़ी जैसे कि स्पैम, ई-मेल फिशिंग, स्पियर फिशिंग, व्हेलिंग, विशिंग धोखाधड़ी, ड्राइव-बाय डाऊनलोड, ब्राउज़र गेटवे धोखाधड़ी, घोस्ट एडमिनिस्ट्रेटर एक्सप्लोइट्स, पहचान संबंधी धोखाधड़ी, मेमोरी अपडेट धोखाधड़ी, पासवर्ड संबंधी धोखाधड़ी से निपटने हेतु आवश्यक सुरक्षात्मक तथा सुधारात्मक उपाय प्रबंधित करें।

- **एसओसी (सिक्यूरिटी ऑपरेशन सेंटर)**

बैंकों द्वारा गठित सिक्यूरिटी ऑपरेशन सेंटर (एसओसी) से रीयल टाइम में साइबर जोखिमों की निगरानी तथा प्रबंधन सुनिश्चित हो रही है। बैंकों के समन्वय के उपरांत इन केंद्रों को मजबूत किया जाना और भी आवश्यक हो गया है।

- **साइबर सुरक्षा मुस्तैदी संकेतक**

बैंक साइबर खतरों से अपने डाटा को सुरक्षित रखने हेतु साइबर रेसिलिएन्स फ्रेमवर्क के तहत साइबर सुरक्षा मुस्तैदी संकेतक भी अपना रहे है।

- **साइबर-अपराधों से संबंधित सूचनाओं को आरबीआई के साथ साझा करना**

बैंकों द्वारा साइबर–अपराधों से संबंधित जानकारी आरबीआई के साथ साझा करने से (सफल/असफल प्रयास) सामूहिक खतरे की आसूचना, समय पर अलर्ट्स तथा सक्रिय साइबर सुरक्षा उपायों को अपनाने में सहायता मिलती है।

- **हितधारकों/शीर्ष प्रबंधन/बोर्ड के बीच साइबर-सुरक्षा जागरूकता**

साइबर-सुरक्षित माहौल बनाने के लिए संपूर्ण संगठन की प्रतिबद्धता आवश्यक है। यह आवश्यक है कि बैंक अपने ग्राहकों, वेंडरों, सेवा-प्रदाताओं तथा अन्य संबंधित हितधारकों के बीच साइबर रेजिलिएन्स उद्देश्यों की समझ सक्रियता के साथ पैदा करें। यह भी महत्वपूर्ण है कि हितधारकों (ग्राहकों, कर्मचारियों, भागीदारों तथा वेंडरों) को साइबर–हमले से

होने वाले संभाव्य प्रभाव के बारे में जानकारी दी जाए।

साइबर अपराध से बचाव के अन्य कदम

- **ग्राहक सूचना की सुरक्षा सुनिश्चित करना**

जब से बैंकिंग उद्योग ने प्रौद्योगिकी आधारित सेवाएँ देना शुरू किया है तब से इस क्षेत्र में साइबर खतरे बढ़े है। इसका बड़ा कारण है कि देश में प्रौद्योगिकी आधारित सेवाओं के प्रति लोगों की अनभिज्ञता एवं अरूचि। आज भी बहुत लोगों को एटीएम कार्ड का उपयोग नहीं आता और वे पैसा निकालने के लिए एटीएम में जाकर अपना कार्ड किसी दूसरों के हवाले कर देते हैं या अपने कार्ड पर या डायरी में लिखी पिन संख्याएं उन्हें दिखा देते हैं जिसके कारण उनके कार्ड का दुरूपयोग बेहद आसान हो जाता है। इन घटनाओं की गंभीरता को देखते हुए बैंकों एवं भारत सरकार के साथ ही स्थानीय पुलिस संगठनों के समन्वय से इस हेतु वित्तीय साक्षरता अभियान भी चलाया जाना चाहिए।

- **भारत में आम आदमी के स्तर पर सूचना प्रौद्योगिकी इंफ्रास्ट्रक्चर एवं जागरूकता**

आम तौर पर उपभोक्ताओं को जानकारी के अभाव, इन्टरनेट स्पीड के कारण बहुधा ऑनलाइन लेन-देन में काफी दिक्कतें होती हैं। अत: यह जरूरी है कि बैंक, इन आँकड़ों के कस्टोडियन (अभिरक्षक) के रूप में, इसकी गोपनीयता, सत्यनिष्ठा तथा उपलब्धता को संरक्षित करने के लिए समुचित प्रबंधन तंत्र बनाए।

- **वित्तीय साक्षरता, जागरूकता एवं सतर्कता संबंधी उपाय**

कार्ड क्लोनिंग, फिशिंग, स्किमिंग, ऑनलाइन पासवर्ड की चोरी, विशिंग इत्यादि को पर्याप्त सतर्कता एवं जागरूकता के माध्यम से काफी हद तक कम किया जा सकता है।

साइबर अपराध से बचाव हेतु उपाय -

- एटीएम के प्रयोग से पूर्व ग्राहक इसकी सुरक्षा स्थिति जांच लें।
- कार्ड एवं पिन नंबर किसी भी व्यक्ति को न दें।
- पासवर्ड मजबूत रखें जिसमें कई तरह के चिन्हों एवं अंकों का इस्तेमाल हो और वह छोटा न हो।
- वेबसाइट का इस्तेमाल करते समय उसके यूआरएल पर जरूर गौर करें।
- निजी लैपटॉप पर कार्यालय का काम करते समय एक अलग यूजर खाता बनाएं।
- सिस्टम एवं सॉफ्टवेयर को हमेशा अपडेट रखें।
- अपने घर की वाई-फ़ाई की डिफ़ॉल्ट सेटिंग एवं पासवर्ड को बदल दें।
- सोशल मीडिया पर साझा करने वाली सामग्री पर विशेष ध्यान रखें।
- फोन पर संवेदनशील जानकारी प्रदान न करें।
- कार्ड प्राप्ति के तुरंत बाद कार्ड के पीछे या चेकबुक पर दर्ज नंबर पर कॉल कर इसकी पुष्टि करें।

साइबर धोखाधड़ी की शिकायत

- साइबर अपराध/धोखाधड़ी की घटना होने पर 1930 पर संपर्क करें या cybercrime.gov.in पर लॉग इन कर तुरंत शिकायत दर्ज करवानी चाहिए।
- गलत या धोखे से गलत व्यक्ति के खाते में यूपीआई से धनराशि ट्रांसफर होने पर www.npci.org.in पर ऑनलाइन शिकायत दर्ज करें।

अन्य सावधानियाँ

1) ओटीपी/पिन/सीवीवी नंबर साझा न करें।
2) ऑनलाइन खाते/नेटबैंकिंग के अल्फान्यूमैरिक स्पेशल कैरेक्टर के साथ जटिल पासवर्ड रखें।
3) नाम/मोबाइल नंबर/जन्मतिथि को पासवर्ड नहीं बनाये।
4) लॉटरी/कैशबैक/रिफ़ंड/जॉब्स/गिफ्ट इत्यादि ऑनलाइन प्रलोभनों से सावधान रहें।
5) सोशल मीडिया खाते पर टू स्टेप वेरीफिकेशन/टू फैक्टर प्रमाणीकरण ऑन रखें।
6) कस्टमर केयर के नंबर कभी भी गूगल से सर्च नहीं करें, केवल आधिकारिक वेबसाइट से प्राप्त करें।
7) मोबाइल डिवाइस का जीपीएस/ब्लूटुथ/एनएफसी/

हॉटस्पॉट वाई–फाई आवश्यक होने पर ही ऑन रखें।

8) अंजान लोगों से प्राप्त होने वाली वीडियो कॉल रिसीव न करें और न ही फ्रेंड रिक्वेस्ट स्वीकार करें।
9) पब्लिक वाई-फ़ाई में ऑनलाइन शॉपिंग या बैंकिंग ट्रांजेक्शन न करें।
10) अंजान क्यू आर कोड स्कैन/लिंक पर क्लिक न करें।
11) अंजान व्यक्ति के कहने पर रिमोट एक्सेस, एपीके एनी डेस्क, टीम व्यूयर, एयर ड्रॉप, मीडमिन, एयरमाइनर इत्यादि एप्लीकेशन इंस्टाल न करें।
12) ऑटोमैटिक फारवर्डिंग एप्लीकेशन इंस्टाल या डाउनलोड न करें।
13) व्हाट्सअप, इन्स्टाग्राम, फेसबुक, ट्रू कॉलर की डीपी में वरिष्ठ पुलिस अधिकारियों के नाम वर्दी पहने फोटो या किसी परिचित व्यक्ति का फोटो दिखाई देने पर तत्काल विश्वास न करें।
14) ऑनलाइन सोशल साईट पर पर्सनल फोटो/वीडियो शेयर न करें।
15) लाइक/रीव्यू/रेटिंग के नाम पर घर बैठे रुपए कमाने के लालच में न जाए और न ही पूंजी लगाए।
16) आरबीआई द्वारा स्वीकृत बैंकिंग/नॉन बैंकिंग वित्तीय संस्थानों के अधिकृत लोन ऐप से लोन लें।

इन सभी के साथ यह कहा जा सकता है कि धोखाधड़ी से जागरूकता ही बचाव का महत्वपूर्ण समाधान है। साथ ही सरकार को कठोर नियम बनाने होंगे।

जागरूकता ही बचाव

साइबर अपराध रोकने के लिए हम खुद भी जागरूक बनें और दूसरों को भी जागरूक बनाएं। किसी भी अवांछित लिंक या ई-मेल को न खोलें। ऐसे ई-मेल अटैचमेंट को डाउनलोड भी नहीं करना चाहिए। पुलिस अधिकारियों को साइबर अपराध रोकने का गहन व विधिवत प्रशिक्षण दिया जाना चाहिए। पीड़ितों को हेल्पलाइन पर घटना की जानकारी देने के लिए प्रोत्साहित करना जरूरी है।

'साइबर हाइजीन' ही बचाव का तरीका

साइबर धोखाधड़ी को पूरी तरह रोक पाना लगभग नामुमकिन है। तकनीकी बचाव के तहत साइबर धोखाधड़ी के प्रचलित तरीकों की रोकथाम और नई किस्म की संभावित धोखाधड़ी से निपटने के लिए उपाय किए जाते हैं लेकिन यह पूरी तरह कारगर नहीं है क्योंकि धोखेबाज नित नए तरीके खोज ही लेते हैं। नीतिगत स्तर पर भी अभी कई चीजें स्पष्ट नहीं हैं। जागरूकता के अभाव में लोग खुद अपनी निजी जानकारी धोखेबाजों के साथ साझा कर बैठते हैं। यह भी कहा जा सकता है कि कोविड काल में जिस प्रकार हमने अपने स्वास्थ्य सुरक्षा हेतु विभिन्न नियमों को अनुशासन के साथ अपनाया था उसी प्रकार से साइबर धोखाधड़ी से बचने के लिए हमें साइबर स्वच्छता (हाइजीन) का भी विशेष ध्यान रखना होगा। इसके तहत हम सभी को अपने स्तर पर अनजान नंबर से आने वाले लिंक, संदेश या तस्वीरों को क्लिक करने या खोलने से बचना होगा। साथ ही, किसी भी ऐप को आधिकारिक वेबसाइट से ही डाउनलोड करें। कई बार मिलते जुलते नाम से भी धोखा हो सकता है इसलिए यह जरूरी है कि नाम की वर्तनी को विशेष रूप से मिला लें।

जागरूकता व सरकार की जवाबदेही

साइबर धोखाधड़ी को पूरी तरह से रोका तो नहीं जा सकता है लेकिन इसे कम जरूर किया जा सकता है। इसके लिए सबसे बड़ा उपाय है - जागरूकता। सरकारी संगठनों के साथ निजी संगठनों को भी लोगों को साइबर धोखाधड़ी के प्रति जागरूक करना होगा कि वे किस प्रकार से इससे बच सकते हैं। सबसे अधिक यह जरूरी है कि धोखाधड़ी करने वालों पर सख़्त कार्रवाई हो। इसके लिए सरकार को तुरंत समर्पित साइबर बल का गठन करना चाहिए। जिससे कि साइबर अपराधियों के विरुद्ध यथाशीघ्र कार्रवाई हो सके। बैंकों को भी लिंक या ऐप आधारित भुगतान प्रणाली को और अधिक सुरक्षित बनाने की जरूरत है। यदि बैंकों को साइबर धोखाधड़ी के संबंध में क्षतिपूर्ति के लिए बाध्य किया जाए तो वे अधिक जिम्मेदार बनकर सुरक्षा उपाय कर सकते हैं। साथ ही पुन: यह जरूरी है कि लोग खुद भी सावधान व सतर्क रहें।

उपसंहार

निष्कर्षत: साइबर सुरक्षा को कारगर बनाने हेतु सरकार, भारतीय रिज़र्व बैंक, बैंक, भुगतान कंपनियां एवं साइबर सुरक्षा तंत्र सभी को एक टीम की तरह मिलकर कार्य करना होगा। साइबर अपराध से जुड़े विभिन्न मामलों में यह देखा गया है कि अधिकांश अपराध पेमेंट कार्ड की जानकारी चुराने एवं एटीएम ढाँचे के जरिए नुकसान पहुंचाने जैसी चीजों से जुड़े हैं। सरकार ने धोखाधड़ी का पता लगाने और जांच करने के लिए लिए एक राष्ट्रीय हेल्पलाइन नंबर 155260 शुरू किया है। यह कदम साइबर अपराध नियंत्रण में बेहद उपयोगी है। बैंक साइबर सुरक्षा संबंधी घटनाओं को देखते हुए साइबर सुरक्षा जोखिम प्रबंधन हेतु बीमा भी ले सकते हैं। आज की सबसे बड़ी आवश्यकता है कि साइबर अपराध से निपटने हेतु सभी हितधारकों में एक संतुलित एवं दूरगामी सोच विकसित हो और यह कार्य सबके सहयोग से ही संभव है।

प्रसंगवश, सरकार, विनियामक, बैंक एवं ग्राहक सभी को यह समझना होगा कि ''आपदाएं बताकर नहीं आती, उपाय यही है कि हम आपदाओं से एक हद तक बचाव ही कर सकते हैं और इस हेतु सबसे जरूरी है - समेकित प्रयास।'' व्यवस्थाएं, साइबर संसार से दूर नहीं जा सकती, अब हम सभी को इसी में जीना, इसी के साथ जीना सीखना पड़ेगा और इसका एकमात्र समाधान है-डिजिटल कौशल बढ़ाना। इसी डिजिटल कौशल में निहित है साइबर जोखिम से बचाव एवं प्रबंधन। यह कौशल एवं समेकित प्रयास ही हमें साइबर जोखिम से नियंत्रित कर पाएगा। साथ ही समन्वित डिजिटल जोखिम प्रबंधन भी जरूरी है।

संदर्भ स्रोत

- दैनिक हिंदुस्तान
- बिजनेस स्टैंडर्ड दैनिक के विभिन्न अंक
- भारतीय रिजर्व बैंक की वेबसाइट

Bank Quest 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). IIBF’s Quarterly Journal, Bank Quest has been included in UGC CARE list of Journals.

Legal Decisions Affecting Bankers

Dr. Kratika Shrivastava*

Appellant(s) : **Bombay Mercantile Cooperative Bank Ltd.**

Versus

Respondent(s) : **M/s. U.P. Gun House & Ors.**

Court : **Supreme Court of India**

Bench Strength : **02**

Bench : **Justice Sanjiv Khanna & Justice Dipankar Datta**

Citation : **CA Nos. 6244-6245/2021**

Relevant Provisions of Indian Law

The case refers to following sections of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act, 2002:

Section 13 - Enforcement of security interest.

Section 14 - Possession of secured asset.

Brief Facts about the Case

The sole proprietor of Respondent took a loan with Principal amount of Rs. 2,00,000/- from the Bombay Mercantile Cooperative Bank in 1996 to set-up a firearms business. One of the immovable property of the respondent was mortgaged for securing the loan.

This loan account became Non-Performing Asset (NPA) on 30.02.2002 with total outstanding amount of Rs. 2,39,812.41. The attempt to one-time settlement did not materialise.

In 22.03.2006, a demand notice was served to the respondent under Section 13(2) SARFAESI Act, 2002.

When respondent failed to pay, Bombay Mercantile Cooperative Bank took symbolic possession of the immovable asset on 09.07.2009. Also, the possession notice was published in the newspaper on 22.07.2009.

Under Section 14, the appellant moved to the Court of District Magistrate/Collector, Lucknow for taking the physical possession. As the respondent did not appear in the court, an ex-parte order was passed on 02.12.2010. The respondent's request to recall the order was dismissed on the grounds that he was granted sufficient time and has failed to repay the debt.

The appellant agreed upon respondent's request for one-time settlement (vide letter dated 03.11.2011) for an amount of Rs. 6,36,860/-. The total outstanding amount during that time, reached Rs.15,37,083.41. However, the respondent only paid Rs. 50,000/- (Rupees fifty thousand only) as initial payment and failed to pay the remaining balance of Rs. 5,86,860/- till its due date on 29.03.2012.

On 07.04.2012, the appellant bank revoked the one-time settlement proposal and informed the respondent that he was liable to pay Rs. 15,91,424/- as on 31.03.2012, which was not paid by the respondent.

The appellant bank, took possession of the said property on 14.07.2012 and made an inventory of the immovable assets. According to the valuation

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report, the value of the asset was estimated to be Rs. 29,70,000/-.

The appellant Bank mentioned that they had sent an auction notice to the respondent on 30.11.2012 specifying that on 31.12.2012 auction of the property will be held. The auction sale notice was also published in 02 newspapers on the same date.

The respondent challenged the auction sale by filing a writ petition before the Lucknow Bench, High Court of Judicature at Allahabad on 14.12.2012, however, the writ petition was dismissed.

The auction was held as scheduled and the highest bid by Mr. Abdul Haleem Siddiqui of Rs. 42,00,000/- was accepted. Subsequently, a sale deed was executed in favour of Mr. Abdul Haleem Siddiqui on 21.03.2013 and the possession over the property was given to him. He had then build flats on that property, which were sold to third parties.

The respondent wrote to appellant for settling his dues amounting to Rs. 6,23,809/- post auction along with the cheque of the said amount. The cheque was returned by the appellant Bank and the respondent was informed that the total outstanding amount was Rs. 19,30,995/-.

The respondent disputed service of notice dated 30.11.2012 for the auction. The appellant's official records show the letter dated 30.11.2012, however, it was not able to provide documentary proof with respect to the actual service.

The respondent had challenged the service of auction notice dated 30.11.2012, plea was accepted by the Debts Recovery Tribunal (DRT) at Lucknow, by quashing the auction vide judgment and order dated 30.10.2017. This order had been upheld by the Debts Recovery Appellate Tribunal (DRAT) at Allahabad and then High Court.

The appellant had sent a cheque (vide letter dated 21.03.2013) to the respondent of the balance amount after adjusting all the dues of Rs. 22,53,004/- However, respondent has not accepted the same contending that the service of notice is mandatory prior to sale of the mortgaged property under SARFAESI Act, 2002. Therefore, the remaining amount of Rs. 22,53,004/- has been with the appellant since 21.03.2013.

Findings and Observations of Supreme Court

The Supreme Court noted that that the averments made in the writ petition on service of the notice dated 30.11.2012 were rather ambiguous and unclear. Also, it is clear that the respondent was well aware of about the auction and had also accepted that he had read the notice for the sale in newspaper. The respondent also admitted that he was also present during the auction held on 31.12.2012.

Considering these facts, the court was satisfied that the respondent was completely aware of the auction notice dated 30.11.2012. Also, he had, within 14 days after that, filed a writ petition at the High Court.

During the proceedings, the respondent also mentioned that prior to auction, he had entered into the agreement to sale the said property to Mr. Abdul Haleem Siddiqui for Rs. 29,000,00/-. Mr. Abdul Haleem Siddiqui had also given an advance amount of Rs. 1,000,00/- in this regard. Later, Mr. Abdul Haleem Siddiqui became the auction purchaser.

Mr. Abdul Haleem Siddiqui (auction purchaser) had built & sold flats to third parties on the said property. The court also noted that there was lapse on the part of the appellant bank, as it had not maintained proper records of the service of notice dated 30.11.2012.

Considering these facts and exercising the power under Article 142 of the Constitution of India, the Supreme Court directed the appellant bank to pay to the respondent Rs. 54,00,000/- in full settlement of his claims within a period of 5 weeks from the date when a copy of this order is received. In case, payment is not made by the appellant within the said period, the

appellant bank Ltd. shall be liable to pay an interest on Rs. 54 lakhs at the annual rate of 12% from the date of this order till the date of actual payment.

The impugned orders passed by the High Court were set aside and the sale by the appellant in favour of Abdul Haleem Siddiqui was upheld and confirmed.

Takeaways from the case

1. The Secured Creditor namely banks and financial institutions may initiate action under SARFAESI Act, 2002 only when the account has turned as NPA (except where borrower has raised funds through issue of debt securities).
2. The Secured Creditor has to give a written notice in to the defaulting borrowing to re-pay his debt within 60 days from the date of notice. The notice should clearly mention the total outstanding amount and details of secured assets which secured creditor intends to enforce in case of non-payment of all the dues.
3. The borrower may make a representation/ objection upon receipt of the notice, in case the representation/objection is not acceptable by the secured creditor, it is required to communicate the same to the borrower within 15 days of receipt of the representation/objection.
4. In case a borrower is not able to fully discharge his liabilities, Secured creditor may take a recourse as specified in SARFAESI Act, 2002.
5. The Secured Creditor has to give a written request for taking the possession District Magistrate/Chief Metropolitan Magistrate within whose jurisdiction the secured asset is situated.
6. The Secured Creditor may fix a reserve price for the immovable asset after obtaining the valuation report from the approved valuer.
7. The sale may be effected by holding public action/by inviting tenders from public/by private treaty or by inviting quotation from people dealing with similar secured assets.
8. The borrower should be provided notice of thirty days about the sale of immovable secured asset. The immovable property could not be sold before the expiry of the said 30 days.
9. The sale is confirmed in favour of the highest bidder upon confirmation with the secured creditor.

Bank Quest Articles - Honorarium for the Contributors	
Contribution	**Amount**
Article / Research Paper	₹ 7,500/-
Book Review	₹ 3,000/-
Legal Decisions affecting Bankers	₹ 3,000/-

Summary of Macro-Research Report, (2021-2022)

on

Impact of Ease Reforms on Banking

By:

Mr. Dinesh Mishra, Chief Manager and Faculty, Union Bank of India and Dr. Amrendra Pandey, Associate Professor, Kautilya School of Public Policy, Hyderabad.

- In January 2018, the Government of India and Public Sector Banks (PSBs) jointly committed to and launched a common PSB Reforms Agenda for Enhanced Access & Service Excellence (EASE), comprising 30 Action Points across six reform themes. It was jointly prepared by Indian Banks' Association (IBA) and Boston Consulting Group (BCG) based on points emerging from brainstorming by the Finance Ministry, PSBs Chiefs, Executive Directors and other stakeholders. In the first round (EASE 1.0), the focus of the reforms was to ensure that PSBs set up all the internal processes and systems that would aid them in achieving higher standards in terms of CLEAN (Clean credit, Leveraging data, Ensuring accountability, Action against defaulters and NPA recovery) and SMART (Speedy, Multi-channel reach, Accessible & affordable, Responsive and Technologically enhanced) banking. The progress of the banks on each of the themes was rigorously monitored through an objective EASE Reforms Index, comprising 140 metrics. Next version was launched as EASE 2.0 which had fewer parameters (107 metrics) and mainly emphasized on business outcomes. EASE 3.0 was a continuation of earlier versions with focus on strengthening systems and processes particularly digital enablements.

- With change in banking landscape owing to amalgamation and prevailing pandemic caused by COVID-19 during Financial Year (FY) 2020- 21 and 2021-22, the reform agenda shifted gears with the launch of EASE 4.0 and 5.0. These versions of EASE focused more on digital and data driven banking to improve PSBs performance. During each version of EASE reform agenda, the quantified evaluation, benchmarking, ranking and inter-bank comparison built into the EASE Index endeavored to create competition amongst the PSBs. During each phase of implementation, leading PSBs became the pace-setters for accelerated reforms and the best practices among PSBs were available for peer learning. The present study endeavors to understand whether the transformation of the systems and processes of PSBs under EASE reform agenda has been reflected in improved business performance and customer's feedback.

- The prime focus of this study is to understand the impact of the EASE reform agenda on PSBs performance and subsequent impact on the banking sector. To gauge the comparative position, their performance has been compared with those of select private banks using CAMELS ratio. We have also conducted sentiment analysis using twitter data to capture customer's feedback based on 8 emotions, i.e. anger, anticipation, disgust, fear, joy, sadness, surprise and trust.

- The results show that capital adequacy, management quality, earning ratio, liquidity and sensitivity ratio all are important in explaining the efficiency of banks. All of these ratios have seen improvement in public sector banks since the implementation of EASE reforms and

consequently their efficiency has also improved significantly. Though private sector banks' performance, on these parameters are better than PSBs, public sector banks have seen encouraging improvements since 2018 onwards when EASE reforms were initiated.

- Natural Language Processing (NLP) based sentiment analysis results showed that public sentiment is more positive towards public sector banks than their private sector peers. This despite the fact that private sector banks' services (for example applications rating) and performance (CAMELS) are much better than public sector, shows that Government ownership of these banks play a role in giving them better public opinion. Public sector banks can leverage these positive sentiments by concentrating on EASE related action points, particularly, customer service and product offerings by utilizing digital and analytical tools.

DECLARATION FORM

The Editor,

Bank Quest,
Indian Institute of Banking & Finance, Kohinoor City, Commercial II,
Tower I, 2nd Floor, Kirol Road, Kurla (W), Mumbai - 400 070.

Dear Sir / Madam,

Re : Publication of my article

I have submitted an "______________________________" for publication at your quarterly journal Bank Quest.

In this connection this is to declare and undertake that the said article is my original work and that I am the author of the same. No part of the said article either infringes or violates any existing copyright or any rules there under.

Further, I hereby agree and undertake without any demur; to indemnify and keep the Institute (IIBF) indemnified against all actions, suits, proceedings, claims, demands, damages, legal fees and costs incurred by the Institute arising out of infringement of any copyright /IPR violation.

Yours faithfully,

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IIBF invites research proposals under Scheme for Research Fellowship in "Banking Technology" For the year 2024 (Joint initiative of IIBF & IDRBT)

Adoption of technology has changed the contours of banking. The Core Banking Solutions (CBS) opened new vistas. A customer no longer banks with a branch but with a bank. Banks of today have however moved beyond CBS and have embraced newer and emerging technologies like Big Data Analytics, Artificial Intelligence, Blockchain, etc. These technologies have ushered in a metamorphosis of change in the Indian banking landscape and are considered to be a creative force. Nevertheless, these emerging technologies are not without their challenges. Cyber security assumes critical importance in an internet-based banking environment. Cyber frauds can happen with global footprints. Research covering the above emerging technologies would prove to be highly beneficial for the banks.

In the above milieu, the Indian Institute of Banking & Finance (IIBF) and the Institute for Development & Research in Banking Technology (IDRBT) have taken an initiative to jointly announce a "Research Fellowship in Banking Technology" in 2019.

About IIBF

Indian Institute of Banking & Finance (IIBF), formerly known as The Indian Institute of Bankers (IIB), is a professional body of banks, financial institutions and their employees in India. Since its inception in 1928, IIBF has emerged as a premier institute in banking and finance education for those employed as well as seeking employment in the sector, aiming for professional excellence.

About IDRBT

The Institute for Development and Research in Banking Technology (IDRBT) was established by Reserve Bank of India in March 1996 as an Autonomous Centre for Development and Research in Banking Technology. Over the years, the institute has positioned itself at the intersection of academia and industry by focussing on applied research in various areas of technology directly relevant to the banking and financial sector and reaching it to banks through training, publications, banking technology forums and consultancy.

Themes or Thrust Areas

The research fellowship in Banking Technology, a joint initiative of IIBF and IDRBT, aims to sponsor technically and economically feasible technology research projects which has the potential to contribute significantly to the Banking and Financial Sector. Research proposals, focussed on the following thrust areas of Banking Technology, are invited:

- Cyber Security
- Analytics
- Mobile Banking
- Emerging Technologies
- Payment Systems

Research Proposal

The research proposal submitted should, inter alia, with technology at its core, focus on the research objective/s, hypothesis, research design, methodology, execution plan and deliverables of the proposed project.

Eligibility

Teams sponsored/identified by research organisations/institutes, as well as individuals working in Banks/Fin-Tech Companies/Corporates/Research organisations/Institutions having a proven track record, are eligible to apply. If the research is undertaken by individuals, the proposal should be routed through their organizations after taking requisite permission, wherever applicable.

The staff/faculty members of IIBF and IDRBT are not permitted to apply for the research fellowship.

Time frame

The final research report should be submitted within a maximum period of six months from the time the project is awarded. In case of delay in submission of report, the award may be forfeited.

During the period of six months, the awardee can avail

the infrastructural facilities available at IDRBT for a maximum period of four weeks. This phase which will be available twice during the six-month period, can be used by the awardee to carry out his/her research, test the same in simulated conditions, interact with the faculty of IDRBT and with CTOs/CISOs of banks and financial institutions. IDRBT may provide suitable mentoring and guidance to the researcher for accomplishment of his/her project. IDRBT may also provide logistic support to the research candidate. Costs to be incurred in this connection will be borne by the researcher.

Candidates may highlight in their proposal their tentative plan to avail the mentorship and facilities at IDRBT and how it will enhance their work.

A mid-term review of the project should be submitted within a maximum period of 4 months, which will be reviewed and suggestions for improvements made, if any, should be incorporated in the final report.

Evaluation

Research proposals, which should be amenable for implementation on ground, will be evaluated in terms of its objective, relevance, technical contribution and methodology. All the research proposals will be examined for its suitability and the final selection will be made after the short-listed researchers make a presentation to the committee jointly formed by IIBF & IDRBT. Final report should clearly mention key action points for policy makers for implementing the project.

Research Grant

The selected research project which carries a cash award of Rs.5,00,000/- (Rupees Five lakhs only) will be fully funded by the Institute. On commencement of the project, a part (25%) of the award money may be given by way of advance, based on the request of the researcher.

On completion of the project, the researcher will be called to make a final presentation of his/her work done before the committee jointly formed by IIBF & IDRBT. The committee may also include CTOs/CISOs of banks and financial institutions. The balance of the research grant will be disbursed only on acceptance of the final report. In case a report is found unacceptable during the final review, the research organization/ researcher will not be paid the balance amount. In case, a research organization/researcher abandons the project mid-way, they would be required to refund the advance availed together with interest at the prevailing MCLR of the State Bank of India (SBI).

Research report

It should be comprehensive covering all aspects described in the research proposal.

Submission

Applicant research organizations/researchers are required to submit soft copy of the proposals in English MS Word file along with a brief bio-data highlighting their experience in conducting similar research and forwarding letter from the employer at kratika@iibf.org.in

The last date for submitting the proposals under this scheme is 31.07.2024.

Applicants must mention following details on the front page of their proposals:

Name	
Topic	
Objective of Research	
Designation & Employer	
Address for Correspondence	
Mobile no./Landline no.	
Email ID	
Qualification/s	

The Director of Academic Affairs, Indian Institute of Banking & Finance, Kohinoor City, Commercial-II, Tower-I, 2nd Floor, Behind Kohinoor Mall, Off. L.B.S. Marg, Kurla (West), Mumbai-400 070 Tel.: 022-68507000/68507033/68507011

Bank Quest Articles - Guidelines For Contributors

Contributing articles to the Bank Quest : (English/Hindi)

Articles submitted to the Bank Quest should be original contributions by the author/s. Articles will only be considered for publication if they have not been published, or accepted for publication elsewhere.

Articles should be sent to:

The Editor: Bank Quest

Indian Institute of Banking & Finance,

Kohinoor City, Commercial-II, Tower-1, 2nd Floor,

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Objectives:

The primary objective of Bank Quest is to present the theory, practice, analysis, views and research findings on issues/developments, which have relevance for current and future of banking and finance industry. The aim is to provide a platform for Continuing Professional Development (CPD) of the members.

Vetting of manuscripts:

Every article submitted to the Bank Quest is first reviewed by the Editor for general suitabillty. The article may then be vetted by a Subject Matter Expert. Based on the expert's recommendation, the Editor decides whether the article should be accepted as it is, modified or rejected. The modifications suggested, if any, by the expert will be conveyed to the author for incorporation in case the article is considered for selection. The author should modify the article and re-submit the same for the final decision of the Editor. **The Editor has the discretion to vary this procedure**.

Features and formats required of authors :

Authors should carefully note the following before submitting any articles:

1) *Word length:*

   Articles should generally be around 2000-3000 words in length.

2) *Title:*

   A title of, preferably, ten words or less should be provided.

3) Autobiographical note and photograph:

   A brief autobiographical note should be supplied including full name, designation, name of organization, telephone and fax numbers, and e-mail address (if any), or last position held, in case of retired persons. Passport size photograph should also be sent along with the submission.

4) *Format:*

   The article, should be submitted in MS Word, Times New Roman, Font Size 12 with 1½ line spacing. A soft copy of the article should be sent by e-mail to admin@iibf.org.in

5) *Figures, charts and diagrams:*

   Essential figures, charts and diagrams should be referred to as 'Figures' and they should be numbered consecutively using Arabic numerals. Each figure should have brief title. Diagrams should be kept as simple as possible. in the text, the position of the figure should be shown by indicating on a separate line with the words: 'Insert figure 1'.

6) *Tables:*

   Use of tables, wherever essential, should be printed or typed on a separate sheet of paper and numbered consecutively using Arabic numerals (e.g. Table-1) and contain a brief title. In the body of the article, the position of the table should be indicated on a separate line with the words 'Insert Table 1'.

7) *Picture/photos/illustrations:*

   The reproduction of any photos, illustration or drawings will be at the Editor's discretion. Sources should be explicitly acknowledged by way of footnote, all computer-generated printouts should be clear and sharp, and should not be folded.

8) *Emphasis:*

   Words to be emphasised should be limited in number and italicised. Capital letters should be used only at the start of the sentences or for proper names.

Copyright:

It is important that authors submitting articles should declare that the work is original and does not infringe on any existing copyright. He/ she should undertake to indemnify the Institute against any breach of such warranty and consequential financial and other damages. Copyright of published article will vest with publisher (Institute).

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