



Committed to professional excellence

# IIBF VISION

Volume No. : 15

Issue No. : 01

August 2022

No. of Pages - 8

## VISION

To be premier Institute for developing and nurturing competent professionals in banking and finance field.

## MISSION

To develop professionally qualified and competent bankers and finance professionals primarily through a process of education, training, examination, consultancy / counselling and continuing professional development programs.

<b>INSIDE</b>	
Top Stories.....	2
Banking Policies .....	3
Banking Development .....	4
Regulator Speaks .....	4
Economic Wrap Up.....	5
Forex .....	5
Glossary .....	6
Financial Basics.....	6
Institute's Training Activities.....	6
News from the Institute.....	6
Green Initiative .....	7
Market Roundup .....	7

"The information / news items contained in this publication have appeared in various external sources / media for public use or consumption and are now meant only for members and subscribers. The views expressed and / or events narrated/ stated in the said information / news items are as perceived by the respective sources. IIBF neither holds nor assumes any responsibility for the correctness or adequacy or otherwise of the news items / events or any information whatsoever."

**TOP STORIES****Monetary Policy Highlights**

The key highlights of the Monetary Policy Committee meeting, held from August 3 to August 5, 2022, are as below:

- Repo rate and bank rate increased to 5.4% and 5.65% respectively.
- The standing deposit facility (SDF) rate and marginal standing facility (MSF) rate stand adjusted to 5.15% and 5.65% respectively.
- GDP growth and Retail inflation forecast for 2022-23 retained at 7.2% and 6.7% respectively.
- Inflation forecast for Q2, Q3, Q4 and Q1: 2023-24 is at 7.1%, 6.4%, 5.8% and 5% respectively.
- To introduce rules for reducing Outsourcing risk
- Expansion in scope of Standalone Primary Dealers for dealing in Foreign currency settled OIS market
- Inclusion of CICs under the RB-IOS 2021
- To allow NRIs to utilise Bharat Bill Payment system for payments of education and utility on behalf of their families in the country.

**RBI allows international trade settlement in INR; exporters can get payment in rupees**

With the global trading community showing increasing interest in the Indian rupee, the Reserve Bank of India (RBI) has directed banks to make additional arrangements for export and import transactions in Indian rupees. However, banks will need prior approval from RBI's Foreign Exchange Department before making such arrangements. Exporters using this mechanism, to undertake overseas shipments of goods & services, will receive payment of the export proceeds in INR. It will also help them get advance payment against exports from overseas importers, in INR. These payments will be made from the balances kept in the designated Special Vostro account. RBI has specified that the rupee surplus balance can be used for permissible capital and current account transactions (such as, payments for projects and investments; export/import advance flow management; and investment in government bonds) in accordance with mutual agreement.

**RBI, Bank Indonesia enter agreement to deepen relations**

RBI Deputy Governor Michael Debabrata Patra and Bank Indonesia's Deputy Governor Dody Budi Waluyo recently signed a MoU to enhance exchange of information, and expand cooperation in payment systems, digital financial innovation, anti-money laundering, and combating the financing of terrorism (AML-CFT) between both countries' central banks. The MoU was signed in the presence of RBI Governor Shaktikanta Das and BI Governor Perry Warjiyo. RBI avers that the MoU will help to promote mutual understanding, develop efficient payment systems and achieve cross-border payment connectivity. The initiatives, towards these ends, will be executed through regular interaction on economic and financial developments and issues; technical cooperation through training and joint seminars; and joint work to explore the establishment of cross-border retail payment linkages.

**RBI issues paper for banks & financial institutions; suggests measures to handle extreme weather change**

Climatic changes in the financial troposphere are giving birth to major risks for banks and financial institutions (FIs) viz. devaluation of assets held as collateral, insolvency of borrowers, sudden demand of liquidity, change in market preferences, and disruption in operations of financial institutions. RBI has issued a consultation paper to help banks and FIs cope with these changes. Some of the suggestions in the paper include, formulating and implementing policies at board level to identify and price-in risks while dealing with customers, and maintaining their operational continuity. Stakeholders and regulators should be duly notified of their exposure to such risks.

Before issuing loans to borrowers (especially those vulnerable to extreme climate risks), banks and FIs should firmly insert appropriate risk-management policies. Some of these include capping the loan repayment tenure, adjusting loan limits where collateral is in real estate, providing insurance to avoid losses that may arise out of impact on production and supply chain, and demanding energy transition plan from sectors with heavy carbon footprint.

## Banking Policies

### Existing guidelines for banknote authentication and sorting revised by RBI

On the heels of introducing new series banknotes, the RBI has issued revised guidelines for sorting and authentication of banknotes. Banks have been asked to test their banknote sorting machines on a quarterly basis. A test deck of at least 2,000 pieces of soiled notes, including mutilated ones and fake Indian currency notes, will have to be prepared by banks. The notes will have to be of different denominations such as Rs.100 old series notes, Rs.100 new series notes, Rs.200 notes, Rs.500 notes and Rs. 2,000 notes. The machines will be tested using all these notes. In case of discrepancies during the sorting, suppliers will have to re-calibrate the machines.

### RBI issues measures to attract foreign flows, protect local currency

On the backdrop of depleting foreign-exchange reserves, the RBI has issued several measures to attract foreign flows in a bid to protect the local currency, while also ensuring overall macroeconomic and financial stability. W.e.f. reporting fortnight that begun on July 30, banks have been exempted from maintaining the cash reserve ratio (CRR) and statutory liquidity ratio (SLR) for incremental NRE (non-residential external) and FCNR (B) (foreign currency non-resident-bank) deposits. The exemption will be available for deposits mobilised up to November 4, 2022 and is hoped to attract more dollars. Further, till October 31, 2022, banks have been allowed to raise fresh FCNR (B) and NRE deposits without reference to the regulations on interest rates, w.e.f. July 7. RBI has relaxed FPI investment norms in government bonds by making new bond issuances of 7-year and 14-year maturity eligible for the Fully Accessible Route. Norms on residual maturity for FPI investments in government and corporate debt have been relaxed. The limit for external commercial borrowing (ECB) under the automatic route has been increased from \$ 750 million to \$ 1.5 billion. The all-in cost ceiling under the ECB framework has been raised by 100 bps, subject to the borrower being of investment grade rating.

### RBI wants UCB boards to review their loan policies at least once in a financial year

In tune with its Master Directions (April 8) on management of advances, the RBI has asked all urban co-operative banks (UCBs) to ensure that their loan policy is reviewed by their Board at least once in a financial year. This would help ascertain that the loan policy reflects the approved internal risk appetite, and remains in alignment with the extant regulations. With their board's approval, UCBs are required to lay down transparent policies and guidelines for credit dispensation, in keeping with credit exposure norms and other guidelines issued by RBI periodically.

### RBI issues guidelines about transition to CoF, licensing of payment aggregator

In an attempt to ease the transition to new norms on card-on-file (CoF) tokenisation and licensing of payment aggregators (PAs), the RBI has released a new set of guidelines. As already stipulated, from October 1, 2022, no entity in the card transaction chain (except for card issuers and card networks) shall store CoF data. The RBI has notified two interim measures in this regard. Other than the aforementioned entities, the merchant or its PA involved in settlement can save the CoF data for a maximum period of four days after the transaction date or till the settlement date, whichever is earlier. This data shall be used only for settlement of such transactions, and has to be compulsorily purged thereafter. Further, acquiring banks can continue to store CoF data until January 31, 2023, for handling other post-transaction activities. All PAs existing as on March 17, 2020 and having a net worth of Rs 15 crore as on March 31, 2022 have been allowed to apply for authorisation by September 30, 2022. They will still have to adhere to the timeline of March 31, 2023 for achieving a net worth of Rs 25 crore.

## Banking Development

### UCBs to get more financially sound via RBI's four-tiered regulatory framework

Existing UCBs are set to become more financially sound with RBI planning to adopt a four-tiered regulatory framework with differentiated regulatory prescriptions for them. Tier-I UCBs operating in single district have been prescribed a minimum net worth of Rs 2 crore. The amount stands at Rs 5 crore for all other UCBs (of all tiers). While most UCBs are already compliant with the RBI's requirements as of March 2021, those falling short will be given a five-year glide path with intermediate milestones to facilitate smooth transition to revised norms.

The minimum capital to risk weighted assets ratio (CRAR) requirement for Tier 1 UCBs is retained at the present prescription of 9% under current capital adequacy framework based on Basel I. While the current capital adequacy framework has been retained for Tier 2, Tier 3 and Tier 4 UCBs, the minimum CRAR has been revised to 12% to help strengthen their capital structure.

UCBs that do not meet the revised CRAR will be provided with a glide path of three years for achieving the same in a phased manner. Accordingly, these banks will have to achieve a CRAR of 10% by the financial year ended March 31, 2024, 11% by March 31, 2025; and 12% by March 31, 2026.

## Regulator Speaks

### RBI Governor Shaktikanta Das proclaims cryptocurrencies to be a 'clear danger'

Opining that anything that derives value based on make-believe is just speculation under a sophisticated name, RBI Governor Shaktikanta Das has declared cryptocurrencies to be a 'clear danger'. In his foreword to the RBI's Financial Stability Report, June 2022, Mr. Das states that "While technology has supported the reach of the financial sector, its potential to disrupt financial stability has to be guarded against. As the financial system gets increasingly digitalised, cyber risks are growing and need special attention". The report values the Indian fintech industry at \$50-60 billion in 2020. One amongst the faster-growing fintech hubs globally, it is projected to hit \$150 billion by 2025. India has the highest global fintech adoption rate (87%), and has received funding of \$8.53 billion in 278 deals during 2021-22. Even as the apex bank acknowledges financial technology as an effective tool for financial inclusion, it also cautions about previously unseen risks now facing the banking system after exposure to the new technology. Areas requiring greater common engagement include business and revenue models, governance, conduct and risk management.

### RBI Governor optimistic about inflation easing gradually in second half of fiscal

RBI Governor Shaktikanta Das has expressed confidence that the inflationary situation will gradually improve in the second half of the current fiscal. The apex bank will continue to take monetary measures to anchor inflation to achieve strong and sustainable growth. Speaking at an event, the RBI Governor said that "At this point of time, with the supply outlook appearing favourable and several high frequency indicators pointing to resilience of the recovery in the Q1 (April-June) of 2022-23, our current assessment is that inflation may ease gradually in the second half of 2022-23, precluding the chances of a hard landing in India". Since price stability is key to maintaining macroeconomic and financial stability, RBI will undertake measures for preserving and fostering macroeconomic stability. Talking about prospects for global growth, Das said 'the sharply tightening financial conditions due to the ongoing monetary policy normalisation on the one hand and the persisting geopolitical tensions on the other, pose significant downside risks to near-term'.

### RBI has zero tolerance for rupee volatility: Shaktikanta Das

RBI Governor Shaktikanta Das has stated that while the apex bank has no particular level of the rupee in mind, it certainly has zero tolerance for volatile and bumpy movements. He affirmed that the rupee has been holding

up well relative to both advanced and emerging market peers, and, the foreign exchange reserves are adequate. A very small portion of ECB exposures of Indian entities are unhedged, but concern about the impact of a depreciating currency on local entities is largely unwarranted. “Taking into account natural hedges and the exposure of public sector companies, the optimal hedge ratio condition is comfortably satisfied in the case of the stock of ECBs in India’s external debt,” Das said. RBI will continue to engage with the forex market and ensure that the rupee finds its level in line with its fundamentals.

## Economic Wrap Up

Performance of some of the key economic indicators, as per the Monthly Economic Report June 2022 from the Department of Economic Affairs:

- Retail inflation in India marginally eased to 7.01% in June 2022.
- The manufacturing PMI continued to be in the expansionary zone at 53.9 points and PMI services rose further to 59.2 points in June.
- GST collections in the first quarter of 2022-23 registered a YoY growth of 36.4%.
- Capital expenditure registered YoY growth of 70.1% in April-May 2022.
- Credit support to the industry and services sector witnessed positive growth.
- Foreign direct investment (FDI) saw an increase over the corresponding quarter of the previous year.
- The yield of G-sec bonds increased to 7.49% in June 2022.
- The yield on AAA-rated corporate bonds has increased to 7.89% in June 2022.
- Forex reserves, in the six months since January 2022, have declined by USD 34 billion.

## Forex

Foreign Exchange Reserves		
Item	As on July 29, 2022	
	₹ Cr.	US\$ Mn.
	1	2
<b>1 Total Reserves</b>	4549652	573875
<b>1.1 Foreign Currency Assets</b>	4053160	511257
<b>1.2 Gold</b>	314274	39642
<b>1.3 SDRs</b>	142583	17985
<b>1.4 Reserve Position in the IMF</b>	39635	4991

Source: Reserve Bank of India

### BASE RATES OF ALTERNATIVE REFERENCE RATES (ARRs) FOR FCNR (B) DEPOSITS APPLICABLE FOR THE MONTH OF AUGUST 2022

Currency	Rates
USD	1.53
GBP	1.1909
EUR	-0.085
JPY	-0.01
CAD	2.47
AUD	1.35
CHF	-0.206142

Currency	Rates
NZD	2.50
SEK	0.643
SGD	1.6908
HKD	0.84687
MYR	2.25
DKK	-0.152

Source: www.fbil.org.in

## Glossary

### **Foreign Currency Non-Resident (FCNR) Account**

A Foreign Currency Non-Resident (FCNR) is a bank account for NRIs to maintain a Fixed Deposit account in India. This account allows you as an NRI to save your money earned in the currency form of the country you've originally earned the money from.

## Financial Basics

### **Yield to Maturity**

Yield to maturity (YTM) is the total return anticipated on a bond if the bond is held until it matures. Yield to maturity is considered a long-term bond yield but is expressed as an annual rate..

## Institute's Training Activities

### **Training Programmes for the month of July 2022**

Programmes	Dates	Location
KYC/AML & CFT	10 <sup>th</sup> to 11 <sup>th</sup> August	Virtual
Comprehensive Credit Management	17 <sup>th</sup> to 20 <sup>th</sup> August	
Program for Law Officers	17 <sup>th</sup> to 20 <sup>th</sup> August	
Certified Credit Professional	18 <sup>th</sup> to 20 <sup>th</sup> August	
International Trade Finance	22 <sup>nd</sup> to 24 <sup>th</sup> August	
Discipline Management & Disciplinary Action / Proceedings	29 <sup>th</sup> to 31 <sup>st</sup> August	

## News from the Institute

### **Joint Webinar with Global Association on Risk Professionals (GARP), USA**

As part of its Member Education Series, Indian Institute of Banking & Finance (IIBF), in association with GARP (Global Association of Risk Professionals), USA organised a webinar on a very contemporary topic 'Green Finance and Climate Risk Mitigation in India' for creating awareness about the growing importance of green finance and challenges posed by climate change on 17<sup>th</sup> August, 2022. The speakers at the event were Mr.Sunil T.S. Nair, Chief General Manager, Reserve Bank of India and Dr. Soumya Kanti Ghosh, Group Chief Economic Advisor, State Bank of India spoke on the regulatory and economic perspective of India and Dr. Maxine Nelson, Senior Vice President, GARP Risk Institute spoke from the global perspective. The webinar witnessed good participation of members.

### **'IIBF Launches 2<sup>nd</sup> National Inter-Bank Quiz Contest "Banking Chanakya Quiz 2022"**

The Institute has launched the 2<sup>nd</sup> National Inter-Bank Quiz Contest "Banking Chanakya" 2022. It is a general quiz with more focus on Banking, Finance and other business-related topics with some of the questions assorted topics like current affairs (Indian as well as International) sports, culture, science, politics etc. The contest is an opportunity for the bankers to showcase their talents and to expand their horizons. The registration window for playing the Preliminary Round is 15<sup>th</sup> August 2022 to 20<sup>th</sup> August 2022. For more details, please visit the website <https://www.iibfbankingchanakya.com/>.

### **JAIB/DB&F/SOB/CAIB – Introduction of Revised Syllabi**

To keep pace with the developments and to ensure greater value addition to the flagship courses offered by

IIBF, the syllabi of JAIIB/DB&F/SOB & CAIIB have been restructured to make them more conceptual and contemporary. The JAIIB/DB&F/SOB/CAIIB examinations under the revised syllabi are to be held from the May/June 2023 onwards. The last exams under JAIIB/DB&F/SOB/CAIIB as per the old syllabi (present syllabi) will be held during November/December 2022 after which, it will be discontinued. For more details, please visit our website [www.iibf.org.in](http://www.iibf.org.in).

**Certified BFSI Professional Course**

IIBF, in collaboration with the National Institute of Securities Markets (NISM) and National Insurance Academy (NIA), has launched the Certified BFSI Professional course. This course is a unique and one-of-its kind initiative offered to aspirants desiring to make a career in the BFSI sector. It is a 187-hour E-learning programme to be completed over a duration of 9 months. For more details, please visit [www.iibf.org.in](http://www.iibf.org.in).

**Bank Quest Theme for upcoming issue**

The theme for the upcoming issue of Bank Quest for the quarter July - September, 2022: Fintech challenges for Banking Industry.

**Cut-off date of guidelines /important developments for examinations**

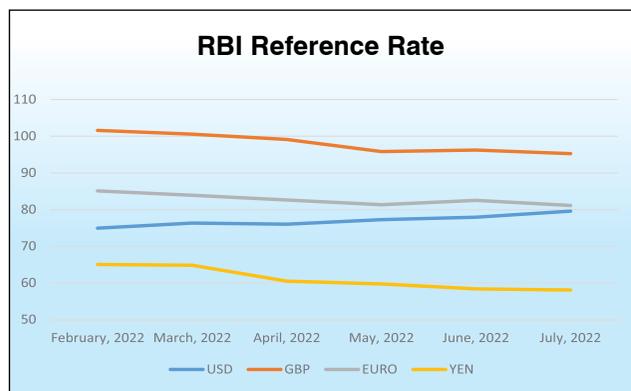
The Institute has a practice of asking questions in each exam about the recent developments / guidelines issued by the regulator(s) in order to test if the candidates keep themselves abreast of the current developments. However, there could be changes in the developments / guidelines from the date the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

- (i) In respect of the exams to be conducted by the Institute for the period from February 2022 to July 2022, instructions/ guidelines issued by the regulator(s) and important developments in banking and finance up to 31<sup>st</sup> December 2021 will only be considered for the purpose of inclusion in the question papers.
- (ii) In respect of the exams to be conducted by the Institute for the period from August 2022 to January 2023, instructions/ guidelines issued by the regulator(s) and important developments in banking and finance up to 30th June 2022 will only be considered for the purpose of inclusion in the question papers.

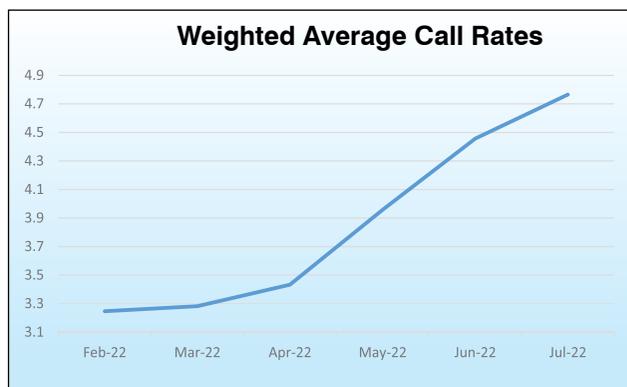
**Green Initiative**

Members are requested to update their e-mail address with the Institute and send their consent to receive the Annual Report via e-mail.

**Market Roundup**

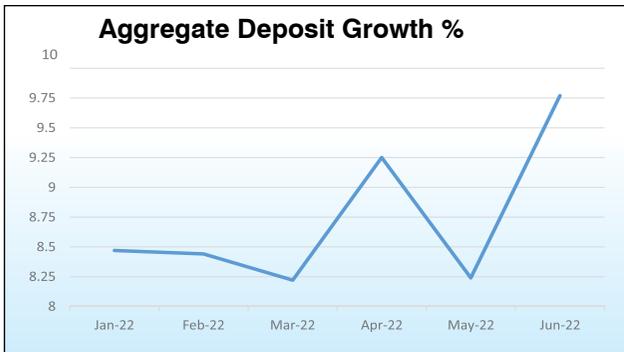


Source: FBIL

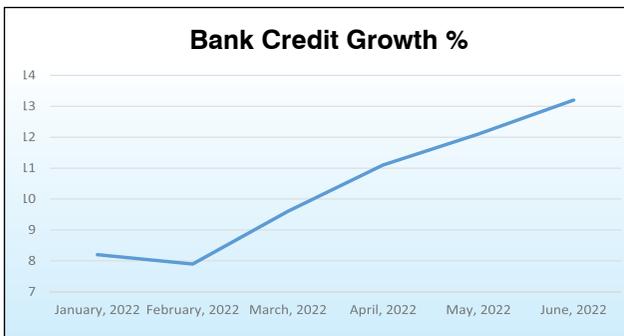


Source: Weekly Newsletter of CCIL

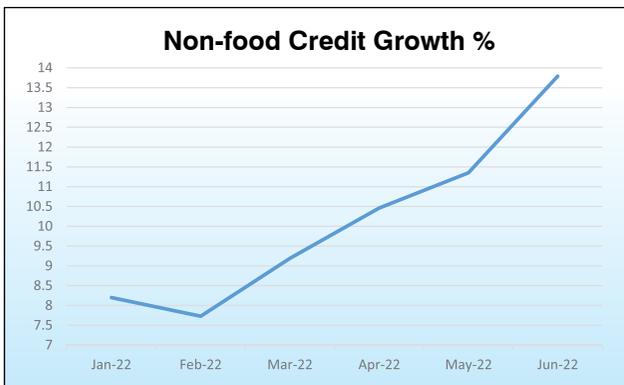
• Registered with Registrar of Newspapers Under RNI No. : 69228/1998



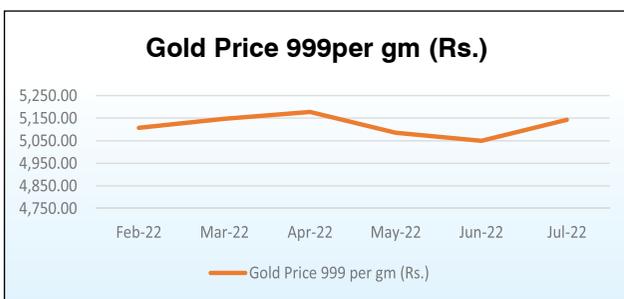
Source: Monthly Review of Economy, CCIL, July, 2022



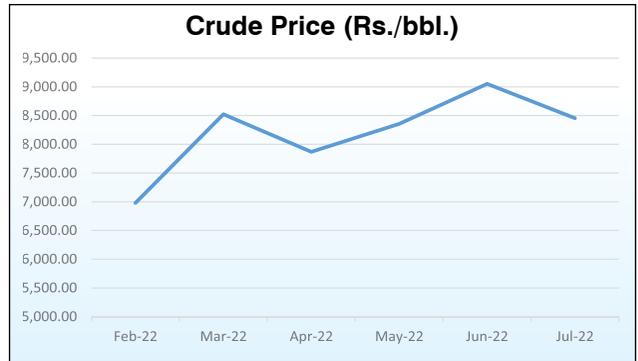
Source: Reserve Bank of India



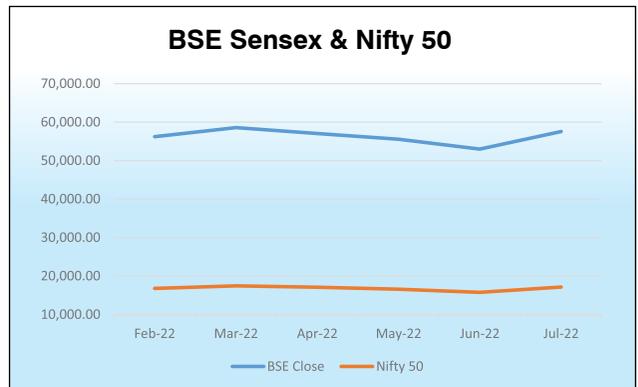
Source: Monthly Review of Economy, CCIL, July, 2022



Source: Gold Price India



Source: PPAC, Ministry of Petroleum and Natural Gas



Source: BSE & NSE

Printed by Biswa Ketan Das, Published by Biswa Ketan Das, on behalf of Indian Institute of Banking & Finance, and printed at Onlooker Press 16, Sasoan Dock, Colaba, Mumbai - 400 005 and published at Indian Institute of Banking & Finance, Kohinoor City, Commercial-II, Tower-I, 2nd Floor, Kiroi Road, Kurla (W), Mumbai - 400 070.  
 Editor : Biswa Ketan Das

**INDIAN INSTITUTE OF BANKING & FINANCE**  
 Kohinoor City, Commercial-II, Tower-I, 2nd Floor, Kiroi Road, Kurla (W), Mumbai - 400 070.  
 Tel. : 91-22-6850 7000  
 E-mail : admin@iibf.org.in  
 Website : www.iibf.org.in