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IIBF VISION

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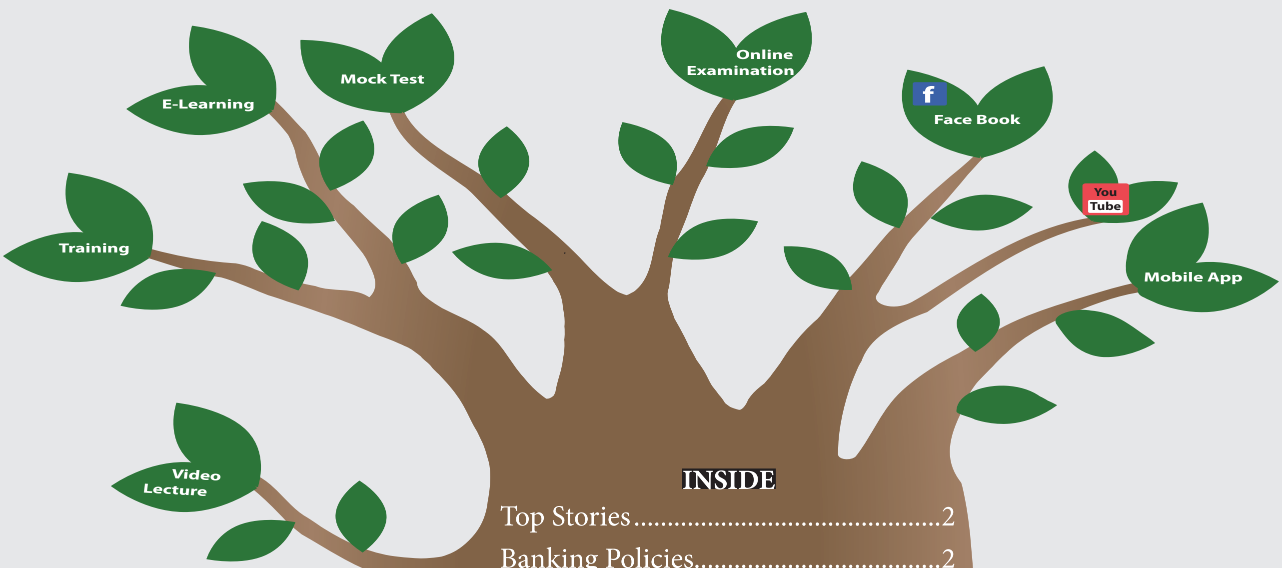
VISION

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

MISSION

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



INSIDE

TOP STORIES

RBI asks banks, NBFCs to strengthen their operational risk management

The Reserve Bank of India (RBI) has asked all Regulated Entities (REs) in India to implement a robust Information and Communication Technology (ICT) risk management programme, in alignment with their operational risk management framework. In its guidance note circulated to all the REs, the apex bank has stipulated that REs must enter into any arrangement with third parties/external entities only after conducting due diligence on them. They must verify if these entities possess at least an equivalent level of operational resilience to safeguard the RE's critical operations in normal and disruptive times. REs must take cognizance of their risk appetite and tolerance level for disruptions and accordingly create response and recovery plans to be implemented in challenging times. These plans should be periodically updated by incorporating the lessons learnt during previous challenges.

RBI asks banks to step up vigilance to prevent misuse of banking channels in facilitating unauthorised forex trading

RBI has advised Banks authorised to deal in foreign exchange to be more vigilant and exercise greater caution to prevent the misuse of banking channels in facilitating unauthorised forex trading. This advisory comes as the central bank has come across instances of unauthorised entities offering foreign exchange trading facilities to Indian residents with promises of disproportionate/exorbitant returns. As and when AD Cat-I (Authorised Dealer Category – 1) banks come across an account being used to facilitate unauthorised forex trading, they should report the same to the Directorate of Enforcement (ED), Government of India, for further action, as deemed fit. RBI further said AD Cat-I banks may advise their customers to deal in forex only with 'Authorised Persons' and on 'Authorised Electronic Trading Platforms (ETPs)'.

Futures with different expiry dates to now benefit from cross-margin benefits: SEBI

Tiding over the previous arrangement wherein cross margin benefits were provided only if both the correlated indices (or an index and its constituents) had the same expiry day, SEBI has now extended this benefit to index futures position and constituent stock futures position in the derivatives segment for offsetting positions with different expiry dates. Offsetting positions in correlated indices with different expiry dates will attract a 40% spread margin, as against the existing 30% margin that remains for positions with the same expiry date. A spread margin of 35% will be applicable to offsetting positions in an index and its constituents with different expiry dates, as against the existing 25% margin that remains for positions with the same expiry date. Stock exchanges and clearing corporations will be responsible for monitoring cross margin activities of participants.

Nomination optional for joint MF accounts: SEBI

In favour of making business easy, nomination for jointly-held Mutual Fund (MF) accounts has been made optional by SEBI. All existing individual unit holders holding mutual fund units either solely or jointly have been given time up to June 30, 2024 to nominate or opt out of nomination. Failure to comply will lead to freezing of their accounts for withdrawals.

Banking Policies

RBI amends FEMA regulations regarding purchase of shares on international exchanges

FEMA regulations related to purchase of shares of Indian companies on international exchanges, have been amended by RBI. Accordingly, proceeds of purchase/subscription of equity shares of an Indian company listed on an International Exchange shall either be remitted to a bank account in India or deposited in a foreign currency account of the Indian company. The sale proceeds (net of taxes) of the equity shares may be remitted outside India or may be credited to the bank account of the permissible holder. The Authorised Dealer (AD) Category I banks as well as the Investee Indian company through an AD Category I bank shall update the RBI about purchase/subscription of equity shares (where such purchase/subscription is classified as FPI) by permissible holder, other than transfers between permissible holders, on an International Exchange. Amending the Foreign

Exchange Management (Foreign Currency Accounts by a person resident in India) Regulations, RBI has said that the pending utilisation of funds or repatriation to India, raised by External Commercial Borrowings (ECB) or raising of resources through American Depository Receipts (ADRs) or Global Depository Receipts (GDRs) or through direct listing of equity shares of companies incorporated in India on International Exchanges, shall be held in foreign currency accounts with a bank outside India.

ARCs receive RBI's Master Directions for efficient functioning, protecting investors' interest

With an aim to protect investors' interest and also to ensure efficient functioning of Asset Reconstruction Companies (ARCs), the RBI has issued Master Direction for ARCs. Accordingly, an entity desirous of starting business of securitisation or asset reconstruction, will require a minimum Net Owned Fund (NOF) of Rs. 300 crores and thereafter, on an ongoing basis. The entity shall apply for registration and obtain a Certificate of Registration (CoR) from the RBI before commencing its business. No ARC shall invest in land or building, except for investment for its own use; that too, only up to 10% of its owned funds. ARCs cannot raise money via deposits. They must maintain a Capital Adequacy Ratio (CAR) of at least 15% of its total risk-weighted assets. ARCs will mandatorily report to the Indian Banks' Association (IBA) the details of chartered accountants, advocates and valuers who have committed serious irregularities while rendering their professional services.

Banking Developments

SFBs get roadmap from RBI for transitioning to universal banks

RBI laid out a roadmap for the voluntarily transition of Small Finance Banks (SFBs) to universal banks. As per the roadmap, SFBs should be listed on a recognised stock exchange and have a minimum net worth of ₹1,000 crore as on the end of the previous quarter (audited). They must meet the prescribed CRAR (Capital to Risk-weighted Assets Ratio) requirements of 15% for SFBs; and have scheduled status with a satisfactory track record of performance for at least five years. As for shareholding pattern, an eligible SFB is not mandated to have an identified promoter. However, if it has existing promoters, they must continue as promoters even after the transition. Adding or changing promoters will not be permitted during the transition. There will be no new mandatory lock-in requirement of minimum shareholding for existing promoters in the transitioned universal bank. After the transition, the bank will be subject to all the norms including non-operative financial holding company structure, as applicable.

RBI to REs: Follow fair practices code in loan disbursal, application of interest

After coming across unfair practices being followed by some lenders while charging interest on loans, the RBI has asked banks and NBFCs to review their practices of loan disbursal and interest application, in keeping with the fair practices code. This code was issued to REs in 2003. It advocates fairness and transparency in charging of interest, while giving REs adequate freedom for their loan pricing policy. The directive is applicable to banks and NBFCs, except payments banks. Whenever RBI comes across such malpractices, it advises lenders to refund the excess interest and charges to the customer. It also encourages lenders to use online account transfers instead of cheques in a few cases for loan disbursal.

RBI to lenders: Provide 'key fact statement' to borrowers, explain clauses

Seeking to empower borrowers to take informed decisions before entering into a loan agreement, the RBI has asked lenders to provide 'Key Fact Statement' (KFS) to borrowers of all new retail and MSME term loans sanctioned on or after October 1, 2024, including fresh loans to existing borrowers. KFS comprises of key information regarding a loan agreement in a simple, easy to understand, standardised format. Lenders have been asked to explain the contents of KFS to the borrowers and get an acknowledgement that they have understood the same. The KFS will be valid for at least three working days for loans having tenor of seven days or more and for at least one working day for loans with tenor of less than seven days. It will include a computation sheet of Annual Percentage Rate (APR) and the amortisation schedule of the loan over the loan tenor. Wherever an RE is involved in recovering such charges, the receipts and related documents must be provided to the borrower for each payment, within a reasonable time. Fee or charges not mentioned in the KFS, cannot be levied on the borrower at any stage during the loan tenor, without the borrower's explicit consent. This directive is applicable to all Commercial banks, Co-operative banks and NBFCs (including HFCs). However, credit card receivables have been kept exempted from these provisions.

Resident entities get flexibility on hedging of gold price risk in international markets

Till recently, resident entities such as banks were permitted to hedge their exposure to the price risk of gold on the exchanges in the IFSC that are recognised by the International Financial Services Centres Authority (IFSCA). Now, the RBI has eased rules to allow such entities to hedge their exposures using the OTC derivatives in the International Financial Services Centre (IFSC) in addition to the derivatives on the exchanges in the IFSC, with immediate effect. This will provide them with further flexibility to hedge their exposures to the price risk of gold.

Regulator Speaks

Indian banks need to participate more vigorously in derivative markets: RBI Governor Mr. Shaktikanta Das

Delivering his keynote address at the FIMMDA-PDAI Annual Conference in Barcelona, RBI Governor Mr. Shaktikanta Das exhorted Indian banks to have increased (albeit, prudent) participation in rupee derivatives market, both domestically and offshore. He noted that at present, the participation of Indian banks in global markets remains quite small. However, he also spoke about areas that call for more work. According to Mr. Das, transparency in pricing; retail customer getting deals at par with large customers; effective market-making and finer pricing for smaller deals on NDS-OM (i.e. Negotiated Dealing System - Order Matching) all require more fine-tuning. Pointing out that divergence in pricing in FX markets for small and large customers is wider than justified, Mr. Das opined that banks must step up facilitating the use of the FX Retail platform. Speaking about the efforts presently underway, Mr. Das stated that technology is being increasingly leveraged for achieving greater efficiency while achieving market reforms. Innovation is being promoted through principle-based regulation, widening of the participant base, introduction of new products and platforms, as well as, enabling access to offshore markets, he said.

RBI Deputy Governor Mr. Rao cautions about unbridled credit growth and subsequent risks

Observing that unbridled credit growth can prove detrimental to the health of a financial entity and create systemic concerns, RBI Deputy Governor Mr. M Rajeshwar Rao, while speaking at the India Investment Summit and Awards organised by Mint, averred that the apex bank will keep continuous vigil to mitigate risks. Mr. Rao further said that unbridled credit growth and laxity in credit discipline or underwriting standards could jeopardise the system. While he assured that asset quality at broader portfolio level was not exhibiting any major signs of stress, the consistent high credit growth reported in some segments, does warrant regulatory intervention. In his address, the Deputy Governor also spoke about regulatory concerns arising from increasing dependency of NBFCs on bank borrowings. He cautioned that banks/NBFCs increasingly identifying and on-boarding borrowers through fintech partners should not translate into lowering of underwriting standards and improper pricing of risks. Mr. Rao said that the technological developments and innovations have immense potential to increase the reach of financial firms, enhance the range of product offerings and conveniences for customers and expand the ambit of finance to hitherto excluded segments. However, new entrants into the financial services space, including FinTech firms, could affect the degree of market concentration and competition, and may give rise to new challenges.

Urgent need for youngsters to be equipped with saving, budgeting, financial planning: RBI Deputy Governor Mr. Swaminathan J.

Speaking at a Conclave on Financial Literacy in Madurai, RBI Deputy Governor Mr. Swaminathan J. emphasised on the need for instilling the idea of financial planning, budgeting and saving amongst people, especially youngsters, for ensuring financial discipline from an early age. His point of reference was a survey conducted by a business publication, which revealed that 50% of Indian shoppers are choosing to 'consume now' rather than focus on long-term financial planning. Stating the importance of Financial literacy, he said that it is pertinent to achieve the developmental objectives of inclusive growth. However, he observed that as financial services increasingly move online, there is a risk of excluding those who lack access to, or knowledge of, digital technology. Hence, to bridge the digital divide, tailored digital literacy programs catering to specific needs and capabilities of different demographic groups, is the need of the hour. He further emphasised that since women play a crucial role in budgeting within households, managing day-to-day finances, making purchasing decisions and ensuring the financial well-being of their families, Financial Literacy Centres should ensure that there are programmes designed to cater to financial literacy needs of women.

Economic Wrap Up

Key highlights of the Monthly Economy Review, March 2024 released by the Department of Economic Affairs:

- Consumer Price Index declined from 6.7% in FY2022-23 to 5.4% in FY2023-24.
- Global composite PMI, a measure of overall economic activity, stood at 52.3 in March 2024, the highest since June 2023.
- The Gross GST revenue for the March 2024 month stood at ₹1.78 lakh crore making it second highest collection ever recorded.
- Current Account Deficit (CAD) narrowed to 1.2% of the GDP in Q3 of FY2023-24, from 1.3% in the preceding quarter.
- India's merchandise trade deficit narrowed to USD 241.5 billion in FY2023-24 from USD 264.9 billion in FY2022-23.
- In FY2023-24, merchandise exports have fallen by 3.1% and imports are down by 5.2%.
- Services exports rose by 5.2% in Q3 of FY2023-24, compared to a growth of 4.2% in the previous quarter.
- Net FPI inflows stood at USD 41 billion during FY2023-24, as against net outflows in the preceding two years.
- The external debt to GDP ratio stood at 18.7% as at end-December 2023, slightly lower from 18.8% as at end-September 2023.

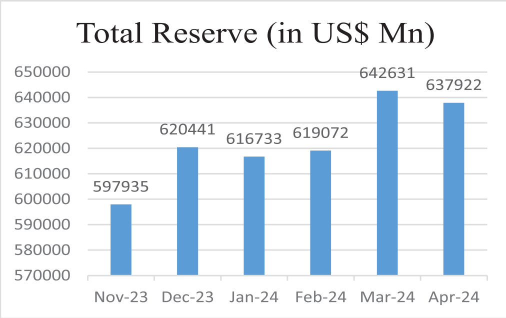
New Appointments

NAME	DESIGNATION
Mr. T. Rabi Sankar	Re-appointed Deputy Governor, Reserve Bank of India

Forex

Foreign Exchange Reserves		
Item	As on April 26, 2024	
	₹ Cr.	US$ Mn.
	1	2
1 Total Reserves	5317256	637922
1.1 Foreign Currency Assets	4665274	559701
1.2 Gold	462881	55533
1.3 SDRs	150439	18048
1.4 Reserve Position in the IMF	38661	4639

Trends in Forex Reserve(US$ Mn) last 6 months



Source: *Reserve Bank of India*

BASE RATES OF ALTERNATIVE REFERENCE RATES (ARRs) FOR FCNR (B) DEPOSITS AS ON APRIL 30, 2024 - APPLICABLE FOR THE MONTH OF MAY 2024

Currency	Rates
USD	5.32
GBP	5.1999
EUR	3.907
JPY	0.077
CAD	5.0000

Currency	Rates
AUD	4.35
CHF	1.450566
NZD	5.5
SEK	3.891
SGD	3.5870

Currency	Rates
HKD	3.81678
MYR	3.00
DKK	3.5360

Source: *www.fbil.org.in*

Glossary

Asset Reconstruction Company

An Asset Reconstruction Company (ARC) is a special type of financial institution that buys the bad debt of the bank or financial institution at a mutually agreed value and attempts to recover the debts or associated securities by itself. They can acquire the financial asset either by issuing a debenture or bond or any other security in the nature of debenture or by entering into an agreement with such bank or financial institution. The ARCs are registered under the RBI and regulated under the Securitisation and Reconstruction of Financial Assets and Enforcement of Securities Interest Act, 2002 (SARFAESI Act, 2002).

Financial Basics

Hedge Ratio

Hedge ratio is the ratio or comparative value of an open position's hedge to the overall position. It is an important risk management statistic that is used to measure the extent of any potential risk that can be caused by a movement in the hedging instrument. As the hedge ratio approaches a value closer to 1, the established position is said to be 'fully hedged'. On the other hand, as the hedge ratio approaches a value closer to 0, it is said to be an 'unhedged' position.

Hedge Ratio= Hedge value/ Total Position value

Institute's Training Activities

Training Programmes for the month of May 2024

Programmes	Dates	Location
Programme on Preventing & Managing Fraud in present day Banking	13th -14th May 2024	Virtual
Post Examination Training for Certified Credit Professional	13th - 15th May 2024	
Programme on MSME Financing	16th -18th May 2024	
Programme on Effective Branch Management	20th - 22nd May 2024	
Programme for Law Officers of Public & Private Sector Banks & FIs	21st - 24th May 2024	

News from the Institute

IIBF organised webinar on "Fintech, CBDC and Cryptocurrency: Financial Structural Transformation in India"

IIBF organised webinar on "Fintech, CBDC and Cryptocurrency: Financial Structural Transformation in India" on May 4, 2024. The lecture was delivered by **Shri R. S. Gandhi, Former Deputy Governor, Reserve Bank of India.** The webinar was attended by bankers and well appreciated by the attendees.

IIBF entered into MoU with FPSB for Certified Financial Planner certification program

The Institute has entered into a strategic Memorandum of Understanding (MoU) with FPSB India, the Indian subsidiary of Financial Planning Standards Board Ltd., the global standards-setting body for the financial planning profession and owner of the International Certified Financial Planner (CFP) certification program. Under this significant partnership, candidates who have successfully attained the CAIIB qualification from IIBF and have a valid three-year experience in the BFSI sector will be exempted from passing the first three modules of CFP certification and directly become eligible to enrol in FPSB India's Integrated Financial Planning module through the Fast Track Pathway. For more details, visit www.iibf.org.in

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

The Institute entered into an agreement with International Financial Corporation (IFC) for providing a certification course on Climate Risk and Sustainable Finance. The course is divided into two parts- Basic and Advanced. It is in the form of self-paced e-learning, comprising around 6 hours of learning in each part followed by an assessment. On successful completion, a joint certificate will be issued by IIBF and IFC. For more details, visit www.iibf.org.in

Bank Quest Theme for upcoming issue

The theme for the upcoming issue of Bank Quest for the quarter April – June, 2024 is "Risk Management in Banks- Beyond Regulations".

Cut-off date of guidelines/important developments for examinations

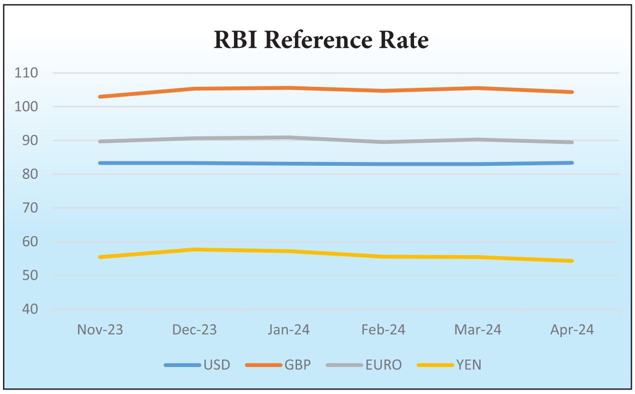
The Institute has a practice of asking questions in each exam about the recent developments/guidelines issued by the regulator(s) in order to test if the candidates keep themselves abreast of the current developments. However, there could be changes in the developments/guidelines from the date the question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

In order to address these issues effectively, it has been decided that: 1) In respect of the exams to be conducted by the Institute for the period from March 2024 to August 2024, instructions/guidelines issued by the regulator(s) and important developments in banking and finance up to 31st December 2023 will only be considered for the purpose of inclusion in the question papers. 2) In respect of the exams to be conducted by the Institute for the period from September 2024 to February 2025, instructions/guidelines issued by the regulator(s) and important developments in banking and finance up to 30th June 2024 will only be considered for the purpose of inclusion in the question papers.

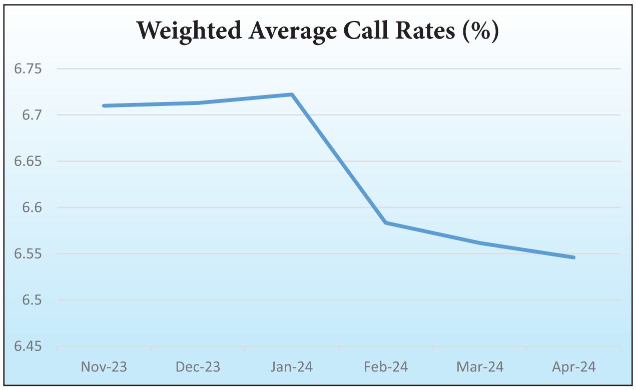
Green Initiative

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

Market Roundup



Source: FBIL



Source: Weekly Newsletter of CCIL

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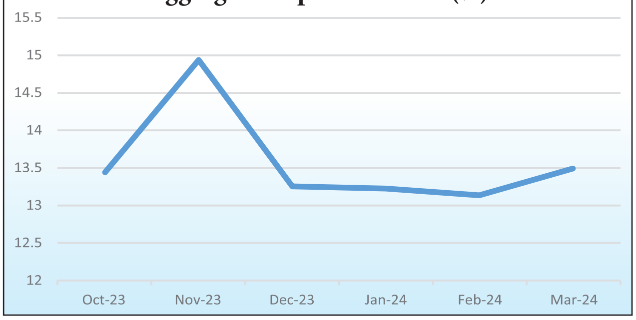
Aggregate Deposit Growth (%)

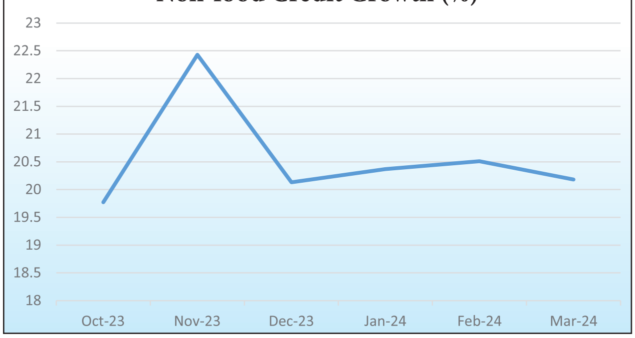


Source: Monthly Review of Economy, CCIL, April 2024

Bank Credit Growth (%)

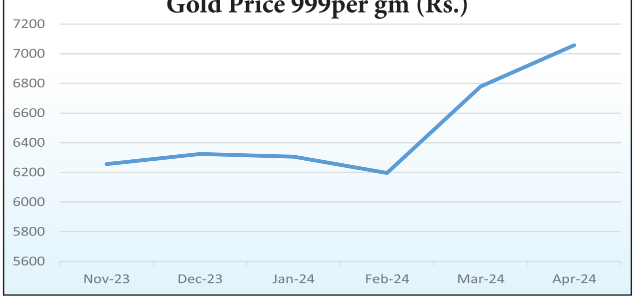
Source: Reserve Bank of India

Non-food Credit Growth (%)



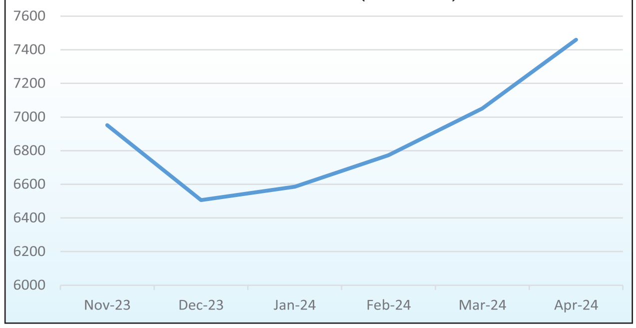
Source: Monthly Review of Economy, CCIL, April 2024

Gold Price 999per gm (Rs.)



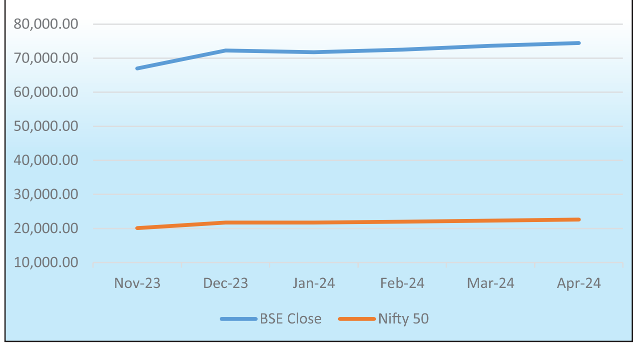
Source: Gold Price India

Crude Oil Price (Rs./bbl.)



Source: PPAC, Ministry of Petroleum and Natural Gas

BSE Sensex and NIFTY 50



Source: BSE & NSE

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