



Committed to professional excellence

IIBF VISION

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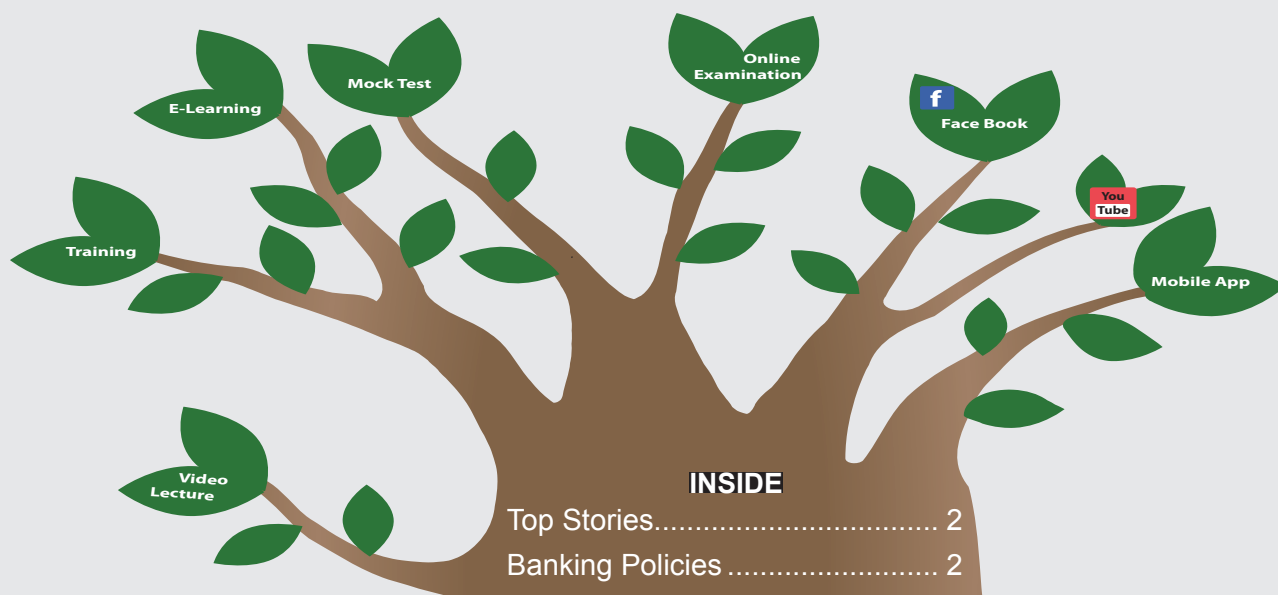
No. of Pages - 8

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.



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TOP STORIES

Monetary Policy Committee review – Key highlights:

The Monetary Policy Committee (MPC) convened from December 6 to December 8, 2021. Among other things, the key highlights of the meeting were Policy Repo rate and reverse repo rate retained at 4 % and 3.35% respectively; Overall growth forecast retained at 9.5%; Inflation forecast retained at 5.3%

RBI Trends & Progress report: NPAs at six-year low, deposit mobilisation at seven-year high

The Reserve Bank of India (RBI), in its annual Trends & Progress Report, has observed that the pandemic-hit latest financial year was marked by a “discernible increase” in profitability, as the income of banks remained stable on the backdrop of decline in expenditure. Gross NPAs of scheduled commercial banks (SCBs) dropped from 8.2% in March 2020 to 7.3% in March 2021, and further down to 6.9% in September 2021. Robust growth in current and savings account deposits was achieved due to energetic deposit mobilisation in FY21.

Need of the hour is to address risks arising from big tech in finance: RBI

The RBI’s ‘Trend and Progress of Banking in India 2020-21’ has cautioned that with big techs lending singularly, or, in partnership with regulated financial entities, it may be difficult to ensure stability by simply enhancing the regulatory approach via blending of activity-based and entity-based regulations. The RBI opines that such enhancements may not provide a level-playing field and consumer protection. While the apex bank has welcomed the use of digital channels in financial services, it also wants the potential downside risks embedded in such endeavours to be duly addressed. There is a need for a framework to identify and manage risks arising from big tech, as well as, decentralised finance through blockchain technology.

RBI’s FSR reveals dip in retail-led credit growth

The RBI’s Financial Stability Report (FSR) has revealed that as wholesale demand began slowing due to sluggish investment and excess capacity, lenders tried to expand their loan books by turning with gusto towards the retail segment *viz.* individuals, households, and small businesses. However, the retail-led credit growth model in India is now facing turbulence due to two factors. First - an increase in delinquencies in the consumer finance portfolio; and second, a slowdown in the new credit segment, a key factor in driving up consumer credit growth before the pandemic. With general lending standards being tightened across various lender category levels, it has led to a drop in approval rates, as also, moderation in the growth of balances.

Banking Policies**Large NBFCs to face tough PCA framework from October 2022**

In a bid to ensure supervisory intervention at appropriate time, the RBI has introduced a prompt corrective action (PCA) framework for large NBFCs. The framework will become effective from October 2022, depending on their financial position on or after March 31. It will apply to all deposit-taking NBFCs, as well as other large NBFCs in the middle, upper, and top layers of the RBI’s scale-based regulation.

The framework will not exert on NBFCs with deposits and an asset size of less than ₹1,000 crore, primary dealers, government-owned NBFCs, and housing finance companies.

The framework has been put in place for substantial interconnectedness with other segments of the financial system. It comprises three risk thresholds and three yardsticks to measure them *viz* capital adequacy ratio, Tier-1 capital ratio, and net NPA ratio.

Tokenisation deadline extended till June 2022

After the industry stakeholders expressed inability to adhere to the December 31, 2021 deadline for adopting tokenisation, the RBI has extended the deadline by six more months. Accordingly, merchants and payment companies have time till June 30, 2022 for wiping off card data on merchant sites and applying the system of tokenisation.

RBI also wants industry stakeholders to devise an alternate mechanism to handle recurring e-mandates, EMI options, or any such post-transaction activity that enables entities other than card issuers and card networks to store card-on-file data.

Banking Development

20-digit LEI mandatory for cross-border deals above ₹50 crore

Capital or current account cross-border transactions of more than ₹ 50 crore, will mandate a 20-digit Legal Entity Identifier (LEI), from October 1, 2022. The RBI has stipulated that banks will have to obtain LEI numbers from local companies undertaking such transactions. Firms with LEI will have to mandatorily furnish the LEI number in all transactions of that entity, irrespective of transaction size.

RBI allows scheduled Payment Banks, SFBs to do government agency business

The Government of India and RBI has jointly allowed scheduled payment banks and scheduled small finance banks (SFBs) to start getting involved in the government agency business like tax collection. Any such bank desirous of conducting this business will have to enter into an agreement with RBI, after which it will be appointed as an agent of the RBI for the stated purpose. The bank needs to comply with the prescribed regulatory framework, in order to qualify as an agent for government agency business.

Regulator Speaks

Industrial houses and banking business to be separate: RBI's Deputy Governor

Speaking at the Mint Annual Banking Conclave, RBI deputy governor Shri M. Rajeshwar Rao emphasized the need for banks to strengthen their governance standards by increasing scrutiny of the role of promoters, major shareholders and senior management. He highlighted that the overall responsibility of fostering a culture of good governance in banks rests with their Board of Directors. The Board should set the “tone at the top” and oversee management’s role in fostering and maintaining a sound governance, compliance, and risk culture. He finally concluded his speech by saying that RBI believes in keeping the industrial houses away from banking, given the highly leveraged nature of the banking business. “This separation is expected to avoid spillover risks—where trouble anywhere in the group entity may result in transferring risks onto the depositors, leading, in turn, to claims on deposit insurance, with subsequent ripple effects cascading across the largely interconnected financial systems, creating concerns around financial stability,” he said.

Financial inclusion can dampen inflation, influence monetary policy: RBI's Dr. Michael Patra

Speaking at a seminar on financial inclusion held by IIM Ahmedabad, RBI Deputy Governor Dr. Michael Patra averred that financial inclusion increasingly influences monetary policy, which is why, it helps to have a formal system to gauge the same.

“Furthermore, a measurable indicator of financial inclusion can be incorporated into monetary policy rules and reaction functions to examine its correlation with output and inflation and their volatility. For the first time, the influence of financial inclusion on the size and timing of policy rate changes can be gauged,” Dr. Patra said. He

further stated that, there is a two-way relationship between monetary policy and financial inclusion, and “it is unambiguous that financial inclusion is able to dampen inflation and output volatility”. As more and more people get included in the formal financial fold, people become increasingly interest-sensitive, and the society becomes intolerant to inflation. This, in turn, helps the monetary policy to achieve its objective in a shorter period.

Economic Wrap Up

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

- Real GDP in Q2 of FY 2021-22 has grown by 8.4% YoY reflecting the resilience of the Indian economy on the backdrop of Covid-19.
- On the demand side, exports and investment rose by 17% and 1.5% respectively. Private consumption rose by 96% in Q2 of FY2021-22.
- On the supply side, real GVA (Gross Value Added) in agriculture, manufacturing and construction sectors was higher than its pre-pandemic levels
- Index of Industrial Production (IIP) continued to recover in Oct’21.
- CPI Inflation remained stable at 4.5% during Oct’21 while wholesale inflation climbed upto 12.5% in Oct’21.
- PMI Manufacturing and PMI Services have accelerated in Nov’21 to 57.6% and above 58% respectively
- GST collections rose to Rs. 1.31 lakh crores in Nov’21.
- Adoption of digital payments led to increase in UPI transactions of value Rs. 7.68 lakh crore in Nov’21
- Domestic institutional investors invested more than ₹30,000 crore in the capital market during Nov’21, despite the selloff by foreign portfolio investors.
- Net FDI closed-in on US\$ 20 billion mark in the first six months of FY 22 as it did in FY 21.
- Foreign exchange reserves stood comfortably at US\$ 640.4 billion on November 19, 2021, enough to finance more than a year of imports
- Bank credit reached 7% growth YoY on the back of comfortable liquidity and declining borrowing costs reflective of full transmission of repo rate cuts.
- The 10-year G-sec yield softened from 6.38% in Oct’21 to 6.33% in Nov’21. Corporate bond yields too declined.

Forex

Foreign Exchange Reserves		
Item	As on December 24, 2021	
	₹Cr.	US\$ Mn.
	1	2
1 Total Reserves	4765329	635080
1.1 Foreign Currency Assets	4287220	571369
1.2 Gold	295562	39390
1.3 SDRs	143418	19114
1.4 Reserve Position in the IMF	39129	5207

Source: Reserve Bank of India

Benchmark Rates for FCNR(B) Deposits applicable for January 2022

Base Rates for FCNR(B) Deposits					
Currency	1 Year	2 Years	3 Years	4 Years	5 Years
USD	0.53200	0.95300	1.17500	1.28800	1.36700
GBP	0.84510	1.2132	1.3347	1.3403	1.3092
EUR	-0.48000	-0.290	-0.140	-0.040	0.021
JPY	0.05130	0.054	0.038	0.048	0.056
CAD	0.49000	1.54600	1.771	1.830	1.839
AUD	0.44200	0.917	1.280	1.545	1.666
CHF	-0.67200	-0.448	-0.365	-0.275	-0.220
DKK	-0.18200	-0.0135	0.1258	0.2075	0.2720
NZD	1.75700	2.185	2.430	2.530	2.570
SEK	0.09900	0.312	0.512	0.632	0.725
SGD	0.57000	0.990	1.185	1.385	1.515
HKD	0.57000	0.970	1.190	1.300	1.380
MYR	2.20000	2.560	2.760	2.850	2.970

Source: www.fedai.org.in

Glossary

Financial Stability Report (FSR)

The Financial Stability Report (FSR) is published biannually. It reflects the collective assessment of the Sub-Committee of the Financial Stability and Development Council (FSDC - headed by the Governor of RBI) on risks to financial stability and the resilience of the financial system. The report highlights issues relating to development and regulation of the financial sector.

Financial Basics

Net Stable Funding Ratio (NSFR)

The NSFR is defined as the amount of available stable funding relative to the amount of required stable funding. "Available stable funding" (ASF) is the portion of capital and liabilities expected to be reliable over the time horizon of 1 year. The amount of stable funding required ("Required stable funding") (RSF) is a function of the liquidity characteristics and residual maturities of the various assets and off-balance sheet (OBS) exposures.

Institute's Training Activities

Training Programmes for the month of January 2022

Programmes	Dates	Location
Effective Branch Management	17 th to 19 th January 2022	Virtual
Lending to MSMEs & Restructuring of MSME Advances	17 th to 19 th January 2022	
Agricultural Financing	17 th to 19 th January 2022	
KYC, AML & CFT	20 th to 21 st January 2022	

News from the Institute

Postponement of JAIIB/DB&F/SOB exams scheduled on 8th & 9th Jan'22

Due to the rapid increase in the number of COVID-19 cases, and restrictions imposed by various States/UT to curtail the spread of the virus, and as directed by the concerned authority, the JAIIB/DB&F/SOB exams scheduled on 8th Jan 2022 and 9th Jan 2022 have been postponed. The revised dates for the subjects will be announced later and notified in the website.

JAIIB/DB&F/SOB/CAIIB – 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 tentatively proposed to be held from November/December 2022 onwards or latest from the May / June 2023 onwards in any case. 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. JAIIB/DB&F/SOB/CAIIB exams from May / June 2023 onwards will be held as per the revised syllabi only. For more details, please visit our website www.iibf.org.in.

Research Fellowship in Banking Technology 2021-22

The said fellowship is a joint initiative of IIBF and IDRBT. It aims to sponsor technically and economically feasible technology-research projects which has the potential to contribute significantly to the Banking & Financial Sector. The last date for submitting proposals under this scheme is **31st January 2022**. For more details, please visit website www.iibf.org.in.

Micro and Macro Research

The topics for the Micro and Macro Research have been finalised and the details have been placed on the Institute's website. The last date for submitting proposals under this scheme is **31st January 2022**. For more details, please visit website www.iibf.org.in.

E-learning for All

The Institute has introduced “E-learning for All” where any individual irrespective of his/her Membership status or Exam Registration status can access the E-learning modules developed by the Institute on various contemporary topics of Banking & Finance. For more details visit www.iibf.org.in.

Two certificate courses introduced under RPE mode

From October 2021, two new certificate examinations were conducted under the Remote Proctored Examination (RPE) Mode. The two new subjects are Strategic Management & Innovations in Banking and Emerging Technologies. For more details, please visit www.iibf.org.in.

Introduction of Professional Banker Qualification

The Institute has introduced a gold level aspirational qualification which will epitomize the pinnacle in learning and knowledge. This qualification which will be known as “Professional Banker” will be a unique qualification to plug the long-felt skill gap in mid-management levels and will provide cutting edge knowledge to professionals in banking & finance fields. A banker seeking to achieve status of a “Professional Banker” needs to have an experience of five years.

Bank Quest included in UGC CARE List of Journals

IIBF’s Quarterly Journal, Bank Quest has been included in UGC CARE list of Journals. The University Grants Commission (UGC) had established a “Cell for Journals Analysis” at the Centre for Publication Ethics (CPE), Savitribai Phule Pune University (SPPU) to create and maintain the UGC-CARE (UGC - Consortium for Academic and Research Ethics). As per UGC’s notice, research publications only from journals indexed in UGC CARE list should be used for all academic purposes.

Bank Quest Theme for upcoming issue

The theme for the upcoming issue of Bank Quest for the quarter January - March, 2022 is “Effective resolution of stressed assets”.

Cut-off date of guidelines /important developments for examinations

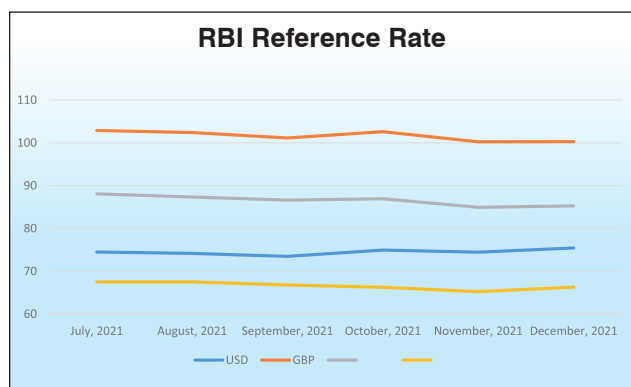
The Institute has a practice of asking questions in each exam about the recent developments / guidelines issued by the regulator(s) in order to test if the candidates keep themselves abreast of the current developments. However, there could be changes in the developments / guidelines from the date the 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 31st 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 2021 to January 2022, instructions/guidelines issued by the regulator(s) and important developments in banking and finance up to 30th June 2021 will only be considered for the purpose of inclusion in the question papers.

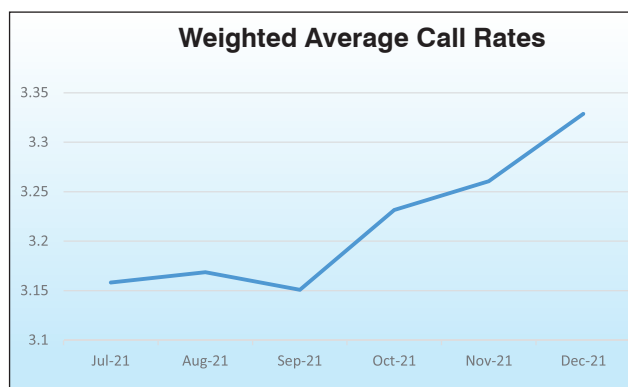
Green Initiative

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

Market Roundup

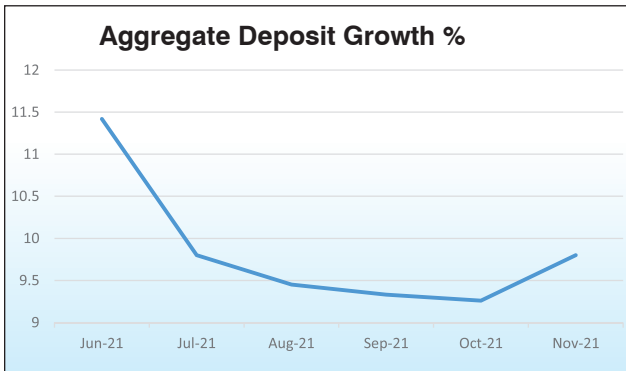


Source: FBIL

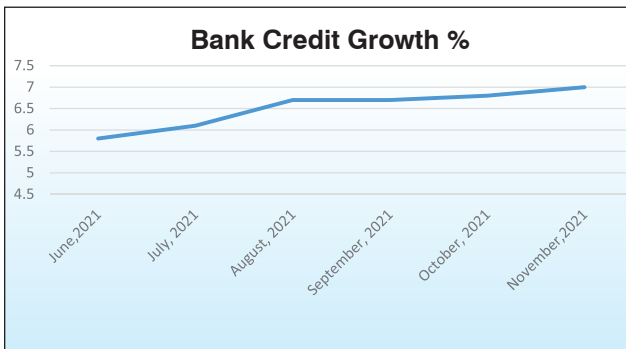


Source: Weekly Newsletter of CCIL

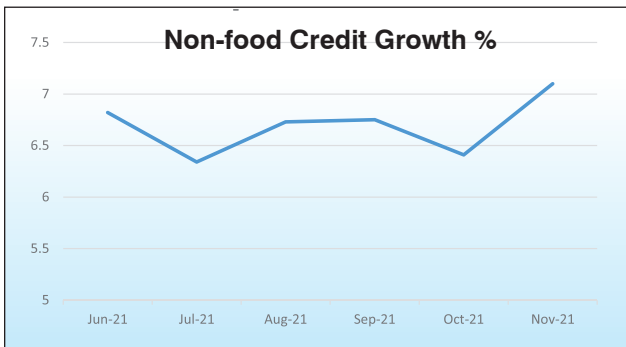
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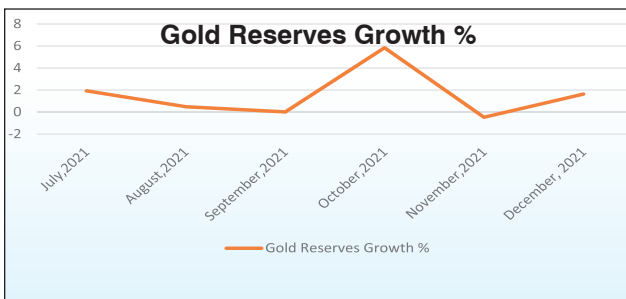
Source: Monthly Review of Economy, CCIL, December, 2021



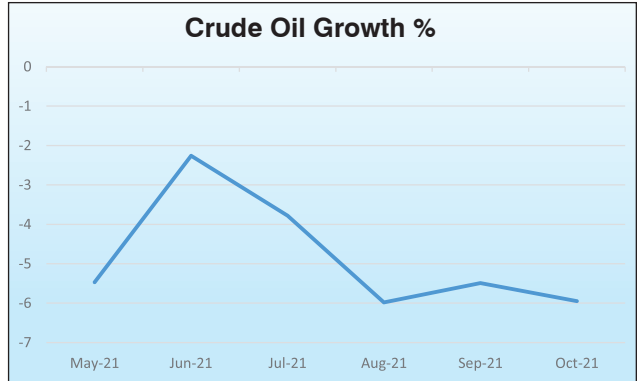
Source: Reserve Bank of India



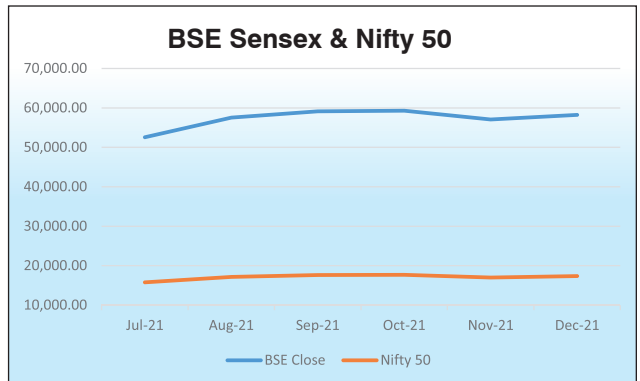
Source: Monthly Review of Economy, CCIL, December 2021



Source: Reserve Bank of India



Source: Ministry of Petroleum & Gas



Source: BSE & NSE

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