



Committed to professional excellence

# IIBF VISION

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## VISION

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

## MISSION

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



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## TOP STORIES

### **RBI prescribes rules for CROs in banks**

RBI has prescribed rules for Chief Risk Officer (CRO) stating that he/she shall directly report to Chief Executive Officer (CEO), Managing Director (MD), and the board panel. The CRO will not have any business targets or any reporting relationship with business verticals. He/she will also not be tasked with the responsibilities of the CEO, Chief Operating Officer, Chief Financial Officer, and Chief of Internal Audit Function. The official will be a senior person with the necessary and adequate professional qualification/experience in areas of risk management. The risk management committee of the board shall meet the CRO on a one-to-one basis, at least once every quarter, without the MD and CEO.

### **SEBI allows trading in stock derivatives**

Securities and Exchange Board of India (SEBI) has permitted trading in single stock derivatives at International Financial Services Centres (IFSCs). The market-wide position limit (MWP) for 'derivatives on equity shares' will be 10% of the free-float holding of the underlying security.

### **Sovereign Gold bond scheme**

The first tranche of sovereign gold bonds for this fiscal opened for subscription on April 24 and closed on April 28. The issue price of the gold bonds was ₹50 per gram less than the nominal value. The bonds were sold through banks, Stock Holding Corporation of India (SHCIL), designated post offices and recognized stock exchanges, including the NSE and BSE. Investors could invest in a minimum of one gram of gold and a maximum of 500 gm in a year. Investors will get a fixed return of 2.50% p.a., payable semi-annually on the nominal value.

### **IFSC banking units to act as brokers**

SEBI has allowed banking entities operating in International Financial Service Centres (IFSCs) to act as stock brokers or as clearing members, without forming a separate company. Earlier, any recognized entity, desirous of operating in IFSC as an intermediary, was required to form a company to provide such financial services relating to securities market.

### **SEBI hikes FPI limit for Govt debt**

SEBI has raised the Foreign Portfolio Investors (FPI) investment limit in central government securities (G-Secs) to ₹1.85 lakh crore. Besides, limit for investment by all FPIs in State Development Loans (SDLs) has been increased to ₹27,000 crores from ₹21,000 crores. The limit for investment by long-term FPIs (pension funds and foreign central banks) in G-Secs will also be revised to ₹46,099 crores from ₹ 68,000 crore.

## Banking Policies

### **PCA measures made more stringent for stressed banks**

RBI has made its Prompt Corrective Action (PCA) measures more stringent for banks in stress. These measures include sacking of management and superseding the Board of Directors if the Tier 1 capital falls below 3.625%, against the stipulated minimum of 6.75%. Infusion of capital has been made compulsory for promoters and parent companies of foreign banks when banks face negative ROA (Return on Assets) for two consecutive years. The PCA framework will apply to all banks operating in India, including small finance banks and foreign

banks operating through branches or subsidiaries. A bank will be placed under the PCA framework based on the audited annual financial results and the supervisory assessment made by RBI. The provisions of the revised framework are effective from April 1, 2017 based on the financials of the banks for the year ended March 31, 2017. The framework would be reviewed after three years.

### **RBI to banks: Raise provisioning rates for stressed sectors**

In order to help banks deal better with potential stressed assets, RBI has asked them to install board approved policies to provide for standard assets at rates higher than the regulatory minimum, based on evaluation of risk and stress in various sectors. With the telecom sector reporting stressed financial conditions, with interest-coverage ratio less than one, RBI has advised bank-boards to review the telecom sector latest by June 30, 2017, and consider making provisions for standard assets in it, at higher rates. The board approved policy will require a review, at least on a quarterly basis. The review may include quantitative and qualitative aspects such as debt-equity ratio, interest-coverage ratio, profit margins, ratings upgrade to downgrade ratio, sectoral non-performing assets/stressed assets, industry performance and outlook, and legal/regulatory issues faced by the sector. The reviews may also include sector-specific parameters.

## **Banking Developments**

### **IFSC Banking Units get RBI boost**

RBI has allowed IFSC banking units (IBUs) to engage in derivative transactions, including structured products that the banks operating in India can undertake. IBUs can become a professional clearing member (PCM) of an IFSC exchange for clearing and settlements in any derivatives segment.

### **Au Financiers converts to small finance bank**

A NBFC called Au Financiers India has converted itself into a small finance bank by the name AU Small Finance Bank. AU obtained a fresh certificate of incorporation from the Corporate Affairs ministry on April 13, 2017 and from RBI on April 19, 2017. AU started out as an NBFC and was engaged in extending commercial/personal vehicle loans, micro, small and medium enterprise (MSME) loans and SME loans, serving primarily the low, middle-income and under-served customer segments. AU had a network of 300 branches spread across 10 states.



## **Insurance**

### **IRDAI cuts third-party motor insurance rates**

The Insurance Regulatory and Development Authority of India (IRDAI) has reduced motor insurance premium rates in most of the segments such as two-wheelers, cars and trucks by modifying the rates for 2017-18. The modified premium rates for motor third party liability insurance cover have become applicable from April 1. However, the premium rates for the current fiscal are higher than those of the previous year. As per the revised list, premium on mid-segment cars (1,000 cc -1,500 cc cars) with engine capacity of more than 1,500 cc has been brought down. There is no change in cars having engine capacity of less than 1,000 cc. Similarly, premium has been brought down in case of two-wheelers with engine of 150 cc and more. Premium rates have been reduced for most of the truck categories.

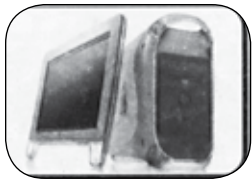
## Economy

### ADB pegs growth at 7.4% this fiscal

Shrugging off the impact of demonetization, the economy is expected to grow 7.4% in 2017-18 and 7.6% in the next fiscal year, according to the latest report by Asian Development Bank (ADB).

## New Appointments

Name	Designation/Organization
Mr. B.P. Kanungo	Appointed as Deputy Governor, RBI
Mr. Kenichi Yokoyama	Appointed as Country Director of Indian Resident Mission, Asian Development Bank (ADB)
Mr. Kishor Kharat	Appointed as Managing Director & CEO, Indian Bank
Mr. M.S. Mahabaleshwara	Appointed as MD & CEO, Karnataka Bank
Mr. B Venugopal	Appointed as Managing Director of Life Insurance Corporation (LIC) of India
Ms. Sunita Sharma	Appointed as Managing Director of Life Insurance Corporation (LIC) of India



## Products & Alliances

Organisation	Organisation tied up with	Purpose
SBI	Cox & Kings Ltd.	For sale of travel prepaid cards in India

## Forex

Foreign Exchange Reserves		
Item	As on March 24, 2017	
	₹ Bn.	US\$ Mn.
1 Total Reserves	23,944.0	3,72,732.0
1.1 Foreign Currency Assets	22,411.3	3,49,055.8
1.2 Gold	1,288.3	19,869.0
1.3 SDRs	93.7	1,460.0
1.4 Reserve Position in the IMF	150.7	2,347.2

Source: Reserve Bank of India (RBI)

**Benchmark Rates for FCNR(B) Deposits applicable for May, 2017**
**Base Rates for FCNR(B) Deposits**

Currency	1 Year	2 Years	3 Years	4 Years	5 Years
USD	1.39350	1.57640	1.71980	1.82250	1.92290
GBP	0.37440	0.5654	0.6355	0.7165	0.8038
EUR	-0.20420	-0.134	-0.025	0.093	0.221
JPY	0.04130	0.041	0.043	0.056	0.075
CAD	1.20000	1.100	1.211	1.308	1.395
AUD	1.78500	1.870	2.010	2.330	2.460
CHF	-0.64500	-0.630	-0.513	-0.408	-0.296
DKK	-0.04650	0.0570	0.1695	0.2990	0.4395
NZD	2.08390	2.315	2.548	2.738	2.896
SEK	-0.44500	-0.275	-0.078	0.118	0.305
SGD	1.22000	1.440	1.658	1.820	1.960
HKD	1.17000	1.420	1.600	1.760	1.880
MYR	3.55000	3.620	3.680	3.730	3.790

Source: [www.fedai.org.in](http://www.fedai.org.in)

## Microfinance

### MFIN launches financial literacy app

Microfinance Institutions Network (MFIN) has launched a financial literacy mobile app for clients. Released on the Android platform, the app will be available in six languages including Hindi, Marathi, Telugu, Tamil and English. It is aimed to help microfinance clients understand the dynamics involved in microfinance, including credit history, interest rates, repayment cycles and their rights as borrowers.

## Glossary

### Return on Assets (ROA)

Return on Assets (ROA) is a profitability ratio which indicates the net profit (net income) generated on total assets. It is computed by dividing net income by average total assets. Formula- (Profit after tax/Average Total assets)\*100

## Financial Basics

### Hedge

An asset, liability or financial commitment that protects against adverse changes in the value of or cash flows from another investment or liability. An unhedged investment or liability is called an “exposure”. A perfectly matched hedge will gain in value what the underlying exposure loses or lose what the underlying exposure gains.

## Institute's Training Activities

### Training Programmes for the month of June, 2017

Name of the Programme	Dates	Location
Credit Monitoring	5 <sup>th</sup> - 7 <sup>th</sup> June 2017	Mumbai
Advanced Credit Appraisal	12 <sup>th</sup> - 17 <sup>th</sup> June 2017	Mumbai
KYC / AML / CFT	19 <sup>th</sup> - 21 <sup>st</sup> June 2017	Mumbai
SME Financing	1 <sup>st</sup> - 5 <sup>th</sup> June 2017	Chennai
Recovery Management	7 <sup>th</sup> - 9 <sup>th</sup> June 2017	Kolkata
Risk Management in Banks	19 <sup>th</sup> - 21 <sup>st</sup> June 2017	Kolkata
KYC / AML / CFT	9 <sup>th</sup> - 11 <sup>th</sup> June 2017	Delhi

## News from the Institute

### MOU with Bhutan

The Institute signed a Memorandum of Understanding (MoU) with Financial Institutions Training Institute Ltd. (FITI) Bhutan for development of courseware for bankers of Bhutan.

### Training program for Afghanistan Bankers

The Institute, for the first time, conducted a Specialised program on Credit for Afghanistan International Bank from 20<sup>th</sup> April to 1<sup>st</sup> May 2017. 18 bankers participated in the program.

### Foundation Day Program 2017

The Institute organised its Foundation Day and AMP Certificate awarding ceremony on 29<sup>th</sup> April, 2017. **Shri N. S. Vishwanathan, Deputy Governor, RBI** was the Chief Guest for the event.

### New Courseware on NBFCs

The Institute launched its new courseware on Non Banking Financial Companies (NBFCs) on 29<sup>th</sup> April 2017. The book was released by industry experts from the banking fraternity.

### Examination at Institute's own Test Centres at Mumbai & Kolkata

The Institute presently conducts examination on the 2nd and 4th Saturday of every month for three of its courses namely, Micro, Small & Medium Enterprises (MSME), Customer Service and AML/KYC at its own Test Centres at Mumbai & Kolkata. Online registration for the examinations starts from **8<sup>th</sup> May 2017** for examinations to be conducted from June to August 2017. Candidates can select the examination date and centre of his/her choice. Registration will be on first come first serve basis. The schedule of the examinations for the said courses is available on our website [www.iibf.org.in](http://www.iibf.org.in).

### Bank Quest Themes for coming issues

The themes for upcoming issues of "Bank Quest" are identified as:

- Challenges in Infrastructure Financing: April-June, 2017
- Influences/Challenges for Banks post Demonetization: July – September, 2017
- Micro Research Papers 2017: October – December, 2017
- Cyber Security in Banks: January – March, 2018

- International Banking: April – June, 2018
- Risk Management: July – September, 2018

**The new rate of service tax**

The Ministry of Finance, Department of Revenue has notified levying of 0.5% Krishi Kalyan Cess, on any or all the taxable Services w.e.f. 01st June 2016. The effective rate of Service Tax would be 14% + 0.5% (Swachh Bharat Cess) + 0.5% (Krishi Kalyan Cess) = 15.00%. Accordingly, the Institute has incorporated the change in all fees.

**KYC/AML & Customer Service Examination**

The Institute is holding the Certificate Examinations in AML/KYC & Customer Service Examinations on a quarterly interval from April 2016 onwards. For details visit [www.iibf.org.in](http://www.iibf.org.in)

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

The Institute has a practice of asking some 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 2017 to July 2017, instructions/guidelines issued by the regulator(s) and important developments in banking and finance up to 31<sup>st</sup> December, 2016 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 2017 to January 2018, instructions/guidelines issued by the regulator(s) and important developments in banking and finance up to 30<sup>th</sup> June, 2017 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.

**STATEMENT ABOUT OWNERSHIP AND OTHER PARTICULARS OF IIBF VISION,  
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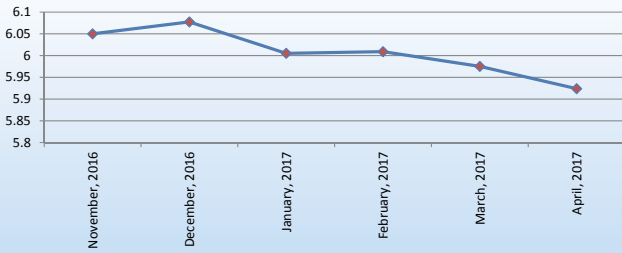
I, Dr. J. N. Misra, hereby declare that the particulars given above are true to the best of my knowledge and belief.  
31.03.2017

Dr. J. N. Misra  
Signature of Publisher

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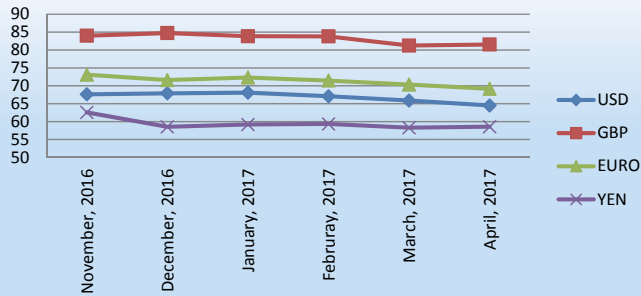
# Market Roundup

## Weighted Average Call Rates



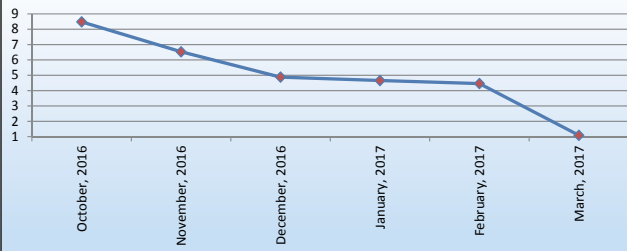
Source: CCIL Newsletter, April 2017

## RBI Reference Rate



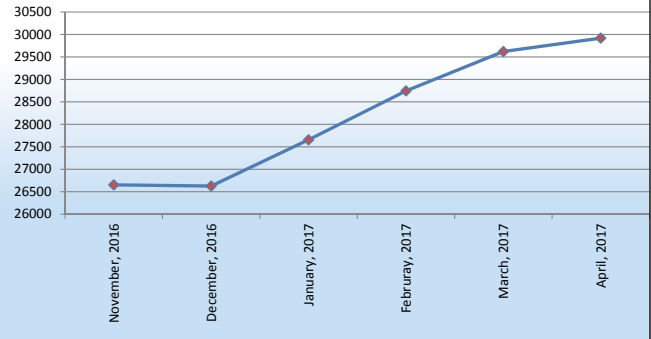
Source: Reserve Bank of India (RBI)

## Non-food Credit Growth %



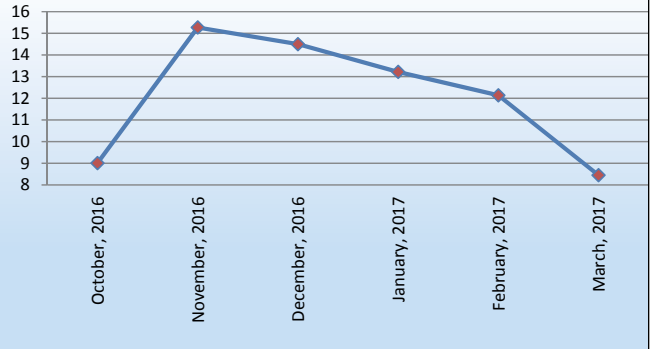
Source: Monthly Review of Economy CCIL, April 2017

## BSE Sensex



Source: Bombay Stock Exchange (BSE)

## Aggregate Deposit Growth %



Source: Monthly Review of Economy CCIL, April 2017

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### INDIAN INSTITUTE OF BANKING & FINANCE

Kohinoor City, Commercial-II, Tower-I, 2nd Floor, Kiro Road, Kurla (W), Mumbai - 400 070.  
 Tel. : 91-22-2503 9604 / 9746/9907 • Fax : 91-22-2503 7332  
 E-mail : admin@iibf.org.in  
 Website : www.iibf.org.in