A Monthly Newsletter of Indian Institute of Banking & Finance

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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.


INSIDE

# TOP STORIES

### MPC finds domestic growth getting robust, inflationary expectations easing out

The Monetary Policy Committee (MPC) widely discussed the global and domestic economy, financial sector, and development policies at its 42nd meeting held in April 2023. The committee averred that slowing global growth, policy actions to reduce high inflation, and the ongoing Ukraine war which has adversely impacted many sectors (including energy) have been responsible for uncertainty in financial markets. It agreed that the monetary policy must continue to take a disinflationary stance and should stick to its resolve of reducing inflation to its target of 4%.

### RBI bulletin lauds achievement of substantial disinflation, but journey to 4% inflation target continues

The Reserve Bank of India's (RBI's) monthly bulletin published in April 2023 stated that substantial disinflation has been achieved, pursuant to a cumulative rate hike of 250 bps done since May 2022 to keep inflation in check. Presently, the central bank has taken a pause in repo rate hikes after headline CPI inflation eased from 7.8% in April 2022 to 5.7% in March 2023. This number is expected to further scale down to 5.2% in January-March 2024. The government mandates RBI to ensure that retail inflation stays at 4% with a margin of 2% on both sides.

### Honorable Finance Minister calls for transformative change in banks to strengthen MDBs

Speaking in a meeting with the G20 expert group, Honorable Union Finance Minister called for a 'transformative' rather than incremental change in banks in order to strengthen Multilateral Development Banks (MDBs). A 'holistic' approach has been advocated for reforming instead of a fragmented approach and underlined the need for more financing to achieve developmental and climate goals, without viewing them as mutually exclusive.

## Banking Policies

### RBI issues framework for green deposits

Beginning June 1, banks, small finance banks, and deposit taking NBFCs can offer green deposits to their customers, in keeping with the framework issued by the RBI and as per Financial Framework (FF) approved by their respective boards.

With environmental, social, and governance laws coming into firmer focus in India, this framework has come at the appropriate time. It aims to encourage giving green deposits to customers while also protecting their interests; help customers fulfil their sustainability agenda; address concerns about greenwashing; and, increase credit flow to green activities.

RBI's framework allows lenders to issue green deposits on a cumulative or non-cumulative basis. These can be renewed or withdrawn on maturity by the depositor.

Green deposits will have to follow all conditions applicable to other public deposits. Proceeds garnered from green deposits will be utilised for green activities such as renewable energy, energy efficiency, clean transportation and so on.

**No need to activate countercyclical capital buffer for banking system: RBI**

Following a thorough review and empirical analysis of Countercyclical Capital Buffer (CCyB), the RBI recently provided major relief to the banking system by stating that it is not necessary to activate CCyB for now.

CCyB is maintained as part of the Capital Adequacy Ratio (CAR) and is usually activated according to the Credit-to-Gross Domestic Product (GDP) gap. It can be maintained in the form of Common Equity Tier 1 (CET1) capital or other fully loss absorbing capital only. The amount may vary from 0 to 2.5% of total Risk Weighted Assets (RWA) of the banks.

CCyB regime is aimed to help banks build up a capital buffer during good times, to be used to keep up credit flow to the real sector in challenging times. Further, it also achieves the broader macro-prudential goal of limiting the banking sector from indulging in indiscriminate lending during phases of excess credit growth, because such lending ultimately builds up system-wide risk.

# Banking Development

**Application process of registration as CIC simplified by RBI**

In a bid to make the registration process as Core Investment Companies (CIC) as smooth and hassle-free as possible, the RBI undertook a wholesome review of processing the applications for the same.

Following the review, the application form has been made more structured and aligned with the extant CIC regulations. Also, to make the process more user-friendly, the set of documents to be provided with the application form has been reduced from 52 to 18.

# Regulator Speaks

**Proper business models, effective policies required for financial resilience: RBI Governor Shaktikanta Das**

RBI Governor Shaktikanta Das has stated that the apex bank is closely monitoring banks' business models to identify and duly address any vulnerability that can negatively affect financial resilience. Observing that inappropriate business models are often the root cause of financial resilience, he gave examples of how over-aggressive growth strategies, or, thoughtless pursuit of bottom lines can lead to problems in future.

Mr. Das further conveyed that RBI expects bank boards to shore up adequate capital and liquidity buffers (beyond the regulatory prescription) for sustainable growth. In fact, domestic lenders can fulfil maintain minimum capital even under stressful conditions, he opined.

Revealing some statistics, he observed that Gross Non-Performing Assets (NPAs) ratio of Scheduled Commercial Banks declined further from 7.3% in March 31, 2021 and 5.8% in March 31, 2022 to 4.41% by the end of December 2022. The capital adequacy ratio was also much above the minimum regulatory requirement at 16.1% by the end of December 2022. He also spoke about operational resilience, by emphasising the need for effective policies & practices pertaining to cyber risks – especially in wake of the extensive outsourcing done by banks and other Regulated Entities (REs).

**Indian financial system insulated from global turmoil: RBI Governor Shaktikanta Das**

RBI Governor Shaktikanta Das is affirmative that India's financial system remains "completely insulated from global turmoil", and is in fact quite resilient, stable, and healthy.

Addressing the media after the G20 Finance Ministers and Central Bank Governors meeting under India's presidency, Das asserted that the Indian banking system continues to remain robust in all related aspects *viz.* capital adequacy, percentage of stressed assets and the liquidity coverage ratio of banks — both at the individual and systemic level.

He averred that the apex bank's supervisory focus is trained on early identification of any build-up of vulnerabilities, identifying early signals and nudging banks to take due corrective steps without allowing the damage to go deeper.

## Economic Wrap Up

**Key highlights of the Monthly Economic Review, March 2023 released by the Department of Economic Affairs:**

- As per IMF projection, increase in global trade volume to fall from 5.1% in 2022 to 2.4% in 2023 and then slightly increase to 3.5% in 2024.
- Indian economy to register a real GDP growth rate of 6.5% in 2023-24, in line with the World Bank estimate of 6.3% and Asian Development Bank (ADB) estimate of 6.4%.
- Inflationary pressures easing. In March 2023 CPI inflation declined to a 15-month low at 5.7%
- As per RBI data, CAD narrowed to 2.2% of the GDP in Q3 of FY23, compared to 3.7% in Q2 and 2.7% in Q3 of FY22.
- Foreign exchange reserves increased by the end of Q3, owing to rising inflow of Foreign Portfolio Investment (FPI).
- Investment in Held-to-Maturity (HTM) securities limited to 23% of deposits, reflecting an effective insulation of asset value from adverse market developments.
- Indian banks have been rendered to relatively immune to yield spikes as loans constitute more than 50% of the total assets of the top 10 Indian banks.
- Capital expenditure during Apr-Feb 2023 was 21.7% higher compared to the corresponding period of the previous year. This has improved the spending quality, which is reflected in the declining Revenue Expenditure to Capital Outlay ratio over the past years.

## Forex

| Foreign Exchange Reserves | | |
|---|---|---|
| Item | As on April 28, 2023 | |
| | ₹ Cr. | US$ Mn. |
| | 1 | 2 |
| 1 Total Reserves | 4818457 | 588780 |
| 1.1 Foreign Currency Assets | 4251387 | 519485 |
| 1.2 Gold | 373648 | 45657 |
| 1.3 SDRs | 151122 | 18466 |
| 1.4 Reserve Position in the IMF | 42300 | 5172 |

***Source:*** *Reserve Bank of India*

**BASE RATES OF ALTERNATIVE REFERENCE RATES (ARRs) FOR FCNR (B) DEPOSITS AS ON APRIL 28, 2023 - APPLICABLE FOR MAY, 2023**

| Currency | Rates |
|---|---|
| USD | 4.80 |
| GBP | 4.1784 |
| EUR | 2.900 |
| JPY | -0.031 |
| CAD | 4.5000 |
| AUD | 3.60 |
| CHF | 1.411067 |
| NZD | 5.25 |
| SEK | 2.895 |
| SGD | 3.7480 |
| HKD | 3.04326 |
| MYR | 2.74 |
| DKK | 2.5160 |

***Source:*** *www.fbil.org.in*

# Glossary

### Core Investment Company

A Core Investment Company (CIC) is a Non-Banking Financial Company (NBFC) which carries on the business of acquisition of shares and securities and holds not less than 90% of its net assets in the form of investment in equity shares, preference shares, bonds, debentures, debt or loans in group companies. Further investments in equity shares in group companies constitutes not less than 60% of its net assets.

# Financial Basics

### Countercyclical Capital Buffer

Countercyclical Capital Buffer (CCyB) was introduced with Basel III norms in 2010. Its primary objective is to use a buffer of capital to achieve the broader macro prudential goal of protecting the banking sector from periods of excess aggregate credit growth that have often been associated with the build-up of system-wide risk. It is maintained as part of the Capital Adequacy Ratio (CAR) and is usually activated according to the Credit-to-Gross Domestic Product (GDP) gap. It can be maintained in the form of Common Equity Tier 1 (CET1) capital or other fully loss absorbing capital only. The amount may vary from 0 to 2.5% of total Risk Weighted Assets (RWA) of the banks.

# Institute's Training Activities

**Training Programmes for the month of May 2023**

| Programmes | Date | Location |
|---|---|---|
| Programme on KYC/AML & CFT | $8^{th}$-$9^{th}$ May, 2023 | Virtual |
| Programme for Law Officers of Public & Private Sector Banks & FIs | $8^{th}$-$11^{th}$ May, 2023 | |
| Development of Leadership and Soft skills for Branch Managers | $9^{th}$-$11^{th}$ May, 2023 | |
| Programme on Internal Capital Adequacy and Assessment Process (ICAAP) | $11^{th}$-$12^{th}$ May, 2023 | |
| Programme on Certified Credit Professional | $12^{th}$-$14^{th}$ May, 2023 | |
| Programme on Certified Banking Compliance Professional | $22^{nd}$-$24^{th}$ May, 2023 | |
| Programme on Balance sheet reading and Ratio analysis | $22^{nd}$-$24^{th}$ May, 2023 | |

# News from the Institute

### IIBF - IFC to jointly launch a Certificate course on Climate Risk and Sustainable Finance

The Institute has entered into an agreement with International Financial Corporation (IFC) for providing a certification course on Climate Risk and Sustainable Finance. The course will be launched on $23^{rd}$ May 2023 at St. Regis Hall, Mumbai. The course is in the form of e-learning comprising of 4-6 hours of learning followed by an assessment. The certificate will be jointly issued by IIBF and IFC.

### JAIIB/DB&F/SOB/CAIIB - Introduction of Revised Syllabi

The syllabi of JAIIB/DB&F/SOB/CAIIB courses have been restructured and revised to make them more contemporary, conceptual and ensure greater value addition. In this regard, the CEO of the Institute addressed a message to the members on the need for revising the syllabi. A detailed notice, about the subjects under the revised syllabi, the examination pattern, time limit for passing, passing criteria etc. has also been placed on the website. To make the transition more candidate friendly, credits for certain subjects have been allowed from the old syllabi to the new syllabi. The first examination, under the revised syllabi, will be held from May/ June 2023 onwards. The negative marking rule has been deferred by the Institute. For more details, please visit our website www.iibf.org.in.

### IIBF announces XII Batch of Advanced Management Programme in Banking & Finance (2023-24)

IIBF is pleased to announce the XII Batch of Advanced Management Programme in Banking & Finance (2023-24). The registration for the programme has started in April 2023. The Batch will begin in June 2023.

The Programme is designed for working executives and covers varied areas of Banking & Finance over a period of 10 months. A hybrid program with weekend sessions in online mode and immersion programs in-between, MDP at IIM Calcutta campus and at IIBF, Mumbai. The faculty for this programme will be experts from Industry and Academia. For more details, please visit our website - http://www.iibf.org.in/

### Mock Test available for Revised JAIIB & CAIIB Examination

The institute is providing Mock Test facility for all the subjects under revised structure of JAIIB & CAIIB at a nominal rate of Rs. 100(plus taxes) per subject. Interested candidate may visit on website https://www.iibf.org.in/ for further details.

### Bank Quest Theme for upcoming issue

The theme for the upcoming issue of Bank Quest for the quarter April – June, 2023 is "Competence based Human Resource Management in Banks".

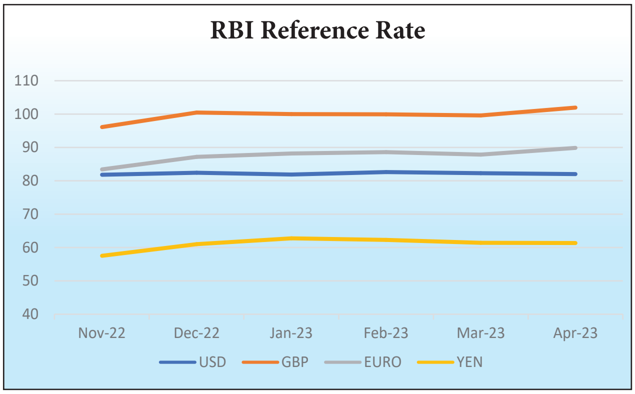
### Cut-off date of guidelines /important developments for examinations

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 2023 to July 2023, instructions/ guidelines issued by the regulator(s) and important developments in banking and finance up to 31st December 2022 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.

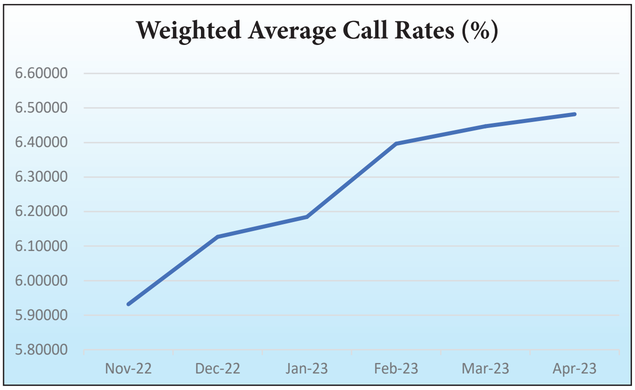
## Green Initiative

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

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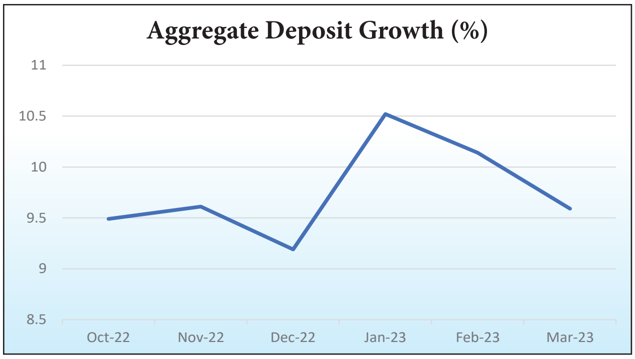
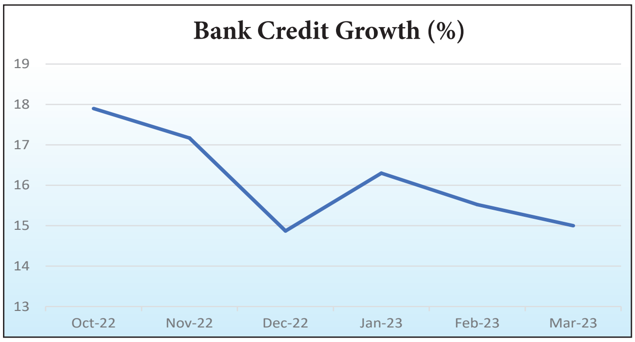
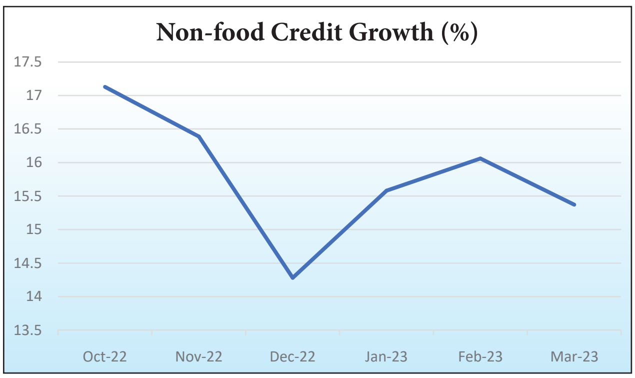



Source: Monthly Review of Economy, CCIL, April 2023




Source: Reserve Bank of India

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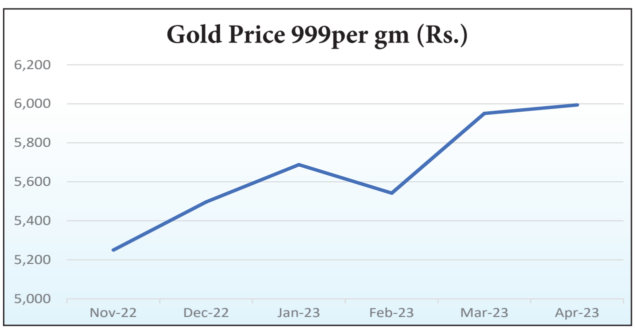
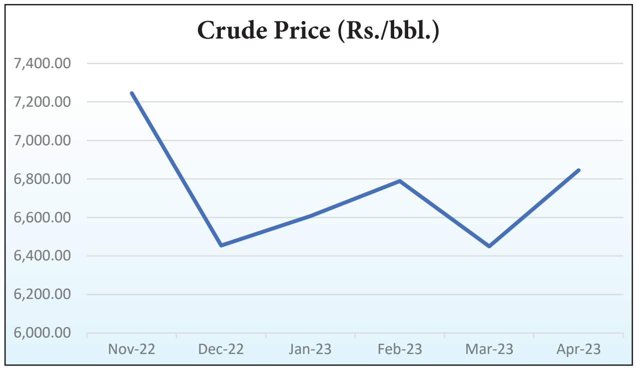
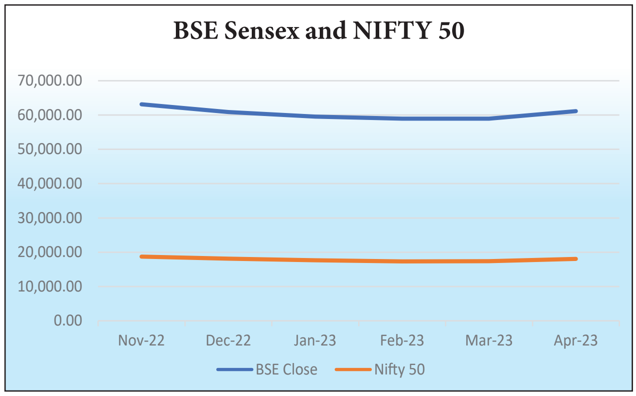



Source: Gold Price India




Source: PPAC, Ministry of Petroleum and Natural Gas




Source: BSE & NSE

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