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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

Key highlights of 7th Bi-monthly Monetary Policy 2019-20

The 7th bi-monthly monetary policy meeting was held on 27th March 2020. Some of the key decisions of the meeting were:

- Repo rate reduced by 75 bps to 4.4%.
- Reverse Repo rate reduced by 90 bps to 4%.
- CRR reduced by 100 bps to 3% for 1 year, in order to release 1.37 lakh crores.
- Minimum daily CRR balance reduced from 90% to 80% till 30/06/2020.
- 3 month moratorium on payment of instalments of Term Loan outstanding.
- Interest on Working Capital (WC) facilities to be deferred by 3 months.
- Such deferment not to be considered for NPAs.
- Revise DP calculations by reassessing WC cycle.
- The revised measures not to affect credit history.
- Rs. 3.74 lakh crore liquidity injected into the system.
- Total liquidity injection stands at 3.4% of GDP.
- GDP growth for Q4 19-20 and FY 20-21 to be affected.
- Aggregate demand may weaken.
- Future outlook uncertain and negative.

COVID-19 – Regulatory Package (Revised)

A regulatory package has been announced by RBI vide its notification DOR.No.BP.BC.47/21.04.048/2019-20 dated 27th March 2020 to mitigate the burden of debt servicing brought about by disruptions on account of COVID-19 pandemic and to ensure the continuity of viable businesses. Detailed instructions have been issued covering the following areas:

- <u>Rescheduling of Payments – Term Loans and Working Capital Facilities:</u> In respect of all term loans and working capital facilities, the lending institutions are permitted to grant a moratorium of three months on payment of all instalments and recovery of interest falling due between March 1, 2020 and May 31, 2020. The repayment schedule for such loans as also the residual tenor, will be shifted across the board by three months after the moratorium period. Interest shall continue to accrue on the outstanding portion of the term loans during the moratorium period.
- <u>Easing of Working Capital Financing:</u> In respect of working capital facilities sanctioned, lending institutions may recalculate the 'drawing power' by reducing the margins and/or by reassessing the working capital cycle. This relief shall be available in respect of all such changes effected up to May 31, 2020.
- <u>Classification as Special Mention Account (SMA) and Non-Performing Asset (NPA):</u> The asset classification of term loans which are granted relief shall be determined on the basis of revised due dates and the revised repayment schedule. Similarly, working capital facilities where relief is provided, the SMA and the out of

order status shall be evaluated considering the application of accumulated interest immediately after the completion of the deferment period as well as the revised terms.

- Other Conditions: Lending institutions shall frame Board approved polices for providing the above-mentioned reliefs to all eligible borrowers. Wherever the exposure of a lending institution to a borrower is ₹ 5 crore or above as on March 1, 2020, the bank shall develop an MIS on the reliefs provided to its borrowers which shall, inter alia, include borrower-wise and credit-facility wise information regarding the nature and amount of relief granted.

RBI permits IBU-operating Indian banks to participate in NDF market

The Reserve Bank of India (RBI) has permitted banks in India, which operate International Financial Services Centre aka IFSC Banking Units (IBUs), to participate in the non-deliverable forwards (NDF) market w.e.f. June 1, 2020. Banks may participate through their branches within India, outside India, or through their IBUs.

Corporate bonds get Rs 1 trillion relief due to Covid-19 pandemic

The RBI will give banks Rs 1 trillion through targeted long-term repo operations (TLTROs), of up to 3-year maturity, to deploy in investment-grade corporate bonds, commercial papers (CPs), and non-convertible debentures, beyond their outstanding investments in these bonds, as of March 27, 2020. This route has been taken as the COVID-19 pandemic has ignited large sell-offs in asset classes, and the intensification of redemption pressures have increased the liquidity premia on instruments viz. corporate bonds, CPs and debentures. The pandemic is also causing difficulties for companies in accessing WC loans in a falling credit growth environment.

RBI extends CCB and NSFR deadlines by 6 months

The RBI has extended the deadline for meeting the last tranche of capital conservation buffer (CCB), to help lower the regulatory capital requirement for the sector. Considering the potential stress caused by Covid-19, the implementation of the last tranche of 0.625% of the CCB has been deferred by six months from March 31, 2020 to September 30,2020. Currently, the CCB of banks stands at 1.875% of the core capital. The implementation of Net Stable Funding Ratio (NSFR) has also been deferred by six months to October 1, 2020.

Banking Policies

RBI revises exposure limits for UCBs to single, group borrowers

The RBI has revised exposure limits for urban cooperative banks (UCBs) to a single borrower and a group of borrowers to 15% and 25% of Tier-1 capital respectively. The earlier permitted exposures were up to 15% and 40% of their capital funds respectively.

The revised limits are applicable to all types of fresh exposures undertaken by UCBs. The existing excessive exposures will be scaled down by the UCBs to within the revised limits by March 31, 2023.

RBI formalises guidelines for regulating payment aggregators, gateways

The RBI has released guidelines for regulating payment aggregators and payment gateways. Accordingly, a payment aggregator (entities facilitating e-commerce sites and merchants to accept payment instruments) should be a company incorporated in India under the Companies Act, 1956 / 2013. Non-bank entities offering payment aggregator services need to apply for authorisation on or before June 30, 2021. E-commerce marketplaces providing payment aggregator services will have to be separated from the marketplace business and apply for authorisation on or before June 30, 2021.

The guidelines have also specified financial requirements for aggregators. Presently existent payment aggregators will have to achieve a net worth of ₹15 crore by March 31, 2021 and of ₹25 crore by the end of third financial year, i.e. on or before March 31, 2023. The latter amount will have to be consistently maintained thereafter.

Banking Developments

RBI issues guidelines for Ind AS implementation by NBFCs, ARCs

The RBI has issued regulatory guidelines for implementation of Indian Accounting Standards (Ind AS) by non-banking financial companies (NBFCs) and asset reconstruction companies (ARCs) while preparing their financial results from financial year 2019-20 onwards.

Aimed at promoting high quality and consistent implementation of Ind AS, as well as to facilitate comparison and better supervision, the guidelines will be applicable to NBFCs and ARCs for preparing their financial results FY20 onwards.

NBFCs/ARCs have to establish board-approved policies that articulate and document their business models and portfolios. They have to frame their policy for sales out of amortised cost business model portfolios and disclose it in their notes to financial statements. The board of directors should approve sound methodologies for computation of expected credit losses (ECL) that address policies, procedures and controls for assessing and measuring credit risk on all lending exposures, commensurate with the size, complexity and risk profile of the NBFC/ARC.

The audit committee of the board (ACB) will have to approve the classification of accounts that are due beyond 90 days but not treated as impaired. It will have to clearly document its rationale behind the approval. The number of such accounts, the total amount outstanding, and the overdue amounts shall be disclosed in the notes to the financial statements. NBFCs/ ARCs shall hold impairment allowances as required by Ind AS. They shall also maintain the asset classification and compute provisions as per extant prudential norms on Income Recognition Asset Classification and Provisioning (IRACP) including borrower/beneficiary wise classification, provisioning for standard as well as restructured assets and NPA ageing.

On-lending by banks to NBFCs, HFCs to be part of priority sector in FY21: RBI

Bank credit to registered NBFCs towards agriculture, MSEs and housing sector (up to prescribed limits), will be treated as priority sector loans (PSL) by the RBI during the next fiscal, starting April. The move will help boost credit disbursement in the targeted segments like agriculture, MSME and housing sector. The priority sector classification for bank loans to NBFCs for on-lending will also be extended for 2020-21.The existing loans disbursed under the on-lending model will remain classified under Priority Sector till the date of repayment/ maturity.

RBI notifies special series of G-Secs under 'fully accessible route'

The RBI is issuing certain series of government securities (G-secs) under the “fully accessible route”. These will attract no foreign portfolio investor (FPI) limits until maturity and are a precursor towards Indian G-Secs being listed on global bond indices. The move is expected to attract and access cheap liquidity in the overseas markets. RBI has also raised the FPI limits for corporate bonds upwards to 15%, from 9%, for 2020-21. However, the overall FPI limit in G-secs of 6% remains unchanged. Revisions for FPI investment in G-Secs and state development loans for FY21, if any, shall be advised separately. The RBI shall notify those G-secs that shall be eligible for investment under the fully accessible route for non-resident investors. Residents will also be permitted to invest in these G-secs. This move will substantially ease access of non-residents to the Indian

G-sec markets and shall expedite inclusion in global bond indices, thus facilitating the inflow of stable foreign investment in Indian bonds. All new issuances of G-secs of 5-year, 10-year, and 30-year tenors from FY21 will be eligible for investment as "specified securities".

Forex

Foreign Exchange Reserves		
Item	As on March 27, 2020	
	₹ Bn.	US$ Mn.
	1	2
Total Reserves	3557630	475561
(a) Foreign Currency Assets	3289068	439663
(b) Gold	231084	30890
(c) SDRs	10642	1423
(d) Reserve Position in the IMF	26836	3586

Source: Reserve Bank of India

Benchmark Rates for FCNR(B) Deposits applicable for April 2020

Base Rates for FCNR(B) Deposits					
Currency	1 Year	2 Years	3 Years	4 Years	5 Years
USD	0.66900	0.49690	0.48900	0.49430	0.53430
GBP	0.43610	0.5084	0.499	0.506	0.5210
EUR	-0.31000	-0.314	-0.300	-0.279	-0.239
JPY	-0.01000	-0.025	-0.035	-0.043	-0.040
CAD	1.23000	0.749	0.807	0.875	0.918
AUD	0.34250	0.363	0.391	0.509	0.584
CHF	-0.59250	-0.622	-0.606	-0.556	-0.433
DKK	-0.03650	-0.0320	-0.0223	0.0000	0.0335
NZD	0.52800	0.545	0.565	0.598	0.643
SEK	0.18750	0.160	0.166	0.198	0.228
SGD	0.57500	0.730	0.855	0.945	1.010
HKD	1.21000	1.040	1.040	1.050	1.065
MYR	2.45000	2.400	2.450	2.470	2.490

Source: www.fedai.org.in

Glossary

Indian Accounting Standards (Ind-AS)

Indian Accounting Standard (Ind-AS) is the Accounting standard adopted by companies in India and issued under the supervision of Accounting Standards Board (ASB) which was constituted as a body in the year 1977.

ASB is a committee under Institute of Chartered Accountants of India (ICAI) which consists of representatives from government departments, academicians, other professional bodies viz. ICAI, representatives from ASSOCHAM, CII, FICCI, etc. The Ind AS are named and numbered in the same way as the International Financial Reporting Standards (IFRS). National Financial Reporting Authority (NFRA) recommend these standards to the Ministry of Corporate Affairs (MCA). MCA has to spell out the accounting standards applicable for companies in India.

Financial Basics

Dividend yield ratio

The dividend yield ratio measures the amount of dividends attributed to shareholders relative to the market value per share. The formula is:

Dividend yield ratio = Dividend per share / Share price

Institute's Training Activities

Training Programmes for the month of April / May 2020		
Programme	**Dates**	**Location**
Programme on "Credit Appraisal"	20th April to 24th April, 2020	Delhi
Post Examination Virtual Mode Training for Certificate In Risk In Financial Services	21st to 23rd April 2020	Virtual
"IT & Cyber Security - Framework, It Risk Management and Prevention of Cyber Crimes	23rd & 24th April 2020	Mumbai
Post Examination Physical Mode Training for Certified Credit Professional Course	25th to 27th April, 2020	Mumbai
Post Examination Classroom Learning for Certificate Course On Risk In Financial Services	11th to 13th May 2020	Delhi
Programme on Risk Management in Banks	18th to 20th May 2020	Delhi

The training programmes scheduled in Mumbai and Delhi in the month of April 2020 may have to be rescheduled depending on COVID 19 situation at that time.

News from the Institute

Bank Quest included in UGC CARE List of Journals

IIBF's Quarterly Journal, Bank Quest has been included in the Group B of UGC CARE list of Journals. The University Grants Commission (UGC) had established a "Cell for Journals Analysis" at the Centre for Publication Ethics (CPE), SavitribaiPhule 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.

Self-paced E-learning (SPeL) Courses

The Institute is pleased to announce Self-paced E-learning courses for two of its certificate courses viz Digital Banking and Ethics in Banking. The objective of self-paced e-learning is to provide a more conducive training environment to professionals employed in the banking & finance sectors. Under this mode, a candidate will have the flexibility to register for the exam, learn, and take an examination from his/her own place. For more details, please visit http://www.iibf.org.in/documents/SPeL-notice.pdf.

Mandatory certification of Business Correspondents

RBI has identified IIBF as the sole certifying agency for certifying the BCs of both SCBs and Payment Banks. The Syllabus for the exam has been revised in consultation with RBI. The Institute has also tied up with CSR – e – Governance and BFSI-SSC for certifying the BCs.

Capacity building in banks

The Institute offers courses in the five key areas of operations identified by RBI i.e. Treasury Management, Risk Management, Accounting, Credit Management, Foreign Exchange. These are blended with an online examination followed by training for those who successfully clear the online examination. The Certificate Course in Foreign Exchange, offered by IIBF in association with FEDAI, will be a mandatory certification for all bank employees who are working or desirous of working in the area of foreign exchange operations, including, treasury operations. Please visit the website www.iibf.org.in for examination registration and more details.

Virtual Classroom Solution

The Institute has acquired a software for conducting training through the Virtual Classroom mode. This will enable the Institute to disseminate training inputs to a larger audience, without diluting quality. Virtual training for Certificate in Risk in Financial Services, Certified Treasury Professional and Accounting & Audit have also been introduced. For more details, please visit our website www.iibf.org.in.

Mock Test facility for Examinations

The Institute is offering mock test facility for three of its specialized courses, viz. Certified Treasury Professional, Certified Credit Professional and Risk in Financial Services, in addition to its flagship courses viz. JAIIB & CAIIB. The mock test can be taken by any bank staff.

Bank Quest Themes for upcoming issues

The theme for the upcoming issues of our quarterly Bank Quest journal are:

- January-March 2020 - Alternative Channels of Investments - Sub–themes: Mutual Funds, Post-Office & Bank Deposits& others
- April-June 2020 – Strategic Technology Trends in Banks – Sub-themes: Traditional lending to digital flow based lending, Fintech Landscape in India, Cyber Security, Big Data Analytics, Customer Experience
- July-September 2020 – NBFCs, Systemic Risk and Interconnectedness amongst Financial Institutions

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.

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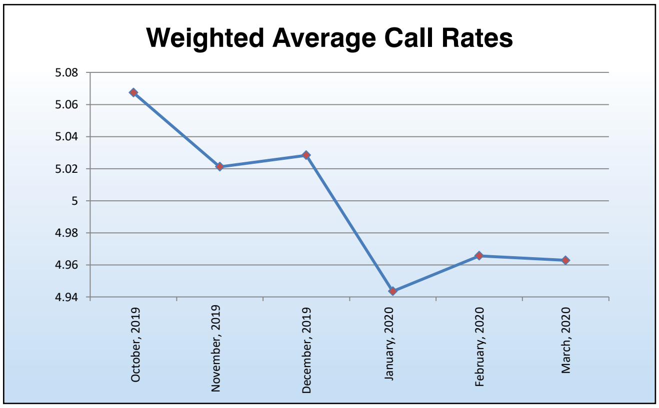
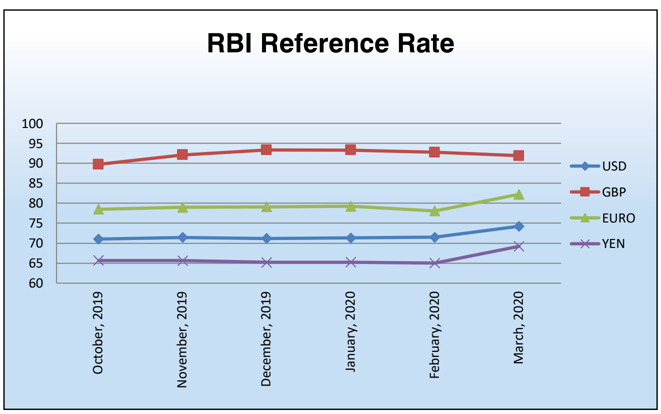
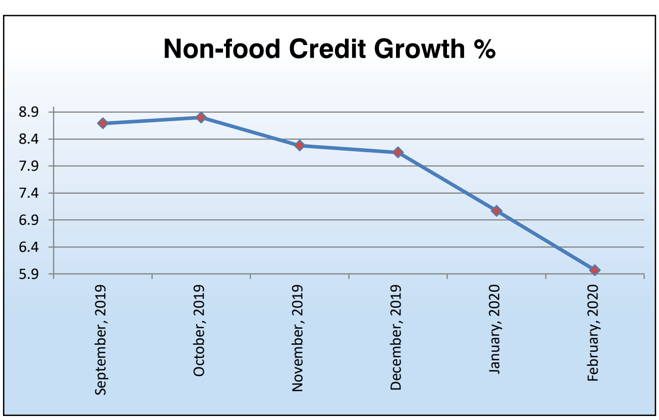
Market Roundup



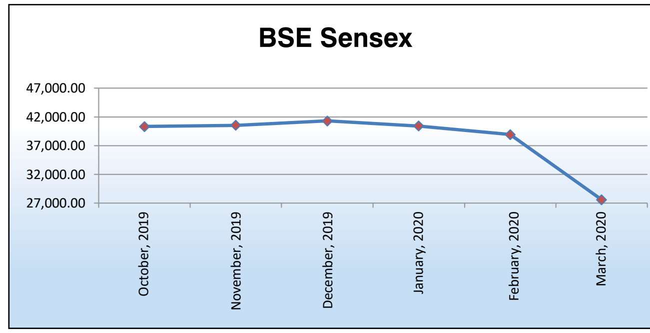
Source: CCIL News Letters – March 2020



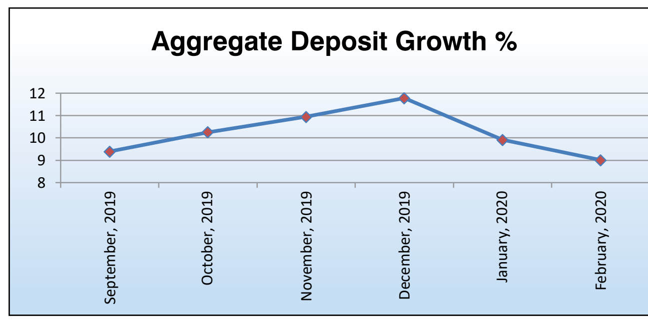
Source: FBIL



Source: Monthly Review of Economy, CCIL, March 2020



Source: Bombay Stock Exchange



Source: Monthly Review of Economy CCIL, March 2020

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