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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 2nd monetary policy from August 4-6, 2020

The second monetary policy meeting was held from August 4-6, 2020. The key highlights of the meeting are as follows:

- Repo and reverse repo rate remain unchanged at 4% and 3.35% respectively
- Marginal Standing Facility (MSF) and Bank Rate at 4.25%
- Resolution Framework for COVID-19-related stress
- Additional special liquidity facility of Rs 5000 crore each for NHB & NABARD
- Auto Sweep-in Sweep-out (ASISO) facility introduced to help banks manage liquidity in COVID-19 scenario
- Loan to value ratio enhanced to 90% of value of gold pledged
- Provisions of restructuring of MSME loans for borrowers with loan outstanding up to Rs 25 crore extended
- To bring start-ups under priority sector lending (PSL) category
- To set up 'Innovation Hub' to promote financial inclusion, efficient banking
- Positive Pay mechanism for all cheques above Rs 50,000
- Scheme of Offline Retail Payments using cards and mobile devices
- To introduce online dispute resolution mechanism for digital payments
- Banks permitted to invest in debt instruments through mutual funds

Start-ups to get PSL tag as RBI revises its guidelines

The Reserve Bank of India (RBI) to revise the Priority Sector Lending (PSL) norms to enable higher lending to start-ups and renewable energy firms, as well as, to correct regional disparities. The aim is to align start-ups with emerging national priorities and further enhance inclusive development. Keeping Sustainable Development Goals (SDGs) in view, the revised guidelines also aim to encourage and support environment-friendly lending policies. Higher weightage will be assigned to incremental priority sector credit in identified districts where credit flow is comparatively lower, vis-a-vis districts with a comparatively higher credit flow.

RBI eases capital charge on banks' investments in debt MF schemes

The RBI has eased the capital charge required to be maintained by banks while investing in debt mutual funds (MFs). As per extant Basel III guidelines, if a bank holds a debt instrument directly, it would have to allocate lower capital, vis-a-vis holding the same debt instrument through a Mutual Fund (MF)/Exchange Traded Fund (ETF). This is because specific risk capital charge (as applicable to equities) is applied to investments in MFs/ETFs. But, if a bank holds the debt instrument directly, specific risk capital charge is applied depending on the nature and rating of debt instrument. However, considering that a debt MF/ETF has features akin to equity, - in the event of default of even one of the debt securities in the MF/ETF basket, there is often severe redemption pressure on the fund even if the other debt securities in the basket are of high quality - the RBI decided to harmonise the currently existing differential treatment. As a result, the general market risk charge of 9% will continue to be applied and computation of total capital charge for market risk shall incorporate elements of both debt and equity instruments. This will result in substantial capital savings for banks and will give a boost to the bond market.

RBI releases framework for new umbrella entity for retail payments

The RBI has released a framework for establishment of a new umbrella entity for retail payments, which will be responsible for setting up, managing, and operating new payment systems in the retail space. The entity shall be a company incorporated in India under the Companies Act, 2013, and may be a 'for-profit' or a Section 8 Company as may be decided by it. The entity will have minimum paid-up capital of Rs 500 crore, with no single promoter group holding over 40% investment in the capital. Initially, while submitting an application, the promoter should have a minimum of Rs 50 crore. Payments system operators, as well as, payments and technology service providers with three years of experience, are eligible to apply.

The new entity will have to abide by corporate governance norms and the 'fit and proper' criteria for persons to be appointed on the board. The RBI may also nominate a member to the board, and hold the right to approve the appointment of directors. This new entity will be tasked with operating payment systems such as ATMs, white-label PoS, Aadhaar-based payments, and remittance services. It will also manage clearing and settlement systems for participating banks and non-banks, and monitor developments in the retail payment system and related issues, both in India and abroad, in order to avoid shocks.

RBI conducts Special Open Market Operations (OMOs)

The RBI conducted Special OMOs on August 27, 2020 and September 3, 2020 for bonds worth Rs. 20,000 crores from the market in two equal tranches. In the first operation, bonds maturing between 2024 and 2032 were purchased, while bonds maturing between October and November this year were sold. Such simultaneous buying of long-term bonds and selling of short-term bonds are commonly called **Operation Twist**. This cools down the long-term yields, raises the short-term yields, but keeps the liquidity neutral.

Banking Policies

Covid-hit MSMEs get a breather from RBI for restructuring loans

The RBI gave another lease of life to Micro, Small and Medium Enterprises (MSMEs) by allowing them to restructure loans for the Covid-affected small businesses. Considering that the chance of an MSME loan account slipping into NPA is higher than that of others, this move becomes a significant one. MSMEs that didn't slip into non-performing asset (NPA) mode till March 1, 2020 and treated as 'standard' accounts will benefit from the scheme which will have to be implemented by March 1, 2021. This is an extension of a continuing scheme, in place till December 31, 2020, which was meant for 'standard' accounts till January 1, 2020. However, only MSMEs registered under the Goods and Services Tax (GST) with aggregate borrowings up to ₹25 crore as of March 1, 2020 will be covered under the scheme. Asset classification of borrowers classified as standard may be retained as such, whereas the accounts which may have slipped into NPA category between March 2, 2020 and date of implementation may be upgraded as 'standard asset', as on the date of implementation of the restructuring plan.

RBI increases LTV for banks

In order to further mitigate the economic impact of the COVID-19 pandemic on households, entrepreneurs and small businesses, RBI has increased the permissible loan-to-value ratio (LTV) for banks from 75% to 90% to give loans against gold ornaments and jewellery for non-agricultural purposes.

Banking Developments

RBI to set up innovation hub for financial inclusion, efficient banking

The RBI plans to set up an innovation hub to encourage start-ups / companies to address the challenges of financial inclusion and efficient banking transactions, by tapping into areas like cybersecurity, data analytics, delivery platforms, and payment services. The innovation hub will act as a centre for ideation and incubation of new capabilities, to create innovative and viable financial products or services. These will help to achieve the wider objectives of deepening financial inclusion, efficient banking services, ensuring business continuity in times of emergency, and strengthening consumer protection.

The RBI has also announced a pilot scheme for offline retail payments using cards and mobile devices, to encourage customers to opt for digital transactions, even in places where internet connectivity is absent. Besides, it also wants payment system operators to work on an online grievance resolution mechanism in order to resolve consumer grievances around digital payments.

NPCI to take UPI, Rupay global through new subsidiary

National Payments Corporation of India (NPCI) is taking its business beyond Indian shores through its subsidiary NPCI International Payments Limited (NIPL), which will focus on internationalisation of RuPay and UPI, along with some other NPCI offerings. Several nations, such as Asia, Africa and the Middle East are looking to establish a 'real time payment system' or 'domestic card scheme' inspired by the exemplary innovations made by NPCI in India. The growth and evolution of NIPL will result in a huge acceptance network for RuPay and UPI, thus empowering Indian travellers to use homegrown payment channels.

Regulator Speaks

RBI Governor: "It is Time for Banks to Look Deeply Within: Reorienting Banking Post-Covid."

The RBI Governor Mr. Shaktikanta Das, in his keynote address at the virtual Business Standard Conclave Unlock BFSI 2.0, said that among the causes of weakness in banks are an inappropriate business model in the current business environment; lack of quality governance and decision making; and misalignment of internal incentive structures with external shareholder / stakeholder interests. He hopes for banks to focus more on risk management and the quality of decision making, to remain resilient in a challenging financial environment.

The RBI is constantly monitoring the financial situation at home and abroad; but, until there is some certainty on the Covid prognosis, it would be difficult to advise on inflation and growth.

He further opines that banks must look at "sunrise" sectors while supporting those that have the potential to bounce back. In spite of varied efforts, the rural sector still remains largely unexplored. Start-ups, renewables, logistics, value chains and other such potential areas should be given added attention. Shouldering the responsibility of facilitating economic growth while also earning its own bread, the banking sector needs to have a complete relook at its business strategy.

The Governor averred that the current pandemic-related shock has put greater pressure on banks' balance sheet, and this may lead to an erosion of their capital. Banks must respond to the situation quickly. "Proactive building of buffers and raising capital will be crucial not only to ensure credit flow but also to build resilience of individual banks and financial entities, as well as, of the financial sector as a whole".

Forex

Foreign Exchange Reserves

Item	As on August 21, 2020	
	₹ Cr.	US$ Mn.
	1	2
Total Reserves	3910859	522630
1.1 Foreign Currency Assets	3595444	480482
1.2 Gold	270134	36100
1.3 SDRs	10953	1464
1.4 Reserve Position in the IMF	34328	4585

Source: Reserve Bank of India

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

Base Rates for FCNR(B) Deposits

Currency	1 Year	2 Years	3 Years	4 Years	5 Years
USD	0.25000	0.23600	0.25800	0.29200	0.35800
GBP	0.08900	0.1137	0.1428	0.1862	0.2349

Base Rates for FCNR(B) Deposits					
Currency	1 Year	2 Years	3 Years	4 Years	5 Years
EUR	-0.43140	-0.420	-0.410	-0.388	-0.353
JPY	-0.01630	-0.016	-0.016	-0.011	-0.003
CAD	0.78000	0.564	0.629	0.716	0.793
AUD	0.16800	0.174	0.212	0.318	0.413
CHF	-0.63250	-0.627	-0.595	-0.552	-0.500
DKK	-0.10430	-0.1370	-0.1471	-0.1327	-0.1086
NZD	0.16500	0.093	0.103	0.145	0.210
SEK	-0.02600	-0.008	0.034	0.079	0.135
SGD	0.27900	0.318	0.390	0.503	0.600
HKD	0.63000	0.650	0.680	0.730	0.770
MYR	3.55000	3.600	3.700	3.750	3.800

Source: www.fedai.org.in

Glossary

Operation Twist

Operation Twist describes a form of monetary policy where the central bank buys and sells short-term and long-term bonds depending on their objective. The name "Operation Twist" came about due to the visual effect that the monetary policy action is expected to have on the shape of the yield curve. A linear upward sloping yield curve effectively "twists" the ends of the yield curve, hence, the name Operation Twist. To put another way, the yield curve twists when short-term yields go up and long-term interest rates drop at the same time.

Financial Basics

Credit-Deposit Ratio

The credit-to-deposit ratio is used to assess a bank's liquidity by comparing a bank's total loans to its total deposits for the same period. It shows how much a bank lends out of its deposits or how much of its core funds are used for lending. It is expressed as a percentage. If the ratio is too high, it means that the bank may not have enough liquidity to cover any unforeseen fund requirements. Conversely, if the ratio is too low, the bank may not be earning as much as it could be.

Institute's Training Activities

Training Programmes for the month of September 2020		
Programme	Dates	Location
Training for "Marketing & Customer Service"	11th – 12th September, 2020	Virtual
Program for Asset-Liability Management	14th – 15th September, 2020	Virtual
Program on Agriculture Financing	28th – 29th September, 2020	Virtual

News from the Institute

Remote Proctored Examinations

The Institute has introduced Remote Proctored Examinations (RPEs). RPEs allow flexibility to candidates of appearing for the exams from the comfort of their homes while simultaneously enhancing the knowledge base. The salient features are as under:

- Remote proctoring for 8 Certificate examinations was held in August 2020 and 13 Certificate examinations will be held in September 2020.
- Examination shall be conducted on second and fourth Saturdays and all Sundays.
- There will be no change in the examination fee.
- Remote proctoring will be done in combination with auto-proctoring and physical remote proctoring processes.

Important instructions and FAQs on this mode of examination have been placed on the website of the Institute. For details, please click on the link http://iibf.org.in/exam_related_notice.asp

93rd Annual General Meeting

The Institute conducted its 93rd Annual General Meeting (AGM) on 5th September 2020 in the virtual mode. The AGM was presided by Mr. Rajnish Kumar, Chairman, SBI and President, IIBF.

Launch of IBC Book & Professional Banker Program, HR Conference & Prize/Certificate Awarding Ceremony

The Institute will be holding its annual HR Conference on 10th September, 2020 in the virtual mode. On this occasion, the Institute shall be launching its new certificate examination on Insolvency & Bankruptcy Code (IBC) and a new qualification called Professional Banker will be introduced for professional bankers seeking knowledge in the banking and finance fields. The names of the winners under the research activities sponsored by the Institute, candidates who have secured highest marks in the examinations and participants of VIII AMP Batch who have successfully completed the program, will be announced during the HR Conference.

Revised Continuous Professional Development (CPD) scheme

The Institute has revised the existing Continuous Professional Development (CPD) scheme, effective 15th September 2020. New courses introduced by the Institute have been included, credits for lectures/seminars/webinars attended have been revised. Such candidates who have scored the required credits under the CPD scheme within a year shall now be given the certificate, subject to validation of the documents submitted. Qualifications acquired from IIBF in the last 9 months, commencing from the date of declaration of result up to date of registration under CPD program, are eligible for credits under the revised scheme. For more details, kindly visit www.iibf.org.in.

Functioning by the Institute during lock down period.

The majority of work of the Institute is being handled by the employees working from home to ensure that critical activities are functional. The Institute has invoked its Business Continuity Plans (BCP), more than 1,00,000 certificates have been digitally signed and sent, all its publications have been released in digital mode etc.

The Institute had also taken the initiative of offering some special online learning courses for the banking and finance professionals. The following were made available free of cost for a period of 3 months:

- Video lectures of JAIIB (3 subjects), CAIIB (2 subjects), MSME and Business Correspondents.
- E-learning for JAIIB (3 subjects), CAIIB (2 subjects) and Credit Management.

While the video lectures are already available on the YouTube page of the Institute for all, the e-learning was made available free of charge for a period of three months ending 31st July 2020 to those who register.

The Institute had also organised certain online lecture series on some contemporary topics like Introduction to various types of risks and Basel III guidelines, Basic Derivative products, New developments in Digital technologies and Payment systems and MSME Financing. The Institute had seen a good number of registrations and participations in the above special initiatives taken.

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, since April 2019, has introduced 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 online 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.

Bank Quest Themes for upcoming issues

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

- July-September 2020 - NBFCs, Systemic Risk and Interconnectedness amongst Financial Institutions
- October-December 2020 - Challenges & opportunities due to COVID 19 for credit intermediaries
- January-March 2021: Role of financial sector in supporting Atmanirbhar Bharat initiative of GOI.
- April-June 2021: Infrastructure Financing - New Normal
- July-September 2021: Evolution & future of Monetary & Fiscal Policies - Sub Themes: Regulatory Framework, Monetary Framework, Fiscal Framework

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 2020 to July 2020, instructions/ guidelines issued by the regulator(s) and important developments in banking and finance up to 31st December, 2019 will only be considered for the purpose of inclusion in the question papers.

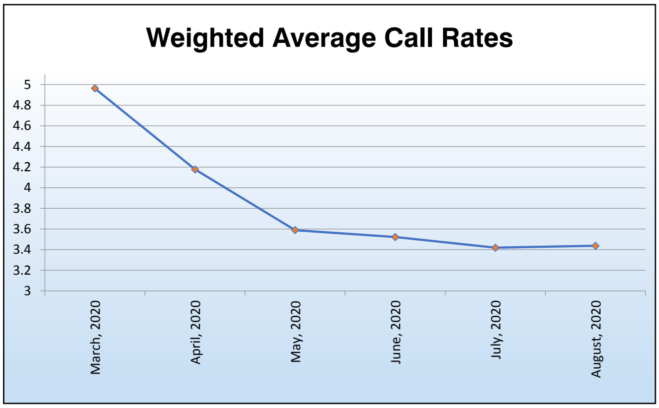
(ii) In respect of the exams to be conducted by the Institute for the period from August 2020 to January 2021, instructions/guidelines issued by the regulator(s) and important developments in banking and finance up to 30th June, 2020 will only be considered for the purpose of inclusion in the question papers.

Green Initiative

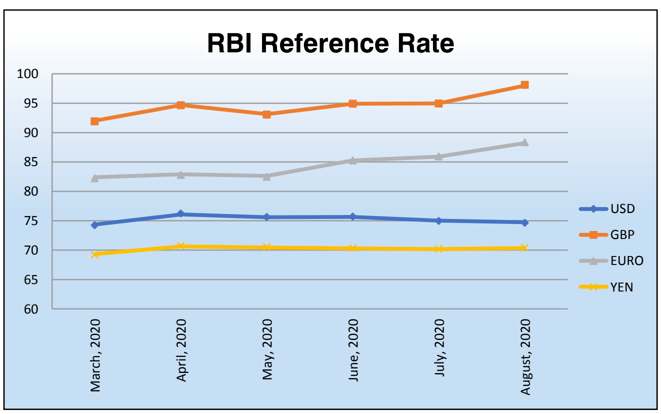
Members are requested to update their e-mail address with the Institute and send their consent to receive the Annual Report via e-mail.

• Registered with Registrar of Newspapers Under RNI No. : 69228/1998

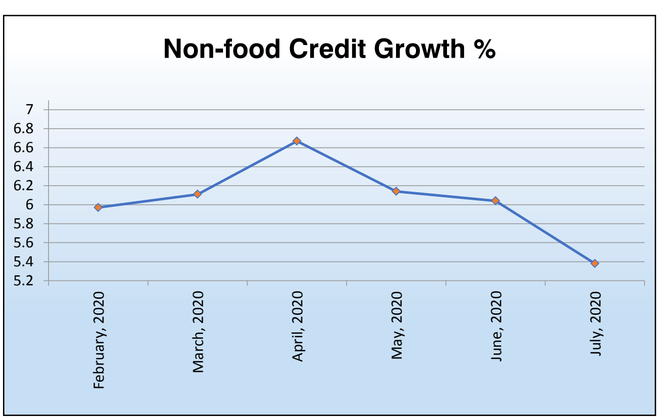
Market Roundup



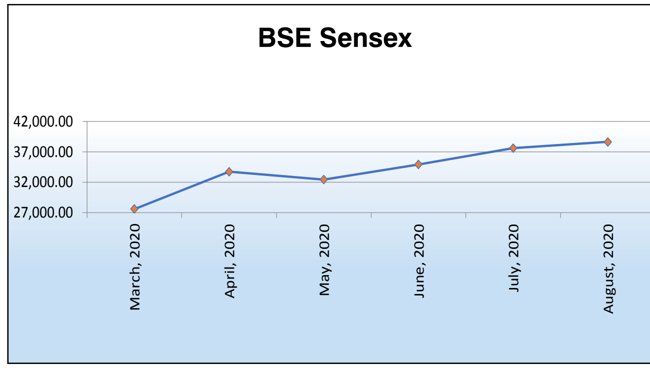
Source: CCIL News Letters August 2020



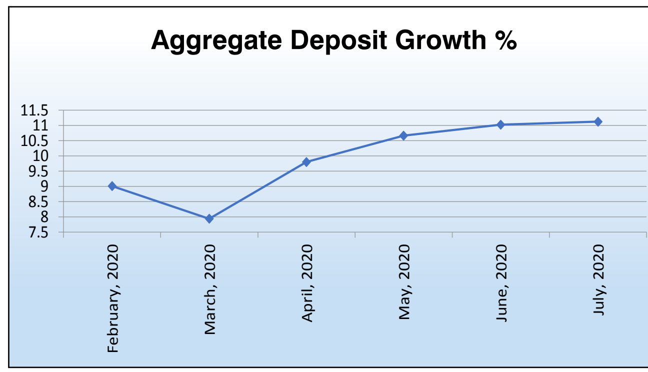
Source: FBIL



Source: Monthly Review of Economy, CCIL, August 2020



Source: Bombay Stock Exchange



Source: Monthly Review of Economy CCIL, August 2020

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