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Finance Minister

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From The Desk Of Editor-in-Chief

India has become the global leader in real-time financial transactions with 41 million transactions per day, which is more than double that of the last year, says an international report.

The COVID-19 pandemic has seen India doubling its every day real-time transactions at 41 million, says the latest report from FIS, which is a leading provider of technology solutions for merchants, banks and capital markets firms globally.

Post covid more and more people are shifting to online transactions which will help the overall banking industry to grow very fast and follow an inclusive approach to reach out to the unbanked population. However technology will also severely increase online fraud and banks should make the IT infrastructure robust so that chances of fraud and cyber attack is reduced.

RBI has decided to make available the RTGS online fund transfer above Rs 2 lakh — round the clock on all days from December 2020. With this, India will be among the few countries globally with a large value payment ecosystem.

Recently Cooperative Banks were brought under the supervision of RBI. Every other day there is news of arrest of top management in Cooperative Banks who have been involved in fraud. The incidences of arrests is growing day by day which is a matter of serious concern. In many cases political persons are also involved in managing the banks which may be the root cause of frauds and misappropriation. If some immediate measures are not taken by RBI the future of Cooperative Banking in India may be seriously jeopardized.

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ADB to provide $570-mn loans to two states

The Asian Development Bank (ADB) said it has approved two loans totalling $570 million (about Rs. 4,200 crore) for urban sector projects in Rajasthan and Madhya Pradesh.

The ADB said it has approved a $300 million loan to develop Rajasthan's secondary towns and a $270 million loan for Madhya Pradesh Urban Services Improvement Project. In a statement, ADB said the $300-million loan has been approved to finance inclusive water supply and sanitation infrastructure and services in secondary towns of Rajasthan. "The project is expected to build citywide access for improved water supply services for around 570,000 people and enhanced sanitation services for about 720,000 people in at least 14 secondary towns. These localities have 20,000-1,00,000 residents," it said.

India becomes global leader in financial transactions

India has become the global leader in real-time financial transactions with 41 million transactions per day, which is more than double that of the last year, says an international report.

The COVID-19 pandemic has seen India doubling its every day real-time transactions at 41 million, says the latest report from FIS, which is a leading provider of technology solutions for merchants, banks and capital markets firms globally.

According to the report released, six other countries also saw more than doubling of their real-time payment transactions year-over-year, while four saw at least a twofold increase in transaction value.

But in terms of the growth rate, the list is topped by Bahrain with 657% growth, followed by Ghana clipping at 488%, the Philippines growing at 309%, Australia at 214%, and Poland at 208%.

Banks sanction Rs. 1.87 trillion to MSMEs under ECLGS

The Finance Ministry has said banks have sanctioned loans of about Rs. 1.87 trillion to 5 million business units under the Rs. 3 trillion Emergency Credit Line Guarantee Scheme (ECLGS) for the micro, small and medium enterprises (MSME) sector impacted by slowdown caused by the coronavirus pandemic.

Of this, about 2.7 million MSME units received cumulative disbursement of Rs. 1.3 trillion till October 5. The scheme is the biggest fiscal component of the Atmanirbhar Bharat Abhiyan package.

Indian Bank launches Business Mentoring Programme for MSMEs

In a bid to handhold the MSME sector, Indian Bank has launched 'MSME Prerana', a Business Mentoring Programme. The programme was launched by the Finance and Corporate Affairs Minister Nirmala Sitharaman in Chennai.

HDFC Bank chief assures employees that jobs are safe

HDFC Bank's Managing Director and CEO Aditya Puri has assured employees that their jobs and bonuses are safe.

His comments come amid the Covid-19 pandemic and economic uncertainty that has resulted in job losses and salary cuts at many companies. "Not only are your jobs secure, your increment is secure. Your bonus and your promotion is secure," he told the bank's employees in a video message last week.

He also assured them that the bank remains well capitalised and that its portfolio is not under any strain.

Government extends tenure of 3 executive directors of Canara Bank, IOB

The Central government has extended the tenure of three executive directors of Canara Bank and Indian Overseas Bank for a period of two years. The tenure of executive directors Debashish Mukherjee and Matam Venkata Rao has been extended for two years, or until further orders, whichever is earlier beyond their currently notified terms which expire on February 18, 2021 and October 8, 2020, respectively, Canara Bank said in regulatory filings.

The extension has been given as per the notification of the Department of Financial Services, the Finance Ministry dated October 10, Canara Bank said.

Chennai-headquartered Indian Overseas Bank (IOB) in a separate filing said the government has extended the term of Ajay Kumar Srivastava as executive director for a period of two years beyond his currently notified term which expires on October 8, 2020, or until further orders, whichever is earlier.

Regional rural banks incur net loss of Rs. 2,206 cr in FY20

Regional rural banks (RRBs) as a group reported net loss of Rs 2,206 crore in the fiscal year ended March 31, 2020, as against Rs 652-crore net loss in FY19, according to data published by Nabard.

During FY 2019-20, 26 RRBs earned profit of Rs 2,203 crore, while 19 incurred losses of Rs 4,409 crore, the data showed.

The data on RRBs, recently published by the National Bank for Agriculture and Rural Development (Nabard), is based on the data uploaded by the RRBs in the Ensure portal. As on March 31, 2020, there were 45 RRBs functioning in 685 districts of 26 states and three union territories (UTs). These RRBs are sponsored by 15 commercial banks and operating through a network of 21,850 branches.

Gross non-performing assets as a percentage of gross loans outstanding of RRBs marginally declined to 10.4 per cent as on March 31, 2020, from 10.8 per cent as on March 31, 2019, the data showed.

Share of standard, sub-standard, doubtful and loss assets stood at 89.6 per cent, 3.6 per cent, 6.5 per cent and 0.3 per cent, respectively, as of end March 2020. Eighteen of the 45 RRBs (as against 20 out of 53 RRBs as on March 31, 2019) had GNPA above 10 per cent as on March 31, 2020. RRBs, at aggregated level, achieved a growth of 8.6 per cent in their business in FY20 compared to a growth of 9.5 per cent in the previous year, according to the data. Total business of RRBs stood at Rs 7.77 lakh crore as on March 31, 2020.

Deposits and advances of RRBs increased by 10.2 per cent and 9.5 per cent, respectively during FY2019-20. Gross outstanding loans stood at Rs 2.98 lakh crore as against Rs 2.80 lakh crore in FY19.

Priority sector loans constituted 90.6 per cent or Rs 2.70 lakh crore of the gross loans outstanding of RRBs as on March 31, 2020. Share of agriculture and MSME sectors in total loan outstanding stood at 70 per cent and 12 per cent, respectively, the data showed.

As of end March 2020, 17 out of the 45 RRBs had capital to risk weighted assets ratio (CRAR) of less than 9 per cent, of which six RRBs had negative CRAR. System-wide CRAR of RRBs deteriorated to 10.2 per cent as on March 31, 2020 from 11.5 per cent in the previous year, the data showed.

FM encourages use of regional language in banking

Public Sector banks should consider focusing on regional languages for better customer service, especially in areas where people are not conversant with Hindi, finance minister Nirmala Sitharaman said.

Sitharaman was speaking at the virtual launch of a uniform training programme, including modules on preventive vigilance, for induction and mid-level training for officers of public sector banks.

She said that while banking recruitments allow candidates from across the country to join, there is a need for bankers to know the local language of the area they are posted in.

"In some pockets where Hindi does not work, we need to have a cadre of people who will have to understand the language of the state in which their first posting happens," said Sitharaman.

She said that officers of the Indian Administrative Service (IAS) learn the language of the state cadre to which they get attached, and the Indian Foreign Service (IFS) also allows its cadre to choose one foreign language. "After all, if we want to compare ourselves to an all-India service, language is one of the things on which focus has to be given," Sitharaman said, adding that it is important for new recruits to voluntarily decide on a regional language in which they would want to specialize.

"If you choose Hindi, very well, but if it is some other language, he or she should ideally be given an exposure in the state where that language is spoken," she said."Of course, in the long run, this will have a bearing on recruitments also," she said.

The minister said bankers recruited from a particular state should, as far as possible, be deployed in that state. In case there is a surplus from that state, recruits can be moved to any other state.

She added that banking services need to be professional, robust and sensitive to the customers that they serve.

RTGS to become 24X7 from December

RBI has decided to make available the RTGS (real-time gross settlement system) - online fund transfer above Rs 2 lakh - round the clock on all days from December 2020. With this, India will be among the few countries globally with a large value payment ecosystem.

"In order to facilitate swift and seamless payments in real-time for domestic businesses and institutions, it has been decided to make available the RTGS system round the clock on all days from December 2020," the RBI said. "This will facilitate innovations in the large value payments ecosystem and promote ease of doing business," the RBI said.

In December 2019, the RBI made available the National Electronic Funds Transfer (NEFT) system round the clock on all days and the system has been operating smoothly since then, it said. The RTGS system is primarily meant for large value transactions. The minimum amount to be remitted through RTGS is Rs two lakh with no upper or maximum ceiling. Currently, RTGS service window for customer transactions is available to banks from 7 am to 6 pm on a working day, for settlement at the RBI end. However, the timings that the banks follow may vary from bank to bank, RBI said.

India gets second set of Swiss bank account details

India has got the second set of Swiss bank account details of its nationals and entities under the automatic exchange of information pact with Switzerland, marking a key milestone in the government's fight against black money allegedly stashed abroad.

India is among the 86 countries with which Switzerland's Federal Tax Administration (FTA) has exchanged information on financial accounts within the framework of global standards on AEOI (Automatic Exchange of Information) this year.

India had received the first set of details from Switzerland in September 2019 under the AEOI, which listed 75 countries.

The information exchange this year involved nearly 3.1 million (31 lakh) financial accounts, FTA said in a statement, similar to the number of such accounts in 2019.

Dinesh Khara takes over as SBI Chairman

Dinesh Kumar Khara has taken over as the new Chairman of State Bank of India (SBI), India's largest bank, from October 7. Rajnish Kumar, who led the bank for the last three years, demitted the office.

Khara, previously a Managing Director at SBI, was selected by the Banks Board Bureau (BBB) - the body entrusted with the task of the selection of the chiefs of public sector banks and insurance companies. The soft-spoken Khara, who joined SBI as a probationary officer in 1984, has over 35 years of experience in banking.

Khara is taking over at a time when the banking sector is facing many challenges due to the Covid-19 pandemic. As the moratorium on loan repayments ended on August 31, SBI is now tackling the loan restructuring proposal. The new Chairman will also have to tackle the menace of non-performing assets (NPAs) as the economy is in a contraction mode. SBI's gross NPAs were at 5.44 per cent of advances (Rs 1,29,661 crore) as of June 2020.

Khara led the SBI initiative to merge five associate banks with SBI in 2017. As the MD, he oversaw the international banking book, corporate banking book & treasury operations of SBI. Additionally, he supervised the businesses of SBI's non-banking subsidiaries, engaged in diverse financial activities such as asset management, insurance, custodial services, primary dealership, broking, credit cards, pension funds and factoring services.

Small banks must have an ED in addition to MD and CEO

According to banking experts RBI must ensure that small to mid-sized private sector banks should have an Executive Director in addition to the Managing Director and Chief Executive Officer so that in case the latter retires or is ousted, the dayto-day affairs of the bank can be conducted without a hitch.

Recent developments at Lakshmi Vilas Bank (LVB) and Dhanlaxmi Bank underscore the importance of having one more Executive Director on the board who can handle the functions of the MD and CEO.

The day-to-day affairs of the aforementioned banks are now being handled by a three-member Committee of Directors (CoD), following the shareholders rejecting the resolution seeking the appointment of MD and CEO.

LVB shareholders had rejected the resolution seeking the appointment of S Sundar as Managing Director and CEO (interim), with 60.6 per cent of the votes polled being against it at the annual general meeting.

Similarly, DLB shareholders rejected the resolution seeking the appointment of Sunil Gurbaxani as MD and CEO, with 90.488 per cent of the votes polled being against it at the annual general meeting.

Banking expert V Viswanathan opined that having an Executive Director in addition to MD and CEO will ensure that a bank's business and daily functions are carried hindrance.

He emphasised that since independent directors were not involved in operational matters earlier, they might take more time to convey their decisions if they have to exercise the powers of the MD and CEO.

S Ravi, Practising Chartered Accountant, observed that the RBI must give directions to all bank managements to have at least an Executive Director who is a 'key managerial personnel' so that he/ she can step in to lead the bank if the need arises. In this regard, Ravi emphasised that all public sector banks and large private sector banks have Executive Directors who can discharge the functions of the MD and CEO.

Bank credit up 5%, deposits clock 12% growth

Bank credit grew 5.26 per cent to Rs. 102.24 trillion while deposits rose 11.98 per cent to Rs. 142.48 trillion in the fortnight ended September 11, according to the RBI data.

In the fortnight ended September 13, 2019, bank credit was at Rs. 97.13 trillion and deposits at Rs. 127.22 trillion.

In the previous fortnight ended August 28, 2020, bank credit had grown by 5.49 per cent to Rs. 102.11 trillion while deposits were up 10.92 per cent to Rs. 141.76 trillion.

On a year-on-year (y-o-y) basis, non-food bank credit grew at 6.7 per cent in July as against a growth of 11.4 per cent in the same month of the last year, according to the data on sectoral deployment of bank credit for July 2020, released recently by the RBI.

Growth in loans to industry slowed to 0.8 per cent in July as compared with 6.1 per cent growth in July 2019, the data showed.

Advances to agriculture and allied activities registered a growth of 5.4 per cent in the reporting month as compared with a growth of 6.8 per cent last year in the same period.

Credit to the services sector continued to grow at a robust, albeit decelerated, rate of 10.1 per cent in July 2020 as against 15.2 per cent growth.

Personal loans continued to perform well registering a growth of 11.2 per cent as compared with 17 per cent growth in July 2019. Within this sector, vehicle loans registered accelerated growth of 8.1 per cent in July 2020 as compared with the growth of 4.9 per cent in the corresponding month of the previous year, according to the data.

Exim Bank extends $400m loan to Maldives

Export-Import Bank of India (EXIM Bank), on behalf of the Government of India, has extended a soft loan of ₹400m to the Maldives for the Greater Malé Connectivity Project.

The Greater Malé Connectivity Project (GMCP) is aimed at establishing new connections between Malé, the capital city of the Maldives, and three neighbouring islands.

It is expected to improve the economic activity between the four islands and create new employment opportunities in the region.

The agreement was signed by the EXIM Bank general manager Nirmit Ved and Government of Republic of Maldives Minister of Finance Ibrahim Ameer.

With the latest agreement, EXIM Bank has extended three Lines of Credit (LoC) worth a cumulative $1.2bn to the Maldives.

In addition to the Greater Malé Connectivity Project, the LoCs provided by EXIM Bank to the Maldives covered various projects such as water and sewerage, Addu development, international cricket stadium project, the Gulhifalhu port project, Hanimaadhoo airport project and road construction projects.

EXIM Bank noted that with the latest LoC to the Maldives, it now has 266 LoCs covering 62 countries in Africa, Asia, Latin America and the CIS. ❑

Reserve Bank News

RBI shuffles roles of deputy governors

The newly appointed RBI deputy governor M Rajeshwar Rao has taken charge of key portfolios in the regulation, enforcement, inspection, risk monitoring and legal departments. He will also be in charge of communications.

Rao was appointed deputy governor in place of N S Vishwanathan who retired three months ahead of schedule on March 31 for health reasons. Rao, a career central banker, was elevated to the executive director position on November 7, 2016 and was the senior-most among the EDs who interviewed for the position.

The regulation and enforcement portfolio has gained significance after the RBI merged the department of regulations for banking, cooperative banks and NBFCs into one. The RBI rejigged the portfolios of all deputy governors. B P Kanungo, the senior-most deputy governor from the RBI, will be in charge of coordination, currency management, external investments, government accounts, IT, payments, RTI and forex department. M K Jain, the deputy governor from the banking industry, will hold the charge of supervision, financial inclusion, HR, corporate strategy and budget department.

Michael Patra, the deputy governor representing the RBI in the monetary policy panel, will continue to be in charge of economic policy & research, statistics, deposit insurance, financial markets regulation and financial stability.

RBI extends R. K. Chhibber's term as Jammu & Kashmir Bank CMD

Jammu & Kashmir Bank said the RBI has extended the term of RK Chhibber as the Chairman and Managing Director for a period of six months.

"We wish to intimate that the Reserve Bank of India has extended the term of R K Chhibber, Chairman and Managing Director of the bank by a further period of six months with effect from 10th October, 2020 or till the appointment of MD & CEO, whichever is earlier," Jammu & Kashmir Bank said in a regulatory filing.

In June 2019, the Reserve Bank had approved the appointment of R K Chhibber as interim Chairman and Managing Director (CMD) of Jammu and Kashmir Bank, following the removal of Parvez Ahmed from the post by the state government. Chhibber got a few extensions as the interim CMD of the bank before being appointed as the full-time CMD with effect from October 10, 2019, for a period of six months. Thereafter, he has been approved by the RBI to continue as the CMD of Jammu & Kashmir Bank for various tenures.

Extension of moratorium period may affect credit discipline

RBI has told the Supreme Court that continuation of the loan moratorium period beyond the six months already granted may affect overall credit discipline, and small borrowers will eventually feel the pinch.

The central bank has also urged the apex court to lift its interim order staying declaration of accounts as non-performing assets (NPAs), saying this will have "huge implications for the banking system, apart from undermining" its "regulatory mandate".

In a fresh affidavit filed in the Supreme Court, which is hearing a plea on the question of charging interest on interest for loan repayments during the moratorium period, the RBI said "a long moratorium exceeding six months can also impact credit behaviour of borrowers and increase the risks of delinquencies post resumption of scheduled payments. It may result in vitiating the overall credit discipline which will have a debilitating impact on the process of credit creation in the economy. It will be the small borrowers which may end up bearing the brunt of the impact as their access to formal lending channels is critically dependent on the credit culture".

RBI infuses Rs. 20,000 crore into banking system via OMO

RBI infused Rs 20,000 crore into the banking system through an open market operation (OMO) purchase of government securities (G-Secs) worth an equal amount, the first under the enhanced limit announced recently.

This liquidity infusion measure will mainly help in checking the current trend of rising yields, market players said.

Data from the central bank showed that it has bought G-Secs of six-year tenure worth Rs 6,600 crore, of eight-year tenure worth Rs 5,177 crore, of 10-year tenure (the old benchmark) worth Rs 3,475 crore and of 13-year tenure worth Rs 4,748 crore.

The RBI bought the 10-year papers at a yield of 5.86%. After the OMO, the benchmark yield closed at 5.9%, not far from its previous close.

RBI fines IndusInd Bank Rs 4.50 crore for violation of rules

RBI has imposed a monetary penalty of Rs 4.50 crore on IndusInd Bank Limited for non-compliance with certain prudential norms, the central bank said.

The violation is in relation to provisions of directions issued by RBI on 'Exposure Norms', 'Prudential Norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances' among others, the RBI said.

Also, the bank was found violating 'SPARC - Monitoring of Information Submission by bank', 'Creation of a Central Repository of Large Common Exposures - Across Banks' read with directions on 'Central Repository of Information on Large Credits (CRILC) - Revision in Reporting', and 'Disclosure in Financial Statements- Notes to Accounts', the RBI said..

This penalty has been imposed in exercise of powers vested in RBI under the provisions of section 47 A (1) (c) read with section 46 (4) (i) of the Banking Regulation Act, 1949 (the Act).

This action is based on the deficiencies in regulatory compliance and is not intended to pronounce upon the validity of any transaction or agreement entered into by the bank with its customers, the RBI said.

The statutory inspection of the bank with reference to its financial position as on March 31, 2019 and the Risk Assessment Report (RAR) pertaining thereto revealed non-compliance with the above-mentioned directions issued by RBI, the central bank said.

"In furtherance to the same, a notice was issued to the bank advising it to show cause as to why penalty should not be imposed for its failure to comply with the directions issued by RBI," the RBI said.

After considering the bank's reply to the notice, oral submissions made during the personal hearing and examination of additional submissions, RBI decided to impose monetary penalty on the bank, to the extent of non-compliance with the aforesaid directions, the central bank said.

Equity returns in India more due to falling Equity Risk Premium

According to an article written by RBI officials from the Division of Financial Markets returns in Indian stocks over the past few years came from a fall in equity risk premium (ERP) rather than earnings.

The paper, published in the monthly bulletin for October, provides insight into the puzzle of rising stock prices despite sluggish earnings growth. However it also highlights the risks posed by the rally driven by lower risk perceptions among investors rather than fundamental changes in earnings. The paper is written by RBI employees but does not necessarily represent the views of the central bank.

The paper focuses on estimating ERP which is the extra return that investors demand in return for holding a risky asset. A fall in ERP denotes that investors have become more confident about the asset in question.

"Decomposition of changes in equity prices indicate that the rise in equity prices during 2016 to early 2020 was mainly supported by decrease in interest rates and Equity Risk Premium (ERP), with increase in forward earnings expectations contributing to a lesser extent," the paper says.

It goes on to estimate a long run ERP of 4.7% for Indian stocks from 2005 to 2020. The paper contrasts the ERP led rally of 2016-2020 with the 2005-2008 market which led by earnings expectations. Turning its attention to the covid-19 related crash and subsequent recovery, the paper attributes both to ERP rather than earnings expectations.

"You can think of lower ERP as investors assigning higher valuations, that is, Price to Earnings (PE) multiples to stocks rather than their earnings going up. Therein lies the risk. Stock prices are being driven by investor confidence rather than earnings," said Vikas Gupta, founder, Omniscience Capital, a SEBI Registered Investment Advisory firm.

"With an ERP of 4.7% and a risk free rate of 5.9% (based on the current 10 yr G-Sec yield), the long term return on Indian equities is 10.6%. If you consider the effect of long term capital gains tax, it falls further to around 9.5%," said Ravi Saraogi, founder, Samasthiti Advisors, a SEBI Registered Investment Advisor.

The paper also highlights the disconnect between stock prices and the real economy.

"The regression results suggest that while the increase in ERP assumes significance in explaining the dependent variables, that is, IIP and GDP, decrease in ERP is insignificant in line with the economic theories. This is largely consistent with the divergence between real economy and market observed in 2019 wherein ERP stayed low contributing to surge in equity markets to record-highs and GDP growth stayed muted. Overall, while the ERP has stayed below 4 percent levels since 2016, real GDP growth has remained below 2016 level which was 8.7 per cent," the paper adds.

MFIs write to RBI seeking change in base rate calculation

Microlenders have asked the RBI to change the way base rate is calculated for smaller microfinance institutions (MFIs) to make business viable for these companies struggling with high cost of funds.

MFIs are institutions that source funds from banks and then lend to smaller borrowers. While bigger MFIs get cheaper loans from banks, smaller ones with a lower rating typically pay more at around 16-18 percent.

Presently, the RBI sets the base rate that NBFC-MFIs can charge to their borrowers on a quarterly basis. According to this, the interest rates charged by an NBFC-MFI will be lower of the cost of funds plus margin or the average base rate of the five largest commercial banks by assets multiplied by 2.75. Going by this, MFIs can only charge upto 22-23 percent to their borrowers, which constraints their margins.

The RBI introduced the base rate system to bring in more transparency in the interest-rate setting process. Base rate is the minimum rate at which lending institutions can give loans. They typically charge other components above the base rate to arrive at the final lending rate.

MFIs want the RBI to either widen the basket from five banks currently including small finance banks (SFBs) or bring back the old formula of cost of funds plus margins removing the interest rate cap.

"We have requested RBI to include SFBs also while calculating the base rate to make the base rate more reflective of the cost of funds," said Somesh Dayal, Associate Director at one of the microlenders' industry body, Sa-Dhan, to Moneycontrol. By including the base rate of SFBs, the final average base rate for MFIs will be more realistic, reflecting their cost of borrowing, said Dayal.

Earlier, the RBI allowed MFIs to charge cost of funds plus 12 percent for smaller MFIs from their borrowers and cost of funds plus 10 percent for bigger MFIs. This was later changed to base rate formula.

Typically, the central bank on the last working day of every quarter, sets the rate for the next three months taking an average of the base rates of the country's five largest commercial banks.

For the quarter beginning October 1, the RBI has set the average base rate at 8.12 percent to be charged from borrowers by NBFCs-MFIs. This means they can charge only upto 22.33 percent from borrowers. But, smaller NBFC-MFIs get money at 16-18 percent from banks. And they can lend to borrowers only staying within the interest rate cap.

According to Dayal, around 130 MFIs with loan book less than Rs 100 crore rely on NBFCs for more than 75 per cent of their funding at a higher rate (16-18 percent) compared with bigger MFIs which get money at 12-14 percent.

As against this, larger MFIs borrow from big commercial banks. Banks typically do not lend to smaller, low-rated MFIs due to high risk aversion. This makes average base rate of five large banks irrelevant for smaller MFIs.

"The smaller MFIs play a key role in promoting financial inclusion. The current high cost of funds make their business unsustainable. If these entities fail, borrowers will be pushed back to the hands of moneylenders," said Dayal.

Sa-Dhan has highlighted that how these MFIs have to primarily rely on NBFCs for their lending, borrowing at rate of 16-18 per cent, the pricing cap of 2.75 times the base rate of the five largest commercial banks severely squeezing their margins, thus making it difficult for these MFIs to ensure operational sustainability and also hindering them to serve the clients in a more effective manner.

Dayal said Sa-Dhan's suggestions for calculation of cost of funds subject to the pricing cap of 26 percent is a bid to protect the small and medium MFIs from base rate fluctuations and thereby helping them to maintain operational sustainability.

The suggested measures will keep the small and medium MFIs afloat which is important to service MFI clients in unreached pockets, Dayal said.

Higher NPAs hinder monetary policy transmission: RBI

High incidence of non-performing assets (NPAs) in banks acts as a major roadblock in transmission of monetary policy actions of the Reserve Bank, a working paper prepared by the officials of the central bank said.

The working paper also made a strong case for capital injection in state-owned banks, arguing that such a move would increase the credit flow to the real sector in addition to ensuing smoother transmission of monetary policy.

"Presence of non-performing assets in a bank also weakens monetary policy transmission and lowers the loan growth rate," said the working paper co-authored by Silu Muduli and Harendra Behera, Department of Economic and Policy Research (DEPR), RBI.

The RBI said the views expressed in the paper are those of authors and not of the Reserve Bank of India.

The working paper titled ''Bank Capital and Monetary Policy Transmission in India'' said banks often face many structural and frictional issues which dampen the transmission of monetary policy.

The impediments to transmission are many, but the scourge of high NPAs of banks has played a major role in blocking the transmission.

In an environment of sustained asset quality stress impacting the capacity of banks to lend, the government has infused capital in public sector banks to improve their capital position and facilitate credit extension, it noted.

The RBI has also deferred the implementation of the last tranche of Capital Conservation Buffer (CCB) up to April 1, 2021 to provide some respite to banks facing difficulty in raising additional capital in a situation of already high provisioning requirements due to asset quality corrosion.

"Though these measures have helped some public sector banks to come out of regulator''s critical purview, the bank credit grew by only 13.4 per cent in 2018-19 and 6.1 per cent in 2019-20," the paper said.

The paper examines the role of bank capital in monetary policy transmission in India during the post-global financial crisis period. It finds evidence of existence of bank capital channel of monetary policy transmission for India.

RBI's loan recast framework to support Covid-hit realty projects

The Reserve Bank of India's framework for loan recast or stress resolution for the Covid-19 related stress which allows banks to restructure loans of real estate companies at the project level comes as a major relief for developers who have been hit amid the pandemic and their specific projects have come to a halt due to liquidity crunch.

According to Anuj Puri, Chairman of Anarock Property Consultants, the RBI's move to permit banks for restructuring of loans of real estate companies at the project level rather than the entity level is "indeed a good move".

"It will help restart projects which have been stuck due to the impact of the COVID-19 pandemic. Both buyers and developers will stand to gain when stuck projects will eventually see the light of the day," he said.

He noted that from a buyers' standpoint, they will no longer have to wait for an indefinite period for their homes. As for developers, they will get the requisite liquidity to eventually complete their projects.

Overall, it will ease liquidity within the cash-strapped real estate sector which was already struggling even before the pandemic set in. COVID-19 had only worsened its woes further, Puri noted.

He, however, said that, although the RBI has given its nod to the banks, it will have to be seen see how different banks carry this forward. According to RBI, the requirement of an inter-creditor agreement (ICA) in respect of the entity to which lending institutions have exposure is a basic feature of Prudential Framework for Resolution of Stressed Assets dated June 7, 2019, and consequently that of the resolution framework for covid-related stress.

"There is sufficient flexibility to the lending institutions to formulate ICAs in respect of a legal entity to which they have exposure that address the specific requirements of each borrowers on a case to case basis, including designing different resolution approaches for different projects under the same borrower within an ICA," RBI said in its FAQs on Resolution Framework for Covid-19 related stress. ❑

Industry News

16 companies get Government nod for mobile manufacture booster plan

Around 16 companies, including four top suppliers of US giant Apple, South Korean Samsung and five domestic makers, have been chosen by the government for its ambitious Rs 41,000-crore production-linked incentive (PLI) scheme that aims to make India a mobile-manufacturing hub.

The scheme extends an incentive of 4-6% on incremental sales to the companies, which would enable them to make fresh investments as well as look at higher revenue from the domestic market as well as exports.

The international mobile phone manufacturing companies that are approved under the plan are Samsung and Apple's suppliers such as Foxconn Hon Hai, Rising Star, Wistron and Pegatron. Apart from Apple, the companies also manufacture mobile devices for other makers.

Indian companies that have made the cut are Lava, Bhagwati (Micromax), Optiemus Electronics, Padget Electronics (a unit of Dixon), and UTL Neolyncs. The government said that it expects the homegrown makers to expand their manufacturing operations "in a significant manner and grow into national champion companies" in mobile phone production. Another six companies that got the approval under 'specified electronic components' segment include AT&S, Ascent Circuits, Visicon, Walsin, Sahasra, and Neolync.

"Over the next 5 years, the approved companies under the PLI scheme are expected to lead to total production of more than Rs 10.5 lakh crore... The companies are also expected to promote exports significantly. Out of the total production, around 60% will be contributed by exports at Rs 6.5 lakh crore," the government said.

UGC declares 24 universities as fake

The University Grants Commission (UGC) recently announced a list of 24 "self-styled, unrecognised institutions" in the country, terming them as "fake" with the maximum of them operating from Uttar Pradesh followed by Delhi.

"Students and public are informed that currently 24 self-styled, unrecognised institutions are functioning in contravention of the UGC Act, which have been declared as fake universities and these are not empowered to confer any degree," UGC Secretary Rajnish Jain said.

While eight of these universities are from Uttar Pradesh, Delhi has seven, and Odisha and West Bengal two each.

Karnataka, Kerala, Maharashtra, Puducherry and Maharashtra have one such fake university each.

500 million jobs lost, global economy losing $375 billion a month to covid: UN

The current pandemic is costing the global economy $375 billion a month, and has seen some 500 million jobs lost since the crisis struck, the United Nations said in a policy brief.

The policy brief--Covid-19 and Universal Health Coverage--said the pandemic has shown that effective epidemic control benefits economy while exposing the risks of financing health coverage primarily through wage-based contributions. In the context of a global economic crisis where unemployment increases, and where entitlement to services is linked to such contributions, access to health services is reduced at the time people need it the most.

UN Secretary-General António Guterres, while launching the policy brief, called on everyone to draw "hard lessons" from the pandemic, for which the world was not prepared.

Industry wants revamp of IBC code

For all its promise of redeeming stressed companies, the Insolvency and Bankruptcy Code (IBC) is falling out of favour with the industry, which has pointed out several roadblocks to the government. These range from time-consuming litigation to the threat of coercive action post the resolution process. In a series of representations to the corporate affairs ministry, leading consultancies and law firms have suggested a revamp of the IBC post the suspension of initiation of corporate insolvency resolution process.

Rose Valley returned Rs. 10,500 cr out of Rs. 17,520 cr to investors: ED

Rose Valley, which is under the concurrent probe of the CBI and ED for allegedly defrauding investors, has already returned around Rs. 10,500 crore out of Rs. 17,520 crore raised from them, an official said .

He said the Enforcement Directorate (ED) had also attached properties worth Rs. 4,500 crore and filed two prosecution complaints with the designated Prevention of Money-Laundering Act (PMLA) court.

"Out of Rs. 17,520 crore raised by Rose Valley, which has been in operation since 1999, around Rs. 10,500 crore has already been returned to investors," the ED official said.

The probe into the Rose Valley scam started six years ago. The official said the second prosecution complaint is against all those who have been accused, including the owner of Rose Valley, who is still in jail.

"The designated court has given a date in November for hearing on the complaint, which had been filed by SEBI," he said, adding, the court would also frame charges against the accused on the day of hearing.

The official said there have been instances of forging of documents and cheating by "some unscrupulous elements who are trying to derail the session trial".

DHFL used software to hide fraud: Probe

Bankrupt housing finance company Dewan Housing Finance Corporation (DHFL) had used different loan accounting software to hide fraudulent transactions from fictitious borrowers, said the forensic report by Grant Thornton. It said the software helped the company hide the transactions from regulators and auditors and show inflated income to the stock exchanges. The report said the company used Foxpro software to prepare codes.

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The report said the company used Foxpro software to prepare codes for concealing actual disbursements and collection of funds by creating 260,315 fictitious home loan accounts. These codes then had three components, including disbursement distribution, and were used to make the actual disbursements to fictitious entities, which included several home loan accounts of smaller amounts. These fictitious home loans accounts were randomly picked up from DHFL'S own database of closed loan accounts.

Then collection distribution code was used to show funds flow from Bandra Book Entities (Grant Thornton's name for fictitious companies) to numerous other fictitious accounts. The funds were wrongly shown as payment of principal amount from fictitious home loan borrowers. These were adjusted as principal loan repayments instead of payment of interest component first. Therefore, the "Bandra Book Entities" portfolio was gradually brought down by showing repayments of principal and not the interest amount.

GST cess to stay 4 more years

The GST compensation cess, which was applicable until June 2022, is expected to stay in place for another four years to enable states to repay the 1.1 lakh crore loan and interest on it.

While the Centre has not officially commented on how long the cess has been extended, sources said that based on current cost it may be in place until 2026. The government has said that the revised tenure will depend on multiple factors, including tax buoyancy as well as the interest rate. Cess is applicable on cars, soft drinks, tobacco, pan masala and coal.

Oil India begins exploration in Andaman sea

Oil India, the nation's second biggest state-owned oil producer, said it has started exploring for oil and gas in the Andaman sea. OIL said it has begun acquiring seismic data on the shallow water blocks AN-OSHP-2018/1 and AN-OSHP-2018/2, which the company had won in the third round of open acreage licensing policy. The results of the seismic survey would help the firm decide on drilling of wells on the block that could yield oil and gas.

Covid-19 school closure may cost India over $400 bn: World Bank

The prolonged closure of schools due to the Covid-19 pandemic in India may cause a loss of over ₹400 billion in the country's future earnings, besides substantial learning losses, according to a World Bank report.

South Asia region stands to lose ₹622 billion from the school closures in the present scenario or up to ₹880 billion in a more pessimistic scenario, it said, adding while the regional loss is largely driven by India, all countries will lose substantial shares of their GDP. The report titled "Beaten or Broken? Informality and Covid-19 in South Asia" claims that South Asia is set to plunge into its worst-ever recession in 2020 as the devastating impacts of Covid-19 on the region's economies linger.

"Temporary school closures in all South Asian countries have had major implications for students. They have kept 391 million students out of school in primary and secondary education, further complicating efforts to resolve the learning crisis," said the report.

Only AC coaches on trains running at over 130 kmph

Railways will phase out sleeper coaches on mail and express trains that will run at 130 kmph or above on its tracks. Such trains will have only AC coaches as it plans to upgrade the network.

While railway ministry officials said trains running at less speed will continue to have the sleeper coaches, the railways has set the December 2023 deadline to complete the upgradation of Delhi-Mumbai and DelhiHowrah to enable trains to run at 160 kmph. This means most of the future long distance trains on these corridors won't have sleeper coaches.

Sources said though the railways have had this plan for quite some time, this has gained pace recently and more particularly when the Indian Railways is finalising the zero-based time table for future trains.

A railway ministry spokesperson said the ticket prices of such trains will be affordable and it should not be "misconstrued" that all non-AC coaches will be made into AC coaches.

Officials said that the new AC coaches will be economical as their tickets will be priced between AC 3 and sleeper coaches. Compared to 72 berths in a sleeper coach, this new AC coach will have 83 berths, but the number of berths in a coupe will remain the same.

PM launches property cards, says will end disputes, enable loans

Prime Minister Narendra Modi launched the Survey of Villages and Mapping with Improvised Technology, or Svamitva, a new scheme to distribute property cards that will enable beneficiaries to take loans and resolve land disputes.

"With the help of property cards, a lot of disputes in villages can get resolved. No one needs to be worried about issues like encroachment anymore... Experts across the world have stressed that property ownership rights play a big role in a country's development," Modi said while launching the scheme via video conference.

The scheme will pave the way for residents in villages to use property as a financial asset for taking loans, Modi said, adding that it is necessary for a developing country like India to have clear land ownership rights.

Govt decides to waive interest on interest for loans up to Rs 2 cr

Stating that a complete waiver of interest for loan repayments during the moratorium period would affect the very survival of banks and create problems for depositors, the Centre has told the Supreme Court that it has decided to waive compound interest on MSME and personal loans up to Rs 2 crore for the six-month period.

In an affidavit filed in the top court, the Union Finance Ministry said that "after careful consideration and weighing all possible options, the... Government... has decided that the relief on waiver of compound interest during the six-month moratorium period shall be limited to the most vulnerable category of borrowers".

"This category of borrowers...would be MSME loans and personal loans up to Rs. 2 crore" and would include education, housing, auto, consumption and consumer durable loans, personal loans to professionals and credit card dues of up to Rs 2 crore.

SEBI imposes Rs. 6 crore fine on NSE

The Securities and Exchange Board of India (Sebi) has slapped a penalty of Rs 6 crore on the National Stock Exchange (NSE) for investing in six companies unrelated or non-incidental to the stock exchange business without approval from the capital markets regulator.

The exchange invested in Power Exchange India (PXIL), Computer Age Management Systems (CAMS), NSEIT, NSDL E-Governance Infrastructure (NEIL), Market Simplified India (MSIL) and Receivables Exchange of India (RXIL).

The NSE held 25-100 per cent stakes in these entities through its subsidiary NSE Investments without the Sebi approval as of September.

Record 26.19 lakh e-Way bills generated on September 30

A record 26.19 lakh e-Way bill was generated on September 30 and this was the highest ever count so far on a single day.

Data about record e-Way bill generation came on a day when the Finance Ministry reported GST collection turning positive on a yearly basis for the first time in the current fiscal. GST collection in September surged to Rs. 95,480 crore, which is 4 per cent higher than figure of the corresponding month last fiscal and 10 per cent higher than mobilisation in August.

Finance Secretary Ajay Bhushan Pandey said: "This is Ajay Bhushan Pandey, Finance Secretary the third day in this year when the e-Way bills have been generated to mark a record count. Before September 30, on February 29 this year 25.19 lakh e-way bills were generated while on January 31 around 24.74 lakh e-Way bills were generated."

"These are affirmative signs of economic growth as the business activities are unlocking gradually and despite adverse impact of Covid-19, there are indicators of economic recovery," added Pandey.

On GST collections, Pandey said some major industrial States have shown positive growth percentage in collections which is indicative of the process of economic recovery being on track.

Natural farming set to get a policy push

The government is exploring ways and means to promote natural farming in the country, with the NITI Aayog holding a high-level consultation to develop a systematic approach for adopting and implementing eco-friendly farming. Natural farming is said to have several socioeconomic and environmental benefits for boosting farmers' welfare, consumer health, food security and nutrition.

Agriculture Minister Narendra Singh Tomar said the Ministry has set aside funds to propagate natural farming. He also said proposals for talking up natural farming have been received from Andhra Pradesh, Chhattisgarh and Kerala and are under active consideration.

Similarly, Gujarat plans to bring about 112 lakh hectares under natural farming over the next five years, said State Governor Acharya Devvrat, who participated in the consultation. As of now, approximately 1.20 lakh farmers in Gujarat adopted natural farming during the ongoing kharif season and another 5.50 lakh farmers have evinced interest in the practice.

Apart from developing a systematic approach to help adopt natural farming at farm level, the consultation was meant to identify an extensioncum-training programme to be taken up by the Indian Council of Agricultural Research through Krishi Vigyan Kendras, State agriculture departments, and others.

Information on GST returns to be included in Form 26AS

Information on GST returns will appear in an income tax statement form called Form 26AS. Experts feel this will ensure better compliance and curb tax evasion.

"The Central Board of Direct Taxes (CBDT) authorises the Principal Director General of Income-tax (Systems) or the Director General of Income-tax (Systems) to upload information relating to GST returns, which is in his possession, in the Annual Information Statement in Form 26AS, within three months from the end of the month in which the information is received by him," an order by the CBDT said. Further, it was mentioned that the Principal DG/DG (System) will specify the procedures, formats and standards for the purposes of uploading of Annual Information Statement in Form 26AS.

Form 26AS is an annual consolidated income tax credit statement. It helps the taxpayer to ascertain the tax deducted and the advance tax paid during the year and match with the tax deposited as per the tax department's records.

Now, one can directly import the Form 26AS information, while filing Income Tax Returns. The form can directly be accessed through net banking facility or through efiling website of the Income Tax Department (https://incometaxindiaefiling.gov.in). ❑

Mutual Fund News

Blackstone looks to buyout L&T Mutual Fund, expand India financial services play

Private equity giant Blackstone is in advanced talks with engineering behemoth Larsen and Toubro Ltd.'s financial subsidiary L&T Finance to completely buyout the mutual fund business of L&T Asset Management Company, This, as the New York-based PE firm is aggressively looking to enhance its India play, especially in the financial services space, said two people with direct knowledge of the matter, on the condition of anonymity.

The deal, if it goes through, will mark the first buyout of an Indian AMC by a foreign non-mutual fund company. L&T AMC, with 39 MF schemes, has assets worth around Rs. 63,057.2 crore as of the September quarter.

"Sebi expressed its comfort with the proposal only in the second week of September. Blackstone had started the discussion in March. If the valuation is agreed upon by both L&T and Blackstone, the deal should get closed before 15 November," said the first person.

Blackstone had sought the Securities and Exchange Board of India's (Sebi) permission to buy a majority stake in L&T Mutual fund but since the matter had regulatory complications it took almost six months for the capital market regulator to give its green signal for the proposal, he said.

Blackstone has been aggressively pursuing opportunities in India's BFSI space as a part of its larger strategy to gain from the growth prospects of lending businesses and investment culture among India's large but under penetrated population.

Blackstone has invested over $15 billion in India till date, across private equity ($6.9 billion), real estate ($7.8 billion) and tactical opportunities ($400 million).

Blackstone lost out to PAG in the race to buy Edelweiss' wealth management business in early September but the PE firm is holding steady on its strategy to strengthen its foothold in India's financial services space. In 2019-20, Blackstone private equity invested $2.5 billion in India, while executing India's largest buyout in financial services - Aadhar Housing Finance for around $470 million.

If the L&T AMC deal fructifies, it will add mutual fund business to Blackstone's India buyout portfolio.

For the L&T Mutual fund deal, Sebi's approval was crucial for Blackstone to acquire the entire business. As per the extant norms, any entity with 40% or more stake is classified as a sponsor in an AMC and such a sponsor needs to comply with the eligibility criteria stipulated by Sebi. The regulatory restrictions prevent any PE player from acquiring more than 39.99% in an AMC business.

"Blackstone is currently a PE firm but has a track record of managing public investments in its previous avatar. Also, Blackstone manages Real Estate Investment Trust (REIT), which is related to market volatility and public money. So, Sebi should allow Blackstone to be a 100% owner of an AMC," said a person close to Blackstone.

Almost 60% of Mutual Fund Assets Will Be ESG by 2025, PwC Says

ESG investing is the most significant development in money management since the creation of the exchange-traded fund two decades ago and it will reshape finance just as passive funds have.

That's the finding of a new report from PwC that forecasts as much as 57% of mutual fund assets in Europe will be held in funds that consider environmental, social and governance factors by 2025, or 7.6 trillion euros ($8.9 trillion), up from 15.1% at the end of last year. In addition, 77% of institutional investors surveyed by PwC said they plan to stop buying non-ESG products within the next two years.

With racial and economic injustice, as well as climate change, becoming key societal issues in recent years, financial firms have been forced to pay greater attention to their own contributions to making the world fairer and greener. That has primarily manifested in an explosion of ESG funds with money managers of all stripes, from pension funds to private equity firms and hedge funds, hiring sustainability teams, rolling out new products and touting their green credentials.

"ESG is nothing less than an all-encompassing shift in the investment landscape; placing financial and non-financial performance criteria on a level playing field," PwC said in the report.

ESG funds are proliferating in Europe because regulators and policy makers have made green issues a top policy priority and are creating a rulebook to ensure financial firms incorporate sustainability into their operations and root out so-called green washing. At the same time, growing public awareness of ESG-related risks - which has been accelerated by Covid-19 - and the emergence of a generation of investors who prioritize non-financial impacts alongside financial factors, has fueled the growth, according to PwC.

The performance of ESG funds relative to their traditional peers in recent months also has caught investors' attention, said PwC. Fund managers from BlackRock Inc. to Allianz Global Investors and Invesco have said ESG portfolios outperformed during the Covid-19 sell-off.

"These catalysts are set to usher in the greatest shift the European asset and wealth management industry has ever undergone; presenting managers with the opportunity to drive change by playing a key role in mitigating climate risk," PWC said.

PwC forecasts ESG equity funds will see a compound annual growth rate of 26.8%, with assets quadrupling to more than 3.6 trillion euros by 2025. Bond funds will grow at a rate of 30.4% and assets will exceed 1.6 trillion euros in five years time.

The consulting firm's report, which was published by its Luxembourg unit, also featured a survey of 200 asset managers, 300 institutional investors and more than 800 retail investors.

The study found that 37% of institutional investors are willing to pay a premium for ESG products, with the majority of them ready to pay between 21 basis points and 40 basis points extra. It also revealed that that while 77% of institutional investors plan to stop investing in traditional non-ESG compliant products within the next two years, only 14% of asset managers indicated plans to stop launching these products in the same time period.

PwC said Europe dominates the global ESG landscape, with the region's 4,741 ESG mutual funds holding almost 70% of global ESG assets. And while PWC said it expects the impact of Europe's green fervor to stretch beyond its borders as new requirements are imposed on non-E.U. companies and investors, U.S. asset managers face possible limits on green investing.

Bajaj Finserv applies for mutual fund license

inancial services giant, Bajaj Finserv, could be the latest business house to start a mutual fund (MF) business. The status of MF applications disclosed by the Securities and Exchange Board of India (SEBI) shows that Bajaj Finserv had applied for an MF license on September 28, 2020.

Entering a crowded space

The entry of Bajaj Finserv is likely to add to the competitive intensity of the MF industry, which already has 40 fund houses. While a large chunk of the market share (57.85 per cent of investor assets) is controlled by the top five fund houses, a new entrant such as Bajaj Finserv can gradually gain a solid footing given its wide distribution reach.

Bajaj Finance, its sister concern, has presence in 2,392 locations, including 1,357 in rural areas, small towns and villages.

This vast branch network can help the MF business to penetrate geographies beyond the top-30 cities, which are known as B-30 locations in industry parlance.

Bajaj Finserv as a group is also known for providing quality digital services to customers.

Making a sizeable dent in the market share may be difficult in the short term despite the group's wide reach.

"With MFs, investors tend to prefer known names. This is the reason why new entrants could take time to build market share. However, a domestic player looking at the MF business is a positive sign; it shows fund management makes business sense despite so many changes in the industry," says Joydeep Sen, an independent MF expert.

An e-mail query sent to Bajaj Finserv regarding the type of funds it hopes to offer didn't elicit any response.

Back in 2011, Bajaj Finserv had received SEBI's nod to set-up a mutual fund business, but the MF arm was never launched.

Recently, NJ India Invest and Samco Securities had received in-principle approval from the market regulator for starting the MF business. Applications from Zerodha Broking and Frontline Capital Services are still being reviewed by SEBI.

Liquidity risk aggravates in times of economic distress on redemption pressure

Liquidity risk is the risk of the market for a debt security drying up. The concept also applies to equity funds where it takes the form of impact cost, which is the adverse movement in a stock as a result of a mutual fund transacting in it. It is particularly an issue for large mutual funds in mid- and small-cap spaces.

Investors tend to redeem large sums of money from debt funds during economic distress, and this aggravates the existing liquidity problem, as happened in the case of Franklin Templeton in April. In its recent risk-o-meter circular, Sebi made liquidity risk a factor in assigning a risk classification to a debt mutual fund. The lowest weight (least risk) is for government and PSU bonds followed by AAA corporate bonds without credit enhancements, structured obligations or embedded options. The risk increases for lower-rated bonds and those with such exotic features.

In case of equity, the circular assigns higher risk weights to securities with higher impact cost. Investors must also assess the liquidity risk of a mutual fund. Typically, lower-rated corporate bonds have the lowest liquidity as do large equity funds investing in small-cap stocks.

Three new mutual funds rules that come into effect from January 2021

Securities Exchange Board of India (Sebi), has recently announced a slew of measures for mutual funds industry. The market regulator has modified certain mutual funds rules to make them more transparent and investor friendly. Sebi also issued norms to make debt funds safer after the whole episode of Franklin Templeton debt scheme uncovered. Mutual funds have been provided sufficient time to comply with the new rules. Here are some of the changes in mutual funds that will be applicable from January 2021.

New Riskometer tool

Sebi has introduced detailed guidelines for determining the place of a mutual fund on its riskometer tool. The new system introduces a fresh category of 'very high' risk. It replaces the old model based simply on a scheme's category without adequately considering its actual portfolio. The circular will be effective from January 1, 2021. Risk-o-meter shall be evaluated on a monthly basis and AMCs shall disclose the Risk-o-meter along with portfolio disclosure for all their schemes on their website and on AMFI website within 10 days from the close of each month. Mutual Funds also have to publish a history of riskometer changes every year.

Any change in risk-o-meter shall be communicated to unitholders of that particular scheme.

Change in NAV calculation

From January 1, investors will get the purchase NAV of the day when investor's money reach AMC, irrespective of the size of the investments. "It has been decided that in respect of purchase of units of mutual fund schemes (except liquid and overnight schemes), closing NAV of the day shall be applicable on which the funds are available for utilization irrespective of the size and time of receipt of such application," said the Sebi circular. The new NAV rules will not be applicable to liquid and overnight funds.

Under current rules, the NAV of the same day is considered for purchases of less than Rs. 2 lakh, even if the money does not reach the asset management company (AMC), but the order is placed within the cut-off time.

Sebi has tweaked the portfolio allocation rules for multi cap equity mutual fund schemes recently. According to the new rules, multi cap mutual funds will have to invest at least 75% in equities. At present the minimum equity allocation must be 65%. Also, going forward, these schemes will have to invest at least 25% each in large cap, mid cap and small cap stocks. Currently there is no such allocation restriction and fund managers can invest across the market cap as per their own choice.

Sebi has provided time till January 31, 2021 to mutual fund houses to comply with the latest rules, within one month of Amfi releasing the next list of large cap, mid cap and small cap stocks.

Labelling norms of 'dividend option'

Sebi introduced labelling norms for the dividend options of mutual funds which will come into effect from 1st April 2021. Under the new norms, mutual funds will have to rename dividend options as income distribution cum capital withdrawal effective April 1, 2021. ❑

Co-Operative Bank News

ED arrests accused in Rs. 25.25-crore cooperative bank fraud case

The Enforcement Directorate (ED) has arrested NiketaBaldevbhai Dave, a director of Pentium Infotech Limited and Hirak Biotech Limited, in connection with an alleged fraud of Rs. 25.25 crore in the Ahmedabad People's Cooperative Bank Limited.

The agency has secured four days' custody of the accused from a special court in Ahmedabad. The case is based on the investigation conducted by the CID-Crime of Gandhinagar Zone. It was alleged that Ms. Dave, another director Pratik R. Shah, and others were involved in the fraud.

According to the ED, the accused persons opened overdraft accounts against fixed deposits in the cooperative bank. The companies defaulted on repayments, causing a loss of Rs. 25.25 crore to the bank. Mr. Shah had also opened 20 IBL accounts with the bank, having Rs. 50.00 lakh sanctioned to each account, in the name of his office staff, firms and associates.

Ms. Dave, as a director/proprietor/partner, then applied for loan for seven of the 20 firms. They were identified as S J Securities Limited, Pioneer Mercantile Limited, Vitale Bio Science Limited, Satark Real Estate Limited, Jupiter Business Limited, Lakshya Securities & Credit Holding Limited and Arihant Jewellers.

The two accused, as directors of Hirak Biotech Limited, passed a board resolution on February 25, authorising Ms. Dave to enter into any transaction related to the non-agricultural land in Sachana held in the company's name. Based on the resolution, she allegedly executed sale deeds in March to transfer the properties without receiving any consideration, it is alleged.

Co-op banks merger in UP: Finance Ministry seeks update from Nabard

The Ministry of finance has written a letter to Nabard Chief General Manager on the issue of merger of the district central cooperative banks of Uttar Pradesh with State Cooperative Bank. The copy of the letter is with Indian Cooperative.

The letter signed by the Under Secretary, Pramod Kumar Singh, Ministry of Finance has asked the Chief General Manager of Nabard to respond to the queries raised by the Cooperative Bank Employees Union on the merger issue.

In their letter, the employees' union has demanded to expedite the merger process of the DCCBs with State Cooperative Bank. There are 1,335 branches of DCCBs and 29 branches of UP State Cooperative Bank in State. The merger will strengthen the 7,439 PACCs in the state, the letter reads.

M V S Rami Reddy (IAS) Additional Chief Secretary, Department of Co-operation, said that the report of the committee for merger is being considered at the government level.

Several union office bearers in districts had written letters to UP Chief Minister Yogi Adityanath in this connection.

Readers would recall that earlier, the RSS leaning body's SahakarBharati had opposed the idea of merging district Central Cooperative Banks of Uttar Pradesh with the State Cooperative Bank. The leaders argued that the idea of merging the DCCBs will stifle the rural credit system. It will be against the three-tier structure as well.

There are 50 DCCBs in the state out of which 16 have a weak financial background. Even the district cooperative banks falling in the constituencies of Yogi Adityanath and Prime Minister NarendraModi are in the red.

Earlier, the state government formed an Academic Technical Committee on merger under the Chairmanship of IIM Prof Vikas Srivastava and the committee has submitted its report.

Kerala Bank posts Rs. 374.75-cr profit despite pandemic-led slowdown

Kerala Bank, the merged entity of the apex Kerala State Cooperative Bank with 13 District Cooperative Banks in the State, has reported a net profit of Rs. 374.75 crore, as per the first audited financial results after amalgamation on November 29, 2019.

Co-op bank chief held in Maharashtra's Beed for Rs 10 lakh bribery

The chairman of a cooperative bank in Parli in Maharashtra's Beed district, 125 kilometers from here, was held for allegedly demanding and accepting a bribe of Rs 10 lakh to sanction Rs 2.5 crore to an account holder, a state Anti Corruption Bureau official said.

The process of registering a case against Ashok Pannalal Jain, chairman of the Vaidyanath Urban Co-operative Bank, was underway, the ACB said in a release.

He had demanded Rs 15 lakh as a bribe to sanction Rs 2.5 crore to an account holder and was nabbed in a trap laid by the ACB's Aurangabad unit while he was accepting an installment of Rs 10 lakh at his foodgrain shop in ParliVaijnath, the release informed.

Jana Bank to be sponsor bank for Ashoknagar Co-operative Bank

Jana Small Finance Bank has joined hands with Ashoknagar Co-operative Bank Limited under the Bank Sponsorship Program. Jana Bank becomes the first Small Finance Bank to go live under this Program.

RBI has permitted co-operative banks which are CBS enabled, to issue ATM cards/ATM-cum-debit cards in tie-up with a sponsor bank. Ashoknagar Co-operative Bank Limited in association with Jana Small Finance Bank can now extend ATM, POS &ECommerce Services to its customers.

This association marks the fulfilment of Jana Bank's endeavour to promote full suite of services to co-operative banks. The bank's digital capability will now be available to all its partner banks.

Ashoknagar Cooperative Bank Ltd President K M Nagraj said, "Ashokanagar Co-operative Bank recently announced the launch of 'Rupay Debit Card' facility to our customers with the sponsorship of Jana Small Finance Bank, based out of Bengaluru. The bank has already provided RTGS/ NEFT, Bharat Bill pay facilities to our customers. To encourage

cashless transactions, the bank is actively working out plans to introduce IMPS, UPI with Jana small finance Bank for the benefit of our customers."

Jana Small Finance Bank will provide a host of services to the partnering Co-operative bank which will lead to creation of a micro payment infrastructure reaching out to the deeper country side. This will lead to financial inclusion of the rural population in true sense. These services include providing ATM network, IMPS branch, UPI payment through PSP apps, NEFT/RTGS, NACH and Virtual accounts.

Jana Small Finance Bank is a scheduled commercial bank catering to more than 40 lakh customers served by over 15,000 employees over 475 bank branches and over 125 Asset centres in 22 states and union territories. The bank has been serving the underbanked customers through various products including zero balance savings accounts, fixed deposits with attractive interest rates, collateral free loans and affordable housing loan schemes. ❑

EPFO to sell Rs. 9,000 crore ETFs to meet fund shortfall

The Employees' Provident Fund Organisation (EPFO) will sell more than Rs. 9,000 crore of investments in exchange-traded funds (ETF) to bridge a shortfall by booking profits and keep its promise to millions of subscribers. In September, the board of the retirement fund manager had said almost 0.35% of the 8.5% interest rate promised for 2019-20 would be fulfilled by selling ETFs. According to documents seen, EPFO will sell Rs. 9,017 crore of ETF investments made in 2016, in 15 to 20 tranches. The earliest investments will be sold first, to be followed sequentially by the later ones. The EPFO expects to make Rs. 2,850 crore profit from the sale, which will be sufficient to make up its shortfall.

Legal Cases

Act of god arguments surface in courts

Disputes over delays in the performance of work contracts due to the current pandemic have started surfacing in courts. The contractor often rushes to the court as the employer threatens to terminate the contract and encash bank guarantees. The Delhi High Court, in last week's judgment, Crsc Research Institute vs Dedicated Freight Corridor Corporation, allowed the government entity to encash bank guarantees, rejecting the prayer for injunction against encashment.

The court reiterated the principle that only if there is fraud of an egregious nature or irretrievable loss to one of the parties can courts stop execution of bank guarantees. The bank guarantee clause is considered to be a separate agreement standing apart from the main contract. The contractor in this case had to build 388 km of electric broad gauge rail line. Extensions of time to complete the project were granted earlier, but the last stage was stalled in May this year due to the pandemic. The corporation did not grant extension this time, despite the Act of God clause in the contract and it threatened to terminate the contract.

If you are a loan guarantor, you liability will increase and credit eligibility will go down

Recently, a few people posted on social media about getting fraudulent calls from someone posing as a bank official, who asked them to pay up a loan against which they had signed up as guarantors. These people didn't have to pay anything as these were fraudulent calls, but what happens if you actually become a guarantor to someone else's loan? Are you liable to pay back the loan if the original borrower defaults?

The ongoing cash crunch due to covid-19 has increased many people's liabilities. Understand that becoming a guarantor can add to it.

Lenders generally ask borrowers to bring in a guarantor when the loan amount is high or if the bank is not comfortable with the repayment capacity of the primary borrower.

"The guarantor takes the responsibility that if in any scenario, the primary borrower fails to pay the equated monthly instalments (EMI) of the loan, then the guarantor will assume full repayment responsibility," said Aditya Mishra, founder and CEO, Switchme.in, a platform that helps borrowers shift their home loans to other financial institutions.

Any person can be a guarantor but generally, close family members sign up for it in case they meet the lenders' eligibility criteria. "A person becoming a loan guarantor has to satisfy the credit eligibility criterion applicable for the loan applicants, which means his credit profile has to suit the lender's loan eligibility criterion," said Aggarwal.

The bank will check and ask for all documents supporting the repayment capacity of the guarantor. "The guarantor is a kind of borrower who is not paying EMI on a regular basis but as soon as a default happens, he comes into the picture. So all know your customer (KYC) and income documents need to be submitted to check the eligibility of the guarantor," said Mishra.

In case the primary borrower defaults on loan repayment, the liability to pay the outstanding amount falls on the guarantor of the loan. "In case of a default, the loan guarantor will become liable for timely repayment of the outstanding loan amount along with the penal rates and charges incurred due to non-payment of the loan," said Gaurav

Aggarwal, director, unsecured loans, Paisabazaar.com, an online marketplace for financial products.

In case of non-payment, a guarantor is liable to legal action. "If the lender files a recovery case, it will file the case against both the borrower and the guarantor. A court can force a guarantor to liquidate assets to pay off the loan," added Mishra.

Even if things don't go wrong, there are other downsides to deal with as a guarantor.

The moment you sign up as a guarantor, your own loan eligibility will come down. In case you apply for a loan, lenders will consider the outstanding amount on the loan for which you are a guarantor as your contingent liability and may extend credit to you accordingly.

"Guaranteeing a loan will reduce the overall loan eligibility of a loan guarantor by the outstanding loan amount of the guaranteed loan. So, one should always factor in his own credit requirements before agreeing to become a loan guarantor," added Aggarwal.

Besides, the fact that you are a guarantor to a loan will also figure in your credit report. This also means that any default, either by the primary borrower or you, will affect your credit score.

It may difficult to wriggle out from signing up as a guarantor in case a close relative is involved. However, it is important to assess the repayment capacity of the primary borrower before you agree to it. "As a risk mitigation measure, make sure that the loan applicants are financially disciplined and stable enough to make regular repayments before agreeing to become their loan guarantor," said Mishra.

Even after you have signed up, keep an eye on the loan. "Existing loan guarantors can see their credit report at periodic intervals to monitor repayment activities, as credit reports list the details of the guaranteed loans as well," said Mishra.

It is crucial to be careful in times such as these when many people are losing their jobs or seeing their salaries reduce. ❑

International Monetary Fund emphasizes importance of Atmanirbhar Bharat

Prime Minister Narendra Modi's call for an "Aatmanirbhar Bharat" (self-reliant India) is an important initiative, the International Monetary Fund (IMF) said. "The economic package under this self-reliant India initiative, which was announced in the aftermath of the coronavirus shock, has supported the Indian economy and mitigated significant downside risks, so we do see that initiative as having been important," Gerry Rice, Director, Communications Department, IMF, told reporters at his fortnightly news conference here.

"To achieve the stated 'Make for the World' goal in India, the priority is to remain focussed on policies that can help further integrate India in the global value chain, including through trade, investment and technology," Rice said. Responding to another question, he said the IMF's joint study with the NITI Aayog and the Ministry of Finance shows that to achieve a high performance in health-related sustainable development goals, India would need to gradually increase its total spending in the healthcare sector from the current 3.7 per cent of the GDP.

"More generally, beyond the health sector, comprehensive structural reforms are needed to achieve more inclusive and sustainable medium-term growth. "We have talked about those reforms before -- infrastructure, land reforms, product market and labour market reforms, increasing female labour force participation, access to finance and better jobs," Rice said.

Union Bank of India MD & CEO Rajkiran Rai new IBA chairman

Indian Banks' Association (IBA) said Union Bank of India's MD and CEO Rajkiran Rai G has been elected as the association's chairman for the term 2020-21. "The managing committee of IBA at its meeting held on October 16, 2020 elected Rajkiran Rai G, Managing Director and CEO, Union Bank of India as the chairman, IBA for the term 2020-21," a release said. State Bank of India's Chairman Dinesh Kumar Khara has been elected as the deputy chairman of the association.

Bank of Baroda's Credit Card arm Launches 'Video KYC' in association with Signzy, as part of the customer on-boarding process

BOB Financial Solutions Limited (BFSL), a wholly-owned subsidiary of Bank of Baroda, announced that it has selected RegTech firm Signzy, for digitizing customer verification through 'Video KYC'. With this partnership, BFSL has enabled a quick, zero-contact and paperless KYC that replaces the need for physical submission of KYC documents.

Leveraging on Signzy's Artificial Intelligence and Machine Learning-enabled Video e-KYC solution, BFSL has equipped itself to easily onboard well over a lakh new credit card customers every month. The solution delivers 98% faster KYC processing than the traditional process, providing an instantaneous onboarding experience to a customer. It also delivers end-to-end security during the KYC process to both financial services providers as well as their users.

On this occasion, Mr Shailendra Singh, MD & CEO, BOB Financial Solutions Limited said, "We are evolving our front-end and back-end systems with digital at the core of this transformation. Operationally we redefined ourselves by adopting Fiserv technology for card processing & issuance and now this is another step in delivering digital customer experience. Bank of Baroda Credit Card is now eyeing on every digital innovation and prioritizing its investments to ensure that we leverage new technologies for servicing and delighting our customers".

Arpit Ratan, co-founder of Signzy said, "We are excited to have partnered with BOB Financial to support their digital customer onboarding through our industry leading Video KYC solution. This partnership also benefits from the core of what Signzy had been building for the last five years and we are glad to also bring our years of implementation experience to this engagement. Our solution is designed to benefit both financial institutions and their customers by cutting down time and costs for onboarding new customers while simultaneously delivering much superior customer experience."

Benefits of VKYC

ENABLES Socially Distant, Remotely Connected, Paperless & Hassle-free Verification

LEADING TO Secure Customer On-boarding

How does VKYC work?

Through video-KYC, BFSL representative can initiate a remote video interaction or video call with the customer, after receiving their consent, to check and verify their documentation along with their identity. During this process, the customer is required to show actual PAN card to the Verification Officer.

During the video call, when the customer is showing their PAN Card, their Officially Valid Document (OVD) or any other document, the Verification Officer is also allowed to take appropriate screenshots to capture the same.

The entire process is done in three simple steps.

Step 1: Log-in using the link provided by BFSL representative through SMS on your registered mobile no.

Step 2: Follow screen instructions and show all required documents over the call to BFSL representative

Step 3: Once everything matches, VKYC is complete

How customer should get ready for VKYC?

- **Pen & Paper:** A blank white sheet of paper and a blue / black pen
- **Identity Proof:** Offline Aadhaar (Aadhaar XML Not older than 3 days), PAN & Voter ID
- **Address Proof:** Aadhaar Card (Front & Back Side), Offline Aadhaar (Aadhaar XML Not older than 3 days), Driving License (Front & Back Side), Passport
- **Webcam & Mic:** Ensure the mobile device or desktop/ laptop you shall use for VKYC is front-camera & microphone enabled
- **Good Internet Connectivity:** A min. of 200 Kbps to perform Video KYC. Ensure to keep your location turned ON
- **No VPN:** Ensure you are NOT using any VPN /Proxy server as it is not in compliance with Video KYC guidelines

VKYC link can be opened through Chrome, Firefox, Microsoft Edge, Opera or Safari on desktop/laptop or mobile. It supports both iOS & Android devices. ❑

SBI Card collaborates with Google to enable cardholders to make payments through Google Pay

SBI Card, India's largest pure-play credit card issuer, announced its collaboration with Google to enable cardholders to use their SBI Credit Cards on the Google Pay platform. SBI Credit Card users will now be able to make card payments using Google Pay app on their Android smartphones. Cardholders can make safe and secure payments using Google Pay in three modes- via Tap and Pay at NFC enabled PoS terminals, by scanning Bharat QR code at the merchant as well as online payments, without using the physical credit card. This launch is in line with SBI Card's endeavour to promote zero contact, digital forms of payments for a safe and enhanced customer experience.

A highly secure payment experience is enabled through tokenisation, whereby cardholders use Google Pay to pay through a digital token attached to their phone, without having to share physical card information with the merchant. Google Pay is a widely accepted payment app accepted at multitude of merchants in India with deep penetration in metros as well as non-metros. Through this association, SBI Card aims to provide cardholders the option to pay via Google Pay and offer them a safe payment experience on their mobile phones. Currently the feature is available for SBI Credit Cardholders on Visa Platform.

Signzy wins ASSOCHAM's ICT Start-Ups Award 2020 for Digital KYC

Bangalore-based Signzy, India's leading fintech startup, said that it was named, winner of ASSOCHAM's ICT Startups Awards for 2020. Signzy won this award for its innovative AI-based Digital KYC solution, which helps banks and financial services companies onboard new customers in a completely remote, paperless and digital manner. The ICT Start-Ups award is an annual ASSOCHAM initiative, conducted in association with the Ministry of Electronics and Information Technology, Government of India and Ericsson. The awards aim to encourage innovation by recognising and rewarding outstanding ICT innovations.

Commenting on the win, Ankit Ratan, co-founder of Signzy says, "We hold this honour in high regard as a testimony to the great work our team has been putting in. Digitalisation is scripting the future of financial services businesses and is crucial to India's next phase of growth. We at Signzy are proud to play a meaningful role in the ongoing digital transformation of India's banking, insurance and financial services sector with truly innovative and path-breaking digital solutions."

Three other startups were also awarded at the virtual award ceremony, held on the sidelines of Smartech India 2020 in New Delhi. Signzy's clients for its digital KYC solution include over 90 Indian banks, insurance firms, NBFCs and Asset Management Companies like Aditya Birla Sunlife AMC, BoB Financial and more. The clients also include four of the largest banks in India, with State Bank of India (SBI) and ICICI Bank among them. Globally, Signzy has a strong partnership with Mastercard and offices in New York and Dubai to serve customers in the multiple geographies. The startup's Digital KYC is already being used to onboard thousands of customers every month by several SEBI-regulated institutions.

HUDCO Makes All-Time High Dividend Payout

The Hon'ble Union Minister of State (Independent Charge) Ministry of Housing and Urban Affairs Shri HS Puri, was presented the final dividend cheque of Rs.428.68 crore for the year 2019-20, by Shri M. Nagaraj Director (Corporate Planning) HUDCO. Present on the occasion were Shri. DS Mishra, Secretary MoHUA, Shri D. Guhan, Director (Finance) and other senior officials.

In its Golden Jubilee year, HUDCO has made an all-time high dividend payout of 31% amounting to Rs 620.59 crore for the year 2019-20. HUDCO also paid dividend of Rs.128.65 crore to the Ministry of Rural Development, and Rs. 63.26 core to public shareholders. ❑

CORPORATE GOVERNANCE IN INDIA

What is Corporate Governance?

Corporate Governance is a set of practices with the help of which the investors (largely the outside investor) protect themselves from management (insiders). Since the happening of Satyam fraud, the Corporate Governance has assumed a lot of importance in India. World over a number of such cases has emerged which bring the limelight to the issue of Corporate Governance e.g. Worldcom, Enron etc. Corporate Governance includes balancing the varied interest of different stakeholders like financiers, management, investors, customers, suppliers, community etc.

Objectives of the Good Corporate Governance:

Corporate Governance is one of the most important aspects of a company and it is very crucial for the existence and instilling investor confidence in the company. The prime motive of the Corporate Governance is to increase shareholders wealth and maximize the company's long term value. It recognizes the undeniable right of shareholders as the true owner of the company.

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Corporate governance ensures that adequate disclosures are made to stakeholders especially investors of the company. It helps in ethically conducting the business of the company. It helps in attracting capital from inside and outside of the country who want to benefit from the growth of the company. It also promotes transparency, accountability and fairness in the conduct of business by the company. It helps in creating a board at the top that takes objective decision for the benefit of all stakeholders. It also provides an oversight and control of the management by the board.

Regulatory Framework for Corporate Governance:

In India the Corporate governance mechanism has been listed in the following rules / regulations /acts / listing agreements:

1. The Companies Act 2013- This consists of the provisions related to the Board, its constitution, meetings, board dealings, independent directors, related party transactions, disclosure requirements etc.
2. Securities and Exchange Board of India Guidelines- SEBI from time to time issues guidelines pertaining to listed companies, to ensure that interests of the investors are protected.
3. Standard listing agreement of Stock exchanges.
4. Accounting standards issued by Institute of Chartered Accountants of India (ICAI).
5. Secretarial standards issued by Institute of Company Secretaries of India (ICSI).

Corporate Governance in India:

The first initiative in this area started with publication of "Desirable Code of Corporate Governance"- a voluntary code published by Confederation of Indian Industries in 1998. In 1999, SEBI formed a committee under chairmanship of Sh Kumar Mangalam Birla to promote and raise the standard of Corporate Governance.

This committee recommended a new clause 49 which was included in Stock exchange listing agreements. This clause prescribed a format in which the Stock exchanges will have to obtain information regarding companies desirous of listing on their exchange. In order to comply with the provisions of clause 49, a company must follow these principles:

1. **Right of shareholders -** Shareholders are the final owner of the company and they should have right to participate in general meeting, questioning and voting.
2. **Rights of stakeholders -** A company must take care of its stakeholders.
3. **Disclosure and transparency -** Company must disclose all the material information of the company like financials, performance, ownership etc in a timely and transparent manner.
4. **Responsibility of the board -** Board member should maintain confidentiality. They should perform their main function like execution of board, preparation of major actions, designing corporate strategy etc.

49 was last amended on 29 October 2004. This amendment made certain changes like defining the independent directors, improving the quality of financial disclosure, strengthening the audit committee, disclosure about related party, restriction on the terms of independent directors etc.

During the year 2012 to 2013 a slew of measures and reforms were undertaken by SEBI to improve the Corporate Governance standards of companies in India. Some of these changes are listed below:

1. The listing agreement has been aligned more with the Companies Act 2013. Issuance of formal letter of appointment, performance evaluation, separate meeting at least once in a year, of Independent Directors is required by SEBI also besides under the Companies Act.
2. Restriction on the number of Independent Directorships to 7 and restriction to 3 in case the person is also a full time director on board of a company.
3. Maximum term of an Independent director is restricted to 2 terms of 5 years each with maximum aggregate term of 10 years. They are eligible for re election after a cooling off period of 3 years.
4. As per clause 49 of Equity listing agreement, if the Chairman of the Board is an Executive Director, then 50% of the board should be of Independent Directors otherwise the Board should have one third Independent Directors.
5. While the Companies Act requires a majority of Independent Director in Audit committee, the SEBI norm requires two third of the audit committee

members to be Independent Directors with Chair of the audit committee to also be an Independent Director.

6. Related party transactions monitoring has been made more stringent.
7. The disclosures norms relating to Director's compensation, performance, training etc have been made more stringent.
8. E voting has been made mandatory which will improve the say of, minority shareholders in the affairs of the company.

In year 2019, rules pertaining to Significant Beneficial Ownership also came into existence. These rules defined in detail who is a significant beneficial owner and what are the returns that he needs to file? The concept of Significant Beneficial Ownership was incorporated to catch those individuals whose name do not appear is register of members and who hold a significant beneficial ownership in a company.

While keeping in view the recent spate of corporate frauds and default towards banks, Ministry of Corporate Affairs (MCA) has introduced new set of Companies (Auditors Report) Order 2020, which has an objective of instilling faith and improve transparency in financial statements. A new order has extended the applicability of CARO 2020 to FY 2020-21 onward. Some of the points in CARO 2020 include:

1. Auditor has to disclose whether company has made any cash loss in current or previous financial year.
2. When a new auditor has been appointed after resignation of the previous one, the new auditor has to address the concerns raised by the previous auditor.
3. Auditor need to analyse various financial ratios and comment whether the company will be able to meet its liabilities in next year.
4. Auditor need to comment whether funds raised for short term purpose have been used for long term.
5. Auditor has to give a detailed report when the company has raised funds for its subsidiary or Joint venture.
6. Auditor need to mention if company has defaulted in repayment of loans or interest thereon to ANY of its lenders (includes other than financial institutions or banks).

In recent past there had been appointment of Kotak

Committee under the Chairmanship of Sh Uday Kotak on corporate governance. SEBI accepted some of the following recommendations of the committee:

1. Eligibility criteria for independent directors, was expanded.
2. Maximum number of directorship was reduced from 10 to 7 by 01.04.2020.
3. Role of risk management committee, nomination and remuneration committee and audit committee was enhanced.
4. Auditor's credentials, reasons for resignation of auditors, audit fee etc to be disclosed.
5. Expertise of the directors to be disclosed.

Disclosures to be made under Corporate Governance:

Disclosures are important to ensure and maintain the transparency in the affairs of the company. Few disclosures are made in the annual report of the company like- financial and accounts related disclosures, business information, key employee important information, audit committee related information etc. Similarly some of the important disclosures have to be posted on the company's website like- code of conduct, criteria of payment to Non Executive Directors, Quarterly results etc. Disclosures to stock exchanges include quarterly results and quarterly compliance report on Clause 49.

Major Issues and Challenges in Corporate Governance

One of the major issues in India regarding Corporate

Governance is the prevalence of Family businesses where promoters are the dominant shareholders. These dominant shareholders can indulge in related party transaction within the group companies and issue shares on preferential basis. A few studies have shown that independent directors merely act hands in glove with the management and are actually ineffective. They do not serve the purpose for which they are appointed.

Till very recently, in a number of cases the post of CEO and Chairman of the board were filled by the same person which compromised the supervisory role of the Chairman. However now, SEBI has directed that the post of CEO and Chairman of the board have to be filled by separate person. This essentially means that Chairman has to be a non executive director. (The implementation of this guideline has been deferred as of now).

Examples of Corporate Mis-governance:

A leading drug manufacturer of India indulged in wrong practices. It fudged the data related to regulatory filings, sold adulterated drugs. All this happened despite having an illustrious board at the helm of affairs.

The star chairman of a leading technology company manipulated accounts to the tune of 14,000+ Crore rupees with the active connivance of auditors and others.

A large steel company in southern India made donations to an education trust (belonging to an influential person of the state) with the intent to seek a favourable reply to company's application for mining rights.

So we can see that despite having so many laws, rules, regulations, guidelines, regulatory bodies which enforce the Corporate Governance, fraudsters still find ways to circumvent the system. However it is no time to stand still but actually think one step ahead of these crooked persons to ensure the integrity of the system. We have to time and again emphasize upon the need to be proactive with regards to formation of rules and regulation of corporate governance.

Conclusion:

Corporate governance is vital cog in instilling the confidence in investors regarding the functioning of a company. It is of paramount importance especially in a globalized world. In India, a number of institutes/ bodies are involved in ensuring the corporate governance. A number of steps have already been taken and more needs to be done to ensure that corporate governance in India matches global standards.

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Google plans to pay publishers $1 billion over 3 years for their news

Alphabet's Google plans to pay $1 billion to publishers globally for their news over the next three years, its CEO said, a step that could help it win over a powerful group amid heightened regulatory scrutiny worldwide. News publishers have long fought the world's most popular internet search engine for compensation for using their content, with European media groups leading the charge.

CEO Sundar Pichai said the new product called Google News Showcase will launch first in Germany, where it has signed up German newspapers including Der Spiegel, Stern, Die Zeit, and in Brazil with Folha de S.Paulo, Band and Infobae. It will be rolled out in Belgium, India, the Netherlands and other countries. About 200 publishers in Argentina, Australia, Britain, Brazil, Canada and Germany have signed up to the product. "This financial commitment - our biggest to date - will pay publishers to create and curate high-quality content for a different kind of online news experience," Pichai said. German publisher the Spiegel Group welcomed the project.

The European Publishers Council (EPC), whose members include News UK, the Guardian, Pearson, the New York Times and Schibsted, however, was critical. "By launching a product, they (Google) can dictate terms and conditions, undermine legislation designed to create conditions for a fair negotiation, while claiming they are helping to fund news production," said EPC Executive Director Angela Mills Wade.

LEVERAGING DIGITAL BANKING THROUGH AI – INDUSTRY IMPERATIVE FOR COMPETITIVE ADVANTAGE & SUSTAINABILITY

Introduction

Since the last decade, the banking and finance industry has been actively pursuing the research and use of AI technologies to gain a competitive advantage in terms of customer data management for effective decision making. Now banks are increasingly deploying, implementing and leveraging AI and ML technologies to carve value-based competitive advantage. Currently, the landscape of Artificial Intelligence includes technologies related to natural language processing and natural language generation resulting in several Chatbot initiatives by various banking and financial actors. What is essential is to comprehend that these technologies automate raise the efficiency of financial decision making for a variety of issues including, transactions, credit-scoring, fraud detection and wealth and risk management. Basis these advantages banks and financial institutions are relying on machine learning to devise new business opportunities and deliver on-demand customer services.

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Across several industry domains, Artificial Intelligence is the fast-developing technology and the banking and financial sector is becoming one of the first adopters of Artificial Intelligence. To achieve a competitive advantage, banks and financial institutions are increasingly integrating artificial intelligence to the business model to analyse data for effective decision making. The article primarily discusses the usage, opportunities and the road ahead for AI and ML integration in the Indian banking industry.

The Rise of AI and ML in Banking

With customers becoming tech-savvy, they expect the banks to use advanced technologies and enable a seamless banking experience. To meet this burgeoning expectation, banks have enabled critical services of online and mobile banking by integrating industry domains of Retail, IT and Telecom. But this integration has augmented the transfer of customers' vital information over a virtual network that is quite vulnerable to online frauds and cyber-attacks. Exploiting such vulnerabilities impacts the trust and relationship that the bank shares with customers.

Owing to the unique advantages, more recently, the fintech and banking industry in India have increasingly implemented AI technologies. The imperative for the implementation is because it enhances the efficiency of the business management operations in front-end and back end processes. Currently, the AI ecosystem depends on natural language processing and natural language generation technologies enabling various Chatbot initiatives by various banks and financial institutions. The mentioned technologies coupled with AI enables optimum financial decision making vis-à-vis issues regarding transactions, detection of fraud, credit-scoring and risk and wealth management.

With AI, the power of advanced data analytics is used to fight deceptive transactions and improve compliance. It takes a few seconds for the AI-based algorithms to complete anti-money laundering activities. Moreover, AI supports the banks in managing huge volumes of customer data and develops valuable insights. AI features such as Bots, Digital Payment Advisers and Biometric Fraud Detection enhances online security and customer loyalty.

The Prospect of AI & ML in Finance and Banking in India

The appropriate use of AI and ML technologies can enable outstanding results and significant improvement is realized in terms of replacing legacy systems and achieving a developed enterprise. Globally, the integration ofAI & ML has helped the banking sector in decision making, improving customer experience, increasing the backend and frontend staff efficiency.

Below par customer service is one of the chief complaints among consumers and impacts negatively on customer engagement that leads to customer defection and retaining irate customers is cumbersome and comes at a cost. Although due to slow customer service several industries adopted to the universal utilization of automated phone support, customers often get frustrated for not being able to speak to a human. Here, machine learning helps in comprehending the individual need of each customer by analyzing factors like previous account activity and interactions to make better product selection offered by banking & financial service companies.

The ability of ML technology to access data and grasp consumer behaviour pattern helps to automate customer support system that can imitate a human agent developing the ability to understand and respond to uncommon concerns further reducing cost. Significantly, automated support systems can direct customers to the appropriate department, providing the option to resolve issues by using an automated interface without the need for human interaction.

Adoption of AI in Banking and Finance in India

Primarily, the adoption of AI in the banking and financial sector can be attributed to the larger digital proliferation occurring within the sector. The application and use of AI-enabled processes in consumer banking are wide-ranging and across different stages of operations. The critical usage of AI in the banking industry is presented below:

Business and Management Operations	Financial Operations
Customer Interface	Credit Scoring and Loan Decisions
Customer Insights and Personalization	Fraud Detection and Risk Management
Business and Strategy Insights	Wealth Management
Facilitating Backend Processes	Enabling Secure Transactions

(Source: AI in Banking & Finance. The Centre for Internet & Society)

Integrating AI & ML for Robo-Banking

With an objective on improving efficiency, firms across the banking industry are aggressively investing in automating back-end operations by digitizing critical processes and enhancing productivity by using Robotic Process Automation (RPA). The technology has been gaining wide-scale acceptance owing to the high level of efficiency that the technology achieves and hence has enabled large scale deployment by the competitive players of the banking industry. Banks are leveraging the power of RPA for streamlining end to end process and easier to manage and increase productivity. RPA acts as a huge value-add as it enables the banks to utilize its employees on more critical tasks which can significantly boost the ROI as the employee time can be reinvested in improving the products and processes which has a positive impact on customer experience and to improve their loyalty to the bank.

Indeed, Robotic Process Automation (RPA) offers a compelling opportunity to the banks and financial institutions to reduce time and automate activities which are manual, repetitive and rule-based, allowing them to enhance efficiency and speed up critical processes for reducing the time to market new products and services to end customers. Fundamentally, RPA is a software approach for indulging in activities involving multiple systems as it simulates human actions for any transaction processing in single/multiple applications.

Specifically, the robotic software allows configuration of a software robot which is pre-programmed to amalgamate necessary steps involved in an application process right from user recognition to workflow execution. Further, the software robots simulate the same steps as robotic processes within applications and reduce human intervention. Further, software robots provide a simpler implementation of automation, carrying out exactly the same steps as the humans. This requires little or no system intrusion and provides 100% consistency with the process requirements.

Exploiting AI for enhancing Competitiveness and Sustainability

With customers becoming tech-savvy, they expect the banks to use advanced technologies and enable a seamless banking experience. To meet this burgeoning expectation, banks have enabled critical services of online and mobile banking by integrating industry domains of Retail, IT and Telecom. But this integration has augmented the transfer of customers' vital information over a virtual network that is quite vulnerable to online frauds and cyber-attacks. Exploiting such vulnerabilities impacts the trust and relationship that the bank shares with customers.

With AI, the power of advanced data analytics is used to fight deceptive transactions and improve compliance. It takes a few seconds for the AI-based algorithms to complete anti-money laundering activities. Moreover, AI supports the banks in managing huge volumes of customer data and develops valuable insights. AI features such as Bots, Digital Payment Advisers and Biometric Fraud Detection enhances online security and customer loyalty.

WHAT?	HOW?
Enhanced Customer Experience	Based on past interactions, AI develops a better understanding of customers and their behavior.
Prediction of Future Outcomes	Helps banks to identify fraud, detect anti-money laundering pattern and make customer recommendations.
Cognitive Process Automation	It enables automation of a variety of information-intensive, costly and error-prone banking services like claims management.
Realistic Interactive Interfaces	Chat Bots identify the context and emotions in the text chat and respond to it in the most appropriate way.
Robotic Automation of Processes	AI reviews and transforms processes by applying Robotic Process Automation (RPA).

(Source: https://www.wipro.com/business-process)

Strategizing AI in Banking: Analysis and readiness of stakeholder eco-system

As reported by the report "AI in Banking & Finance" by The Centre for Internet & Society, there are significant number of stakeholders that enable the banking and finance ecosystem and rigorously and continuously work together for the successful adoption and implementation of AI in this sector. In order to map the stakeholder ecosystem, identifying the key stakeholders that have an impact on the use of AI in banking and finance is crucial. The stakeholders are divided into five categories:

1. Developers
2. Government Agency
3. Funders/investors
4. Academic
5. Consultancy and industry agencies.

The AI enablers for the Banking Industry

RBI Has set up an inter-regulatory working group on fintech and digital banking.	**SEBI** Has constituted Committee on Financial & Regulatory Technologies (CFRT).	**MEIT** The expert committee set up by the ministry informs the Governments AI initiative.
IDBRT Set up by RBI, it continuously conducts research on use and effect of AI technology.	**THE AI ENABLERS FOR THE BANKING INDUSTRY**	**NASSCOM** Is setting up Centers of Excellence on AI and Data Science.
NITI AYOG Is working on a National Data & Analytics Portal to facilitate training & dataset sharing.	**AI TASK FORCE** Have members specializing in AI in different fields of Industry & Academia.	**DIGITAL INDIA INITIATIVE** Has allocated funds towards creating a favorable AI regulatory environment.

(Source: AI in Banking & Finance. The Centre for Internet & Society)

Conclusion

With machines becoming smarter and with the wide viability of the Artificial Intelligence (AI) concept, firms are making their systems powerful and intelligent, globally. The idea is to serve the customers in a better way and carve out a competitive advantage. The revolutionary technology is being incorporated by firms across the industry as per their scale and size. For the banking industry, AI is more of an opportunity to enable decision based strategy for customer satisfaction, engagement and loyalty.

Although data confidentiality comes across as a challenge for AI integration in the banking system, the advent of online and mobile banking has given the industry and for AI to take over. By automating critical and complex financial processes AI will play a crucial role in mitigating cyber risks and online frauds for the banking industry. The best part is, it will keep evolving and innovating with time without considerable manual intervention. AI is poised to enable firms across industries to leverage machine and human competencies to drive operational efficiencies.

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MESSY PLAY OR CLEAN UP ACT?

Due to many high profile flare-ups entailing dominance or control concerns in banks and financial institutions, corporate governance in the banking sector has encapsulated a great deal of attentiveness lately in India. Considering the inadequacy and ineptitude of the norms prescribed by the Securities and Exchange Board of India to handle governance in banks and financial establishments, the Reserve Bank of India has published a Discussion Paper on Governance in Commercial Banks in India.According to the RBI the objective of the discussion paper is to bring into line the current governing scaffold with international best practices while being watchful of the framework of the domestic financial system.

The due date for evocations and comments on the discussion paper was July 15. The RBI has mentioned that fresh guidelines will be released based on the feedback of stakeholders. The new norms applicable to private, foreign and public sector banks will come into effect within six months after being sited on the website of Reserve Bank of India or from 1st day of April 2021, whichever is later.

About the author

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What's on paper?

The discussion paper sees the light of day in the background of two latest cases of governance failures at ICICI and YES banks. The former CEO of ICICI bank had to step down in the midst of accusations of conflict of interest and for violation of code of conduct. The founder of YES bank has been charge-sheeted by Enforcement Directorate for granting high value loans in slipshod fashion.

Therefore, the paper positions advanced accountabilities for the Board of Directors to make sure that the banks preserve uppermost benchmarks of governance and circumvent conflict of interest.The RBI has cited that the Board should outline a penned conflict of interest policy to confirm that directors are aware what actions or events could lead to conflict of interest. It has also mentioned that a director should desist from voting or inducing in any theme or topic where there is a conflict or the director's independence is affected.

In addition, with an intention of designing crystal clear division of responsibilities between the Board and the management, the paper specifies that a management functionary who is a non-promoter or major shareholder cannot be a whole-time director or chief executive officer of a bank for over 15 consecutive years. From then on, the individual shall be eligible for re-appointment as WTD or CEO only after the conclusion of three years.

However, during those three years period the individual shall not be appointed or related with the bank in any capacity. The paper restricts promoters from holding the CEO or WTD position for in excess of 10 years.Once the final guidelines are issued by the Reserve Bank, banks with WTDs or CEO who have completed ten or fifteen years shall have two years or up to the expiration of the current term, whichever is later, to discover and appoint an inheritor.

The other prescribed restrictions are maximum 70 years age limit for CEOs and WTDs, members of the Board should not be a member of any other bank or the RBI. They should not be either members of Parliament or State Legislature or Municipality or other local bodies. The strength of Board of directors of a bank should not be less than six and not more than fifteen. The Board should conduct meetings at least once in sixty days and at least six times a year.

Prior approval of the Reserve Bank of India is mandatory for appointment, re-appointment and extermination of whole-time directors and chief executive officers. If the individual is not a proprietor of a Non-Banking Financial Company or a full-time employee and that the NBFC does not enjoy a financial accommodation from the bank, a director on the board of an entity other than a bank may be considered for appointment as director on a bank's board.

The paper places numerous procedures to guarantee appropriate conduct of various committees of the board - the audit committee, nomination and remuneration committee and the risk management committee. The central bank also counseled substantial prominence on having a robust internal audit mechanism and vigilance scheme. The paper advises appointment of Company Secretary for Banks and parameters relating to performance assessment and roles of the company secretary, Responsibility of the company secretary, Secretarial Audit Applicability and Compensation of the functionaries.

Will reform be effective?

At first glance, the paper is an appreciable endeavor to spruce up Indian banking, particularly after the extremely unpleasant developments at PMC Bank, YES Bank etc. Nonetheless, the accomplishment of the efforts will depend on the extent to which the watchdog efficiently enforces the norms or medians.

The paper concentrates on commercial banks but a deeper look exhibits that only private sector banks and foreign banks will be the scapegoats. Public sector banks are doubtful to be squeezed and NBFCs have been left out of the ambit completely. Furthermore, the paper has no specific statutes or restrictions applicable to the Government of India, who as a promoter holds the capacity to issue orders to such banks. This will definitely create ditch in the governance.

Also, the RBI must know that complete obligation of financial sector guardianship lies with it. It should not try to shift the responsibility to the bank boards. It is open secret that the debacle at ICICI bank, fiasco at Axis bank, farce at Indusind bank and mess at IL&FS etc. were the outcome of gross negligence of the RBI. Therefore, attempts to pass the responsibility may not help at all.

In conclusion, the Central bank should be sensible and watchful while bumping radical changes at banks. Forceful governance standards won't clean up the banking sector.

Very importantly the RBI should confirm that its controlling organ on banks is strong and its review squads are alert to check scandals before they occur. This can make governance reform be truly effective and help the Central bank to keep its preamble shining.

Vapour of yhe Paper

- Board members should not be a member of the Board of any other bank or the Reserve Bank of India.
- Board members should not be either a Member of Parliament or State Legislature or Municipality or other local bodies.
- The strength of Board of directors of a bank should not be less than six and not more than fifteen, with a majority being independent directors.
- At least once in 60 days the Board of Directors shall meet and they shall meet at least six times a year.
- If the individual is not a proprietor of a Non-Banking Financial Company (NBFC) or a full-time employee and that the NBFC does not enjoy a financial accommodation from the bank, a director on the board of an entity other than a bank may be considered for appointment as director on a bank's board.
- Prior approval of the Reserve Bank of India is mandatory for Appointment, re-appointment and extermination of whole-time directors and chief executive officers.
- The higher age limit for chief executive officers and whole-time directors of banks is recommended at 70 years. Banks will be free to fix a lesser age for such appointments.
- The paper restricts promoters from holding the CEO or WTD position for in excess of 10 years and the term of a non-promoter CEO or WTD will be plugged at 15 years.

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Three changes taxpayers and investors need to make a note of

From the deadline for filing belated or revised income tax return (ITR) being pushed to the Reserve Bank of India’s (RBI) new guidelines for credit and debit cards, quite a few recent developments will affect taxpayers, investors and consumers. We list the five main changes to keep in mind.

Belated/revised ITR filing deadline extended:

The Central Board of Direct taxes has extended the deadline for filing belated or revised ITR to 30 November 2020 from 30 September. This move was made taking into consideration the difficulties faced by taxpayers in completing their ITR formalities in the wake of covid-19.

RBI’s new card guidelines kick in:

RBI’s new guidelines to secure payments through debit and credit cards came into effect on 1 October. These include enabling international transactions on a card if the customer requests it, turning off the online payment option for cards that have not been used for contactless or online payments since issuance, and allowing customers to set spending limits on cards.

“The measures have come at an appropriate time. In these times when consumers are preferring online and contactless payments, they have to remain extra vigilant as the environment has become more vulnerable to cyber attacks," said Bharat Panchal, chief risk officer for India, Middle East and Africa for FIS, a company that provides technology solutions.

TCS on foreign remittances over Rs. 7 lakh:

A 5% tax collected at source (TCS) has become applicable to foreign remittance in excess of Rs. 7 lakh. This change was introduced in budget 2020 and came into effect on 1 October under RBI’s Liberalised Remittance Scheme.

Payments for foreign tour packages will also be subject to this TCS. However, if you fail to provide your PAN or Aadhaar to the authorized dealer, the TCS rate will be bumped up to 10%. If the amount is remitted for the purpose of pursuing education through a loan obtained from a financial institute, the applicable rate of TCS will be 0.5% on the amount exceeding Rs. 7 lakh. *(Source: Livemint)*

DEBIT-CUM-CREDIT CARD: MORE FOR LESS

In banking industry we have experienced three kinds of cards. Debit cards, Credit cards and Pre-paid cards. Now some banks have come up with fourth kind in its category which will reduce the weight of your wallet.

Union Bank of India and IndusInd Bank have come up with a new innovative type of card that is combination of the two cards into one. Union Bank of India named its card 'Combo' and launched on it's centenary year in November 2018 and IndusInd Bank had launched it's Card just one month ago in October 2018, called 'Duo'.

These dual cards look similar to regular debit or Credit Cards but they have been modified with technology. It has two chips on the face of the card; one chip that functions as a debit card (and linked to your savings bank account) and another chip that functions like a credit card. Both these chips are placed on the two opposite ends of the card.

Apart from two chips on the face of the card, there are two magnetic stripes on the back of the card. Depending on the mode of transaction (debit or credit) customer just need to present that particular side at point of sale (POS) system to swipe or dip.

About the author

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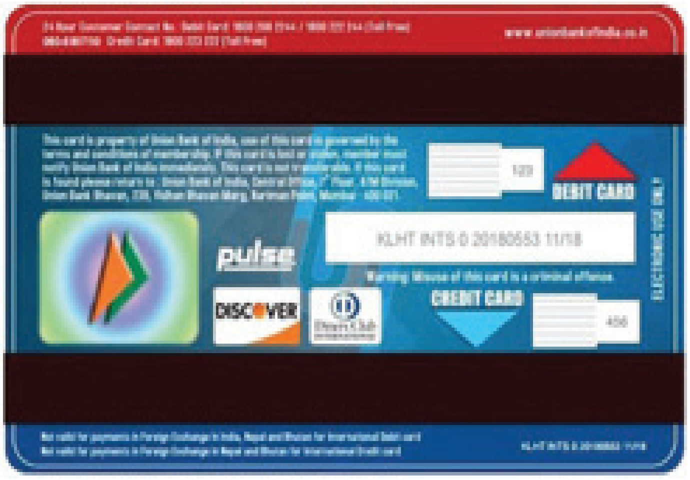
Union Bank's Rupay Combo Debit Cum Credit Card



Union Bank's Rupay Combo Debit Cum Credit Card is a Rupay International 2-in-1 card that allows cardholders to enjoy the convenience, flexibility and freedom to choose in a single physical card for the debit /credit transaction facility and they need not to carry two cards.

To enable cardholders to choose between credit and debit card facility, there are two different card numbers, separate chips, separate magnetic stripes and two different CVV numbers. Cardholder has to generate green PIN for debit card and credit PIN can be generated from the website www.unionbankonline.co.in. There is indication on both horizontal ends of the card to enable cardholder to choose credit or debit card.

Cardholders can use combo card as debit card linked to his/her bank account by inserting/swiping 'debit card' side of the card in ATM/POS card reader and enter the debit card PIN for financial and non financial transactions at ATM and purchases at POS machine. Transaction initiated with the card will appear on the statement of cardholder's bank account.

For eCommerce (online) transactions , cardholder has to enter card credentials, "Debit card number, expiry date, CVV and mobile OTP for transaction from debit card" and " credit card number, expiry date, CVV and OTP for transaction from credit card" on merchant website/mobile app to make the payment. The transaction will be authenticated using the one time password (OTP) sent on the cardholders number cardholder has registered with us.

The features of Union Bank Combo Debit Cum Credit card are as under:

Sr. No.	Feature	Debit Card	Credit Card
1.	Card Variant	Platinum	Select
2	Daily cash withdrawal limit - ATM	Rs40,000/-	20 % of Card limit
3.	Daily shopping limit-PoS & internet	Rs60,000/- limit	Upto card
4.	Total Daily limit	Rs1,00,000/-	Upto card limit
5.	Validity	5 Years	5 Years
6.	Average Quarterly Balance	3,000	NA
7.	Personal accidental insurance	4 lakh	20 lakhs
8.	Card issuance charge	Rs.200/- + Taxes per card	NIL

Additional benefits:

RuPay Debit Platinum	RuPay Credit Select
Complimentary Lounge Program at 25+ domestic lounges and 500 + international lounges	Complimentary Lounge Program at 25+ domestic lounges and 500 + international lounges
Cash back on Utility Payments	Cashback on Utility Bill Bill Payments and Dining
Exclusive Merchant Offers	Exclusive Merchant Offers
24/7 Concierge Services	24/7 Concierge Services

IndusInd Bank Duo Card

The IndusInd Bank Duo Card comes with two Magnetic stripes & EMV Chips. Simply dip/swipe or enter the relevant card details to enjoy the convenience, flexibility and freedom to choose how you pay as well as access cash without carrying multiple cards.

For every Rs. 150 spent on your IndusInd Bank Duo Card, you get 1 Reward Point.

DUO Credit Card

Avail air accident insurance up to Rs. 25 lakhs, insurance on lost or delayed baggage, loss of passport or ticket, missed connections, as well as total protection up to your credit limit.

DUO Debit Card

Get air accident cover of Rs. 25 lakhs, personal accidental death insurance of Rs. 2 lakhs, lost card liability of Rs. 3 lakhs, as well as purchase protection worth Rs. 50,000.

The question is: How good is it an option to use such cards? These duo cards give convenience and flexibility to the customers. They need to carry one card for all their financial needs instead of two separate cards (i.e. debit and credit cards) and can travel light with just one plastic card in the wallet.

The reward points earned using debit and credit sides of the card are consolidated every month and accumulated by the bank. So, the customer can avail benefits of this consolidated reward points while redeeming.

IndusInd bank offers a lost card liability insurance cover for Rs 3 lakh to the customers on duo card. Liability insurance cover is generally offered by certain banks on selected variants of credit and debit cards offered. The procedure for a claim is, if you lose your card or if it gets stolen, you must report the incident to the bank immediately in order to deactivate your card and prevent fraud. Also, file first information report (FIR) with the police.

Liability on a lost or stolen card is payable by the bank on the expenditures (transactions) incurred during the period between the loss and your informing the bank.

Reward or Punishment?

Combining the two cards into one may relieve you of having to carry multiple cards, but you have got to be extra careful before you use them.

While using dual card though it gives convenience to carry one card instead of multiple cards, there can be some threats associated with these card. Suppose a person keeps same pin for both the facilities i.e. for debit as well as credit card and due to negligence withdraws cash using credit card instead of debit card. As we know that cash withdrawals on credit card are chargeable, the user may have to bear charges on account of cash withdrawal. The person may come to know about the mistake only after reconciliation of account statement and till that date he might have to bear interest on cash withdrawals as well.

There is a high probability that customers can make a mistake while swiping or dipping the card at ATM or at POS system while transacting. Even a merchant/cashier at a shop could end up making a mistake while swiping the wrong side i.e. credit side instead of debit since EMV chips and magnetic stripes are placed at both the ends of the card.

Off course this issue can be alleviated by the customers by using two different PINs for debit and credit side of the cards. Also, if such dual card is hacked or stolen, then user may tend to lose out on credit limit and may register loss from savings account also since both debit and credit are combined into one card. It's like losing two cards at one go; your credit limit as well as your savings account, both are at risk.

Conclusion:

In the present era, where we are moving to a digital world and also focus is being given on electronic transactions rather than using cash, such kind of technology can be counted as a forward step in the direction of digital world.

A 2-in-1 card allows cardholders to enjoy the convenience, flexibility and freedom to choose in a single physical card for the debit /credit transaction facility and freedom from carrying two cards. It is specially designed for corporate, professional & salaried category customers, who have monthly salary income and also need credit card for personal needs.

Such cards give ease of transaction and relieve from the stress of keeping multiple cards in the wallet. Of course technology comes with risks but these risks can be averted/ avoided by being a little extra cautious like keeping separate pins for both the cards.

Further, normally there is always risk of lost of multiple card on lost of wallet. This risk can be averted by immediately hotlisting the card on loss of card.

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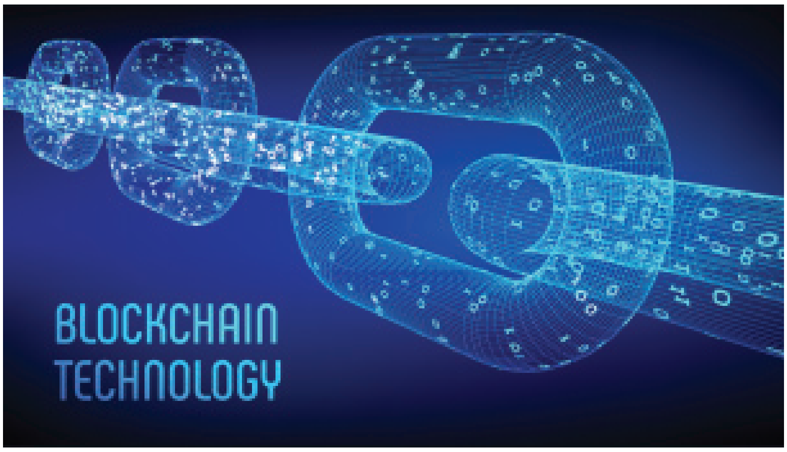
BLOCKCHAIN TECHNOLOGY



Abstract

Blockchain is one of the most talked-about emerging technologies in today's digital space along with AI - Artificial Intelligence, ML - Machine Learning, IoT - Internet of Things, Big Data, Edge/Cloud Computing that is capable of, if implemented and accepted worldwide, bringing about a huge change in the way communications/transactions are carried out in any form and in any industry. Though some of the forward-thinking organizations have started using this technology, large-scale adoption will change the way things are being perceived today.

About the author

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The term "Blockchain" (previously Block Chain) can be simply defined as the term itself denotes - a chain of blocks. It is a distributed form of ledger keeping where each individual node maintains all the chain of blocks or transactions preceding it. This latest technology is the buzz word of all the industries today including the Banking and Financial Sector, where the utility is far-reaching and huge.

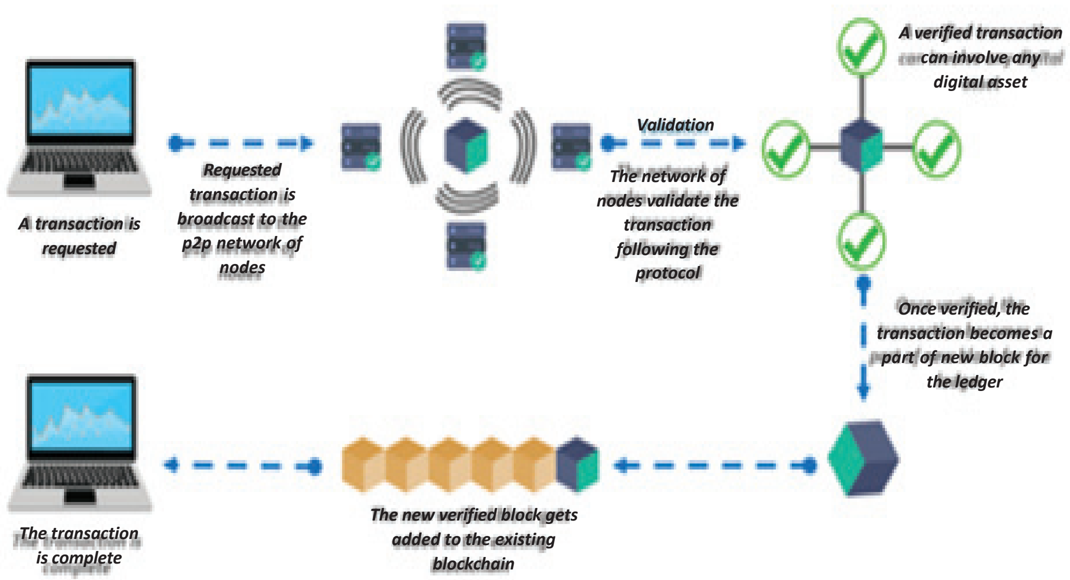
The definition of Blockchain as per Wikipedia is "a growing list of records, called blocks that are linked using cryptography. Each block contains a cryptographic hash of the previous block, a timestamp and transaction data which is generally represented as a Hash/Merkletree".

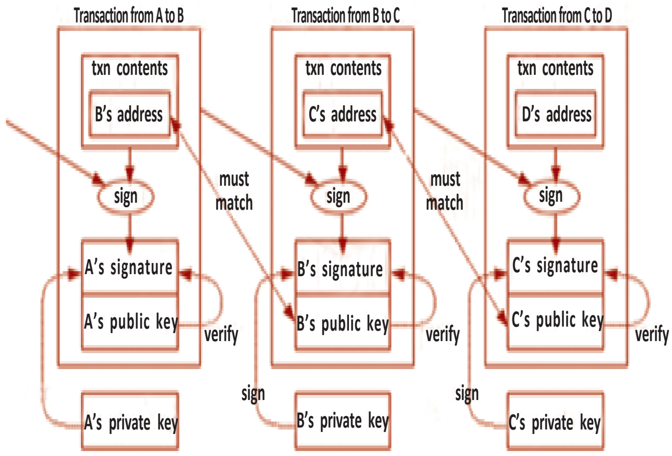
Blockchain is widely believed to be invented by a person (or a group) going by the name of Satoshi Nakamoto in 2008, whose identity is unknown, particularly for the purpose of cryptocurrency "bitcoin". In his original paper, Satoshi Nakamoto used the words block and chain separately, but it later became popular as a single word blockchain.

Blockchain technology can neither be attributed to an organization nor thought of as an application, but only a new way of data documentation on the internet. The technology helps in developing different blockchain applications, for example, social networks, messengers, games, exchanges, online shops and many such more. In other words, it is very much like the present-day internet and that's why is also being called as "The Internet 3.0".

The forms of the information recorded on a blockchain can be many like transfer of money, ownership, a transaction, an agreement between two parties, etc. To establish the authenticity of the transaction, it requires confirmation from several devices on the network such as computers. Once an agreement is reached (called consensus) between all the devices in the network, the information/ data is stored on a blockchain that cannot be disputed, deleted or modified without the knowledge/agreement of all the participants.

In other words, the blockchain is resistant to alteration of data by its design and is a distributed open ledger to record transactions between parties in a permanent way that is verifiable and efficient. It is managed by a peer-to-peer network that follows a common protocol for communication and validation. Once any data is recorded, it cannot be altered retroactively without touching all the subsequent blocks. This, in blockchain, mandatorily requires the approval of all the participants/stakeholders in the network.





A simple representation of how Blockchain/Bitcoin works, Source: Google Images

Why Blockchain?

Advantages

The main reasons for the popularity of this technology are Decentralisation, Transparency, Security and Immutability.

Decentralisation/Distributed: Approach to distributed storage and verification of data and no need for a Central Authority - since the data is stored in many devices on a network of nodes, it's highly resistant to failures (both technical and physical). Each node in the network replicates and stores a copy of the database, thus preventing a single point of failure.

Transparency: In a distributed ledger, all the participants in the network share the same data which can be updated only through consensus.

Security: Transactions in a blockchain must be agreed upon before they are recorded and later encrypted and linked to the previous transaction.

Immutability: Ability to remain unaltered and indelible.

Disadvantages

Experts and observers of the technology point out that there are many disadvantages also in the blockchain like usage of excessive energy to function, limitation in scalability, not being completely indestructible, can grow very large over time and lead to storage constraints and vulnerable to 51% attacks (if one entity manages to control more than 50% of the computing power, will allow them to meddle with the transactions).

Types of Blockchain

There are three primary types of blockchains.

1. **Public:** These are designed as fully decentralized, which are open-source, allowing anyone to participate as users, miners, developers. All the transactions on public blockchains are fully transparent and anyone can examine the transaction details. Eg., Bitcoin, Ethereum, LiteCoin, etc.
2. **Private:** Also known as permissioned blockchains, where the participants need consent to join the network. The transactions, being private, are only available to the participants in the ecosystem. Eg., Hyperledger, Corda, Hashgraph, etc.
3. **Hybrid:** A combination of private/permissioned and public blockchains where it has both the benefits like privacy (private), security and transparency (public). Eg., Ripple, Dragonchain, etc.

Present Status of Blockchain

Though initially started for cryptocurrency, bitcoin, there are a multitude of usages of this technology and many organizations are either experimenting with this technology or in the process of collaborating to know the extent to which their purposes can be served.

The following organizations have already made significant progress in the implementation of the Blockchain technology or exploring the possibility in their operations.

- FedEx
- IBM
- Microsoft
- MasterCard
- Huawei Technologies
- Bank of America
- Facebook
- Oracle
- SAP
- Samsung and many more

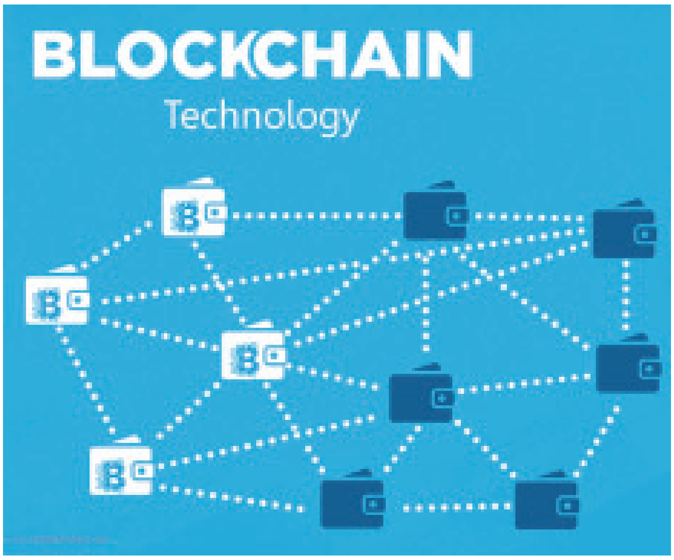
Blockchain in India

Public blockchains, as discussed earlier, can solve many Indian problems such as providing data security, reducing corruption, eliminating middlemen, improving the delivery of service by Governments and Organizations, etc. But the current scenario in India is more focused on the consequences of misuse of this technology (particularly cryptocurrencies) rather than understanding the potential the blockchain technology can offer.

Having said that, our Government is also not neglecting the technology and the advantages it can offer for Indian scenarios. In fact, it has hosted the International Blockchain Congress in association with some state governments for helping the adoption of the technology in India. Reserve Bank of India also has setup a research unit in 2018 to study the new and emerging technologies (including blockchain) that can help in creating a cashless banking system.

Blockchain in BFSI Sector in India

Some Indian companies, like Bajaj Finserv, is using blockchain



technology for providing the services like travel insurance, claim settlement to improve customer service (like settlement of claims in the case of flight delays even before customer request).

In Banking, JP Morgan, along with seven top Indian Banks like ICICI, Axis has brought the blockchain technology platform that enables payments to reach the beneficiaries faster. The platform, named Interbank Information Network (IIN), is aimed at providing secure information exchange for cross-border payments which significantly reduces costs and time taken to complete a successful transaction.

State Bank of India, along with ICICI, DCB, Kotak Mahindra, Federal, Deutsche and UAE Exchange, in collaboration with Primechain Technologies, has started a platform - BankChain to explore the possibilities of shared KYC/AML, cross border payments, peer-to-peer payments and security controls.

Conclusion

Blockchain Technology that brought about the technological revolution in recent times has very high potential applications in various industries and sectors. While few were first in adopting this technology in their operations, many are still sceptical and are in the process of exploring the possible ways that suit their requirements. Though it became hugely popular with cryptocurrency applications, the adoption of the technology globally in different sectors can transform the way operations are carried out.

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Pandemic to keep Asia's growth at lowest since 1967: World Bank

The coronavirus pandemic is expected to lead to the slowest growth in more than 50 years in East Asia and the Pacific as well as China, while up to 38 million people are set to be pushed back into poverty, the World Bank said in an economic update. The bank said the region this year is projected to grow by only 0.9%, the lowest rate since 1967.

Growth in China was expected to come in at 2% this year, boosted by government spending, strong exports and a low rate of new coronavirus infections since March, but held back by slow domestic consumption. The rest of the East Asia and Pacific region was projected to see a 3.5% contraction, the World Bank said. The pandemic and efforts to contain its spread led to a "significant curtailment" of economic activity, the report said.

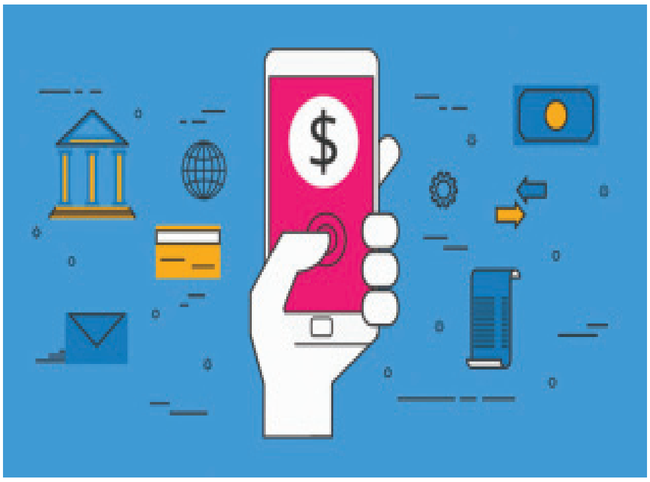
"These domestic difficulties were compounded by the pandemic-induced global recession, which hit EAP (East Asia and Pacific) economies that rely on trade and tourism hard," it said. Countries in the region may need to pursue fiscal reform to mobilise revenue in response to the economic and financial impact from the pandemic, while social protection programmes can help support workers' integration back into the economy, the Washington, DC-based bank said.

"Countries with well-functioning social protection programs, and good implementation infrastructure, pre-Covid-19, have been able to scale up more quickly during the pandemic," it said.

The economic shock of the pandemic was also expected to lead to a jump in poverty, defined as income of ₹5.50 a day, the bank said, adding that based on past experience and the latest gross domestic product forecasts, poverty could expand by 33 million to 38 million people to see its first rise in 20 years.

The bank said that 33 million people who would have in the absence of the pandemic escaped poverty would remain in it this year. "The region is confronted with an unprecedented set of challenges," said Victoria Kwakwa, vice-president for East Asia and the Pacific at the World Bank. "But there are smart policy options available that can soften these tradeoffs - such as investing in testing and tracing capacity and durably expanding social protection to cover the poor and the informal sector." *(Source: Business Standard.)*

FIN TECH FIRMS A DISRUPTOR OR PARTNER TO BANKS



Introduction

The initial offering in this segment came in the year 2005 with the introduction of BC (Banking Correspondent) model to increase penetration to unbanked areas. FinoPayTech and Eko India were the major start-ups that took advantage of this opportunity and built their services around the BC model. The year 2010 saw the slow emergence of fin tech companies in a heavily regulated market, but with lots of restrictions in financial sector the way forward for such companies was sceptical. In the year 2015 the Indian Fin tech sector, saw a spike in the emergence of numerous Fin tech start-ups, incubators and investments.

Banks have also launched solutions with the help of their in-house teams aimed at improving the digital financial infrastructure. Some of the initiatives include:

- ❖ Union Bank of India launched the *99# mobile application in partnership with NPCI that allows basic services like balance inquiry, fund transfers and mini statements to its customers even when there is no internet
- ❖ Axis Bank presented the 'Invoice to Payment' feature that provide end-to-end digital invoicing and payment solutions
- ❖ ICICI bank launched a contactless mobile payment system which could enhance NFC payments in India
- ❖ DBS introduced the first mobile bank that allows customers to open accounts digitally with their ID proofs.

Building a robust Fin tech ecosystem where start-up firms engage in external partnerships with financial institutions, universities and research institutions, technology experts and government agencies is expected to be a key enabler for growth and innovation in the Fin tech sector. With the new initiatives taken up by government such as financial inclusion and promoting cash less economy a lot of scope

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Union Bank of India

has been opened up for the fin tech companies. Despite wide branch network, the financial services still lag in terms of coverage. Over 40% of the population is not connected to banks and an estimated 90% of small businesses are not linked to formal financial institutions (FIs).

These gaps in access to formal financial services have created a large untapped market potential for Fin tech start-ups to develop a variety of offerings. A major role in kick-starting the evolution of Fin tech in India was played by start-ups offering digital mobile recharges. For a very long time, Indian consumers used coupons purchased from retail outlets, largely by cash for prepaid mobile phone recharges. This evolved to digital recharges, which in turn evolved into digital wallets and usage of wallets for various other commerce activities.

The fact that these new offerings have strongly impacted consumer behaviour has not only attracted attention from more technology savvy individuals, but also a lot of investments. Banking has been one of the sectors that were resistant to disruption by Technology. For centuries, banks have built robust businesses with high margins, high distribution through branches, and unique expertise in lending activity. The Banks have enjoyed the special status of being regulated institutions that supply credit which is required for the economic growth and have got insurance for their liabilities (deposits).

Moreover, the bank customers are slow to change financial-services providers. This has resulted in banks having a very resilient business model. However, the status-quo is changing rapidly. First, the financial crisis had a negative impact on trust in the banking system. Second, the pervasiveness of mobile devices has begun to undercut the advantages of physical distribution that banks previously enjoyed. In India Mobile phones have an 80% penetration vis-à-vis bank penetration of just 35%. The aforesaid factors have led to a huge change in the customer's tastes and preferences in favor of the new innovative financial products specifically, and environment in general. Fin tech companies have the advantage of reduction in both, operational and capital expenses.

Now let us see what exactly are fin tech companies??

Financial technology companies consist of both startups and established financial and technology companies trying to replace or enhance the usage of financial services provided by existing financial companies. India has become a hotbed for fin tech firms. India has a presence of approximately 400 companies in the Fin tech industry and NASSCOM report estimates the Fin tech software and services market to grow 1.7 times by 2020, making it worth Rs. 60, 000crore.

The operational cost of a Fin tech company is 4.25 percent lower than traditional banking systems and the benefit could be passed on to the customers along with convenience of services," he said, adding that many new age customers were shifting to these instead of banks for their needs. The primary factors that were driving Indian firms to deploy Fin tech products included streamlining day-to-day operations, fast growth in revenues, increasing reach, process efficiency and improvement, empowering sales force, and managing risks and costs.

The industry is undergoing rapid evolution in terms of product offerings, with added focus on customer experience, driven by the advent of mobile and analytics technology. Customers are increasingly open to banking innovations driven by technology, government regulations are leading the charge, and private players are making major investments. This is leading to greater financial inclusion as everyone gets access to advanced banking services and a wide range of financial offerings. These trends are sure to play a key role in this transition. Growth and market success of any Fin tech hub originate from an integrated ecosystem.

A successful Fin tech ecosystem is where all the market participants connect, engage and share ideas across vibrant communities and networks, as well as identify and convert opportunities into business. In the current age of technology driven financial services, no market participant can afford to operate individually. Fin tech firms' primary competitive advantages are their agility to launch and pivot, their laser focus on customer experience, and their freedom from the burden of legacy systems.

However, they also face challenges in scaling their business due to a lack of trust, absence of a known brand, an established distribution infrastructure, capital, and regulatory compliance expertise that, historically, are the strengths of incumbent firms.

Government role in rise of Fin tech firms

India has traditionally been a cash-based economy, with the country's preference for cash being reflected in its high cash-to-GDP ratio of 12.04%. In November 2016, the Government of India undertook a demonetization drive, scrapping high-denomination notes. This provided a significant boost to Fin tech startups (mobile wallets and digital payments), pushing citizens to use to digital modes for payments. Without the governments support no firms, specifically Fin tech firms that is being operated in a tightly regulated industry cannot survive.

The government and the regulatory bodies have recognized the changes that are taking place in the Indian Fin tech space and have constantly kept pace with the rapidly changing environment in terms of technology and customer expectation.GOI and RBI are pushing heavily for moving towards a cashless digital economy and creating an eco system by providing funding and promotional initiatives. GOI with its initiative of startup India has given the funding advantage to budding Fin tech entrepreneurs. With the GoI scheme of Jan Dhan Yojana lot of new customers are being added into the banking sector hence there is a lot of scope for such firms.

Govt with the digital India project have started bringing in the digital infrastructure to even villages hence such fin tech companies are getting vast scope for their business. The investors have started understanding the importance and impact fin tech companies would be able to create. It was initially started off with mainly payments technology but soon it started moving onto other spaces such as lending, investing, wealth management and other financial related activities. The highest number of startups has been in Bengaluru. However, for Fin tech start-ups to continue their way forward, they need to demonstrate to regulatory bodies that they can benefit the society, by being transparent to public, institutions and the regulators that they can be regulated and monitored.

Consumer Perspective

Consumers have already started turning to Fin tech firms as alternative providers of access to payments, credit, investments, insurance etc. Even in urban areas where branches are in plenty, banks are often unable to live up to the increasing expectations of demanding customers. Younger customers do not have the patience to visit branches. They are looking for fully automated, simple to use, digital products and services - an area where banks are found lacking - especially when compared to the digital offerings off fin tech firms.

Ease at setting up of account at the comforts of home when compares to the traditional financial services and wide range of services conveniently accessible are reasons for consumers get attracted. India has seen significant growth in both the number of smart phone users and internet users over the past few years. India is ranked third in terms of number of smart phone users and deep penetration into the Indian population base offers Fin tech firms an opportunity to address issues of low banking penetration. But with increase in base of consumers the demands and requirements from them will start varying.

Partners to Bank

The Indian financial sector is highly regulated with significant capital and other constraints on firms interested in delivering financial services. While this level of regulation is aimed at protecting the interests of consumers, it has had the unintended effect of creating large entry barriers for Fin Techs. However, in areas that are relatively lightly regulated, Fin Techs have been able to disrupt, or significantly impact, the business models of traditional players as a result of lower cost structures, and more effective technology design and implementation.

The relationship between Fin techs and traditional financial institutions has morphed from competition to collaboration, but this potential of collaboration is just the start. Fin tech companies were initially seen as technology based business moving into the space of financial institutions. They were perceived as a threat to the existing banks since slowly the fin tech companies were occupying the space of the banks. Fin tech companies usually target a particular segment and try to dominate them.

Banks having to focus as a whole started lagging back since the no off fin tech firms raised and they started on focusing exclusively in their target groups. Banks started slowly losing their customer base due to this. Banks started moving from the traditional conservative mindsets, to align their strategies and better collaborate with Fin tech players in the payments, lending and wealth management space. Banks realized the importance of working with them rather than seeing them as disruptors. They started understanding the impact which could be created if collaborating with fin tech firms was done.

Due to a plethora of data, fin tech startups have gained significant traction. By introducing innovative ways, they are successfully offering products and distinctive solutions for consumer demand. The banks started collaborations in different ways such as venture capital investments, incubator programs and accelerator programs. Collaborations will provide the perfect opportunity to leverage the full potential of the technology and will allow them to meet the demand of digitally savvy users.

Fruitful collaborations will heavily rely on traditional institutions' ability to identify and assess whether candidates for partnership have the characteristics necessary for sustained success across four pillars: People, Finance, Business, and Technology. With adopting fin tech revolution by banks, soon would come a day when there would be no requirement of physical cash and everything will be possible to mobile, cards and Internet.

Traditional financial institutions are adopting many Fin tech customer service enhancements, while retaining strengths including risk management, infrastructure, regulatory expertise, customer trust, access to capital, and more. Both traditional and Fin Tech firms stand to gain from a symbiotic, collaborative relationship. For a successful collaboration, both sets of firms will need to remain open-minded and keep a dedicated focus on collaboration. Both traditional financial institutions and Fin techs have struggled with finding the right partners, efficiently working together, and effectively scaling innovation.

Fin tech leaders have struggled with traditional institutions' lack of agility, willingness to partner, and culture fit. However, Fin techs also need to be mindful of incumbents' constraints and clearly articulate the value proposition they can achieve together to be a collaborative partner. Financial institutions need to respect the Fin Techs' culture to avoid losing their agility, which is one of the major assets that they bring to projects. The challenge being throw open to both segments will be to select the best fit Fin Tech with whom to collaborate. Achieving the next level of high growth and scale will require Fin tech firms to collaborate with traditional financial institutions to gain access to a larger customer base.

A robust partner ecosystem is also critical for creating better customer-centric products and services. The future of financial services is in the hands of both the Fin Tech and traditional firms that can complement each other's strengths to meet customer needs and redefine the journey. Both Fin tech and traditional banking has its advantages and disadvantages hence to be strong on both fronts effective partnership is a must. In cases of Fin tech firms they are lagging behind in aspects such as brand name, customer trust, capital and infrastructure.

For startups, partnerships with financial institutions will provide access to funds for future growth. With joint efforts, their businesses will more likely be scalable and sustainable in the long run. For banks, such partnerships would mean a data-driven approach with lesser costs, low redundancy, solid technical know-how, and increased efficiency. Banks can significantly reduce structural costs, provide employees more time for value-added tasks, and enable enhanced regulatory compliance. Unified efforts can create a solid financial system that works for all.

Such engagements should work with the highest integrity, strong level of security, and greater transparency to reap the full benefits of the next wave of tech innovation. All banks are in active dialogues with Fin Tech firs to see how effectively it will be suitable and can be integrated with banks system.

Conclusion

India is having a huge scope for Fin Tech players with the digital India initiative the infrastructure was also put in place for the rise of such firms. The growth in Fin Tech solutions has seen huge uptick in the last couple of years. This is further expected to grow with the renewed interest from banks and regulatory bodies. Banks have started to actively participate in the Fin Tech boom by looking for partnerships and investments with start-ups, while the government and regulators are drawing new frameworks and policies that incentivize innovation and entrepreneurship.

Consumers range from financially illiterate to extremely sophisticated global investors. Consumers may be multi-lingual or may only speak their native language. They may have access to the latest technology or may be limited to basic phones and limited internet connectivity. This creates a variety of use cases and needs. The robust ecosystem of technology, underlying platforms and skilled people and government / regulatory initiatives have provided Fin tech players with the opportunity to identify specific niches and the capability to address their pain points, before growing to address other market segments. ❑

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Course Modules

Module -1- Introduction to Risk Management

Module -2- Understanding Environment and Stakeholders

Module -3- Risk Strategies and Corporate Governance

Module -4- Risk Management Framework

Module -5- Risk Management Process

Module -6- Emerging Risk

Module -7- Types of risks

Module -8- Models for Estimation of Risk

Module -9- Project and Assessment

Course Details

Course Duration/ Time	30 Hours / 8 Week
Final Exam	After 2 Months
Mode of Delivery	Online. E learning Modules Two Live Query Sessions for Clearing the doubts. Participants can also raise their query through mail/E Learning software
EARN A CERTIFICATE	Post successful completion of the course, Project and Assessment, you shall EARN A CERTIFICATE in RISK MANAGEMENT jointly awarded by Risk Management Association of India and AICP, London. You can use this Certificate across your Professional network and share with current/ prospective employers

Course Fees	INR 15,000 or USD 350 for international participants
Special Offer for first 200 Registrations:	25% Discount on Course Fees — INR 11,250 Plus Exam Fees Rs.750 – Total Rs.12000 International USD 262.50 Plus Exam Fees US₹20 Total US ₹ 282.50
Special Offer for RMAI Members:	40% Discount on Course Fees for Registration – INR Rs.9000 Plus Exam Fees Rs.750 (9750/-)
Final Exam Fees	INR Rs.750 Examination Fees – Indian Students US ₹ 20 – International Students Final Exam shall be conducted by Remote Invigilation.

Course Methodology

i) Online Course spread over eight week (E Learning Modules)

ii) 8 Modules of three hours each Plus Project

iii) Quiz during each module to check understanding

iv) Query Management Sessions by Experts

v) Individual Project and Guidelines

vi) Course Completion Assessment

vii) Final Exam by Remote Invigilation

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Association of Internal Control Professionals was established in London in 2014 the Institute is a not-for-profit organisation.

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- Career Opportunity Section on the Website of RMAI (rmaindia.org) which will have list for all new openings and opportunities in risk management and related fields
- Opportunity for publication of research paper and articles in RMAI Bulletin and other platforms
- Participate in Webinars conducted during the period

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2. Companies who want to enroll their employees in bulk can request for a invoice at info@rmaindia.org

In case of any Query about the Course you can contact us

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RBI CIRCULAR

Submission of returns under Section 31 (read with section 56) of the Banking Regulation Act, 1949 - Extension of time

RBI/2020-2021/55

October 13, 2020

1. Please refer to our circular DoR (PCB).BPD.Cir.No.2/ 12.05.001/2020-21 dated August 26, 2020 issued to all Primary (Urban) Co-operative Banks (UCBs) extending the period prescribed for submission of returns under Section 31 (read with Section 56) of the Banking Regulation Act, 1949 [as amended by the Banking Regulation (Amendment) Ordinance, 2020] for the financial year ended on March 31, 2020 by another three months, till September 30, 2020.
2. In view of the difficulties faced by UCBs in finalizing the financial statements amidst the COVID-19 pandemic, Government of India, on the recommendation of the Reserve Bank, has issued a Gazette Notification No. S.O. 3377(E) dated September 29, 2020 (copy enclosed) declaring that the provisions of Section 31 read with clause (t) of Section 56 of the Act shall not apply to Primary Co-operative Banks till December 31, 2020. Accordingly, all UCBs shall ensure submission of the aforesaid returns to the Reserve Bank on or before December 31, 2020.
3. Since the Banking Regulation (Amendment) Act, 2020 has not been notified for the State Co-operative Banks and Central Co-operative Banks as yet, they are required to furnish three copies of accounts and balance sheet together with auditor's report as returns to the Reserve Bank and the National Bank (NABARD), in terms of Section 31 read with Section 56 (t) of BR Act, within six months from the end of the period to which they refer, i.e., by September 30, 2020 for the financial year 2019-20. However, taking into account the difficulties being faced by the State Co-operative Banks and Central Co-operative Banks due to the ongoing COVID-19 pandemic, the Reserve Bank hereby extends the period for furnishing of the returns under Section 31 of the Act for the financial year ended on March 31, 2020 by a further period of three months in terms of the first proviso to the above section. Accordingly, all State Co-operative Banks and Central Co-operative Banks shall ensure submission of the aforesaid returns to the Reserve Bank and NABARD on or before December 31, 2020.

(Neeraj Nigam)
Chief General Manager

SLR holdings in HTM category

RBI/2020-2021/54

October 12, 2020

1. Please refer to paragraph 2 of Statement on Developmental and Regulatory Policies of the Monetary Policy Statement, 2020-21 dated October 9, 2020 and our circular DoR.No.BP.BC.9/21.04.141/2020-21 dated September 1, 2020 on the above subject.
2. Banks are permitted to exceed the limit of 25 per cent of the total investments under Held to Maturity (HTM) category provided the excess comprises only of SLR securities and total SLR securities held under HTM category is not more than 19.5 per cent of Net Demand and Time Liabilities (NDTL) as on the last Friday of the second preceding fortnight. Banks are, vide our circular

dated September 1, 2020 referred to above, allowed to hold under HTM category, SLR securities acquired on or after September 1, 2020 up to an overall limit of 22 per cent of NDTL, up to March 31, 2021. It has now been decided to extend the dispensation of the enhanced HTM limit of 22 percent, for SLR securities acquired between September 1, 2020 and March 31, 2021, up to March 31, 2022, i.e. banks may continue to hold such excess SLR securities in HTM category upto March 31, 2022.

3. It has also been decided that the enhanced HTM limit shall be restored to 19.5 per cent in a phased manner, beginning from the quarter ending June 30, 2022, i.e. the excess SLR securities acquired by banks during the period September 1, 2020 to March 31, 2021 shall be progressively reduced such that the total SLR securities held in the HTM category as a percentage of the NDTL does not exceed:
   a. 21.00 per cent as on June 30, 2022
   b. 20.00 per cent as on September 30, 2022
   c. 19.50 per cent as on December 31, 2022

4. As per extant instructions, banks may shift investments to/from HTM with the approval of the Board of Directors once a year and such shifting will normally be allowed at the beginning of the accounting year. However, in order to enable banks to shift their excess SLR securities from the HTM category to AFS/HFT to comply with the instructions as indicated in paragraph 3 above, it has been decided to allow such shifting of the excess securities during the quarter in which the HTM ceiling is brought down. This would be in addition to the shifting permitted at the beginning of the accounting year.

(Usha Janakiraman)
Chief General Manager

Regulatory Retail Portfolio – Revised Limit for Risk Weight

RBI/2020-21/53

October 12, 2020

1. Please refer to paragraph 5 of the Statement on Developmental and Regulatory Policies dated October 9, 2020 on the limit for regulatory retail portfolio.

2. In terms of para 5.9 on “Claims included in the Regulatory Retail Portfolios” of the Master circular No.DBR.No.BP.BC.1/21.06.201/2015-16 dated July 1, 2015 on Basel III Capital Regulations, claims (including both fund-based and non-fund based) that meet all the four criteria listed in paragraph 5.9.3 of the above Master Circular may be considered as retail claims for regulatory capital purposes and included in a regulatory retail portfolio. Claims included in this portfolio shall be assigned a risk-weight of 75 per cent, except as provided in paragraph 5.12 of above Master Circular for non-performing assets. ‘Low value of individual exposures’ is one of the four qualifying criteria which prescribed that the maximum aggregated retail exposure to one counterparty shall not exceed the absolute threshold limit of Rs. 5 crore.

3. In order to reduce the cost of credit for this segment consisting of individuals and small businesses (i.e. with turnover of upto Rs. 50 crore), and also to harmonise with the Basel guidelines, it has been decided that the above threshold limit of Rs. 5 crore for aggregated retail exposure to a counterparty shall stand increased to Rs. 7.5 crore from the date of this circular. The risk weight of 75 per cent will apply to all fresh exposures and also to existing exposures where incremental exposure may be taken by the banks upto the revised limit of Rs. 7.5 crore. The other exposures shall continue to attract the normal risk weights as per the extant guidelines. Illustrations are given in the Annex.

4. All other instructions applicable in terms of the Master Circular dated July 1, 2015 remain unchanged

(Prakash Baliarsingh)
Chief General Manager

Implementation of Section 51A of UAPA, 1967: Updates to UNSC’s 1267/ 1989 ISIL (Da'esh) & Al-Qaida Sanctions List – Addition of one entry

RBI/2020-21/33

September 05, 2020

1. Please refer to Section 51 of our Master Direction on Know Your Customer dated February 25, 2016 as amended on April 20, 2020, in terms of which “Regulated Entities (REs) shall ensure that in terms of Section 51A of the Unlawful Activities (Prevention) (UAPA) Act, 1967, they do not have any account in the name of individuals/entities appearing in the lists of individuals and entities, suspected of having terrorist links, which are approved by and periodically circulated by the United Nations Security Council (UNSC).”

2. In this regard, Ministry of External Affairs (MEA) has now forwarded the following Press Release issued by the United Nations Security Council (UNSC) Committee established pursuant to Resolutions 1267 (1999), 1989 (2011) and 2253 (2015) concerning ISIL (Da'esh), Al-Qaida, and associated individuals, groups, undertakings and entities regarding changes in the List of individuals and entities subject to the assets freeze, travel ban and arms embargo set out in paragraph 1 of UNSC resolution 2368 (2017), and adopted under Chapter VII of the Charter of the United Nations.

   Note SC/14321 dated 8 October 2020 adding one entry to list of individuals in UNSC's 1267/ 1989 ISIL (Da'esh) & Al-Qaida Sanctions List viz.[QDi.428 Name: 1: JAMAL 2: HUSSEIN 3: HASSAN 4: ZEINIYE]

   The UNSC press release concerning amendments to the list is available at URL: https://www.un.org/press/en/2020/sc14321.doc.htm

3. Updated lists of individuals and entities linked to ISIL (Da'esh), Al-Qaida and Taliban are available at:

   https://www.un.org/securitycouncil/sanctions/1267/aq_sanctions_list

   https://www.un.org/securitycouncil/sanctions/1988/materials

4. The details of the sanctions measures and exemptions are available at the following URL: https://www.un.org/securitycouncil/sanctions/1267#further_information

5. As per the instructions from the Ministry of Home Affairs (MHA), any request for delisting received by any Regulated Entity (RE) is to be forwarded electronically to Joint Secretary (CTCR), MHA for consideration. Individuals, groups, undertakings or entities seeking to be removed from the Security Council's ISIL (Da'esh) and Al-Qaida Sanctions List can submit their request for delisting to an independent and impartial Ombudsperson who has been appointed by the United Nations Secretary-General. More details are available at the following URL:

   https://www.un.org/securitycouncil/ombudsperson/application

6. In view of the above, REs are advised to take note of the aforementioned UNSC communication and ensure meticulous compliance.

(Vivek Srivastava)
General Manager

Export Data Processing and Monitoring System (EDPMS) Module for 'Caution/ De-caution Listing of Exporters' - Review

RBI/2020-2021/50

October 09, 2020

1. Please refer to Para 4 of Statement on Development and Regulatory Policies issued on October 9, 2020. In this connection, attention of Authorised Dealer Category – I banks (AD banks) is invited to Para 3.1 of the APDIR Circular No. 74 dated May 26, 2016 on the Module for 'Caution/ De-caution Listing of Exporters' in the EDPMS. The extant procedure as laid down in the above para has since been revisited and it has been decided to withdraw the existing para 3 (1) (i) and 3 (1) (ii) with a view to make system more exporter friendly and equitable.
2. Under the revised procedure, an exporter would be caution-listed by the Reserve Bank based on the recommendations of the AD bank concerned, depending upon the exporters track record with the AD bank and investigative agencies. The AD bank would make recommendations in this regard to the Regional Office concerned of the Foreign Exchange Department of the Reserve Bank in case the exporter has come to the adverse notice of the Enforcement Directorate(ED) / Central Bureau of Investigation (CBI) / Directorate of Revenue Intelligence (DRI) /any such other law enforcement agency and/or the exporter is not traceable and/or is not making sincere efforts to realise the export proceeds.
3. Similarly, the AD bank would also make recommendations to the Regional Office of the Reserve Bank for de-caution-listing an exporter as per the laid down procedure.
4. The procedural aspects on handling of shipping documents of the caution-listed exporters by the AD banks, as outlined in Para 3.2 of the circular ibid, remain unchanged.
5. AD banks may bring the contents of this circular to the notice of their constituents concerned. The Master Direction number 16/2015 dated January 1, 2016 is being updated to reflect the above changes.
6. The directions contained in this circular have been issued under Section 10 (4) and Section 11 (1) of the Foreign Exchange Management Act (FEMA), 1999 (42 of 1999) and are without prejudice to permissions / approvals, if any, required under any other law.

(Ajay Kumar Misra)

Chief General Manager-in-Charge

Three things to ask before you buy a house in a bank auction

The country's largest bank, the State Bank of India (SBI), is e-auctioning at least 1,000 residential properties, belonging to borrowers who defaulted on their loans, starting 30 September through October. The properties to be auctioned include open plots, residential, industrial, and commercial units across the country.

Bank property auctions, typically, generate huge interest as such units are often priced lower than the existing market rates. But don't let the lower prices lure you into a deal that you won't like later.

"Purchasing such properties do make sense, but bidders should be aware that such opportunities are not as straightforward as normal property purchases. First, they need to be clued in on when and where they take place. Second, there is usually legal due diligence they need to do. They should decide if they have enough bandwidth for it," said Anuj Puri, chairman, ANAROCK Property Consultants Pvt. Ltd.

While not all properties may come with problems, it is important to do your due diligence before buying and read the terms and conditions. The answers to these three questions can help you decide whether the deal is really worth the trouble.

What are the risks?

Often people assume that properties that banks auction will have clear titles. But the auction notice, typically, has a clause. It states that to the best of the bank's knowledge and information, no encumbrances exist on the property and the bank won't be responsible for any unknown existing and future encumbrances or any third-party claims, rights or dues.

Banks use legal terms "as is where is" and "whatever there is" when auctioning properties. These terms mean that the bank is selling the property based on its current physical and legal conditions, including any encumbrances.

In other words, the responsibility of dealing with any problems that arise later lies with the buyer once the property is auctioned.

According to property consultants, there have been cases where buyers discovered that the property was disputed, or the original borrower had got a court order against the bank auction. "In some cases, lenders only take symbolic possession of a property, which means they take over the property on paper as per its legal rights, and not its physical possession. The owner could be staying in it," said Ajay

Sharma, managing director, valuation services, Colliers International India, a realty consultant.

He added that there have been a few instances where a property was auctioned under the Supreme Court's guidance, but the registration office was unable to effect the transfer to the new owner as the property was in a dispute. "Banks are supposed to mention that it's a buyer-beware sale. This means that banks know that the property has encumbrances and the buyer will need to take risk. There have been judgments against the financial institutions where they have not conveyed the current property status to the buyer," said Sharma.

Ensure that you do the due diligence before participating in the bidding. Banks issue notification of e-auctions well in advance with details of the properties.

SBI, for example, has given the addresses and sizes of the properties, names and addresses of previous owners, and other details on its website. It has also allowed interested customers to inspect the properties by seeking an appointment with bank officials, whose contact details have been given.

But don't make the mistake of relying only on the information provided by the institution. In case someone claims to be the owner of the property after the purchase, it is unlikely that the bank or institution will come to your rescue.

So make independent enquiries regarding the encumbrances, the title of the property, and the claims and the rights of the previous owner or any other entity. While the ownership rights conveyed to the bidders are absolute and enforceable, issues about title, possession and other encumbrances could still arise.

Is it really cheap?

The terms and conditions for the properties that SBI is auctioning convey the risks that buyers need to be aware of. Besides selling the property on "as is where is basis", the bank has also stated that the payment of all statutory and non-statutory dues, taxes, charges, fees and so on will be the sole responsibility of the bidder. So if the previous owner has not paid dues on the property, the winning bidder will need to clear them.

Such dues could end up neutralizing the benefit of lower prices. Some of these charges also attract interest penalty if they are not paid on time. Besides, you may also need to spend extra on repairs and maintenance of the property.

If the house is a part of a society, you can check if there are any pending dues. In some cases, bank officials help you with the details of pending charges when you go to inspect the property. But not all such details may be available.

If you don't get a loan from the bank auctioning the property, other institutions will not lend for a foreclosed asset. "Bidders, therefore, need to have enough cash or they would need to arrange money through other means.

If you don't get a home loan, there won't be any deductions available on income tax for repayment. Factor such costs before bidding," said Sharad Agrawal, executive director, capital markets, Knight Frank India, a consultant firm.

Can you pay on time?

Before participating in the auction, banks usually ask for 10% of the reserve price as earnest or deposit money.

The money is reimbursed if you lose the bid. For winners, the payment deadlines are tight. According to SBI's terms and conditions, the winner will need to deposit 25% of the sale price, after adjusting for the earnest money, by the next working day of winning an auction. The balance 75% is to be paid within 15 days of winning the auction. If you fail to meet any of the deadlines or give up the flat, you will forfeit the deposit.

Since home loans, typically, take a bit of time or are difficult to materialize in such cases, you will need to arrange adequate money within the bank deadlines.

Banks stick to a strict payment structure as they are in a hurry to recover the loan amount, and want only serious buyers to participate.

If you are bidding for an auctioned property, remember that there are few legal remedies available to opt out or surrender the property back to the bank, unless the bank has not clearly mentioned encumbrances known to it. *(Source: Livemint)*

COMPONENTS OF GROSS VALUE ADDED At Basic Prices

(Amount in Rs. Crore)

GVA at Basic Prices (Base Year : 2011-12) Constant Prices

Items/Year	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
1	2	3	4	5	6	7	8
Agriculture,Forestry and Fishing	1524288	1609198	1605715	1616146	1717467	1803039	1855632
Industry	**1941117**	**2023417**	**2186670**	**2445981**	**2649623**	**2810320**	**2985031**
Mining & Quarrying	262609	263107	288685	317974	348089	365677	370564
Manufacturing 1486873	1560709	1683938	1903850	2055043	2176923	2328040	
Electricity, Gas, Water Supply & Other Utility Services	191635	199601	214047	224158	246491	267720	286427
Services	**5080870**	**5431034**	**5919748**	**6429743**	**6951882**	**7490806**	**8066273**
Construction	780050	800771	835229	865335	917754	969194	1053901
Trade, Hotels, Transport, Communication and Services Related to Broadcasting	1551143	1652062	1807689	1992825	2145415	2312214	2471128
Financial , real estate &							
professional services	1680031	1867407	2073714	2294787	2494444	2649146	2846393
Public Administration, Defence and Other Services	1069646	1110794	1203115	1276797	1394269	1560252	1694851
GVA at Basic Prices	**8546275**	**9063649**	**9712133**	**10491870**	**11318972**	**12104165**	**12906936**

GVA at Basic Prices (Base Year : 2011-12) Current Prices

Items/Year	**2012-13**	**2013-14**	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**2018-19**
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**
Agriculture,Forestry and Fishing	1675107	1926372	2093612	2227533	2496358	2670147	2775852
Industry	**2074029**	**2269401**	**2469103**	**2775165**	**3010407**	**3316236**	**3708240**
Mining & Quarrying	285842	295794	308476	294011	321872	351058	410151
Manufacturing	1572837	1713452	1878369	2146189	2335068	2542089	2818218
Electricity, Gas, Water Supply & Other Utility Services	215350	260155	282258	334965	353468	423089	479871
Services	**5453557**	**6167380**	**6941565**	**7571801**	**8429152**	**9496332**	**10715723**
Construction	849365	921470	979086	991084	1082466	1213628	1376293
Trade, Hotels, Transport, Communication and Services Related to Broadcasting	1663986	1874467	2107597	2294513	2538268	2823263	3151709
Financial, real estate & professional services	1776632	2069508	2363347	2626138	2911901	3252789	3666326
Public Administration, Defence and Other Services	1163574	1301935	1491536	1660067	1896516	2206652	2521395
GVA at Basic Prices	**9202692**	**10363153**	**11504279**	**12574499**	**13935917**	**15482715**	**17199815**

Notes : 1. Data for 2015-16 are Third Revised Estimates, for 2016-17 are Second Revised Estimates and for 2017-18 are First Revised Estimates.

2. Data for 2018-19 are Provisional Estimates.

Also see Notes on Tables.

Source : National Statistical Office (NSO)

COMPONENTS OF GROSS DOMESTIC PRODUCT

(Amount in Rs. Crore)

(Base Year : 2011-12) Constant Prices

Items/Year	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
1	2	3	4	5	6	7	8
Private Final Consumption Expenditure	5179091	5557329	5912657	6381419	6904085	7417489	8016674
Government Final Consumption Expenditure	974263	979825	1054151	1132802	1199041	1378563	1506035
Gross Fixed Capital Formation	3145793	3194924	3278096	3492183	3783778	4136572	4548452
Changes in Stocks	201528	129758	274751	239557	124087	150417	157637
Valuables	259949	148879	187957	185986	150784	192120	174780
Exports of Goods and Services	2289836	2468269	2512145	2370282	2490437	2607310	2933969
Import of Goods and Services	2879079	2644555	2667595	2511540	2621586	3083560	3557901
Discrepancies	41635	(33060)	(24487)	78804	267700	380947	297939
Gross Domestic Product	**9213017**	**9801370**	**10527674**	**11369493**	**12298327**	**13179857**	**14077586**

(Base Year : 2011-12) Current Prices

Items/Year	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
1	2	3	4	5	6	7	8
Private Final Consumption Expenditure	5614484	6475649	7247340	8126408	9115769	10083121	11290029
Government Final Consumption Expenditure	1062404	1156509	1301762	1436171	1583312	1885613	2134615
Gross Fixed Capital Formation	3324973	3515621	3750392	3957092	4335014	4896813	5569998
Changes in Stocks	214524	144621	312698	262477	139714	173890	187671
Valuables	273775	161761	209407	203506	166559	218706	193992
Exports of Goods and Services	2439707	2856781	2863636	2728647	2948772	3210547	3752230
Import of Goods and Services	3108428	3191811	3235962	3044923	3220591	3758519	4493933
Discrepancies	122574	114389	18687	102495	293838	384835	375562
Gross Domestic Product	**9944013**	**11233522**	**12467959**	**13771874**	**15362386**	**17095005**	**19010164**

Notes : 1. Data for 2015-16 are Third Revised Estimates, for 2016-17 are Second Revised Estimates and for 2017-18 are First Revised Estimates.

2. Data for 2018-19 are Provisional Estimates.

Also see Notes on Tables.

Source : National Statistical Office (NSO)


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