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From The Desk Of Editor-in-Chief

Stock Market recently at BSE Crossed 61000 whereas NSE Crossed 18000 and the market still continuing to be bullish. The Regulators must keep a close watch as the stock market is growing leaps and bound and it is slated that it may touch 1 lakh. The corresponding economy is not growing in such proportion and in last one and half years the economic activities had taken a severe beating.

RBI Foreign Exchange reserve is maintained at nearly $630 Billion and is expected to grow in due course with the growth of incoming Foreign Exchange as well as high value gold reserve.

General Economy in India is recovering fast after the second wave of Covid-19 during May, 2021 to August, 2021. Export is also rising significantly.

Finance Market is responding positively whereas NBFC along with Banking system is on the growth path. Bank Credit is up by 6.6% whereas deposits up by 9.34% for fortnight ended on 24th September, 2021.

Air India along with Indian Airlines have been taken over by Tata Group. Hopefully the airlines will get a new lease of life under the hands of the original promoters in coming years.

Farmers agitation is going to complete its anniversary by end of 2021 which is sad aspect of political backing of the agitation which disturbs the economy of the country as well as destabilizing the political peace.

Atma Nirbhar Policy of the Govt. of India is showing result wherein manufacturing sector growth is showing good result.

Contents

Articles

Banking News

Bank credit increases by 6.7% to Rs. 109.12 trillion deposits rise by 9.32%

Bank credit rose by 6.7 per cent to Rs 109.12 lakh crore and deposits by 9.32 per cent to Rs 155.75 lakh crore in the fortnight ended September 10, RBI data showed.

In the year-ago fortnight ended September 11, 2020, bank advances had stood at Rs 102.27 lakh crore and deposits at Rs 142.47 lakh crore, according to RBI's Scheduled Banks' Statement of Position in India as of September 10, 2021, released.

In the fortnight ended August 27, 2021, bank credit had increased by 6.67 per cent and deposits by 9.45 per cent.

In FY2020-21, bank credit had grown by 5.56 per cent and deposits by 11.4 per cent.

HDFC Bank to double rural presence, hires 2,500

HDFC Bank said it is planning to double its reach to two lakh villages in the next 18-24 months and hire 2,500 people more in the next 6 months.

"The bank plans this expansion through a combination of branch network, business correspondents, business facilitators, CSC partners, virtual relationship management and digital outreach platforms," the bank said. This will increase its rural outreach to about a third of the country's villages.

Interest rates on small savings schemes remain unchanged

The government kept the interest rates on small savings schemes, including NSC and PPF, unchanged for the third quarter of 2021-22 amid the Covid-19 pandemic and elevated level of inflation.

Public Provident Fund (PPF) and National Savings Certificate (NSC) will continue to carry an annual interest rate of 7.1 per cent and 6.8 per cent, respectively.

"The rates of interest on various small savings schemes for the third quarter of the financial year 2021-22 starting from October 1, 2021, and ending on December 31, 2021, shall remain unchanged from the current rates applicable for the second quarter (June 1, 2021 to September 30, 2021) for FY 2021-22," the finance ministry said in a notification.

Banks get RBI nod to use any other ARR in place of LIBOR

RBI has permitted banks, which are authorised to deal in foreign exchange, to use any other widely accepted/alternative reference rate (ARR) in place of the London interbank offered rate (LIBOR) for interest payable in respect of export/import transactions.

The central bank has issued a circular in this regard to authorised dealer banks in view of the impending cessation of LIBOR as a benchmark rate.

Banks will be permitted to extend export credit in foreign currency using any other widely accepted ARR in the currency concerned, he added. Since the change in reference rate from LIBOR is a "force majeure" event, banks are also being advised that change in reference rate from LIBOR/ LIBOR related benchmarks to an ARR will not be treated as restructuring, the Governor then said.

HDFC Bank adds 4 lakh credit cards since ban lifted

HDFC Bank has added four lakh new credit cards since the RBI embargo on fresh issue of these was lifted on August 18. The country's largest private bank said that it is targeting to

issue five lakh credit cards every month to regain the ground it had lost during an eight month ban. The private lender also announced the launch of three new cards, including

one that was targeted at young adults without much credit history. The three new

launches are HDFC Bank's Millennia, MoneyBack+ and Freedom cards.

HDFC Bank's group head (payments & consumer finance, digital banking & IT) Parag Rao said that the growth in digital payments reflected the extent of under-penetration of credit cards in India, which was a "fantastic opportunity". "We expect the number of credit cards in India to soon cross 10 crores," he said.

No fee refund for fraud loan applications: HDFC Bank

HDFC Bank has said that as a practice it levies processing fees on customers attempting to avail loans with discrepant or suspect documents. However, it has denied reports that these cases are not reported on the bank's fraud reporting system.

"The bank does not waive the processing costs from customers who come forward in such discrepant/suspicious cases. The processing fee is charged towards defraying the cost of efforts of the bank for additional due diligence and verification and not for closing the cases," HDFC Bank said.

Responding to reports that frauds are not reported by the bank, the private lender said that in all cases, the bank updates its internal database to prevent any future application from the customer and also updates industry data to prevents such borrowers from indulging in similar practices with other banks, NBFCs & financial institutions.

Emergency credit scheme till March 2022

The government extended the validity of the Emergency Credit Line Guarantee Scheme (ECLGS) until March, the sixth such extension, while further expanding its scope.

The government had initially budgeted for Rs 3 lakh crore of funding through the scheme, which was announced to help small businesses tide over a liquidity squeeze after the national lockdown in 2020. But the limit was enhanced to Rs 4.5 lakh crore earlier this year.

Some of the associations representing MSMEs are, however, demanding that the scheme should be open-ended. The finance ministry said that so far Rs 2.86 lakh crore has been sanctioned using the backstop facility with 95% of the guarantees used for lending to micro, small and medium enterprises (MSMEs).

Bank credit up 6.6%, deposits up 9.34% for fortnight ended 24 Sep

Bank credit rose by 6.67 per cent to Rs 109.57 lakh crore and deposits by 9.34 per cent to Rs 155.95 lakh crore in the fortnight ended September 24, 2021, RBI data showed. In the year-ago fortnight ended September 25, 2020, bank credit stood at Rs 102.72 lakh crore and deposits at Rs 142.62 lakh crore, according to RBI's Scheduled Banks' Statement of Position in India as on September 24, 2021 data, released.

In the previous fortnight ended September 10, 2021, bank credit had risen by 6.7 per cent and deposits by 9.32 per cent.

IMPS limit raised to Rs. 5Lakhfrom Rs. 2Lakh

RBI has raised the transaction limit in Immediate Payment Service (IMPS) from Rs 2 lakh to Rs 5 lakh. IMPS offers instant domestic funds transfer facility 24×7 through banking channels. "In view of the importance of the IMPS system and for enhanced consumer convenience, it is proposed to increase the per transaction limit from Rs two lakh to Rs five lakh," the RBI said.

ADB cuts GDP forecast for FY22 to 10%

The Asian Development Bank (ADB) has revised downwards India's economic growth forecast for the current fiscal, 2021-22 (FY22) to 10 per cent. Earlier this was projected at 11 per cent. The Manila-based multilateral funding agency ADB has predicted the GDP growth for fiscal 2022-23 (FY23) to 7.5 per cent.

The growth forecast for India in the fiscal year 2021 (ending in March 2022) was revised down, as the spike in COVID-19 cases during May dented the recovery, the Asian Development Bank (ADB).

DICGC to pay depositors of 21 banks

Deposit Insurance and Credit Guarantee Corporation (DICGC) has announced that it will pay up to Rs Five lakh to depositors of 21 co-operative banks, including scam-hit Punjab and Maharashtra Co-operative Bank, towards settlement of deposit insurance claim.

When the RBI sacked the board of

PMC Bank - with deposits of Rs 10,727 crore - in 2019, it initially slapped a deposit withdrawal restriction of Rs 1,000 per account which was later increased to Rs 50,000. About 78 per cent of the depositors have since been allowed to withdraw their deposits within the withdrawal limit of Rs 50,000. While this limit was further enhanced to Rs 1 lakh in June last year, many depositors who have bigger amounts parked in the bank are still not able to get their money back.

India needs 4-5 SBI-size banks, says Sitharaman

India needs at least four or five different State Bank of India (SBI) size banks to meet the growing needs of the economy, said Finance Minister Nirmala Sitharaman. She also urged Indian Banks' Association (IBA) to develop a digitised district-wise map of bank branches so that locations with no banking presence are identified to ensure that they either have a physical or digital footprint.

"One of the driving forces for the amalgamation (of banks) was that we need to scale up banking to meet the new changing and growing requirements of the economy. But that was thought of even before the pandemic. Now all the more reason why we would need four or five SBIs in the country," Sitharaman said at the 74th AGM of the Indian Banks' Association.

Govt seeks 60 ideas on admin reform

The Centre has sought 'action plans' from various ministries on 60 new ideas such as bringing down the 'cost of doing business' in India, replacing multiple environmental legislation with a single Environment Management Act, opening up beach and sand minerals mining to the private sector and indigenous manufacture of low-cost tablets to take education to poor children.

As a follow-up of the September 18 interaction of the prime minister with secretaries of all union ministries and departments, 60 ideas and suggestions across sectors have been identified as desirable. The Cabinet Secretariat has identified the lead ministries to take these suggestions forward and furnish action plans for their implementation.

J&K sings MoU with Dubai to develop real estate, industrial parks

The J&K government signed MoU with Dubai for real estate development, industrial parks and super-speciality hospitals

The Memorandum of Understanding (MoU) was signed for real estate development, industrial parks, IT towers, multipurpose towers, logistics, medical college, super-speciality hospitals.

On the occasion, Union minister for commerce and industry Piyush Goyal highlighted the significance of the day and said with the signing of the MoU with Dubai, the world has started to recognise the pace with which Jammu and Kashmir was traversing on the development bandwagon.

"This MoU gives out a strong signal to the entire world that the way India is transforming into a global power, Jammu & Kashmir is having a significant role into that as well," he said.

Axis Bank to waive 12 EMIs for Diwali

Axis Bank announced the waiver of 12 EMIs on select home loan products, and discounts on various online purchases as part of its festival offer.

Axis Bank is offering waivers of 12 EMIs on select home loan products and providing on-road finance without any processing fee for two-wheeler customers, it said in a release.

For business owners, it will offer several benefits on term loans, equipment loan and commercial vehicle finance.

Announcing the launch of 'Dil se Open Celebrations : kyunki Diwali roz roz nahi aati', the bank said it will offer deals and discounts on shopping in restaurants and other retail loan products on purchases made through Axis Bank debit and credit cards.

ISA to mobilise $1 trillion in solar investment by 2030

The fourth General Assembly of multilateral body International Solar Alliance (ISA) concluded with a promise to achieve USD 1 trillion global investments in solar energy by 2030. The fourth General Assembly of the ISA was held virtually between October 18 and October 21. It was presided over by Union Power and New and Renewable Energy Minister R K Singh, who is also the president of the ISA General Assembly.

"The General Assembly approves a solid action agenda to mobilize USD one trillion... in solar investments by 2030, including a blended finance risk mitigation facility," ISA said in a statement.

A total of 108 countries participated in the assembly, including 74 member countries, 34 observer and prospective countries, 23 partner organisations and 33 special invitee organisations.

Reserve Bank News

RBI fines Paytm, Western Union

The Reserve Bank has imposed a penalty of Rs 1 crore on Paytm Payments Bank Limited (PPBL) and Rs 27.78 lakh on Western Union Financial Services for non-compliance with certain directions.

In a release, the RBI said on examination of PPBL's application for issue of final Certificate of Authorisation (CoA), it was observed that it had submitted information which did not reflect the factual position.

"As this was an offence of the nature referred to in Section 26 (2) of the Payment and Settlement Systems Act, 2007, a notice was issued to PPBL.

"After reviewing the written responses and oral submissions made during the personal hearing, the RBI determined that the aforementioned charge was substantiated and warranted the imposition of a monetary penalty," it said.

RBI permits lenders to sell fraud loans to ARCs

The Reserve Bank of India has allowed lenders/banks to transfer of loans that have been classified as fraud by these lenders to Asset Reconstruction Companies (ARCs). Stressed loans including fraud loans that are in default for more than 60 days or classified as NPA are permitted to be transferred to ARCs. This comes in the wake of banks reporting frauds aggregating Rs 3.95-lakh crore between FY19 and FY21.

RBI slaps J&K co-op bank with Rs. 11 lakh fine

The Reserve Bank of India has imposed a monetary penalty to Rs. 11 lakh on The Jammu & Kashmir State Co-operative Bank, Srinagar.

The penalty, imposed by an order on September 23, is for contravention of section 23 read with section 56 of the Banking Regulation Act, 1949.

"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) and Section 56 of the Banking Regulation Act, 1949," the RBI said.

The statutory inspection was by Nabard on its financial position as on March 31, 2019 and the Inspection Report revealed that the bank had opened branches without obtaining the prior permission of the RBI.

Based on the same, a notice was issued to the bank advising it to show cause as to why penalty should not be imposed for violation of the said directions, the RBI said.

"After considering the bank's reply, RBI came to the conclusion that the aforesaid charge of contravention of section 23 read with section 56 of the Banking Regulation Act, 1949 was substantiated and warranted imposition of monetary penalty," it further said.

RBI allows banks to sell fraud NPAs to ARCs

In a move that will help banks unload a major chunk of their non-performing assets (NPAs) to the bad bank, RBI has allowed the sale of loan accounts classified as fraud to asset reconstruction companies (ARCs). Earlier, banks were barred from selling NPAs classified as fraud, which had left them saddled with a resolution of several large accounts.

Banks are targeting to sell Rs 2 lakh crore worth of NPAs to the bad bank or the National Asset Reconstruction Company (NARCL) for recovery. However, they have hit a roadblock in respect of accounts that have been classified as fraud, as they were not allowed to sell them. RBI has now allowed banks to sell fraud accounts, provided the transferee is not connected to the borrower.

RBI has also said that responsibilities of the transferor with respect to continuous reporting, monitoring, filing of complaints with law enforcement agencies and proceedings related to such complaints shall also be transferred to the ARC. "The transfer of such loan exposures to an ARC, however, does not absolve the transferor from fixing the staff accountability as required under the extant instructions on frauds," RBI said.

"Due to forensic audit in all big NPAs, in last three years, advances amounting Rs 3.83 lakh crore were declared as fraud accounts. Now, This big chunk of NPAs will be available for sale to ARCs in general and specifically to NARCL in case of large advances with consortium lending," Hari Hara Mishra, director, UV ARC, said.

RBI fines two payment system operators

The Reserve Bank of India has imposed monetary penalties on two payment system operators - Paytm Payments Bank Ltd (PPBL) and Western Union Financial Services (WUFSI) - as deficiencies were found in regulatory compliance. The RBI imposed a Rs 1 crore monetary penalty on Paytm Payments Bank for an offence committed under the Payment and Settlement Systems Act, 2007.

Besides, the regulator has imposed a monetary penalty of over Rs. 27 lakh on the WUFSI for non-compliance with certain provisions of the directions contained in the 'Master Direction on Money Transfer Service Scheme' (MTSS Directions).

PSU banks seek RBI oversight on IDRCL for smooth NPA resolution

PSU lenders and the Reserve Bank of India (RBI) are trying to sort out the regulatory and legal status of the private sector company that would resolve the sticky loans that the 'bad bank' acquires.

Under the unique twin-company structure, National Asset Reconstruction Company Ltd (NARCL) - the bad bank in which the majority shareholding is with public sector banks - would buy bad loans from commercial banks, while India Debt Resolution Company Ltd (IDRCL), where private sector institutions would hold 51% equity, would focus on the resolution of the loans purchased.

"Public sector banks want the RBI to 'recognise' IDRCL. Since IDRCL will be responsible for running complex resolution processes, it may come across legal challenges. These can be best handled if the entity has a regulatory recognition," a person familiar with the ongoing discussion between RBI and banks he said. "However, RBI has certain reservations about this because existing regulations have no provisions for such a structure," he said.

RBI should've acted on YES Bank 5 months earlier

Former State Bank of India chairman Rajnish Kumar has said in his book that the Reserve Bank of India should have sacked the Yes Bank board five months earlier in November 2019 as the bank was already losing deposits and defaulting on reserve requirements.

In his book, 'The Custodian of Trust', the former SBI chairman has provided some behind-the-scenes glimpses of what went into resolving something that appeared as a Lehman Brothers moment for India. It was during his tenure that the financial sector was hit by the triple failure of IL&FS, DHFL and Yes Bank.

Giving a hint of the workings of Yes Bank, Kumar reveals how the private lender stepped in to help GVK attain financial closure for its Navi Mumbai project. The Rana Kapoor-promoted bank had charged a high upfront fee even when SBI - which was several times bigger and facing pressure from various authorities - was reluctant given the group's stressed situation. He has also questioned the delay in deciding on the reappointment of Kapoor, which left the RBI with no choice but to offer a three-month extension up to January for Kapoor.

Shaktikanta Das reappointed as RBI Governor for three more years

The government has reappointed Shaktikanta Das as the Reserve Bank of India's (RBI) governor for three more years. The re-appointment is effective from December 10, or until further orders, whichever is earlier.

"The Appointments Committee of the Cabinet has approved the reappointment of Shaktikanta Das as Reserve Bank of India Governor for a period of three years beyond 10.12.2021 or until further orders, whichever is earlier," an official statement stated.

Shaktikanta Das has vast experience in various areas of governance and has held important positions in the Central and State Governments in the areas of Finance, Taxation, Industries, Infrastructure, etc. He is a postgraduate from St. Stephen's College, Delhi University.

During his long tenure in the Ministry of Finance, Government of India, he was directly associated with the preparation of as many as 8 Union Budgets. Das has also served as India's Alternate Governor in the World Bank, Asian Development Bank (ADB), New Development Bank (NDB) and Asian Infrastructure Investment Bank (AIIB).

Industry News

No GST input tax credit on CSR expense

The Gujarat bench of the Authority for Advance Rulings (AAR) recently held that corporate social responsibility (CSR) activities under the Companies (CSR Policy) Rules are excluded from the normal course of business. Its ruling came in a case where the applicant was a private limited company, Adama India. The AAR said Adama India would not be eligible for input tax credit (ITC) under goods and services tax (GST) laws.

If this ruling is followed by GST authorities during assessments, it will be a big blow to India Inc which, in the backdrop of the pandemic, has spent heavily on CSR activities.

SEZs may get duty refunds from next year

India could offer further concessions to enterprises within special economic zones and export-oriented units to boost the exports sector. The finance ministry will soon set up a panel to work out details of extending the recently announced taxneutralisation scheme - Remission of Duties and Taxes on Exported Products (RoDTEP) - to these entities, director-general of foreign trade Amit Yadav said.

"This committee will determine the remission rates which can be the rates for advance authorisation license, SEZs and EoUs," Yadav said, adding that the budgeted amount would be provided thereon.

For advance authorisation, SEZs and EoUs, the principle cannot be the same as that for units within the domestic tariff area, he said.

The scheme for these would likely be available by next financial year. Units within SEZs and EOUs source as much as 30% of their inputs from the domestic tariff area and industry has been demanding neutralisation for taxes paid on them for some time.

Advance Tax in Q2 grows 52%

Advance tax collection increased by 52% year on year during Q2 FY22, reaching Rs. 1.72 lakh crore. Mining, manufacturing, and steel are some sectors which contributed to the robust performance. In comparison to FY 20, the advance tax collections is up by 21%. Tarun Bajaj, revenue secretary, said, "The sectors that have done well in advance taxes (up to Q2FY22) include steel, manufacturing, mining. Steel is doing even better than FY20, so is pharmaceuticals, wholesale trade and financial services."

Commenting on higher tax revenue growth than the overall economic performance, Bajaj commented combination of several factors including greater formalization and improved compliance are giving a boost to revenues. Personal income in the country increased by 62% yoy, reaching Rs 2.88 lakh crore till September 23 FY 22. This indicate better compliance owing to use of technology and goods and services tax (GST) data.

Another official said net tax collections of central government could exceed budget target in FY 22 by about Rs 2 lakh crore. Thus, the tax collection might covering the additional fiscal cost of stimulus measures that has been announced.

CBDT notifies 'safe harbour' rates for transfer pricing

The tax department has notified the 'safe harbour' rates for FY21 for calculation of transfer pricing by foreign companies in India. Generally, safe harbour is defined as circumstances in which the tax authority shall accept the transfer price declared by the taxpayer to be at arm's length.

The Central Board of Direct Taxes, via a notification, has extended the applicability of Safe Harbour Rules (SHR) to 2020-21.

As per the notification, the rates under SHR applicable from 2016-17 to 2018-19, and later extended to 2019-20, will continue to apply for 2020-21 as well.

Transfer pricing implies the prices at which various overseas divisions of a company transact with each other. Following international best practice, India introduced the concept of SHR in Finance Act 2009.

Post that, the first round of SHR provisions were introduced in August 2013 for a period of three years, followed by a revision in 2017 in the SHR which was applicable till 2019-20.

Govt launches more initiatives under Ayushman Bharat scheme

The centre launched additional initiatives under Ayushman Bharat - Pradhan Mantri Jan Aarogya Yojana (AB PM-JAY) scheme such as Hospital Help Desk Kiosk, Beneficiary Facilitation Agency, PMJAY Command Centre and Nudge Unit and revamped PM-JAY technology platform.

The initiatives will be undertaken by the National Health Authority, the implementing agency for the scheme for the ease of beneficiaries while availing healthcare services under the scheme.

Fin Min notifies rules to bury retro taxation

The Finance Ministry has notified rules to implement the new law burying retrospective taxation. These propose a framework to end past litigations and a mechanism to indemnify from any possible future litigations.

The rules have nine specified conditions as explanation for the law. Six of these conditions prescribe that companies concerned will irrevocably withdraw, discontinue and not pursue any law suits, arbitration, conciliation or mediation either in India or abroad. They will have to withdraw proceedings to enforce or pursue attachment in respect of any award against the Republic and/or all Indian affiliates. While two conditions are related with a structure for dealing with possible litigations in future, the final condition is on public declaration.

GST mop-up grows 23% to Rs. 1.17 trillion

Central and state governments collected Rs. 1.17 trillion in goods and services tax (GST) in September, a 23% jump from the collections made a year ago in what the central government called a sign of "fast" economic recovery.

Tax receipts in September showed a continued improvement since June when receipts had fallen below the Rs. 1 trillion-mark due to mobility restrictions enforced to fight the second wave of the coronavirus pandemic, data released by the Union finance ministry showed.

Ola sells electric scooters worth Rs. 1,100 crore in 2 days

Ola Electric, the ride-hailing firm's electric vehicle arm, said that it sold e-scooters worth over Rs 1,100 crore in just two days, during its sale of Ola S1 and S1 Pro scooters. The SoftBank-backed company said this was unprecedented not just in the automotive industry, but also represented one of the highest sales in a day (by value) for a single product in Indian e-commerce history.

"Day 2 of the EV era was even better than Day 1. Crossed Rs 1,100 crore in sales in 2 days," tweeted Bhavesh Aggarwal, co-chairman and group chief executive officer, Ola.

Ola had announced in December 2020 that it would be investing Rs 2,400 crore for setting up phase 1 of the factory. The Ola Futurefactory is coming up on a 500-acre site in Tamil Nadu. At full capacity of 10 million vehicles annually, it would be the world's largest two-wheeler factory and would handle 15 per cent of the world capacity.

BSE adds 1 crore investor accounts

Premier bourse BSE has added 1 crore registered investor accounts to its platform between June 6 and September 21, taking the total to over 8 crore in a span of just 107 days.

On June 6 this year, the exchange had said its registered user base has crossed the 7 crore (70 million) mark, which was an addition of 2 crore registered investor accounts in a little over 12 months (from May 23, 2020).

Commenting on the achievement of crossing the 8 crore registered investor accounts, BSE MD and CEO Ashishkumar Chauhan said equity investments, whether directly or through mutual funds, are gaining ground over last one-and-a-half years due to variety of reasons globally, and the domestic market is also following this world trend.

Ice cream sold at parlours will be taxable at 18%: Finance Ministry

Unlike food cooked and served at restaurants, ice creams sold at parlours are manufactured items and are therefore taxable at 18%, the finance ministry said in a set of clarifications issued.

The clarifications are based on decisions taken in the federal tax body, the Goods and Services Tax (GST) Council. These cover eight issues including services of cloud kitchens, satellite launch services, grant of mining rights and services relating to contract manufacture of liquor.

GST woes for corrugated box makers

The Federation of Corrugated Box Manufacturers' of India has expressed concern over the rising raw material cost and the increase in the GST rates from 12% to 18% on corrugated boxes, as it has irreversibly halted the gradual switchover from plastic to paper in sectors like the unorganized retail sector, hotel & hospitality sector and in agriculture/ horticulture sectors and has had a crippling effect on the working capital requirements and the day to day working of corrugators.

As a result, it has become extremely difficult for FCBM to improve the quality standards of corrugated packaging in India in accordance with the global supply chain demands.

For almost a year now, corrugated box manufacturers, largely in the MSME sector, with large numbers in the micro and small sector have been facing an unprecedented hike in the prices of their principal raw material, kraft paper.

Centre to grant two extra months to companies for conducting AGMs

The government has decided to grant extra time of up to two months beyond end of September for companies to hold their annual general meetings to finalise their FY21 accounts, according to an official order.

As per this, Registrars of Companies (RoCs) are authorised to give companies extra time under section 96 of the Companies Act. This section stipulates that companies have six months after the close of a financial year to hold their annual general meeting of shareholders and if there is any special reason, extra time of up to two months could be granted.

'Freedom from bureaucracy': Goyal launches single window for biz approvals

Commerce minister Piyush Goyal announced the soft launch of a National Single Window System for approvals, adding the government is looking to remove irrelevant compliances to improve ease of doing business.

The portal is currently set up to provide relevant approvals from 18 Central government departments and 9 states, with another 14 departments and 5 states set to add their compliances to the portal by the end of December. The portal offers a single dashboard, allowing businesses to apply for clearances, track progress and respond to queries. "This is freedom from bureaucracy and from windows within windows," said the Minister, adding "nobody wants to be a detriment to doing business."

Goyal said the portal would become a "one stop shop" for state and Central government compliances and bring transparency, accountability and responsiveness in the ecosystem. The portal will also offer a Know Your Approvals service to inform businesses of the details of all the approvals they need to obtain as well as a common registration form, document repository and e-communication module.

Subsidy on LPG should be limited to only the needy

The subsidy on Liquified Petroleum Gas or LPG should be limited, the Government sources said as they think only the most needy should be given subsidy. The Petroleum Ministry is reviewing the current LPG subsidy regime, the sources said while further adding that all the economic utilities should be viable.

"The consumption of fuel is 15-16 per cent higher than the pre-Covid levels. Fuel price above $70 a barrel is high for a country like India. Crude supply from OEC plus countries is not able to meet the domestic demand. We are in talks with OPEC plus countries to increase production," the sources said.

It is to be noted that the petroleum subsidy stood at 9 per cent of the Budget Estimate (BE), or a little over Rs. 1,230 crore in the April-July period of FY22, down from over Rs. 16,000 crore, or 40 per cent of BE, the last fiscal. The subsidy is being provided mainly for customers in far-flung areas, industry sources had said.

CA Institute extends time limit for UDIN generation to 60 days

Practising Chartered Accountants will now have more time to generate Unique Documentation Identification Number (UDIN) for every document or report certified by them. This is because the Central Council of the CA Institute decided to increase the time limit for generation of UDIN to sixty days from the date of signing of the auditor's report or certificate, as against 15 days now allowed.

"With this decision, we have aligned the time limit for UDIN generation with that of the 60 days level specified in our Standards on Auditing and Standard on quality control. Everybody wanted uniformity between the two and central council agreed to it", Nihar Jambusaria, President, ICAI said.

A part of the reason for this decision could also be attributed to the Covid19 pandemic which has put millions of Indians into difficulties, he added.

Exports up 21.4% in Sept, trade deficit at new high

Merchandise trade deficit hit a record high of $22.9 billion in September, rising from $3 billion in September 2020 and $11.7 billion in September 2019, on the back of a spike in imports, preliminary data released by the government showed.

The sharp uptick in merchandise trade deficit comes despite 21.4 per cent year-on-year growth in exports to $33.44 billion, on the back of increased exports of engineering goods, petroleum products as well as gems and jewellery.

Imports last month rose 84.8 per cent to $56.4 billion, amid a rise in both price and demand for crude oil as well as demand for gold and electronic goods.

"While domestic demand is recovering, the surge in imports in September 2021 likely also reflects pent-up demand and/or inventory restocking prior to the festive season, and the pace may moderate in the coming months," said Aditi Nayar, chief economist at credit ratings agency ICRA.

Over 1,000 auditors yet to file annual returns

More than 1,000 statutory auditors, representing a large section of audit professionals, have not filed annual returns, according to the National Financial Reporting Authority (NFRA), India's audit regulator.

Painting a grim picture of India's audit landscape, NFRA disclosed the names of 1,011 auditors, including sole proprietorship firms, which have not filed NFRA-2 forms for the 2018-19 reporting period.

Audit firms are required to file NFRA-2 form every year, with details on their registration and permanent account number, partners, number of employees and payments. The auditor has to disclose if it quit an audit assignment of a firm in the previous three years, or withdrew an audit report on financial statements, or its consent on using its name in a report. The auditor is also required to make a statement on its quality control policies for the reporting period.

UPI records 365 crore transactions worthy Rs. 6.54 lakh crore in September

Digital payments continued to register robust growth in September amidst the festival season and normalisation of economic activities.

The Unified Payments Interface (UPI) registered 365 crore transactions worth Rs. 6.54-lakh crore in September, as per data released by the National Payments Corporation of India.

The UPI platform had clocked 355 crore transactions amounting to Rs. 6.39-lakh crore in August.

Immediate Payment Service (IMPS) also registered a rise in transactions and processed 38.44 crore payments of Rs. 3.24-lakh crore in September. As many as 37.79 crore transactions amounting to Rs. 3.18-lakh crore took place through IMPS in August.

Food businesses get time till January 1 for quoting licence number on bills

The Food Safety and Standards Authority of India (FSSAI) has decided to extend the timeline for enforcement of its order, that will make it mandatory for food business operators to mention their license or registration number on cash receipts, to January 1.

It had earlier said that restaurants, food retailers, caterers and sweetmeat shops will need to mention FSSAI license or registration number on cash receipts, purchase invoices, bills or cash memos on sale of food products from October 1.

The food safety authority said the decision for extension was taken after receiving representations from industry bodies on the issue. "In view of representation from various industry associations and stakeholders, it has been decided with the approval from competent Authority that the enforcement of ...the order will come into effect from January 1, 2022," it added.

Mutual Fund News

Sebi issues guidelines for trading and investment by AMC employees

Sebi has barred senior employees and directors of asset management companies and their trustees from buying or selling mutual fund units while having access to any non-public information, such as winding up of schemes.

The move comes in the wake of the Franklin Templeton episode where Sebi observed some senior officials, directors of the asset manager and its trustee company redeemed their investments ahead of the winding up of the six debt funds.

The regulator said in a circular that senior executives should refrain from purchase or sale of mutual fund units, where any information available to the mutual fund--which could materially impact the NAV (net asset value) or interest of unitholders-- is not yet communicated to the unitholders. It said scenarios such as a change in the investment objectives of the concerned mutual fund scheme, restrictions on redemptions, winding up of schemes, material change in the liquidity position and default in the underlying securities is material to the concerned mutual fund scheme.

The regulator said prior approval for personal investment transactions should be obtained by senior executives.

SBI Balanced Advantage Fund AUM crosses Rs 20,000 crore in less than 3-months

SBI Mutual Fund's newly launched Balanced Advantage Fund has garnered record inflows worth Rs 20,000 crore. This huge AUM has come into the fund in less than three months since the NFO was launched in August.

The fund house said that the new fund has got almost 65% inflows from tier II & III retail investors while the remaining from the top 8 cities.

SBI BAF raised the highest ever AUM for an NFO in the mutual fund industry in August this year. The fund house also said that through this NFO, it has reached out to 93% pin-code across the country with close to 4 lakh applications across India and added 1 lakh new PANs.

The SBI Balanced Advantage Fund is a regular dynamic asset allocation scheme. The fund automatically shifts from equities to debt instruments when equity markets go up substantially and vice-versa.

Sebi puts in place guiding principles for bringing uniformity in mutual fund benchmarks

To standardise and bring uniformity to the benchmarks of mutual fund schemes, Sebi came out with a two-tiered structure for benchmarking certain categories of schemes.

The first tier benchmark will be reflective of the category of the scheme, and the second tier benchmark will be demonstrative of the investment style/ strategy of the fund manager within the category, Sebi said in a circular.

All the benchmarks followed should necessarily be Total Return Indices, it added.

Kotak Mahindra AMC gets relief from SAT

The Securities Appellate Tribunal (SAT) has partly stayed a Sebi order, which had directed Kotak Mahindra Asset Management Company to refund a part of the investment management and advisory fees collected by the fund house from the unit holders. In addition, the tribunal has asked the Asset Management Company (AMC) to deposit a sum of Rs 20 lakh within four weeks into an interest bearing account.

Sebi, in August, had asked the AMC to refund a part of the investment management and advisory fees collected from the unit holders of the six Fixed Maturity Plan (FMP) schemes with 15 per cent interest per annum. In addition, the Securities and Exchange Board of India (Sebi) imposed a penalty of Rs 50 lakh on Kotak Mahindra AMC and barred the fund house from launching any new FMP scheme for six months for violating the regulatory norms.

The company had approached SAT against Sebi's order. "The direction to refund a part of the investment management and advisory fees collected by the appellant (Kotak Mahindra AMC) from the unit holders shall remain stayed,"

Sebi proposes new norms for mutual funds' ESG investments

The Securities and Exchange Board of India (Sebi) has proposed to revise the investment norms for mutual fund schemes that invest as per the ESG (Environment, Sustainability and Governance) philosophy.

The markets regulator has proposed that from October 1, 2022, asset management companies should only invest in securities with Business Responsibility and Sustainability Report (BRSR) disclosures.

The existing investments in the schemes for which there are no BRSR disclosures would be grandfathered by Sebi until September 30, 2023. In ESG investing, a fund manager picks companies whose operations are considered socially responsible.

Schemes, which invest in overseas securities, could choose any global equivalent of the BRSR specified by the Association of Mutual Funds in India (AMFI), Sebi said in a discussion paper.

HDFC AMC Q2 profit up 2% to Rs 344 crore

HDFC Asset Management Company (AMC) reported a nearly 2 per cent growth in profit after tax (PAT) to Rs 344.38 crore for the three months to September 2021. In comparison, the firm had posted a PAT of Rs 338.06 crore in the same quarter of the preceding fiscal, the asset management company said in a regulatory filing to the stock exchanges.

The company's total income increased to Rs 608.4 crore in the period under review from Rs 569.95 crore in the quarter ended September 30, 2020.

Sebi introduces a two-tiered structure for benchmarking MF schemes

The Securities and Exchange Board of India (Sebi) has decided to bring in a two-tiered structure for benchmarking of certain categories to standardize benchmarks of mutual fund schemes.

The first-tier benchmark will be according to the category of the scheme. The second-tier should be reflective of the investment style or strategy of the fund manager within the category. Usually, the performance of a mutual fund scheme is assessed with reference to a benchmark, which could be a total return index (TRI) of CNX Nifty or BSE Sensex.

All the benchmarks should follow TRIs, the markets regulator reiterated in a circular issued. TRIs take into account the prices of the stocks and the dividend payout, while the price return index such as Nifty and Sensex are based on the prices of the stocks.

ESG funds may have to keep 80% in sustainable companies

The Securities and Exchange Board of India (Sebi) has proposed that environment, social and governance-based funds (ESG funds) should have at least 80% of their total assets in securities following the sustainable theme, since these funds fall under the thematic category. The regulator also proposed that the rest 20% assets should not be in stark contrast with the ESG philosophy.

Earlier in 2017, Sebi had said that sectoral or thematic funds must have at least 80% of investments in specific sectors or themes.

NJ Mutual Fund raises Rs. 5,200 crore in Balanced Advantage Fund NFO

NJ Mutual Fund has raised around Rs. 5,200 crore in the new fund offer (NFO) of its balanced advantage fund (BAF). NJ Mutual Fund received its licence on 30 April 2021 and is part of the NJ Group, one of India's largest mutual fund distribution firms. The bulk of the collections has come through the NJ's own mutual fund distribution arm, with around Rs. 230 crore coming from about 140 non-NJ distributors and registered investment advisers NJ Mutual Fund has a total of about 225,000 investors from more than 600 districts in 35 states and Union territories, its chief executive officer Rajiv Shastri told. As a mutual fund distributor, NJ Wealth contributes more than Rs. 118,000 crore of the MF industry's current AUM. The group also has a portfolio management service (PMS) that manages about Rs. 3,000 crore in assets.

Co-Operative Bank News

Wipro bags a multi-year contract with Kerala State Co-op Bank for technology transformation

Wipro has secured a multi-year contract from Kerala State Co-op Bank (also known as Kerala Bank), a scheduled state co-operative bank in India, established by the Government of Kerala.

Sanjay Jaireth, Head - BFSI India (SRE), Wipro Limited said, "Wipro has been engaged with Kerala Bank and is providing core banking services to multiple District Co-operative Central Banks (DCCB) for many years. This extensive experience uniquely positions us to deliver this complex program which redefines customer experience while ensuring security for clients of Kerala Bank."

"We see IT modernization as the key driver for achieving business transformation and growth. An integrated IT landscape comprising of best-in class Core Banking and allied solutions will not only enable seamless information flow but will also help achieve high performance and scalability in our operations. We are delighted to be partnering with Wipro for this long-term engagement, given Wipro's consistent track record, leadership position in India and strong IT and people processes," said Shri Rajesh AR, GM - IT & Digital Banking, Kerala Bank.

Kerala Bank currently runs 15 different core banking environments with five different core banking solutions.

As part of this multi-million-dollar strategic engagement, Wipro will implement a consolidated, common core banking system for the bank, provide over twenty allied solutions, aimed at streamlining technology adoption and enabling a superior customer experience. Wipro will also set up a Data Centre, Disaster Recovery Centre, Near DR (Disaster Recovery) and command centre, implement the latest Reserve Bank of India cybersecurity frameworks, and provide facility management services for a period of five years.

RBI imposes monetary penalty on two cooperative banks

Reserve Bank of India imposed monetary penalty on two cooperative banks for various rule violations. These two banks are Vasai Vikas Sahakari Bank, Maharashtra and the Citizens Urban Co-operative Bank Ltd., Jalandhar, Punjab.

A penalty of Rs 7 lakhs was imposed on Citizens Urban Cooperative Bank for violation of norms related to income recognition, asset classification, provisioning. Also, a penalty of Rs 90 lakhs was imposed on Vasai Bank on similar violations, the RBI said.

A statutory inspection of the Vasai bank conducted by RBI with reference to the bank's financial position as on March 31, 2019 revealed noncompliance with the RBI directions on ensuring end use of funds in borrowal accounts and classification of loans/ advances as non-performing assets.

Similarly, an inspection of Citizens Bank revealed violations related to non-identification of NPAs, wrong classification of assets and inadequate provisions made due to wrong classification of assets, the RBI said.

RBI withdraws all-inclusive directions on Hindu Cooperative Bank

The Reserve Bank of India (RBI) withdrew its all-inclusive directions on Pathankot-based Hindu Cooperative Bank, the central bank said.

The bank in Punjab was placed under all-inclusive directions on close of business on March 25, 2019, which was later extended up to March 24, 2020, and further extended till October 24, 2021.

The RBI had said then that it has been closely monitoring the situation and unlike in the case of commercial banks, the Reserve Bank has no powers to draw up an enforceable scheme of reconstruction of a cooperative bank.

Nevertheless, in the interest of the depositors and the stability of the cooperative banking sector, the Reserve Bank of India, in consultation with various stakeholders and authorities, is working for revival of the bank, the RBI had said.

Rs 4 lakh fine imposed on Bicholim Co-op Bank

In a fresh blow for Goa's cooperative banking sector, the Reserve Bank of India (RBI) imposed a monetary penalty of Rs four lakh on the Bicholim Urban Co-operative Bank Ltd for not complying with statutory banking norms.

The penalty comes after the mandatory annual inspection report of the bank based on its financial position as on March 31, 2020, revealed deficiencies pertaining to Know Your Customer (KYC) norms.

"This action is based on 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," chief general manager Yogesh Dayal said.

Bicholim Urban Co-operative Bank has 12 branches across the state and the bank's website lists Mayem BJP MLA Pravin Zantye as the vice chairman of the bank. Oncologist Dr Shekhar Salkar is a director of the bank, too.

In 2019-20, the bank reported a net profit of Rs 2.32 crore, a 3% decline over the previous year. Loan defaults stood at Rs 21.8 crore indicating gross non-performing assets (NPA) at 7.25% of total advances. Net NPAs stood at Rs 8.5 crore in 2019-20. The bank's deposits stood at Rs 522 crore as on March 31, 2020. The latest financial figures were unavailable.

The recent inspection report revealed non-compliance with RBI's directions pertaining to credit exposure and KYC. RBI had issued a showcause notice to the bank seeking clarification and advising the Bicholim headquartered bank to explain why a penalty should not be imposed for non-compliance with statutory banking norms.

"After considering the bank's written reply to the showcause notice and oral submissions made during the personal hearing and subsequent additional submissions, RBI came to the conclusion that the aforesaid charges of non-compliance with RBI directions was substantiated and warranted imposition of monetary penalty," Dayal said in a statement.

While no other curbs have been imposed on the Bicholim Urban Co-operative Bank, RBI's strictures come after the Mapusa Urban Co-operative Bank and Madgaum Urban Co-operative Bank lost their banking licences.

4 cooperative bank staff in Arani suspended for swindling Rs. 2.39 cr.

Four staff, including the appraiser of Arani Cooperative Urban Bank Limited, were suspended for allegedly swindling Rs. 2.39 crore. They had pledged fake jewellery with the bank and swindled the amount, it was learnt after a departmental enquiry.

Cooperative bank officials said the suspended staff were: S. Lingappa, general manager in-charge; K. Jagadeesan, cashier; B. Saravanan, clerk and V. Mohan, appraiser.

Among them, Mohan was a temporary staff. They were working with the bank for more than a decade.

A complaint was registered with the Commercial Crime Investigation (CCI) wing of the Tamil Nadu police in Chennai by S. Kamalakannan, deputy registrar, Tamil Nadu State Apex Cooperative Bank (Cheyyar division).

"We are also attaching the assets of the suspended staff. They pledged fake jewellery every month for a year, mostly in their relatives and friends' names," K. Rajkumar, Joint Registrar, TNSC Bank (Tiruvannamalai Region), said.

From September 10, 2020, the suspended staff had been pledging small quantities of fake jewellery in 27 bundles and swindled Rs. 2.39 crore.

In fact, of the total 4,600 gold loans that were disbursed since September 2020, 77 were given to fake jewellery that were pledged by them.

The action by the TNSC Bank was based on a circular issued by the registrar for cooperative societies directing the managing directors of the Tamil Nadu State Apex Cooperative Bank, Tamil Nadu Cooperative State Agriculture and Rural Development Bank, all Central cooperative banks and joint registrars of all zones, to form panel to scrutinise gold jewellery loans.

Legal News

From Oct 1, SC to reimpose time limit for appeals

The Supreme Court said it would be recalling a previous suo motu order, which extended the limitation period for filing cases in view of the second wave of the coronavirus pandemic. The apex court said the extension of the limitation period would be withdrawn from October 1.

A buffer period of 90 days will be given with effect from October 1, the court said. "I think we can lift the order," Chief Justice of India N V Ramana told Attorney General K K Venugopal, who agreed with the three-judge bench's recommendation, according to Live Law.

Appearing for the Election Commission of India, senior advocate Vikas Singh said only 45 days should be given for election petitions after the extension is lifted, as that is the period laid down in the Representation of Peoples Act. Previously, as per a March 8 order, a period of 90 days was given for filings, Singh said.

On April 27, amid the unprecedented surge in Covid-19 cases, the SC extended the period of limitation for filing appeals from courts or tribunals by litigants until further orders. The court observed that the surge had put litigants in a "difficult situation", and extended all periods of limitation ending on March 14, 2021 until further orders.

No change in date of birth at fag end of service: SC

The Supreme Court held that a person cannot claim as a matter of right to get his or her date of birth changed if the application is made after inordinate delay and more particularly when it is made at the fag end of service or when the employee is about to retire on attaining the age of superannuation.

A bench of Justices M R Shah and A S Bopanna said the plea for change in date of birth by an employee can be rejected in such cases even if there is "cogent evidence" as allowing such plea could result in a chain reaction and others below him, waiting for years for their promotion, would get affected.

Referring to various judgements delivered by the apex court on the issue of change in date of birth, the bench said, "The law on change of date of birth can be summarised as under: (i) application for change of date of birth can only be as per the relevant provisions/ regulations applicable; (ii) even if there is cogent evidence, the same cannot be claimed as a matter of right; (iii) application can be rejected on the ground of delay and more particularly when it is made at the fag end of service and/or when the employee is about to retire on attaining the age of superannuation."

The court set aside the order of the Karnataka HC which had allowed the plea of a government employee for change in date of birth which he had sought 24 years after joining the service. The employee had sought change of date of birth from January 04, 1960 to January 24,1961.He had first filed a suit in lower court which was rejected but the HC passed order in his favour and his service got extended by one year.

Courts are not playgrounds: Pvt co fines Rs. 25L

To ensure that those approaching Courts in commercial disputes "understand that courts are not playgrounds, & litigation is not a pastime," the High Court of Bombay recently directed a private company to pay Rs 25 lakh to a party against whom it was seeking orders.

"This is clearly a vexatious & mischievous proceeding that has unnecessarily wasted the court's time," said Justice Gautam Patel on Sept 21, directing La Fin Financial Services Pvt Ltd to pay the amount within 2 weeks to Multi Commodity Exchange of India Ltd (MCX). Failure to pay will carry a 9 per cent interest on the amount, he directed.

The financial services company has filed a special leave petition against the High Court order before the Supreme Court. The SC is scheduled to hear it.

The HC was hearing an interim application by La Fin which sought orders against MCX on the ground that the Exchange exceeded a 120-day deadline for filing its written statement in response to a 'commercial suit' it had instituted under the 'Commercial Courts Act'. It noted that the suit against MCX was initially filed as a 'regular suit', which has no deadline.

The submissions by the company are "flawed" & "manifestly unjust," said the HC, adding, "There was here an initial fault on the part of the plaintiff itself in wrongly instituting the suit as a regular suit."

No pedente lite interest

In a recent case, Garg Builders Vs Bharat Heavy Electricals Ltd, the question before the Supreme Court was whether interest could be levied during the pendency of a litigation (pendente lite interest), when the parties had agreed in the contract to not have any interests awarded.

The question was whether the contract itself was ultra vires the (Section 28 of the) Contract Act. The arbitrator had awarded the interest; the Supreme Court struck it down, saying that the arbitrator could not award the interest when it was contractually barred by the contract.

The parties entered into a contract in 2009 which, inter alia, contained the interest-barring clause. The clause provided that no interest shall be payable by the respondent on, inter alia, any moneys due to the contractor. Disputes arose amongst the parties with respect to the aforesaid contract and subsequently, Garg Builders filed a petition under Section 11 of the Arbitration and Conciliation Act, 1996 before the High Court of Delhi.

The High Court appointed the sole arbitrator to adjudicate upon the disputes. The appellant in the claim petition, apart from claiming various amounts, claimed pre-reference, pendente lite and future interest at the rate of 24 per cent per annum on the value of the award. The arbitrator upon hearing both parties concluded that there is no prohibition in the contract on payment of interest for pre-reference period, pendente lite and future period.

Therefore, the arbitrator awarded pendente lite and future interest at the rate of 10 per cent per annum to Garg Builders on the award amount from the date of filing the claim petition to the date of realisation of the award amount. Aggrieved by the award rendered by the arbitrator, BHEL challenged the award under Section 34 of the Arbitration Act before the High Court on various grounds, inter alia, on the ground that the arbitrator being a creature of the arbitration agreement travelled beyond the terms of the contract in awarding pendente lite interest on the award amount as the same was expressly barred in terms of the contract.

No sadism

In a recent case, Ravindranatha Bajpe Vs Mangalore Special Economic Zone Ltd, the Supreme Court of India held that a director of a company could not be "vicariously" held liable for criminal offences of a company.

The court held that the chairman, directors, and other key managerial personnel of a company cannot be automatically held vicariously liable for the offences committed by a company unless specific allegations and averments against them are made with respect to their individual role.

The appellant in the case stated that he is the absolute owner and in possession and enjoyment of certain immovable properties which were adjoining the Mangalore-Bajpe Old Airport Road. The properties had valuable trees on them and was surrounded by a stone wall as a boundary.

The appellant's case is that Mangalore Special Economic Zone Ltd and its contracts, sub contractors and labourers had conspired with common intention to lay the pipeline beneath the appellant's properties without any lawful authority and right, trespassed over the properties and demolished the compound wall, when he (the appellant was not in town). Some 100 trees, worth Rs. 27 lakh, were destroyed, he said.

The Supreme Court noted that there were no specific allegations made against the directors and managerial personnel amongst the accused. The Apex Court clarified that nowhere had the appellant made the allegation that at the command and directions of directors.

The Apex Court referred to the decision in Sunil Bharti Mittal Vs Central Bureau of Investigation for circumstances when a director/ person in charge of the affairs of the company can also be prosecuted when a company is an accused person. It was held that vicarious liability of the directors cannot be imputed automatically, in absence of any statutory provision to this effect.

PhonePe and NPCI Bharat BillPay Ltd. partner to launch ClickPay for easy bill payments

PhonePe, India's leading digital payments platform, announced the launch of ClickPay for its customers in association with NPCI Bharat BillPay Ltd.(NBBL). ClickPay is a unique payment link that enables customers to make recurring online bill payments (electricity, water, gas, loan, etc) and removes the need to remember tedious account details associated with each biller/service. This link sent by the biller will lead the customer directly to the payment page fetching the bill amount instantly.

PhonePe is one of the first payment platforms to enable support for ClickPay, and it benefits the customers by removing the hassle of remembering the unique identifiers/details associated with making bill payments - they can simply pay by clicking on the ClickPay link sent by their biller, making it only a two-step process. This launch will help in increasing the share of digital transactions in the ecosystem by reducing the errors induced by manual inputs required for bill payments.

Speaking on the launch, Ankit Gaur, Director, Online Merchants at PhonePe, said "We are very excited to partner with NPCI Bharat BillPay Ltd. on the launch of ClickPay. This will bring a large number of potential customers from the offline realm to pay their bills online. We believe that this will further the adoption of digital payments by making the discovery of billers and bill payments convenient for consumers."

Rahul Tandon, Head Product & Market Development, NPCI Bharat BillPay Ltd., said "ClickPay is a step to empower the customer, wherein with ease, payment can be effected sans the tedium of manual inputs and errors. We are happy to launch the ClickPay facility with PhonePe and extend robust facilitation to a huge customer base. ClickPay will assure faster payments and help with furthering of digital transactions in the payments service space."

Indel Money Partners with IndusInd Bank for India's First Conventional Gold Loan Co-lending Partnership

Indel Money, a non-banking finance company (NBFC) pioneering in gold loans, has entered into a first-of-its-kind conventional gold loan co-lending partnership with IndusInd Bank to offer gold loans at competitive rates to a bigger and diverse segment of borrowers.

Under the co-lending partnership agreement, Indel Money will originate and process gold loans based on mutually formulated credit parameters and eligibility criteria. The company will service the customers through the entire lifecycle of the loans including sourcing, documentation, collection and loan servicing.

IndusInd Bank will take into its book 80% of the gold loan generated by the co-lending arrangement while the remaining 20% will be funded by Indel Money. The NBFC will start the co-lending partnership with a pilot project in Sept 2021 before expanding it pan India.

The co-lending partnership will help both Indel Money and IndusInd Bank to enhance its gold loan portfolio across the country by penetrating various market segments.

Mr. Umesh Mohanan, Executive Director and CEO, Indel Money said, "It's a pleasure to sign the co-lending agreement with IndusInd Bank. The co-lending partnership places greater responsibility on us to excel in managing the gold loan lifecycle and underscores the trust and value that the bank has on our expertise and technology capability to meet unsolved credit needs of the underserved segments of borrowers. The partnership will help us serve an extensive range of customers across geographies and ticket-size."

Mr. Srinivas Bonam, Head of Inclusive Banking Group, IndusInd Bank said, "We are pleased to partner with Indel Money for extending gold loans. They have strong presence in the southern region with plan to expand across India. The collaboration is in line with our philosophy and strategy to bring efficient and inclusive lending solution through partnership."

Credgenics launches CG Collect App to help lenders and collection agents

Credgenics, India's first-of-its-kind SaaS-based end-to-end debt resolution and legal automation platform, is excited to announce the launch of CG Collect - a mobile application to help the lenders/managers track the collections agents, monitor their activities, and evaluate their performance. Alongside this, it helps the agents navigate to the borrowers' location with ease, schedule visits with a couple of clicks, showcase legal notices to the borrowers, and access e-receipts for proof of payments, among other benefits. This Feet-On-Street (FOS) loan recovery application can significantly improve the productivity of collection agents. The app is now available on Google Play Store, and will soon be live on Apple App Store as well.

The mobile app closely integrates with the Credgenics web platform and allows features like navigation to the applicant provided address, direct calling of borrowers, geo-tracking of the agent's live location, logging collection details (like recovered amount, collection mode and status for successful and failed recoveries), collection and visit proof, single & multiple loan deposit to the lender's bank/company branch, and collection receipt's integration with the communication channels like Email, SMS, WhatsApp, etc.

Commenting on the launch, Anand Agrawal, Co-Founder& CTO, Credgenics, said, "We are really excited to introduce loan recovery FOS application for the collection agents and the managers. Through this CG Platform, managers can benefit from hassle-free loan allocation, easy tracking of agents and cases allocated to them and the corresponding collection cycles. Besides this, collection agents could easily manage and plan the loans in their portfolio. They can check for important parameters against those loans like DPD values, legal notice copies, agents' distance from the borrowers, and their allocation month. This helps them easily create, track and execute their pending tasks"

He further added, "This application has been carefully designed to renew our promise to digitally transform the collection activities and make it more cost and time efficient. The areas where the traditional means of collections through agents is prevalent, CG COLLECT will help the agents and the managers use a simple technology to do their work more efficiently. Remaining true to our aim, we would try to bring more offerings in the course of our journey to promote the cause of good assets and digital transformation."

Credgenics manages over INR 1,500 crores of debt on its financial platform and helps their clients by significantly improving the resolution rates by up to20% and up to 20-days reduction in the resolution time. The team comprises of 150+ members, with a strong 70+ member tech and product team. Credgenics also has 2200+ legal counsels empanelled pan-India for arbitration and legal steps in late stage delinquencies. To facilitatethe debt recoveries and thereby remedy the steep rise in the NPA, the company works with 7 leading private banks like ICICI Bank, IDFC First, Axis Bank and Kotak Bank, besides 40+ marquee NBFCs like IIFL Finance, Loantap, DMI Finance, Clix Capital, Udaan, Moneytap, Moneyview, among others.

Recently, Credgenics received US$25 Million in Series-A round and multiplied its valuation by 5.5 times to $100 million. The round was led by reputed investors Westbridge Capital, Tanglin Venture Partners, and Accel Partners, along with the participation of other marquee investors.

Exports rise 21% in Sept, while imports surge by 85%

India's merchandise exports soared 21.35 per cent to $33.44 billion in September 2021 compared to $27.56 billion in the same month last year due to robust demand from other countries.

The merchandise exports in September 2021 were up 28.51 per cent from $26.02 billion during the pre-pandemic period of September 2019, showed preliminary data released by the Ministry of Commerce and Industry. The country's merchandise exports in April-September 2021 stood $197.11 billion, an increase of 56.92 per cent over $125.61 billion in April-September 2020 and an increase of 28.51 per cent over $159.14 billion in April-September 2019.

Other the other hand, merchandise imports also saw a huge jump of 84.47 per cent to $56.38 billion in September 2021 against $30.52 billion in September 2020. Imports surged 49.58 per cent over $37.69 billion during the pre-pandemic period of September 2019.

TBML- GROWING COHERENCE & MISUSE OF INTERNATIONAL TRADE

TBML was defined by the FATF in 2006 as 'the process of disguising the proceeds of crime and moving value through the use of trade transactions in an attempt to legitimize their illicit origins.' TBML and terrorist financing (TBML/FT) refer to the process of disguising the proceeds of crime and moving value through the use of trade transactions in an attempt to legitimise their illegal origin or finance their activities."

The crime involves a number of schemes in order to complicate the documentation of legitimate trade transactions; such actions may include moving illicit goods, falsifying documents, misrepresenting financial transactions, and under- or over-invoicing the value of goods. The primary role of banks in international trade is to provide financing, risk mitigation and settlement of payment for cross-border transactions. A number of international entities and National regulators including the Financial Action Task Force (FATF), the UK Financial Conduct Authority (FCA) and the Wolfsberg Group have all drawn attention to the misuse of Trade Finance as one of the ways that criminal organizations and terrorist financiers move money to disguise its origins and integrate it into the legitimate economy.

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Key characteristics of Global trade that makes it more vulnerable for Money Laundering

* Cross border transactions provide opportunities to take advantage of differences in legal systems of various jurisdictions.
* TBML necessarily requires intermingling of the trade sector with the finance sector. Criminals take advantage of vulnerabilities of both the sectors. Merely having an AML regime for the finance sector becomes inadequate unless such a regime effectively covers the corresponding trade sector.

* International trade is denominated in terms of internationally acceptable currencies. Trade becomes exposed to the vulnerabilities of the foreign exchange market.
* The long supply chain necessary for international trade make the trade more vulnerable to TBML. This chain of manufacturer, trader, consigner, consignee, notifying party, financier shipper, insurer and freight forwarder broaden the scope for abuse of the system by the criminals because of all the vulnerabilities that exist.

The dilemma for regulators and policy makers

The dilemma which is faced by policy makers is the requirement to balance the needs of a free, fair and predictable trade regime with the needs for regulation of trade so as to prevent its abuse. For context, the WTO Statistical Review of 2020 stated that the volume of the global trade in world merchandise (i.e. goods) trade stood at USD 19.05 trillion while the value of global trade for commercial services stood at USD 5.898 trillion, which indicates the potential for absorption and movement of funds of criminal origin through international trade and the need to study TBML.

To further understand scope and red flag indicators of TBML, we need to differentiate between - trade that is bank intermediated and trade that is not bank intermediated.

Various types of trade and nontrade transactions that banks undertake are as under along with set of rules and framework governing them:

* Documentary trade governed by ICC rules
* Open accounts bank intermediated transactions - Governed by Deal specific and Lender Specific Policy .
* Non bank Intermediated transactions - Governed broadly by Country Exchange Regulations.

Trade can be intermediated through various modes such as open account settlement , collection documents, trade credit products, letter of credit & advance payment .Bank intermediated trade means the trade wherein bank is having an access to underlying trade documents and is in a position to ask for further documents if required under its regular due diligence. In instances where trade is bank-intermediated, the bank may provide financing and/or risk mitigation. Financing occurs in a variety of forms including transaction types such as documentary (e.g., letters of credit, collections, guarantees) and non-documentary (e.g., trade loans, receivables/payables financing). In documentary transactions, the bank handles or processes documentation such as bills of lading, invoices, packing lists, etc.

In non-documentary transactions, the bank may have access to only a portion of documentation based on the structure of the transaction and policy of the institution. For example, pre-shipment financing occurs before shipping documents and invoices are produced.

For non-bank intermediated transactions, the bank only handles the transfer of funds without seeing any underlying documents that identify the payment as being trade related.- Processing a wire transfer to settle an open account transaction.

In 2017, Wolfsberg estimated that approximately 80% of global trade was transacted using open account settlement. Banks receive underlying documentation for the approximate 20% of global trade out of which a portion is documentary trade and a portion of non-documentary bank-intermediated trade. This adds to the dilemma of bankers on how to detect a potential TBML activity if the same is being undertaken through Open Account Settlement.

Given the above differentiation of bank intermediated and non-intermediated transactions and the lesser scope of banks to handle underlying documents in 80% of trade transactions, it is generally perceived that bank won't be able to see any red flag indicators.

However, Bankers Association for Finance and Trade (BAFT) in its guidance note for the year 2017 has mapped different red flag indicators to payments transactions, Open account Trade Payments & Documentary Trade Payments as under:

Figure : 1

Mapping of BAFT Red Flags to Payments, Open Account Trade Payments and Documentary Trade Transactions Including Payments

	BAFT Red Flags	Payments	Open Account Trade Payments	Documentary Trade Transactions including payments
1	The customer engages in transactions that are inconsistent with the customer's business strategy (e.g., a steel company that starts dealing in paper products) or make no economic sense.		X[15]	X
2	A customer deviates significantly from its historical pattern of trade activity (i.e., in terms of markets, monetary value, frequency of transactions, volume or merchandise type)	X[16]	X	X
3	Transacting parties appear to be affiliated, conduct business out of a residential address, or provide only a registered agent's address	X[17]	X	X
4	Customer conducts business in jurisdictions that are at higher risk for money laundering, terrorist financing or other financial crimes	X[18]	X	X
5	Customer shipping items to, through or from higher money-laundering risk jurisdictions including countries identified by the Financial Action Task Force as "noncooperative jurisdictions" in regards to anti-money laundering regulations			X
6	Customers transacting in activities/goods that potentially involve a high risk of money laundering and other financial crimes including activities/goods that may be subject to export/import restrictions		X[19]	X
7	Obvious over or under pricing of goods			X
8	Obvious misrepresentation of quantity of goods shipped			X
9	The payment terms or tenor are inconsistent with the type of goods			X
10	Transaction structure and/or shipment terms appear unnecessarily complex or unusual and designed to obscure the true nature of the transaction			X
11	The LC contains non-standard clauses or phrases or has unusual characteristics			X
12	The LC is frequently significantly amended for extensions, changes to the beneficiary and/or changes to the payment location			X
13	The transaction appears to involve use of front or shell companies for the purpose of hiding the true parties involved			X
14	The bank is approached by a previously unknown party whose identity is not clear, who seems evasive about its identity or connections, or whose references are not convincing, or payment instructions are changed at the last minute			X

Source: BAFT AML KYC Working Group: Combatting Trade Based Money Laundering: Rethinking the Approach.

Learning from the Paradox:

More than US$3.07 quadrillion in payments are made annually. By comparison, World Trade Organization (WTO) estimates roughly $16 trillion of trade transactions occur each year. Accordingly, approximately 0.52% of the value of all payments represent trade settlement. Given that at least 80% of trade is open account, only about 0.1% of the value of payments made reflect settlement of documentary trade. All of the AML monitoring and controls put in place in a bank's trade services department are there to identify and intercept roughly 0.1% (or less) of illicit funds flow.
"To truly make a difference in mitigating TBML, we must look beyond documentary trade, and beyond banks."

Major Typologies of Trade Based Money Laundering

Asia Pacific Group has grouped the typologies of TBML such as over or under invoicing, phantom shipping, short shipping, multiple invoicing etc into four broad categories based on reporting of various cases by various countries . The broad categories reveal the identified pattern in which majority of TBML activity has been detected so far.

i) Jurisdiction :

a) The commodity is shipped to or from a jurisdiction designated as 'high risk' for MLactivities or sensitive / non-co-operative jurisdictions.

b) The commodity is transhipped through one or more such high risk / sensitive jurisdictions for no apparent economic reason.

c) Presence of Free Trade Zones / Special Economic Zones also affects the sensitiveness of a jurisdiction as far as TBML is concerned.

FTZs are also emerging as being especially vulnerable to TBML. FATF (2010: 4) defines FTZs as 'designated areas within countries that offer a free trade environment with a minimum level of regulation'. In the said report, FATF noted that most zone authorities operate separate company formation services from those that exist in the rest of the jurisdiction and market the ease of setting up a legal entity in an FTZ to attract business.. As a result, it is simpler for legal entities to set up the firms/companies in FTZs and hide the name(s) of the true beneficial owners. This lack of transparency has allowed companies located in FTZs to create layers of transactions that are difficult (if not impossible) for law enforcement agencies to follow (FATF 2010). It also reported that 'goods introduced in a FTZ' are generally not subject to the usual customs controls, with goods undergoing 'various economic operations, such as transshipment, assembly, manufacturing, processing, warehousing'.

FinCEN has identified TBML red flags that are specific to FTZs. In its 2010 report, FinCEN (2010: 4) signaled that a number of red flags seen in conjunction with shipments of high dollar merchandise (such as electronics, auto parts and precious metals and gems) to duty free trade zones could be an indication of a trade-based money laundering activity.

These include :

- Third-party payments for goods or services made by an intermediary (either an individual or an entity) apparently unrelated to the seller or purchaser of goods. This may be done to obscure the true origin of the funds;
- Amended letters of credit without reasonable justification;
- A customer's inability to produce appropriate documentation (ie invoices) to support a requested transaction;
- Significant discrepancies between the descriptions of the goods on the transport document (ie bill of lading), the invoice, or other documents (i.e. certificate of origin, packing list etc) (FinCEN 2010).

d) Circuitous route of shipment and/or circuitous route of financial transaction or Orderor the goods is placed by firms or individuals from foreign countries other than thejurisdiction of the stated end-user.

e) Transaction involves shipment of goods inconsistent with normal geographic tradepatterns of the jurisdiction.

ii) Goods Involved :

Most of the jurisdictions have responded to state that no definite pattern of goods involved in TBML is identifiable. This is probably due to the vulnerability of almost all trade transactions for TBML, however , Global trade in services provide greater opportunities for ML than trade in merchandise because fraud particularly in regard to valuation of services is more difficult to detect and prove.Some goods are found to be more vulnerable to be used in TBML activity such as consumer goods, textiles, garments, engineering goods, electronics goods, illicit

tobacco products, leather goods, luxury cars, precious metals, counterfeit products, diamonds, metal scraps.

a) Where significant discrepancies appear between the description, quality and quantity of the goods on the documents such as bills of lading, invoices etc and the actual goods shipped. The misrepresentation may also be in relation to or type / grade of goods. For example, a relatively inexpensive good is supplied but it is invoiced as being more expensive, of different quality or even as an entirely different item so the documentation does not accurately record what is actually supplied.

b) Significant discrepancies appear between the value of the commodity reported on the Invoice and the commodity's fair market value. This is done either in conjunction with mis-declaration of the description / quality / grade of goods or without it. This is also often associated with mis-declaration of the jurisdiction of origin.

c) Consignment size or type of commodity being shipped appears inconsistent with the scale or capacity of the exporter or importer having regard to their regular business activities or the shipment does not make economic sense i.e. there is no reasonable explanation for the client's financial investment into the shipment.

iii) Pattern of corporate structures

To adduce information about the types of corporate structures i.e. Companies, Partnership Firms, Proprietorship, Offshore Companies etc. used by criminal syndicates in TBML Bogus registered companies (behave like true consignor / consignees of goods) and offshore companies located in tax havens have been reported as corporate structure misused by criminal syndicates. The use of offshore companies is also associated with complex schemes and methodologies utilized by established criminal enterprises. Red flags with regard to corporate structures are as under:

a) The transaction involves the use of front or shell companies. Both shell and front companies can be used to facilitate TBML but in different ways. As FATF (2010: 20) explained TBML and other ML schemes rely on the ability of the perpetrator of the crime to distance themselves from the illicit proceeds. Shell companies enable illicit actors to create a network of legal entities around the world. By contrast, a front company has real business whose legitimate operations are used as a cover for ML and other criminal activity. In many ways, front companies present a much more significant TBML threat than shell companies.

b) Numerous sole proprietorship businesses/private limited companies set up by seemingly unrelated people (proxies) are found to be controlled by the same group of people. For the setting up of such businesses false addresses are registered.

c) Trade transaction reveals links between representatives of companies exchanging goods i.e. same owners or management. TBML requires collusion between traders at both ends of the import/export chain. Related party transactions, including transfer pricing, rely on mutual agreements between the parties, rather than free market forces. As the FATF (2006: 5) pointed out, over or under-invoicing of goods and services requires collusion between the exporter and importer. Although there is a higher risk of related party transactions being used for fraud and for TBML, dealings between related parties are not necessarily illegal.

d) Transfer pricing is a related party transaction that is commonly used by transnational corporation as part of their financial and tax planning strategy. Similar strategies are also employed in relation to import duties and value added tax. FATF (2006: 3) made it clear though that in the case of transfer pricing, the reference to over- and under-invoicing relates to the legitimate allocation of income between related parties, rather than customs fraud. However, possibility of TBML originating in transfer pricing cannot be ruled-out.

iv) Predicate offences of TBML

A predicate offence is a crime that is a component of a more serious crime. For example, producing unlawful funds is the primary offence and money laundering is the predicate offence. The term "predicate offence" is usually used to describe money laundering or terrorist financing activities.

15% of the jurisdictions have reported that tax evasion is the predominant predicate offence in TBML cases whereas 10% of the jurisdictions have reported customs offences as the main predicate offence. Other responses indicate that predicate offences are often related to commercial fraud, IPR, Narcotics, human trafficking, terrorist financing, embezzlement,corruption, organized crime (racketeering), dealing in banned goods, conducting illegal business, speculation etc. One Reporting jurisdiction indicated that ML is considered to bean autonomous offence and there is no need to prove the existence or nature of the predicate offence in order to prosecute hence as a consequence, there is no systemic link between MLcases and other crimes.

Combatting TBML

a) Common steps taken by many countries include:-

- Data Mining of existing customers
- Site visits to high transacting customers
- Cross border wire transfer remittances - Analysis such as [Many to one, One to Many, top Remitters, top Beneficiaries]
- Effective coordination of all financial crime compliance functions within the country - Cyber security, tax department, customs.
- Artificial Intelligence enabling the bank's systems to simulate intelligent behaviour and make well informed decisions with little or no human intervention
- Example of USA - TRADE TRANSPARENCY UNITS

  "In 2004, US (HSI) initiated TTU to dismantle Transnational Criminal Organisations (TCOs) . TTU partners with customs and financial agencies around the world to detect trade discrepancies and violations. TTU focused on sharing of information by sharing IE declaration of US with counterpart IE declaration value thereby enhancing level of transparency."

b) Adopting a Risk Based Approach as per Wolfsberg Guidance and creating well equipped and evolving three lines of defence as under:

First line of defense Front office staff

Front Office Staff should have good knowledge of their customers, including, but not limited to, the customer's business, its trading profile across different geographies, sources of raw materials, manufacturing locations, location of their suppliers and customers, and where appropriate, identify key suppliers and customers, in order to assess the TBML risks posed by these customers and their transactions.

Second line of defense: The Compliance team at Controlling officers

The compliance team should have trade finance expertise to review, assess and provide feedback on the TBML red flags identified by the front office and trade processing teams. The Compliance team should perform assurance testing on a regular basis to ensure timely identification of ineffective TBML controls. Information on trade transactions or TBML related escalations, controls weaknesses and remedial action plans, together with other issues noted by Compliance should be regularly reported to senior management for effective oversight.

Third line of defense - Internal Audit

As the third and last line of defense, internal audit, should conduct a holistic assessment of the Bank's framework to combat TBML, including the assessment of adequacy of policies and procedures and effectiveness of testing of relevant controls. Internal audit should design a TBML focused test plan and ensure that the staff performing the testing have requisite trade finance and AML/CFT skill.

Conclusion

The key finding to above dissection of TBML remain as greater awareness about all aspects of the trade process, including how different financing processes are managed, would likely increase opportunities to detect and successfully disrupt Trade Based Money Laundering. At the same time a risk-based approach support by strong system based checks is required so that a balance between a need to encourage legitimate trade and regulate the illegitimate trade is achieved. Employee training is must as in all the three defenses of TBML, people play a key role and better updated and equipped they are would go a long way in adding to robust Anti TBML regime.

Source :

- TBML-Trends & development = EGMONT group of Financial units.
- BAFT-Combatting TBML :Rethinking the Approach 2017
- FATF: Document TBML 2006.
- APG: TBML Typologies report 2012. ❑

RETAIL BANKING POST PANDEMIC: REPOSITIONING & RECALIBRATING FOR THE PRESENT & FUTURE

Introduction

The COVID-19 pandemic has brought economies to a standstill and has provided considerable challenges to banking and financial institutions. However, the banking industry has shown tremendous alacrity during the ongoing pandemic. To give an example, bank branches were closed when clients stayed at home, redirecting their resources and customers to digital channels. Banks extended loan deferrals or moratoriums to help financially distressed customers weather the crisis.

As the knock-out effect of the pandemic spreads, the domain of retail banking juggles to reposition and recalibrate the business priorities and customer expectations. The banks realise today that the product, process and experience delivered to customers needs re-orientation. With social distancing norms still in force, re-orienting the digital banking approach is a primary agenda for the industry.

The article endeavours to analyse critical value factors relevant to the banking industry to stay relevant now and rise above in the future.

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Challenges for Retail Banks

Banks now confront additional hurdles as the new reality begins to take shape. The pandemic has accelerated changes already underway and sparked new ones. Owing to the pandemic, the banking revenue has taken a significant beating, and the industry's revenue pool is under pressure. Relevant reports suggest under the most optimistic scenario; those pools are not expected to return to pre-crisis levels until 2022.

Customers are making a move to the digital channels faster than they have earlier. Online banking and mobile banking use has increased to a considerable level. These changes are expected to last, speeding up the transition to digital media by three to four years compared to pre-crisis trends.

As more customers go online, bank's position at the crossroads of the customer and financial services is under threat. A crowded industry landscape is emerging, with various types of firms competing at various levels. Nonbank entities such as fintech's are making significant inroads in distribution, threatening to commoditize many banking products.

3 Years — **The amount of time it will take for global retail-banking revenues to return to 2019 levels.**

30% — **The increase in the use of mobile banking worldwide during the COVID-19 crisis-and further increases will follow.**

2X — **The efficiency of leading retail banks, compared with that of the typical retail bank.**

(Source: BCG Analysis, 2021)

As a further reiteration, the article focuses on significant factors that the banking industry may realise the value of and further adopt to retain customer delight and loyalty.

Comprehending & Prioritising the Value Factors

❖ *Re-Skilling the Workforce*

Digital banking transformation and automation must be guided by a deeper understanding of how humans use technology. Factoring the principle of human experience in the design of systems becomes critical. Although digital banking improves efficiency and reduces costs but for the new system to work, we need to ensure that people are re-skilled to adapt to the new technological paradigm. An understanding of employee strengths and limitations amalgamated with the priority to augment human skills is essential for many banking tasks. As the banking workforce becomes more mobile, diverse, and dependent on technology, observing the buying behaviour of the customers requires constant learning, un-learning and, re-learning.

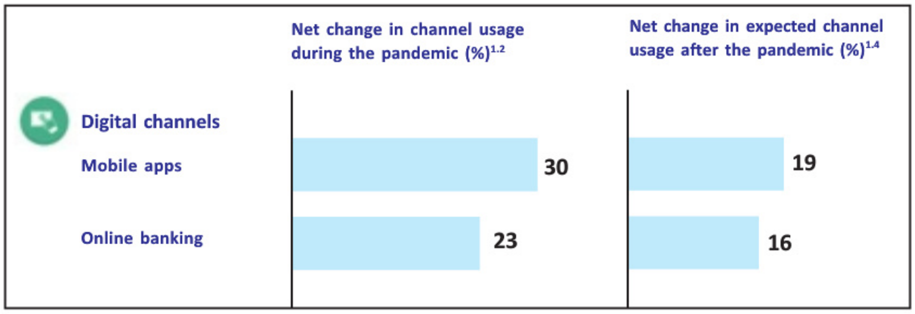
❖ Accelerating Digital Transformation

There is much that goes on behind the lines when it comes to creating a seamless digital banking experience. Today, the customers have a plethora of options as banking organisations, fintech players, and others in the eco-system further tweak the paradigm for digital transformation in banking. Moreover, as the lines between fintech players and conventional banks begin to blur in the digital landscape, accelerating the pace of digital transformation is indispensable. Initially, digital transformation was perceived as merely changing manual processes to automation. However, from the perspective of customers, digital transformation encompasses the path to a delightful digital customer experience. Essentially, banks need to introspect how customer insights, process redesign, and technology implementation can be aligned to achieve the strategic goal of organisation and build value for consumers.

❖ *Comprehending changed buying behaviour*

The pandemic has had a significant effect on the mindset of the consumers, changing their buying behaviour. Today, banking consumers are looking for greater digital convenience and are more comfortable transacting from their homes. As per BCG's recent retail-banking survey report (2021), throughout the pandemic, an average of 13% of customers in 16 major markets utilised internet banking for the first time (12% for mobile); and for other markets, the figure is significantly higher.

During the crisis, cashless payments are also gaining a lot of traction. More than 20% of respondents reiterate that they have increased the use of digital payment solutions, such as those provided by internet banking and third-party apps, and more than 10% said the same about credit and debit cards. Such behavioural changes are impacting branch banking negatively.



(Figure 1: COVID-19 Is Driving Increased Use of Digital Channels)
(Source: BCG Analysis, 2021)

❖ *Leveraging Remote Work*

Primarily, banks have to realise how teams work with a focus on remote and distributed teams. Leave alone banking, even the traditional companies across industries, have embraced remote work to stay connected with customers and employees. But, having seen the benefits of work from home/work from anywhere, people will be hesitant to come back to the previous way of working. And the organizations will have to adapt and leverage a new working model that does not compromise on the service levels and customer experience.

❖ *Pursuing the Fundamentals of Customer Centricity*

With a weak digital offering, it might be the "now or never" time for the banks. Banks have to be more focused on serving customers through digital touchpoints. In the forthcoming years, traditional banks either keep retaining existing clients and acquire more through proper digital touchpoints or face the certainty of being insignificant. More importantly, banks have to speed up the digital transformation of internal processes and legacy systems that pursue the fundamentals of customer-centricity. Understanding real and often unmet customer needs and delivering them is core to customer delight and loyalty.

❖ *Becoming the "One Step Ahead" Leader*

In times that represent disruption and sudden behavioural change, employees have to learn fast but, leaders need to learn faster. For organisations to navigate the troubled waters, leaders need to quickly adapt to have a clear vision of organisational growth and success. Without a doubt, the majority of banks with sufficient capital will survive the crisis. In a post-crisis environment, successful banks will be led by infinite-minded leaders who can adapt and inspire.

Refining the Retail Bank Value Streams

A value stream, according to Wikipedia, is the set of actions that take place to provide value to a customer from the first request to the customer's realisation of value. Importantly, value stream analysis helps in incorporating:

- ❖ Value-added steps (adds value to the customer of your financial product or service),
- ❖ Strengthening business value-steps (include bank regulatory compliance, risk management necessities)
- ❖ Eradicating non value-added steps (No value to the customer, nor are they required in any way)

In the banking domain, it helps in analyzing the different transactional and operational processes that are currently required to deliver value to a customer, from customer on-boarding to attending service requests. The following is the description of the value stream for a retail bank.

JOINING	**Opening a new account to make transactions, such as paying bills**
BORROWING	**Buying a home/Making a large purchase, such as buying a car or a boat**
GETTING FUNDS FAST	**Securing a loan quickly**
SAVING	**Saving for a child's education or for retirement**
OPTIMISING FINANCIAL WELL	**Understanding, organizing, or managing finances, as well as renegotiating debt**

MAKING TRANSACTIONS	Paying bills and making other transactions
ADDRESSING FRAUDS & DISPUTES	Dealing with fraudulent transactions and identity theft
REQUESTING SERVICE	Resolving service needs (such as updating account information) and issues (such as closing an account)

(Source: BCG Retail Banking Analysis, 2021)

Implementing an Integrated Approach

This is the appropriate time to consider the customer's actual circumstances for financial and underlying nonfinancial needs and to identify relevant products and solutions. Consulting agencies of repute reiterate that:

- ❖ Banks should design processes and solutions from scratch as opposed to trying to adapt those currently in use.
- ❖ Integrating artificial intelligence (AI) tools into the value stream will eliminate work and duplication of capabilities across products and customer segments.
- ❖ The pandemic is a clarion call for process re-optimisation across sales, operations, and service functions to simplify work and eliminate re-work.
- ❖ Maintaining a cautious approach as the pandemic persists by balancing ambitious targets with incremental progress.
- ❖ Integrating technology, digital, and data to eliminate duplications across silos helps integrate the design and delivery of products and services.
- ❖ Bringing employees from disparate functions together for a shared goal can avoid backlogs across digital and non-digital channels.

Conclusion

Although retail banks worldwide responded to the COVID-19 crisis with speed and a sense of purpose, remaining true to the profit, social and, corporate governance goals is a challenge. Supervisory and compliance functions that were never designed for remote work need innovation, ingenuity, and focus. While market conditions and customer behaviour may alter as the crisis progresses, banks must reconsider their strategy and brand building to determine the industry's future.

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Tatas to shift ready-to-eat biz to Tata Consumer

The closely held Tata Industries is set to transfer its ready-to-eat meal business (sold under Tata Q brand) to the publicly listed Tata Consumer Products, according to people familiar with the matter. The move comes as India's biggest conglomerate reorganises its corporate structure.

This would be the second such transaction between two Tata entities in branded foods, underpinning group chairman N Chandrasekaran's resolve to simplify the $103-billion conglomerate with a sharper focus on businesses that have a play in similar categories. Earlier, Tata Chemicals transferred its food portfolio consisting of Tata Salt and Tata Sampann pulses to Tata Consumer.

Tata Industries and Tata Consumer didn't immediately reply to emailed queries. Tata Consumer houses the conglomerate's food and beverage business that includes Tetley Tea, Eight O'Clock Coffee, Himalayan water and Starbucks and will now add ready-to-eat meals to its portfolio. Tata Consumer is the fifth-most valuable company among the group's listed entities after TCS, Titan, Tata Motors and Tata Steel.

ANALYTICS IN INDIAN BANKING: THE WAY FORWARD

Abstract:

Indian Banking industry has undergone a series of transformations with the advent of Information Technology (IT) since 1980s, 1990s and 2000s in terms of applications of IT in different banking processes from various perspectives such as cost reduction, revenue generation, fraud detection, security issues etc. and this transformation is still continuing with new trend called Business Intelligence and Big Data Analytics. In the present banking scenario Big Data Analytics stands as the solution for the increasing competition and regulatory challenges with fraud and cyber security threats where banks are under rigorous pressure to improve the efficiency and revenue to sustain profit margins and customers. Analytics in Banking supports Decision Making to elevate revenue, control costs and mitigate risks. This in turn improves customer segment; target, create and retain customers along with customer understanding and risk management.

Introduction:

The Banking Industry has witnessed a huge transformation during the last decade due to technological changes. The advent of information systems (IT) since 1980s, 1990s and early 2000s changed the banks in terms of application of IT in different business process form various perspectives such as cost reduction, revenue generation, fraud detection security etc. Similarly, analytics in banking is also meant for transforming such institution.

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Financial metrics and KPIs provide effective measures for banks' overall performance. Banks need to move beyond standard business reporting and sales forecasting, in order to reach their strategic goals. Datamining, multivariate descriptive analytics and predictive analytics help banks to extract intelligent visions and quantifiable predictions that covers all types of customer behaviors such as account opening and closing, transactions, defaults if any and customer exit. With the continuous increase in competition, regulatory changes, fraud and cyber security threats, banks face tremendous pressure to improve operating efficiencies and grow wallet shares to sustain in the market. So, analytics is found to be the solution for better operating efficiency and proper customer engagement and also in mitigating risk as well as optimizing the deployment and utilization of banks resources.

Big Data Analytics:

Big Data Analytics is an extremely huge and varied data sets which are handled, analyzed, managed and validated through data management tools to make informed decisions. The data sets may be unstructured, semi-structured and structured; meta data from internet, social media data; web browser history and responses to surveys; machine data from Internet of Things (IoT) etc. which are in the form of five V's such as Volume, Velocity, Variety, Veracity and Value. Analytics is an encompassing and multidimensional field which uses mathematics, statistics, predictive modeling and machine learning techniques to find the meaningful patterns and have knowledge of the data so recorded.

Banking Industry comprises of enormous transactional data that is required to be properly managed, scrutinized, evaluated and utilized for the benefit of the banks and its customers.

Analytics in Banking:

Due to technological advancement there is no much interaction of customers and bankers at least to ensure that the current customer is well satisfied with their services so as to retain them. For banks customer acquisition is costlier than retaining old ones. Customer may be requiring varied services such as discounts on purchases, convenience, simplified home buying, personalized services, information and alerts etc. The traditional tools are not sufficient to process the data for all types of decision making. Hence, banks are using data analytics in an efficient manner so as to enhance their customer value with better and faster decisions and also to maximize their revenue.

Benefits of Analytics in Banking:

There are several benefits of Analytics in Banking, like,

- ❖ Better understanding of customer behavior and responding to changes in preferences faster.
- ❖ Meeting regulatory requirements and addressing the setbacks on real time basis
- ❖ Improved product design and overall product portfolio optimization
- ❖ Increase transparency
- ❖ Develop a risk adjusted view of performance
- ❖ Manage fraud effectively
- ❖ Measure customer and product profitability
- ❖ Identify high potential prospects and customers
- ❖ Improve the ability to target products and services to prospective customers
- ❖ Enhance specific elements of the offer like product pricing, channeling etc.

Stages of Banking Analytics:

The basic aim of Banks is to acquire customers, retain and finally develop them. For this they go with the sentiment analysis, 360-degree customer analysis along with customer segmentation, best offers for them product management and design targeted marketed programs to reach them. These activities are supported by data analytics. This involves a series of stages of maintaining data and processing them to reach the informed decisions of the bankers at regular intervals.

Reporting: This involves building data warehouse and report the current situation. Here only raw information is gathered which is both structured and unstructured and which is collected from various sources.

Descriptive Analytics: This is an actionable insight on the

current position. Complex and time series data is considered for applying basic set of statistical and mathematical tools to study the data behavior and draw minor conclusions. For example, customer segmentation and profitability, campaign analytics, value at risk calculations etc.

Predictive Analytics: These analytics predicts the likely future outcomes of the events. Here the big data is considered being real time and from various sources known and unknown. Accordingly, advanced and specialized tools are considered for predicting the future possibilities.

Prescriptive Analytics: These analytics prescribes the action on the predicted outcomes for a situation. Still more advanced techniques are used for prescriptive actions on the predicted outcomes and it promotes self-learning. For example, behavioral probability defaults, loss given defaults, exposure at default modeling, stress testing for mandated and custom scenarios etc.

Model Framework for Analytics in Banking

The key areas where analytics in Banking impacted a lot are:

- Consumer and Marketing Analytics
- Risk, fraud and Anti-Money Laundering / Know Your Customer Analytics
- Product and Portfolio optimization modeling.

Accordingly, a frame work model can be designed with basic drivers / components of banking data analytics being -

Operations and Performance Management:

Operations management is one such driver which involves a series of analytics that can be considered such as supply chain analytics, claims analytics, call center analytics, work force analytics, IT operations, spend and usage behavior analytics. All these focus on product and portfolio optimization that determines prepayments, misbehaviors defaults and cash flows to the banks. These analytics shows better impact on profitability of the banks thereby helps in smooth flow of operations.

Customer Management:

Under customer management of banks we come across market sizing, segmentation and targeting, customer acquisition strategy, cross sell and upsell opportunities, marketing mix and optimization leading to channel performance, campaign and sales effectiveness, customer satisfaction from customer lifetime value (CLV) estimation, digital experience of customers product comparison and attributed sentiment and tracking sentiments in future, brand equity and trends information from social media and digital media and finally real time offers and personalization.

Risk Management:

Risk management analytics modeling involves analysis of various portfolios to forecast likely losses and make provisions for those adequately. It comprises of risk assessment, scoring and rules, credit risk, AML, KYC, loss forecasting, default management, collections analytics, regulatory requirements in relation to Basel and CCAR, trade cancels and settlements etc. Early warning signals of both customers and banks are sent in case of any mis-happenings or finding such preventive actions for protecting from AML incidents.

Regulatory Governance and Compliance:

Due to stringent regulatory environment there is rising cost of compliance and also risk of non-compliance in some cases. Under regulatory and governance compliance analytics proper regulations are followed by the banks and there is a check if any deviation is there in the operations or any issues relating to the customer activities thereby protecting the governance of the banks. This ensures trust on the banks from the customers.

Fraud Management:

Proactive fraud detection is necessary for the banks to secure customers and employees. Fraud Analytics comprises of detecting, preventing and mitigating fraud risk in real time, application and transactional fraud monitoring, real time monitoring of rules and AML solutions. This ensures early warning signals to the banks whenever any deviations in the activities are found to be aroused.

Implementation of Analytics in Banking:

Analytics in Banking can be implemented in the five stages that are discussed.

Prioritize the focus areas:

Banks should identify the areas (i.e., customer, risk, finance, governance or fraud) where data and analytics can show greatest impact and obtain leadership engagement from the start.

Streamlining of data:

This requires integration of high quality of data with the data in the silos across products and lines of business. For example, a single view of customer, his transactions, tastes and preferences, aggregated risk exposure by product etc.

Integration with decision management system:

Analytics is itself meant for taking real time smart decisions. Thus, proper integration with decision management systems is necessary.

Talent hunt:

Finding the right talent (i.e., statistical modelling professionals, big data analysts etc.) for right process ensures the success of that activity. Banks should have a talent plan that builds on both existing internal talent and external sources.

Make connections:

Banks which have already had certain facets of analytics should chalk out a smart plan for connecting the teams across the whole organization which in turn strengthens the existing one or comes out with a more effective one.

Challenges faced by Banks:

With the facets of varied data, software tools and programs to be adopted, outcomes to be analyzed and decision to be made on real time banks lack internal capabilities and capacities.

Cost and Time: Banks budget may not be sufficient to meet the high planning of analytics implementation. Similarly, the time available to integrate the present process to analytics is more and if done they may be risking the competitive advantage in delays.

Expertise of Analytics: Banks may not have expertise staff in analytics or even the understandability of such areas is very less which ultimately hinder the implementation process.

Technology Resources: Understanding of analytics tools and their integration to the present process flow is limited in banks due to lack of expertise and also resources.

Benchmarking Data: bench marks and efficiency indicators help a lot in comparing internal performance, but in analytics it is difficult to set the quantifiable targets due to lack of historical information.

Process Expertise: It is necessary to connect the analytics to operational performance objectives and this can be done through a third-party service provider (as an outsourcing engagement) thereby driving analytics objectives towards process performance.

Factors affecting Successful Implementation of Analytics in Banking:

For successful implementation of analytics in banks there are three most important things to be considered. They are: Data coverage and Relevance: - It is very important to validate the source and completeness of data as such incomplete and broken data may result in wrong observations.

Suitability of Technology:- Selection of technology should be based on capability, cost and future needs.

Governance Structures:- Right governance structures are to be adopted after clear relevancy to functions.

Banking analytics can be successfully implemented by either pure-play analytic service providers such as Absolute data, CRISIL etc. who support only analytics services; and IT/BPO service providers who engage themselves both in analytics as well as BPO services such as Accenture, Cognizant, IBM, Genpact, hp, Infosys, TCS, WNS etc.

Analytics in Indian Banking Scenario:

Analytics in Indian Banking is still at its nascent stage and so the value creation potential is also very low. The market size of Finance and Banking sector in Analytics is growing at a faster pace than any other sector as it was USD575 million, USD756 million and USD1030 million and USD 6.32 billion in 2020 during 2016, 2017, 2018 and 2020 respectively and is projected to reach USD11.02 billion by 2026. Delhi and Bangalore are showing increasing growth rate with respect to market size. Let us see trend of analytics in Indian Banking system through a few cases.

Several Indian banks have already initiated data analytics initiatives. Some examples are as under-

A. HDFC Bank was able to scale to large datasets and build models using high-performance parallelized RevoScaleR algorithms. The Bank provided a seamless loan application experience as well as quick turnaround on loan dispersals for customer Demographic, geographic, and other data are utilized to augment loan applications and credit analysis. Instead of data manipulation, preparation, and governance the Bank may focus on models, develop algorithms, streamline updates, and create new innovations in customer services.

B. Axis Bank automated the assignment of scores based on risk and other propensities in their consumer lending business. The Bank expected that the scorecard driven underwriting would result in better accuracy, consistency and lower credit costs. Analytics is utilized in their marketing campaigns. The Bank is also concentrating on data from Internet and mobile banking, social media etc. towards improved customer service by understanding their customers' challenges. The Bank plans to incorporate fraud analytics as well.

C. ICICI Bank equipped 2000 managers with design thinking and data analytics skills. The Bank has been utilizing data analytics for multiple activities and it was declared winner in the 'Best Use of Data Analytics' category at the Retail Banker International Awards 2018- organized by Retail Banker International, an online publication that provides news on banking and finance from across the globe.

D. Kotak Mahindra Bank's analytics platform extracts data from its core banking system and the relationship management system, combines them and puts in place algorithms which are working on certain thresholds. The bank implements various significant events like change in demographics viz. marital status, city, transactional pattern viz. significant credit/ debit, premature withdrawal of term deposit, stop in any regular activity viz. auto-pay, standing instructions/ECS, drop in transaction value or volume throughputs across a period vis-à-vis historical trend and payments to beneficiaries like securities, builders, dealers These details are shared with Relationship Managers of the Bank for identifying business opportunities. The Bank has identified that a meeting led through cues from data analytics tools is 3 times more effective than the random meetings scheduled by a Relationship Manager.

Conclusion:

Banks should transform massive volumes of organizational data into actionable insights and strategies. Business Analytics or Big Data Analytics provides comprehensive capabilities to help banks to perform customer profitability analytics, manage risk and improve operational efficiency. Sophisticated predictive and prescriptive analytics improves banks' profitability, compliance, sustainability and competitiveness. However, implementing these analytics is a challenging aspect looking at the basic realties such as functional silos, talent crunch and technological resources or infrastructure. But there is no other way out for the banking industry that can create value than the tool Analytics.

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RBI'S PROPOSED CHANGES TO REGULATORY FRAMEWORK APPLICABLE TO 'HOUSING FINANCE COMPANIES' HFCS

The Central Government had, with effect from 9th August 2019, transferred regulatory powers of the Housing Finance Companies (HFCs) from the National Housing Bank (NHB) to the Reserve Bank of India (RBI). Subsequently Reserve Bank of India has now placed a draft of the changes proposed in the regulations applicable to HFCs. "RBI has undertaken the said review and has identified a few changes which are proposed to be prescribed for HFCs," the central bank said on June 18, 2020.

A review of the extant directions/ guidelines applicable to HFCs has been carried out with a view to regulating HFCs as a category of Non-Banking Financial Company (NBFC). Accordingly, in areas where the extant regulation of HFCs are in tandem with that of NBFCs, the relevant paras in the NBFC Master Directions would be made applicable mutatis mutandis to HFCs. In areas where extant HFC regulation differs from that of NBFCs, either existing provisions would be retained, or changes would be brought out wherever possible while ensuring that the changes are made in a least disruptive manner.

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Given below are the major changes envisaged in the regulatory framework for HFCs:

1. Applicable law for the regulation of HFCs:

Companies intending to function as HFCs shall seek registration with the Reserve Bank under Section 29A of NHB Act, 1987 and existing HFCs holding Certificate of Registration issued by NHB need not approach RBI for fresh CoR.

2. Defining the term 'Providing Finance for Housing' or 'Housing Finance'

It is observed that the term 'providing finance for housing' or 'housing finance' is not formally defined. However, in general parlance, it can be treated as providing finance for residential housing purposes and should ideally not include finance for non-residential purposes like commercial real estate, etc. for this purpose, the meaning of the term housing finance as indicated for various purposes in circulars issued by RBI, NHB and also under the Income Tax Act 1961 was examined. It is proposed to have an inclusive definition of the terms 'providing finance for housing' or 'housing finance' as per provisions of RBI's master circular on housing finance addressed to banks and NHB's illustrative list of housing loans. Accordingly, 'Housing Finance" or "providing finance for housing" means:

Financing, for purchase/ construction/ reconstruction/ renovation/ repairs of residential dwelling units, which includes:

a) Loans to individuals for purchase of old dwelling units.

b) Loans to individuals for purchasing old/ new dwelling units by mortgaging existing dwelling units.

c) Loans to individuals for purchase of plots for construction of residential dwelling units provided a declaration is obtained from the borrower that he intends to construct a house on the plot within a period of three years from the date of availing of the loan.

d) Loans to individuals for renovation/ reconstruction of existing dwelling units.

e) Lending to public agencies including state housing boards for construction of residential dwelling units.

f) Loans to corporate/ Government agencies (through loans for employee housing).

g) Loans for construction of educational, health, social, cultural or other institutions/ centre, which are part of housing project in the same complex and which are necessary for the development of settlements or townships.

h) Loans for construction of houses and related infrastructure within the same area, meant for improving the conditions in slum areas for which credit may be extended directly to the slum-dwellers on the guarantee of the Government, or indirectly to them through the State Governments.

i) Loans given for slum improvement schemes to be implemented by Slum Clearance Boards and other public agencies.

j) Lending to builders for construction of residential dwelling units.

All other loans including those given for furnishing dwelling units, loans given against mortgage of property for any purpose other than buying/ construction of a new dwelling unit/s or renovation of the existing dwelling unit/s, will be treated as non-housing loans.

3. HFC is required to have a 'Principal Business' of providing housing finance.

Term 'Principal Business' is not defined under the NHB Act. RBI now proposes to define and extend the definition of 'Principal Business' similar to that used for Non-Banking Financial Companies (NBFCs).

The RBI has defined the term through its press release dated April 08, 1999 saying that a company:

a) Required to have financial assets more than 50% of its total assets (netted off by intangible assets); and

b) Its income from such financial assets should be more than 50% of the gross income. It is imperative that both the above mentioned conditions are satisfied in order to determine the constituents of 'Principal Business'

4. Along with the "Principal Business" as defined above, it is also required to have "Qualifying Assets"

'Qualifying Assets' refers to 'housing finance' or 'providing finance for housing' and will be subject to the following:

a) Qualifying assets should not be less than 50% of Net assets, out of which at least 75% should be utilized towards individual housing loans which are loans as stated above under the definition of "housing finance" or "providing finance for housing".

b) "Net assets" means total assets other than cash and bank balances and money market instruments.

Such HFCs which do not fulfil the above criteria will be treated as NBFC - Investment and Credit Companies (NBFC-ICCs) and will be required to approach RBI for conversion of their Certificate of Registration from HFCs to NBFC-ICC. However, a phased timeline will be given to HFCs which do not currently fulfill the qualifying assets criteria, but wish to continue as HFCs in future. The timeline shall be phased as under:

Timeline	At least 50% of net assets as qualifying assets i.e., towards housing finance	At least 75% of qualifying assets towards housing finance for individuals
March 31, 2022	50%	60%
March 31, 2023	-	70%
March 31, 2024	-	75%

Source: RBI draft guideline on HFC dated 17.06.2020

5. Classifying HFCs into 'Systemically Important' and 'Non - Systemically Important' entities for regulatory purposes

Presently HFC regulations are common for all HFCs irrespective of their asset size and ownership. It is proposed to issue HFC regulations by classifying them as;

a) Systemically Important

b) Non-systemically Important

This is to introduce a graded approach as applicable to NBFCs in general.

- ❖ Systemically Important HFCs (HFC - SI)
- ❖ Non - Deposit taking HFCs (HFC - NDSI) with asset size of Rs. 500 crore & above;
- ❖ All deposit taking HFCs (HFC - D), irrespective of asset size,
- ❖ Non-systemically Important HFCs (HFC - non - SI)
- ❖ HFCs with asset size below Rs. 500 crore

While the regulations for HFC-NDSI & HFC-Ds will be as existing under NHB regulations or harmonized with NBFC regulations, the regulations for HFC-non-SI (i.e., HFCs with asset size below Rs. 500 crore) will be brought on par with relevant regulations for NBFC-ND-non-SI.

6. Minimum Net Owned Fund (NOF) requirement of Rs. 20 crore

RBI also proposed to double the minimum net owned fund (NOF) requirement for housing finance companies to Rs 20 crore. The step is aimed at strengthening the capital base mainly of small housing finance companies (HFC) and companies proposing to seek registration under NHB Act. The existing HFCs would be provided with a glide path to achieve minimum Net Owned Fund (NOF) of Rs 20 crore. They will be required to reach Rs 15 crore within one year and Rs 20 crore within two years.

7. Harmonizing definitions of Capital (Tier I & Tier II) with that of NBFCs

The components of Tier I and Tier II capital are similar for NBFCs and HFCs except for the treatment of perpetual debt instruments (PDI). Presently PDIs are not considered as part of capital of HFCs unlike that of NBFCs. It is proposed to align the definitions of capital (both Tier I and Tier II) of HFCs with that of NBFCs.

a) Inclusion of PDIs as a component of Tier I and Tier II capital on the lines of NBFCs.

b) PDIs can be treated as part of Tier I / Tier II capital only by non-deposit taking systemically important HFCs.

c) PDIs or any other debt capital instrument in the nature of PDIs, already issued by either deposit taking HFCs or non-systemically important HFCs will be reckoned as Tier I or Tier II capital as the case may be for a period not exceeding three years.

Since HFCs are treated as a category of NBFCs for regulatory purposes, investments in shares of other HFCs and also in other NBFCs (whether forming part of group or not), shall be reduced from the Tier I capital to the extent it exceeds, in aggregate along with other exposures to group companies, ten per cent of the owned fund of HFC.

8. Public Deposits

There is a restriction under the HFCs (NHB) Direction 2010 dated July 01, 2019 (NHB Directions) in relation to the acceptance of public deposits. The term 'Public Deposits' has been defined under such directions which is similar to the definition given under the RBI Master Direction on 'Acceptance of Public Deposits' dated August 25, 2016 (updated as on February 22, 2019) ("Master Directions on Acceptance of Public Deposits"), except that as per the definition in NHB directions, any amount received from NHB or any public housing agency are also exempt from the definition of 'Public Deposit'. For the purposes of aligning the regulations of HFCs with NBFCs, RBI now proposes to align the definition of 'Public Deposits' with the Master Directions on Acceptance of Public Deposits with an addition of exception that any amount received by HFCs from NHB or any public housing agency will also be exempt from the definition of 'Public Deposit'.

9. Group entities engaged in 'Real Estate Business'

In order to address concerns on double financing due to lending to construction companies in the group and also to individuals purchasing flats from the latter, the HFC concerned may choose to lend only at one level. That is, the HFC can either undertake an exposure on the group company in real estate business or lend to retail individual home buyers in the projects of group entities, but cannot do both. If the HFC decides to take any exposure in its group entities (lending and investment) directly or indirectly, such exposure cannot be more than 15% of owned fund for a single entity in the group and 25% of owned fund for all such group entities. As regards extending loans to individuals, who choose to buy housing units from entities in the group, the HFC would follow arm's length principles in letter and spirit.

10. Monitoring of frauds

All instructions to NBFCs with regard to monitoring of frauds are covered in the Master Direction - Monitoring of Frauds in NBFCs (Reserve Bank) Directions, 2016. These directions cover various aspects pertaining to classification of frauds, monitoring of frauds and reporting to the Board, to the police authorities, RBI, etc. With a view to harmonizing all instructions pertaining to fraud monitoring, it is proposed to make these directions applicable to HFCs in place of present guidelines issued by NHB. All reports in the formats given in these Master Directions of Monitoring of Frauds may however continue to be forwarded to NHB, New Delhi as being done hitherto.

11. Information Technology Framework

The master direction on Information Technology (IT) Framework for all NBFCs (with asset size above Rs 500 crore (systemically important) and NBFCs with asset size below Rs 500 crore) dated June 08, 2017, covers IT Governance, IT Policy, Information & Cyber Security, IT Operations, IS Audit, Business Continuity Planning and IT Services Outsourcing. These directions are now proposed to be made applicable to HFCs and consequently the Information Technology Framework issued by NHB vide circular dated June 15, 2018 is now proposed to be withdrawn.

12. Securitization

NHB has not prescribed specific guidelines on securitization. It is proposed to bring all HFCs (systemically important and non-systemically important) under the ambit of guidelines on securitization transaction as applicable to NBFCs.

13. Lending against shares

Currently, there are no guidelines in place for lending against the security of shares by HFCs. For the sake of uniformity, it is proposed to extend instructions applicable to NBFCs to lend against the collateral of listed shares.

14. Foreclosure charges

As a measure of customer protection and also in order to bring in uniformity with regard to repayment of various loans by borrowers of banks and NBFCs, no foreclosure charges/ pre-payment penalties shall be levied on any floating rate term loan sanctioned for purposes other than business to individual borrowers with or without co-obligants. Since similar regulations are currently not prescribed for HFCs, it is proposed to extend these instructions to HFCs.

15. Implementation of Indian Accounting Standards

Instructions issued to NBFCs on Implementation of

Indian Accounting Standards will be extended to HFCs. Prudential floor for Expected Credit Loss (ECL) will be based on the extant instruction on provisioning applicable to HFCs.

In addition to the above, there exist certain major differences between extant regulations of the HFCs vis-à-vis that for NBFCs which are listed below and the harmonization of same shall be carried out in a phased manner over a period of two to three years, until such time, the HFCs shall continue to follow the extant norms.

a) Capital requirements (CRAR and risk weights) - The minimum CRAR prescribed for HFCs currently is 12% and which will be progressively increased to 14% by March 31, 2021 and to 15% by March 31, 2022. Further, the risk weights for assets of HFCs are in the range of 30% to 125% based on asset classification, LTV, type of borrower, etc. However, for NBFCs, the minimum CRAR is 15% and risk weights are broadly under 0%, 20% and 100% categories.

b) Income Recognition, Asset Classification and Provisioning (IRACP) norms - There are major differences in provisioning norms applicable to standard, substandard and doubtful assets in HFCs' books.

c) Norms on concentration of credit / investment - The credit concentration norms for NBFCs and HFCs are similar. However, NBFCs enjoy certain exceptions in this regard.

d) Limits on exposure to Commercial Real Estate (CRE) & Capital Market (CME) - The limits prescribed for HFCs for exposure to CRE by way of investment in land & building shall not be more than 20% of capital fund and for CME shall not be more than 40% of net worth total exposure of which direct exposure should be 20% of net worth. No limits prescribed for NBFCs.

e) Regulations on acceptance of Public Deposits viz., period of public deposit (12 months to 120 months for HFCs against 12 months to 60 months for NBFCs), ceiling on quantum of deposit (3 times of NOF for HFCs against 1.5 times for NBFCs with minimum investment grade rating), interest on premature repayment of deposits (ranging from 1% to 4% below prescribed rate for HFCs as against 2% to 3% below prescribed rate for NBFCs depending upon duration and prescription of rate), maintenance of liquid assets (13% for HFCs against 15% for NBFCs), etc.

In brief, below is the list of major changes proposed in the 'draft guidelines'

- Classifying HFCs as systemically important (asset size of Rs 500 crore and above) and non-systemically important (asset size less than Rs 500 crore).
- Directions on Liquidity Risk framework and LCR, securitization, etc., for non-banking finance companies (NBFCs), to be made applicable to HFCs.
- To address double lending, the revisions propose HFCs can either take exposure on the group company in real estate business or lend to an individual, retail homebuyers in group entity projects.
- For loans to individual buyers who choose to buy housing units from entities in the group, the HFC would follow arm's length principles in letter and spirit.
- HFCs exposures, whether in terms of lending and investment cannot exceed 15 percent of the owned funds in a single entity in the group and 25 percent of owned funds for all such group entities.
- The change in the definition of housing finance brings loans to builders for construction of residential dwelling units, schools and hospitals within its purview while excluding loans against the property from it.
- HFCs will also be required to have a minimum 50 percent of net assets as "housing finance". A four-year timeline for individual loan portfolio has also been proposed, of which at least 75 percent must be housing finance. These conditions if not met would lead to the HFC being categorized as an NBFC - Investment and Credit Companies (NBFC-ICCs).
- Existing home loan lenders will be required to double their minimum net owned fund to Rs 20 crore in two years, in order to strengthen the capital base.

Source:

RBI "Review of extant regulatory framework for Housing Finance Companies (HFC) - Proposed Changes, Dated 17.06.2020. ❑

BLOCK CHAIN TECHNOLOGY- A TOOL OF DIGITAL TRANSFORMATION

"Artificial intelligence, machine learning, Internet of Things, blockchain and big data hold potential to take India to new heights"

- PM Sri Narendra Modi

at the 2016 World Economic Forum

(On launch of "IndiaChain" by NITI Aayog)

Introduction

Block Chain technology is a structure that stores transactional records. It is also known as the block of the public in several databases. This database is known as the "Chain" in a network that is connected through peer-to-peer nodes. Typically, this storage is referred to as a 'Digital Ledger' because the Blockchain is a distributed database of records of all transactions or digital events that is executed and shared among participating parties. These transactions are verified by majority of participants present in the system.

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Over the last few years, we have heard many times the term 'Block Chain Technology'. It is imperative to understand that what Block Chain technology is, how it works and how it's becoming vital in the digital world. Basically it is treated as the backbone technology of CryptoCurrency like BitCoin. It seems like Block Chain is a platitude but in a hypothetical sense, there is no real meaning that the layman can understand easily. So let us understand that what actually Block Chain technology is and how it works through definition and examples.

Actually, a blockchain is a decentralized, distributed and public digital ledger consisting of records called blocks that is used to record transactions across many computers so that any involved block cannot be altered retroactively, without the alteration of all subsequent blocks. Here participants verify and do the audit of transactions independently with comparatively less expense.Here database is managed automatically through peer-to-peer network and a distributed timestamping server. It is authenticated by mass collaboration powered by self-interests. Its structure facilitates strong workflow where the participants feel secured because data security is high.

History of blockchain

- ❖ First time Blockchain-like protocol was proposed by Cryptographer David Chaumin 1982 in his thesis "Computer Systems Established, Maintained, and Trusted by Mutually Suspicious Groups"
- ❖ Again in 1991, Stuart Haber and W. Scott Stornetta described further on a cryptographically secured chain of blocks.
- ❖ In 1992, Haber Stornetta and Dave Bayer incorporated Merkle Trees to the design, which improved its efficiency by allowing several document certificates to be collected into one block.
- ❖ The first Block Chain was objectified by a person or group of people using the name Satoshi Nakamoto in 2008 to serve as the public transaction ledger of the CryptoCurrency bitcoin. The identity of Satoshi Nakamoto still remains unknown. The invention of the blockchain for bitcoin made it first digital currency without the need of a trusted authority or central server.
- ❖ Actually Satoshi Nakamoto used the words block and chain separately in his original paper, but were eventually one single word "blockchain" became popular in place of separate word i.e. block and chain by 2016.
- ❖ Further in May 2018, Gartner (Gartner, Inc, officially known as Gartner, is a global research and advisory firm providing information, advice, and tools for leaders in IT, finance, HR, customer service and support, communications, legal and compliance, marketing, sales, and supply chain functions. Its headquarters are in Stamford, Connecticut, United States) found that only 1% of CIOs (Chief Information Officers) indicated any kind of Block Chain adoption within their organizations and only 8% of CIOs were in the short-term "planning or (looking at) active experimentation with Block Chain". For the year 2019 Gartner reported 5% of CIOs believed Block Chain technology was a 'game-changer' for their business.
- ❖ Again Gartner listed blockchain as one of the top ten strategic technologies for 2020 in its report "Top 10 Strategic Technology Trends for 2020'. It said public blockchains are presently too immature for enterprise deployment due to poor scalability and interoperability but expects the technology to overcome these issues by 2023.
  - o However, it sees a current role for enterprise blockchain in digital transformation with "evolutionary and incremental improvements" in trust and transparency.

Working Mechanism of Blockchain

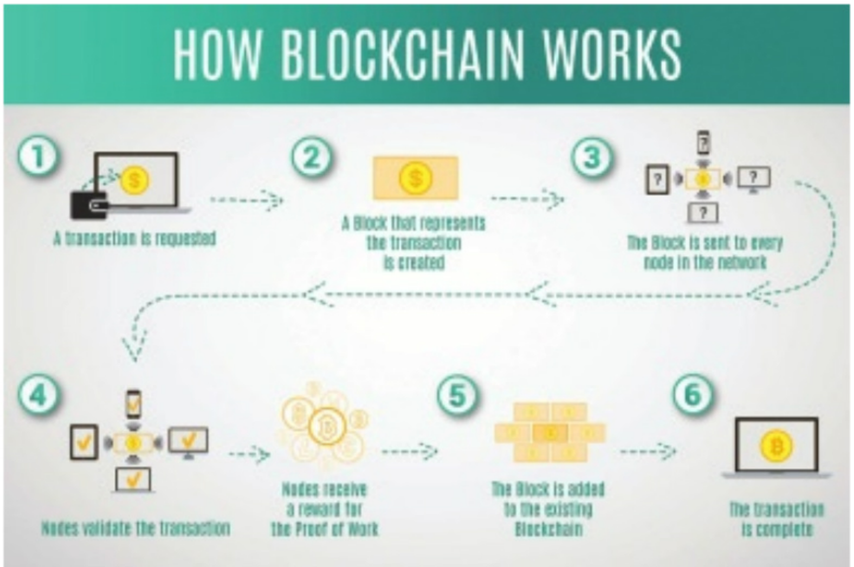
Blockchain is just like a shared digital ledger. It allows thousands of connected computers or servers to maintain a single, secured, and immutable ledger. Transactions here are done without involving any third-party intermediaries. So in order to do the transactions, everybody needs its wallet. This Blockchain wallet is nothing but a program which allows one to spend cryptocurrencies. Such wallets are secured by cryptographic methods (public and private keys) which is helpful in managing and keeping control over his transactions. When a user creates a transaction over a Blockchain network, a block will be created that represent that transaction is created.

Once a block is created, the transaction request is broadcasted over the peer-to-peer network that consists of computers popularly known as nodes, validate the transaction. The verified transaction can involve cryptocurrency, contracts, records or any other valuable information. Once a transaction is verified, it is combined with other blocks and it creates a new block of data for the ledger. Here it is important to note that with each new transaction, a secured block is created, which are secured and bound to each other using cryptographic principles. Whenever a new block is created, it is added to the existing Blockchain network confirming that it is secured and immutable. It can be also understood from the below flowchart

Advantages of BlockChain:

There are many advantages to using Blockchain technology compared to other traditional technologies.

- ❖ **Security:** With BlockChain, Business process will be better protected with the help of a high level of security
- ❖ **Hacking threats:** Hacking threats against the business will also be reduced to a greater extent.



- **Reduced cost:** As Blockchain offers a decentralized platform. So there is no need to pay for centralized entities or intermediaries' services. Hence costs are reduced
- **Accessibility:** Enterprise Blockchain technology enables organizations to use different levels of accessibility.
- **Faster Transaction:** Organizations can do faster transactions through Blockchain and can save time.
- Automated reconciliation: Account reconciliation can be automated.
- **Transparency:** The transactions done are transparent and hence, easy to track.

Disadvantages:

- **Blockchain is not a distributed computing system :** In Blockchain network, there is lack of synergy, mutual assistance and paralleling for each transaction
- **Scalability is an Issue:** Transactions are completed depending on the network congestion. This problem is related to scalability issues with Blockchain networks. In simple words, the more people or nodes join the network, the more would be the chances of slowing down.
- **Blockchain cannot go back :** Because the data is immutable (Fixed),Blockchain cannot go back
- **Blockchains are sometimes inefficient:** There are many Blockchain technologies. The most popular ones bitcoin miner easily crossed 100's GBs. So it is not efficient in data storage, which can lead to storage problems for multiple nodes who want to become apart of the network.This is one of the biggest disadvantages of Blockchain.
- **Not completely secured:** Blockchain technology is more secured than other platforms but there are different ways the Blockchain network can be compromised e.g. (a) 51% attack: In the 51% attack, if an entity can control 51% or more of the network nodes, then it can result in control of the network, which can lead to security threats.
- **Cost and implementation struggle:** Cost of implementing blockchain technology is huge. These are costs associated with hiring developers, managing a team that excels at different aspects of Blockchain technology, licensing costs if opted a paid Blockchain solution and so on.

Future of Block Chain (Prediction for 2021)

The global pandemic has given a formidable boost to trends that were already in place.

Under the present global pandemic situation and because of the many industries going through massive makeovers in response to the changes in the business environment, most of the enterprises are investing more in Research & developement projects for achieving blockchain initiatives. Blockchain can be proven a crucial player in driving the digital transformation. Since blockchain technology has been rightly touted as the technology of the future, it is important to focus on blockchain future predictions. Some notable trends that could dictate the Blockchain industry's potential state in 2021.....

- **Blockchain and Governance applications will increase:** One of the foremost trends that could dominate the future of Blockchain in 2021 is the integration of Blockchain in government agencies. South Korea has been successful in bringing more than a million of driver's licenses on a Blockchain-based system. China is in the process of preparation to issue a completely virtual Cryptocurrency.

- **More Blockchain in Retail:** 2021 will obviously witness a large-scale rise in Blockchain's introduction in the retail sector for supply chain and inventory management capabilities
- **China may dominate blockchain space:** The domination of China in the field of blockchain will also be one of the top predictions for the future of Blockchain in 2021. China has included Blockchain in the 'new infrastructure' initiative that focuses on the country's digital infrastructure
- **Interoperability with traditional banking and financial organizations:** The future of Blockchain in 2021 will also see the interoperability of Blockchain with conventional financial and banking organizations. Users are showcasing more trust in Blockchain as compared to traditional banks.

India's stand on Blockchain technology

Digital Ledger Technologies (Blockchain) has a lot of promise to solve various issues faced in the path of sustainable development. For a country like India, this digital technology can play a very crucial role in creating a platform for effective local governance for a range of issues from decentralized energy storage to access issues for the disabled. In this connection, NITI Aayog has launched India's largest blockchain network usage in E-governance named IndiaChain.PM Sri Narendra Modi's word on launch of "IndiaChain"

"Artificial intelligence, machine learning, Internet of Things, blockchain and big data hold potential to take India to new heights"

- PM Sri Narendra Modi

at the 2016 World Economic Forum

The main objective behind creation of this network is to speed up enforcement of contracts, boosting agriculture, reducing frauds, improving transparency in various sectors etc. Although, even after three years there is no concrete establishment that exists. In the working paper issued by the NITI Aayog in January 2020 titled, 'Blockchain: The India Strategy', IndiaChain is still under recommendation for implementation in the future, in order to establish India as a vibrant blockchain ecosystem.

With these developments, not only the cryptocurrency market in India but even the blockchain technology startups will be benefitted. NITI Aayog is also in the process of developing a job portal to connect employers with workers who have returned to their home states due to nationwide lockdown due to covid-19 pandemic with the help of this technology.

Conclusion:

BlockChain technology is a revolution in digital world. The pace of using BlockChain technology is increasing so fast that it will make our life simple and safer. The Blockchain itself and its variants are now used to secure any type of transactions, whether be it human-to-human communication or machine-to-machine. Fraud, hacking, data theft and information loss is impossible under digital ledger because of the properties of its security and privacy nature. Its decentralized application across the global internet market is also very appealing in terms of ensuring data redundancy and survivability.

The Blockchain has been specially identified to be suitable in developing nations like India, China, Brazil etc where ensuring trust is a major concern. Thus the invention of the Blockchain can be seen to be a vital and much needed additional component of the internet that was lacking in security and trust before. Still Blockchain technology has not reached its maturity and it is predicted that within next five years it will reach to the maturity level and will be implemented globally.

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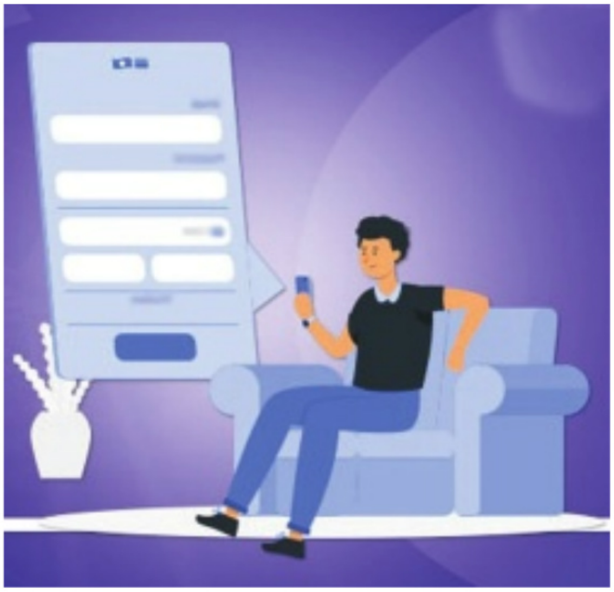
PHYGITAL BANKING: WAY AHEAD FOR INDIAN BANKING INDUSTRY



The banking sector has witnessed a massive transformation in the last few years. The shelf life of physical banks has reduced immensely. In last 5 years or so the internet explosion in India marked the watershed moment which initiated the radical shift of things from physical to digital. Increasing numbers of Fintech apps and neo-banks have more or less replaced traditional banking, at least in urban India.

Phygital Banking:

The word Phygital is a blend of two words i.e. Physical and Digital. So phygital Banking is a form of banking that combines the comfort of digitalization with the trust of presence of a brick and mortar bank branch. It is a model that integrates convenience banking, mobile banking, internet banking and personalized banking with visiting a branch for cash withdrawal/deposit, locker operations and any other such requirement. Phygital Banking is making inroads to take banking operations to a new dawn.

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Need for Phygital Banking

The banking sector has been progressing in terms of technology and therefore, digital customers want real-time solutions for their problems. The Covid-19 pandemic is ushering in a new, digital-oriented way of life for many people. Under lockdown restrictions, digital became the primary channel for retailers, doctors, governments, property, auto sales and banks. Now, the consensus is that many consumers will take a long time to return to regular physical engagements - and some may not come back as this has become the new normal.

But banks should not be tempted to ditch their physical presence altogether. This is because one would be reluctant to put all the hard-earned money to a bank that is present only virtually and not physically. If a bank has many branches in operation, it boosts the confidence of customers on that bank. A good portion of customers still want a physical branch despite using mobile banking. However a hybrid of offline and online engagement is the best way forward.

Though the online payment platforms like GPay, PayTM and many others have acquired a good market share in online payment industry but they do not have a robust grievance redressal mechanism and many customers are not happy with the way the failed transactions are being addressed. As they do not have any physical presence to go to, it adds to the misery of the customers and people started to loose trust in them.

So there is a need for this form of banking to run a successful banking business and to gain a more extensive market share. Phygital is making its inroads into banking operations because banks have realized that it is a lever that connects two essential aspects of banking that is customer confidence and experience. The success of this baking depends on consolidating the experiences of traditional banking and modern banking to make the journey of customers seamless and complete.

Advantage of Phygital Banking:

Enhanced customer experiences

Tech savvy customers who are used to with quick process want instant and easy access to all the options, whether digital or physical. Phygital banking provides them with a viable solution in which they can easily shift their choice of engagement with banks. They can use digital facilities or talk to bank staff to resolve their queries.

Engaged Customer-Banker relationship

It provides facilities that strengthen the relationship with customers. It ensures the existence of branches and builds trust and facilitates the experience that makes the customers satisfied.

Increased customer value

Banks continue to invest in raising new capabilities, and the phygital mode of banking has increased customer value many fold. Birthday wishes, notification and information through SMS and other personalized services will definitely take the banking experience for customers to a new level.

Reduced costs

The transaction cost for banks using physical mode is almost 10 times more than the digital mode. Phygital mode of banking have reduced costs as the number of customers visiting branch and number of transaction using physical mode have reduced substantially. It has automated repetitive backend and frontend tasks, and it has also helped in reducing the time to process documents or even in opening a bank account.

Retained Trust

Another advantage of Phygital is that it allows traditional visits to a bank branch for those customers who cannot keep up with digitization in banking, and in this way, banks ensure trust and comfort that ultimately leads to customer satisfaction.

Access to a wider market

Digital banking is not widely adopted by people in rural areas. This is due to a lack of knowledge and faith. Phygital can be the solution to it, especially at a time when the world is discussing open banking regulations so that banks can be more transparent and secure. Phygital banks build a connected ecosystem that helps them in finding prospective customers and in giving them access to a wider market.

The Pandemic and Phygital Banking:

The pandemic has accelerated most banks' digitalization initiatives. If the 2008 recession caused a boost in financial technology innovation, appetite for experimentation, and a wave of fintech start-ups, then this time around it is more about delivering real change.

In order to retain this prestige and their important link with communities, the model of branch banking will have to be turned completely on its head in the post-COVID-19 era.

In the new normal, consumers will carefully pick and choose how to spend their time interacting. Bank branches, already

a low-priority destination for most of the people, will likely to struggle to remain equally significant.

Banks must break out of the traditional branch model and focus on how to deliver specific, high value, physical interactions and experiences that can complement a digital banking core. In true complementary fashion, digital technologies should also be used to augment physical experiences and make services faster, more secure, and more convenient. This is the essence of a true phygital strategy.

According to an article in The Hindu Business Line, ACI Worldwide released a new report that indicated more than 70.3 billion real-time payments transactions were processed globally in 2020, a surge of 41 per cent compared to the previous year. This comes as the Covid-19 pandemic dramatically accelerated trends away from cash and cheques towards greater reliance on real-time and digital payments, according to the report.

According to the report, India retained the top spot with 25.5 billion real-time payments transactions, followed by China with 15.7 billion transactions. The report speculated that by 2024 the share of real-time payments volume in overall electronic transactions will exceed 50 per cent. This will further touch 71.7 per cent by 2025.

Way Ahead:

If we look at the prospect of banking, phygital could well be the most acceptable and safest mode of banking for many consumers as it provides a comfort factor as well as efficient digital banking practices. Banks are expected to leverage the trust of a physical network and the power of digital to equip the customers to manage their money.

If banks can amalgamate the two well, this hand-holding will enable the customers to bank confidently without any apprehensions. The cost-efficient, scalability, and the fact that it removes the barriers in banking, thereby allowing more people to bank, will cause more adoption of this form of banking in the future.

Digital is springing high but it doesn't mean that physical banking will not be in the state of need. The first step of Phygital banking is that all brick and motor banks should opt for digital banking with the implementation of cutting-edge technologies for its operations. Incorporating Artificial Intelligence, Distributed Ledger Technology (DLT), open banking, ensuring cyber security and enhancing the digital experience of the customers will transform a conventional bank into a Digital one. The addition of human interaction to this digital transformation is what takes banking to a whole new level.

Here banks can learn from the digitalization of other industries such as manufacturing, consumer packaged goods and utilities. Across these, we see an increasing focus on technology innovations related to voice as a channel, AI-powered chatbots, augmented reality, social virtual reality, hyper-personalization, gamification, secure video interactions, digital ecosystem plays and others.

India's journey of creating a digital financial infrastructure has been characterized by collaboration between the government, the regulator, banks, and fintech. This has helped to advance the country's goal of enabling financial inclusion and also provided rapid payment digitization for citizens. The pandemic has further accelerated the adoption of digital payments with many first-time users adopting digital payments and significant uplift by merchants. Apart from the conventional online services like internet banking, mobile banking etc. there are many steps which are being taken by individual banks as well as central bank RBI under EASE agenda of Ministry of Finance, GOI.

"Dial a Loan", Digitally-enabled doorstep facilitation for initiation of retail and MSME loans.

"Door Step Banking", An initiative for delivering few selected banking services at the door step of the customers.

"Straight Through Processing", an end to end online processing of MSME loans upto Rs 5 Cr and linking the server with bank's core for smooth flow of data.

Conclusion:

Telescoping into the future, Phygital Banking will be the most acceptable and safe banking activity for a large number of customers since it gives space to both the comfort factor and efficient digital banking practices. Relying on the extremism of one concept is of no use but the amalgamation of both will help us move onward. The need of the hour is the transformation of physical banks into Phygital ones to establish humanized digital experiences.

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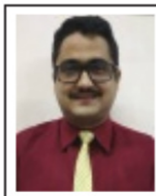
RISE OF ALTERNATIVE PAYMENT SETTLEMENT SYSTEM - NEW UMBRELLA ENTITY (NUE)

Introduction

The concept of 'Be Digital , Live Digital' is not something surprising for India and its 132 million population ever since the demonetization happened. It was then the concept of digital payments took the center stage and is now alltime popular. Its use was increased to three - folds with the advent of COVID -19 Pandemic in the country. Actually this pandemic taught us how much we are dependent on Digital platform for monetary transactions. The success of payment platforms like PayTM , Google Pay , Phone Pe etc. are all the result our belief and regular dependency on these digital platforms that as per a report , India will surpass the volume of digital transactions of $ 2 trillion by 2022.

Payment ecosystem has grown massively in the last decade due to the work done by RBI, NPCI, Banks, Fintechs and the entire ecosystem. Banks have been investing heavily in infrastructure and technology to support payment products including RTGS, NEFT, UPI, IMPS, AEPS, BBPS etc. This has improved the life of retail customers with multiple options being available at low costs. Smaller banks have not been able to make payment business profitable.

RBI has come up with New Umbrella Entity for Retail payments in the month of August 2020 to de-risk the dependency on NPCI. RBI shall authorize these NUEs under Section 4 of the Payment and Settlement Systems Act (PSSA), 2007. The objective of the notification was to set up a Pan India entity for focusing on retail payments. In this article we will look into the features of the NUE and their relevance in the current context.



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Eligibility :

Any promoter or group who has an experience of three years in the payment ecosystem as an operator, service provider, or technology service provider may apply for New Umbrella Entity (NUE).

Apart from it, any entity having more than 25% of the paid-up capital of the NUEwill also be deemed to be a promoter. In the case of a foreign investor, he or she is required to comply with the FDI (Foreign Direct Investment) policy and guidelines of the government of India and must also follow DIPP (Department of Industrial Policy and Promotion) and FEMA (Foreign Exchange Management Act) policies.

The applicant is required to follow corporate governance norms and should take the approval of RBI for the appointment of board members.

Conditions for becoming member of NUE

- o The primary condition to become an NUE is that the applicant must adopt Fit and Proper model. RBI has stated that the applicant entity and the promoter should be fit and proper and must have a track record of financial integrity, good reputation and character, and honesty.

Such a person should not have incurred disqualifications such as-

- o He must not be convicted by a court for any economic offense;
- o Declared insolvent and not discharged;
- o Not financially sound; and
- o Of unsound mind.

Capital requirements under NUE

The entity applying for the NUE must have a minimum paid-up capital of 500 CroreRupees. Capital allocation should be done to support or address the need for capital for managing risk, invest in technological infrastructures, for business operations, etc. As per RBI any single promoter or group not to have more than 40% investment in the capital of the NUE. RBI requires the promoters to demonstrate not less than 10% that means 50 crore rupees, capital contribution at the instance of making the application for setting up the NUE. RBI has allowed the promoter or the promoter group shareholding to dilute a minimum of 25% after five years of the start of the business of the NUE. A minimum net worth of 300 crore Rupees shall be maintained at all times.

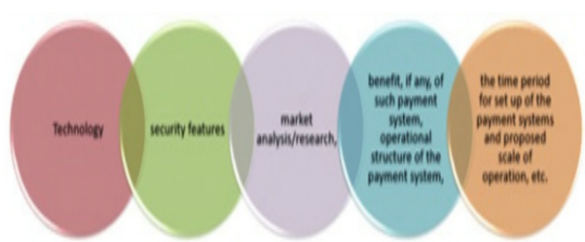
Working under NUE

NUE shall set up, manage and operate new payment systems especially in the retail space including but not limited to ATMs, white-label, PoS (Point of Sale) and Aadhar based payments and remittance services, develop new payment method, standards, and technologies and monitor related issues in the country and internationally. NUE shall take care of the developmental objectives, such as the enhancement of awareness about the payment systems.

It should operate in clearing and settlement systems, identify relevant risks and manage them such as settlement, credit, liquidity, and operational and also preserve the integrity of the systems. It shall fulfill its policy objectives and make sure that the principle of fairness, equity, and competitive neutrality is applied in determining participation in the system.

It shall frame necessary rules and the related processes to ensure the safety of the system and that the payments are exchanged efficiently. NUE may carry on any other business as suitable to strengthen the retail payments ecosystem in the country.

Business plan for setting up of NUE



As per RBI, the application for setting up an NUE shall contain a detailed business plan covering the payments system proposed to be set up and or operated with other documents to establish its experience in the payment ecosystem.

Such a business plan shall include technology, security features, market analysis/research, benefit, if any, of such payment system, operational structure of the payment system, the time period for set up of the payment systems and proposed scale of operation, etc. The proposed organizational strategy with respect to fulfilling its responsibility as an umbrella entity will also be included in the business plan.

Application process

Once an entity applies for the license of NUE, scrutiny of the applications shall be undertaken by the External Advisory Committee (EAC). The committee shall provide its recommendations to the Reserve Bank of India. Board for Regulation and Supervision of Payment and Settlement Systems (BPSS) shall be the final authority for issuing authorization for setting up of NUE. The Reserve Bank shall complete the process within a six months period.

Benefits of Establishing NUE

- Once established, these newly authorized entities will be able to operate their own clearing and settlement systems.
- Establish new standards and technologies
- Develop innovative new payment systems that enhance customer access, convenience and safety.
- All NUEs will have to be interoperable with the National Payments Corporation of India (NPCI).

Recent Developments

Four major consortiums have applied for the NUE licences. These include:

- Reliance Industries, Infibeam Avenues, Facebook and Google
- Tata, Kotak Mahindra Bank, HDFC Bank, Nabard, Mastercard and Flipkart
- Paytm, Ola Financial, IndusInd Bank, PolicyBazaar and Zeta
- Amazon, ICICI Bank, Axis Bank, Pine Labs, BillDesk and Visa
- SBI- BOB - HDFChad applied for NUE framework which the finance ministry red flagged citing reasons that it would affect the working of NPCI (nonprofit) who is majorly dealing with management of payment and settlement in country.
- Various Bank Union and other associations have opposed the setup of NUE and licenses to the corporates as it would defeat the very principle of equity and fairness in the payment and settlement system.

If NPCI in existence then why NUE?

- Any new entrant in the business having no legacy issues, will have the zeal as well as the flair to innovate and try new solutions. NPCI innovated on P2P payments, brought UPI on top of the IMPS rails. It also brought FAStags, RuPay cards, AePS payments and much more.
- NPCI has come to dominate the space
- If India gets two or three such bodies, it will mean more innovation. The RBI has mandated interoperability between NPCI and new players, so consumers will not be affected and instead will have more choices.

- Customers will be able to choose the payment mode they are most comfortable with.

Issues with NPCI

- There would be consequences to letting NPCI only entity in handling the payment system.
- Any sort of monopoly results in market inefficiencies.
- Having just one umbrella regulator, we will never be sure if transaction costs are as low as they could be, or if the variety of product offerings available to us could be better.
- Problem is that the NPCI is expected to both manage the digital payments industry as well as come up with the frameworks necessary to foster innovation.
- When NPCI had just small products in its portfolio it was able to perform both functions efficiently.
- The effort of just keeping the system working seems to be taking a toll on NPCI's ability to develop the protocols and standards that are needed to encourage innovation in this boom sector.

Solutions

- To create a separate and independent standards-setting body.
- Such body would come up with the protocols and standards required to foster innovation in the digital payments space
- Any new standard that this body creates will have to first be approved by the NPCI, but then it can be rolled out throughout the digital payments ecosystem.

Conclusion

The framework for New Umbrella Entity by the RBI is a welcome step in terms of opening up avenues for private participation in developing the retail payment infrastructure in India and introducing new technologies and systems to consumers at large. It could well lead to more synergies and innovation in the fintech industry, thereby creating competition at the root level of the payment systems.

By establishing a neutral and independent standards-setting body, we can make sure that the system as a whole in our country evolves in the best traditions of digital infrastructure adopted anywhere in the world. Only thing need to be looked in this aspect is that the new entrants applying for the licenses should not be defeating the principles of equality and fairness and maintain transparency in the charges and service rules. If this is achieved then India is welcoming this alternative payment and settlement system to the new Digital India.

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5G spectrum auction unlikely before 2023

Indians may have to wait a little longer to experience the 5G technology as the spectrum auction to allot the air-waves is unlikely to happen before 2023. According to internal consultations in the Department of Telecommunications, the auctions will be held in the last quarter of the financial year 2022-2023 (FY23), even as Telecom Minister Ashwini Vaishnav has said the airwaves may be tendered by FY22-end. "According to the new calendar for spectrum auctions, we are targeting the 5G tender around January-March 2023," an official said.

e-Shram: Over 1 crore informal workers registered

Over one crore unorganised workers have registered themselves at e-Shram portal, the labour ministry said. More than 1 crore unorganised workers registered at e-Shram portal, which is India's first national database on unorganised workers, the ministry said in a statement. The drive to facilitate registration of migrant workers at e-Shram portal received huge attention since its launch on August 26, 2021, it added. In almost 24 days, over 1 crore workers have registered at the portal, according to the statement.

This is the first-ever concentrated step towards generating a comprehensive database of the unorganised workers from different sectors like construction, apparel manufacturing, fishing, gig and platform work, street vending, domestic work, agriculture and allied, transport sector and so on.

RBI CIRCULAR

Opening of Current Accounts by Banks - Need for Discipline

RBI/2021-22/116

October 29, 2021

1. Please refer to our circular DOR.No.BP.BC/7/21.04.048/2020-21 dated August 6, 2020 on the captioned subject and associated circulars thereon1.
2. On a review and taking into account feedback received from Indian Banks' Association (IBA) and other stakeholders, it has been decided that banks may open current accounts for borrowers who have availed credit facilities in the form of cash credit (CC)/ overdraft (OD) from the banking system as per the provisions below:
   (i) For borrowers, where the exposure of the banking system is less than Rs. 5 crore, there is no restriction on opening of current accounts or on provision of CC/OD facility by banks, subject to obtaining an undertaking from such borrowers that they shall inform the bank(s), as and when the credit facilities availed by them from the banking system reaches Rs. 5 crore or more.
   (ii) In respect of borrowers where exposure of the banking system is Rs. 5 crore or more, such borrower can maintain current accounts with any one of the banks with which it has CC/OD facility, provided that the bank has at least 10 per cent of the exposure of the banking system to that borrower.

   Further, other lending banks may open only collection accounts subject to the condition that funds deposited in such collection accounts will be remitted within two working days of receiving such funds, to the CC/OD account maintained with the above-mentioned bank maintaining current accounts for the borrower. In case none of the lenders has at least 10% exposure of the banking system to the borrower, the bank having the highest exposure may open current accounts. Non-lending banks are not permitted to open current accounts.
3. It is clarified that borrowers not availing CC/OD facility from the banking system shall continue to maintain current accounts as per para 1(v) of the above mentioned circular dated August 6, 2020, as hitherto.
4. Further, banks are permitted to open/ maintain the following accounts, without any restrictions placed in terms of the above-mentioned circular dated August 6, 2020, subject to meeting the conditions specified as at para 2 of DOR.No.BP.BC.30/21.04.048/2020-21 dated December 14, 2020:
   i. Inter-bank accounts
   ii. Accounts of All India Financial Institutions (AIFIs), viz., EXIM Bank, NABARD, NHB, and SIDBI
   iii. Accounts opened under specific instructions of Central Government and State Governments
   iv. Accounts attached by orders of Central or State governments/regulatory body/Courts/investigating agencies etc. wherein the customer cannot undertake any discretionary debits
5. With reference to FAQ 18 of the circular dated December 14, 2020, in line with FAQ 9, banks maintaining collection accounts are permitted to debit fee/charges from such accounts before transferring the funds to the escrow account/CC/OD account of the borrower.
6. With reference to para 3 of the circular dated December 14, 2020 read with FAQ 17, it is clarified that banks shall monitor all accounts regularly, at least on a half-yearly basis, specifically with respect to the exposure of the banking system to the borrower, and

the bank's share in that exposure, to ensure compliance with these instructions. If there is a change in exposure of banks or aggregate exposure of the banking system to the borrower which warrants implementation of new banking arrangements, such changes shall be implemented within a period of three months from the date of such monitoring.

7. Banks may implement the necessary changes within one month from the date of this circular. The compliance position thereon will be reviewed thereafter.
8. A consolidated self-contained circular on the subject will be issued soon.
9. All other instructions contained in the circulars ibid remain unchanged.

((Manoranjan Mishra)
Chief General Manager

Sovereign Gold Bond Scheme of the Government of India (GoI) - Procedural Guidelines - Consolidated

RBI/2021-2022/114

October 22, 2021

1. The Sovereign Gold Bond (SGB) Scheme was first launched by Government of India (GOI) on October 30, 2015. As the "Receiving Offices" (RO), are entrusted with the responsibility of performing certain functions relating to receipt of applications and servicing of the bonds, RBI has also issued operational guidelines from time to time and Procedural Guidelines vide circular IDMD.CDD.No.1569/14.04.050/2016-17 dated December 23, 2016 for guidance to the Receiving Offices.
2. With a view to facilitate availability of all the current operative instructions on the above subject at one place, it has been decided to issue consolidated procedural guidelines. The rules and regulations applicable for servicing of these bonds have been updated with instructions issued till date and are given in Annex I. The same will be updated suitably and simultaneously whenever there is a change in the rules/regulations governing the operation of the Scheme.
3. This circular supersedes all operational/procedural guidelines issued till date. With the issuance of these instructions, no separate procedural/operational instructions will be issued henceforth. All the Receiving Offices shall be guided by these instructions while dealing with servicing of these bonds.
4. These Guidelines are issued in exercise of the powers conferred under Section 29(2) of the GS Act 2006, to the Receiving Offices, BSE/NSE and depositories.

(Rajendra Kumar)
Chief General Manager

Scale Based Regulation (SBR): A Revised Regulatory Framework for NBFCs

RBI/2021-22/112

October 22, 2021

1. The contribution of NBFCs towards supporting real economic activity and their role as a supplemental channel of credit intermediation alongside banks is well recognised. Over the years, the sector has undergone considerable evolution in terms of size, complexity, and interconnectedness within the financial sector. Many entities have grown and become systemically significant and hence there is a need to align the regulatory framework for NBFCs keeping in view their changing risk profile.
2. Pursuant to the announcement made in the Statement on Developmental and Regulatory Policies dated December 04, 2020, a discussion paper titled 'Revised Regulatory Framework for NBFCs - A Scale-based Approach' was issued for public comments on January 22, 2021. Based on the inputs received, it has now been decided to put in place a revised regulatory framework for NBFCs (Annex).
3. As the SBR framework encompasses different facets of regulation of NBFCs covering capital requirements, governance standards, prudential regulation, etc., it has been decided to first issue an integrated regulatory framework for NBFCs under SBR providing a holistic view of the SBR structure, set of fresh regulations being introduced and respective timelines. Detailed guidelines as delineated in the Annex, will be issued subsequently.
4. These guidelines shall be effective from October 01, 2022. The instructions relating to ceiling on IPO funding given vide para 3.1(d) of the Annex shall come into effect from April 01, 2022.

(Manoranjan Mishra)
Chief General Manager

DEPOSIT INSURANCE AND CREDIT GUARANTEE CORPORATION LIABILITIES AND ASSETS (General Fund)

(Rs. Crore)

Year	Capital provided by RBI	General reserves	Investment reserves	Other reserves	Current liabilities and provisions	Total liabilities/ assets	Cash in hand and balances	Investment Govern-ment (at cost)	Interest accrued on investment securities	Other assets
1	2	3	4	5	6	7	8	9	10	11
1997-98	50	17	16	0	9	92	0	79	2	11
1998-99	50	17	16	0	9	93	0	77	2	14
1999-00	50	17	16	0	10	93	0	81	2	10
2000-01	50	18	16	0	3	87	0	77	2	8
2001-02	50	20	16	0	5	91	0	88	2	1
2002-03	50	22	16	0	5	93	0	88	2	3
2003-04	50	24	16	0	7	97	0	91	2	4
2004-05	50	26	17	0	8	101	0	93	2	6
2005-06	50	74	19	0	8	151	0	140	3	8
2006-07	50	70	24	0	13	156	0	139	4	13
2007-08	50	164	30	0	14	257	0	214	6	38
2008-09	50	168	25	0	20	263	0	215	5	43
2009-10	50	428	79	0	8	564	0	521	12	31
2010-11	50	438	82	0	15	585	0	531	12	41
2011-12	50	430	94	0	7	581	0	541	11	28
2012-13	50	457	77	0	19	604	0	546	14	44
2013-14	50	466	74	0	27	617	0	556	15	44
2014-15	50	491	54	0	35	630	0	565	12	53
2015-16	50	518	36	0	37	641	0	575	12	53
2016-17	50	527	36	0	21	634	0	582	10	42
2017-18	50	543	36	0	24	654	0	596	10	46
2018-19	50	549	37	0	21	657	1	604	11	41

Note : Data on liabilities and assets of DICGC relate to the financial year (April-March).
Also see Notes on Tables.
Source : Deposit Insurance and Credit Guarantee Corporation.

DEPOSIT INSURANCE AND CREDIT GUARANTEE CORPORATION - INSURED DEPOSITS

(Number in Lakh; Amount in ₹ Crore)

Year	Number of fully protected accounts	Total number of accounts	Total amount of insured deposits	Total amount of assessable deposits
1	2	3	4	5
1991	3170	3290	127925	186307
1992	3400	3540	164527	244375
1993	3500	3530	168405	249034
1994	4960	4990	266747	364058
1995	4820	4870	295575	392072
1996	4270	4350	337671	450674
1997	3710	4110	370531	492280
1998	4540	4640	439609	609962
1999	4300	4420	498558	704068
2000	4320	4460	572434	806260
2001	4640	4820	674051	968752
2002	5780	6000	828885	1213163
2003	5190	5440	870940	1318268
2004	6200	6500	991365	1619815
2005	5060	5370	1052988	1790919
2006	6830	7170	1372597	2344351
2007	9620	10390	1805081	2984800
2008	12040	13490	1908951	3398565
2009	12670	14240	1682397	4587967
2010	9770	10520	1735800	4952427
2011	9960	10730	1904300	5767400
2012	13930	14820	2158400	6621100
2013	12670	13700	2379200	7616600
2014	13450	14560	2606800	8475200
2015	15530	16820	2826400	9405300
2016	17380	18850	3050900	10353100
2017	17750	19410	3275300	11202000
2018	20000	21740	3370000	12005100

Notes : As on the last Friday of June 1980 through June 2003; as on the last working day of September 2004 through September 2018.

Also see Notes on Tables.

Source : Deposit Insurance and Credit Guarantee Corporation.

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