





### CAFRAL Governing Council



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Reserve Bank of India



Shri. M K Jain Deputy Governor, Reserve Bank of India



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Dr. Amartya Lahiri Director CAFRAL



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### **About CAFRAL**

The Centre for Advanced Financial Research And Learning (CAFRAL) has been set up by the Reserve Bank of India (RBI) in the backdrop of India's evolving role in the global economy, in the financial services sector and its position in various international fora and to develop into a world class global institution for research and learning in banking and finance. CAFRAL is a not-for-profit organisation established as a Society and a Trust; it is an independent body promoted by RBI. CAFRAL became operational in January 2011.

The Governor of RBI is the Chairman of the Governing Council of CAFRAL. CAFRAL's learning arm is engaged in conducting seminars, conferences and other learning programs that serve as a platform for exchange of high-level policy dialogues between the various stakeholders by bringing together regulators, policy makers, bankers, academicians, researchers and practitioners. It also conducts advanced programs for enhancing professional capabilities of senior executives in the financial sector.

CAFRAL's research focus is on the areas of banking and finance. Within these broad areas, our interests include financial institutions, financial markets, behavioural finance, corporate finance, household finance and related areas of macro-finance such as monetary economics or international finance. CAFRAL aims to build intellectual capacity in these areas through its own staff, by hosting researchers of international repute and facilitating collaborative research by building data resources and analytical capabilities.

### Mission

To evolve as a global centre of excellence for policy research and advanced learning in banking and finance.

### **Objectives**

- Enhance our understanding of how the financial sector contributes to real sector growth through in-house and collaborative research that is useful and relevant
- Enhance professional capabilities in the banks, financial sector, and among central banks regulators and policy makers through learning events and programs
- Provide a platform for dialogue between policy makers, regulators, financial sector, practitioners and academics on issues of topical relevance and systemic importance
- Communicate and disseminate the conclusions and results of the learning and research activities
  of CAFRAL to policy makers, central banks, regulators and public at large
- Collaborate and network with domestic and global institutions with similar mandate for mutually beneficial arrangements

### Abbreviations

| AGM ALM AML BBB BIS CACMP CAFRAL CBI CCIL CCO CEO CFO CFT CGM CMD CRO CTR CVO D-SIB DEPR DBS DPSS DFS DG DGM | Assistant General Manager Asset Liability Management Anti-Money Laundering Banks Board Bureau Bank for International Settlements CAFRAL Advanced Credit Management Program Centre for Advanced Financial Research And Learning Central Bureau of Investigation Clearing Corporation of India Ltd. Chief Compliance Officer Chief Executive Officer Chief Financial Officer Combating the Financing of Terrorism Chief General Manager Chairman and Managing Director Chief Risk Officer Cash Transaction Report Chief Vigilance Officer Domestic Systemically Important Bank Department of Economic and Policy Research Department of Banking Supervision Department of Payment and Settlement Systems Department of Financial Services Deputy Governor Deputy General Manager | MoF MPER MSME NED NPA NUS OCC PSB PSL RA RAROC RBI RWA SBI SEC SDMIMD  SIB SLR SRU STR UBC USA VP | Ministry of Finance Monetary Policy and Exchange Rate Micro, Small & Medium Enterprises Non-Exicutive Director Non-Performing Asset National University of Singapore Office of the Comptroller of the Currency Public Sector Bank Priority Sector Lending Research Associate Risk-Adjusted Return On Capital Reserve Bank of India Risk-Weighted Assets State Bank of India Securities and Exchange Commission Shri Dharmasthala Manjunatheshwara Institute for Management Development Systemically Important Bank Statutory Liquidity Ratio Strategic Research Unit Suspicious Transaction Report University of British Columbia United States of America Vice President |
|--|--|---|---|
| DSIM<br>ED<br>EU   | Department of Statistics and Information Managment Executive Director European Union Fodoral Passana Baard   |   |   |
| FED FEDAI FIMMDA FIU Ind FMI FMP FSI FSR GM  | Federal Reserve Board Foreign Exchange Dealers Association of India Fixed Income Money Market and Derivatives Association o Financial Intelligence Unit India Financial Markets and Institutions Financial Markets Program Financial Stability Institute Financial Stability Report General Manager  | f India   |   |
| GOB<br>Gol<br>HR<br>ICAI   | Government Owned Bank Government of India Human Resource Institute of Chartered Accountants of India   |   |   |
| ICC IDBI IGIDR IES IFC IGIDR IIMA IIMB IMF Ind AS  | Indian Chamber of Commerce Industrial Development Bank of India Indira Gandhi Institute of Development Research Indian Economic Service International Finance Corporation Indira Gandhi Institute of Development Research Indian Institute of Management Ahmedabad Indian Institute of Management Bangalore International Monetary Fund Indian Accounting Standards  |   |   |

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KYC

LCR LVA MD MFIN Indian Statistical Institute

Liquidity Coverage Ratio Layered Voice Analysis Managing Director

MicroFinance Institutions Network Massachusetts Institute of Technology

Know Your Customer

DIRECTOR'S
REPORT
2018-19

### Director's Report



2018-19 was a very productive year for CAFRAL in terms of pursuing its dual mandates of excellence in research and learning, thereby continuing its recent trend.

CAFRAL's research wing put out nine new working papers during the year. The papers covered myriad topics that included banking panics, consumption responses to tax policies, exchange rate behavior under inflation targeting, multinational firms and trade, and human capital and stock market participation. In addition, the research department also produced policy notes on the efficiency of ratings in the commercial paper market in India and the adequacy of the capital reserves of the Reserve Bank of India.

A key mandate of CAFRAL is to disseminate research know-how through conferences and seminars. In 2018-19 CAFRAL organized two international conferences. The first was our annual flagship conference on macroeconomics and finance. It saw ten papers presented by researchers from around the world. The second conference was on banking and finance in emerging economies, organized jointly with Imperial College, UK. It saw thirteen papers presented by local and international participants. CAFRAL also organized a two-day research retreat in August 2018. The retreat provided an avenue for CAFRAL and RBI researchers to present their research and get early feedback from peers and international researchers.

CAFRAL organized thirteen research seminars by Indian and international scholars as well as ten internal brown-bag seminars for CAFRAL and RBI researchers during the year. Lastly, a number of international researchers spent extended periods at CAFRAL under our Visiting Scholar program during which they interacted and shared their expertise with researchers from CAFRAL and RBI.

CAFRAL's Learning team conducted thirty five programs with the primary objective of facilitating learning on topical and emerging issues for senior officers of commercial banks. The areas that were covered by included BASEL III, IFRs 9, financial markets, NBFCs and risk management, sustainable finance, retail lending, risk hedging, cyber risk, compliance with KYC/AML norms, and forensic audits and financial frauds. We also offered targeted programs for CROs, CFOs, CVOs, CCOs and CLOs besides a credit management program for senior executives jointly with NYU Stern in New York.

In addition, CAFRAL collaborated with New Development Bank, Shanghai and ICAS, Europe to organize an international conference in Mumbai on Fintech and Banking. In a joint initiative with ReBIT, CAFRAL organized a sequence of Business Leaders Fora to discuss issues in cyber security and fraud management. In 2018-19, CAFRAL also designed specialized programs for senior executives in Andhra Bank and Yes Bank.

In summary, CAFRAL was witness to an active research and learning environment in 2018-19. CAFRAL remains committed to conducting high quality research and promote learning in the year ahead.

### CAFRAL Research

#### Academic Research

A list and abstracts of the papers with completed drafts for this Fiscal Year (2018-2019) is attached in Appendix A. Here, we provide a sampling of research done at CAFRAL this year.

In "Anatomy of a Banking Panic," Dr. Nirupama Kulkarni along with co-authors Dr. Viral Acharya (NYU Stern and RBI), Dr. Abhiman Das (IIM, Ahmedabad), Dr. Prachi Mishra (IMF and Goldman Sachs) and Dr. N. R. Prabhala (Johns Hopkins) provide evidence of flight to safety on a large scale by retail bank deposits and examine its consequences using branch-level deposit data. They find flights of both short and long-term deposits from private sector banks towards term deposits in public sector banks in the same district. There is significant credit reallocation due to panic flows due to differences in sectoral adjustments between branches losing and gaining deposits. Flights to safety thus reallocate deposits within local markets but transform the structure of bank assets and liabilities within the markets.

In "The Unsettling Behavior of Exchange Rates under Inflation Targeting," Dr. Amartya Lahiri and Dr. Paul Beaudry (University of British Columbia) examine how inflation targeting has changed the behavior of exchange rates and uncover a rather curious pattern. They find that as countries switched to inflation targeting their currencies became tied to the price of oil, that is, under inflation targeting currencies tend to appreciate with rising oil prices while prior to inflation targeting regime they did not exhibit such a relationship. Importantly, this data pattern is observed independent of whether the country is a net oil exporter or importer. They argue that such a pattern may reflect that, under inflation targeting, the equilibrium dynamics for the nominal exchange rate becomes indeterminate when uncovered interest parity (UIP) does not hold. In such situations, oil prices may well act as a focal point for currency pricing decisions.

Finally, in "Multinational Firms, Trade, And the Trade-Comovement Puzzle" Dr. Gautham Udupa studies the correlation between bilateral trade and business cycle comovement within country-pairs. While existing empirical studies show a strong positive correlation, he shows that, for OECD economies, this relationship weakens considerably when bilateral FDI stock is controlled for, while FDI is significant. He developed a two-country business cycle model with heterogeneous firms, international trade, and multinational activity to explain this empirical finding. The calibrated model generates the positive relationship between trade and comovement, and between FDI and comovement. In addition, the simulation results are consistent with the empirical regressions with both trade and FDI.

### Inputs to the Monetary Policy Committee

Online Data for Price Monitoring:

The Online Data for Price Monitoring presented the results of our daily online price scraping project wherein we scraped daily food prices from Big Basket for Chennai, Delhi, Mumbai and Kolkata. Using the scraped data, we created an All-India food CPI which was compared with daily food price data from Consumer Affairs.

#### Food Price Volatility:

The Food Price Volatility presentation examined the disaggregated behavior of prices of individual food commodities to assess whether decline periods of declining trends in food prices are driven by generalized decreases in prices or due to temporary declines in prices of a few commodities.

Non-Performing Assets and Sectoral Productivity (dry run) this presentation examined the relationship between NPAs, productivity and lending using sectoral level data for India for period 1999-2018. It showed that a few sectors like Basic Metals, Construction and Mining collectively account for almost 40 percent of NPAs but only account for 15 percent of loans outstanding. The NPAs and lending behavior to these outlier sectors are inconsistent with fundamentals such as productivity.

#### Inputs to RBI Departments

- a. Dr. Amartya Lahiri: Coordinated, developed and presented a DSGE model for the RBI and also an member of the selection committee for Director of the Data Sciences Lab of the RBI
- b. Dr. Anand Srinivasan: Developing a vulnerability indicator and stress testing model for the Indian corporate sector, second version being developed

### Other Outreach Activities - Research Conferences and Programs



Dr. Viral Acharya, former Deputy Governor, RBI, Dr. Amartya Lahiri, Director, CAFRAL and Dr. John Leahy, University of Michigan with Researchers from CAFRAL and RBI at CAFRAL- RBI Research Orientation Program.

CAFRAL and RBI, SRU had an annual retreat at Pench National Park in Madhya Pradesh from August 11 to August 12, 2018. A total of 12 papers were presented in this retreat on variety of topics such as now-casting GDP, demographic impact of monetary policy, dollar swap lines, government bailouts, mutual funds, trade and convergence in economics outcomes across castes in India and transmission of macroprudential policies. The presenters included Professor John Leahy (University of Michigan), Dr. Amartya Lahiri (Director, CAFRAL), Dr. Saurabh Ghosh (Director, SRU), and Dr. Viral Acharya (Deputy Governor, RBI). Other presenters were Abhinav

















- 1. Dr. Viral Acharya, former Deputy Governor, RBI; 2. Dr. Amartya Lahiri, Director, CAFRAL
- 3. Dr. Gautham Uddupa, Research Director, CAFRAL; 4. Dr. Pavan Gopalakrishnan, SRU, RBI;
- 5. Dr. Soumya Bhaduri, SRU, RBI; 6. Dr. Abhinav Narayan, SRU, RBI
- 7. Dr. S K Ritadhi, DBS, RBI; 8. Dr Sonalika Sinha, SRU, RBI



- 1. Dr. Viral Acharya, former Deputy Governor, RBI
- 2. Dr. Amartya Lahiri, Director, CAFRAL
- 3. Prof Valerie Ramey, UC San Diego
- 4. Prof. Arvind Krishnamurthy, Stanford University
- 5. Asst. Prof. Venky Venkateswaran, NYU Stern and FRB Minneapolis
- 6. Prof. Satyajit Chatterjee, FRB Philadelphia
- 7. Jay Surti, IMF and Reserve Bank of India
- 8. Dr. Gautham Udupa, Research Director, CAFRAL
- 9. Asst. Prof. Aeimit Lakdawala, Michigan State University
- 10. Luis Serven, Senior Advisor, World Bank

Narayanan-Shekhar Tomar, SRU, Pawan Gopalakrishnan, SRU, D. Suganthi, DEPR, Soumya Bhadury, SRU, S.K. Ritadhi, DBS, Gautham Udupa, CAFRAL, Apoorva Javadekar, CAFRAL, Satadru Das, SRU, Anand Srinivasan, (Additional Director, CAFRAL), Abhishek Ranjan, SRU, Sonalika Sinha, SRU. The presentations were interspersed with active discussions on the papers being presented.

CAFRAL's annual flagship macro-finance conference was held on December 10-11, 2018 at the RBI. As in the previous year, we had an open call for papers and received 111 submissions, of which six were selected. The presenters included Dr. Luis Serven (Senior Adviser, World Bank's Research Department, Professor Plutarchos Sakellaris (Athens University of Economics and Business), Dr. Rishab Kirpalani (Pennsylvania State University), Dr. Gautham Udupa (CAFRAL), Dr. Johannes Boehm (Science Po) and Dr. Aeimit Lakdawala, (Michigan State





















- 1. N S Vishwanathan, Deputy Governor, RBI
- 2. Dr. Amartya Lahiri, Director, CAFRAL
- 3. Sudershan Sen, EX- ED, Reserve Bank of India
- 4. Dr Anand Srinivasan, Additional Director, CAFRAL
- 5. Dr Thorsten Beck, Cass Business School
- 6. Prof Tarun Ramadorai, Imperial College Business School
- 7. Prof. Raj Iyer, Imperial College Business School
- 8. Prof. Manju Puri, Duke University

University). In addition, invited speakers were Dr. Viral Acharya (Deputy Governor, RBI), Professor Arvind Krishnamurthy (John S. Osterweis Professor of Finance, Stanford University), Dr. Satyajit Chatterjee (Vice President and Economist, Federal Reserve Board of Philadelphia), Professor Valerie Ramey (Professor of Economics, University of California at San Diego) and Dr. Venky Venkateswaran (Research Economist, Federal Reserve Board of Minneapolis). The topics presented included the global financial cycle, fiscal research and policy, and input and capital allocation.

CAFRAL jointly organized a conference with Imperial College Business School's Brevan Howard Center for Financial Analysis on financial intermediation in emerging economics on March 19-20, 2019. There was an open call for papers following which papers were selected by a committee consisting of Professor Franklin Allen (Imperial College), Professor Manju Puri (Duke University), Professor Amartya Lahiri (CAFRAL), Professor Thorsten Beck (City University, London), Professor Co-Piere Georg (University of Cape Town and Deutsche Bundesbank). Presentation topics included banking growth, shadow banking, foreign direct investment (FDI) and household finance.















#### Research Seminars

CAFRAL hosted 13 external and 9 internal seminars this year. External speakers included senior people from universities in Canada, Singapore and the USA such as Professor Sumit Agarwal, (National University of Singapore), Professor Murgie Krishnan (Rutgers University), Professor Manju Puri (Duke University). The seminars covered a variety of interesting topics ranging from optimal monetary policy to the role of deposit insurance to the gender wage gap. Our internal seminars focused on topics such as agricultural productivity growth, demonetization, and household finance.

#### Press Articles written:

- 1. 'A discredited playbook', Indian Express, 12 Oct 2018
- 2. 'Bank and its critics', Indian Express, 10 Nov 2018
- 3. 'Lost opportunity', Indian Express, 5 Dec 2018
- 4. 'Legislating payments out of RBI's excess capital could compromise its independence', Indian Express, 23 Jan 2019
- 5. 'Square pegs, round holes', Indian Express, 7 Feb 2019
- 6. How to protect the sanctity of India's economic data', Bloomberg Quint, 22 Feb 2019
- 7. India has to send out unequivocal signals that it's a reliable trade partner that wants to become part of global supply chain, Indian Express, March 16, 2019

### Presentations to industry and academic institutions.

Dr. Amartya Lahiri presented his research on the behavior of exchange rates under inflation targeting at seminars at Columbia University, Johns Hopkins University and the World Bank and at the Society for Economic Dynamics conference and the Delhi Macroeconomics workshop. He presented his research on Urbanization, structural transformation and rural-urban disparities in China and India at a seminar at the University of Michigan. He was also a panelist at the 10th Annual International G20 Conference at ICRIER and talked on labor taxes, productivity and tax competition at the first annual economics conference at IIT Delhi.

Dr. Anand Srinivasan gave two presentations at IIM-Trichy, one on how to do research in finance and the other on the effect of government bank lending using evidence from the financial crisis in Japan.

Dr. Gautham Udupa presented his paper on gains from trade with financial frictions and the macroeconomics workshop at Ashoka University and on multinational firms and international business cycles at the annual conference on economic theory and policy at Ambedkar University.

Dr. Urvi Neelakantan presented her paper on who values access to college at seminars at the Federal Reserve Bank of Richmond and at IIM Bangalore.

#### **Human Capital**

We made a concerted effort to hire PhDs in Economics and Finance by focusing our recruitment activities on the Allied Social Sciences Association (ASSA) meetings. We interviewed 12 candidates in all, of which we selected 6 for a second round. We were successful in hiring one candidate at the rookie level, Dr. Kaushalendra Kishore, from the University of Minnesota.

RAs who completed our program continued to see success in terms of securing admission to reputed post-graduate programs. The most recent cohort had offers from Masters programs at University of New South Wales, Columbia University, and University of California at Berkeley; Economics PhD programs at Arizona State University, University of British Columbia, University of California at Irvine, and University of Washington Seattle; Finance and Marketing PhD programs at University of Chicago Booth School and MIT Sloan school, respectively; and Accounting PhD programs at University of California at Los Angeles, London Business School, and Washington University's Olin Business School.

### CAFRAL Learning



1. Program participants with
Speakers at Program for NBFCs:
Risk Management, Regulatory and
Supervisory Issues, Mumbai
2. L:R- Satish Mathur Director
General of Police, Maharashtra
and Dr. Gulashan Rai, National
Cyber Security Coordinator, PMO,
Government of India

#### Program for NBFCs: Risk Management, Regulatory and Supervisory Issues:

The non-banking Financial Companies play a very important role in the Indian Financial System and the bigger NBFCs are increasingly being subject to bank-like prudential regulation such as capital adequacy requirements and provisioning norms along with reporting requirements. The program, designed for select NBFCs, focused on the enterprise-wide risk management framework to identify, assess, monitor and control risks in order to create value for the enterprise. The regulatory and supervisory expectations from NBFCs and the expectations arising out of the implementation of the newly introduced Ombudsman Scheme was also covered in the Program.

2. Business Leaders' Forum II with ReBIT: With the recent spate of SWIFT-related incidents across the globe, with banks relying heavily on third parties to support their IT infrastructure and data protection coming centre stage (with EU's GDPR, Indian Data Protection Bill getting drafted and the data localization directive by RBI) sparking off compliance exercises, the second edition of BLF looked at exploring these three areas.

**Financial Markets, Treasury Operations and Trade Financing Program:** The treasury operations and trade financing transactions of banks and financial institutions expose them to significant market and operational risk, apart from the credit risk. The Program focused on the judicious use of interest rate and forex derivatives for mitigating market risk, holistic monitoring of all risk positions, subjecting non-fund



**CAFRAL Program on Sustainable Finance:** Sustainable finance promotes sustainable and inclusive growth by focusing on the material Environmental, Social and Governance factors. Globally, several initiatives have been launched to mobilise the financial sector in support of the UN Sustainable Development Goals and the Paris Agreement. The aim of the Program was to sensitise the Indian financial sector with the sustainability issues in the financial system, highlight the risks of inaction and bestow greater attention on green finance



based limits like letters of credit and guarantees to same degree of due diligence as fund based credit limits, deploying adequate controls and checks to limit operational risk failures, etc. Besides, the recent incidence of frauds / unauthorized use of SWIFT has highlighted the need for ensuring adequate controls and checks to limit the operational risk.

**Program on Basel III, IFRS 9 and NPAs:** To facilitate learning and discussions on the implementation of Basel III framework, IFRS 9 and recognition and measurement of NPAs. The Basel III reforms aim to strengthen the regulation, supervision and risk management of banks. The accounting standards (e.g., IFRS 9), by mandating appropriate provisioning requirements, strengthens the capital regulation regime and can also have macroprudential implications by mitigating procyclicality. The accounting standards provide the basis on which NPA identification and measurement is carried out. The NPA identification and measurement has significant prudential implications as it can directly affect the regulatory capital

Roundtable for HR Heads / Chief Learning Officers of select banks and financial institutions – Training need analysis: The primary objective of roundtable was to ascertain the training needs of banks and financial institutions so that the program calendar for October – March 2019 could be suitably calibrated for targeted delivery. The participants explored the role of CAFRAL in the learning space and there was broad consensus that it should continue to target the directors on the boards, top management and senior officers of banks and financial institutions.

**CAFRAL Advanced Management Program:** The program aimed to enhance the knowledge base of senior executives on a range of current and evolving issues



- Program participants with speakers at Financial Markets, Treasury Operations and Trade Financing
   Program
- 2. Program participants with speakers at Program on Basel III, IFRS9 and NPAs.
- 3. Program participants with speakers at CAFRAL Advanced Management Program (CAMP), USA (foreign leg)
- 4. Program participants with speakers at Program on Retail Lending.





through interactions with subject experts as also familiarise them with global perspectives & learnings in some key areas of relevance. This was an advanced management program leading to issue of certificates to the participants by Stern Business School, New York University, USA

**Program on Financial Frauds & Forensic Audit:** Monitoring operations for prevention of frauds and their early or timely detection demand unique expertise with multi-disciplinary learning even at the senior levels. This program provided such an opportunity to the senior and middle management officials of the banks and NBFCs for enhancing their knowledge on financial frauds (FFs) in large borrowal accounts, trade financing & investment operations, digital banking and cyber





related frauds and highlighted the potential contribution of Forensic Audit in facilitating legal and financial resolution of fraud cases.

**Program for Non-Executive Directors on Audit & Risk Management Committees:** The Basel Committee's corporate governance principles for banks outline the expectations of the Audit and Risk Management Committees of the Board. In this background, the program dwelt on how these committees can be made more effective in implementation of the "Three Lines of Defense" by highlighting some of the best corporate governance and risk management practices.

- Dr. Edward Altman, Professor of Finance, Stern School of Business, New York University
- 2. Speakers and Participants at Advanced Credit Risk Management Program
- 3. L-R: A K Rath ED, Andrha Bank, Chandan Sinha, Addl Director, CAFRAL & Kul Bhushan Jain, ED, Andhra Bank
- 4. M K Jain, Deputy Governor, RBI









**CAFRAL-ReBIT Business Leaders' Forum #4:** Cyber-attacks, frauds and incidents are inevitable in today's world. The right response and communication strategy executed by the bank during a cyber-crisis can reassure stakeholders, ranging from regulators, shareholders, employees, media, government and law enforcement agencies. Formulating and executing an effective crisis response and communication strategy will help banks manage perceptions and guard against significant dent to their reputation. With this objective, the fourth edition of the Business Leaders' Forum involved a mix of keynote address, an interactive Round table exercise about handling cyber incidents and crisis communication, and a practitioner's perspective on



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- L-R: Ismail Erturk, University
  of Manchester, UKm, Dr Ajit
  Ranade, Chief Economiest,
  Aditya Birla Group and Prof.
  Indradeep Ghosh, Meghnad
  Desai Academy of Economics
- Dr. Amartya Lahiri, Director CAFRAL delivering key note talk at Conference on Fintech and Banking
- 3. Sudershan Sen, EX ED, RBI
- 4. Speakers and participants at Program on 'CFOs in the Financial Sector





reputation management.

International Conference on Fintech and Banking: Future of Financial Services and Regulation in collaboration with New Development Bank, Shanghai and ICAS, Europe: The Conference brought together officials of central banks, development banks, commercial banks and fintech companies of BRICS countries to deliberate on practical and policy-level issues relating to fintech, banking, financial service business and financial regulation..

**Conference of Heads of Treasuries:** The objective was to provide a platform to Heads of Treasuries and senior officers involved with the risk management function to interact on financial market developments and a few current issues like foreign portfolio investments, interest rate derivatives, corporate bond market, ECB and masala bonds and liquidity management with their peers and the regulator.

- 1 Participants with speakers at
  Executive Development Program,
  Mumbai
- 2. Participants with speakers at Conference of Chief Compliance Officers, Mumbai
- 3. Participants with speakers at Program on Financial Frauds & Forensic Audit:



Conference of Chief Human Resource Officers (CHROs) and Chief Learning Officers (CLOs): In the background of challenges facing the CHROs and CLOs of banks and FIs today, the Conference focused on Leadership development, implementing the Best People Practices, promoting Ethics and Integrity, and sustaining a Culture of Excellence. There was also a discussion on the learning needs in the Indian financial sector, especially in the context of equipping the young managers with leadership skills so that they can assume higher responsibilities in future.

**Program on Retail Lending:** The two day long CAFRAL Program sought to bring together a good mix of lenders on one platform for deliberating on a range of issues in Retail Lending. The key topics covered were future of retail lending: emerging opportunities, issues and challenges; co-origination of retail loans; partnering for retail lending; credit scoring approaches; retail credit risk management; regulatory issues in retail lending;













digital lending by banks; fintech solutions and P2P lenders; frauds in retail lending; SME-analytics based lending; and securitization of retail loan portfolio.

Program on 'CFOs in the Financial Sector: CFOs used to fully focus on numbers, budgets and financial reports & statements. Post-crisis, they are also expected to add value to business and advise CEOs and the Board on strategy, risk, regulatory & legal compliance, and even technology. Program focused on the changing nature of finance function and the evolving role of CFOs besides the traditional areas of audit, taxation and legal & regulatory compliance.

**Program on Non-Executive Directors on Boards of Banks:** The program focussed on current issues and challenges faced by the banks including those relating to governance, strategy, risk, compliance and asset quality and also covered other topics like regulatory/supervisory perspectives, financial markets, role of treasury and domestic &

- 1. IES officers with program speakers at Financial Markets Program
- 2. Ashish Kumar Chauhan MD & CEO, BSE
- 3. Dr. Ajit Ranade, Chief Economist, Aditya Birla Group and GC member CAFRAL
- 4. G Mahalingam Whole Time Member, SEBI and EX ED RBI
- 5. B Sriram, Former MD, SBI and Former MD & CEO, IDBI Bank
- 6. Bahram Vakil, Founding Partner, AZB & Partners
- 7. Anil Kumar Sharma, CGM, Enforcement Department, RBI
- 8. Non-Executive Director with program speakers at Program on Non-Executive Directors on Boards of Banks, Mumbai



international developments in the financial sector. The aim of the program was towards improving the effectiveness of directors on the boards of banks.

Financial Markets Program for Officers of Indian Economic Service (IES): The program is designed to provide a broad based understanding of financial markets to policy makers and market participants who may or may not have hands-on experience in this area. Practical exposures to market processes, products, players and infrastructure combined with insightful discussion on the economy in general and financial sector in particular is the hallmark of this program. The program, in particular, focusses on the rationale behind some of the policy decisions and its impact in terms of outcomes. Besides, this capsule program will also serve as an induction for senior officers in regulatory organisations, banks and financial institutions who have recently moved to market related areas.

As part of dissemination of knowledge contributed by the various speakers, their speeches, session discussions, papers and presentations are posted on CAFRAL's official website (www.cafral.org.in).









### Administration and HR

CAFRAL's team is growing. During the year, many new faces have joined CAFRAL, while a few left to pursue other opportunities. As on August 1, 2019, CAFRAL has 33 contract staff. There is no officer on deputation from RBI as on date. CAFRAL welcomes new Research Director who has joined recently. Also, we hired 7 Research Associates in batches. CAFRAL mentored two Research Interns and one doctoral Research Intern in Economics this summer.

The names of CAFRAL staff are given in Annex II.

### Acknowledgements

We would like to acknowledge the valuable guidance given to us by our Governor & Chairman, CAFRAL, as also the Governing Council members. CAFRAL has received immense benefit from each one and is now poised to further develop on research and learning due to the solid foundation given by them in CAFRAL. We are also thankful to the Management and officials of the Reserve Bank of India, various financial services institutions, consulting organizations, academicians and professionals from various fields for their support provided to our activities. Without their unstinted support and encouragement, we could not have been able to reach this stage of development in our journey to achieve our objectives.

We also acknowledge the contribution of M/s Gokhale & Sathe, our internal auditors, M/s CNK & Associates LLP, our statutory auditors, and other service providers.

Amartya Lahiri

Director, CAFRAL



# CAFRAL - FINANCIAL STATEMENTS 2018-19

### Independent Auditor's Report

### To the Board of Trustees of CENTRE FOR ADVANCED FINANCIAL RESEARCH AND LEARNING

#### **Report on the Audit of the Financial Statements:**

#### Opinion

We have audited the accompanying financial statements of CENTRE FOR ADVANCED FINANCIAL RESEARCH AND LEARNING (herein after referred to as "the Trust"), which comprise the Balance Sheet at March 31st 2019, and the Income and Expenditure Account for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the Financial Statements").

In our opinion, and to the best to our information and according to the explanation given to us, the accompanying financial statements give the information required by The Maharashtra Public Trust Act, 1950 (the "Act") in the manner so required and give a true and fair view in conformity with the Accounting principles generally accepted in India, of the state of affairs of the Trust as at 31 March 2019 and of its financial performance for the year then ended.

#### Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) issued by ICAI. Our responsibilities under those SA are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Trust in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Information other than the Financial Statements and Auditor's Report thereon

The management of the trust is responsible for the other information. The other information comprises the information included in the Annual Report but does not include the financial statements and the auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Board of Trustees are responsible for the preparation and presentation of these financial statements that give a true and fair view of the state of affairs and results of the Trust in accordance with the accounting principles generally accepted in India and in accordance with the provisions of section 32 of the Act; This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Trust and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the trust or to cease operations, or has no realistic alternative but to do so.

The Board of Trustees are also responsible for overseeing the Trust's financial reporting process.

#### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on whether the Trust has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Place: Mumbai

Date: August 30, 2019

For C N K & Associates LLP Chartered Accountants

F

irm Reg No:101961W/W100036

(Manish Sampat) Partner

M. No.: 101684

### SCHEDULE - VIII [(Vide Rule 17 (1)]

The Maharashtra Public Trusts Act, 1950

Registration No. F - 33749 (Mum)

Name of the Public Trust: CENTRE FOR ADVANCED FINANCIAL RESEARCH AND LEARNING

Balance Sheet as at: 31st March, 2019

| FUNDS & LIABILITIES                                       | As at 31 <sup>st</sup> March 2019 | As at 31st March 2018 |  |
|---|-----------------------------------|-----------------------|--|
|   | ₹                                 | ₹                     |  |
| Trusts Funds or Corpus:                                   |                                   |                       |  |
| Balance as per last Balance Sheet                         | 50,00,000                         | 50,00,000             |  |
|   |                                   |                       |  |
|   |                                   |                       |  |
| Other Earmarked Funds:                                    | NIL                               | NIL                   |  |
| (Created under the provisions of the Trust Deed           |                                   |                       |  |
| or Scheme or out of the Income)                           |                                   |                       |  |
|   |                                   |                       |  |
|   |                                   |                       |  |
| Loans (Secured/Unsecured):                                | NIL                               | NIL                   |  |
|   |                                   |                       |  |
|   |                                   |                       |  |
| Liabilities:  |                                   |                       |  |
| Advance From Reserve Bank of India                        | 1,25,01,208                       | 1,50,67,885           |  |
| Liabilities as per Schedule "A"                           | 89,10,105                         | 77,19,564             |  |
|   |                                   |                       |  |
|   |                                   |                       |  |
|   |                                   | 7                     |  |
|   |                                   |                       |  |
|   |                                   |                       |  |
|   |                                   |                       |  |
|   |                                   |                       |  |
|   |                                   |                       |  |
| harman And Francischer Assault                            |                                   |                       |  |
| Income And Expenditure Account:                           | NIII                              | NIII                  |  |
| Balance as per last Balance Sheet                         | NIL                               | NIL                   |  |
| Add : Surplus/(Deficit) as per Income and Expenditure A/c | NIL                               | NIL                   |  |
|   |                                   |                       |  |
| TOTAL   | 2,64,11,313                       | 2,77,87,449           |  |

Notes to Accounts - Schedule 'F' As per our report of even date For C N K & Associates LLP CHARTERED ACCOUNTANTS FIRM REG. NO.101961W/W100036

(Manish Sampat) Partner

M.NO.: 101684

Place: Mumbai

Date: August 30, 2019

|        | PROPERTY & ASSETS           | As at 31 <sup>st</sup> March 2019 | As at 31 <sup>st</sup> March 2018 |
|--------|-----------------------------|-----------------------------------|-----------------------------------|
|        |                             | ₹                                 | ₹                                 |
| Immov  | able Properties: (At Cost)  | NIL                               | NIL                               |
| Baland | e as per last Balance Sheet |                                   |                                   |
| Add:   | Additions during the year   |                                   |                                   |
| Less:  | Sales during the year       |                                   |                                   |
| Less:  | Depreciation up to date     |                                   |                                   |
| Invest | ments:                      | NIL                               | NIL                               |
| Movab  | le Properties (Schedule B): |                                   | -5-                               |
| Cost   |                             | 3,17,02,484                       | 2,87,36,872                       |
| Less:  | Depreciation up to date     | 2,71,19,759                       | 2,42,15,028                       |
|        |                             | 45,82,725                         | 45,21,844                         |
|        |                             | 360                               |                                   |
|        |                             |                                   |                                   |
| Unsec  | ured and Good               |                                   |                                   |
| Sundry | Debtors (Net)               | 13,57,809                         | 15,06,500                         |
| Advan  | ces:-                       | 1,15,54,881                       | 1,07,10,324                       |
| As per | Schedule "C"                | 134,443                           |                                   |
| Incom  | e Outstanding:              |                                   |                                   |
|        | st Accured on Fixed Deposit | 3,14,220                          | 2,67,658                          |
| Cash   | And Bank Balances:          |                                   |                                   |
|        | sh in Hand                  | 10,853                            | 11,233                            |
|        | Saving Account with banks   | 35,90,825                         | 57,69,890                         |
|        | Fixed Deposit with banks    | 50,00,000                         | 50,00,000                         |
| TOTAL  |                             | 2,64,11,313                       | 2,77,87,449                       |

The above Balance Sheet to the best of our belief contains a true account of the Funds and Liabilities and of the Property and Assets of the Trust.

CENTRE FOR ADVANCED FINANCIAL RESEARCH AND LEARNING

TRUSTEE TRUSTEE TRUSTEE

Place: Mumbai

Date: August 30, 2019

## SCHEDULE - IX [(Vide Rule 17 (1)]

Name of the Public Trust: CENTRE FOR ADVANCED FINANCIAL RESEARCH AND LEARNING Income and Expenditure Account for the year ended 31 March, 2019

| Expenditure   | For the Year<br>Ended 31 <sup>st</sup><br>March 2019 | For the Year<br>Ended 31 <sup>st</sup><br>March 2018 | Income                                     | For the Year<br>Ended 31 <sup>st</sup><br>March 2019 | For the Year<br>Ended 31 <sup>st</sup><br>March 2018 |
|---|--|--|--|--|--|
|   | ₹  | ₹  |  | ₹  | ₹  |
| To Expenditure in respect of Properties                                   | NIL  | NIL  | By deficit for the year reimbursed by RBI  | 9,75,66,677  | 7,32,78,082  |
| To Establishment<br>Expenses As per<br>Schedule "D"                       | 13,62,057  | 17,88,343  | By Training<br>Programme Fees<br>Recovered | 4,46,69,553  | 4,61,80,500  |
| _ 1 ==  |  |  | By Bank Interest                           | 9,49,887   | 11,68,188  |
|   |  |  | By Dividend                                | NIL  | NIL  |
| To Audit Fees   | 1,50,000   | 1,37,500   | By Donations in Cash or Kind               | NIL  | NIL  |
| To Contribution and Fees  | NIL  | NIL  | By Grants                                  | NIL  | NIL  |
| To Short Provision for Income Taxes of earlier yr                         | NIL  | NIL  | By Interest on Income Tax Refund           | NIL  | 52,883   |
| To Amount written off   | NIL  | NIL  | By Misc Income                             | 6,000  | 2,199  |
| (a) Bad Debts   |  |  |  | 2,000  |  |
| (b) Loan Scholarship (c) Irrecoverable Rents d) Other Items               |  |  | By Other Rceipts                           | NIL  | NIL  |
| To Depreciation   | 29,04,731  | 48,27,563  | By Transfer from Reserve                   | NIL  | NIL  |
| As per Schedule "B"   |  |  |  |  |  |
| To Expenditure on the object of the trust Educational As per Schedule "E" | 13,87,75,329   | 11,39,28,426   |  |  |  |
| To Surplus carried over to Balance Sheet                                  |  | -  | 1 1 -                                      |  |  |
| Total   | 14,31,92,117   | 12,06,81,852   | Total                                      | 14,31,92,117   | 12,06,81,852   |

Notes to Accounts - Schedule 'F' As per our report of even date

CENTRE FOR ADVANCED FINANCIAL RESEARCH AND LEARNING

For C N K & Associates LLP
CHARTERED ACCOUNTANTS
FIRM REG. NO.101961W/W100036

(Manish Sampat)

Partner

M.NO.: 101684

TRUSTEE

TRUSTEE

TRUSTEE

Place: Mumbai

Date: August 30, 2019

Place: Mumbai

Date: August 30, 2019

## CENTRE FOR ADVANCED FINANCIAL RESEARCH AND LEARNING

## Schedule A: Liabilities

| Particulars                          | As on 31st March 2019 | As on 31st March 2018 |
|--------------------------------------|-----------------------|-----------------------|
|                                      | ₹                     | ₹                     |
| Expenses Payable                     | 61,32,588             | 72,38,718             |
| Liability for Tax Deducted at Source | 19,48,020             | 2,73,731              |
| GST Liability (RCM)                  | 8,13,271              | 1,83,337              |
| Retention Money                      | 8,426                 | 17,178                |
| Profession Tax Payable               | 7,800                 | 6,600                 |
|                                      |                       |                       |
| Total                                | 89,10,105             | 77,19,564             |

## CENTRE FOR ADVANCED FINANCIAL RESEARCH AND LEARNING

## Schedule B: Movable Properties

| Name of the Asset                            | Rate of      |                           | cos       | Т         |                       |  |
|--|--------------|---------------------------|-----------|-----------|-----------------------|--|
|  | Depreciation | tion As on 1st April 2018 | Additions | Deletions | As on 31st March 2019 |  |
|  |              | 7 April 2010<br>₹         | ₹         | ₹         | 31 Walcii 2019<br>₹   |  |
| Tangible                                     |              |                           | •         | `         |                       |  |
| Computer     Hardware     Including Printers | 33.33%       | 70,81,491                 | 10,88,346 |           | 81,69,837             |  |
|  |              |                           |           |           |                       |  |
| Other Electrical     Equipment               | 20.00%       | 65,45,150                 | 1,58,974  |           | 67,04,124             |  |
|  | - 1          |                           |           |           |                       |  |
| 3. Furniture                                 | 20.00%       | 14,14,583                 | 1,74,402  |           | 15,88,985             |  |
|  |              |                           |           |           |                       |  |
| 4. Car                                       | 20.00%       | 27,04,969                 | -         | -         | 27,04,969             |  |
| Intangible                                   | 7            |                           |           |           |                       |  |
| 5. Computer Software                         | 33.33%       | 1,09,90,679               | 15,43,890 | -         | 1,25,34,569           |  |
| Total  |              | 2,87,36,872               | 29,65,612 |           | 3,17,02,484           |  |
|  |              |                           |           |           |                       |  |
| Previous Year                                |              | 2,39,54,940               | 48,14,532 | 32,600    | 2,87,36,872           |  |

## Schedule C: Advances

| Particulars            | As on 31st March 2019 | As on 31st March 2018 |
|------------------------|-----------------------|-----------------------|
|                        | ₹                     | ₹                     |
| GST Input Credit       | 12,74,703             | 13,29,755             |
| Deposit                | 15,14,000             | 15,14,000             |
| Other Receivables      | 453                   | 20,845                |
| Tax deducted at source | 57,31,418             | 38,10,909             |
| Prepaid Expenses       | 30,34,307             | 40,34,815             |
|                        |                       |                       |
| Total                  | 1,15,54,881           | 1,07,10,324           |

| DEPRECIATION            |                 |           |                          | Writen Down V                        | alue (WDV)                           |
|-------------------------|-----------------|-----------|--------------------------|--------------------------------------|--------------------------------------|
| Up to<br>1st April 2018 | During the Year | Deletions | As on 31st<br>March 2019 | As on 31 <sup>st</sup><br>March 2019 | As on 31 <sup>st</sup><br>March 2018 |
| ₹                       | ₹               | ₹         | ₹                        | ₹                                    | ₹                                    |
|                         |                 |           |                          |                                      |                                      |
| 59,40,580               | 9,20,512        | _         | 68,61,092                | 13,08,745                            | 11,40,911                            |
| 63,64,685               | 35,964          | -         | 64,00,649                | 3,03,475                             | 1,80,465                             |
|                         | _ = "           |           |                          |                                      |                                      |
| 10,68,326               | 1,84,001        | -         | 12,52,327                | 3,36,658                             | 3,46,257                             |
| 21,63,974               | 5,40,994        | -         | 27,04,968                | 1                                    | 5,40,995                             |
|                         |                 |           |                          |                                      |                                      |
| 86,77,463               | 12,23,260       | -         | 99,00,723                | 26,33,846                            | 23,13,216                            |
| 2,42,15,028             | 29,04,731       | -         | 2,71,19,759              | 45,82,725                            | 45,21,844                            |
| 1,93,98,331             | 48,27,563       | 10,866    | 2,42,15,028              | 46,21,844                            | 45,56,609                            |

## Schedule D: Establishment Expenses

| Particulars                          | For the Year Ended 31st March 2019 | For the Year Ended 31st March 2018 |
|--------------------------------------|------------------------------------|------------------------------------|
|                                      | ₹                                  | ₹                                  |
| Administrative Expenses              | 9,39,658                           | 13,01,224                          |
| Sitting Fees paid to Council Members | 1,20,000                           | 1,80,000                           |
| Facilities Management Expenses       | 3,02,399                           | 3,07,119                           |
|                                      |                                    |                                    |
| Total                                | 13,62,057                          | 17,88,343                          |

## CENTRE FOR ADVANCED FINANCIAL RESEARCH AND LEARNING

## Schedule E: Expenditure on Object of the Trust - Educational

|  | For the Yea | ar Ended 31st Ma | rch 2019     |  |
|--|-------------|------------------|--------------|--|
| Particulars  | Learning    | Research         | Total        |  |
|  | ₹           | ₹                | ₹            |  |
|  |             |                  |              |  |
| Administration Expenses                                  | 17,26,713   | 20,12,918        | 37,39,631    |  |
| Program/Seminar/Conference Expenses                      | 2,51,48,741 | 13,17,871        | 2,64,66,612  |  |
| Honorarium   | 12,97,928   | 20,00,000        | 32,97,928    |  |
| Data Service   | -           | 70,40,375        | 70,40,375    |  |
| Conference Registration Fees                             | -           | 1,60,128         | 1,60,128     |  |
| Audio Visual Charges                                     | 13,28,444   | 5.000            | 13,33,444    |  |
| Printing & Stationery                                    | 5,46,736    | 2,35,543         | 7,82,279     |  |
| Professional Fees  | 10,25,000   | -                | 10,25,000    |  |
| Field Work Expenses                                      | -           | _                | -            |  |
| Salaries and allowances*                                 | 2,02,81,334 | 5,82,77,513      | 7,85,58,847  |  |
| Training Expenses (staff)                                | 24,000      | 4,01,470         | 4,25,470     |  |
| Travel and Stay Expenses (Visiting Faculty/ Researchers) | 20,49,833   | 74,31,192        | 94,81,025    |  |
| Travelling and Halting Expenses (staff)                  | 18,74,645   | 34,18,541        | 52,93,186    |  |
| Website Maintenance Charges                              | 5,82,490    | 5,82,489         | 11,64,979    |  |
| Foreign Exchange Loss                                    | 6,425       | -                | 6,425        |  |
|  | *           |                  |              |  |
|  |             | _                |              |  |
|  |             |                  |              |  |
| Total  | 5,58,92,289 | 8,28,83,040      | 13,87,75,329 |  |

<sup>\*</sup> Salaries includes remuneration to Directors of Rs 1,39,97,157/- (P.Y. Rs 85,83,379/-) who is also one of the trustees of the trust.

| 18           | For the Yea |             |  |
|--------------|-------------|-------------|--|
| Total        | Research    | Learning    |  |
| ₹            | ₹           | ₹           |  |
| -            |             |             |  |
| 48,72,867    | 29,89,812   | 18,83,0545  |  |
| 2,71,68,456  | 7,87,362    | 2,63,81,094 |  |
| 14,52,165    | 6,31,250    | 8,20,915    |  |
| 67,86,574    | 67,86,574   | -           |  |
| 89,748       | 89,748      | -           |  |
| 8,29,852     | 5,000       | 8,24,852    |  |
| 11,13,435    | 2,54,976    | 8,58,459    |  |
| 1,78,875     | -           | 1,78,875    |  |
| 3,15,120     | 3,15,120    | _           |  |
| 5,92,74,699  | 3,72,14,819 | 2,20,59,880 |  |
| 7,31,282     | 5,67,600    | 1,63,682    |  |
| 57,60,938    | 44,87,675   | 12,73,263   |  |
| 41,32,302    | 22,38,421   | 18,93,881   |  |
| 12,04,400    | 6,02,200    | 6,02,200    |  |
| 17,733       | -           | 17,733      |  |
|              |             |             |  |
|              | Œ           | _           |  |
|              |             |             |  |
| 11,39,28,446 | 5,69,70,557 | 5,69,57,889 |  |

#### Schedule F

## Centre for Advanced Financial Research and Learning

Notes on Accounts annexed to and forming part of the Balance Sheet as at 31st March, 2019 and Income and Expenditure Account for the year ended 31st March, 2019.

#### A. SIGNIFICANT ACCOUNTING POLICIES

#### 1. Basis of preparation of financial statement

- a) The financial statements are prepared under the historical cost convention on the basis of going concern and in accordance with the Generally Accepted Accounting Principles in India (GAAP) and provisions of the Maharashtra Public Trust Act, 1950.
- b) The presentation of financial statements are in conformity with generally accepted accounting principles, requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates and the differences between actual results and estimates are recognized in the periods in which the results are known/ materialized.

#### 2. Recognition of Income/Expenditure

Income and Expenditure are accounted on accrual basis. The amount equal to the deficit arising from the activities of the Trust is shown in the Income and Expenditure Account as Deficit for the year reimbursed by RBI.

Training programme fees are recognised as income on completion of the programme. Expenses on outsourced research projects are recognized on completion of the project and submission of final report.

Expenses directly related to Learning and Research activities are classified accordingly and other indirect expenses relating to the objects of the trust are classified based on estimations made by the management.

#### 3. Fixed Asset and Depreciation

Fixed Assets are stated at cost less depreciation. All costs relating to acquisition and installation of Fixed Assets are capitalized. Assets costing less than Rs 10,000/- are not capitalized.

Depreciation on assets is charged on the Straight Line Method over the useful life of the assets. Depreciation is charged on monthly pro rata basis from the month of capitalization in respect of additions during the year.

#### 4 Foreign Currency Transactions

A foreign currency transaction is recorded, on initial recognition in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency prevailing on the date of transaction. At the balance sheet date, foreign currency monetary items are reported using the closing rate. Gain or loss if any, is recognised in the Income and Expenditure Account for the year. The gain or loss, arising on account of exchange rate differences between the payment date and transaction date is recognized in the Income and Expenditure Account.

#### 5 Related Party Transaction

Disclosure is made as per the requirement of the AS -18 – Related Party Disclosures and the same is given under Note No.B.2.

#### 6 Operating Leases

Leases of Assets under which all the risks and rewards of ownership are effectively retained by the lessor are classified as operating lease. Lease payments under Operating Leases are recognized as an expense on accrual basis in accordance with respective lease agreements. The disclosure as required by AS - 19 - Lease in respect of operating leases in the books of lessee is given in Note No B.3.

## 7 Impairment of Assets

An Asset is considered as impaired when at the Balance Sheet date there are Indications of Impairment and the carrying amount of Asset exceeds its recoverable amount (i.e. the higher of the asset's Net Selling Price and Value In Use). The carrying amount is reduced to the recoverable amount and the reduction is recognised as an Impairment loss in the Income & Expenditure Account.

#### 8 Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognized for liabilities that can be measured only by using substantial degree of estimation. These are reviewed at each balance sheet date and adjusted to reflect the current management estimates. Contingent Liability is disclosed in case of possible obligation where the probability of outflow of resource is not certain. Contingent Asset is neither recognized nor disclosed in the balance sheet.

#### B. NOTES TO ACCOUNTS

1. During the year the cost of staff deputed by Reserve Bank of India amounting to Rs. NIL (Previous Year – 58,64,241/-)has been reimbursed to Reserve Bank of India and is included under as salaries and staff expenses in Schedule 'E".

#### 2. Related Party Discourse

Name of the related parties and description of relationship:

- 1. Key Management Personnel Dr. Amartya Lahiri, Director
- 2. Key Management Personnel Dr. Venkatesh Panchapagesan
- 3. Key Management Personnel Shri. T. V. Mohandas Pai
- 4. Key Management Personnel Dr. Ajit Ranade

Details of Related Parties transactions are as under:

| Particulars               | Key Management Personnel |           |  |  |
|---------------------------|--------------------------|-----------|--|--|
| × 1 / 1 / 1               | 2018-19                  | 2017-18   |  |  |
| 42 10                     | ₹                        | ₹         |  |  |
| Remuneration              | 139,97,157               | 85,83,379 |  |  |
| Governing Council Fees    | 1,20,000                 | 1,80,000  |  |  |
| Reimbursement of Expenses | -                        | -         |  |  |

#### 3. **Leases - Operating Lease**

The Trust has taken on lease residential premises for Director and Additional Director under Lease Agreements. Lease Rental expenses incurred for the year is Rs.25,23,484/- (Pervious Year - Rs.21,60,471/-) included in Salary & Staff Expenses under Schedule E. The total lock-in lease rental payable over the lease period for the residential premises, as detailed below, is Rs. NIL (Previous Year - Rs. 22,02,000/-).

| Particulars                                       | 31st March 2019 | 31st March 2018 |
|---|-----------------|-----------------|
| Not later than One Year                           | NIL             | 22,02,000       |
| Later than One Year and not later than Five Years | NIL             | -               |
| Later than Five Years                             | NIL             | -               |
| Total Rs.   | NIL             | 22,02,000       |

- 4. A notice was received from the Office of the Commissioner, Service Tax IV, and Mumbai requiring the Trust to show cause as to why the deficit reimbursed by the Reserve Bank of India during the financial period 2012-13 to 2016-17, should not be considered as a taxable service liable to service tax. A suitable reply has been furnished. Another notice from the office of the Superintendent of Central tax, Division IV has been received on the same matter for the financial period April 2017 to June 2017. Suitable replies have been furnished.
- 5. Previous year figures have been regrouped wherever necessary.

Signature to Notes A to F

For Centre for Advanced Financial Research And Learning

For C N K & Associates LLP **Chartered Accountants** 

Firm Reg No:101961W/W100036

(Trustee) (Trustee) (Trustee)

(Manish Sampat) Partner

M No.: 101684

Place: Mumbai Date: August 30, 2019 Place: Mumbai Date: August 30, 2019

# **ANNEXES**

## Annex 1

## A. Working/published Papers on CAFRAL Website during FY 2018-19 (April 1, 2018 - March 31, 2019)

#### 1. Anatomy Of A Banking Panic

Author: Viral Acharya, Abhiman Das, Nirupama Kulkarni and Prachi Mishra

Date: March 25, 2019
Published: CAFRAL Website

Abstract:

We develop micro-level evidence on a large-scale flight to safety by retail bank depositors. Private Banks in India, who had little exposure to US experienced sudden withdrawals of deposits after the 2008 financial crisis in the US, reflecting pure panic of retail clients. We quantify, characterize, and examine the lending consequences of the deposit flight using granular branch-level data on deposits. Deposit flights are local as they transfer resources from private to public sector banks in the same district. The panic results in flight of both short and long-term deposits but the deposit gains are in term deposits, suggesting that panics result in more stable funding in the aggregate. There is significant credit reallocation due to panic flows due to differences in sectoral adjustments between branches losing and gaining deposits. Flights to safety thus reallocate deposits within local markets but transform the structure of bank assets and liabilities within the markets.

### 2. Creditor Rights And Allocative Distortions (Evidence From India)

Author: Nirupama Kulkarni Date: March 25, 2019 Published: CAFRAL Website

Abstract:

This paper highlights how stronger creditor rights improve allocative efficiency of credit and capital in the economy. Exploiting a collateral reform in India that strengthened creditor rights, I show that lenders cut credit to riskier borrowers. This is partly driven by a reduction in credit to otherwise insolvent borrowers (zombies). Importantly, credit access improved for non-zombie firms in industries that became decongested due to reductions in credit to zombie firms. As a result, non-zombie firms increased investment. Aggregate productivity of capital improved due to within-firm improvements and reallocation of capital to more productive firms, as well as due to their positive spillovers through the input-output linkages of the decongested industries.

## 3. Elimination Of Tax Distortions On Capital Goods Through The VAT And Capital Investments By Financially Constrained Firms: Evidence From Indian States

Author: Abhay Aneja, Nirupama Kulkarni and S. K. Ritadhi

Date: March 25, 2019 Published: CAFRAL Website

Abstract:

This paper studies whether the elimination of tax distortions on capital goods through an investment tax credit induces financially constrained firms to expand their stock of plant and machinery. We exploit a unique setting in India involving the re-placement of the retail sales tax with a value-added tax (VAT). The VAT structure permitted firms to reduce their final VAT liability with VAT paid on the purchase of capital inputs, eliminating in the process the cascading effect of sales taxes levied at multiple points in the production chain, and lowering the cost of plant and machinery for firms. Using the differential timing in VAT roll-out across Indian states as a source of exogenous variation, the paper identifies the causal impact of this reduction in the cost of capital on firms' plant and machinery. The results show that firms increase their stock of plant and machinery in response to the investment tax credit offered through the VAT framework with the effects being driven by firms operating in industries with a high dependence on external finance, and firms which have a higher likelihood of being financially constrained based on observable characteristics. The results also document an increase in firm productivity post VAT adoption by states, but limited to firms operating in industries with a high dependence on external finance and firms most likely to be financially constrained based on observable characteristics. Collectively, the results suggest that financially constrained firms respond to the VAT-induced reduction in the cost of capital to expand their plant and machinery and adopt improved production technologies.

#### 4. Who Values Access To College?

Author: Kartik Athreya, Felicia Ionescu, Urvi Neelakantan and Ivan Vidangos

Date: February 25, 2019
Published: CAFRAL Website

Abstract:

A first glance at US data suggests that college-given its mean returns and sharply subsidized cost for all enrolees-could be of great value to most. Using an empirically-disciplined human capital model that allows for variation in college-readiness, we show otherwise. While the top-decile of valuations is indeed large (40 percent of consumption), nearly half of high school completers place zero value on access to college. Subsidies to college currently fow to those already best positioned to succeed and least sensitive to them. Even modestly targeted alternatives may therefore improve welfare. As proof of principle, we show that redirecting subsidies away from those who would nonetheless enrol- towards a stock index retirement fund for those who do not even when college is subsidized-increases ex-ante welfare by 1 percent of mean consumption, while preserving aggregate enrolment and being budget neutral.

#### 5. Consumption And Saving Response To A Tax-Subsidized Saving Policy

Author: Sumit Agarwal, Souphala Chomsisengphet, Pulak Ghosh and Man Zhang

Date: February 22, 2019 Published: CAFRAL Website

Abstract:

To incentivize households to increase private savings, the Indian government implemented in July 2014 a new tax-subsidized saving policy that allowed homeowners to exempt an additional 50,000 INR (\$833) of the mortgage principal and interest payments from taxable income. We exploit the exogeneous policy change and assess the extent to which households reduce their consumption in order to finance a tax-favored saving instrument using a unique administrative panel data of consumer debit card and credit card spending transactions. We find that about 31% of households with a mortgage increase the principal repayment amount after the policy change; the median annual increase in principal repayment is about US\$307, which is about 36.8% of the higher tax exemption limit. We estimate that households with a mortgage reduce their consumption by US\$25 (5.2%) per month on average in order to finance the tax-favored saving account. For a one dollar increase in the income tax exemption limit on long-term savings, private saving increases by \$0.23 for the treatment group. Relative to annual income, private savings for the treatment group increase by about 1.87% on average.

#### 6. The Unsettling Behavior Of Exchange Rates Under Inflation Targeting

Author: Dr. Paul Beaudry and Dr. Amartya Lahiri

Date: October 01, 2018 Published: CAFRAL Website

Abstract:

Over the last few decades, many central banks have adopted an inflation targeting framework and this has generally been associated with reduced inflation variability. In this paper we examine how inflation targeting has changed the behavior of exchange rates and we uncover a rather curious pattern. Using a large set of countries, we find that as countries switched to inflation targeting their currencies became tied to the price of oil, that is, under inflation targeting currencies tend to appreciate with rising oil prices while prior to inflation targeting regime they did not exhibit such a relationship. Importantly, this data pattern is observed independent of whether the country is a net oil exporter or importer. We argue that such a pattern may reflect that, under inflation targeting, the equilibrium dynamics for the nominal exchange rate becomes indeterminate when uncovered interest parity (UIP) does not hold. In such situations, oil prices may well act as a focal point for currency pricing decisions.

#### 7. Is Better Access To Markets A Substitute For Educated Parents? Evidence From Rural India

Author: Reshad N. Ahsan, Arpita Chatterjee and Shahe Emran

Date: September 01, 2018 Published: CAFRAL Website Annex 1 Research Activites

#### Abstract:

This paper focuses on a particularly important channel, human capital investment, through which domestic market integration may affect intergenerational economic mobility. Using household data from India Human Development Survey, our empirical analysis focuses on the rural households. We use two sources of plausibly exogenous variations: (1) historical road infrastructure, and (2) crow-fly distance to the Golden Quadrilateral road network. The estimates from the OLS and 2SLS regressions for the average effect show that better market access improves childrens schooling attainment. More importantly, the interaction of fathers education with market access is negative; better market access thus works as a substitute for a higher educated father. The estimates from IV quantile regressions using the control function approach show that better market access weakens intergenerational persistence the most for the children in the middle of the conditional distribution.

#### 8. Stock Market Participation: The Role Of Human Capital

Author: Kartik Athreya, Felicia Ionescu and Urvi Neelakantan

**Date:** August 30, 2018 **Published:** CAFRAL Website

Abstract:

Human capital investment is significant for most individuals, while stock market participation is limited, especially early in life. Returns to human capital depend on individual traits and will, for some, dominate returns to stocks. We demonstrate that heterogeneity in human capital returns, when empirically disciplined, explains well why many do not invest in stocks, especially when young. Our results also suggest that it is short sales constraints on stocks, and not borrowing constraints, that limit engagement with the stock market.

#### 9. Multinational Firms, Trade, And The Trade-Comovement Puzzle

Author: Dr. Gautham Udupa Date: August 21, 2018 Published: CAFRAL Website

Abstract:

Existing empirical studies show a strong positive correlation between bilateral trade and business cycle comovement within country-pairs. I show that for OECD economies, this relationship weakens considerably when bilateral FDI stock is controlled for, while FDI is significant. I develop a two-country business cycle model with heterogeneous firms, inter- national trade, and multinational activity to explain this empirical finding. The calibrated model generates the positive relationship between trade and comovement, and between FDI and comovement. In addition, the simulation results are consistent with the empirical regressions with both trade and FDI.

### B. Policy Note on CAFRAL Website during FY 2018-19 (April 1, 2018 - March 31, 2019)

#### 1. Rating Efficiency In The Indian Commercial Paper Market

Author: Dr Anand Srinivasan

Date: March 11, 2019

Published: CAFRAL Website

Abstract:

This memo examines the efficiency of the rating system for commercial paper (CP) issues in India, for issues rated A1+ that constitute over 97 per cent of issues by volume. Even within a single rating category, CP issues by different issuers have a large variation in spread within a month—over 200 basis points from the 10th to the 90th percentile—suggesting significant differences in credit risk across issuers in this market. The market implied probability of default (measured using the Merton's 'Distance to Default') as well as the issuer's long-term ratings, have significant economic and statistical power to explain the spread of CP issues. The baseline results suggest that a non-financial borrower with a long-term rating of AAA has a CP spread that is 85 basis points lower than a non-financial borrower with a long-term rating of A. The corresponding difference between AAA and A rated financial borrowers is 42 basis points. This holds even when the same rating agency rates the long-term debt and the CP issue, implying that differences in rating methodology cannot explain the difference in spreads. Overall, the results suggest that there is scope for improving the informativeness of CP ratings in India by creating finer grades in the A1+ category.

#### 2. Central Bank Equity: Facts And Analytics

Author: Sujan Bandyopadhyay, Rishab Devnani, Sudipta Ghosh and Dr. Amartya Lahiri

Date: December 30, 2018 Published: CAFRAL Website

Abstract:

How much capital should the central bank of a country hold? There is no consensus on this matter. We review the balance sheets of 45 central banks from around the world to describe actual practices. The principal findings are: (a) the average capital-asset ratio of central banks globally (net of revaluation capital which is purely an accounting entry) is 6.56 percent while the number in emerging economies is 6.96 percent. The RBI at 6.60 percent is 5 percent under-capitalized relative to the emerging economy average; (b) over one in every seven central banks suffers operating losses in any given year with the average loss being 50 percent of core capital; and (c) our Value-at-Risk estimates for the RBI excluding exchange rate risk indicate that the current level of the core capital of the RBI at 6.6 percent is too low. The target number for the RBI core capital should be above 16 percent. Value-at-Risk estimates including exchange rate risk suggest that the overall level of capital including revaluation capital may also need to be raised.

#### C. Research Conferences during FY 2018-19 (April 1, 2018 - March 31, 2019)

#### 1. CAFRAL- RBI Research Orientation Program

Date: August 11-12, 2018

John Leahy, University of Michigan, Demographic effects on the impact of monetary policy Saurabh Ghosh-Pawan Gopalakrishnan, SRU, Bank recapitalization in a DSGE framework

Abhinav Narayanan-Shekhar Tomar, SRU, Trade developments in India D. Suganthi, DEPR, Interlinked transactions in credit-output markets in India

Soumya Bhadury, SRU, Research on nowcasting Indian GVA growth

S.K. Ritadhi, DBS, Can investment tax credits alleviate financial constraints? Gautham Udupa, CAFRAL, Gains from trade with heterogeneous agents

Apoorva Javadekar, CAFRAL, Adverse selection in mutual funds

Satadru Das, SRU, Dollar swap lines: economics or politics?

Anand Srinivasan, Additional Director, CAFRAL, Unintended consequences of government bailouts

Amartya Lahiri, Director, CAFRAL, Convergence across castes Abhishek Ranjan, SRU, Macroscopic fundamental traffic diagram

Viral Acharya, Deputy Governor, RBI, The anatomy of the transmission of macroprudential policies

### 2. CAFRAL conference on Financial system and Macro-economy in Emerging Economies

Date: December 10-11, 2018

Keynote talk: Dr. Viral Acharya, Deputy Governor, Reserve Bank of India

Title: Kicking the can down the road: Government Interventions in the (European) Banking Sector

Presenter: Luis Serven, World Bank

Title: Gross Capital Flows, Common Factors, and the Global Financial Cycle

Discussant: Shekhar Tomar, Reserve Bank of India

Presenter: Professor Arvind Krishnamurthy, Stanford University

Title: Dollar Safety and the Global Financial Cycle

Discussant: Rohit Lamba, Pennsylvania State University

Presenter: Professor Plutarchos Sakellaris, Athens University of Economics and Business

Title: Investment Slumps During Financial Crises: The Role of Credit Constraints

Discussant: Jay Surti, IMF and Reserve Bank of India

**Presenter: Dr. Rishab Kirpalani, Pennsylvania State University** Title: Fiscal Rules, Bailouts and Reputation in Federal Governments

Discussant: Sushant Acharya, FRB New York Keynote talk: Valerie Ramey, UC San Diego

Title: Ten Years After the Financial Crisis: What Have We Learned from the Renaissance in Fiscal

Research?

Presenter: Dr. Gautham Udupa, CAFRAL

Title: Multinational Firms, Trade, and the Trade-Comovement Puzzle

Discussant: Sanjay Singh, UC Davis

Keynote talk: Dr. Venky Venkateswaran, Federal Reserve Board of Minneapolis

Title: The Sources of Capital Misallocation

Presenter: Dr. Johannes Boehm, Sciences Po

Title: Misallocation in the Market for Inputs: Enforcement and the Organization of

Production

Discussant: Shiv Dixit, Indian School of Business

Presenter: Dr. Aeimit Lakdawala, Michigan State University

Title: The Growing Impact of US Monetary Policy on Emerging Financial Markets

Discussant: Poonam Gupta, World Bank

### Keynote talk - Dr. Satyajit Chatterjee, Federal Reserve Board of Philadelphia

Title: Declining Interest Rates and Firm Dynamics: Falling Startups and Rising

Concentration

#### 3. Financial Intermediation in Emerging Economies

Date: March 19-20, 2019

Presenter: Dr. Martin Strieborny, Lund University

Title: Multinational Does the "Foreignness" of Bank Loans Matter? Evidence from a NewDataset

Discussant: Dr. Anand Srinivasan, CAFRAL Presenter: Dr. Leila Aghabarrari, World Bank

Title: Is there Help Indeed, if there is Help in Need? The case of credit unions during the financial crisis

Discussant: Dr. Patrick Behr, FGV EBAPE University, Rio de Janeiro Dr. Nathaniel Young, European Bank for Reconstruction and Development

Title: Banking Growth: Evidence from a Regression Discontinuity Analysis

Discussant: Dr. Megha Patnaik, ISI Delhi

Mrinal Misra, University of Zurich

Title: Please stay put: Lender behaviour in a competitive environment

Discussant: Dr. Prasanna Tantri, ISB Hyderabad

Keynote talk: Professor Tarun Ramadorai, Imperial College Business School

Title: Household Finance in Emerging Economies Presenter: Dr. Shusen Qi, Xiamen University

Title: Inter-industry FDI Spillovers from Foreign Banks: Evidence in Follower Countries

Discussant: Professor Ashok Thampy, IIM Bangalore

Dr. Enisse Kharroubi, BIS

Title: International Coordination of Macro-Prudential and Monetary Policies Discussant: Dr. Meghana Ayyagari, George Washington University

Presenter: Dr. Ioannis Spyridopoulos, American University

Title: Behavioural Attributes of Strategic Default: Evidence from the foreclosure moratorium in Greece

Discussant: Dr. Raj Iyer, Imperial College Business School

Dr. Tianyue Ruan, National University of Singapore

Title: The Economics of shadow banking: Lessons from surrogate intermediaries in China Discussant: Di Gong, University of International Business and Economics Beijing

Presenter: Dr. Arkodipta Sarkar, LBS

Title: Experience of Communal Conflict and Inter-Group Lending

Discussant: Dr. S.K. Ritadhi, RBI

Presenter: Dr. Andre Silva

Title: Financial Access Under the Microscope

Discussant: Dr. Shashwat Alok, ISB

Presenter: Dr. Shida Liu, Tsinghua University

Title: How do regulations affect credit rating? Evidence from the upgrades in the Chinese Banking

secto**r** 

Discussant: Dr. Arkodipta Sarkar, LBS

Policy Keynote talk - Mr. N.S. Vishwanathan, Deputy Governor, RBI

#### D. Research Seminars during FY 2018-19 (April 1, 2018 - March 31, 2019)

- 1. Coordinated Work Schedules And The Gender Wage Gap by Dr. German Cubas, Assistant Professor, University of Houston, USA on March 6, 2019
- 2. Consumption And Saving Response To A Tax-Subsidized Saving Policy by Prof. Sumit Agarwal, McDonough School of Business, Georgetown University, US on February 22, 2019
- 3. Shocked By Bank Funding Shocks: Evidence From Consumer Credit Cards by Dr. Rohan Ganduri, Assistant Professor of Finance, Emory University Goizueta Business School on February 13, 2019
- 4. Policy Guidance And The International Transmission Of Macro News: Evidence From Investment Funds by Ms. Gabriele Ciminelli, University of Amsterdam on February 08, 2019
- 5. Are IMF Rescue Packages Effective? A Synthetic Control Analysis Of Financial Crises by Mr. Kevin Kuruc, University of Texas at Austin on February 08, 2019
- 6. Bottlenecks Versus Ripple Effects: The Role Of Linkages In India'S Product Market Liberalization by Vybhavi Balasundharam, University of Michigan on February 06, 2019
- 7. Cultural transmission and ethnic segregation by Saumya Rana, University of Houston on January 28, 2019
- 8. The Inside Job: Share Pledges By Insiders And Earnings Management by Pranav Singh, Gies College of Business, University of Illinois at Urbana-Champaign on January 23, 2019
- 9. Shock Diffusion: Does Network Structure Matter? By Shekhar Tomar, Manager from Reserve Bank of India on January 21, 2019
- 10. Why Risk Managers? By Kaushalendra Kishore, Carlson School of Management, University of Minnesota, USA on January 18, 2019
- 11. Deposit Inflows And Outflows In Failing Banks: The Role Of Deposit Insurance by Professor Manju Puri, Duke University on December 19, 2018
- 12. Is Good News Really Bad News? Event Study With Correlated Market And Non-Market Signals In An Asset Pricing Model by Dr. Murugappa (Murgie) Krishnan, Professor, Rutgers University and Radford University on August 13, 2018
- 13. Output Hysteresis And Optimal Monetary Policy? By Sanjay Raj Singh, Assistant Professor, UC Davis Brown University July 09, 2018

#### E. Research Brown Bag Seminars during FY 2018-19 (April 1, 2018 - March 31, 2019)

- 1. CAFRAL-SRU Brown Bag Seminar Who Benefits From Access To College And The Stock Market? By Dr. Urvi Neelakatan, Senior Research Director, CAFRAL on December 13, 2018
- 2. CAFRAL-SRU Brown Bag Seminar Gains From Trade With Heterogeneous Agents Under Financial Constraints by Dr. Gautham Udupa, Research Director, CAFRAL on November 15, 2018
- 3. CAFRAL-SRU Brown Bag Seminar Do Households Care About Cash? Exploring The Heterogeneous Effects Of Indias Demonetization by Abhinav Narayanan, Manager, SRU, Reserve Bank of India on November 01, 2018
- 4. CAFRAL-SRU Brown Bag Seminar Congestion And Commute Scheduling In A Monocentric City by Abhishek Ranjan, Manager, SRU, RBI on October 17, 2018
- 5. CAFRAL-SRU Brown Bag Seminar Indian Households Finance: An Analysis Of Stocks Vs. Flows by Subrata Kumar Ritadhi, Manager, SRU RBI on October 10, 2018
- 6. CAFRAL-SRU Brown Bag Seminar Do Price Deficiency Payments Schemes Work? By Abhinav Narayanan, Manager, SRU, Reserve Bank of India on May 31, 2018
- 7. CAFRAL-SRU Brown Bag Seminar Fiscal Austerity In Emerging Market Economies by Pawan Gopalakrishnan, Manager, SRU, Reserve Bank of India on May 24, 2018
- 8. CAFRAL-SRU Brown Bag Seminar Agricultural Productivity Growth And Rural Non-Farm Employment: Evidence From India by Subrata Kumar Ritadhi, Manager, Reserve Bank of India on May 17, 2018
- 9. Financial Access And Consumption Smoothing by Mr. Anand Chopra, Student, IIM Calcutta on May 10, 2018
- 10. CAFRAL-SRU Brown Bag Seminar Shock Diffusion: Does Network Structure Matter? By Shekhar Tomar, Manager, SRU, Reserve Bank of India on May 03, 2018

## Annex 2

#### 1. CACMP Follow Up

**Date** April 21-22, 2018

Venue Goa

Coverage The program primarily discussed issues and challenges faced by Indian banks, financial market

developments, a high profile fraud (diamonds), cyber security and the role of treasury in banks.

#### Feedback/suggestions:

Sessions on credit risk and market risk management were useful; The need for fully understanding the risks in gems & jewellery business before extending any finance.

## 2. CAFRAL Program on Basel III, Risk Management and other Key Topics for Yes Bank Officials

**Date** May 14-15, 2018

**Venue** Mumbai

Coverage Key features and implementation of Basel I, II and III; Credit Risk Management and Regulatory Capital

(Standardised Approach); Key aspects and issues in implementation of IRB approach for credit risk, Managing Stressed Assets including recent developments; Operational Risk Management and the Revised Standardised Approach for Regulatory Capital; Liquidity Risk Management and implementing

IFRS 9 in the Indian context.

#### Feedback/suggestions:

The Basel III reforms had siginificant implications for the bank. As Yes Bank had implemented Standardised Approaches for Credit, market and operational risk, it would need to study carefully the latest changes to the Basel III framework in order to implement it effectively. The IFRS 9 implementation would increase the level of provisions required for the bank.

#### 3. Program for NBFCs: Risk Management, Regulatory and Supervisory Issues

**Date** May 21-22, 2018

Venue Mumbai

Coverage The Program covered areas such as enterprise-wide risk management, strengthening Internal

control and compliance, RBI's regulatory and supervisory expectations, an industry view of the key

issues affecting NBFCs, the ombudsman scheme for the NBFCs, and AML/KYC Issues.

#### Feedback/suggestions

The bigger NBFCs were adopting the best practices in the area of enterprise-wise risk management and internal controls. These NBFCs were implementing an effective internal control and compliance function in order to build a robust compliance culture. The implementation of the "Three Lines of Defence" strengthened the risk governance in these organisations. The regulatory and supervisory expectations from the bigger NBFCs primarily related to further strengthening of the governance and compliance with prudential norms. AML/KYC issues were also important for the NBFCs as these could have significant reputational implications.

#### 4. Business Leaders' Forum II with ReBIT

**Date** May 23, 2018 **Venue** Mumbai

Coverage Protecting banks from SWIFT frauds; Vendor Risk Management and Data Privacy.

## Feedback/suggestions

The highlights of the program were the key note addresses by Dr.Gulshan Rai, National Cyber Security Coordinator and Satish Mathur, DGP, Maharashtra; BLF sensitised CEOs/ MDs, Business Heads and Board members of banks on Cyber Security.

**Program on Risk, Compliance and Controls** 5.

**Date** May 25-26, 2018

Mumbai Venue

Coverage Understanding risks: credit, market and operational risks; Information technology and cyber risk; Rising

trend in credit and forex frauds: Red flagging of accounts; Strengthening the systems and Controls: Up-skilling and plugging the loopholes; Regulatory compliance: Divergence in asset classification and

provisioning; KYC & AML compliance; RAROC, capital allocation and planning.

## Feedback/Suggestions

The program gave assurance/guidance about the various area of Credit, Market, Operational risk along with the importance of Compliance function; Got an overview of important aspects of Risk and Compliance governance. The chance that we got to interact with top experts in these areas as well as with serving RBI officials was very useful; Provided an excellent overview of the issues pertaining in Risk and Compliance; Sensitization to many emerging risk in Financial Market; Inculcating risk culture at all

6. Program on Risk Management for senior officers of Andhra Bank

Date June 8-9, 2018

**Venue** Mumbai

Coverage Coverage included Compliance and Risk:, Asset liability management, Credit, market, liquiidty and

operational risk, risk in financing infrastructure projects - roads and power sector and recovery and

resolution of stressed assets.

#### Feedback/suggestions

Speakers had dealt with the Risk Management aspects in detail; Assessing the risk portfolio of my zone, knowing credit rating of my borrowers, risk reward pricing, operational risk monitoring; Enriched knowledge on risk awareness in daily operations, cyber security; Total outlook and thought process changed considerably with the influence of sessions; Very much positive intake, concept and relevance of risk is discussed in a broad way.

#### 7. **CAFRAL Program on Sustainable Finance**

June 14, 2018 **Date** Venue Mumbai

**Coverage** The Program covered topics such as global developments in Sustainable Finance; the Role of Regulation; the Contours of Sustainable Finance in India (Opportunities, Holistic Risk Management and Quantifying impact); Sustainable Finance Opportunities in India: Mainstreaming Sustainable products and practices in Banks; Quantifying impact- The way ahead: ESG Ratings and Assessing Carbon Risk. The Program also had an UNEP FI Positive Impact Workshop.

#### Feedback/suggestions

There are several financing opportunities in segments which are ESG friendly. There is a need for higher participation from banks. Internationally there have been demands for a 'green supporting factor', i.e., lower capital requirements for lending to the green sector to make it more financially attractive to lenders and borrowers. This would promote green projects and activities that reduce long-term environmental risks. But the considered view of the authorities has been that lowering capital and liquidity requirements to benefit environmentally sustainable economic activities may create an undesirable trade-off between financial stability and environmental sustainability. Moreover, bank supervisors have the flexibility under the Basel Capital Accord and Core Principles for Effective Banking Supervision to begin assessing the environmental risks that are material to their banking and financial sectors.

#### 8. **Workshop for Non-Executive Directors on Credit Committees**

Date June 18, 2018 Venue Mumbai

**Objective** Challenges on account of asset quality; Understanding credit risk; role of directors on credit committees, role of CRO; Analysis and interpretation of financial statements and financial ratios; Strengthening credit assessments; Retail lending; Project and infrastructure financing; Off balance sheet exposure of banks LCs, BGs, etc.; Trade financing.

#### Feedback/suggestions

Useful for credit committee members; There is a need for a specialized vertical for stressed assets; Better due diligence needed for infra/project fiancing; proper internal rate of projects; Need for a sector wise framework for examining project proposals; It is not business as usual for lenders and better risk management is needed.

9. Workshop on reporting to CRILC by Banks (DBS, RBI and CAFRAL)

Date June 19, 2018 Venue Mumbai

Coverage CRILC reporting covering IT infrastructure, data completeness, quality assurance etc., Improving data

quality and use of CRILC data, Post-Revised Frame work changes, Expectations from the banks etc.

### Feedback/suggestions

The need for completeness and correctness of data submitted by banks to Reserve Bank and within the specified timelines was appreciated.

10. Workshop on Reporting of OSMOS Returns by Banks (DBS, RBI and CAFRAL)

Date JUne 25, 2018

Venue Mumbai

Coverage The Workshop focused on the timeliness and data quality issues requiring special attention from banks

and also addressed some of the difficulties faced by them in data compilation and submission.

#### **Financial Markets, Treasury Operations and Trade Financing Program** 11.

**Date** July 20-21, 2018

Mumbai Venue

Coverage Overview of financial markets, inter-regulatory coordination, role of FSDC; Liquidity framework & Market

operations of RBI: LAF, Forex, OMOs; Cash Markets: Forex spot & forwards, Gol bonds, SDLs & Corporate bonds; Derivative Markets for hedging: Interest rate swaps, Cross-currency swaps, options & futures; Measuring & Managing Market Risk: Use of Risk reports for monitoring; Trade financing: recent incidence of frauds and lessons learnt; Market Risk and Capital: Overview of revised market risk capital framework;

Managing Operational Risk in Dealing rooms.

#### Feedback/suggestions

Integration of financial markets, Risk measurements to be balanced, trade finance trends & lessons learnt; How to carry out treasury operations in a better way, keeping the duration low in times of excess short term liquidity; Various kind of risks that could affect our portfolios. How can the portfolio be hedged using various method using case example was useful; The session on money laundering was very relevant in current times; It will help in identifying the possibilities of trade based money laundering and suspicious transactions.

#### 12. 12. Workshop on Cyber Risk and Resilience

Date July 30, 2018 Venue Mumbai

Coverage Recent measures by RBI for instilling cyber discipline; cyber attacks/incidents and impact, cyber security governance model and strategies, cyber risk preparedness by banks; Cyber crime: Case Studies, Techniques & Methods of Handling Cyber Frauds; Deception Technology for handling of cyber-attacks with banking case study; Use of SWIFT by banks: Lessons from recent incidents of unauthorized use, structured and unstructured messages, etc.

#### Feedback/suggestions

The sessions provided excellent insight about cyber security and cyber risk; The program was well structured and relevant in the current scenraio. The content was well planned and very useful; The case study for improving controls and innovation solution by way of deception technology was excellent; Got

insight into how to protect the systems from cyber crime and keep data safe.

#### 13. CAFRAL-ReBIT Business Leaders' Forum #3

Date August 2, 2018

**Venue** Mumbai

Coverage The topic of fraud management, particularly in the area of corporate lending, has been vexing bank

managements in the last few years. The third edition of the Business Leaders Forum - a joint initiative between CAFRAL and ReBIT - took 'Corporate Loan Fraud Management' as the chosen theme. The forum witnessed a gathering of select senior, experienced bankers in the country and invoked an effective

deliberation, replete with actionable insights

#### 14. Executive Development Program

**Date** August 6-7, 2018

**Venue** Mumbai

Coverage Topics covered were Corporate Governance, Credit risk management, Market risk management,

Fundamentals of Derivatives, Financial markets, Asset quality management, Operational risk - Cyber risk

management and Current credit crisis and way forward.

#### Feedback/Suggestions

Became aware of various interventions by RBI in financial markets, which were hitherto unknown to us; stress asset resolution – an insight into the IBC framework; Overall view of different risks, their management and mitigation; Better understanding of financial markets, IBC and current credit crisis besides cyber security; Experienced speakers. Good Reading material.

#### 15. Program on Basel III, IFRS 9 and NPAs

**Date** August 27-28, 2018

Venue Mumbai

**Coverage** The Program focused on practical implementation aspects and covered the following three key themes:

(i) Basel III - raising the level and quality of capital; leverage ratio; increasing the robustness and risk-sensitivity of the Standardised Approach for Credit Risk, Operational risk; constraining the use of internal models such as the IRB Approach for Credit Risk; Leverage Ratio buffers for Global Systemically Important Banks; and the output floor based on the Revised Standardised Approaches. (ii) IFRS 9 Framework, its Prudential implications and its linkages with the IRB Approach and (iii) Global best practices in NPA identification and management.

identification and measurement

#### Feedback/Suggestions

Basel III brings about a fundamental change in the computation of regulatory capital for credit risk and operational risk. The output floors lessens the attractiveness of the IRB Approach. The Standardised Approach for operational risk puts a lot of emphasis on loss data collection by banks. The IFRS 9 "Expected Credit Loss" and the IRB "Expected Loss" have more differences than similarities and their implementation would require a close collaboration between risk, business and finance functions. It was felt that there might be a need for a regulatory/supervisory backstop for provisioning when the expected credit loss approach of Ind AS 109 is implemented by banks. Timely identification of NPAs and their prompt measurement would enhance market confidence in disclosed asset quality figures, P&L and Basel III capital ratios.

## 16. Roundtable for HR Heads / Chief Learning Officers of select banks and financial institutions -

**Training need analysis** 

Date September 3, 2018

Venue Mumbai

**Coverage** The primary objective of roundtable was to ascertain the training needs of banks and financial institutions

so that the program calendar for October – March 2019 could be suitably calibrated for targeted delivery. The participants explored the role of CAFRAL in the learning space and there was broad consensus that it should continue to target the directors on the boards, top management and senior officers of banks and

financial institutions.

#### **17.** Program on Know Your Customer (KYC), Anti Money Laundering (AML) & Financial Crime Risk **Management (FCRM)**

Date September 26-27, 2018

Mumbai Venue

**Coverage** The Program focused on practical implementation aspects and covered the following:

- Enterprise Risk Management Integrating FCRM and KYC/AML compliance with ERM
- KYC & AML Compliance: e-KYC/ Aadhar linking issues; Need for standardized processes; Generation, processing and handling of CTR & STR; Lessons from reported instances of frauds; Issues of Shell Companies, Ultimate Beneficial Ownership and DNFBPs; Leveraging technology for better compliance
- Remittances, Wire Transfers and Payments: KYC & AML Regulations; Compliance; Use of technology
- KYC, ML and FC: Capital market regulation and perspective
- Trade Finance and Financial Crime: What to look for and how?

#### Feedback/suggestions

- FIU session was excellent where many points including whether we know enough about whom we are doing business was explained along with ground realities
- Format was good and in-depth; Gathered Full knowledge of KYC AML and STR filling of compliance; Learnt about new methodologies to implement Risk Management.

#### 18. **CAFRAL Advanced Management Program**

Date Venue Indian Leg - October 04-05, 2018, Mumbai & Overseas Leg - October 08-12, 2018, New York, USA Mumbai, India and New York, USA

Coverage Indian Leg: Current credit crisis and way forward; Indian financial sector outlook; Cyber risk management; Foreign exchange and trade finance; Financial markets; Recovery and resolution of stressed assets; Ind AS 109 implications; Digital Banking developments; Governance and risk management

Overseas Leg: regulatory developments post-financial crisis; credit rating models; business strategy, leadership and governance; strategic positioning, execution & performance; corporate finance; securities market developments; project financing; financial distress prediction; data analytics and use of Al

#### Feedback/suggestions

- How to learn from the past, adapt to changes and act fast without losing sight of governance, etc.
- An overall coverage of the present state and challenges of the banking sector.
- A very insightful understanding on credit risk, cyber risk.
- The importance of operational risk over the most recognized credit risk.

#### 19. **Program on Financial Frauds & Forensic Audit**

**Date** 

October 26-27, 2018

Venue

Mumbai

Coverage •

- Overview of conceptual, operational, regulatory, legal, accounting and risk management aspects of f inancial frauds (FF)
- FFs in large borrow accounts and investment operations; cases and discussion
- Digital frauds and cyber frauds: tools, techniques, technologies; monitoring, prevention, detection and investigation; cases and discussions
- Forensic Audit (FA): Processes, techniques and tools; Traditional technology solutions and use of advanced technologies
- Legal and Financial Resolutions of financial frauds based on forensic audit outcomes
- Panel discussion led by forensic auditor, police investigator and a legal expert

#### Feedback/suggestions

- Detailed description of tools available in market for fraud prevention, monitoring and detection both product/service wise and enterprise wide.
- Half day session should be devoted for live fraud cases.
- Very good, informative and practical case studies.
- Would be useful to know what changes were done by different banks post-frauds.

20. **Program for Non-Executive Directors on Audit & Risk Management Committees** 

**Date** October 29-30, 2018

Venue Mumbai

Coverage Topics covered were Credit risk management, Indian banking sector outlook, Banking Frauds in India, Resolution of stressed assets, Managing market & liquidity risks, New accounting standards,

Cyber risk management, Current credit crisis and way forward and Corporate governance and role

of NEDs, particularly on the ACB and RMC.

#### Feedback/suggestions

As usual, the program organised by CAFRAL was very useful. The choice of speakers was excellent and had full command over the topic assigned to them.

Got a very good understanding of the important functions in the bank and NEDs responsibility; Directors need to be significantly more vigilant than in the past and need to keep abreast of changes/developments in all related areas - Risk Management, Accounting Standards, Cyber Security, etc

#### 21. CAFRAL Program for NBFCs: Risk Management, Regulatory and Supervisory Issues

Date November 12-13, 2018

Mumbai Venue

Coverage The regulatory and supervisory expectations from NBFCs, Systemic issues concerning NBFCs, Industry view of the key challenges going ahead, Resource Raising and Managing ALM, Strengthening of Risk Management, Internal Controls and Compliance, Implementation of Ind AS were covered in the Program.

### Feedback/suggestions

- More on Regulatory Returns filing, Policy framing, IT Policy, FIU-IND filings
- Deeper dive on Liquidity & Liability Management, Risk Mitigation strategies
- Checklist for regulatory compliances for NBFCs
- RBI regulations relating to NBFCs and foreign investments.
- Separate sessions for HFCs in context of the current crisis
- Case studies and workshop pattern should be adopted

#### 22. **CAFRAL-ReBIT Business Leaders' Forum #4**

Date November, 2018 Venue Mumbai14

Coverage Mr. Mahesh Kumar Jain, Deputy Governor, RBI during his key note address stated that "Collaborative ecosystem and efforts along with good governance and security practices are important to any financial institution". He also expressed optimism that the forum will give an impetus to the participants to discuss cyber security related issues among themselves and also with their respective boards, since cultural change and senior management involvement are a must to address cyber risks. Dr Sanjay Chougule, SGM and Head of Internal Audit and Financial Crime Prevention Group, ICICI Bank spoke about the importance of a holistic framework in the organization during his address 'A Practitioner's Perspective on Reputation Management'. Dr Sanjay Bahl, Director General, In-CERT talked about the support provided by them to banks and urged them to follow mandatory reporting as it helps them in planning emergency measures. Thereafter, Dr Bahl's team conducted a highly engaging and interactive table-top exercise with the participants in the forum. The participants ended the session with a better understanding of the right approach to cyber crisis management. Earlier Nandkumar Saravade, CEO, ReBIT while welcoming the dignitaries had re-iterated forum's objective of creating a platform for decision makers in the banking community, to debate and disseminate cyber and operational risks.

23. **Program for the Chief Vigilance Officers and Chiefs of Internal Vigilance** 

November 19, 2018 Date

Venue Mumbai

Coverage Some of the key themes deliberated upon in the Program included: Promoting Ethics and Integrity for effective governance in a bank; Implementing Effective Vigilance Framework in a Public Sector Bank; Implementing KYC and AML Frameworks for Prevention of Financial Crimes; Financial Frauds - An Investigator's Perspective and Expectations; Forensic Audit and Vigilance; Frauds and Vigilance: A Perspective from a Private Sector Bank. There was also a Round Table on implementation of effective vigilance frameworks

### Feedback/suggestions

- Sessions were interesting, had content and were useful for vigilance and fraud management
- It was a great learning experience and also helped to develop a better understanding of the vigilance function in both public and private banks
- Experience sharing by co-participants and speakers was really helpful
- To learn about the role played by CBI in fraud investigation was really beneficial
- Great insights on how banks look at ethics and integrity.

#### 24. International Conference on Fintech and Banking: Future of Financial Services and Regulation in collaboration with New Development Bank, Shanghai and ICAS, Europe

Date November 26-27, 2018

Venue Mumbai

Coverage The topics were related to domains of financial services business, particularly banking; technology (fintech and advanced technologies) and financial regulation. The sessions dealt with a wide range of fintech issues and perspectives relating to latest technologies, sustainable development, payment systems, private digital currencies, fintech & financial intelligence and fintech & financial regulation. In the later part of the second day, presentations on research papers were made by ICAS researchers and academicians from Brazil, Germany, India and UK.

#### 25. Conference of Chief Risk Officers and Heads of Risk Management Departments

Date November 29-30, 2018

Venue Mumbai

Coverage Indian financial sector outlook, systemic risk due to inter connectedness between financial sector players, risk governance and compliance, role of Chief Risk Officer, credit risk management, credit rating methodology, financial markets - forex and fixed income, credit, market & operational risk management, issues in Internal Capital Adequacy Assessment Process (ICAAP) and supervisory perspective and expectations from Risk Based Supervision.

#### Feedback/Suggestions

- Overall view of different risks, their management and mitigation; learning best practices on risk; cyber security risk mitigation
- Clarity on supervisory expectations of Risk Based Supervision
- Understanding of rationale and implications of RBI interventions
- Concept of Portfolio Quality Index (PQI) and RAROC
- Appreciation of the ICAAP documentation

#### 26. **Conference of Heads of Treasuries**

Date December 15, 2018

Mumbai Venue

Coverage Some of the themes deliberated upon were: FPI – How to optimize policy for steady investments?; Offshore forex and swap markets - How we should respond?; How to improve liquidity in G-sec market?; IRF and IRS market - what needs to be fixed to ensure better participation, Corporate bond

market - where are we?; Liquidity management by RBI, ECB and masala bonds - New policy initiatives.

### Feedback/Suggestions

- Extremely useful interaction with the regulators; helped understand the rationale of RBI policy and operations in the financial markets
- Understanding the embedded risk in liquid mutual funds
- Coverage to include corporate bond market dynamics including ratings and valuation; rating and valuation of SDLs

#### 27. **Conference of Chief Compliance Officers**

Date December 17-18, 2018

Venue Mumbai

Coverage Some of the key areas covered in the Program included (i) The Changing Landscape for Compliance (iii) Supervisory Perspective on Effective Compliance (iii) Strengthening Compliance Culture (iv) Consumer Protection and Customer Complaints (v) Enforcement Actions by Reserve Bank of India (vi) KYC/AML and Forex/Trade Compliance (vii) Using Technology for Compliance (viii) Complying with cyber risk guidelines, etc.

#### Feedback/Suggestions

- Effective frameworks for Governance, Risk and Compliance add a lot of value in a bank
- Banks should not only focus on RAROC (Risk Adjusted Return on Capital) but also CAROC (Compliance Adjusted Return on Capital) in the context of miss-selling and conduct issues observed globally
- Globally, authorities are engaged in promoting sound culture within banks. Major prudential or conduct failings in banks could arise due to failure of culture as manifested in governance, remuneration, risk management or tone at the top.
- The Dutch National Bank carries out supervision of behavior and culture in banks as a part of its supervisory process and has hired specialist staff for this purpose. Culture assessments are also caried out by the authorities in Australia, Canada, Singapore and Hong Kong, etc.
- In India, from a consumer protection point of view, some of the key issues relate to miss-selling; unauthorized use of ATM/debit cards/credit cards; recovery agents, etc. Banks should put in place policies to ensure that the relevant guidelines are complied with.

#### 28. Conference of Chief Human Resource Officers (CHROs) and Chief Learning Officers (CLOs)

Date January 8, 2019

Venue Mumbai

Coverage Some of the key topics themes covered were: Leadership in a Changing World; the key attributes required to make an organization a "Great Place to Work" and demonstrating issues around "Ethics at Work" using case studies. Given the widespread miss-selling of financial products by banks globally, there was a discussion on how to promote organisational culture so that conduct issues do not arise. The importance of the role of HR in sustaining a Culture of Excellence in banks was also emphasized.

#### Feedback/Suggestions

- One of the key features of a great work place is an environment of trust so that a feeling of belongingness to the organisation is generated.
- In order to promote ethics at work, the Chartered Institute of Securities and Investment (CISI) has issued a code of conduct for members which is based on Honesty, Openness, Transparency and Fairness.
- The Group of 30 observed that poor cultural foundations were a significant driver of the 2008-2009 financial crisis. Lack of trust and confidence in the banking sector creates material costs to society. Fixing culture in banking is now a public trust—as well as an economic imperative. Many supervisory authorities such as the Dutch National Bank are engaged in "Supervision of Behaviour & Culture" in banks as a part of their overall supervisory process.

29. **Executive Development Program** 

January 17-18, 2019 Date

Venue Mumbai

Coverage Topics covered were Banking sector outlook: Credit growth, NPAs, PCR and progress in stressed assets resolution; Systemic risk: Inter linkages between financial sector players; Financial markets: central bank liquidity operations and forex management; Digital banking developments; Building compliance and risk culture; Ind AS: implementation challenges, ECL and impairment recognition; Measures to improve risk management, etc. There were a couple of Group presentations and a panel discussion on some of the regulatory changes in the offing.

#### Feedback/Suggestions

- Overall the program slightly tilted towards credit/recovery etc. Hence the program has provided a thorough outlook in this area.
- Fair assessment of current market trends with respect to Credit growth/ NPA/Liquidity/ IBC resolution / Digital banking
- Program was immensely useful as many topics not discussed during normal business were discussed. Sessions by speakers were uniformally good. Interactions with peers from other banks has been greatly beneficial.

#### 30. **Program on Retail Lending**

Date January 21-22, 2019

Venue Mumbai

Coverage The key topics covered were future of retail lending: emerging opportunities, issues and challenges; co-origination of retail loans; partnering for retail lending; credit scoring approaches; retail credit risk management; regulatory issues in retail lending; digital lending by banks; fintech solutions and P2P lenders; frauds in retail lending; SME-analytics based lending; and securitization of retail loan portfolio.

## Feedback/Suggestions

- Retail collections and Legal aspects in digital lending also to be included.
- Consumer Durables business model. Cross selling opportunities and business impact. Regulatory requirements to ease towards paperless journey can also be included.
- It is great to have an outlook regarding retail which otherwise would never have been possible. In particular, digital banking/ecommerce is my takeaway as I intend to implement it in my bank.
- Very good insights on retail lending and digitization of loan processes.

#### 31. **Advanced Credit Risk Management Program**

Date February 4-5, 2019

Mumbai Venue

Coverage Corporate bankruptcy prediction; Distressed debt and credit risk; Altman's Z score models; SME credit risk; Retail credit risk and score card model; Project and corporate credit – issues and challenges in financing; Ind AS - Expected credit loss (ECL) and impairment recognition; Stress testing for credit risk - implications for Pillar 2 capital.

### Feedback/Suggestions

- The program has demystified ratings (Z score models) to quite an extent. I am more familiar with retail scorecards. This was a very useful session. The session on SME evaluation was also very helpful along with the one on risk-based pricing.
- Excellent session from Dr. Altman, Dr. Sastry and Mr. Kumar. It was an eye opener and helped in looking at own book with a different perspective to take corrective/pro-active measures in curtailing the risk inherent in our own portfolio.
- Provided insights into advanced credit risk management techniques. Application oriented.

#### **32. CAFRAL Program for 'New Generation' NBFCs**

Date February 14, 2019

Venue Mumbai

Coverage Topic covered were RBI's Regulatory Framework; NBFCs and the Financial System - Linkages with banks and mutual funds; resource raising options and ALM in the current environment; supervisory

requirements and expectations; key challenges and outlook for NBFCs in the medium term; Fintech/Digital Lending tools for credit delivery; implications of Ind AS for NBFCs.

### Feedback/Suggestions

- Include Guidelines on Ind AS, especially ECL and provision for standard assets
- Include sessions on KYC and other compliance requirements of RBI
- Sessions were very effective in areas of resource raising, alternate lending model, current practices in NBFCs, compliance and reporting requirements.
- Learning about new types of NBFCs P2P, App based and Account Aggregators as well as supervisory requirements for NBFCs was value-adding

#### 33. Program on 'CFOs in the Financial Sector: Past, Present and Future'

Date February 26-27, 2019

Venue Mumbai

Coverage Finance function and role expectations; Statutory Audit, Financial Statements and Corporate Governance; New Statutes and Amendments; Regulatory expectations; Risk Management; Valuation; Balance Sheet Management; Taxation issues, etc.

### Feedback/Suggestions

- Role of CFO is evolving. Regulators now looking at the role, a bit late through.
- Better understanding of roles, responsibilities and expectations from CFO.
- Enhanced our knowledge, way to approach and manage the issues which may not be d irectly related to CFO but have significance in CFOs work.
- Evolving role of CFO to that of a strategist. Risk and FPA collaboration vital. Attitude and mindset - vital ingredients.

#### 34. **Program on Non-Executive Directors on Boards of Banks**

Date March 18-19, 2019

Venue Mumbai

Coverage Governance Business Strategy, Banking sector outlook, Credit risk management, Progress under IBC, Regulatory compliance, Financial markets, New accounting standards, Risk Based Supervision, ICAAP and Stress Testing.

## Feedback/Suggestions

- Well thought out structure of the course; all topics are learning based and experience sharing. Role of Audit committee, Role of Directors - Governance & Strategy.
- Very important nuggets of information shared by most of the speakers as to what questions to ask in Board committee meetings.
- Specifics to be looked into by Bank Boards; the issues and factors that needs attention by
- Independence of Non-Executive directors is of paramount importance. Controls for risk mitigation have to be robust. How role of Independent Directors can be more effective.

#### 35. Financial Markets Program for Officers of Indian Economic Service (IES)

Date March 25-26, 2019

Venue Mumbai

Coverage Overview of the money, debt, forex, capital markets and the related derivatives markets; inter-linkages between the segments and the linkages with the domestic and global markets; corporate bond markets; RBI's market operations & liquidity management; financial stability, consumer protection

#### Feedback/Suggestions

- An economist from DEA needs deep understanding of the issues and stake holders' views as well. This program provided that understanding, the material that could fill the gap between silos in policy making and the perspectives for requisite approach to policy making.
- The sessions were really very informative, contained first-hand information coming from

- market practitioners who also have good theoretical understanding of issues.
- Excellent opportunity to understand and learn the operation, functioning, interlinkages, risks and issues of the financial markets.
- Learned the sensitivity of the financial sector and the interrelationship with various parts of the financial sector. This program provided the launch pad and motivation to teach/study the trends, prospects and challenges in the financial sector.
- Holistic view on functioning of debt market, equity market and other markets and complex relationship these markets have with various sectors of the economy.
- Really look forward to future training program of CAFRAL as an extension of this course.

## CAFRAL Team, as on August 1, 2019

- 1. Amartya Lahiri, Director
- 2. Chandan Sinha, Additional Director (Learning & Administration)
- 3. Anand Srinivasan, Additional Director (Research)
- 4. Urvi Neelakantan, Senior Research Director
- 5. Nirupama Kulkarni, Research Director
- 6. Gautam Udupa, Research Director
- 7. Kaushalendra Kishore, Research Director
- 8. Amarendra Mohan, Senior Program Director
- 9. M.P.Baliga, Senior Program Director
- 10. Pramod Panda, Senior Program Director
- 11. D G Kulkarni, Program cum Administrative Officer
- 12. Madhusudan Dutta, Administrative Officer
- 13. Vasanti V Panshikar, Administrative Officer (Research)
- 14. N.P.Khemani, Private Secretary to Additional Director
- 15. Biswanath Chakraborty, Private Secretary to Director
- 16. Vinita Jain, Program Officer
- 17. Pushpalata Nadar, Program Officer
- 18. Charulatha Ramesha, Program and Relationship Officer
- 19. Nimesh Gopiyani, Accounts Officer
- 20. Anup Sonawane, Web Content Manager
- 21. Trupti Kanade, Junior Accounts Officer
- 22. Kriti Mahajan, Research Associate
- 23. Ilisa Goenka, Research Associate
- 24. Kavya Ravindranath, Research Associate
- 25. Anmol Agarwal, Research Associate
- 26. Jay Prakash Nagar, Research Associate
- 27. Jayashankar Hariharan, Research Associate
- 28. Ramprasad Verma, Research Associate
- 29. Kedar Kelkar, Research Associate
- 30. Prashant Shukla, Research Associate
- 31. Vishrut Malhotra, Research Associate
- 32. Anuragh Balajee, Research Associate
- 33. Akshat Singh, Research Associate

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