CAFRAL
CENTRE FOR ADVANCED FINANCIAL RESEARCH AND LEARNING
Promoted by Reserve Bank of India

CAFRAL Newsletter

Highlights of Research Conference

CAFRAL Annual Conference on Financial system and Macroeconomy in Emerging Economies: December 10-11, 2018, Mumbai, India

Dr. Viral Acharya, Deputy Governor, Reserve Bank of India, at CAFRAL Annual Confernece, Mumbai

CAFRAL organized its Annual Conference in December 2018 on the theme of Financial System and Macroeconomy in Emerging Economies. An open call for papers was given out in September 2018 and we received papers from researchers across the globe. Seven papers out of these were selected for the conference.

The event was flagged off with opening remarks from Dr. Amartya Lahiri, Director, CAFRAL. This was followed by two days of keynote speeches and paper presentations.

The first keynote talk was delivered by Dr. Viral Acharya, Deputy Governor, Reserve Bank of India. Dr. Acharya's keynote talk "Kicking the Can Down the Road: Government Interventions in the (European) Banking Sector" shed light on how regulatory forbearance sowed the seeds for sovereign debt crises in the GIIPS countries. Weaker governments practiced regulatory forbearance in the financial crisis of 2007-09. The insufficiently stabilized banks remained vulnerable and deteriorated further post 2009. These weak banks continued to grant loans, but to riskier borrowers in the absence of government support. The keynote ended with Dr. Acharya discussing the implications for government intervention frameworks in the Eurozone.

The keynote was followed by Dr. Luis Serven's presentation on "Gross Capital Flows, Common Factors, and the Global Financial Cycle". This World Bank Policy Research Working Paper quantitatively assessed the role of common factors of gross capital inflows and outflows among advanced and emerging countries. The paper found strong synchronicity among advanced countries, where common factors are responsible for around 60 percent of variation in capital flows. On the other hand, just over one-third of the observed variation in capital flows is attributable to common factors in the emerging countries, and local idiosyncratic factors dominate the capital flows in these economies.

This paper was followed by a presentation from Dr. Arvind Krishnamurthy from Stanford University.

In his paper on "Dollar Safety and the Global Financial Cycle", Dr. Krishnamurthy discussed the outsized impact of US monetary policy and changes in the US dollar on the world economy. Shocks to the US monetary policy and shocks to the value of the dollar (and thus, dollar safe assets) can transmit across economies and can pose as a global risk factor. The paper also discussed how shocks to foreign countries will have an impact on other foreign countries but will have limited spill-overs to the US. These asymmetric spill-over effects are thus suggestive of instability in the international monetary system.

Dr. Arvind Krishnamurthy, Stanford University at CAFRAL Conference

Post lunch, Dr. Plutarchos Sakellaris from Athens University of Economics and Business presented his paper on "Investment Slumps During Financial Crises: The Role of Credit Constraints". Dr. Sakellaris attempted to quantify the impact of credit constraints on real investment during financial crises. The paper applied a dynamic investment model to a firm level dataset of Greek manufacturers and quantified the impact of the near-collapse of the Greek banking system and extreme tightening of firm financing constraints in generating the drop in the manufacturing investment rate during the Greek financial crisis of 2010. The presentation ended with Dr. Sakellaris discussing the need to examine and compare the impact of credit constraints in other episodes of financial crises.

Dr. Rishab Kirpalani of Pennsylvania State University presented his paper on "Fiscal Rules, Bailouts and Reputation in Federal Governments". His work explored over-borrowing by local governments due to expectations of transfers by central governments. Using a reputation model, the paper showed that fiscal rules increase these tendencies to borrow excessively if the central government's reputation is low. In contrast, fiscal rules are effective in lowering debt levels if the central government's reputation is high. Dr. Kirpalani concluded the presentation with some thoughts on studying the optimal design of fiscal rules while taking into account reputation-building incentives.

Dr. Valerie Ramey, University of California, San Diego at Conference

The first day of the conference ended with a keynote talk by Dr. Valerie Ramey from the University of California, San Diego, discussing the lessons acquired from research on fiscal policy in the ten years since the global financial crisis. The talk, titled "Ten Years After the Financial Crisis: What Have We Learned from the Renaissance in Fiscal Research?" threw light on the progress made in data collection and empirical methods over the last decade in understanding the effects of fiscal policy, outlining the strengths and weaknesses of popular techniques and also drawing attention to the pitfalls in calculating government budget multipliers.

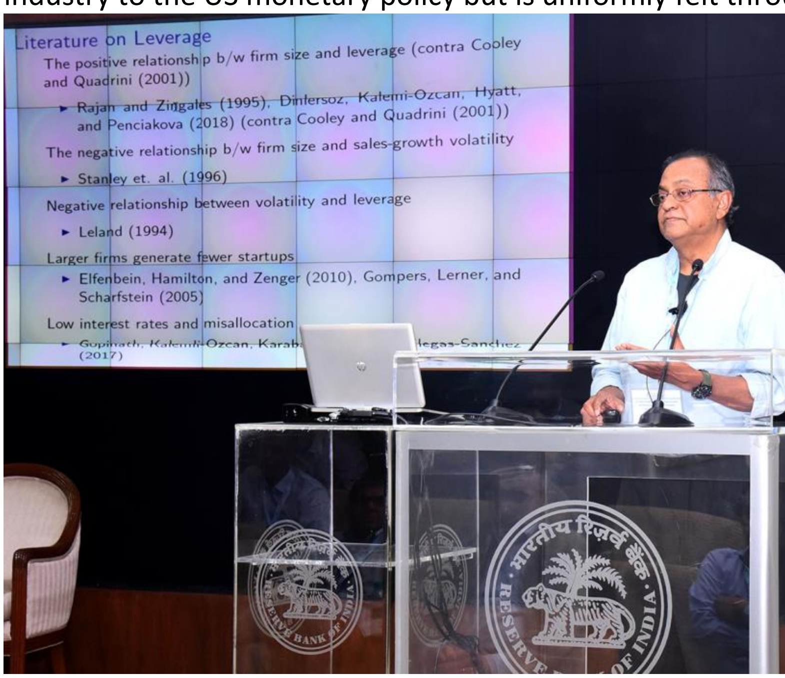
The second day of the conference was opened by Dr. Gautham Udupa, Research Director, CAFRAL. His paper *"Multinational Firms, Trade, and the Trade-Comovement Puzzle"* established strong and robust correlation between international trade and business cycle co-movement within country-pairs in the world. He further showed that this relationship is considerably weakened in rich OECD economies when bilateral Foreign Direct Investment (FDI) stock is controlled for, but only when FDI is statistically significant. His paper sought to show that multinational production linkages are quantitatively important for comovement, relative to trade. Empirical trade-comovement regressions that exclude FDI therefore suffer from significant omitted variable bias.

Dr. Venky Venkateswaran from NYU Stern and FRB Minneapolis followed Dr. Udupa with his keynote talk on “The Sources of Capital Misallocation”. Using a unified model of investment with multiple sources of misallocation on datasets for Chinese manufacturing firms and US publicly traded firms, his study introduced a key identification strategy to disentangle the multiple factors. It found that there was limited role for adjustment costs and information frictions in misallocation and that firm-specific factors are more important.

Dr. Venky Venkateswaran from NYU Stern and FRB Minneapolis

The keynote was followed by Dr. Johannes Boehm, Sciences Po with his presentation on “Misallocation in the Market for Inputs: Enforcement and the Organization of Production”. In his paper, Dr. Boehm explores the strength of contract enforcement as a determinant of how firms source inputs and organize production. Using a dataset of firms in the Indian manufacturing sector, his study showed that there is a considerable amount of homogeneity in technology and organization even within narrowly defined industry-categories. It also found that the organization of production is governed largely by the contracting environment – in cases where there is a weak enforcement of contracts, firms tend to use standardized inputs from spot markets where contract enforcement by courts is not necessary.

Following this, Dr. Aeimit Lakdawala from Michigan State University talked about “The Growing Impact of US Monetary Policy on Emerging Financial Markets”. Dr. Lakdawala’s study found that over the last two decades, there has been an increase in the responsiveness of the Indian stock market to US monetary shocks with peak sensitivity after the financial crisis. The paper also showed that the increased sensitivity is not isolated to increased exposure of a certain sector or industry to the US monetary policy but is uniformly felt throughout the stock market of India.



Dr. Satyajit Chatterjee from FRB Philadelphia at CAFRAL Conference

The conference ended with the keynote talk by Satyajit Chatterjee from FRB Philadelphia on “Declining Interest Rates and Firm Dynamics: Falling Startups and Rising Concentration”. Dr. Chatterjee discussed how a decline in interest rates can lead to an eventual increase in business concentration and a decrease in startup rate. Arrival of new products and exit of old products generates entry, growth and exit of firms. Large firms find it attractive to purchase more varieties during a period of declining interest rates and being less risky, can borrow more. This results in fewer startups and a greater concentration of sales.

The paper presentations at the conference covered a broad array of topics in macroeconomic finance including global financial cycles, gross capital flows, dollar safety, credit constraints and bailouts, international trade and the impact of US monetary policy on emerging market economies. Bringing together researchers from across the world, the conference facilitated a productive exchange of views that will prove to be of great relevance to participants in their roles as academics and policy advisers.

Highlights of Research Seminars and Brown Bag

CAFRAL-SRU Brown Bag Seminar - Indian Households Finance: An Analysis Of Stocks Vs. Flows by Subrata Kumar Ritadhi, Manager, SRU RBI joint work with Pawan Gopalakrishnan and Shekhar Tomar, SRU, RBI at Mumbai, October 10, 2018

Paper Abstract

How do households allocate their income across different financial assets? Is it governed by culture or rational choice or both? Past studies on India have highlighted that households have low investment in financial assets but they invest heavily in gold and real estate. Using the CMIE Households Consumer Pyramids data, we show that while households may hold high stock of gold and real estate, but in terms of flows, a majority of households choose to invest in financial assets. This reflects that household investments decisions vary distinctly along the intensive and extensive margins. But what explains this behavior? We show that households continue to accumulate gold or real estate but use basic financial assets in transition to purchase these other assets. Using district level rainfall shocks as a source of exogenous variation in household incomes, we find that one positive rainfall shock (yearly frequency) increases households' likelihood of investing in all assets. However, two consecutive positive rainfall shocks decreases households' likelihood of investing in financial assets, while increasing their likelihood of investing in gold and real estate.

CAFRAL-SRU Brown Bag Seminar - Congestion And Commute Scheduling In A Monocentric City by Abhishek Ranjan, Manager, SRU, RBI at Mumbai, October 17, 2018

Paper Abstract

This paper studies the interaction between dynamic traffic congestion and urban spatial equilibrium, using a model that is a straight unification of the Vickrey (1969) bottleneck congestion model and the Alonso (1964) monocentric city model. In a monocentric city with a bottleneck at the entrance to the CBD, residents choose their commute departure time jointly with residential location and housing consumption. Commuters arrive at the bottleneck in sequence sorted by residential location, so that more distant residents arrive later. The socially optimal toll makes central residents commute earlier in the morning than they would without the toll, which in turn induces a city that is less dense in the center and more dense further out. This is the opposite effect of what is found in models with static congestion.

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 at Mumbai, November 01, 2018

Paper Abstract

The recent demonetization exercise in India is a unique monetary experiment that made 86 percent of the total currency in circulation invalid. In a country where currency in circulation constitutes 12 percent of GDP, the policy turned out to be a purely exogenous macroeconomic shock that affected all agents of the economy. This paper documents the impact of this macroeconomic shock on one such systematically important agent of the economy: the household. By construction, the policy helped households with bank accounts in disposing of the demonetized cash. We use a new household-level data set to tease out the effects of this policy on households with no bank accounts relative to households with bank accounts. Our results show that the impact of demonetization on household income and expenditure has been transient with the major impact being seen in December-2016. We find that households with no bank accounts experienced a significant decrease in both income and expenditure in December-2016. There is significant heterogeneity in the impact across households in different asset classes. We also show evidence of recovery of household finances whereby households were able to smooth out consumption during the post-demonetization period. However, this recovery phase is associated with an increase in household borrowing from different sources, primarily for the purpose of consumption. In particular, informal borrowing (money lenders, shops) increased substantially during this period. Thus, the policy although transient in nature, contributed to the unintended consequence of increased leverage for households, thereby leaving them more vulnerable than before.

Gains From Trade With Heterogeneous Agents Under Financial Constraints by Dr. Gautham Udupa, Research Director, CAFRA at Mumbai, November 15, 2018

Paper Abstract

We aim to quantify gains from trade in a general equilibrium setting with heterogeneous households with both trade frictions for firms and financial frictions for households. Households face idiosyncratic earning shocks but are constrained in their ability to save by savings fixed cost and minimum savings requirements. This is combined with a standard trade model with intermediate production using capital and labor, and an Armington aggregated final good. Iceberg cost makes trade in intermediates costly. We find that financial frictions have qualitatively different impact on inequality compared to the iceberg trade cost- barriers to savings increase inequality while trade cost does not impact inequality in a setting with a single worker type.

Who Benefits From Access To College And The Stock Market? by Dr. Urvi Neelakatan, Senior Research Director, CAFRAL at Mumbai, December 13, 2018

Paper Abstract

Returns to college vary across the population, especially ex-ante because non-completion is common. College is heavily subsidized. Returns to the stock market are, by definition, constant across investors and are similar to the ex-post returns to college. Stocks receive no subsidies. Given (especially) the heterogeneity in ex-ante returns to college, who benefits, and by how much, from college and the stock market? Using a life-cycle model of human capital and financial asset accumulation, we find that the average willingness-to-pay (WTP) for access to college (14.7%) is much higher than for stocks (4.4%) in annual consumption terms. However valuations are immensely heterogeneous: nearly 40% of the population assigns no value to college while the top decile of valuations exceeds 40% of consumption. Strikingly, for individuals with the poorest earnings prospects, access to the stock market is substantially more valuable than access to college. We show that college subsidies heavily impact the difference in mean WTP between college and stocks: removing them closes roughly half the gap.

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Deposit Inflows And Outflows In Failing Banks: The Role Of Deposit Insurance Professor Manju Puri, Duke University at Mumbai, Decemb

Paper Abstract

Using unique, daily, account-level balances data we investigate deposit stability and the drivers of deposit out flows and i
distressed bank. We observe an out ow (run-o) of uninsured depositors from the bank following bad regulatory news. W
government deposit guarantees, both regular deposit insurance and temporary deposit insurance measures, reduce the
deposits. We also characterize which accounts are more stable (e.g., checking accounts and older accounts). We furth
important new evidence that, simultaneous with the run-o, gross funding inflows (run-in) are large and of first-order impac
which is missed when looking at aggregated deposit data alone. Losses of uninsured deposits were largely o set with ne
deposits as the bank approached failure. We show our results hold more generally using a large sample of banks that faced
action. Our results raise questions about depositor discipline, widely considered to be one of the key pillars of financial stabi
the importance of other mechanisms of restricting bank risk taking, including prudent supervision.

Why Risk Managers? by Kaushalendra Kishore, Carlson School of Management, University of Minnesota, USA at Mumbai, January 18, 2019

Paper Abstract

Banks rely on risk managers to prevent their employees from making high risk low value investments. Why can't the CEO incentivize their employees by offering them the right contract instead of relying on the risk manager? I show that having risk manager is more profitable for banks and is also socially efficient. I study a multi-task principal agent problem whe employee has to be incentivized to do two tasks-choose the investment with the highest value and then exert effort on it that there is a conflict between providing incentives for both tasks. Incentivizing effort requires offering a high powere (convex payoff) which will incentivize the employee to indulge in risk shifting and choose riskier investments with lower va tasks are split between a risk manager who approves the investments and a loan officer (or trader) who exerts effort, optimal investment choice and optimal effort can be achieved. I further examine some reasons for risk management failur a CEO may ignore the risk manager when he suggests safe investments.

Shock Diffusion: Does Network Structure Matter? by Shekhar Tomar, Manager from Reserve Bank of India at Mumbai, January 21, 2019

Paper Abstract

This paper introduces the concept of diffusion of shocks in a macroeconomic network consisting of inter-sectoral productio Using sectoral and firm level data, the paper documents two empirical facts. First, sectoral output do not react contempo to shocks in input sectors (it only reacts with a lag). Second, different sectors take different time horizon to respond to shoc input sectors. I then incorporate these features in a model of production network to study the contribution of sectoral aggregate fluctuations. I show that if sectors have different reaction horizons it leads to diffusion of shocks through the net time which prevents the inter-sectoral linkages to form the feedback loop structure essential to generate aggregate volatil impact of a given sectoral shock lingers over a longer time period (due to diffusion) but contributes less to aggregate volat given period. Finally, I use a factor model to estimate the contribution of aggregate vs idiosyncratic sectoral shocks to fluctuations in US industrial production (IP) data. I find that in the case of a diffusion adjusted network model the contr sectoral shocks to aggregate volatility is small and is of the same magnitude as in the case of statistical factor analysis

The Inside Job: Share Pledges By Insiders And Earnings Management by Pranav Singh, Gies College of Business, University of Illinois at Urba Champaign at Mumbai, January 23, 2019

Paper Abstract

The study creates the first comprehensive database of share pledges by insiders in the U.S. to reveal the prevalence of th and its role in encouraging earnings management. I find that, during the fiscal years 2006 to 2014, insiders at one of every 1500 firms pledged their ownership in the firm as collateral to obtain loans at least once. I exploit a 2012 market-wide advis share pledges by Institutional Shareholder Services, the largest proxy advisory firm, as a quasi-natural experiment. A diff differences estimation reveals that, after the shock, insiders curtailed share pledge activity by approximately 40% and firms pledges reduced earnings manipulation by an average 15% of their reported profits. The results suggest that share pledges incentives of insiders and motivate them to inflate earnings.

CULTURAL TRANSMISSION AND ETHNIC SEGREGATION Saumya Rana, University of Houston at Mumbai, January 28, 2019

Paper Abstract

Returns to college vary across the population, especially ex-ante because non-completion is common. College is heavily s Returns to the stock market are, by definition, constant across investors and are similar to the ex-post returns to colle receive no subsidies. Given (especially) the heterogeneity in ex-ante returns to college, who benefits, and by how much, fr and the stock market? Using a life-cycle model of human capital and financial asset accumulation, we find that the average w to-pay (WTP) for access to college (14.7%) is much higher than for stocks (4.4%) in annual consumption terms. However are immensely heterogeneous: nearly 40% of the population assigns no value to college while the top decile of valuatio 40% of consumption. Strikingly, for individuals with the poorest earnings prospects, access to the stock market is substant valuable than access to college. We show that college subsidies heavily impact the difference in mean WTP between c stocks: removing them closes roughly half the gap.

Highlights of Learning Programs

CAFRAL Advanced Management Program: October 4-5, 2018, Indian leg and October 8-12, 2018 Overseas leg, NYU Stern Washington Square Campus, New York City

CAFRAL Advanced Management Program participants and additional Director, CAFRAL with speakers at NYU Stern Washington Square Campus, New York City.

CAFRAL had organized the captioned program in the month of October 2018. The program was organised in two legs – first leg in India and the second in USA. The Indian leg was held in Mumbai over two days from October 4-5, 2018 and the overseas leg was organised in New York City, USA in collaboration with Stern School of Business, New York University, New York City, USA from October 8-12, 2018. During the Indian leg of the program, inputs were provided on diverse issues like recent regulatory developments, current economic and financial sector outlook, financial markets, risk governance, digital banking and cyber risk. The overseas leg of the program focused on topics like business strategy, leadership & governance; strategic positioning, execution & performance; risk management; securities market developments; project & infrastructure financing; corporate finance; risk & decision analytics; and financial distress & resolution.

Highlights of Program on Financial Frauds & Forensic Audit: October 25-26, 2018, Mumbai, India

Program participants with speakers at program on Financial Frauds & Forensic Audit.

This program was an excellent opportunity to the senior and middle management officials of the banks and NBFCs for a complete learning on financial frauds (FFs) especially those in large borrowal accounts and investment operations, digital frauds and cyber frauds. Fraud in the financial sector are continuously rising. Monitoring operations for prevention of frauds and their early or timely detection demand unique expertise with multidisciplinary learning even at the senior levels, which has been provided by the program. The program sought to impart learning on Forensic Audit from technical and technological perspectives to demonstrate among others its potential contribution to legal and financial resolution of fraud cases.

The eminent personalities from the various fields like Dr Prashant Mali (Cyber Law), Dr Sanjay Chougule (Financial Crime Prevention), Tarun Bhatia (Financial Investigation), P Sarathkumar and Mehul Thakkar (Both Forensic Audit Experts) have guided the participants and were highly appreciated.

Program for Non-Executive Directors on Audit & Risk Management Committees: October 29-30, 2018, Mumbai, India

Program participants with speakers at program for Non-Executive Directors on Audit & Risk Management Committees.

CAFRAL organised the captioned two days program in Mumbai from October 29 to 30, 2018. The Basel Committee's corporate governance principles for banks outline the expectations of the Audit and Risk Management Committees of the Board. These Committees perform a key role in the corporate governance of a bank. The objective of the program was to explore how these committees can be made more effective so as to implement the "Three Lines of Defence" for an effective risk governance framework. The program covered best corporate governance and risk management practices and the role of Non- Executive Directors in improving risk management, governance and compliance systems in banks. The program focused on topics such as credit risk management, Indian banking sector outlook, banking frauds in India, resolution of stressed assets, managing market & liquidity risks, new accounting standards and cyber risk management.

CAFRAL Program for NBFCs: Risk Management, Regulatory and Supervisory Issues: November 11-12, 2018, Mumbai, India

Program participants with speakers at program for NBFCs: Risk Management, Regulatory and Supervisory Issues.

This NBFC program was arranged in the background of material changes in financial sector. The rapid growth of this sector during the last few years has brought on its own stresses and strains. Though NPA levels in the sector have been lower compared to banks, recent developments have shown that over leveraging, group exposures and blips in expected inflows have spill over effects across the financial sector. It is therefore of prime importance that Management and Boards of NBFCs exercise effective oversight and control to survive in a changing environment. With these points in view, this program for NBFCs had focus on governance that would drive internal controls and build a strong compliance culture within the organisation. The other issues covered were Regulatory and supervisory expectations from NBFCs, Systemic issues concerning NBFCs, Resource Raising and Managing ALM, Strengthening of Risk Management, Internal Controls and Compliance, implementation of Ind As. Participants Profile was Senior Management and CXOs of NBFCs (Systemically Important) including Government NBFCs. There were total of 39 participants.

CAFRAL-ReBIT Business Leaders' Forum #4: November 14, 2018, Mumbai, India

Shri. Mahesh Kumar Jain, Deputy Governor, Reserve Bank of India delivering key note address at CAFRAL-ReBIT Business Leaders' Forum

The above conference was organised jointly by CAFRAL and ReBit on November 14, 2018 at Taj Lands End, Mumbai. Mr. Mahesh Kumar Jain, Deputy Governor, Reserve Bank of India 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, Indian Computer Emergency Response Team talked about the support provided by them to banks and enterprises in other sectors. "He urged banks to follow mandatory reporting, as it will help us to plan emergency measures and coordinate the investigation and analysis. Thereafter, Dr Bahl and his colleagues 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.

In the beginning Nandkumar Saravade, CEO, ReBIT welcomed the dignitaries speaking and participating in the event. He spoke of the forum's objective, of creating a platform for decision makers in the banking community, to debate and disseminate cyber and operational risks. Mr M P Baliga, Senior Program Director, CAFRAL thanked the distinguished speakers of the day for sharing their inputs in several engaging formats and the enthusiastic participants for continuing the dialogue on cyber risk management.

**Program for Chief Vigilance Officers and 'Chief of Internal Vigilance' in Banks and Financial Institutions : ** 19 November 2018, Mumbai, India

Shri. Amrit M Prasad, Joint Director, Central Bureau of Investigation, addressing program participants.

Vigilance is one of the key governance functions in an organization. Preventive vigilance is aimed at reducing the occurrence of a lapse (violation of a law, a norm, or, broadly speaking, a governance requirement). Detective vigilance is aimed at identifying and verifying the occurrence of a lapse. Punitive vigilance is aimed at deterring the occurrence of a lapse. The Program provided a platform for discussion on how effective frameworks for vigilance can be implemented to ensure better governance. 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.

International Conference on Fintech and Banking: Future of Financial Services and Regulation In collaboration with New Development Bank, Shanghai and ICAS, Europe: November 26-27, 2018, Mumbai, India

Dr Amartya Lahiri, Director, CAFRAL delivering key note address at the conference.

CAFRAL had organized a two days International Conference on Fintech and Banking: Future of Financial Services and Regulation in the month of November, 2018 in collaboration with New Development Bank (NDB), Shanghai and ICAS, Europe.

The Conference focused on theory, policy and practice. The speakers and participants evenly represented central banks, academicians, multilateral institutions, banks, financial institutions, fintech companies from India and other BRICS countries. 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 several presentations on research papers were

made by ICAS researchers and academicians from Brazil, Germany, India and UK.
The conference was flagged off with opening address by Dr. Amartya Lahiri, Director, CAFRAL and keynote address by Shri Sudarshan Sen, Executive Director, Reserve Bank of India. A panel discussion on Payment Systems was moderated by Shri Ganesh Kumar, Executive Director, RBI. On the second day the opening address was delivered by Mr. Leslie Maasdorp, Chief Financial Officer of NDB followed by the key note address by Dr. Ajit Ranade, Chief Economist, Aditya Birla Group.

Organising committee and speakers at International Conference on Fintech and Banking, Mumbai.

Other eminent speakers and presenters in the conference included Shri Chaitanya Shukla, Additional Director, Financial Intelligence Unit, Government of India; Shri Mrutyunjay Mohapatra, MD, Syndicate Bank; Dilip Asbe, MD & CEO, National Payments Corporation of India (NPCI); Gabriela Ruberg, Head of Information Governance, Central Bank of Brazil; Ivan Mortimer-Schutts, Digital Financial Services and Payment Sector Specialist, World Bank-IFC; Professor Indradeep Ghosh, Meghnad Desai Academy, Mumbai Ismail Ertürk, University of Leeds: Annina Kaltenbrunner, University of Liverpool.

Conference of Chief Risk Officers and Heads of Risk Management Departments: November 29-30, 2018, Mumbai, India

Program participants with speakers at Conference of Chief Risk Officers and Heads of Risk Management Departments.

CAFRAL organised the captioned two days conference in Mumbai from November 29 to 30, 2018. The objective of the conference was to provide a platform to the participants to discuss and understand various types of risks and management of these risks, governance and compliance and role of Chief Risk Officers. The conference covered topics such as Indian financial sector outlook, systemic risk due to inter connectedness between financial sector players, risk, governance and compliance, risk management and role of Chief Risk Officer, credit risk management, credit ratings and risk, financial markets - forex and fixed income, market risk management, operational Risk Management, Issues in Internal Capital Adequacy Assessment Process (ICAAP) and supervisory perspective and expectations from Risk Based Supervision..

Conference of Heads of Treasuries: December 15, 2018, Mumbai, India

Shri. M Rajeshwar Rao, Executive Director, Reserve Bank of India at CAFRAL Conference of Heads of Treasuries, Mumbai

The conference provided a platform to Heads of Treasuries and senior officers involved with risk management function to deliberate on contemporary issues in financial markets, foreign portfolio investments, interest rate derivatives, corporate bond market, ECBs, masala bonds and liquidity management. The participants interacted with their peers and the regulators to address issues like (a) FPI – How to optimize policy for steady investments (b) Offshore forex and swap markets – How should we respond (c) Measures to improve liquidity in G-sec market (d) IRF and IRS market - what needs to be fixed to ensure better participation (e) Corporate bond market – where are we (f) Systemic liquidity management and (g) ECB and masala bonds – Impact of new policy initiatives.

Conference of Chief Compliance Officers: December 17-18 2018, Mumbai, India

Program participants with speakers at program for Conference of Chief Compliance Officers, Mumbai

The Program covered compliance related issues in the national and international context and highlighted the importance of the compliance function as well as the negative impact of compliance failures. 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, etc.

Conference of Chief Human Resource Officers (CHROs) and Chief Learning Officers (CLOs): January 8, 2019, Mumbai, India

Program participants with speakers at Conference of Chief Human Resource Officers (CHROs) and Chief Learning Officers (CLOs), Mumbai

The Conference provided a forum for an informed discussion on the key challenges facing the Chief Human Resource Officers and Chief Learning Officers of Banks and Financial Institutions in today's fast changing world by focussing on Leadership, 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.

Executive Development Program: January 17-18, 2019, Mumbai, India

Program participants with speakers at Executive Development Program, Mumbai

The intent of the program was to expose the senior officers of banks and financial institutions to the current issues and developments and thereby empower them as leaders. The topics covered related to banking sector outlook, assets resolution, systemic risk arising from inter-linkages between financial sector entities, RBI's liquidity operations and forex management, digital banking, governance, conduct and culture issues; business strategy, Ind AS – implementation challenges; ECL and impairment recognition, improving the risk management systems. The program also provided the participants a platform to interact and exchange views with an expert panel on a host of regulatory changes.

Program on Retail Lending: January 21-22, 2019, Mumbai, India

Program participants with speakers at the Program on Retail Lending, Mumbai

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 and supervisory issues in retail lending (regulatory retail portfolio, fair lending practices, supervisory issues); digital lending by banks; fintech and P2P lenders; frauds in retail lending; SME lending : products, delivery and innovation; and securitization of retail loan portfolio.

Upcoming Learning Programs

Program Description & Nomination links are available on http://cafral.org.in/Upcoming-Programs

CAFRAL Program on 'CFOs in the Financial Sector: Past, Present and Future' February 26-27, 2019| Mumbai

Program Objectives

CFOs once known as head accountant and ultimate bookkeeper used to fully focus on numbers, budgets and financial reports & statements. However, they are now expected to also add value to business, guide and advice to CEOs and the Board on range of issues especially on strategy, risk, regulatory & legal compliance, and even technology. This trend which started during financial crisis in 2007- 2008 in western countries tended to redefine the role of CFOs elsewhere too. Post crisis, these add-on responsibilities of CFOs have continued and crystallized due to fierce competition, disruptive innovations and new sets of financial regulations brought in as part of post crisis reforms.

This Program will review the traditional finance function, changing nature of finance function and the evolving role of CFOs. The Program would also step back and deal with some of the traditional but intricate technical issues the CFOs and their teams face in the area of audit, taxation and legal & regulatory compliance. The participants would be exposed to innovations done by the fintechs, including Blockchain technology which could radically disrupt the accounting, financial controls and financial reporting.

Participants Profile

Officers at the level of DGM (or equivalent) and above from banks, financial institutions and Reserve Bank of India.

Nomination now

Program on Retail Lending January 21-22, 2018| Mumbai

Program Objectives

Retail lending (RL) is witnessing significant growth, driven by propensity to consume rather than save and the prolonged slump in corporate lending on the supply side. The RL space offers opportunities to a range of players starting from banks to NBFCs including P2P lenders and fintechs who use and/or provide digital solutions for scaling up. Interestingly, the fintechs are both competing and collaborating with banks and NBFCs in this area. Given the rapid credit growth, unseasoned portfolios and use of technological solutions of recent origin, one needs to take cognizance of the associated risks as well. Given this, the banks and other intermediaries need to appreciate the retail space from both a business strategy and a risk perspective. This two day long CAFRAL Program seeks to bring together a good mix of such lenders on one platform which will facilitate a rounded learning through classroom lectures and discussions on range of aspects and issues associated with RL. This program meant for senior officers working in the retail banking/lending areas of banks, NBFCs and Financial Institutions also provides a unique opportunity for cross learning.

Participants Profile

CFOs of banks and NBFCs; Senior officers of CFO team can be nominated if they are accompanying the CFO; Partners and Managing Associates of consulting, technology firms dealing with finance and financial control functions in financial services business

Nomination now

Program for Non-Executive Directors on the Boards of Banks March 18-19, 2019| Mumbai

Program Objectives

The objective of the program is to focus on current issues and challenges faced by the banks including those relating to governance, strategy, risk, compliance and asset quality as also cover other topics like regulatory/supervisory perspectives, financial markets, role of treasury and domestic & international developments in the financial sector. The aim of the program would be towards improving the effectiveness of directors on the boards of banks

Participants Profile

Non–Executive Directors on the Boards of Banks

Nomination now