### Annual Report 2019-20

# Promoting Excellence in Learning and Research





### CAFRAL Governing Council



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Dr. Michael Debabrata Patra Deputy Governor, Reserve Bank of India



Shri. T V Mohandas Pai Chairman of the Board.

Manipal Global Education Services Pvt. Ltd.



Dr. Ashok Gulati Chair Professor for Agriculture at Indian Council for Research on International Economic Relations (ICRIER)



Dr. Ajit Ranade Senior President & Chief Economist, Aditya Birla Group, India



Dr. Venkatesh Panchapagesan Associate Professor of Finance and Head, Real Estate Research Initiative, IIM Bangalore



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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	Assistant General Manager
Al	Artificaial Intelligence
ALM	Asset Liability Management
AML AMFI	Anti-Money Laundering Association of Mutual Funds in India
ANIFI	Application Programing Interface
BBB	Banks Board Bureau
BIS	Bank for International Settlements
CACMP CAFRAL	CAFRAL Advanced Credit Management Program Centre for Advanced Financial Research And Learning
CBI	Central Bureau of Investigation
CCIL	Clearing Corporation of India Ltd.
CCO	Chief Compliance Officer
CEA	Chief Economic Adviser
CEO	Chief Executive Officer
CFA	Chartered Financial Analyst
CFO CFT	Chief Financial Officer Combating the Financing of Terrorism
CGM	Chief General Manager
CMD	Chairman and Managing Director
CRO CTR	Chief Risk Officer
CVO	Cash Transaction Report Chief Vigilance Officer
D-SIB	Domestic Systemically Important Bank
DEPR	Department of Economic and Policy Research
DBS	Department of Banking Supervision
DPSS	Department of Payment and Settlement Systems
DFS DG	Department of Financial Services Deputy Governor
DoR DoS	Department of Reglation Department of Supervision
DGM	Deputy General Manager
DSIM	Department of Statistics and Information Managment
ECL	Expected Credit Loss
ED	Executive Director
ERM	Enterprise Risk Management
EU FED	European Union Federal Reserve Board
FEDAI	Foreign Exchange Dealers Association of India
FIMMDA	Fixed Income Money Market and Derivatives Association of India
FIU Ind	Thed income woney warket and Derivatives Association of India
EN AL	Financial Intelligence Unit India
FMI FMP	Financial Intelligence Unit India Financial Markets and Institutions
FMI FMP FSI	Financial Intelligence Unit India
FMP FSI FSR	Financial Intelligence Unit India Financial Markets and Institutions Financial Markets Program Financial Stability Institute Financial Stability Report
FMP FSI FSR GM	Financial Intelligence Unit India Financial Markets and Institutions Financial Markets Program Financial Stability Institute Financial Stability Report General Manager
FMP FSI FSR GM GOB	Financial Intelligence Unit India Financial Markets and Institutions Financial Markets Program Financial Stability Institute Financial Stability Report General Manager Government Owned Bank
FMP FSI FSR GM	Financial Intelligence Unit India Financial Markets and Institutions Financial Markets Program Financial Stability Institute Financial Stability Report General Manager
FMP FSI FSR GM GOB Gol HR IBC	Financial Intelligence Unit India Financial Markets and Institutions Financial Markets Program Financial Stability Institute Financial Stability Report General Manager Government Owned Bank Government of India Human Resource The Insolvency & Bankruptcy Code
FMP FSI FSR GM GOB Gol HR IBC ICA	Financial Intelligence Unit India Financial Markets and Institutions Financial Markets Program Financial Stability Institute Financial Stability Report General Manager Government Owned Bank Government of India Human Resource The Insolvency & Bankruptcy Code Inter-Creditor Agreement
FMP FSI FSR GM GOB Gol HR IBC ICA ICAI	Financial Intelligence Unit India Financial Markets and Institutions Financial Markets Program Financial Stability Institute Financial Stability Report General Manager Government Owned Bank Government of India Human Resource The Insolvency & Bankruptcy Code Inter-Creditor Agreement Institute of Chartered Accountants of India
FMP FSI FSR GM GOB Gol HR IBC ICA	Financial Intelligence Unit India Financial Markets and Institutions Financial Markets Program Financial Stability Institute Financial Stability Report General Manager Government Owned Bank Government of India Human Resource The Insolvency & Bankruptcy Code Inter-Creditor Agreement Institute of Chartered Accountants of India Indian Chamber of Commerce
FMP FSI FSR GM GOB Gol HR IBC ICA ICA ICAI	Financial Intelligence Unit India Financial Markets and Institutions Financial Markets Program Financial Stability Institute Financial Stability Report General Manager Government Owned Bank Government of India Human Resource The Insolvency & Bankruptcy Code Inter-Creditor Agreement Institute of Chartered Accountants of India



## Abbreviations

IFC IGIDR IIMA IIMB IITB IMF Ind AS ISB ISI KYC LCR LCR LCR LCR LCR LCR LCR LCR LCR LC	International Finance Corporation Indira Gandhi Institute of Development Research Indian Institute of Management Ahmedabad Indian Institute of Management Bangalore Indian Institute of Technology Bombay International Monetary Fund Indian Accounting Standards Indian Accounting Standards Indian School of Business Indian Statistical Institute Know Your Customer Liquidity Coverage Ratio Listing Obligations & Disclosure Requirement Long form Audit Report Layered Voice Analysis Machine Learning Managing Director MicroFinance Institutions Network Massachusetts Institute of Technology Ministry of Finance Monetary Policy and Exchange Rate Micro, Small & Medium Enterprises National Council of Applied Economic Research
NSFR	Net Stable Funding Ratio
NCLT	National Company Law Tribunal
NED	Non-Exicutive Director
NPA	Non-Performing Asset
NIPFP	National Institute of Public Finance and Policy
NUS	National University of Singapore
OCC	Office of the Comptroller of the Currency
PSB	Public Sector Bank
PSL	Priority Sector Lending
PWM	Private Wealth Management
RA	Research Associate
RAROC	Risk-Adjusted Return On Capital
RBI	Reserve Bank of India
RWA	Risk-Weighted Assets
SBI	State Bank of India
SEC	Securities and Exchange Commission
SIB	Systemically Important Bank
SLR	Statutory Liquidity Ratio
SRU	Strategic Research Unit
STR	Suspicious Transaction Report
UBC	University of British Columbia
USA	United States of America
VP	Vice President



### Director's Report



CAFRAL made reasonable progress during 2019-20 on its dual mandate of achieving excellence in Research and Learning.

CAFRAL's research wing put out eleven new working papers on diverse areas such as banking crises, stress testing, fiscal stimulus, systemic risk, and international business cycles. Some of the papers were presented in international and domestic conferences as part of CAFRAL's mandate for disseminating research. On stress testing, the researchers also provided policy notes on stress testing of banks and a stress testing software for use within in the Reserve Bank of India. CAFRAL and World Bank jointly organised a conference on "State Intervention in the Financial Sector" on Feb 26-27, 2020. The conference included both academic and policy sessions and focused on issues pertaining to the South Asia region. Besides, CAFRAL hosted seven external seminars by Indian and international scholars that covered topics such as the value of Blockchain technologies, allocation of talent across mutual fund industries, bankruptcy laws and income distribution, FDI flows and international collusion, the impact of credit shocks on small firms, and the network effects in technology adoption. Lastly, as part of the Visiting Scholar program, a number of international and domestic researchers spent time at CAFRAL interacting and sharing ideas with researchers from CAFRAL and RBI.

Learning team conducted 30 programs till early-March 2020; the 31st program scheduled for March 16, 2020 had to be cancelled in wake of the evolving Covid-19 situation. The highlight of 2019-20 was the delivery of new programs dedicated to Retail Lending, Wealth Management, the Housing Sector and Statutory Auditors. The other programs covered diverse themes such as Digitisation, Resolution of Stressed Assets, ALM & Liquidity Management, Risk Management, KYC & AML, Financial Frauds & Crime, etc. in addition to our flagship programs for Non-Executive Directors of banks and on Financial Markets for the Economists. CAFRAL was also selected to hold three Leadership Development Programs for senior officers of OBC and two programs on Risk Management and Compliance for the IOB. Two highly successful workshops, one to debate on the need for DFIs for Infrastructure Financing and another to explore Central Bank Balance Sheet Risks were organised by the Learning side.

The pandemic disrupted the delivery model of the Learning Division as it was fully dependent on physical interface with the participants. However, the team improvised and switched to conducting Webinars and Virtual Learning Programs with effect from June 11, 2020 and by September 30, 2020, 7 webinars and 4 learning programs had been organised. We propose to continue with the virtual mode till December 2020 and then take a call on supplementing it with classroom learning in select areas.





### CAFRAL Research

#### Academic Research

A list and abstracts of the papers with completed drafts for this Fiscal Year (2019-2020) is attached in Annex 1. Here, we provide a sampling of research done at CAFRAL this year.

Dr. Nirupama Kulkarni studies the impact of the regulatory forbearance schemes enacted as a result of the global financial crisis in her paper "The Unintended Consequences of Regulatory Forbearance". The forbearance measures encouraged stressed banks to redirect credit to illiquid and insolvent firms. Such forbearance schemes increase zombie lending, that is, continued lending to otherwise insolvent borrowers that then hinder economic growth. Prolonged periods of forbearance also have persistent effects on the structure of bank-firm relationships. Stressed banks end up in sticky matches with worse borrowers, whereas healthy borrowers migrate to healthier banks. Recapitalisation that usually follows such extended periods of forbearance is then much less effective as stressed banks have lost their better clients to better banks. In a separate set of papers, Dr. Kulkarni looks at possible solutions to solving the problem of zombie lending and the NPA crisis. In Kulkarni (2020), she analyses the impact of a 2002 collateral reform in India. She finds that strengthening creditor rights and the loan resolution process can curtail zombie lending. However, in a follow-up paper [Kulkarni, Ritadhi, Waldock, and Vij (2020)], she shows that such even strengthening of creditor rights may not be enough if the banking system as a whole is weakly capitalized. Alternate solutions such as removing lender discretion in recognizing bad loans are more useful in such cases.

Dr. Udupa completed a working paper titled "International Business Cycles- The Role of Technology and Resource Transfers Within Multinationals" which looks at the role of multinational firms in transmitting productivity shocks across countries. This question is relevant for researchers and policy makers interested in the role that multinational firms play in synchronizing business cycles across countries. The paper argues that variation in the number of multinational affiliates over the business cycles contributes a significant part of the aggregate multinational firms' contribution. His evidence is based on a structural model of firms, where the model is set up to mimic the US economy.

In a paper titled "Why Risk Managers," Dr. Kaushalendra Kishore analyses theoretically explores one of the reasons for economic booms being followed by banking crisis. One reason for this is that lending practices follow pro-cyclical behaviour, that is, risk management practices become weaker during economic booms resulting in subsequent defaults in loans and banking crisis. This paper provides an institutional argument to explain this phenomenon by building a theoretical model. Currently Indian banks are suffering from an NPA problem. These non-performing loans were given when India was going through an economic boom. Ex post it seems that the banks did not do enough due diligence and were lax in their lending practices. His paper provides an explanation for why this may have occurred. Specifically, the model predicts that the CEO is more likely to ignore the risk manager when the risky investments are yielding higher profits.

#### **RBI** related work

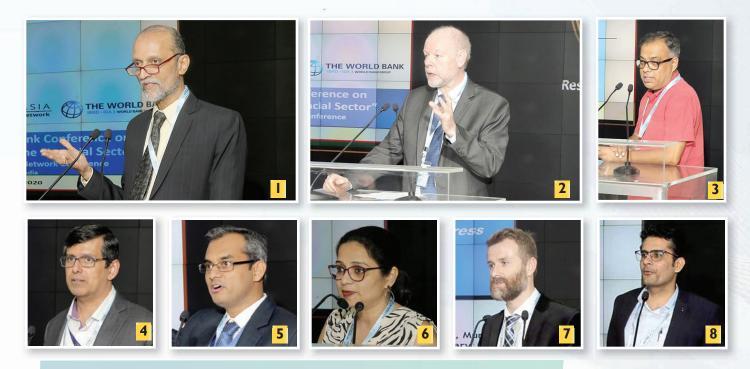
CAFRAL staff have written a paper on stress testing (jointly with RBI staff). The resulting software has been given to the Financial Stability Unit for using it with their internal data. Similarly, a study of inflation prediction has been done using neural network methods which provides close to 50% reduction in forecast error compared to professional forecasters and MPC forecasts. The code for this has been given to Department of Economic & Policy Research for running this code

#### Other Outreach Activities - Research Conferences and Programs



Dr. K V Subramanian, CEA, Gol and Hans Timmer, South Asia Chief Economist, World Bank with other delegates and CAFRAL Team at CAFRAL and World Bank Conference on "State Intervention in the Financial Sector", Mumbai, India.

CAFRAL and World Bank (Office of South Asia) jointly organized a conference on the topic of "State Intervention in the Financial Sector" on Feb 26-27, 2020. Dr. Ajit Ranade (Chief Economist, Aditya Birla Group and CAFRAL GC Member) inaugurated the conference. The program featured a special lecture by Dr. Krishnamurthy Subramanian (CEA, Gol), and plenary sessions by Dr. Pulak Ghosh (Professor, Decision Sciences, IIMB) and Dr. Hans Timmer (South Asia Chief Economist, World Bank). The conference also had an expert panel session on the topic "Public



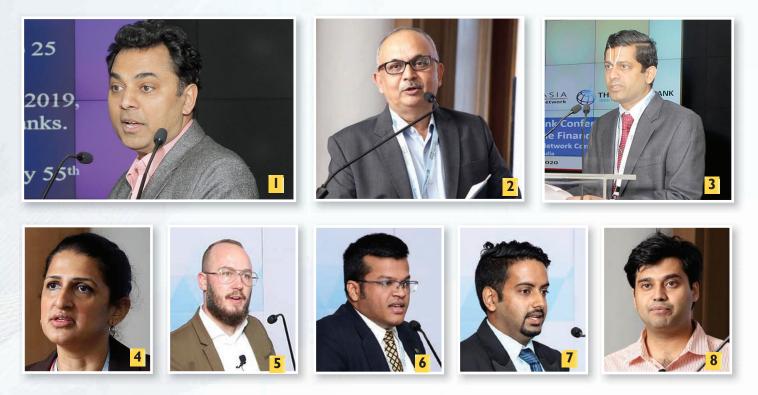
1. Dr. Ajit Ranade; 2. Dr. Hans Timmer; 3. Pulak Ghosh; 4. Dr. Jay Surti, Adviser, RBI; 5. Dr. Kaushalendra Kishore; 6. Dr. Rajeswari Sengupta; 7. Martin Melecky; 8. Ankitkumar Kariya, IIMB



L:R- Anand Sinha, Prachi Mishra, Tamal Bandyopadhyay, Arundhati Bhattacharya, Alfonso Garcia Mora, and Sajjid Chinoy.

Ownership of Commercial Banks: Curse or Blessing?" Participants in the panel moderated by Tamal Bandyopadhyay, Business Journalist were Arundhati Bhattacharya (former Chairman, State Bank of India), Anand Sinha (former Deputy Governor, Reserve Bank of India), Dr. Prachi Mishra (Chief India Economist, Goldman Sachs and CAFRAL GC Member), Dr. Sajjid Chinoy (Chief India Economist, JP Morgan) and Garcia Mora (Global Director for Finance, World Bank).

The conference also had both academic and policy sessions, and featured presenters, discussants and participants from IGIDR, NIPFP, IIM Bangalore, Central Bank of Sri Lanka, Centre for Policy Dialogue (Bangladesh), World Bank (both Washington and Delhi Offices), NCAER, ISB, IITB, IIMA, RBI and IMF.



- 1. Dr. K V Subramanian, Gol; 2. Chandan Sinha, CAFRAL
- 3. Dr. Anand Srinivasan, CAFRAL 4. Dr. Urvi Neelakantan, CAFRAL
- 5. Robert Beyer, World Bank; 6. Syed Yusuf Saadat, Centre for Policy Dialogue
- 7. Ratnavadivel Thirucumaran, Central Bank of Sri Lanka
- 8. Dr. S K Ritadhi, Reserve Bank of India

#### **Research Seminars**

CAFRAL hosted 7 external seminars. External speakers included scholars from universities in India and USA such as Dr. Samit Paul from IIM Calcutta, Dr. Apoorva Javadekar from ISB Hyderabad, Prof. Uday Bhanu Sinha from Delhi School of Economics, Dr. Megha Patnaik from ISI Delhi, and Dr. Nicolas Crouzet from Northwestern University. The seminars covered a variety of interesting topics ranging from the value of blockchain technologies, allocation of talent across mutual fund industries, bankruptcy laws and income distribution, FDI flows and international collusion, the impact of credit shocks on small firms, and the network effects in technology adoption.

#### Presentations to industry and academic institutions.

Dr. Nirupama Kulkarni presented her research on forbearance policies at seminars in Ashoka University, American Finance Association, Norges Bank conference, and Delhi School of Economics conference. She was also a panelist at the at the 15th Annual Conference on Economic Growth and Development held by the Indian Statistical Institute and talked about the banking crisis and the Indian economy. Dr. Kulkarni has also participated in panels targeted at industry experts in the venture capital and FinTech industry held by Varanium Capital and 256.Network. Dr. Udupa presented his research at European meeting of the Econometric Society at the University of Warwick, Delhi Winter School 2019 organized by the Delhi School of Economics, and at Delhi Macro Workshop organized by ISI Delhi. Dr. Kaushalendra Kishore presented his research at conferences organized by IIMA, ISI Delhi, and at CAFRAL-World bank joint conference.

#### **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. Of the 12 candidates interviewed, six were selected for a second round and one candidate at the rookie level, Dr. Kaushalendra Kishore, from the University of Minnesota was selected; he was joined in August 2019. RAs who completed our program continued to see success in terms of securing admission to reputed post-graduate programs. The 2019-2020 cohort had offers from Masters programs at University of California at Berkeley; Economics PhD programs at Arizona State University, University of British Columbia, University of Washington, Seattle; 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 CAFRAL and Macquarie University Program on "Leadership, Strategy and Risk in Sydney

2.Speakers from World Bank Group with Chandan Sinha, Addl. Director, CAFRAL; Sudarshan Sen, Former ED, RBI and M P Baliga, Sr. Program Director, CAFRAL at the Program on Resolution of Distressed Assets, Mumbai.

3. L-R: Srinivas Acharya, MD, Sundaram BNP Paribas Housing Finance Co.; Sanjeev Naryani, CGM, SBI; R V Verma, Former CMD, NHB; Anup Bagchi, ED, ICICI Bank and Mehnaz Safavian, World Bank Group at Program on Housing Sector: Mortgage financing, risk mitigation and securitisation 4. Sudarshan Sen, Former ED, RBI. 5. L-R: N S Venkatesh, Chief Executive, AMFI; Ananth Narayan, Former Regional Head of Financial Markets, Standard Chartered Bank; Sudarshan Sen, Former ED, RBI; Vasudeva Konda and Kumar Ayashkanta, Head Treasury Strategy & Ratings Group, L & T Finance Ltd. at Program on Asset Liability and Liquidity Risk Management, Mumbai. 6. Dr. Viral Acharya, Deputy Governor Reserve Bank of India

**CAFRAL International Program on Leadership, Strategy and Risk:** The program, in collaboration with Macquarie University, Sydney aimed at enhancing the knowledge-base and skills of senior executives of financial institutions for assuming higher leadership positions. Over the course of eight days in Mumbai & Sydney, it provided a comprehensive insight, from national as well as global perspective, on three key themes (i) Leadership, Management and Decision-making in a changing world (ii) Sustainable Strategies for Banks and Financial Institutions and (iii) Risk Culture, Risk Governance and Risk Management.

**Program on Resolution of Distressed Assets:** The management and resolution of large volumes of distressed assets poses considerable challenges to lenders and as such needs setting up an operational framework covering various aspects of resolution/recovery/workout process. While the Insolvency and Bankruptcy Code (IBC) has been a game changer, the resolution of NPAs is also being supplemented outside the IBC mechanism by generally following the IBC principles. This program, in association with the World Bank Group, discussed the key features of such frameworks and deliberated upon further improvements in the extant frameworks in the background of some international experiences.

**Program on Housing Sector:** The one-day program covered the issues and challenges in mortgage financing and possible ways of mitigating the risks in the background of the current situation of unsold inventory and liquidity/credit issues faced by the housing financing companies. Among other things, the program deliberated on securitisation of mortgages, introduction of covered bonds, promoting REITS & green financing, role of mortgage guarantees, fintech tools for valuation, title insurance, reverse mortgages, etc.

Program on Digital Transformation in Banking : The program provided the



participants with both conceptual and practical inputs on building a digitally driven Bank/Financial Institution. Banks, fintechs and technology providers shared their experiences and insights on the implementation of digitalisation programs. The topics / issues covered were challenges in implementing digitalisation; digitalisation and backend analytics; digital transformation: IT architecture, business architecture and human centered design; next generation technologies in payments; digital retail and MSME lending; design thinking & user experience in digitalisation; cyber security; AI, robotics, machine learning, etc.

Program on Asset Liability and Liquidity Risk Management: Asset liability management (ALM) and Liquidity risk



management are important facets of risk management framework. This risk was recently experienced by a few large NBFCs and if such problem is not addressed effectively and on a timely basis could pose systemic risks. In this background, the program exposed the issues and challenges in ALM, funds transfer pricing, strategic balance sheet management, inter linkages between banks, mutual funds and NBFCs, standards and monitoring tools for managing liquidity risks, liquidity risk and solvency, etc.

**Conference of Treasury Heads:** The conference provided a platform to Treasury Heads and senior officers involved with risk management function to discuss contemporary and emerging issues in financial markets with the regulators, banking experts and their peers. Topics such as exchange rate and liquidity management; implications of moving to floating rates for assets and liabilities, effective funds transfer pricing, implications of LCR & NSFR for business model, retailing of government securities & forex products, customer appropriateness & suitability, managing systemic risk arising on account of inter-linkages among financial player, valuation of corporate bonds & limitations of risk assessments by CRAs.

**Workshop on Private Wealth Management:** The workshop, conducted for the first time, sought to impart learnings on Private Wealth Management (PWM) business from both regulatory and business perspective. Some of the sessions explored the transition of PWM into a composite business involving the asset side of banks' balance sheets besides the traditional liability side and fee-based businesses. The topics discussed included PWM Sales & Services around Investment & Insurance, SEBI Regulations on Investment Advisory Services and PMS, COSO ERM, PW Customer Life Cycle Management and Retail Lending to HNWIs and UHNWIs, Family Office Business etc.

**Workshop for NBFCs and HFCs :** Program focused on the recent developments in the NBFC and HFC sector, the lessons to be drawn for risk management and governance, implementation of recent regulations and its implications for business strategy going forward. It covered topics such as: Recent RBI Guidelines on ALM and Liquidity Risk for NBFCs; Recent NHB Regulation for Housing Finance Companies; Risk and Business Strategy: The Way Forward for NBFCs and HFCs; RBI's Supervisory Expectations; Financial Stability: - Stress Tests and Resilience of the NBFC Sector;



 Program participants with speakers at Program on Digital Transformation in Banking: A 360 Degree View
 Shyamala Gopinath, Chairperson of HDFC Bank & former DG, RBI
 Program Participants with CAFRAL Team and Speakers at the Workshop for NBFCs and HFCs: Risks, Regulation and Business Strategy







KYC/AML Guidelines and ALM/ Risk Management.

**Program on Enterprise Risk Management :** The program aimed to sensitise the participants on Enterprise Risk Management (ERM) that could put in place a more efficient, enhanced and extended risk management framework in banks and financial institutions. Participants appreciated how ERM, as a new set of processes, helps organisations shift from a "silo" to "holistic" approach in risk management. The new COSO framework was discussed highlighting the need to align risk with strategy and performance. Other topics covered included Risk

1. Delegates during the Roundtable on the need to have an effective Development Financial Institution for Financing Infrastructure 2. Rajeshwar Rao, Executive Director, RBI at Conference of Treasury Heads, Mumbai

3. Program participants with speakers at Workshop on Private Wealth Management: Regulation & Business





Culture & ERM, ERM in Basel Standards, Thinking about Cyber Risk and Planning for Existential Digital Risks, Development and Implementation of ERM frameworks, Supervisor's Perspective, Risk Assessment Approach in ERM and Data Aggregation and Data Analytics.

**Program for Statutory Auditors of Banks on Asset Classification and Provisioning:** The program was conceived in the background of asset classification divergences and under-provisioning reported by banks post-inspection by the RBI over the last few years. Statutory auditors, through their audits have to ensure that the regulatory guidelines relating to asset quality and provisioning are properly followed and balance sheets of bank give a true and fair picture. The program provided a platform to the statutory auditors to discuss the reasons for divergences in asset classification and provisioning cropping-up despite the assurances made by getting the perspective of the management, the regulator/supervisor and those of their peers participating in the program.

- 1. Shri. Y H Malegam at Program for Statutory Auditors of Banks on asset classification and provisioning
- 2. Program Participants with Speakers of CAFRAL Advanced Leadership Program (CALP) at McDonough School of Business, Georgetown University, Washington DC, USA
- 3. Program participants with speakers at the Program for Non-Executive Directors on the Boards of Banks







**CAFRAL Advanced Leadership Program on Credit, Markets & Financial Technologies:** The Program, in collaboration with McDonough Business School, Georgetown University, Washington, aimed to shape and reinforce financial leadership traits and technical skills in the areas of Credit, Markets & Financial Technologies. The Mumbai leg focused on topics like the Financial Market Infrastructures, Payment Systems, Design Thinking, Mind Maps for decision-making, High performance in VUCA world, Business analytics in retail lending, Digital transformation, etc. The Washington leg covered areas such as the Re-regulating the US financial system, Consumer lending, Financing of SMEs, Business analytics for decision making, Application of Big Data in banking, Customer centricity & strategy, Digitisation of banking and finance, Block chain technology, corporate restructuring, Securitisation of mortgages, Principled financial leadership and Trends & forces shaping the financial markets. It included visits to the SEC, IFC and Fannie Mae where their officials spoke on pre-assigned themes to supplement the classroom teaching.



- Program participants with speakers at the Conference of Chief Human Resource Officers (CHROs) and Chief Learning Officers (CLOs)
- 2. Program participants with speakers at Leadership and Strategy Development Program (LDP) for Senior Management of a Commercial Bank
- 3. Program Participants with Speakers at Program on KYC, Money Laundering (ML) and Financial Crime (FC) Risks Management.







**Conference of Chief Human Resource Officers (CHROs) and Chief Learning Officers (CLOs):** The one-day Conference of Chief Human Resource Officers (CHROs) and Chief Learning Officers (CLOs) provided HR related inputs from a diverse set of speakers for knowledge enhancement and then elicited the thoughts of the participants on the learning needs of the industry. The speakers from the industry and CAFRAL covered areas such as Data Analytics in HR & Learning, Sustaining Culture of Excellence, Role of HR and Learning in Leadership, Personality traits in decision making, etc.

**Leadership and Strategy Development Program (LDP):** The capsuled in-company program was for enhancing the knowledge and skills of bank executives for assuming even higher responsibilities going forward. The coverage related to Current & Emerging Landscape for banking; Financial stability; Digital strategy; Payment systems; Business analytics; Insolvency & Bankruptcy code; Leadership; Project finance; Liquidity risk; Frauds & Cyber security. Eminent practitioners from the industry and senior officials from RBI and CAFRAL handled the sessions.

**Program on KYC, Money Laundering & Financial Crime Risks Management:** The objective was to review the key regulatory guidelines, discuss the emerging issues and deliberate on the risks and their management in the areas of KYC, Money Laundering (ML) and Financial Crime (FC). Apart from covering the regulatory and legal issues and concerns, the

- 1 Program participants with speakers at Conference of Chief Risk Officers and Heads of Risk Management Departments
- 2. Sir Howard Davies, Chairman Royal Bank of Scotland, addressing delegates.
- 3. Dr Deepak Mohanty, Executive Director, Reserve Bank of India, addressing delegates
- 3. Program Participants with Speakers at Program on Financial Frauds & Financial Crimes : Prevention, Detection and Investigation



program had themes such as RegTech, Digital KYC, Use of data analytics in FC investigations, Use of data visualisation tools, Wolfsberg principles, etc. To provide a holistic perspective there were senior speakers from RBI, FIU-IND, Police, Enforcement Directorate as well.

**Conference of Chief Risk Officers and Heads of Risk Management Departments:** The program provided a forum for the Heads of the Risk function to discuss the emerging issues around risk management after reviewing the range of known risks with particular focus on interconnectedness in the financial system and the role of stress testing in building robust systems. CROs explored the need of strong management team that assessed the magnitudes of systemic risk from time to time and its potential impact on them with a view to initiating measures for its mitigation.

**Roundtable on "Exploring central bank balance sheet risks":** The roundtable was organised jointly with the CFA Institute. Invites comprised of senior commercial bankers, central bankers, economists, analysts and CFA members. Dr. Deepak Mohanty, Executive Director, RBI made a short presentation on the RBI balance sheet risks/economic capital model and initiated the discussions. Sir Howard Davies, the current Chairman of Royal Bank of Scotland provided the international perspective on this issue. Dr. Anand Srinivasan, Addl. Director, CAFRAL presented the findings of the research undertaken by CAFRAL on this issue.





**Conference of Chief Compliance Officers:** The Conference was planned in the background of the compliance function in banks becoming more complex and demanding amidst rising regulatory expectations. The conference focused on recent national and international developments and provided a platform for exchange of views in the compliance area. The topics covered included Governance, Risk and Compliance Frameworks; Sustaining a Sound Compliance Culture; RegTech; Consumer Protection; Enforcement Actions by RBI; Cybersecurity and Internal Audit and Compliance.

**Program on Financial Frauds & Financial Crimes:** The two day program on Financial Frauds and Financial Crimes was designed against the backdrop of the rising incidences of frauds in financial sector and several daunting challenges faced by officers dealing with fraud risk management. Focus was on large value frauds, payment system frauds, mitigating trade based money laundering risks, cyber frauds, transaction monitoring and forensic audit. It offered a practical blend of regulatory, legal and forensic contents to officials dealing with fraud prevention and post-fraud routine. Key speakers for the program included those from CBI, legal fraternity, fintech, cybercrime & banking experts.

**Program for Non-Executive Chairmen & Director on Boards of Banks:** The program focused on policy and practical aspects of Board governance and its functioning through three distinct blocks. The first block set the backdrop for the business environment through a review of current and emerging macroeconomic situations and financial sector developments. The second block explored issues surrounding corporate lending, retail banking, securitisation of assets, liquidity management, risk appetite and ICCAP, etc. The third block dealt with practical aspects relating to board functioning, board deliberations, adherence to secretarial standards and compliance requirements such as LODR.

**Financial Markets Program (FMP) for Economists and Others:** FMP provides capsuled learning, primarily for economists, in an interactive and cross learning mode through practical exposures to market processes, products, players and infrastructure combined with an insightful discussion on the economy. A wide range of topics are covered over 5 days by eminent practitioners, economists, regulators encompassing developments in the economy; public policy; monetary policy; financial stability issues; mutual fund industry developments; regulatory developments; liquidity management, settlement systems, treasury operations in a bank; functioning of money , forex, g-securities, commodity, equity & debt markets from an informative and analytical perspective.





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).



- 1. Program Participants with program speakers at Program for Non-Executive Chairmen & Directors on the Boards of Banks
- 2. G Mahalingam Whole Time Member, SEBI
- 3. T Rabi Shankar, Executive Director, RBI
- 4. Ashish Kumar Chauhan, MD & CEO, BSE
- 5. Dr. Ajit Ranade, Chief Economist, Aditya Birla Group
- 6. N S Venkatesh, Chief Executive, AMFI
- 7. Program Participants with program speakers at Financial Markets Program for Economist and others





### Administration and HR

There was a reduction in the CAFRAL's team during the year as some left CAFRAL on completing their term or to pursue other opportunities. As on September 1, 2020, CAFRAL has 21 contract staff. During the year, three Research Associates were inducted while one Research Intern was mentored.

The names of CAFRAL staff are given in Annex 3.



### Acknowledgements

We would like to acknowledge the valuable guidance given to us by Governor & Chairman, CAFRAL and the other Governing Council members. CAFRAL has received immense benefit from each one and looks forward to their guidance in reinventing itself in a post COVID environment. We are also thankful to the Management and officials of the Reserve Bank of India, various financial services institutions, consulting organisations, 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.

### **Chandan Sinha**

Interim Director, CAFRAL



# CAFRAL - FINANCIAL STATEMENTS 2019-20

### 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 as at March 31, 2020, 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 2020 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 is 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.

Materiality is the magnitude of misstatements in the financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the financial statements.

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.

#### Report on Other Legal and Regulatory Requirements

- 1. As required by Section 33,34(2)and 36B(4) of the Act, we report that:
  - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - (b) In our opinion, proper books of account as required by law have been kept by the trust so far as it appears from our examination of those books
  - (c) The Balance Sheet, Statement of Income & Expenditure dealt with by this Report are in agreement with the books of account
  - (d) With respect to the other matters to be included in the Auditor's Report in accordance with the Maharashtra Public Trust Act, in our opinion and to the best of our information and according to the explanations given to us:
- I. We have nothing to report as required u/s 34(2) of the act.

Place: Mumbai

Date: December 28, 2020

For C N K & Associates LLP Chartered Accountants ICAI Firm Reg No:101961W/W100036

(Manish Sampat) Partner Membership No: 101684 UDIN:

### 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: 31<sup>st</sup> March, 2020

FUNDS & LIABILITIES	As at 31 <sup>st</sup> March 2020	As at 31 <sup>st</sup> March 2019	
	₹	₹	
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	2,16,14,523	1,25,01,208	
Liabilities as per Schedule "A"	33,16,783	89,10,105	
		~ ~ ~ ~	
Income And Expenditure Account:			
Balance as per last Balance Sheet	NIL	NIL	
Add : Surplus/(Deficit) as per Income and Expenditure A/c	NIL	NIL	
TOTAL	2,99,31,306	2,64,11,313	

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: December 28, 2020

PROPERTY & ASSETS	As at 31 <sup>st</sup> March 2020	As at 31 <sup>st</sup> March 2019	
	₹	₹	
 Immovable Properties: (At Cost)	NIL	NIL	
Balance as per last Balance Sheet			
Add: Additions during the year			
Less: Sales during the year			
Less: Depreciation up to date			
Investments:	NIL	NIL	
Movable Properties (Schedule B):			
Cost	3,05,12,873	3,17,02,484	
Less: Depreciation up to date	2,72,84,086	2,71,19,759	
	32,28,787	45,82,725	
Unsecured and Good			
Sundry Debtors (Net)	37,85,054	13,57,809	
Advances:-	85,47,798	1,15,54,881	
As per Schedule "C"	56,44,3		
Income Outstanding:			
- Interest Accured on Fixed Deposit	3,76,279	3,14,220	
 Cash And Bank Balances:			
(a) Cash in Hand	8,344	10,853	
(b) In Saving Account with banks	89,85,044	35,90,825	
(b) In Fixed Deposit with banks	50,00,000	50,00,000	
TOTAL	2,99,31,306	2,64,11,313	

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

Place: Mumbai Date: December 28, 2020

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The Maharashtra Public Trusts Act, 1950

### 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, 2020

Expenditure	For the Year Ended 31 <sup>st</sup> March 2020	For the Year Ended 31 <sup>st</sup> March 2019	Income	For the Year Ended 31 <sup>st</sup> March 2020	For the Year Ended 31 <sup>st</sup> March 2019
	₹	₹		₹	₹
To Expenditure in respect of Properties	NIL	NIL	By deficit for the year reimbursed by RBI	8,70,86,685	9,75,66,677
To Establishment Expenses As per Schedule "D"	14,74,688	13,62,057	By Training Programme Fees Recovered	3,25,90,538	4,46,69,553
			By Bank Interest	10,49,965	9,49,887
			By Dividend	NIL	NIL
To Audit Fees	1,50,000	1,50,000	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	94,259	NIL
To Amount written off (a) Bad Debts	NIL	NIL	By Misc Income	6,18,424	6,000
(b) Loan Scholarship (c) Irrecoverable Rents			By Other Receipts	Nill	NIL
d) Other Items					
To Depreciation	28,90,032	29,04,731	By Transfer from Reserve	NIL	NIL
As per Schedule "B"					
To Expenditure on the object of the trust Educational As per Schedule "E"	11,69,25,151	13,87,75,329			
To Surplus carried over to Balance Sheet		-			
Total	12,14,39,871	14,31,92,117	Total	12,14,39,871	14,31,92,117

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: December 28, 2020 CENTRE FOR ADVANCED FINANCIAL RESEARCH AND LEARNING

TRUSTEE

TRUSTEE

Place: Mumbai Date: December 28, 2020

## CENTRE FOR ADVANCED FINANCIAL RESEARCH AND LEARNING

## Schedule A: Liabilities

Particulars	As on 31 <sup>st</sup> March 2020	As on 31 <sup>st</sup> March 2019
	₹	₹
Expenses Payable	29,93,883	61,32,588
Liability for Tax Deducted at Source	3,05,399	19,48,020
GST Liability (RCM)	3,075	8,13,271
Retention Money	8,426	8,426
Profession Tax Payable	6,000	7,800
Total	33,16,783	<b>89,10,105</b>



## CENTRE FOR ADVANCED FINANCIAL RESEARCH AND LEARNING

## Schedule B: Movable Properties

Name of the Asset	Rate of		COS	г		
	Depreciation	As on	Additions	Deletions	As on	
		1 <sup>st</sup> April 2019			31 <sup>st</sup> March 2020	
		₹	₹	₹	₹	
Tangible						
1. Computer Hardware Including Printers	33.33%	81,69,837	8,49,784	20,738	89,98,883	
2. Other Electrical Equipment	20.00%	67,04,124	98,812		68,02,936	
3. Furniture	20.00%	15,88,985	21,318		16,10,303	
4. Car	20.00%	27,04,969	-	27,04,969	-	
Intangible						
5. Computer Software	33.33%	1,25,34,569	5,66,182	-	1,31,00,751	
Tetal		2 47 02 494	45.20.000	07 05 707	2.05.42.972	
Total		3,17,02,484	15,36,096	27,25,707	3,05,12,873	
Previous Year		2,87,36,872	29,65,612	-	3,17,02,484	

## Schedule C: Advances

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Particulars	As on 31 <sup>st</sup> March 2020	As on 31 <sup>st</sup> March 2019
	₹	₹
GST Input Credit	2,99,503	12,74,703
Deposit	10,14,000	15,14,000
Other Receivables	25,437	453
Tax deducted at source	63,74,740	57,31,418
Prepaid Expenses	8,34,118	30,34,307
Total	85,47,798	1,15,54,881

DEPRECIATION					alue (WDV)
Up to	During the	Deletions	As on 31 <sup>st</sup>	As on 31 <sup>st</sup>	As on 31 <sup>st</sup>
1 <sup>st</sup> April 2019	Year		March 2020	March 2020	March 2019
₹	₹	₹	₹	₹	₹
68,61,092	9,06,230	20,737	77,46,585	12,52,298	13,08,745
64,00,649	88,793	-	64,89,442	3,13,494	3,03,475
12,52,327	1,76,488	-	14,28,815	1,81,488	3,36,658
27,04,968	-	27,04,968	-	-	1
1.30					
99,00,723	17,18,521	-	1,16,19,244	14,81,507	26,33,846
2,71,19,759	28,90,032	27,25,705	2,72,84,086	32,28,787	45,82,725
2,42,15,028	29,04,731	-	2,71,19,759	45,82,725	45,21,844

# Schedule D: Establishment Expenses

Particulars	For the Year Ended 31⁵t March 2020	For the Year Ended 31 <sup>st</sup> March 2019
	₹	₹
Administrative Expenses	9,80,923	9,39,658
Sitting Fees paid to Council Members	2,20,000	1,20,000
Facilities Management Expenses	2,73,765	3,02,399
Total	14,74,688	13,62,057



CENTRE FOR ADVANCED FINANCIAL RESEARCH AND LEARNING

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Schedule E: Expenditure on Object of the Trust - Educational

	For the Yea	ar Ended 31 <sup>st</sup> Ma	rch 2020	
Particulars	Learning	Research	Total	
	₹	₹	₹	
Administration Expenses	17,68,810	17,07,449	34,76,259	
Program/Seminar/Conference Expenses	1,92,20,088	6,05,267	1,98,25,355	
Honorarium	10,17,000	9,85,500	20,02,500	
Data Service		41,27,827	41,27,827	
Conference Registration Fees		1,36,931	1,36,931	
Audio Visual Charges	6,89,569	63,000	7,52,569	
Printing & Stationery	2,19,176	98,190	3,17,366	
Professional Fees	1,25,000	-	1,25,000	
Salaries and allowances*	2,18,34,325	5,40,74,976	7,59,09,301	
Training Expenses (staff)	-	-	-	
Travel and Stay Expenses (Visiting Faculty/ Researchers/Participants)	27,29,715	22,91,917	50,21,632	
Travelling and Halting Expenses (staff)	10,97,492	29,25,007	40,22,499	
Website Maintenance Charges	5,98,668	5,98,667	11,97,335	
Foreign Exchange Loss	2,575	8,002	10,577	
Total	4,93,02,418	6,76,22,733	11,69,25,151	

\* Salaries includes remuneration to Directors of Rs 59, 19, 718/- (P.Y. Rs 1, 39, 97, 157/-) who is also one of the trustees of the trust.

For the Year Ended 31 <sup>st</sup> March 2019			
Learning	Research	Total	
₹	₹	₹	
17,26,713	20,12,918	37,39,631	
2,51,48,741	13,17,871	2,64,66,612	
12,97,928	20,00,000	32,97,928	
-	70,40,375	70,40,375	
-	1,60,128	1,60,128	
13,28,444	5.000	13,33,444	
5,46,736	2,35,543	7,82,279	
10,25,000	-	10,25,000	
2,02,81,334	5,82,77,513	7,85,58,847	
24,000	4,01,470	4,25,470	
20,49,833	74,31,192	94,81,025	
18,74,645	34,18,541	52,93,186	
5,82,490	5,82,489	11,64,979	
6,425	-	6,425	
	×		
5 59 02 290	9 29 92 040	13,87,75,329	
	Learning         ₹         17,26,713         2,51,48,741         12,97,928         12,97,928         13,28,444         5,46,736         10,25,000         2,02,81,334         24,000         18,74,645         5,82,490	Learning       Research         ₹       ₹         17,26,713       20,12,918         2,51,48,741       13,17,871         12,97,928       20,00,000         12,97,928       20,00,000         12,97,928       20,00,000         13,28,444       5.000         13,28,444       5.000         13,28,444       5.000         13,28,444       5.000         2,02,81,334       5,82,77,513         2,02,81,334       5,82,77,513         20,49,833       74,31,192         18,74,645       34,18,541         5,82,490       5,82,489         6,425       -         6,425       -	



## 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, 2020 and Income and Expenditure Account for the year ended 31st March, 2020.

## 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 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 / materialised.

## 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 capitalisation 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.

## 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.

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## 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.

## 9 Impact of COVID-19 on Going Concern

Management has considered the existing and anticipated effects of the corona virus outbreak on nature of activities of trust during initial stage. As the nature of activities are different from other trusts and hence the trust will not be affected. The Fixed Deposits' placed with a leading Bank, do not require any impairment. The trust being funded by Reserve Bank of India, no liquidity issue is foreseen over next 12 months.

The activities of the trust are educational in nature. Due to the COVID 19 pandemic there is a negative impact on the learning wing activities post national lockdown. Nonetheless, to ensure functioning of trust activities, new initiatives are being implemented for online e-learning and web based programmes. The research wing is also operational during lockdown period with remote access of server, databases and other tools required for research purposes

## B. NOTES TO ACCOUNTS

## **Related Party Discourse**

Name of the related parties and description of relationship :

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

Details of Related Parties transactions are as under:

Particulars	Key Management Personnel		
at 10	2019-20	2018-19	
	₹	₹	
Remuneration	59,19,718	1,39,97,157	
Governing Council Fees	2,20,000	1,20,000	

## 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.26,47,258/- (Pervious Year – Rs.25,23,484/-) 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. NIL).

Particulars	31st March 2020	31st March 2019
Not later than One Year	-	-
Later than One Year and not later than Five Years	-	-
Later than Five Years	-	-
Total Rs.	-	-

- 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)

(Manish Sampat) Partner M No.: 101684

Place: Mumbai Date: December 28, 2020 Place: Mumbai Date: December 28, 2020



# ANNEXES



# Annex 1

## Α.

1.

2.

3.

## Working/published Papers on CAFRAL Website during FY 2019-20 (April 1, 2019 - March 31, 2020)

## Credit Insurance, Bailout And Systemic Risk

Author: Kaushalendra Kishore Date: February 21, 2020 Published: CAFRAL Website Abstract:

# This paper studies the impact of the expectation of bailout of a systemically important credit insurance firm, like AIG, on the ex-ante investment strategies of the counterparty banks. Failure of the insurance firm may result in subsequent failure of both solvent and insolvent counterparty banks by triggering a run on them. As during the run, the regulator cannot distinguish between solvent and insolvent banks, hence it cannot use targeted policies to bailout the system, such as providing liquidity to the solvent banks to buy the insolvent ones. So the regulator has to bailout the insurance firm. This imperfectly targeted policy incentivizes the banks to make correlated investments ex ante and thus create systemic risk. I build a model in which correlated investment by banks, under-priced insurance contracts and a systemically important insurance firm arise endogenously. I further show that the insurance firm instead of diversifying its risk, chooses to invest in the same industry as the banks thereby in-creasing the size of the bailout. The policy implication is that putting a limit on the size of insurance firm can mitigate the problem of creation of systemic risk and thus prevent bailouts.

## Why Risk Managers?

Author: Kaushalendra Kishore Date: February 21, 2020 Published: CAFRAL Website Abstract:

Banks rely on risk managers to prevent their employees from making high risk low value investments. Why can't the CEOs directly incentivize their employees to choose the most pro table investment? I show that having a separate risk manager is more pro table for banks and is also socially efficient. This is because there is conflict between proving incentive to choose the most profitable investment and providing incentives to exert effort on those investments. Hence, if the tasks are split between a risk managers who approves the investments and a loan officer (or trader) who exerts effort, then both optimal investment choice and optimal effort can be achieved. I further examine some reasons for risk management failure wherein a CEO may ignore the risk manager when the latter is risk averse and suggests safe investments. As is usually the case before a financial crisis, my model predicts that the CEO is more likely to ignore the risk manager when the risky investments are yielding higher profits.

# International Business Cycles- The Role Of Technology And Resource Transfers Within Multinationals

Author: Gautham Udupa Date: February 21, 2020 Published: CAFRAL Website Abstract:

Recent empirical research has identified mechanisms through which multinational firms affect international business cycle comovement. To quantify these mechanisms, I develop a general equilibrium model of trade and multinational production (MP) with firm hetero-geneity, market access frictions, and physical capital. Because firms own physical capital, their entry and exit into MP generates transfer of this productive resource across countries. I focus on the interaction of this novel channel with the within-firm technology transfer channel and quantify its implications for international output comovement. Re-source transfer channel worsens comovement as multinationals move capital towards the high growth country, but technology transfer augments comovement. When calibrated to the United States, output comovement is highest in the full model, followed by a no trade model, and least in an MP model with only the resource transfer channel. Of the increase in comovement between no-trade and full model, 30% is due to MP

entry and exit.

## The Unintended Consequences Of Regulatory Forbearance

Author: Anusha Chari, Lakshita Jain and Nirupama Kulkarni Date: February 21, 2020 Published: CAFRAL Website

## Abstract:

4.

The Reserve Bank of India enacted a series of 'asset-quality' forbearance measures during the global financial crisis. Using a bank-firm matched dataset, we find that there is a strong positive correlation between bank- and firm-distress measures and evidence suggests that the forbearance measures encouraged stressed banks to channel credit to low-liquidity and low-solvency firms. Lending to zombie-firms increases and to healthy firms falls significantly for industries and banks with higher proportions of zombies. The data show that prolonged periods of forbearance on bank lending can have persistent effects on the structure of bank-firm relationships. Stressed banks end up in sticky matches with low-quality borrowers and healthy borrowers are more likely to migrate to private banks, foreign banks and non-banking companies in search. Overall, our results suggest that forbearance provided banks with an incentive to hide true asset quality and a license to engage in regulatory arbitrage. Thus, the build-up of stressed assets in the banking system is a by-product of accounting subterfuge.

## 5. Unearthing Zombies

Author: Nirupama Kulkarni, S. K. Ritadhi, Siddharth Vij and Katherine Waldock Date: February 21, 2020

## Published: CAFRAL Website

## Abstract:

The secular rise of "zombie" borrowers, insolvent firms sustained by continued extension of credit by complicit banks, has been a source of concern for mature and emerging economies alike. Using supervisory data on the universe of large bank-borrower relationships in India, we introduce a novel method for identifying zombies. Although there was widespread non-disclosure of zombies in India in 2014, the beginning of the sample period, there have been major improvements since. We examine changes in zombie reporting around two key policy changes: an overhaul of the bankruptcy code and a regulatory intervention removing lender discretion in bad loan recognition. Increases in reporting were modest after the bankruptcy reform but there was a sizable jump in the recognition of zombies after the regulatory intervention. Post-intervention results show that lending has been reallocated to large, healthy borrowers. However, under-reporting still exists, particularly among public-sector banks. Overall, our results indicate that regulatory action might be necessary, above and beyond bankruptcy reform, to target "zombie" lending.

## 6. Inflation Forecasting In Emerging Markets: A Machine Learning Approach

Author: Kriti Mahajan and Anand Srinivasan Date: February 20, 2020 Published: CAFRAL Website Abstract:

## Abstract:

In developing and emerging economies, the accuracy of macroeconomic forecasts is often constrained by the limited availability of data both in time series and in cross-section. Given this constraint, this paper uses a suite of machine learning methods to explore if they can offer any improvements in forecast accuracy for headline CPI inflation (y-o-y) in 3 emerging market economies: India, China and South Africa. For each forecast horizon for each country, we use a host of machine learning models and compare the accuracy of each method to 2 benchmark models (namely, a moving average forecast and SARIMA). For India, we find that the deep neural networks out-perform the benchmark forecast for all horizons except the 1 month ahead forecast. The reduction in forecasting error ranges from 44% to 63%. For South Africa, the neural network model provides a reduction in forecasting error between 42% and 57% for the 1 year forecast. For China, the reduction in forecasting error is much more modest ranging from 5% to 33%. An average forecast using different neural net methods performs much better than any individual forecast.

7.

## Stress Testing Of Firm Level Credit Risk

Author: Kriti Mahajan, Manjusha Senapati and Anand Srinivasan Date: February 20, 2020 Published: CAFRAL Website

## Abstract:

This paper develops a method to estimate vulnerability of publicly traded firms to stress events using a bottom up framework. As an illustration of the method, we apply this method to publicly traded firms in India. Specifi-cally, a given firm's exposure to overall market risk (measured using NIFTY 500 returns) and the Indian market's overall exposure to global market, forex and interest rate risk is used to estimate the sensitivity of firm level probabili-ties of default to changes in global market, foreign exchange rates and/ or inter-est rates. Using this stress test methodology, the paper illustrates the impact of stress scenarios on corporate vulnerability - using the 2008 financial crisis and the 2013 taper tantrum as benchmark cases. The above stress test framework can be easily implemented for any combination of forex, market and interest rates scenarios to examine the impact of stress events on the probabilities of default of their obligors.

## 8. Global Spillover Effects Of US Uncertainty

Author: Saroj Bhattarai, Arpita Chatterjee and Woong Yong Park Date: August 30, 2018

Published: CAFRAL Website

## Abstract:

We study spillover effects of US uncertainty fluctuations using data from fifteen emerging market economies (EMEs) in a panel VAR framework. A US uncertainty shock negatively affects EME stock prices and exchange rates, raises EME country spreads, and leads to capital outflows from them. Moreover, it decreases EME output, while increasing their consumer prices and net exports. The negative effects on output, exchange rates, and stock prices are weaker, but the effects on capital and trade flows stronger, for South American countries compared to other EMEs. We present a model of a small open economy that faces an external shock to interpret our empirical findings. Theoretically and empirically, we link the heterogeneity in effects across the two groups of EMEs to their differential monetary policy response to the US uncertainty shock.

## Banking Relationships And Creditor Rights

Author: Vidhan K. Goyal, S. Lakshmi Naaraayanan and Anand Srinivasan Date: October 16, 2019 Published: CAFRAL Website

## Abstract:

Do the legal rights of creditors influence whether firms borrow from arm's length or relationship lenders in a country? We examine this question by exploiting the staggered adoption of legal reforms that changed creditor rights. We find that as creditor rights strengthen, firms exhibit a greater propensity to switch to relationship lenders. Conversely, firms switch to arm's length lenders as creditors rights weaken. These results are consistent with the view that arm's length creditors have a bias towards excessive liquidation in environments with strong creditor rights. Hence as creditor rights strengthen, firms switch to relationship lenders as they are less likely to sub-optimally liquidate the firm when continuation is more efficient.

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## B. Research Conferences during FY 2019-20 (April 1, 2019 - March 31, 2020)

## CAFRAL and World Bank Conference on "State Intervention in the Financial Sector"

Date: February 26-27, 2020

1.

Presenter: Banking the Unbanked: What do 255 Million New Bank Accounts Reveal about
Financial Access? By Pulak Ghosh, Professor, Decision Sciences, IIM Bangalore
Government Subsidies, Credit Allocation and the Investment Cycle By Jay Surti, IMF
Discussant: Government Subsidies, Credit Allocation and the Investment Cycle By
Kaushalendra Kishore, CAFRAL

**Presenter**: Credit Insurance, Bailout and Systemic Risk By Kaushalendra Kishore, CAFRAL **Discussant**: Credit Insurance, Bailout and Systemic Risk By Gautham Udupa, CAFRAL Special Lecture: The \$5tn goal: Importance of the banking sector By K V Subramanian Chief Economic Adviser Government of India

Presenter: Are more productive banks always better? By Rajeswari Sengupta, IGIDRDiscussant: Are more productive banks always better?" By Marius Vismantas, World BankPresenter: State-Owned Commercial Banks In South Asia: The Hidden Cost Of Distress ByMartin Melecky, World Bank

**Discussant**: State-Owned versus Private Banks in South Asia: Financial Resilience and Real Costs of Distress By Sanket Mohapatra, IIM Ahmedabad

**Presenter**: Borrowing From Government Owned Banks and Firm's Distress Risk By Ankitkumar Kariya, IIM Bangalore

**Discussant**: Borrowing From Government Owned Banks & Firm's Liquidation Risk By Prasanna Tantri, ISB

**Presenter**: Public Banks in South Asia – A preview of the next South Asia Economic Focus By Robert Beyer, World Bank

**Presenter**: Non-Performing Loans in Bangladesh's Banking Sector: What Has State Intervention Achieved? By Syed Yusuf Saadat, Centre for Policy Dialogue

**Discussant**: NPLs in Bangladesh's Banking Sector - What has State Intervention Achieved? By Sonalika Sinha, Reserve Bank oh India

**Presenter**: Do Banking Regulations Affect the Competitiveness of Sri Lankan Banks by Limiting Cross-Ownership? By Ratnavadivel Thirucumaran, Central Bank of Srilanka

**Discussant**: Do Banking Regulations Affect the Competitiveness of Srilankan Banks by Limiting Cross-Ownership? By Pushpa Trivedi, IIT Bombay

**Presenter** Distortion in Credit Availability in India's Lead Bank Scheme: A Transaction CostsBased Approach By Samarth Gupta, NCAER

**Discussant**: Distortion in Credit Availability in India's Lead Bank Scheme: A Transaction Costs Based Approach By Bikramaditya Datta, IIT Kanpur

Presenter Unearthing Zombies By S K Ritadhi, Reserve Bank of India

Discussant: Unearthing Zombies By Renuka Sane, NIPFP

**Presenter:** Bank Ownership and Margins of Trade: Evidence from a Firm-bank Matched Dataset By Pavel Chakraborty, Lancaster University

# Annex 2

#### 1. Workshop on Use and Impact of CRILC Data (DBS, RBI & CAFRAL)

#### Date April 15, 2019

#### Mumbai Venue

- Objective: The workshop provided a forum for banks using CRILC database to discuss the use and impact of CRILC database, especially in the area of credit decisions, Asset Quality monitoring and more generally, building a robust and sound credit culture in banks. The Department of Banking Supervision (DBS) received feedback on the effectiveness of the CRILC database in fulfilling its objectives and practical suggestions to further enhance its effectiveness. Speakers from DBS emphasized the need for further strengthening the data quality under CRILC.
- Coverage: CRILC reporting covering IT infrastructure, data integrity & completeness; improving data quality and use of CRILC data; expectations from the banks, etc.

#### 2. CAFRAL International Program on Leadership, Strategy and Risk - in association with **Macquarie University**

Date May 1-2, 2019 (Indian Leg) & May 5-11, 2019 (Overseas Leg)

#### Venue Mumbai and Sydney

**Coverage:** A mix of academicians from Macquarie university and domain experts provided inputs on a variety of areas viz. values & wisdom in management; leadership and complex problem-solving; relationship between governance & performance of corporates; business strategy in the context of changing financial sector regulation and market developments; delivering differentiated customer experience; implications of fintech and block chain on banks' business strategy; managing risk culture; sustainable finance & carbon risk; climate change risk implications for financial markets & institutions; human factors in cyber security risk, etc. Classroom sessions were supplemented by field visits.

> Australian Stock Exchange (ASX) provided insights on the challenges and success of their implementation of block chain technology for settlement of equity trades. Delegates explored tools to collaborate and generate the next generation of banking products at the Innovation Lab of Commonwealth Bank of Australia (CBA). Experts at the Macquarie-Optus Cyber Security Hub, shared first-hand industry expertise on cyber security management using cutting-edge cyber security technologies. Head of Payments Policy Department, Reserve Bank of Australia discussed the key features of Australia's payments systems infrastructure, its regulation and control of risks to the financial system.

## Feedback/suggestions:

The output floors of Basel III would lead to a relook at 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 Culture matters to regulators because poor culture can be a driver of poor conduct which impacts the service that the financial firm provides to customers and clients. APRA has now put in place a Banking Executive Accountability Regime (BEAR), which establishes heightened standards of accountability among banks and their most senior executives and directors. Climate risks are most likely to crystallise at some point in the future, the precise horizon, nature and indeed scale of these risks is uncertain. Climate change risk can have huge implications for the financial markets and institutions. "Wisdom in management" facilitates long term leadership. There is a significant gap in leaders' abilities to embed their "espoused values" in their leadership practice. It is important to "drill down from values to behaviour" and develop a method for identifying and reviewing "values in action". Engaging and communicating the regulators and other stakeholders was a key learning from the implementation of distributed ledger technology (DLT) at ASX. Employees have different level of capabilities in recognising and responding to cyber-attacks and could form the weakest links in the cybersecurity framework.

## **Program on Resolution of Distressed Assets**

Date May 15, 2019 Mumbai

Coverage Review of Distressed Asset Trends in India, Recognition and resolution of distressed assets, Distressed assets - accounting, provisioning, restructuring, latest global policy/regulatory trends, impact of

3.

Venue

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IFRS 9, Management of distressed assets: case-by-case corporate restructuring, restructuring of SME loans, collateral valuation and its impact on distressed asset development, Distressed asset disposition, developing the market, types of players, India's legal and regulatory environment, out-of-court resolution, vigilance, ideas for further improvements.

## Feedback/suggestions:

Learning about the international experiences in resolution of stressed assets. Ways to develop the market and ways to simplify the procedures. Insightful. Strong content. Powerful speakers. Good understanding of IBC. Pro/cons of IBC/ Legal system in recovery. Lenders need to take more informed decision without waiting for micro managing regulation. Overall insight on the Feb 12 RBI circular and its impact on the resolution process of the distressed assets. More information on waterfall mechanism under IBC. More analysis on class of creditors. How recovery rates are better/ excellent in Malaysia? Inclusion of a detailed example (resolved assets) with all the minute details would be useful to the participants. An inclusion of Retail lending and relevant laws surrounding default?

## 4. Program on Housing Sector: Mortgage financing, risk mitigation and securitisation

DateMay 28, 2019VenueMumbai

**Coverage** State of the Housing sector and Housing Finance, Issues in mortgage financing, Mortgage financing - Expansion with Stability and Reforms in mortgage financing.

## Feedback/suggestions

Useful in understanding securitisation, green housing and reverse mortgage. Mitigating risk tools in housing sector: mortgage guarantee, title insurance and technology- enabled valuations. Most of the processes should be digitised. Banks should be cautious while evaluating risks and financing should be liquidity based than solvency based. Role of bureaus in risk mitigation. Mortgage related frauds should have been given more time. Some more global paradigms should be discussed.

## 5. Program on Digital transformation in Banking: A 360 Degree View

**Date** June 18-19, 2019

## Venue Mumbai

**Coverage** The topics /issues covered were challenges in implementing digitalisation; digitisation and backend analytics; digital transformation: IT architecture, business architecture and human centered design; next generation technologies in payments; digital retail and MSME lending; design thinking & user experience in digitalisation, digital & cyber security; AI, robotics, machine learning, etc.

## Feedback/suggestions:

Striking the right balance between innovation and transformation, understanding customer needs, design products in pace with technology and digital retail lending. Transformation - a mindset issue, challenging existing process, drive digital strategy, disrupt own model to build a new one. To know different functionalities of fintech/service providers' integration with banks in their digital transformation was interesting. Good to learn the path towards digitalisation and its challenges. Digital collaboration by banks, mix of digitisation with Door Step banking; Bots and Door Step banking. Digital transformation impacting India and how it can be facilitated. HR perspective that the Digital Transformation will bring about in the BFSI industry. Emerging topics like AI/ML/Block chain/open banking could be covered.

## 6. Program on Asset Liability and Liquidity Risk Management

- **Date** June 24, 2019
- Venue Mumbai

**Coverage** ALM-Issues and Challenges, Addressing AL mismatches - Financing of Long Term Projects, Take Out Financing, Resource Raising; Funds Transfer Pricing; Strategic Balance Sheet management; Systemic risk - Inter linkages between banks, mutual funds and NBFCs; Liquidity risk management -Standards and Monitoring tools; Funding liquidity risk and market liquidity risk; Measuring liquidity risk - Stock and Flow approach and Liquidity risk and solvency- Recent phase of stress and challenges.

## Feedback/suggestions

ALM is important for NBFC to remain solvent and liquid. They need to build long term liabilities in line with asset exposure and at the same time maintaining high quality of the asset book. Liquidity Risk Management is of utmost importance and proper monitoring and reporting of liquidity measures be followed. Review and assessment of these be followed by senior management and Board so that crisis can be averted. Got an overview from regulators about the present crisis being faced by NBFCs/

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HFCs and how the same can be addressed. Preferably one more panel to cover the ALM framework rather than the sessions. More coverage of matters pertaining to HFCs including ALM guidelines for them.

7.

## Roundtable for discussion on the need to have an effective Development Financial Institution

## (DFI) for financing infrastructure

Date June 15, 2019 Venue Mumbai Major points/takeaways

## There are basically three requirements that need to be met (i) financing capacity (ii) technical capacity to appraise long term projects (iii) viable pricing of debt and (iv) policy certainty and sanctity of contracts. Of the three, the last one viz. ensuring sanctity of contracts and consistency in regulatory policies is absolutely essential if infrastructure and project financing has to be viable and bankable.

The problem with earlier DFIs was also the lack of appraisal skills because of which there were large NPAs. If the earlier DFI model was successful, it is possible that there might not have been a rethink about their existence. In fact, the CDR started with ESSAR which was with IDBI - the DFI. Also, gold plating of projects was taking place in some cases; perhaps these projects were not viable at that high interest rate.

The banking system is ill-equipped for infra financing on account of (i) ALM mismatch (ii) lack of technical/sectoral expertise (iii) inherent tension between risk based pricing vs project viability pricing (iii) shareholder expectation (of profitability) from a listed entity (iv) IFRS 9 requirements that are punitive for project financing and (v) regulatory capital requirements that favours retail assets.

Considering the inability of the banking system and the corporate bond market to meet the huge financing needs, there is a need for a specialised institution for financing infrastructure considering the complexities in appraisal and funding. This institution may be labelled as Development Finance Institution or Specialised Finance Institution or Long Term Finance Institution.

The ownership structure could be either fully private or with government participation to the extent not exceeding 26%. However, in the latter case the government should not have any special rights lest it becomes difficult for attracting foreign participation. The presence of Government and quality investors would ensure that the entity is AAA rated as it would need to raise funds easily and competitively. It is learnt that there is huge interest by private equity to invest in India as long as it is purely on a commercial basis, without the government having any special rights. The foreign participation could be restricted to not more than 10% by any one foreign entity.

There is a need for government support in the initial stages so as to give a fillip to these institutions. As the institutions will require long term funding at a somewhat attractive cost, providing interest subvention and/or allowing them to raise tax free bonds or tax exempt bonds could be considered.

These specialised institutions shall take care of the initial project implementation risk, after which the financing part could be taken over by commercial banks by entering into take-out financing arrangements. This would take care of the transition risk and take care of the problem of these institutions not having control over cash flows unlike banks. There could be joint co-origination by these type of institutions and commercial banks. Securitisation could also be an option; but in the absence of active corporate bond market this could pose some problems.

As these institutions would be bearing a higher level of risks on account of huge fund outlays and long gestation periods, the regulatory regime for these institutions has to be different from those for commercial banks. The norms relating to asset classification has to take into account the peculiar risks in this type of financing. The extant capital requirements for both the originating and the taking over institutions need to be reviewed.

The institutions would need to build expertise and necessary skills for project and infrastructure • financing in various sectors like roads and highways, airports and ports.

There could be a rationalisation of existing institutions once the new type of institutions come into existence i.e. lenders like IFCI, IIFCL.

#### 8. **Conference of Treasury Heads**

Date July 20, 2019 Venue Mumbai

**Coverage** Financial markets operations-exchange rate and liquidity management; ALM-Implications of moving to floating rates for assets and liabilities; Funds Transfer Pricing-How it can be used effectively? LCR & NSFR – Implications for the business model; Managing operational risk in treasury operations; Retailing of government securities and forex – How to popularize them? Prevention of market abuse - Customer appropriateness and suitability; Conduct & culture issues; Interest rate and forex derivatives – How to use them for effective hedging of risks? Managing the systemic risk arising due to inter-linkages among financial sector players and Rating and valuation of corporate bonds – Limitations of risk assessment by rating agencies.

## Feedback/suggestions:

Well designed and managed with in-depth subject coverage; Very effective conference. Panel discussions were useful. Quite informative. Good opportunity to hear frank/personal views of many eminent speakers. Got insight into RBI's liquidity framework, credit rating agencies, money market developments, etc. Liquidity management discussion particularly useful. Discussion on corporate bond is very much relevant. Helped in knowing the latest developments in financial markets with in depth analysis esp. Views on liquidity position, bonds & interest rates. More light into the systemic risk due to Interlinkages of financial markets.

## 9. Workshop on Private Wealth Management: Regulation & Business

**Date** July 22-23, 2019

## Venue Mumbai

**Coverage** Overview of PWM Business in India; PWM for HNIs and UHNIs customers; PWM sales and services around Investment & Insurance; SEBI Regulations on Investment Advisory Services and PMS; Regulatory and Supervisory Issues in PWM; PW Customer Life Cycle management; New Business Models in PWM-Family WM services; Automated WM services; Technology-Led interventions including Robo advisory; Retail lending to HNI and UHNI; Role of Life Insurance in Wealth Management; Redefining PW Relationship Management: Hello and iRM; Aiming at Customer Centricity in PWM.

## Feedback/suggestions:

Understanding the different aspects of Wealth Management, the opportunities in the market and the potential of the market. Technology & Innovation, global practices, product innovation, behavioral economics as a part of investor's psychology. Analysis of information about competition and technology trends in the industry. Excellent interaction with the panel & participants, insights into industry practices. Evolution of WM Business in India and comparison with that of the developed countries/economies and the issues faced. Program should include non-banking wealth managers as speakers along with individual Wealth Managers. They can add information such as the mistakes being made by the banks.

## 10. Workshop for NBFCs and HFCs: Risks, Regulation and Business Strategy

**Date** July 31 - August 1, 2019

## Venue Mumbai

**Coverage** The Program covered topics such as: Recent RBI Guidelines on ALM and Liquidity Risk for NBFCs; Recent NHB's Regulation for Housing Finance Companies; Risk and Business Strategy: The Way Forward for NBFCs and HFCs; RBI's Supervisory Expectations; Financial Stability: Stress Tests and Resilience of the NBFC Sector; KYC/AML Guidelines; ALM/ Risk Management.

## Feedback/suggestions:

Data security, privacy and consent were important issues for P2P Lending Platforms, Account Aggregators and Digital-only NBFCs. Outsourcing risks also need to be addressed. Risk is ownership neutral; hence Government NBFCs should be not be exempted from RBI regulatory and supervisory framework. Business Conduct risk in NBFCs was sought to be addressed through the Ombudsman Scheme for NBFCs. The ALM guidelines will strengthen the liquidity risk management in NBFCs. An effective internal control and compliance function plays an important role in building a sound compliance culture.

## 11. Risk Management Program (RMP) for a commercial bank

**Date** August 5 - 9 2019

Venue Chennai

**Coverage** Issues in credit risk management, Project & infrastructure financing - Risk assessment and risk mitigation, Financial distress – Preserving economic value of assets, Resolution of stressed assets, Compliance risk, Market risk management, Operational risk management, ALM & Liquidity risk management, Basel III capital framework and capital planning, Governance and business strategy & Risk Based Supervision -Supervisory Expectations



## 12. Program on Enterprise Risk Management

**Date** August 29-30, 2019

Venue Mumbai

**Coverage** Overview of ERM; ERM in Basel Standards; Extended ERM - Cyber Risk and Planning for Existential Digital Risks; Implementation of ERM Framework - Experience Sharing; Aligning Risk With Strategy and Performance; Bank Supervisor's Perspective on ERM; COSO and Basel II/III Frameworks; Risk Assessment Approach in ERM; Data Aggregation and Data Analytics for ERM.

## Feedback/suggestions:

ERM and its benefits and linking it to the strategy of the organisation. Integrating ERM into the current process of the bank. The emphasis of risk culture across the organisation. COSO Key Components in ERM & its significance to organisations success & evolution of BCBS 2329; How BASEL & ERM they are related or different including their organisation. Good insight into ERM Framework, aligning risk with strategy & performance, an understanding of risk culture, risk appetite, COSO ERM & Basel II & III

# 13. Leadership and Strategy Development Program (LDP) for Senior Management of a commercial bank (Phase 1)

**Date** September 14-18, 2019

Mumbai

Venue

- **Coverage** i. Current and emerging banking scenario
  - ii. Leadership, management and decision-making in a changing world
  - iii. Strategy for banks of future
  - iv. Risk Culture, risk governance and risk management
  - v. Regulation, compliance and enforcement

## Feedback/suggestions:

A comprehensive program for senior management. The program covered aspects that are relevant for senior officials so that the business/risk culture is oriented in the right direction. Very valuable in terms of emerging banking trends relating to digital banking, business Analytics and customer relationship management etc. Program was excellent and will be very helpful in day-to-day banking. Speakers explained everything in very good manner. The enforcement action/compliances sessions could be more specific and case study based.

## 14. Conference of Chief Human Resources Officers (CHROs) and Chief Learning Officers (CLOs)

Date September 30, 2019

## Venue Mumbai

**Coverage** Data analytics in HR & Learning; Sustaining a culture of excellence; Role of HR in nurturing leadership; HR processes and learning designs for Shaping Leadership; Developing new prototypes of Learning Designs; Personality traits and decision making - Learnings for SME financing ; Ideating learning needs & gaps.

## Feedback/Suggestions

Role of values and ethics in interpersonal relationship with employees/ customers; Importance of training in HR development for continued growth of organisation; Peer learning from different banks especially in specialized roles; Taking ownership for management expectations; handling challenges in career & creating a succession plan in organisation; Training need areas: Project appraisal, Credit appraisal, Working capital Finance, Risk Management for middle level officers; CAFRAL can play a role in Leadership & Executive Development; Coaching

15.	Program for Non-Executive Directors on the boards of banks
Date	October 14-15, 2019
Venue	Goa, Panaji
Coverage	Role of directors in board level committees for Credit, Risk, Audit and IT; Credit risk management; Enterprise
	wide risk management; Exchange rate and Liquidity management by RBI; Opportunities, Challenges &
	Risks in Agriculture, Retail & MSME Lending; Role of board in Digitisation and Cyber security; Risk Based
	Supervision and ICAAP; Macro prudential risks and financial stability issues; Use of analytics/ Information
	Technology in audits.

## Feedback/Suggestions

Good forum for exchange of ideas and experience; Need for pro-active role by NEDs on committees; Include big data analysis, social media marketing, AI, ML & Blockchain; More on cyber security, corporate governance & governance failures cases.; Open session with a RBI Dy. Governor

## 16. Program on KYC, Money Laundering (ML) & Financial Crime (FC) Risks Management

## **Date** October 15-16, 2019

Venue Mumbai

# **Coverage** Enterprise-wide KYC & AML Risk Management; Regulatory and legal issues and concerns; KYC & AML Compliance; RegTech; Digital KYC; Use of data analytics in FC investigations; Use of data visualisation tool; Wolfsberg principles

## Feedback/Suggestions

Practical takeaways related to KYC/AM; Use of Power Business Intelligence (BI) in data analytics; data visualisation tools & scope of Wolfsburg principles in compliance; Expectations of the regulator for AML and the need for connecting the dots; points for filing reports to FIU; Include use of AI in AML monitoring, legal issues in cyber crime, payment gateway transaction monitoring; provide more thrust on TBML.

# 17. CAFRAL Advanced Leadership Program on Credit, Markets & Financial Inclusion - in association with Georgetown University (GU), Washington DC, USA

Date Indian Leg (Oct. 31 – Nov. 1, 2019) & Overseas Leg (Nov. 4-9, 2019)

- Venue Indian Leg: Mumbai & Overseas Leg Washington DC, USA
- **Coverage** Mumbai leg focused on Financial Market Infrastructure & Payment systems in India, Design Thinking, Mind Maps for decision-making, High performance in VUCA world, Business analytics in retail lending & Digital transformation.

Washington leg covered Lessons from the GFC, Re-regulating the US financial system, Consumer lending, Financing of SMEs, Business analytics for decision making, Application of Big Data in banking, Customer centricity & strategy, Digitisation of banking and finance, Block chain technology, Corporate restructuring, Securitisation of mortgages, Principled financial leadership and Trends & forces shaping the financial markets. Visits to the SEC, IFC and Fannie Mae where their officials spoke on pre-assigned themes to supplement the classroom teaching.

## Feedback/suggestions

Financial market scenarios; stability and efficiency; building a strong balance sheet/sound risk management policies & practice; design thinking concept; competition and uncertainties. With the advent of Fin Tech, the dynamics of banking is fast changing which requires us to continuously update & gain knowledge to meet the new challenges. Include case studies involving examples of companies & leaders who led the changes. Decision making in an environment of dynamic uncertainty, etc

## 18. Workshop on Off-Balance Sheet Risks

DateNovember 1, 2019

- Venue Mumbai
- **Objective** Department of Supervision, RBI organised a one day Workshop for its officers on Off-Balance Sheet Risks in association with CAFRAL. The objective of the Workshop was to gain insight into the Derivatives markets and other Off-Balance Sheet risks of banks. It threw light on the industry practices, perspectives and problems and provided the metrics to watch for from a risk perspective.

# 19. Leadership and Strategy Development Program (LDP) for Senior Management of a commercial bank (Phase 2)

Date November 15-19, 2019

## Venue Mumbai

**Coverage** Fintech and Digital Transformation; Use of Blockchain technology in banking; Digital strategy for a bank; IBC/ ICA Code - Developments and issues; Enterprise Risk Management; Best practices in HRD; Leadership, Team Building and Communications (Group Activity); Risk and regulatory capital; Credit risk and Liquidity



framework; Design thinking as a strategy tool; Economic & Banking Scenario – Developments & challenges; Payments Systems - Developments and Future Roadmap; Implementing & sustaining compliance culture; Ind-AS - Impact of ECL on financials; Retail banking: Business analytics & Customer Relationship Management; Deception Technology for

Cyber security; Fraud risks & internal controls; Corporate lending – Issues and challenges; Repairing banks' balance sheets - Issues & challenges; Financial stability: - Emerging stresses and risks; Managing risks

## Feedback/suggestions

Collaboration between fintech and banks; Blockchain technology, bitcoin, crypto currency; planning, team building for successful achievement of goals; pre-approval in retail banking and quick sanction; project financing. Very good program which helped us fintech and origin transformation, financial matters over, reparing B/S, risk Management, corporate lending units and lending paument system recent development and changes. Compliance is responsibility of all and data analytics and importance in business; cyber security is responsibility of all; Infrastructure lending; Spread of Risks culture within banks, team building. Optimum use of Human Resources for inclusive business growth; Use of data & technology in PSBs for effective cross selling. Bank specific data and relevant analysis for actual application may be analysis of RWA, Digital status, compliance methods

#### 20. Program for Statutory Auditors of banks on asset classification and provisioning

November 26, 2019 Date Venue Mumbai

**Coverage** Role expectations from Auditors in addressing divergence in asset classification and provisioning: Role of auditors; Observed reasons for divergence in asset classification with examples; Bridging the trust deficit between regulator/supervisor, bankers and auditors; Current restructuring framework and regulatory forbearance

## Feedback/suggestions

More formalized communication from RBI in the form of FAQ (on matters that are interpretational) to be considered. Effective communication between RBI/ Auditor/ Bank to resolve issues before closure of accounts. Increased focus on work around ever greening by both management and Auditor. Existence of divergent views. Bridging trust deficit. Compliance with RBI norms and circulars. Regulators, bankers and auditors perspectives to the current issues and the need to work collectively towards restoring credibility and faith. Include LFAR expectations, key interpretation issues, BASEL norms and challenges, asset liability mismatches and expectation from auditors, Ind-AS.

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

Date November 27-28, 2019

Venue Mumbai

Coverage RBI's Expectations regarding Effective Compliance in Banks; FinTech, RegTech and the role of Compliance; Governance, Risk and Compliance Frameworks; Sustaining a Sound Compliance Culture; Consumer Protection, Customer Complaints and Grievances; Enforcement Actions by Reserve Bank of India: How and Why?; Cybersecurity: Governance, Risk and Compliance; Internal Audit and Compliance: Are they Separate and yet Complementary?

## Feedback/suggestions

RBI's expectations regarding Effective Compliance in Banks. Excellent and very good presentation. Useful program. Compliance has key role in building up a robust organisation. CCO has to be very clear in deciding the issues. Non-adherence may expose the bank to a great risk. Excellent interaction with the panel & participants, insights into industry practices. RBI representative may also talk about how to improve compliance and discuss prescriptive views/ advices rather than just the extant guidelines. Case discussions where RBI has levied penalty. Important compliance risks observed by RBI across banks in different verticals like asset, liability, third party products, etc.

Visit of Bangladesh Bank Officials to CAFRAL 22. Date

December 4, 2019



## Venue Mumbai14

NIBM Pune conducts an orientation program for the officials of Bangladesh Bank (Central Bank of Bangladesh) annually. As a part of this Program, 34 Bangladesh Bank Officials, accompanied by the NIBM faculty visited CAFRAL, Mumbai in the afternoon of December 4, 2019. CAFRAL's Interim Director and Senior Program Directors interacted with the participants in the areas of Central Banking including Banking Supervision.

Shri Chandan Sinha, Interim Director, welcomed the participants and highlighted the latest developments in some of the key areas of RBI's functioning such as the Monetary Policy, Markets and External Investments. Shri Pramod Panda, Senior Program Director, observed that the RBI was very proactive and had undertaken prudential measures, which dampened the impact of the global financial crisis on Indian banks. He illustrated with the regulations relating to securitisation and macro-prudential measures like higher risk weights for residential and commercial real estate when this market was overheating. Besides, RBI has implemented measures in the payments and settlements area, such as two-factor authentication and a clearing corporation for government securities & forex trades, which were pioneering. Shri Amarendra Mohan, Senior Program Director covered in brief the key elements of the digital transformation and disruption in the financial sector and how Fintech, Reg tech and Sup tech were impacting the banks and the Central Banks/Supervisory Authorities. The talks were followed by an interactive session in which the CAFRAL team responded on a number of central banking issues raised by the participants.

## 23. Conference of Chief Risk Officers and Heads of the Risk Management Departments

**Date** December 13-14, 2019

## Venue Mumbai

**Coverage** Indian Financial Sector Outlook and Risk Environment; Systemic Risk - How Should a Bank Manage Its Impact? Evolving Role of Chief Risk Officers; Strategic and Enterprise Risk Management; Rethinking Risk Management in Financial Services - Practices From Outside; Risk Culture and Risk Governance; Credit Risk Assessment: What Has Changed? Risk Appetite and ICAAP; ORM & FCRM: Exploring the Linkages; Credit Risk in Retail & SME Credit.

## Feedback/suggestions

Importance of risk review beyond the usual credit & market risk; look at AML/KYC, Strategy, etc. Role of back testing processes, not just models; perspective on risk culture and governance. Interactions with other bankers/CROs gave opportunity to learn from their practices. Importance of risk culture & risk governance in Banking. The responsibilities of CROs with overall risk management of the bank. Growing importance of risk management, role of CRO in banks, Emphasis on Risk culture in the Bank, discussion on systemic risk and re-thinking risk management, financial risk management, dynamic customer risk profiling. Include Operational Risk, full session on information security, market risk & ALM in detail, reputation risk, new RBI guidelines, etc.

# 24. Leadership and Strategy Development Program (LDP) for Senior Management of a commercial bank (Phase 3)

- **Date** December 16-20, 2019
- Venue Mumbai
- **Coverage** Current Economic & Banking Scenario ; Fintech & digital Transformation ; Financial Market Overview; Fraud Risks & Internal Controls; Leadership Workplace for Workplace success; Team building & Communication (Group Activity); Cyber Attacks on Banks & their cyber security frameworks; Payments systems in India; SME Lending; Blockchain technology & its usefulness to banks; Basel III Risk & Regulatory Capital; Retail Banking; Emotional Intelligence & leadership; Co-origination of Loans & lending; Repairing Banks' Balance Sheets; Design thinking & Bank strategy; Insolvency & Bankruptcy Code / Inter Creditor Agreements; Seven steps to evolve from Manager to Leader; Digital Strategy for a Bank; Enterprise Risk Management; Fintech Opportunities & Risks; Corporate Lending – Issues & Challenges



## Feedback/Suggestions

A good insight knowledge and latest updates about topics captured in this course/program that will be helpful in our professional career. A blended program of providing insight into relevant issues to bankers as well as leadership response to these issues. Both knowledge & leadership skill enhancer. Enhanced my knowledge on fraud management, cyber-attacks, payment systems, blockchain, Basel-III, co-origination, etc. Include cyber security with possible mitigants in detail rather than just the overview. Also, the links of leadership qualities to hard skills & knowledge. An exclusive program on development in leadership skills; lectures on human behavior/ subordinate behavior working under a leader can be thought of.

#### 25. Roundtable on "Exploring central bank balance sheet risks"

Date January 8, 2020

Venue

Mumbai Objective The roundtable was organised jointly with the CFA Institute, on January 8, 2020. Invites comprised of senior commercial bankers, central bankers, economists analysts and CFA members. Dr. Deepak Mohanty, Executive Director, RBI made a short presentation on the RBI balance sheet risks/ economic capital model and initiated the discussions. Sir Howard Davies, the current Chairman of Royal Bank of Scotland provided the international perspective on this issue. Dr. Anand Srinivasan, Addl. Director, CAFRAL presented the findings of the research undertaken by CAFRAL on this issue.

#### 26. **Retail Lending: What Is Changing**

Date January 20-21, 2020

Venue Mumbai

Coverage Future of retail lending; Regulatory retail portfolio: Supervisory issues in retail portfolio; Credit scoring methodology; E-commerce and consumer loans; SME lending: Online processing of information and data for speedy delivery; P2P and Digital lenders: Learning from outside; Digital Marketing and delivery of credit; Collection and recovery in retail loan portfolio; FinTech and Design workshop: Ul/ UX; Education loan /campus loan/student debt - Cross country perspective; Direct Assignments & PTCs.

## Feedback/Suggestions

Fintech players can be of huge help to the banks with API based solutions. Use of data and technology in retail lending. Regulatory perspective on Retail, Agriculture and MSME. Include more insights on Digital marketing, measures to counter digital frauds, pricing of retail loans,

#### 27. Program on Financial Frauds & Financial Crimes : Prevention, Detection and Investigation

Date January 29-30, 2020

Venue Mumbai

Coverage Role of Culture, Ethics & Compliance in prevention; Recent Developments and Issues in Financial Frauds and Financial Crimes; Cyber Frauds in Banking Sector; Fraud Monitoring, Detection and Reporting; Cyber Crimes & IP Theft; Fraud Risk Management; Transaction Monitoring: Use of Analytics, Use of Al & ML; Fraud Event Management Strategy; Modern Day Frauds - Case Studies; Financial Statement Frauds and Forensic Audit - Case Study; Trade Based Frauds and Mitigating ML Risk.

## Feedback/Suggestions

The program was highly informative; topics were relevant to bankers; the speakers were most competent and knowledgeable. Process of prevention, detection and investigation was well explained; Use of new technologies in fraud management was articulated. Preparedness of banks to fight against frauds and to minimise its occurrence; security layers for safeguard of bank's database; sensitisation towards reporting requirements, compliance framework etc. Both from legal and audit perspective, program was very educative and informative. Extend duration; include more case studies, strategies for detecting of corporate frauds, use of AI/ MI in fraud detection & block chain for preventing frauds

#### Program for Non-Executive Chairmen & Directors on the Boards of Banks 28.

February 05-06, 2020

## Venue Mumbai

**Coverage** Role of Non-Executive Chairmen/Chairperson & Directors: Going Along and Guarding Against; Revisiting Liquidity Management; LODR and Other Capital Market Regulations: What The Non-Executive Chairpersons and Directors Must Know ;Experience Sharing ; Resolutions Under IBC: What to Watch For? ; RBI Guidelines on Compensation of Whole Time Directors/ Chief Executive Officers/ Material Risk Takers and Control Function Staff ; Banking and Financial Sector Outlook ; Risk Appetite, RAROC and ICAAP ; Nuances of Board Oversight ; Corporate Lending: Lessons From The Past and Building Safeguards ; Retail Lending Strategy & Portfolio Choices: Opportunities and Risks ; Secretarial Standards and Board Functioning

## Feedback/Suggestions

Role and responsibility of Independent Directors; Secretarial Standards and Board Functioning; Issues concerning business strategy & Risk Management. Very good inputs, many issues got clarified. Sharing our ideas with other participants. Sessions on liquidity management; risk appetite; resolutions under IBC, were well conceived and delivered. Recovery mechanisms and legal issues related to that: DRT, DRAT, Negotiable Instruments Act, problems of auctions. Macro-economic Overview of Domestic & International situation. Discussion on specific industrial stress, reasons, risk ; future growth plan of banking & economy to be included. Evaluation of Directors: A common methodology to be arrived, Individual Banks Handling of Investment Portfolio, Supervisory Rating by RBI – Methodology to be included .

## 29. Financial Markets Program for Economist

**Date** February 25-28, 2020

## Venue Mumbai

**Coverage** An overview of the money, debt, forex, capital markets and the related derivatives markets; Financial Market outlook - Domestic and Global; Inter-linkages between various segments of the financial markets; Linkages between domestic and global markets; Policy rationale for regulations relating to financial markets; Conduct and consumer protection regulations.

## Feedback/Suggestions

Critical Analysis of policies both fiscal and monetary. Exposure to diverse views of research, regulatory and other stake holders in financial markets (current scenarios and issues related to it Process of prevention, detection and investigation was well explained; Use of new technologies in fraud management was articulated. A lot of understanding about the financial markets. New Concept, frameworks, operational part of Financial Markets. It is a very good programme but needed to be more comprehensive by giving adequate weightage to stock markets, money markets, forex markets and commodity markets. A better sequencing of topics/sessions is needed. IBC/NCLT work was highly important when we discuss credit default/bankruptcy. A more focused session on equity trading before visit to the BSE. WPI and CPI inter linking with capital market and effect of inflation in money circulation. Financial classification brough out by economic division, DEA, M/O Finance

## 30. Workshop for Compliance Officers of a commercial bank,

**Date** March 2-4, 2020

Venue Chennai

**Coverage** Topics covered were GRC Framework & Regulatory Compliance; Regulatory Compliance on Fraud Detection, Reporting & Monitoring; Regulatory Compliance: Divergence in Asset Classification, Income Recognition & Provisioning; Regulatory Compliance in NPA Recovery, ARC Sale, IBC & Non-IBC Resolutions and OTS; Foreign Exchange Operations: FEMA Provisions and RBI Regulations; Regulatory Compliance: Priority Sector Lending etc.

## Feedback/Suggestions

The training was very useful and gave insights on the aspects of compliance in various departments of the bank. All the topics were very informative, especially the Dues on IBC resolutions from a commercial banks and on regulatory compliance by RBI speakers. Holistic Approach to Managing Compliance Risk. Well-structured program. Covered major areas of compliance. Faculty clarified most of the doubts.

# Annex 3

## CAFRAL Team, as on September 1, 2020

- 1. Chandan Sinha, Interim Director
- 2. Nirupama Kulkarni, Research Director
- 3. Gautam Udupa, Research Director
- 4. Kaushalendra Kishore, Research Director
- 5. Pramod Panda, Senior Program Director
- 6. H.K.Khare, Senior Administrative Officer
- 7. D G Kulkarni, Program cum Administrative Officer
- 8. Madhusudan Dutta, Administrative Officer
- 9. Vasanti V Panshikar, Administrative Officer (Research)
- 10. N.P.Khemani, Private Secretary to Additional Director
- 11. Pushpalata Nadar, Program Officer
- 12. Charulatha Ramesha, Program and Relationship Officer
- 13. Nimesh Gopiyani, Accounts Officer
- 14. Anup Sonawane, Web Content Manager
- 15. Trupti Kanade, Junior Accounts Officer
- 16. Ilisa Goenka, Research Associate
- 17. Kavya Ravindranath, Research Associate
- 18. Rahul Chauhan, Research Associate
- 19. Kanishka Chabbra, Research Associate
- 20. Nikita Patial, Research Associate
- 21. Ritika Verma, Research Associate

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