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NIBM NEWSLETTER

Golden Jubilee Year

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Dear Reader,

We wish you a joyful and prosperous new year 2019. We are happy to share with you the January 2019 edition of NIBM's Newsletter. This will update you on the key achievements of the Institute and the important events organised by us in the last quarter (October – December 2018). It also includes a brief summary of recent developments in the Indian banking sector and global markets along with a faculty viewpoint on "Adopting an Economic Capital Based Risk Management Framework in Banks". Happy reading!

Dr K L Dhingra
Director

NIBM Events

Guest Lecture by
Shri Ajay Narayan Jha, Secretary, Ministry of Finance

Shri Ajay Narayan Jha, Secretary, Ministry of Finance, Department of Expenditure, GoI, visited NIBM on 10th December, 2018. On the occasion, he delivered a guest lecture on "Fiscal Management in India" for the PGDM students, Faculty and programme participants of NIBM. He gave an excellent coverage of key constituents of Indian budget and elaborated on the innovative methods by which the union government is trying to manage its expenditure within the roadmap of the fiscal legislation.

Director's Meeting with the Governor of Nepal Rashtra Bank

The Director, Dr. K L Dhingra and Associate Dean – Training Dr. S V Kuvalekar, met Dr. Chiranjibi Nepal, the Governor of Nepal Rashtra Bank (the Central Bank of Nepal) on the 14th of November 2018. They briefed him about NIBM's training activities and discussed capacity building and training for banks in Nepal. Dr. Chiranjibi Nepal expressed his appreciation of NIBM's quality training programmes and suggested an association with Nepal Banking Institute for mutual benefits.

Accolades

The Director, Dr. K L Dhingra and his wife Dr. (Mrs.) Neelam Dhingra entered the India Book of Records for becoming the first Indian couple to be conferred with their PhD degrees on the same day at Manav Rachna International Institute of Research and Studies in Faridabad, Haryana on Nov 16, 2018.

Edited by: Dr Tasneem Chherawala

NIBM Events

New Year get together of Faculty and Staff

The NIBM faculty, staff and students got together for a high tea celebration to bring in the New Year on a cheerful note on 1st January, 2019. The Director, Dr. K L Dhingra briefed everyone about the Institute's achievements in the year gone by and wished them the best for the future.

Guest Lecture by Shri Ambreesh Srivastava

Head of Financial Institutions, Southeast Asia Group, Fitch Ratings

Shri Ambreesh Srivastava, Head of Financial Institutions, Southeast Asia Group, Fitch Ratings, addressed the NIBM Faculty, students and programme participants on the topic of "APAC Banking Outlook" on December 7, 2018.

NIBM's Executive Training Programmes and Conferences

Delivering quality training programmes for Indian and International banks and FIs has been NIBM's key forte.

- In the AY 2018-19, as of December 2018, NIBM has offered 143 training programmes in diverse areas of banking and finance. These included a number of customised Incompany Programmes. A total of 2979 participants, including 838 foreign participants have attended these programmes.
- We recently conducted two International Programmes – The first on Corporate Governance and Leadership for Top Executives from the Financial System, co-ordinated by Dr. Kaushik Mukherjee and Prof. B V Chaubal. 27 participants from 14 countries attended. The second on Bank Financial Management (Focus: Risk Management and Basel II and III Accord), co-ordinated by Dr. S V Kuvalekar and Prof. Sanjay Basu was attended by 30 participants from 20 countries.

Dr K L Dhingra, *Director*, Dr Kaushik Mukherjee and Prof B V Chaubal along with the participants of International Programme on Corporate Governance and Leadership for Top Executives.

- **NIBM and Assocham have announced a Joint Conference on Infrastructure Finance: Opportunities and Challenges, on the 29th of January 2019 at NIBM Campus.**

Ms Geetha Muraldharan, CMD and Shri M Senthilnathan, ED, ECGC Ltd. along with the probationary officers of ECGC Ltd.

NIBM's Achievements in Consultancy and E-Certification

NIBM's Consultancy Projects

The domain strengths of NIBM faculty continue to be demonstrated in the following consultancy projects which have recently been concluded.

- **Review of Internal Audit System of Punjab National Bank**

  The Project was coordinated by Dr Dipali Krishnakumar and the team included Dr K L Dhingra, Dr Kuvalekar, Prof Jayant Keskar, Prof Siddharth Bajpai, Dr Richa Verma Bajaj and Industry Experts.

- **TRAI Project on Determination of Weighted Average Cost of Capital for the Indian Telecom Sector**

  The Project is coordinated by Dr. Manickaraj and includes Dr. Dipali Krishnakumar and Dr. K L Dhingra. The Report on the first major part of the project deliverables has been submitted.

- **Promotion Exercise for Middle Level Executives of Andhra Pradesh State Financial Corporation (APSCF).** Faculty Members Dr. S V Kuvalekar, Dr. Shomi Srivastava, Prof. Anjan Roy and Dr. Nagaraju were involved in this exercise.

NIBM's Online Certification Courses

NIBM is identified as one of the Institutes for offering online certification courses to banks and FIs, under the mandate of RBI.

- On September 30, 2017, the Institute launched e-certification courses in four areas viz., **Credit Management, Risk Management, Treasury Management and Accounts and Audit**. These courses have been designed as a mix of on-line learning and video based components, with rigorous evaluation components.
- **Around 3650 participants from 55 public, private, co-operative and small finance banks and other financial institutions have registered for the courses,** of which 1660 have successfully completed the same.
- Based on market demand, NIBM has recently offered e-certification courses on **Retail Credit Management and Credit Management for Small Finance Banks.**

PGDM Activities and Events

Rashtriya Ekta Diwas Celebrations on 31st October, 2018

- The PGDM Student Council organized a number of activities to celebrate Rashtriya Ekta Diwas (National Unity Day) on 31st October 2018, the birth anniversary of Sardar Vallabhai Patel. The programme started with a motivating speech made by Dr. M Manickaraj, Associate-Dean (Education). An inspiring poem was presented by Mihir Shuka, from PGDM 2018-20. The students took a collaborative pledge on peace and solidarity and participated wholeheartedly in the Run for Unity.

The meeting of the PGDM Executive Council on November 29, 2018

- The PGDM Executive Council meeting was convened on November 29, 2018 at NIBM Campus. The Chairman Dr. R Parchure, Professor & Officiating Director, GIPE, Dr. R Uberoi, General Counsel & Head, Legal and Audit, IDFC Bank, Dr. S Sarkar, Faculty, IGIDR, Smt. M Sarkar Deb, Principal, CAB, Pune and Dr. K Subramanian, Associate Professor, ISB, Hyderabad along with the Dr. K L Dhingra and other faculty members deliberated on the PGDM Curriculum and the need to enrich the same.

PGDM Alumni Achievements in Risk Management

- Many of our PGDM alumni, placed with highly reputed organizations, have cleared the Financial Risk Manager (FRM) examinations conducted by Global Association of Risk Professionals (GARP) – one of the toughest professional exams for risk managers. From the 2015-17 Batch, Ms. Sneha Bajoria, Ms. Shivangi Dubey and Mr. Vivek Jain and from the 2016-18 Batch Ms. Nupura Parchure are the latest to join the list. Their achievement reflects well on the breadth and depth of the Risk Management, SAPM and Derivative courses offered at NIBM.

Placements of PGDM 2017-19 Batch

- In the ongoing placement process, 78 students out of 88 have been placed with private sector banks, foreign banks, payments banks, NBFCs, top consulting firms, rating agencies and top IT firms.

Global Markets and Indian Banking Sector Developments

Professor Tasneem Chherawala and Professor Sanjay Basu

RBI: Recent Developments and Announcements

Shri Shaktikanta Das, former economics affairs secretary was appointed the 25th Governor of the Reserve Bank of India on 13th December, 2019, following the resignation of Dr. Urjit Patel. After meetings with the heads of public and private sector banks, a spurt of RBI announcements and decisions have been made, in the recent past:

- The first was to scale up liquidity injection in the financial system to Rs. 50,000 crores in December 2018 and indicate an equivalent amount for January 2019, through open market operations. While such a move will surely ease the liquidity crunch faced by banks and NBFCs and translate into lower cost of borrowing, the RBI will need to ensure that it does not adversely impact inflation which is currently at an annual low of 2.33 percent CPI.
- Second, the RBI Board addressed the issue of sharing its surplus with the Government by deciding not to touch the unrealized revaluation gains of Rs. 6.9 lakh crores recorded in its reserves. The Board also appointed a panel headed by former RBI governor Dr. Bimal Jalan, to review RBI's economic capital framework and define the mechanism for RBI's current and future dividend payout to the Government. Benchmarked to the large central banks like Bank of England and US Fed Reserve, RBI's available capital level may appear high. However, the economic capital argument, which links capital requirement to risk, suggests that RBI may need to preserve its capital to buffer India's high current account deficit and protect the sovereign credit rating.
- The RBI announced the deferment of the last tranche of the capital conservation buffer (0.625% of risk weighted assets) requirement under Basel III regulations to March 2020. This will provide a breather of Rs. 35,000 crores capital requirements of Public Sector Banks (as estimated by CRISIL) for the FY 2018-19.
- Fourth, the RBI set up an expert committee under the former SEBI chairman Shri U K Sinha to suggest long term solutions for economic and financial sustainability of the MSME Sector, including timely and adequate availability of finance. This came immediately after RBI allowed banks a one-time restructuring of existing debt (upto Rs. 25 crore) for the MSMEs. This move could result in close to Rs. 10,000 crores debt to MSMEs getting restructured without getting classified as NPA. Such regulatory forbearance is contradictory to the RBI's Financial Stability Report (December 2018), which warns of emerging risks in excessive exposure to the MSME sector. It also does not bode well for the MSME credit culture.

Indian Banking Sector Developments

The Reserve Bank of India published two important reports – Report on the Trends and Progress of Banking in India 2017-18 and the Financial Stability Report, December 2018. We highlight some important facts below:

- The positives for the Indian Banking sector are with regard to pick up of credit growth; fall in Gross NPA ratio from 11.5 per cent in March 2018 to 10.8 per cent in September 2018; enhancement in capital positions and provisions coverage ratios; higher recoveries via IBC and other mechanisms; signs of recuperation of banks under Prompt Corrective Action (PCA);
- The major emerging risk is related to frauds in the banking sector. Banks lost Rs. 41167 crores to fraud in 2017-18 with 5917 instances of bank fraud.
- A shift in credit intermediation from banks to non-banks has underscored the need for better management of ALM risks by NBFCs.

Impact of Brexit

On the 29th of March 2019, the UK is scheduled to exit the EU. However, in early-December 2018, British PM Mrs. Theresa May postponed a parliamentary vote, on the draft Brexit deal, to January 2019. Latest reports suggest that most Brexit supporters would prefer to leave the EU without a deal, than support Mrs. May's plan. The economic consequences of a no-deal Brexit could be serious. The supply of food items, medicines and other essential goods to Britain could shrink. The movement of freight traffic across the English Channel could be disrupted. Under WTO rules, British exporters could face EU tariffs of up to 6 billion GBP per year. Such reciprocal tariffs would diminish intra-industry trade (e.g. in cars) between Britain and EU. The GBP is also expected to suffer a sharp depreciation, after Brexit. As a result, GDP growth rate could fall by 0.6% per annum, in the UK, over the next 15 years. In Dec-2018, the UK government provided for an additional 2 billion GBP, in anticipation of a disorderly exit. At present, the total budget, for Brexit preparedness, stands at 4 billion GBP.

The impact of a no-deal Brexit, on developing countries like India, could be mixed. On the one hand, a sharp depreciation of the GBP after the break up, vis-a-vis emerging market currencies like INR, could make their exports uncompetitive and increase Current Account Deficits. If the depreciation of the GBP is too severe, the Bank of England may also raise short-term interest rates to restore its value. Such a measure could trigger a wave of capital outflows (a là taper tantrum) from developing markets. On the other, the UK may want to sign preferential (or Free) Trade Agreements with large countries like India, in order to replace the EU. British universities could also provide better access to students from developing countries, to compensate the loss of students from mainland Europe. All in all, at present, the situation is quite fluid. Let us wait and see which way the wind blows.

Faculty View Point: Adopting an Economic Capital Based Risk Management Framework in Banks

Dr. Arindam Bandyopadhyay, Associate Professor, Finance

Banks are in the business of incurring, transforming and managing risk. In order to remain competitive, healthy and sustain growth in business, banks must perform business and risk profile analysis in each risk segment (credit risk, market risk, operational risk and other risks) and derive their internal risk tolerance levels. Risk can be measured along two dimensions - expected loss and unexpected loss. Adequate pricing and reserves should provide sufficient earnings to absorb expected loss. However, a true risk measure is the loss volatility of unexpected outcomes for which capital is required as a cushion. The goal of integrated risk management in a bank is to measure and manage risk and economic capital across the range of diverse business activities. An effective forward-looking integrated risk management framework can help banks to accelerate growth and enhance risk-adjusted performance on a continuous basis.

Economic capital is a measure of true risk faced by the bank. It is based on Value at Risk (VaR) like techniques that determine Rupee level of capital necessary to adequately support specific risks assumed. The VaR metric uses a statistical loss distribution to determine the required risk capital at any given confidence level. It is based on probabilistic assessment of potential future losses and is, therefore, potentially more forward looking. Accordingly, the Bank's business planning should be aligned to the extent of economic capital that is associated with each activity.

Recently, Reserve Bank of India (RBI) has cautioned in its Annual Report on Trends & Progress of Banking in India (2017-18) that "Applying the Basel-specified risk weights would understate the true riskiness of loan assets carried on the book of our banks". This implies that banks should go beyond regulatory risk indicators (like standardized approach risk weights or risk weighted assets density ratio), and monitor economic capital requirement (based on internal risk metrics) to appropriately understand the effect of risks. From the regulatory perspective, the purpose of introduction of revised Basel III framework is to ensure that regulatory capital requirements are more in line with economic capital requirements of banks and by this, make capital allocation of banks more risk sensitive. In India, Basel III capital regulations has been implemented from April 1, 2013 onwards in phased manner and will be fully implemented by March 31, 2019 (now extended till 2020 by RBI). The latest round of reforms published by the Basel Committee in December 2017 have implementation timelines stretching up to 2022.

In view of the above, it has been the continuous endeavor of NIBM to offer various programmes on Risk Management (Credit, Market and Operational Risk) and Basel III related topics to keep the banking industry fully updated about the latest regulatory and best-practices related developments pertaining to risk management. The latest programme offered is on "Integrated Risk Management under Final Basel III Framework" (January 7 – 11, 2019). This programme is specially designed to enhance understanding of various risk and economic capital assessment techniques, and their role in performance measurement and business strategy of a bank. NIBM has also offers in-company programmes on Integrated Risk Management, which are tailor-made to the specific requirements of individual banks and FIs.

NIBM Training Programmes

February 2019 – March 2019

No.	Title	Duration	From	To	Target Group	Coordinators
February						
1	Advanced Programme on Corporate Lending and Financial Services	5 Days	05/02/2019	09/02/2019	Middle & Senior Management	S V Kuvalekar & Dipali Krishnakumar
2	Programme on Bond Portfolio Management w ith Trading Game	6 Days	04/02/2019	09/02/2019	Middle & Senior Management	Kedar nath Mukherjee
3	Programme on Lending Strategies to Agribusiness & MSME (Venue: Coimbatore)	3 Days	06/02/2019	08/02/2019	Middle & Senior Management	Naveen Kumar & M Manickaraj
4	Programme on Financing Rural and Social Infrastructure	3 Days	11/02/2019	13/02/2019	Middle & Senior Management	Dinesh Jain & Naveen Kumar
5	Programme on Integrated Treasury Management w ith Simulated Bourse Game	10 Days	11/02/2019	20/02/2019	Middle & Senior Management	G Nagaraju & Jiji Mathew
6	Programme on CRM in Retail Banking	4 Days	12/02/2019	15/02/2019	Middle & Senior Management	Kaushik Mukerjee & Ateeque Shaikh
7	MDP for Regional Rural Banks: Enabling RRBS for Future Banking Landscape	3 Days	13/02/2019	15/02/2019	Middle & Senior Management	Naveen Kumar K
8	Programme on Cyber Security and Cyber Risk Management	2 Days	15/02/2019	16/02/2019	Middle & Senior Management	Alka Vaidya
9	Programme on Target Setting and Performance Evaluation of Bank Branches	4 Days	18/02/2019	21/02/2019	Middle & Senior Management	Anjan Roy & B V Chaubal
10	Marketing for Branch Managers: Focus Retail and MSME	4 Days	18/02/2019	21/02/2019	Middle & Senior Management	Sarita Bhatnagar
11	Programme on Financing International Trade	5 Days	18/02/2019	22/02/2019	Middle & Senior Management	Gargi Sanati & Smita Roy
12	Bank Executive Programme for Scale IV & V	5 Days	19/02/2019	23/02/2019	Middle & Senior Management	S V Kuvalekar & Shomi Srivastava
13	Programme on Internal Liquidity Adequacy Assessment Process (ILAAP)	5 Days	19/02/2019	23/02/2019	Middle & Senior Management	Sanjay Basu
14	Programme on Using Analytics to Drive Profits	2	21/02/2019	22/02/2019	Middle & Senior Management	Kaushik Mukherjee & Ateeque Shaikh
15	Programme in Compliance Functions in Banks	3 Days	25/02/2019	27/02/2019	Middle & Senior Management	Rakesh Gupta & Dipali Krishnakumar
March						
16	Programme on IBC Code, 2016	2 Days	01/03/2019	02/03/2019	Middle & Senior Management	Dipali Krishnakumar & Richa Verma Bajaj
17	Programme on Retail Lending Strategy for Branch Managers	3 Days	28/02/2019	02/03/2019	Middle & Senior Management	Rakesh Gupta & Siddharth K Bajpai
18	International Programme in Banking and Finance(Focus: Credit management and International trade financing)	13 Days	04/03/2019	16/03/2019	Middle & Senior Management	Smita Roy Trivedi & Elizabeth James
19	International Programme on Digital Payments in Jt. Coordination w ith NITI Aayog, GOI, N.Delhi	4 Days	05/03/2019	08/03/2019	Middle & Senior Management	Deepankar Roy
20	Programme on Risk Management under Basel Regime for First Time Risk Managers	6 Days	11/03/2019	16/03/2019	Middle & Senior Management	Kedar nath Mukherjee & Richa Verma Bajaj
21	Programme on Women Development through Income Generating Activities - Joint Prog. By NIBM & CICTAB	4 Days	11/03/2019	14/03/2019	Middle & Senior Management	Naveen Kumar K
22	Faculty Development Programme for Bank Staff Training College Faculty: Building Know ledge, Skills, and Attittude for Conducting Effective Training	3 Days	13/03/2019	15/03/2019	Middle & Senior Management	Badrinarayan Paw ar & Kaushik Mukerjee
23	Programme on Audit of Advances Portfolio at Branches	3 Days	18/03/2019	20/03/2019	Middle & Senior Management	Siddharth K Bajpai

For more details please visit www.nibmindia.org