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GST Council-like institutions needed to promote healthcare, rural development: Arun Jaitley Finance Minister A

Arun Jaitley Wednesday made a case for setting up GST Council-like federal institutions to promote healthcare, rural development and agriculture sectors by optimally utilising resources of the centre and states. The successful experiment of GST Council, which is a constitutional body for making recommendations to the union and state governments on issues related to goods and service tax, needs to be replicated in other areas. He said agriculture, rural development and healthcare is one area where the central government spends a lot of money on supporting farmers, creating infrastructure and building health centres for poor population. Also, the state governments are spending money on these sectors. He said there is a need for utilising the resources in an optimal manner by enhancing coordination between the centre and state governments for essential developmental activities. "I think a coordination body on a non-statutory basis like the GST Council, as a federal institution can do that job (coordination)," Jaitley said in a video message on Twitter. "I strongly believe federal institutions after the successful implementation of the GST Council must be experimented in the areas of rural development, agriculture and healthcare. This will help the poorest section of population. We stand as a political party also committed to enforce this," the minister said. He said the GST Council is an "excellent federal institution", which in its 34 meetings has decided thousands of issues with consensus leading to benefits to traders and people and developing 'New India' The GST Council, chaired by the union finance minister, comprises finance ministers of all states.

Infra development, clearing backlog of defence purchases to be priorities for future: FM Arun Jaitley

Finance Minister Arun Jaitley said Friday the government's priority for the future would be infrastructure development and clearing backlog of defence procurement, among others. Development of rural India and improvement of healthcare and education would be the other priority areas, he said at the Hindu Business Line award function here. "In future may be four priorities-- rural India, backlog of defence procurement, healthcare and education and of course infrastructure," he said. "I foresee a better quality of life in urban slums, rural India and the policies must be aimed at allowing these people to aspire and get into at least neo middle class. Two areas where we seriously need to concentrate is healthcare and education," he said. There are some areas which are growing and some require support from the government for improving capacity like rural sector, he said, adding higher resources would help the government to spend more on infrastructure development. The effort of the government has been to maximise resources with lowering of the tax rate by following the theory of lower taxation higher compliance, he said. In the last five years, there has not been a single incidence of increase in tax rate and rates in both direct and indirect taxes have been lowered, he said. Talking about Ayushman Bharat programme, he said 16 lakh people have benefited from this cashless insurance scheme of the government in the first four months of its launch. With this scheme suddenly 78 per cent of the population came under the health insurance cover, he said. The ambitious scheme launched in September 2018 aims at providing coverage of Rs 5 lakh per family annually, benefiting more than 10 crore poor families. Eligible people can avail the benefits in the government and listed private hospitals. The scheme targets poor deprived rural families and identified occupational category of urban workers' families, 8.03 crore in rural and 2.33 crore in urban areas, as per the latest Socio-Economic Caste Census (SECC) data. It has provided cover of around 50 crore people.

RBI governor calls for permanent status to finance commission

Reserve Bank of India (RBI) governor Shaktikanta Das called for a permanent status to Finance Commission and a robust expenditure planning without compromising on fiscal consolidation as fiscal federalism gathers momentum in the era of uniform goods and services tax (GST). Das who is also a member of the 15th finance commission said there is a need to ensure consistencies between finance commissions so that there is some certainty in the flow of funds to states. "This has become even more critical in the post GST scenario. In other words, there has to be continuity and change between finance commissions. Increasingly, therefore, it is felt that there is a need to give permanent status to the finance commission. The commission can function as a leaner entity in the intervening period till the next finance commission is set up in a full-fledged manner. During the intervening period, it can also address issues arising from implementation of the recommendations of the finance commission," Das said in his first speech as RBI governor. He was introducing former RBI governor YV Reddy's co-authored book called Indian Fiscal Federalism. Das said the challenge for the GST Council now is to realise the full potential of GST for enhancing tax-GDP ratio and work on other areas of India's economy to enhance its competitiveness. Das also called for the constitution of state finance commissions every five years.

Economists raise concerns over India's slowdown with RBI chief

Economists raised concerns over a sharp slowdown in Indian economy and pitched for a monetary policy boost to support growth at a meeting with the nation's central bank chief on Tuesday, according to three participants.

Reserve Bank of India Governor Shaktikanta Das met more than a dozen economists to get their views on the economy ahead of the Monetary Policy Committee (MPC) decision due on April 4. Most economists expect the six-member MPC to cut the repo rate by 25 basis points for the second time in a row next month to 6.00 percent, a level last seen in August 2017. While the economists did not specify the extent of rate cut that the RBI could consider, one of them called for a 50-basis- point reduction, one of the participants said. "Most of the participants said that monetary policy needs to do the heavy lifting to boost growth as there was no space for fiscal expansion," another participant said. The meeting under Das, who took charge in December, was in sharp contrast to the previous ones under former governor Urjit Patel, who was slightly reclusive and preferred to meet a small group of 5-6 economists. Das' style has, however, been more open and communicative. India's economy expanded by 6.6 percent during October-December, its slowest pace in five quarters, on weak consumer demand and investments, dealing a major blow to Prime Minister Narendra Modi as he seeks a second term in office at a general election that kicks off next month. Slowing growth has hit the federal government's tax collections, constraining its ability to substantially boost spending ahead of elections. However, neither Das nor any RBI official from the monetary policy department gave any indication of their thoughts or views, as is typical in such big-group meetings. Economists and strategists spoke of several issues including drought, liquidity management, exchange rate, inflation, growth, bank credit growth, real interest rates and monetary policy transmission. "The meeting went on for two-and-a-half hours as there were many participants," said another economist who attended the meeting. "But they didn't say a single word on these topics." The RBI did not respond to an email seeking comment on the meeting with economists. Some economists pointed out that food inflation could begin inching up after September if monsoon rains were not sufficient, but was unlikely to push retail inflation past the RBI's 4 percent target. Consumer inflation was at 2.57 percent on-year in February as food prices continued to fall for a fifth straight month. The economists also raised concerns over a slowdown in global growth that has hurt India's exports. India's outbound shipments grew 2.4 percent annually in February, slower than 3.7 percent in January. "Overall, the view was that the downside risks to growth have increased since the last policy while inflation risks have remained muted," said a third participant. "Not many of us clearly specified how much rate cut we wanted, but we presented the facts to make it clear to RBI that there was a need for a big boost to the economy."

Govt banking on advance tax collection to meet direct tax target of Rs 12 lakh cr

NEW DELHI: With fiscal math under pressure due to lower buoyancy in tax collection, the government is eyeing advance tax payment to meet the revised Budget target of Rs 12 lakh crore for the current fiscal. According to sources, efforts are being made to make up for the shortfall in direct tax collection, but the revised target seems to be daunting. The government had earlier estimated Rs 11.5 lakh crore mop-up from direct tax collection. The increase of Rs 50,000 crore in the interim Budget 2019-20 has made the task of achieving the revised target a difficult proposition for the Central Board of Direct Taxes (CBDT), sources said adding the shortfall seems to be imminent. However, the clarity on the exact quantum of shortfall would emerge only after the final figure of advance tax collection comes, sources said. Net direct tax collection during April-January of this fiscal stood at Rs 7.89 lakh crore against Rs 12 lakh crore targeted for the entire fiscal. To meet the shortfall, CBDT chairman P C Mody held a meeting with senior tax officials to review collection figures ahead of the deadline of advance tax payment of Friday. Besides, the board has been issuing an advisory asking the taxpayers to pay the fourth and last installment of advance tax for the current fiscal. Under the Income Tax Act, any assessee, including salaried employee whose estimated tax liability for an year exceeds Rs 10,000 needs to pay advance tax. With the tax department staring at the deficit in collection, there are apprehensions that corporates may have to pay more in the last installment and claim refund in the next fiscal. As a result of this, the gap between the target and actual realisation is narrowed for the current fiscal. It is to be noted that the government has been putting on a brave face as far as meeting direct tax collection target is concerned. "On direct taxes, we are reasonably confident of (meeting the target). But on the indirect tax front, there may be some shortfall," Economic Affairs Secretary Subhash Chandra Garg said on Thursday. The government in the interim Budget revised customs collection target from Rs 1.12 lakh crore to Rs 1.30 lakh crore. GST collection is pegged at Rs 6.43 lakh crore, which is lower than the targeted Rs 7.43 lakh crore. GST collection, however, is expected to rise to Rs 7.61 lakh crore in next fiscal.

RBI likely to change disclosure norms for bonds

MUMBAI: The Reserve Bank of India (RBI) is likely to ease disclosure rules on the transfer of various categories of state government bonds held by high-street lenders, a move that could help increase treasury incomes at traditional banks. The banking regulator may say that lenders need not disclose the transfer of state bonds from the held-to-maturity (HTM) category to the available-for-sale (AFS) segment, said a source with direct knowledge of the matter. An email query sent to RBI remained unanswered until the publication of this report. If the RBI eases the rules, banks would get to shift more of state loans that are in HTM category to AFS, translating into an increase in liquidity as these bonds carry higher coupon. This will also help financially prudent state governments buy back bonds as those states would aim to cut their borrowing costs in a falling rate regime. “If banks are allowed to transfer state bonds from HTM (Held-to-Maturity) to AFS (Available for Sale) without any disclosure, it should increase the stock of such bonds available for secondary market trading,” said a senior executive from a large bond house. The differential between state and central government bonds should continue to compress until fiscal year end before it expands in the new financial year on higher supply, the person said. This makes a 'buy' case for investors for now. The differential was as high as 110 basis points three-four weeks ago, prompting investors to book mark-to-market profits with falling yields. The easing of rules was discussed in a meeting held between the RBI and different state government secretaries a week ago. ET reported on March 18 that RBI proposed a rule-based approach in fixing new Ways and Means limits for the state governments, replacing the previous expenditure-based system. State bonds, known as State Development Loans (SDL) in market parlance, are expected to inch up to Rs 4.3 lakh crore in FY20 from Rs 4 lakh crore in FY19, according to a note by Phillip Capital India. Net-net, supply is higher in FY2019-20. Total outstanding stock of state bonds is more than Rs 23 lakh crore now. State bonds offer 75-85 basis points higher than central debt securities. Bond yields and prices move in opposite directions. State government bonds have of late assumed importance as such debt papers, now voluminous, can change market dynamics. “SDL crowds out corporate borrowings in the bond market by increasing costs,” said B. P. Kanungo, RBI Deputy Governor, in a note in September last year. “A one percentage point increase in the ratio of state debt issuance to GDP (resulted) in an 11 percent decline in the volume (in Rupees) of corporate bonds issued in FY16."

Government to hire pro team to monitor KISAN scheme

NEW DELHI: The government is planning to hire senior professionals and support staff to monitor and implement PM KISAN scheme in which BJP-ruled states have taken the lead, sending names of small and marginal farmers eligible to receive Rs 6,000 annually in three equal instalments. "Initially, we are going to hire six professionals, who can deal with data analytics, ground monitoring and supervision of the implementation. Since, the scheme is a continuous year-long programme, it will need trained professionals and experts to deliver the results," said a senior agriculture department official, who is dealing with PM KISAN scheme. The scheme is being monitored by a project monitoring unit (PMU) at the centre led by a joint secretary Vivek Agrawal, designated as the chief executive officer. The states and union territories may also set up a dedicated PMU for the effective implementation of this scheme. "The centre can transfer 0.25% of the amount earmarked for the first instalment and 0.125% for the subsequent instalments to state governments to cover the expenditure of PMUs, if established, and for meeting other related administrative expenses including cost incurred on stationery, field verification, certifications and data uploading," the official said. The government so far has received data of 47.6 million eligible beneficiaries. First level validation of 40 million beneficiaries has been completed and payment of first installment of Rs 2,000 each has been made to around 27.6 million farmers. ET had reported that the department has sought Election Commission's views about the implementation of the scheme during the period when election code of conduct is on.

NITI Aayog suggests raising monthly training stipend to Rs 5,000

NITI Aayog has suggested more than threefold increase in the cap on reimbursement of the cost of training candidates under a revamped version of the government's National Apprenticeship Promotion Scheme (NAPS), a measure which will bring down the liability of companies and give a fillip to the programme which has not found many takers so far. The Aayog has proposed that the government reimburse the companies up to Rs 5,000 or 50% of the cost per candidate per month as stipend for apprenticeship training under NAPS instead of a maximum of Rs 1,500 or 25%, whichever is higher, at present, a senior government official told ET. "The proposal is under consideration of the finance ministry and may get the green signal after the general election when Skill India Mission 2.0 gets rolled out," the official said on condition of anonymity. Officials in the skill development and entrepreneurship ministry confirmed that a proposal in this regard has been sent to the finance ministry for approval "The government has to decide on its priorities and money can be found," said the senior official. "Apprenticeship training is a must, but with the current rate of reimbursement not too many employers are coming forward to provide apprenticeship training as it calls for additional financial burden on them." The BJP-led NDA government had launched NAPS in 2016 to promote apprenticeship training in the country and to incentivise employers who wished to engage apprentices. The programme aims to increase the engagement of apprentices to five million by 2020 from just around 230,000 now. The government allocated Rs 10,000 crore to bear the cost of reimbursements, but in the absence of active participation from industry players, not much of the amount has been utilised. Initially, the programme was run by the director general of training under the skill development and entrepreneurship ministry. However, owing to the poor response from private players, it is now being operated partly by the National Skill Development Corporation and the Sector Skills Councils in its fold so as to increase the role of private players in imparting apprenticeship training to the youth.

No dilution on Feb 12 circular over stressed assets: RBI

MUMBAI: The Reserve Bank of India Saturday maintained that there is no dilution in its stand with regard to February 12 circular on stressed assets recognition and resolution. "It is reiterated that the Reserve Bank maintains its stand on all aspects of the Framework as has been consistently articulated in its communications, including the clarification given during the post-monetary policy press conference on February 7, 2019," the central bank said in a statement. The statement comes amid reports that the RBI seems to be toeing the government line and considering relaxation of some of the aspects of the Revised Framework on Resolution of

Stressed Assets issued on February 12, 2018. As the matter is sub-juiced and the Supreme Court has reserved its orders on the matter, the Reserve Bank will not comment on the specific details, it said. Reserve Bank of India (RBI) Governor Shaktikanta Das last month had said there would be no changes in the circular. The circular directed lenders to refer any loan account over Rs 2,000 crore under the Insolvency and Bankruptcy Code (IBC) if it is not resolved within 180 days of default. It also underscored IBC's status as the cornerstone of the bad loan resolution framework, scrapping all previous mechanisms. The circular imposed a one-day default rule. Banks have to treat a company as a defaulter even if it misses repayment schedule by a day. However, this harsh norms have been criticised in various quarters, including by a parliamentary committee.

RBI seeks modification of NCLAT order in ILFS case

The Reserve Bank of India has moved the National Company Law Appellate Tribunal (NCLAT) over the order passed regarding classification of debt of IL&FS group companies as NPA. A two-member NCLAT bench, headed by Justice S. J. Mukhopadhaya, has said that it would hear the RBI on the issue. The RBI is seeking modification of the order passed by the tribunal which has provided moratorium on repayment of loans regarding the accounts of IL&FS and its over 300 group companies. During the proceedings, RBI's counsel said that there was a overlap of power on the issue. The tribunal has also asked the Ministry of Corporate Affairs about the progress made with respect to resolution of IL&FS issues. Further, the tribunal has sought company-wise updates from the Committee of Creditors (CoC) and Resolution Professional (RP).

Govt committed to maintain credibility of statistical organisations, says senior official

NEW DELHI: The government is committed to maintaining the credibility of statistical organisations and the NSSO employment data would be released by month-end, a senior official said Monday as he dismissed concerns about alleged political interference in statistical data. The senior government official's comments come against the backdrop of as many as 108 economists and social scientists alleged "political interference" in statistical data in the country and called for restoration of "institutional independence" as well as integrity of statistical organisations. "The government is committed to maintaining the credibility of our statistical organisations, not only that we have worked hard to strengthen these organisations and will continue to do so," the official told PTI. The official also said the National Sample Survey Office's (NSSO's) employment data would be released by the end of March. There has been a controversy over NSSO figures not being released after a draft report had indicated that employment generation was slow. "The liberals are very angry with Prime Minister Narendra Modi because he has preferred hard work to Harvard (University). "And all of these 108 gentleman, a great majority them are ensconced in environments of their western universities and choose to comment on India without having any reality checks. Those who have done reality checks are ideologically so motivated that they will colour everything with their ideology," the official said. Last week, the 108 economists and social scientists' appeal also came amid controversy over revision of GDP numbers and withholding employment data by the NSSO.

India state banks want Jet Airways' Goyal to reduce stake to 10 per cent: Report

MUMBAI- A group of Indian state-run banks want Jet Airways' embattled founder and Chairman Naresh Goyal to reduce his stake in the carrier to 10 percent, news channel CNBC-TV18 reported on Thursday, quoting sources. "Banks want Goyal to bring his stake down to 10 percent, below the 17 percent envisaged in the bank-led provisional resolution plan (BLPRP)," sources told CNBC-TV18. The state-run banks are also pushing Goyal to step down, CNBC-TV18 added. Jet has more than $1 billion in debt, and owes money to banks, suppliers, pilots and lessors - some of whom have started terminating leases with the carrier. The government has asked state-run banks, led by State Bank of India (SBI), to rescue Jet without pushing it into bankruptcy, two people within the administration have told Reuters, as Prime Minister Narendra Modi seeks to avert thousands of job losses weeks before a general election. Several people who have worked closely with Goyal, 69, have told Reuters that his penchant for control has emerged as a major obstacle in negotiating a rescue deal. SBI Chairman Rajnish Kumar had said on Wednesday that a resolution plan was "almost" ready and that it would not involve a bailout for any individual, including Goyal. Jet and SBI did not immediately respond to requests for comment on Thursday, which is a public holiday in India.

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5-fold jump in incentive to central government staff for acquiring higher qualifications while in job

New Delhi: The central government has approved a five-fold increase in one-time incentive given to its employees who acquire higher degrees while serving in their departments, officials said Monday. The amount of incentive will be increased from a minimum of Rs 10,000 to a maximum of Rs 30,000 for acquiring higher qualifications like Ph. D, they said. The Personnel Ministry has amended a 20-year-old norm in this regard to increase the amount of incentives provided for the employees. The government employees acquiring fresh higher qualifications after coming into service were granted incentive in the form of one-time lump-sum amount ranging from Rs 2,000 to Rs 10,000. Now, it has been decided to increase the amount to a minimum of Rs 10,000 to a maximum of Rs 30,000, an order recently issued by the Personnel Ministry stated. While Rs 10,000 will be given for acquiring degree/diploma of duration of three years or less, Rs 15,000 will be given for acquiring degree/diploma having duration of more than three years, it said. A sum of Rs 20,000 will be given for earning post graduate degree/diploma with one year or less. Such qualification having duration of more than one year will get Rs 25,000 to the employees, the new order stated. A highest incentive of Rs 30,000 will be given to those getting Ph. D or equivalent, it stated. There are around 48.41 lakh central government employees. "No incentive shall be allowed for acquiring higher qualification purely on academic or literary subjects," it clarified. The acquisition of the qualification should be directly related to the functions of the post held by him/her, or to the functions to be performed in the next higher post, the ministry said. "There should be direct nexus between the functions of the post and the qualification acquired and that it should contribute to the efficiency of the government servant," it said. The incentive, however, shall not be admissible where the employee is sponsored by the government or he/she avails study leave for acquiring the qualification, the order stated. "The incentive would be given only for higher qualification acquired after induction into service," it stated. Further, the incentive shall be limited to maximum two times in an employee's career, with a minimum gap of two years between successive grants, the ministry said. According to Personnel Ministry's order issued in April 1999, employees were entitled for a minimum of Rs 2,000 and maximum of Rs 10,000 for getting fresh qualifications. While Rs 2,000 was applicable incentive for "passing intermediate examination", those earning post graduate degree of Ph. D were entitled for a maximum of Rs 10,000.

View: Draft e-commerce policy will wreak havoc on Indian startups

By Nehaa Chaudhari

On March 4, the US government announced that India would no longer be entitled to benefits under the Generalised System of Preferences programme, which allowed many Indian goods to be exported to the US duty-free. According to the US trade representative, this is because India had “implemented a wide array of trade barriers” that harmed US commerce. Last year, India had increased binding restrictions on foreign investments in ecommerce. It proposed guidelines that would make it mandatory for certain internet intermediaries to set up Indian companies & permanent registered offices in India. It also mandated that financial data be stored and processed only in India. The latest in a series of technology policy instruments to further a protectionist, nationalist agenda, is the draft national ecommerce policy, released last month. The proposed policy has many aims, including “empowering domestic entrepreneurs”, levelling the playing field for startups, and encouraging their participation in the digital economy. But the strategies it outlines for achieving these goals will end up harming Indian startups, raising market entry barriers, and preventing them from the innovation that will disrupt existing business models, and increase consumer choice. The use of ‘ecommerce’ in the title of the draft policy is misleading. The policy equating ecommerce with the digital economy offers recommendations on wide-ranging areas well beyond just ecommerce, including data governance, intermediary liability, intellectual property, competition, consumer protection, investments and cloud infrastructure. A related concern is of the draft policy defining ecommerce in broad terms to include the sale, purchase, marketing, or distribution of digital services, with no further clarity on scope or limitations. Making policy for all internet-based services should not be the job of an ecommerce policy. The compliance burden on stakeholders, particularly startups, would otherwise be tremendous, which, in turn, would restrict innovation. The draft policy is also harmful for startups with intermediaries being asked to take steps to prevent the online dissemination of pirated content; platforms being required to have mechanisms to notify trademark owners/licensees about potential infringement; payment gateways needing to restrict payments to ‘rogue websites'; and platforms being liable and responsible for ensuring the authenticity of content on their platforms. Not only will these obligations burden companies with additional financial costs, including investment in technical expertise, but they also require internet intermediaries to proactively monitor content on their platforms, which is against the 2015 Supreme Court ruling in 'Shreya Singhal v. Union of India'. The draft policy severely restricts the cross-border flow of data, and goes well beyond India's draft Personal Data Protection Bill. For most startups, cross-border data flows are intrinsically connected to services critical to their operations, such as cloud computing and storage services. Restricting the free flow of data across borders will raise the cost of providing services to local businesses, in turn raising their costs, in turn making final products and services more expensive for end consumers in India. The draft policy also recommends GoI consider reserving the right to require companies to disclose algorithms and source code. While ensuring transparency and accountability in algorithmic decision-making is the primary stated aim for such disclosure, the policy also suggests that GoI consider this measure in the context of facilitating technology transfers to India, and developing indigenous applications for security and local needs. Such forced disclosures and technology transfers have no place in a vibrant business ecosystem, and will only serve to disincentivise innovation. The requirement to establish an Indian entity will also dissuade businesses from placing India at the forefront of their business and innovation strategies. Most prominent 'Indian' startups are, incidentally, companies incorporated in other countries such as Singapore. Entrepreneurs set up companies in foreign countries because they are more business friendly, and it is easier for startups to raise funds there. Because India's domestic startup funding sector is not nearly mature enough to meet the demands of its startups, they need foreign investment if they want to grow, or even survive. If GoI wants to encourage entrepreneurs to establish companies in India, its focus must be on ease of doing business reforms, as opposed to forced compliance requirements. In essence, the policy will benefit not startups, but big Indian businesses. This will isolate Indian startups, as well as Indian consumers from the rest of the world.

With rise in cyber attacks, bribery charges against officials, banks look to increase insurance cover

Faced with rising risks of cyber frauds and charges of bribery and corruption against senior officials, banks are ramping up their insurance cover in a big way, with some policies even crossing the ₹100-crore sum insured mark. And it's not just the larger public sector and private lenders that are seeking adequate protection, rural and co-operative banks too are in talks for insurance against various risks. According to insurers, with governance and regulatory problems surfacing in the last one year, banks, especially state-run lenders, have upped their cover for directors and officers' (D&O) liability insurance as they want better protection with less exclusion. "Earlier, banks were taking minuscule covers. There was very little awareness; most banks didn't know how to claim them or understand the coverage. But, as we become more litigious, as the government action becomes so much more onerous and the onus on directors sometimes after they have left the job or retrospectively becomes huge, banks are looking to be adequately covered," said Supriya Rathi, Promoter Director, Anand Rathi Insurance Brokers. While traditionally such policies were taken for ₹5 crore to ₹10 crore, they are now seeking sums insured of at least 10 to 15 times more, with larger lenders even looking at over ₹100 crore. Banks are also looking for more customised policies with fewer exclusions, and are seeking cover for lifetime protection of their directors even after they retire, said Rathi. Similarly, they also want cover against allegations of discriminatory actions in the workplace, and bribery and corruption. The development comes at a time when directors and officials of many public and private sector lenders are under scrutiny for decisions regarding sanctioning of loans. "Earlier, some of the large PSU banks bought D&O policies for namesake without adequate coverage," noted Manoj Kumar AS, Senior Vice-President, and Head, Liability Insurance, Global Insurance Brokers, adding that now D&O policy is becoming a must, given the way in which governance and regulatory disclosures are changing across the globe and shareholder activism is rising. "If there is any legal issue, to have adequate protection to protect them, such a policy is mandatory," he said.

Cyber insurance

Concerns over cyber risks are emerging, especially after the ₹94-crore cyber attack on Pune-based Cosmos Cooperative Bank last August. According to Rathi, apart from large commercial banks, even rural and cooperative banks are now in talks for policies against cyber attacks. Since risk is omnipresent regardless of the size of the institution, "they know that they are vulnerable", she said, adding that a number of cooperative and rural banks are now discussing such covers.

67.82 lakh farmers miss benefits as states didn't upload details on the PM-KISAN portal

New Delhi: Over 67.82 lakh farmers will be left out of the direct benefit transfer (DBT) scheme as West Bengal, Sikkim and Delhi have not uploaded their details on the PMKISAN portal, Union Agriculture Minister Radha Mohan Singh said on Sunday. The three states are besides Madhya Pradesh, Rajasthan, Arunachal Pradesh, Meghalaya and Lakshadweep where funds have not been transferred to the eligible farmers as uploaded data has not been verified and request for fund release has not been made. Singh said 67.11 lakh farmers in West Bengal would have received Rs 2,000 each had the state's availed the first installment of Rs 1,342 crore under the Pradhan Mantri Kisan Nidhi (PM- KISAN). Similarly, 55,090 farmers in Sikkim and 15,880 in Delhi could not receive their share from the Rs 11 crore and Rs 3 crore funds meant for them under the scheme. In the interim Budget, the Narendra Modi government announced a direct income support of Rs 6,000 per year in three equal installments to 12.5 crore small and marginal farmers with land holding below two hectares or five acres under the PM Kisan Samman Nidhi Yojana. The first round of payment for Rs 2,000 has to be made before the end of financial year 2018-19. Singh said details of 4.71 crore farmers were uploaded by 33 states and Union Territories and 3.11 of them were found eligible after verification. The first installment has been transferred to about 2.75 crore farmers and requests have been made for transfer to additional 22 lakh farmers, Singh said. The Minister said details of 1.65 crore beneficiaries were sent back to states for correction, which is still pending with them, he added. Over 40 per cent of the eligible farmers in Punjab, Haryana, Uttar Pradesh, Gujarat, Himachal Pradesh, Uttarakhand, Andhra Pradesh, Assam and Andaman & Nicobar have received the first installment, he said. In Jammu & Kashmir, Dadra & Nagar Haveli, Telangana, Tamil Nadu too, the installment has been transferred to 25-40 per cent of the beneficiaries

India to post Customs intelligence officers in China to check financial frauds

NEW DELHI: India has decided to post Customs intelligence officers in China in its effort to check black money, trade-based money laundering and other financial frauds, and officials said Sunday. Two posts of the Customs Overseas Intelligence Network (COIN) have been created in the Indian Embassy in Beijing and in the Consulate General of India at Guangzhou, they said. The Finance Ministry has begun the process to select officers for the postings. The move has been initiated by the Directorate of Revenue Intelligence (DRI), the lead agency to check Customs frauds and smuggling, to curtail incidents of trade-based money laundering and other financial frauds originating from China, the officials said. COIN officers are usually mandated to pass on intelligence or information gathered from their respective positing stations overseas to help Indian intelligence agencies - mainly DRI - check trade-related frauds, they said. "COIN officers play an important role in checking trade-based money laundering, black money and tax evasion by sharing intelligence with Indian agencies. Since a significant import and export is done between India and China, it was considered imperative to expand the snoop network to China," an official said, wishing anonymity. In the past, Customs authorities in India have detected a few cases of smuggling to and from China, he said. COIN officers have been posted in several countries, including Nepal, Singapore, Brussels, the US and the UK, to help Indian authorities check smuggling, the officials said. The selection process involves concurrence by the Ministry of External Affairs and final approval by the Prime Minister Narendra Modi headed Appointments Committee of the Cabinet, they said. Giving details of the process, the officials said an evaluation committee comprising directors general of DRI, Directorate General of Goods and Services Tax Intelligence, National Academy of Customs, Excise and Narcotics and the Directorate General of Human Resource Development will evaluate the service records of concerned officers for posting. A high-level committee comprising the chairperson, two members of the Central Board of Indirect Taxes and Customs and the director general of DRI will interview the officers, they said. The board will then recommend a panel of three officers for each post to Finance Minister Arun Jaitley. After obtaining the finance minister's approval, the panel will be forwarded to the Ministry of External Affairs for its concurrence followed by reference to the Appointments Committee of the Cabinet for final approval, the officials said.

Proposed dollar-rupee swap ‘has been received well’: RBI chief

Says there is an increasing need to give a permanent status to Finance Commission

Reserve Bank of India Governor Shaktikanta Das, on Tuesday, said that the proposed $5-billion dollar-rupee swap 'has been received well'. "March 26 is the auction, let's see. I cannot say if we will repeat it," he told reporters.

Book launch

Meanwhile, speaking at the launch of the book, *Indian Fiscal Federalism*, co-authored by a former Governor of RBI, YV Reddy, and GR Reddy, Das raised five key issues related to fiscal federalism in India, and proposed that the Finance Commission could possibly be given permanent status, and the scope of the Goods and Services Tax Council may be expanded beyond the indirect levy. "Geopolitical risks have necessitated higher expenditure on defence and internal security. Natural calamities and disasters have called for higher expenditure on relief and rehabilitation," he said, adding that in parallel, aspirations of the people and the country have required that the government spends more on developmental programmes. Noting that while over the past several decades different Finance Commissions have adopted different approaches for devolution of tax revenue, grants, and fiscal consolidation, Das said there has to be a framework for fresh thinking for each panel and there should also be some continuity in views, especially after GST. "There is increasing need to give permanent status to the Finance Commission. In the intervening period, it can be a leaner organisation," he said, adding that it can also address issues arising from the implementation of the recommendations of the Finance Commission. Das, however, clarified that his views do not represent deliberations of the 15th Finance Commission, of which he was a member before heading the RBI. At present, the Finance Commission is set up every five years to decide on the devolution of taxes between the Centre and States. He also underlined the need to set up State Finance Commissions every five years. Noting that initiatives such as GST have helped in fostering cooperative federalism, Das said the challenges for the GST Council are to meet the full potential of GST and to enhance tax-GDP ratio. "Can the GST Council expand its scope to other areas of reforms to generate national consensus?" he asked.

Expenditure planning

The RBI Governor also noted that cooperative federalism should not lead to inertia, and there should also be a spirit of competition between States. He also underlined the importance of the fiscal consolidation roadmap at the level of both the Centre and States. He called for robust expenditure planning based on commonly agreed goals.

<u>Withdraw automatic extension of policies: IRDAI to general insurers</u>

The Insurance Regulatory and Development Authority of India (IRDAI) has asked all general insurers, other than standalone health insurers and specialised insurers, to withdraw the automatic extension option. In a circular issued on Tuesday, the regulator said some insurers have been offering automatic extension of period clause. This provides the policyholder an option to extend the base policy cover by a specified period. An additional pro-rata premium is being charged for this period. "It is observed that some insurers are offering automatic extension of period clause as an add-on to annual polices such as standard fire special perils, industrial risks, office package, home package, shop package."

Contradicts norms

However, the automatic extension of period is contrary to existing norms. "Hence, all insurers are advised to withdraw add-ons offering coverage similar to automatic extension of period clause with immediate effect and the same shall be informed to the authority," said Yagnapriya Bharath, General Manager, IRDAI. The existing policy issued with the above clause will be allowed to remain in force till their respective expiry dates.

<u>South Indian Bank to raise up to ₹250 cr via Basel III compliant bonds</u>

South Indian Bank on Wednesday said it will raise up to ₹250 crore by issuing Basel III compliant bonds. The Capital Planning and Infusion Committee of the bank's board has approved a proposal in this regard. "The Committee approved the information memorandum for issuance of rated, unsecured, redeemable, non-convertible, Basel III compliant, lower tier 2 bonds up to ₹150 crore with an option to retain an over-subscription aggregating up to ₹100 crore, aggregating to total issue size of ₹250 crore," the bank said in a regulatory filing. The bonds would bear face value of ₹1 lakh each, it said. The stock of the bank settled at ₹16, down 0.19 per cent, on BSE.

Digital platform Invoicemart crosses ₹2,500 cr biz volume

It facilitates financing of trade receivables of MSMEs from corporate and other buyers through multiple financiers

Digital invoice discounting marketplace, Invoice-mart on Wednesday said it crossed ₹2,500 crore in business volume on March 19, 2019.

According to A. TReDS Ltd, which runs the marketplace, Invoice-mart has over 100 corporate buyers, 23 financiers such as State Bank of India, Bank of Baroda, DBS Bank, Lakshmi Vilas Bank, and on-boarded over 1,700 participants. TReDS (Trade Receivables Discounting System) is an institutional setup for facilitating the financing of trade receivables of MSMEs from corporate and other buyers, including Government Departments and Public Sector Undertakings (PSUs), through multiple financiers. Kalyan Basu, CEO & MD, A. TReDS Ltd. said, "The Government's push to support MSMEs through various measures has resulted in many private and public sector corporates registering on our platform. We are seeing an increase in the value and volume of transaction month on month basis." A. TReDS Ltd is a joint venture between Axis Bank Ltd and B2B e-commerce company m-junction services ltd. Invoice-mart in a statement said, TReDS platforms are developing as a credible source of working capital finance for MSMEs. The growing volume and value of transactions is a positive sign, especially in the wake of liquidity crisis being faced by NBFCs, considered a major source of credit for MSMEs, it added.

IL&FS to receive first set of bids under asset monetisation process on Monday

NEW DELHI: Cash-strapped IL&FS Group will receive first set of bids under asset monetization process on Monday as part of resolution process, according to sources. The company's board will later consider bids for Rs 8,000 crore renewable energy businesses that was put on the block in November 2018, the sources said. This will be the first set of bids that will be opened under asset monetization process as part of resolution process by government-appointed and Uday Kotak-led new board, they added. The group, which is sitting on the debt of about Rs 94,000 crore debt, had decided to sell assets in various verticals, including roads, education, renewable energy, and broking in November last year. The renewable assets of the group include operating wind power plants with an aggregate capacity of 873.5-mw, and under-construction such plants with 104 mw capacity. It also includes the solar power business, under which it has around 300-mw of under-construction projects. Japan's Orix is the joint venture partner in the wind power business and the completion of sale of this business is expected to reduce IL&FS debt of about Rs 5,000 crore. When contacted, IL&FS spokesperson declined to comment on the same. According to sources, nearly two dozen firms had participated in the expression of interest sought by the company that ended on December 10, 2018. Several companies, sources said, have completed their due diligence of the underlying assets. However, the completion of entire process and shortlisting of the final bidder will take a few weeks as multiple processes are involved. LIC is the single largest shareholder with over 25 per cent stake in IL&FS and Orix Corp owns a little over 23 per cent. IL&FS Employees Welfare Trust holds 12 per cent in the company. The Abu Dhabi Investment Authority, HDFC and Central Bank of India hold 12.56 per cent, 9.02 per cent and 7.67 per cent, respectively, in the cash-strapped company. The country's largest lender SBI has around 7 per cent stake in the company.

Reserve Bank of India raises concern over role of 'rating advisers'

MUMBAI: Reserve Bank of India (RBI) has pinpointed the conflict of interest in the functioning of credit rating agencies and is concerned over the role of the little known club of 'rating advisers', which are unregulated entities acting as brokers between companies and rating agencies. In a recent meeting, RBI governor Shaktikanta Das categorically questioned the dual practice of rating agencies to rate a bond as well as decide its valuation which is used by mutual funds (MFs) to calculate the net asset value, or NAV, of a MF scheme. Das said the two businesses pose a conflict as he asked senior agency officials present in the meeting about the share of 'non-rating activities' in earnings of rating companies. It is perceived that the motivation to downgrade a security would be lower for an agency which carries out both businesses. "The valuation of a bond is also function of liquidity in the market. If a price or value of a bond goes down, it could impact the rating. But the agency doing both may be reluctant to downgrade a rating or keep it under watch because it could make its rating transition and default statistics look bad," a banker familiar with the discussions told ET. "While bond valuation is not a big business for rating agencies, it gives them a certain clout and builds their relationship with funds. More so, because rating MF schemes is another business for the rating agencies," said the person. Das clearly spelt out that credit rating is a different kind of business in which revenue should not be the primary objective. "RBI officials made a note on the activities of rating advisers but did not express their views on the subject. These advisers, which have come up in the past five to six years, are small firms, often floated by former employees of rating agencies. They receive commission from issuing companies which are their clients as well as from rating companies. Since they approach the agencies with the authorisation from client companies, agencies cannot shut them out. But there are suspicions that they misrepresent data and indulge in other sharp practices," said an industry official. Such adviser-intermediaries are mostly hired by mid-sized corporates (and occasionally by large ones) which shop around for the best rating Rating agencies have come under the glare after IL&FS bonds were downgraded from 'triple-A' (or, highest rating) to 'D' (or, default grade) in just 40 days. About 25,000 companies are rated in India, of which half are estimated to be below 'investment grade'. The rotation of the rating agencies every five years – the kind of regulation that applies to auditors – is another suggestion that has cropped up in making the agencies more effective and independent. "The suggestion is that Sebi or RBI should play a role in the reappointment of an agency by a corporate. However, some of the agencies argue that this would disturb the long-term data on a bond issuer's rating movements," said a source. In recent years, agencies have become fiercely competitive. In the absence of any regulation on the fees they charge, there is a wide variation. Some of the agencies have even deviated from the indicative fee laid down by RBI for rating bank loans. The rating industry, it may be said, has grown with RBI stating that unrated loans would have to be assigned higher capital.

RBI says no to IDBI Bank name change proposal

The Reserve Bank of India (RBI) has turned down IDBI Bank's proposal to change its name following the transfer of controlling 51 per cent stake to insurance behemoth LIC from the government of India. The board of IDBI Bank had last month sought RBI's approval for change in the name of the lender to either LIC IDBI Bank or LIC Bank following the takeover by Life Insurance Corporation (LIC). "The board of directors has in its meeting held on March 19, 2019, taken note of RBI's communication conveying their inability to accede to bank's request for change of name of IDBI Bank Limited," IDBI Bank said in a regulatory filing. However, the bank did not elaborate on the reasons for denial by the regulator for changing the name. Earlier this month, RBI changed the categorisation of IDBI Bank to a private sector lender from public sector lender following acquisition of majority stake by LIC. Following the stake transfer, the government holding came down to 46.46 per cent from nearly 86 per cent in September 2018, while LIC stake increased from about 8 per cent to 51 per cent earlier this year. In January, the insurance behemoth completed the acquisition of 51 per cent controlling stake in IDBI Bank, marking the entry of the over 60 years' old state-owned insurer into the banking space. In August last year, the cabinet had approved the acquisition of controlling stake by Life Insurance Corporation (LIC) as a promoter in the bank through a combination of preferential allotment and open offer of equity. LIC had been looking to enter the banking space by acquiring a majority stake in IDBI Bank, as the deal is expected to provide business synergies despite the lender's stressed balance sheet. For the third quarter ended December 2018, IDBI Bank posted widening of loss by nearly threefold to Rs 4,185.48 crore as bad loans surged. The bank had reported a net loss of Rs 1,524.31 crore in the corresponding quarter of the previous fiscal. Total income decreased to Rs 6,190.94 crore for the quarter, compared with Rs 7,125.20 crore in the corresponding quarter a year ago.

Lenders trying to revive Jet Airways by management change: Source

Lenders, led by the SBI, are trying to revive debt-laden Jet Airways by change in management as they feel collapse of the airline will not be good for consumers and competition, a source said after the SBI chief met Finance Minister Arun Jaitley Wednesday. With Jet flying just about a third of its fleet, defaulting on interest payments and delaying salaries to pilot, State Bank of India Chairman Rajnish Kumar along with Aviation Secretary Pradip Singh Kharola and Principal Secretary to Prime Minister Nripendra Misra met Jaitley Wednesday afternoon. Kumar said the meeting was to apprise the government, which is an important stakeholder, about the happenings in what was once India's second-biggest airline, and not to discuss a bailout package. He, however, emphatically stated that it was in the interest of the lenders and consumers to keep Jet Airways flying, and dragging the debt-ridden firm under bankruptcy proceedings is the last option. Jet Airways has a debt of over Rs 8,200 crore and needs to make repayments of up to Rs 1,700 crore by the end of March. In case the airline collapses, 23,000 jobs would be at stake. Though Kumar refused to share details of the lenders' resolution plan, the source said that the lenders have proposed to change the management of the beleaguered air carrier as they feel it is not possible to run the company with present management. Jet Airways is headed by Naresh Goyal, who currently holds 51 per cent stake. Abu Dhabi based Etihad Airways has 24 per cent. There were media reports that Etihad has approached the SBI to purchase its 24 per cent stake in the airline. On getting a new player in Jet Airways, Kumar said, "No possibility is ruled out". "The dialogue with Etihad is on. It is not that they have conclusively decided that they will go out. But there are certain conditions which they want to be fulfilled and it is nothing but that the airline should be professionally managed and without any interference," he said. Lenders of Jet Airways have been working on a resolution plan for last five months and it is almost ready, Kumar said, adding "We will make every effort to keep Jet Airways flying and in no manner it is a bailout for any individual or any promoter whatsoever". The SBI chief said that resolution of a service industry, like airline, is nearly impossible under Insolvency and Bankruptcy Code (IBC) and is the last option. "IBC means that we are grounding the airline. We will keep trying till such time we believe that all hope is lost. But as on date, I can say that not all hope is lost. We have not reached that decision point where we say enough is enough and nothing can be done," Kumar said. Chairman of the country's largest bank said that the government is the most important stakeholder and it is the duty of the lenders to keep the government informed. "It is in the lender's Interest, the country's interest, the aviation sector's interest that Jet Airways continues to fly," Kumar added. The pilots union of Jet Airways had on Tuesday threatened to stop flying from April 1 if their salaries are not paid by March 31. The Directorate General of Civil Aviation (DGCA) said only 41 aircraft of the Jet Airways were currently available for operation and there may be "further attrition" of flights "in coming weeks". 41 aircraft is just one-third of Jet's fleet of 119 planes.

With fresh capital, Lakshmi Vilas Bank looks to avoid Prompt Corrective Action

KOLKATA: Private sector Lakshmi Vilas Bank has raised Rs 460 crore in a share sale from multiple investors helping it improve the finances which is battling to avoid getting into the Prompt Corrective Action of Reserve Bank of India. The Chennai-based lender will now try to work out a balance on how the fresh equity would be allocated between meeting regulatory requirements and growth capital. While the capital will address the short term needs, the bank may look at other avenues to mobilise more resources for growth funding. “This fund raising will help the bank in strengthening its capital base and will enable bank to further raise tier II capital,” the bank said in a statement. It would need to make provision against loan losses as well as set aside capital to prop up adequacy ratios which fell sharply to 7.57% at the end of December last year from 9.67% in the preceding quarter. Its net non-performing assets slipped to 7.64% breaching the first level risk threshold of 6%. The bank has been making losses for the past five successive quarters. The bank has been in touch with RBI and the management has informed them that efforts are on to turn around," a person familiar with the matter said. The central bank has relaxed the PCA norms and lifted five state-owned banks including Allahabad Bank, Bank of India and Bank of Maharashtra, Corporation Bank and Oriental Bank of Commerce out of the restrictive framework even the first three of the lenders still have negative return on assets. These banks primarily used the government's capital infusion to meet regulatory requirements to exit PCA. LVB has mobilised the capital by placing shares to institutional investors through qualified institutional placement (QIP) at Rs 72 per equity shares. This was part of its Rs 2000 crore capital raising plan announced last June. The QIP closed on March 15. SREI Capital Market Ltd was the lead manager to the issue. Its share price closed at 65.70 Friday on BSE.

LIC may up digital sales to take on private players

Agents say need is for lower premium term plans

With private sector insurers selling online aggressively and gaining market share, state-owned Life Insurance Corporation of India is likely to expand its digital sales. It has also asked its over 10-lakh agent force to become more aggressive. Currently, LIC has six products as part of online sales, including Jeevan Shanti, Cancer Cover and the newly-launched Navjeevan. Sources said that with private sector insurers and insurance aggregators offering an entire bouquet of products online, LIC too is seriously considering such a move. “With the young generation now keen to compare and buy insurance online as it is convenient and time saving, LIC too is looking at a strategy in this direction,” said a person familiar with this development. A further decision on this issue is likely to be taken in the coming months. The life insurer, which continues to lead the market with a share of over 66 per cent, has also been routinely asking its agent force to boost sales. “Most of the sales for LIC policies traditionally happen in the January-March quarter and the response from customers is quite encouraging. We are confident that the company will continue to do well,” a top LIC agent told *BusinessLine.* According to IRDAI data, LIC registered a growth of 42.2 per cent in its new premium at ₹12,055.81 crore in February, against the industry growth of 32.67 per cent. However, between April and February this fiscal, its new premium grew just 1.39 per cent against the industry’s 7.6 per cent. The life insurer has now also rolled out a new plan, Navjeevan, which is a non-linked, participating Endowment Life Assurance Plan that offers a combination of protection and savings.

Agents’ plea

Meanwhile, agents have also been asking the life insurer to look at the possibility of a low- premium term insurance plan as a means to boost growth.“The term insurance premium by private insurers is much lower due to a variety of reasons while for LIC it is comparatively higher. We have suggested that LIC should look at developing an alternative product,” said the agent. However, the government is not worried with LIC’s loss of market share. “With over 20 private insurance companies in the market, there will obviously be some impact on LIC. But the need is to expand the market, which will lead to growth opportunities for all,” said a government source.

Rating IDBI Bank as private is against public interest: AIBEA

CHENNAI: The All India Bank Employees' Association (AIBEA) has demanded the Reserve Bank of India (RBI) to reconsider its decision to categorise IDBI Bank as a private entity. In a letter to the RBI on Wednesday, AIBEA's General Secretary C.H. Venkatachalam conveyed the union's opposition to RBI's decision. "IDBI and IDBI Bank have been created to be Banks under public sector. Due to huge bad loans to the corporates, the Bank has been facing problem of recovery and consequently its financial performance," Venkatachalam said. According to him, it is ironical that RBI instead of taking action against the private sector corporate borrowers it seeks to protect the bank from Right to Information Act (RTI), Central Vigilance Commission (CVC) and others by recategorising IDBI bank. "Even though Government's stake has come below 51 per cent, LIC, which is the main share-holder is also a 100 per cent Government's corporation and hence, the re-categorisation is unwarranted and motivated against public interest," the letter notes. The RBI recently classified IDBI Bank as private sector bank.

Former IL&FS Financial Service directors say they weren't told of board's decisions

MUMBAI: At least two directors of the erstwhile IL&FS Financial Service (IFIN) have said they were kept out of the loop on major decisions taken by their board in their response to show cause notices (SCN) issued by the new board of Infrastructure Leasing and Financial Services (IL&FS). IFIN is a subsidiary of IL&FS. However, the newly constituted board is of the view that these directors failed in their duties of keep a tab on the functioning of the firms and failed to raise red flags, sources in the know told ET. Neera Saggi, who was director between 2015 and July 2016, and Renu Challu, who was director in 2018, have both claimed they were innocent of all decisions of the board. “Both have replied to the SCN claiming that the decision was taken by Ravi Parthasarathy, Hari Sankaran and RC Bawa at the helm and that they were mere signatories. We aren’t buying their excuses as the credit administration report is presented before the board quarterly and even if they were with the company for a year or so, they failed to raise red flags,” said a director of the current board, who requested anonymity. “Once the report is presented, there is detailed discussion on issues like fresh loans sanctioned, recovery position, default by borrowers and the action taken till then, how the company is dealing with NPAs and loans written off," said the board member. Many irregularities have been found like loans sanctioned despite negative or limited spread for companies in financial distress. In certain cases loans were approved even after negative assessments by the infrastructure financier's risk team. These members despite being aware of these irregularities did not question the board for failing to the curb crisis, the above cited official said. Meanwhile, the new board has given another week to former board members like Parthasarathy, Sankaran and Bawa, who have sought documents. "To every director, we have cited the exact alleged irregularities committed by them. The directors have sought documents pertaining to loans sanctioned by them. We have sent them on pen drives, which would be provided to them. An additional week's time has been given to for their replies," said another official in know who spoke to ET on condition of anonymity. These sources add that of the 14 directors who were served SCNs, only Manu Kochhar, who was the director between 2014 and March 2015, wasn't in the position to reply as he wasn't in the country. He too has been given a week's time to reply. In the SCN sent earlier in February, the board asked why criminal action shouldn't be initiated against them when "… you are prima facie responsible for causing financial stress and losses to the company by acting in mala fide manner". The SCN to Parthasarathy demands an explanation on why a loan of Rs 2,400 crore was sanctioned to 18 entities despite the negative risk assessment group "…sanctioning loan of Rs 1,922 crore to 16 entities… without recording any cogent justification". It imputed that the action was culpable for facilitating "money laundering by diverting loan amount to the individual account of the director of the borrower company ….for extended loan for criminal intent of falsification of repayment by a number of borrowers", the four-page SCN said. Last month, in its 166-page interim report submitted to the current board, audit firm Grant Thornton (GT) India LLP detailed 10 major anomalies ranging from conflict of interest, inadequate risk assessment and deviation from banking norms. The audit pointed out that over Rs 6,000-crore transactions undertaken by IL&FS Financial Service Ltd (IFIN) violated banking governance norms. About Rs 2,270 crore, lent to borrowers of IFIN with the knowledge of the erstwhile board, was utilised by certain IL&FS group companies. Of this, Rs 1,150 crore was infused into IL&FS Transportation Network Ltd (ITNL). The IL&FS crisis first came to light in July 2018, when the company's road arm was facing difficulty in making repayments due on bonds. Both IFIN and ITNL are being probed by the Enforcement Directorate for money laundering.

<u>Despite rise in debit card issuance by banks, ATM numbers on the decline</u>

As non-performing assets surge, lenders reluctant to shell out ₹3,200-4,800 crore to introduce lockable cassettes in ATMs

While debit card issuance skyrocketed in the first 10 months of the current financial year, the number of ATMs has come down, creating a challenging situation for banks and inconveniencing customers. The number of ATMs in the country has come down by 399 in the first 10 months of the current financial year at 2,21,848 ATMs as of January-end 2019. During this period, debit card issuance soared by seven crore at 93 crore as of January-end 2019. This situation, where the ATM network expansion is not in step with debit card issuance, could see ATMs running dry faster, requiring stepping up of the frequency of cash replenishment. This development comes in the backdrop of the Reserve Bank of India asking banks and white-label ATM operators (WLAOs) to put in place measures, including lockable cassettes in ATMs (which will be swapped at the time of cash replenishment) and upgrading ATMs with supported versions of the operating system. Further, banks are also weeding out old ATMs and those that are not viable.

Expenditure

Banks are staring at an expenditure of ₹3,200-4,800 crore to introduce lockable cassettes in ATMs. But they are reluctant to incur this expenditure due to the burden of provisioning towards bad loans. Radha Rama Dorai, Managing Director, ATM and Allied Services, FIS, said: "ATM numbers have not been growing over the past one year. "This is not a good situation, especially when the debit card issuance numbers are going up month-on-month and DBT (direct benefit transfer) dispensations are growing. DBT beneficiaries need ATMs to withdraw the amount given by the government." She observed that some banks have initiated the process of upgrading ATMs and reimbursing service providers for the increased costs, while others are shutting down ATMs that are not profitable. Upgrading ATMs for compliance is a long drawn out and logistically challenging process, and one cannot expect full compliance across all ATMs in the country even by the end of this year. Dorai underscored that various representations made by industry bodies to the regulator and the government for deferment or relaxation of deadlines have not yielded substantive results so far.

Centrum to launch Rs 500 crore structured credit fund

MUMBAI: The diversified Centrum Group, which is into wealth management, equity broking and credit business with focus on SME financing and housing, is planning to launch a structured credit fund with an initial corpus of Rs 500 crore shortly. The Jaspal Bindra-run group offers integrated financial solutions under various verticals like the flagship Centrum Capital with its various subsidiaries like wealth management, broking, housing finance, financial advisory, and infrastructure & reality advisory and is present pan-India with 80 branches. The privately held group also has plans to enter the now lucrative ARC (asset reconstruction company) space given the trillions of rupees of assets up for grabs at the various bankruptcy courts. But the immediate focus is launching a structured credit fund. We plan to launch it with an initial corpus of at least Rs 500 crore and it should be up and running soon after the general elections, chairman Bindra, who owns around one-quarter of equity in the group founded by Chandir Gidwani, told PTI. On the ARC business plan, Bindra says it can wait. See, there are around 3,400 companies at NCLTs. Of this only around 400 are resolved or nearing resolutions. So what is the hurry? Let the hype settle down and let the assets become more affordable because our present size doesn't allow us to take huge vulnerabilities. The market is really big and have enough patience, too. Let the IBC settle down first, says the ex-MNC banker who spent over three decades with StanC, UBS and Bank of America. Of this, Bindra spent 18 years at various positions at the British bank Standard Chartered, where his last position was that of chief executive, the Asia Pacific region. Its credit business, which was launched towards the middle of last fiscal, already has a loan book of Rs 2,000 crore, of which the SME book is the largest with Rs 1,400 crore of AUM, followed by Rs 450 crore in affordable housing and Rs 250 crore of MFI book. The proposed structured credit, which will lend credit but fully secured with physical assets, or in effect picking up equity for short-term in the invested company, says Bindra, adding he has already hired the leadership team for this vertical. As a precursor, Centrum has already done three structured credit deals since January and they will get more aggressive from April. But the structured credit fund will be operating on a separate business model of investing for the medium-term, he explains. Already we are working on a few large deals in this space having closed three since January, he says, adding they arrange structured credit to mid-size companies at a higher premium and the typical ticket size varies from Rs 100 crore to Rs 200 crore which are also fully secured. But he is quick to clarify that this is not a credit business but a credit aggregation business for a fee. Bindra says he is open to more acquisitions in the credit business. It can be noted that the group entered the MFI and logistics finance business with two acquisitions in the past the MFI business of the South African lender First Rand Bank in November 2017 as renamed it as Centrum Microcredit, and the supply chain finance vertical of L&T Finance for Rs 650 crore in September 2018. Centrum Capital today has four financing vertical MFI, NBFC, housing finance and SME financing. For Centrum, the wealth management is the biggest profit centre with an AUM of Rs 21,000 crore, making it among the top five in the country. Going forward, Bindra sees the various credit businesses becoming the largest profit centre a few years down the line.

Regulating payments: One too many voices

The fintech industry is probably getting more than what it had sought. This grouping, comprising largely of startups with less of capital but abundance of technology, might soon have to get used to stringent SOPs that list down at least 50 dos and don'ts. That's what finance secretary Subhash Chandra Garg has in store for the industry. But the Reserve Bank of India (RBI) is charting its own course. The central bank has hired the services of tech czar Nandan Nilekani to provide it the low-down on business models at these start-ups. These moves and counter-moves by Mint Road and North Block come amid a battle over regulatory custody of the payments space, the transactional end of the money business the fintech industry wants to snatch from the established banking system. Recommendations of an Inter-Ministerial Committee for Finalisation of Amendments to the Payments and Settlements System Act argued in favour of an independent payments regulator, and that is at the heart of this tug-of-war between the two. Caught between an overenthusiastic government and a conservative banking regulator are the startups and consumer convenience. "We have to consider that real money is involved," says Babu Sivaprakash, partner Economic Law Practices. "RBI has been the nodal agency for banking and payment regulation with established redressal mechanisms. Experience can never be understated." In an unprecedented move, Mint Road sent a dissent note, citing overseas examples to justify its reasoning behind housing the payments regulator within the central bank. But the panel differs. "RBI's assertion that there could be an intrinsic problem in regulation of payments if they are not within the ambit of the central bank and might result in regulatory arbitrage appears to be without evidence," the committee said. The twains don't meet. The proposed draft had 100 sections as compared to 38 in the existing PSSA 2007 Act. Two proposals stood out: The need for a new independent regulatory entity called the Payment Regulatory Board (PRB) to govern all digital payments instead of RBI, and a majority stakes buyout of NPCI by the government. The stakes are currently held by a consortium of 10 promoter banks. The committee reasoned that the business model of the traditional banks was facing competition and that both the central bank and NPCI, as representatives of the banking industry, could hinder innovation. "Fintech companies that require to connect to banking systems to serve their customers tend to face restrictive practices," said the report. "This anti-competitive setting is not conducive for innovation and consumer interest." But the issue here is money. Unlike other consumables, money has different properties and serves more than one purpose. The loss of it due to failure or fraud often has implications beyond obvious bailiwicks. The RBI argues that payment systems are just an extension of the functions performed by currency notes, over which it has the mandate. "The distribution of currency is done by the RBI through the banks; the logical extension of this to payment systems has been yielding good results," says RBI. "It is not clear how non-banks can be ascribed the job of creating money via payment systems. Even banks distribute currency on behalf of the RBI and cannot create their own currency." The RBI has the mandate over banks to resolve disputes between the customers and the lenders themselves. A separation of payments regulation could leave a crack in between, leading to disputes between regulators for which small savers and spenders may not have the appetite. "We are considering the feasibility of directly regulating these payments operators…given their growing importance in the payment systems of the country, we deem such a step to be important," Governor Shaktikanta Das has said.

The journey so far

The government enacted the Payments and Settlement Act 2007 to facilitate the growth of payments technologies, giving RBI the powers to regulate payments and settlements. Subsequently, the National Payments Corp of India (NPCI) backed by the RBI came into being when dominant players — Visa and Mastercard — partnered with banks and facilitated transactions at the top end of the pyramid, leaving out a huge chunk of the population as profit margins were not high. With the advent of NPCI, the game changed. Its Rupay cards became the tool of empowerment for the weaker sections. The introduction of Jan Dhan accounts, mainly driven by the state-run banks, created a fertile ground for others to profit from. Since UPI was introduced in August 2016, the value of transactions has seen a compounded monthly growth rate of 44 per cent to more Rs 1 lakh crore by January 2019, data from NPCI showed. At the same time, IMPS monthly compounded growth rate came at about 6.17 per cent to Rs 1.5 lakh crore. Even though banks have used IMPS and UPI technology in the development of their own banking apps, the success of these apps has been dwarfed by the growth at third-party payments companies. Paytm, Google Pay, RazorPay and NPCI's home grown app BHIM have emerged the biggest winners. With Whatsapp, TrueCaller and Amazon testing their own versions of payments apps, bankers and experts believe that it's only a matter of time before retail digital transaction gets completely dominated by these non-banks. "Demonetisation was a landmark event in the payments ecosystem for our country because it helped all these companies understand their realisation potential," said Sivaprakash of Economic Law Practices. "These independent payments companies saw a gap in the payments stream between customers and banks and they capitalised on it."

Stretched valuations

One of the biggest innovations in the world of Fintech was bitcoin. It had a great run for years, with some even predicting the doom of currencies and end of banking as we know it. But while the value of bitcoin climbed over 20 times between December 2016 and December 2017, over the next year it collapsed about five times as governments around the world started issuing red flags over its use. Amazon, Google, Facebook, Alibaba and Paytm could build payments systems. In China, Ant Financial, a unit of Alibaba, dominates the retail payments business. These companies command billions of dollars in valuations. While they accuse banks of having restrictive practices, they too are not immune from criticism around exclusivity. “What Indian fintech companies need is an investor-friendly regime to not just build on new infrastructure but also to retain home-grown talent, which is among the best in the world,” said Piyush Singh, head of financial services, Asia-Pacific and Africa, Accenture. “Attraction of capital is going to be the basis of success, not a deeper regulatory paradigm.” India’s retail lending market over the next five years is set to become a $1-trillion market, according to a recent report by Boston Consultancy Group. “With rising affluence of the burgeoning middle class, the demand for retail credit is expected to be robust in the next five years. These trends are expected to drive the overall retail disbursement by 2.2 times… Realising the full potential of digital lending in the country will require skills that don’t adequately exist with the incumbents,” according to the report. Although slow starters, Indian banks have woken up to the threats of fintech firms and are actively engaged with them. “Most banks have partnered with fintech companies to improve their operating efficiency. Banks don’t see fintech as competition but as potential collaborators,” said Akhil Handa, head of fintech and new business initiative at Bank of Baroda. Both public and private sector banks, such as SBI, ICICI, Axis Bank, IndusInd Bank and HDFC bank, have in various capacities invested in banking technology measures. In effect, therefore, some traditional lenders have now turned into fintech companies, or at least capable of challenging them. So does it make sense to have a separate regulatory board that could in the name of promoting innovation compromise on safety and promote unhealthy economic structures Rs “One of the reasons Ant and others were successful in China was regulatory arbitrage,” said Piyush Gupta, CEO at Singapore-based DBS Bank. “The regulators gave them an open field to go wherever they wanted. But over the last few years, regulators have been getting mindful of the systemic risks that these players bring into the environment.” While the government comes up with its dos and don’ts, the Nilekani panel is debating the future of digital payments. As the regulator and the government seek to establish their jurisdictional claims on the transactional end of the money business, fintech firms would be on the edge.

IRDAI issues new guidelines for crop-loss assessment

General insurers should put in place a robust system to register all requests of individual crop-loss assessment, said the Insurance Regulatory and Development Authority of India (IRDAI). “Where a request for individual loss assessment is rejected, a written rejection letter mentioning the reason should be sent to the insured. For all other cases, loss assessment survey should be done as per the prescribed norms,” said Yegnapriya Bharath, Chief General Manager (non-life), in a communication to the general insurers.

Crop insurance claims

The guidelines were issued in the wake of various complaints to the regulator in respect of crop insurance claims. According to the guidelines, the companies should designate an authorised person for each cluster, who should be a senior-level officer with sufficient decision-making powers for the smooth implementation of crop insurance. “Insurance companies must ensure proper representation in crop insurance meetings that may be called for by the relevant stakeholders,” the regulator said, adding that deployment of adequate manpower for each cluster should be ensured. Co-observing crop-cutting experiments and allied activities, and liaisoning with the State governments, are among the other measures suggested to the insurers.

SBI inks pact with Bank of China for business opportunities

The country's largest lender SBI Tuesday said it has signed a pact with the Bank of China to boost business opportunities. SBI has signed a memorandum of understanding (MoU) with Bank of China (BoC), thirdlargest bank in the world by capital size and one of the major players in the Chinese banking sector, to enhance business synergies between both the banks, State Bank of India (SBI) said in a release. Through this pact, both SBI and BoC will gain direct access to their respective markets of operation, it said. Both banks' clients will be able to use the vast combined network to expand their businesses abroad. SBI said it has a branch in Shanghai and BOC is opening its branch in Mumbai. "MoU between the two major banks of the two largest and fastest-growing economies of the world is a welcome step. This MoU will facilitate the clients of both the banks to access banking products and services of each other, which will lead to a mutually beneficial relationship," said Rajnish Kumar, chairman, SBI. Chen Siqing, chairman of BoC, said the agreement would facilitate the growth of

Chinese corporates operating in India. "India is increasingly making its global presence felt across various landscapes. Partnering with an organisation like SBI is strategically important to us, and we look forward to contributing to SBI's growth through our market expertise and established relationships," the BoC chairman said.

Mastercard concerned India data rules may hinder fraud detection

By Chanyaporn Chanjaroen

Mastercard Inc. is concerned that India's strict data localization rules could compromise its ability to detect frauds and money laundering in the domestic payments system. Storing customer data exclusively in India without creating mirror sites overseas is risky because "it takes away the capability to see the broader world," said Mastercard's Chief Product Officer Michael Miebach. However, he said the U.S. firm intends to comply with the new rules despite missing last year's deadline to localize all its Indian data. "As an industry, we need to respect the reality, and the reality is that's where the country is going," Miebach said in a recent interview in Singapore. In April, the Reserve Bank of India asked payment firms to ensure their data are stored exclusively on local servers, setting a tight six month deadline for compliance. India, China and Russia have some of the strictest data localization rules. Mastercard and its larger rival Visa Inc. were among those that requested an extension after missing the RBI's October deadline. Because international companies tend to store their data on global servers, countries that require data localization force them to make additional investment in expensive domestic infrastructure and storage systems. Miebach said that Mastercard is still working on how to ensure the Indian data is protected once it moves all the information to storage inside the country. A mirror site overseas would help detect frauds and spot money laundering patterns because they often take place across borders, Miebach added. "Over time we have learned to adapt, we can make it work in the local context," he said. "The market is way too important to take any risks on that. We will deliver."

Hemant Bhargava ceases to be Non Executive Chairman of IDBI Bank

IDBI Bank Friday said Hemant Bhargava has ceased to be its Non Executive Chairman as he no longer heads the parent company LIC. "This is to inform that Hemant Bhargava has ceased to be Non Executive Chairman of IDBI Bank consequent to his ceasing to be Chairman-in-charge of LIC with effect from March 14, 2019," IDBI Bank said in a regulatory filing. The Ministry of Personnel on March 13 appointed M R Kumar as the Chairman of the Life Insurance Corporation (LIC) for a period of five years. Kumar took charge Thursday. IDBI Bank is now a private sector lender following acquisition of majority stake by LIC. Stock of IDBI Bank was trading 0.81 per cent down at Rs 42.75 on BSE.

Deutsche Bank is said to set up bad-loan buying unit in India

By Saloni Shukla

Deutsche Bank AG is setting up a unit in India to buy and reorganize soured debt as it seeks to profit from an unprecedented bad-loan cleanup in the nation with one of the world's worst non-performing loan ratios, people familiar with the matter said. The German bank felt the need to have its own asset reconstruction company to buy and reorganize non-performing credit as current Indian rules restrict overseas investors from buying soured loans directly from lenders in the country, the people said, asking not be identified as the information isn't public. Bank of America Corp. is also considering setting up a similar unit, other people familiar with the matter said. More than 29 ARCs have been set up in India after parliament passed a law in 2002 to help banks clear their balance sheets by selling bad loans. In 2016 Prime Minister Narendra Modi's government tweaked rules to allow overseas investors to fully own asset reconstruction companies, adding another way to buy bad debt besides through tie-ups with local units. Speculation that authorities might eventually allow foreign investors to bid for soured debt without such tie-ups held back some of them from setting up their own ARCs. But that has yet to happen, and a few have moved toward to create their own asset reconstruction units. While Lone Star Funds has already set up its ARC in India, KKR & Co. has applied for an ARC permit. A spokesman for Deutsche Bank declined to comment while a representative for BofA didn't immediately respond to an email seeking comment. BofA is yet to make a final decision on setting up an ARC and may choose not to go ahead with the plan, the people said. Overseas investors including Blackstone Group LP and SSG Capital Management Ltd. have bought into existing ARCs, while others like Bank of America and SC Lowy have structured deals through such firms by paying them a fee.

Kotak Investment rolls out $400 mn office fund

Kotak Investment Advisors Limited (KIAL) has launched a new fund in partnership with DivyaSree Developers to develop and acquire commercial office assets across India. The $400-million India Office Assets Fund I is anchored by a wholly-owned subsidiary of the Abu Dhabi Investment Authority (ADIA) and is one of the largest dedicated commercial office development platforms announced in India. While ADIA is putting in $200 million, the balance will be put in by KIAL and DivyaSree Developers. "As we scale the asset management business, we will work with like-minded partners and create appropriate platforms to address a variety of capital requirements in India," said S Sriniwasan, managing director, KIAL. Bengaluru-based DivyaSree Developers will be the exclusive development partner and property advisor while KIAL will act as investment manager. The fund is structured as an alternative investment fund under the stock market regulator's guidelines. Its strategy is to develop green field projects as well as acquire under-construction and completed assets in key commercial office markets across India. "With this fund, we will consolidate our position in the three cities (Bengaluru, Hyderabad and Chennai) and also expand footprint in new key markets of Mumbai, Pune and National Capital Region," said Bhaskar N Raju, managing director, DivyaSree Developers.

Fresh NPAs to moderate in FY'20: ICRA

MUMBAI: Fresh NPAs in the banking sector are expected to moderate to 1.9 to 2.4 percent in FY'20, due to aggressive recovery drive and write offs by banks according to ratings firm Icra. Public sector banks are expected to turn profitable after four consecutive years of losses. Capital infusion by the government too will help. The ratings firm has revised the outlook of six public sector banks of which five are positive revisions. Fresh NPA generation expected to be 1.9-2.4% for FY20 as compared to an estimated 3.7% for FY19 Adjusted for recoveries, upgrades and write-down, Icra expects gross NPAs of the banking sector to 8.3 lakh crore or 7.9 per cent for March 2020, as compared to estimated 9.2 per cent as of March 2019. With capital infusion of Rs 50,000 crore during the December quarter, net NPAs are expected to fall further. However, even with the new Bankruptcy law in place, recoveries through the cases referred to the National Company law Tribunal (NCLT) have not been very large, it said. But recoveries of around Rs 1.6-Rs1.7 lakh crore from accounts referred to NCLT amount to 75 to 80 per cent recoveries from these accounts and this is higher than the provisions made by these banks. Public sector bank losses estimated at Rs 93,100 crore in FY'19 to be lower than capital infusion of Rs 1.22 lakh crore. Strong NII Growth, improved treasury income and stable credit provisions drive improvement in profitability of private sector banks. Though public sector banks are expected to post losses in FY'19, they could turnaround in FY'20. '`In FY'20, with expected credit loss provisioning we expect 14 public sector banks to be potentially profitable in our base case scenario. But overall return on assets and return on equity may remain weak" according to Anil Gupta, vice-president and sector head, financial sector ratings at Icra. "Decline in credit provisions for Private Banks to drive a sharp growth in their net profits and return on equity for FY'20" Icra has revised the ratings outlook of four public sector banks from negative to stable including, Bank of India, Bank of Maharashtra, Punjab National Bank and Oriental Bank of Commerce. It revised upward, the outlook for IDBI Bank from negative to 'Rating watch with developing implications'. While the outlook for Punjab and Sind Bank was lowered from stable to negative.

NEWS OF THE WEEK

Companies on course to achieving 2% CSR targets in coming years

The Companies Act 2013 expects businesses to spend 2% of their three-year average profits on social initiatives. Even before the Act was put in place, companies recognized they need to think about more than just profits – and did so. But since CSR has become mandatory, companies have embraced social causes with fervour. They now apply the same rigour to causes as diverse - as hunger, poverty, healthcare, education, cleanliness environmental sustainability, and rural development, as they bring to their business. The IiAS study of the FY18 Corporate Social Responsibility (CSR) initiatives and disclosures of the S&P BSE 100 companies reveals that companies are taking their CSR initiative seriously, measuring and disclosing the impact they are having on the society. Further, they are on course to achieve the 2% target in the coming years. Some of the key findings of the study are that companies have spent Rs. 74.6 bn, an increase of 5.8% compared to the previous year. In FY18, companies spent 1.9% of their three-year average profits. The aggregate spends by MNC's and an institutionally owned entity was 2.0%, while it was 1.9% for promoter owned entities and 1.8% for PSUs. The number of companies meeting the 2% spend target has increased from 46 in FY16, 59 in FY 17 to 68 this year. The top ten companies contribute ~48% to the overall spend on CSR; in FY17, this was 47. Education continues to be the focus area for companies ~30% of the aggregate FY18 spend was made towards education projects. Other areas were rural development (13.3%), hunger, poverty and healthcare projects (20.6 percent).

MUST READ ITEM FOR THIS WEEK

Reliance selling fuels from India to Venezuela to avoid U.S. sanctions

NEW DELHI/MEXICO CITY: India's Reliance Industries, operator of the world's biggest refining complex, has turned to selling fuels to Venezuela from India and Europe to circumvent sanctions that bar U.S.-based companies from dealing with state-run PDVSA, according to trading sources and Refinitiv Eikon data. Reliance had been supplying alkylate, diluent naphtha, and other fuel to Venezuela though its U.S.-based subsidiary before Washington in late January imposed sanctions aimed at curbing the OPEC member's oil exports and ousting Socialist President Nicolas Maduro. At least three vessels chartered by the Indian conglomerate supplied refined products to Venezuela in recent weeks, and another vessel carrying gasoil is expected to set sail to the South American nation as well, according to the sources and data. Reliance, an Indian conglomerate controlled by billionaire Mukesh Ambani, has significant exposure to the financial system of the United States, where it operates subsidiaries linked to its oil and telecom businesses, among others. The Indian market is crucial for Venezuela's economy because it has historically been the second-largest cash-paying customer for the OPEC country's crude, behind the United States. Additional sanctions against Venezuela are possible in the future, as U.S. President Donald Trump's administration has not yet tried to prevent companies based outside the United States from buying Venezuelan oil, a strategy known as "secondary sanctions." Refinitiv Eikon trade data shows that Reliance shipped alkylate, a component for motor gasoline, to Venezuela on vessels Torm Mary and Torm Anabel in recent weeks. Those originated in India and passed through the Suez Canal. It also shipped a gasoline cargo using tanker Torm Troilus to Venezuela and is preparing to send 35,000 tonnes of gasoil in a vessel called Vukovar to the South American nation. "Reliance is also supplying some products from its Rotterdam storage," a source familiar with Reliance's operation said. Reliance did not respond to emails seeking comment. PDVSA did not reply to a request for comment. In a statement last week, Reliance said its U.S. unit has completely stopped all business with PDVSA. Reliance also halted all supply of diluents including heavy naphtha to Venezuela and does not plan to resume such sales until sanctions are lifted, according to the release. Venezuela has overall imported some 160,000 barrels per day of fuel and diluents for its extra heavy oil output since the U.S. measures were imposed, according to PDVSA and Refinitiv data, below levels prior to the sanctions but still enough to supply gas stations and power plants. Reliance is among the biggest buyers of Venezuelan oil, although the company has recently said it has not increased crude purchases from Venezuela. In 2012, Reliance signed a 15-year deal to buy between 300,000 to 400,000 bpd of heavy crude from PDVSA. Ship tracking data obtained by Reuters showed that Reliance's average purchases from Venezuela were less than 300,000 bpd in 2018 and in the first two months of this year. Venezuela has suspended its oil exports to India, its main cash market, Azerbaijan's energy ministry said on Tuesday, citing Manuel Quevedo, Venezuela's oil minister and PDVSA president. Quevedo met with the Azeri minister of Industry and Energy Parviz Shahbazov in Baku. But Venezuela's crude exports to India have not stopped. A very large crude carrier (VLCC) is anchored off Venezuela's Jose port waiting to load oil bound for India, and at least six other vessels of the same size are underway to India's Sikka and Vadinar ports, according to the Refinitiv data. PDVSA's second largest customer in India is Nayara Energy, partially owned by Russian energy firm Rosneft, one of PDVSA's primary allies.

ITEMS COMPILED & EDITED FROM NATIONAL, INTERNATIONAL FINANCIAL DALIES, WEEKLIES, WEBSITES.

VIEW OF THE WEEK

From fraud to fintech, Quadriga co-founder's past crimes emerge

By Doug Alexander and Matt Robinson

His crimes: Identity theft related to a bank-and-credit card scam. His sentence: 18 months in U.S. federal prison and, later, deportation to Canada. Once there, Omar Dhanani underwent a remarkable transformation -- into a new identity and the wild world of cryptocurrencies. Dhanani, now known as Michael Patryn, has emerged as an enigmatic figure in the strange case of Quadriga Fintech Solutions Corp., the digital exchange owner that hasn't been able to find C$260 million ($195 million) of clients' cash and cryptocurrencies. Patryn co-founded Quadriga five years ago with the late Gerry Cotten, whose sudden death in December at age 30 left the Vancouver-based firm in shambles. Patryn denied he was Dhanani in a Feb. 8 report in Canada's Globe and Mail newspaper and disputed a subsequent report linking him to a criminal past. But Canadian records obtained by Bloomberg News confirm he legally changed his name -- twice: in 2003 and in 2008. The revelation adds a new layer to the mystery surrounding Quadriga, whose closure in January left 115,000 clients wondering if they'll ever get their money back. Cotten ran the operation mostly from his laptop, so his death while travelling in India threw the business into disarray. The firm has been under creditor protection since February, with Ernst & Young working to unravel the firm's dealings. Digital storage accounts used by Quadriga to hold Bitcoin for clients had been empty for months before the CEO's death, according to E&Y. Patryn declined to comment about his criminal record or his name change. Patryn changed his name from Omar Dhanani to Omar Patryn with the British Columbia government in March 2003. Five years later, he registered a name change to Michael Patryn in the same Canadian province. In the US, Dhanani had been charged with numerous crimes. He pleaded guilty to conspiracy to commit credit-and-bank card fraud at the age of 22 in 2005, according to a statement from the U.S. Justice Department. Dhanani helped operate shadowcrew.com, a now defunct marketplace for trafficking stolen credit and bank card numbers. Dhanani also admitted guilt in 2007 to separate criminal cases for burglary, grand larceny and computer fraud, according to California state court records. After serving his time, the U.S. deported him to Canada, where he reinvented himself as a Bitcoin entrepreneur. Patryn calls himself a "fintech advisor and portfolio manager" in his LinkedIn profile, which also lists him as founder and chairman of Vancouver-based Fintech Ventures Group since 2015, described as "Canada's first incubator for blockchain related startup companies". Patryn has been trying to bury his past. Last July, he hired a firm to purge unflattering material about him from the internet. One of the posts was a complaint about Omar Dhanani and a defunct online business called Midas Gold Exchange Inc., which the Canadian government listed Omar Patryn as its sole director. Documents filed in a related lawsuit mention a Reddit post that linked Patryn to Quadriga. Patryn was involved in Quadriga from the start, helping Cotten establish one of Canada's first Bitcoin exchanges. Patryn discussed those early days in an email exchange with Bloomberg. He and Cotten worked together at nonprofit organizations such as Vancouver's Bitcoin Co-op, providing assistance with education and user adoption on the topic, he said in an email last month. Cotten, who served as chief executive, recounted in a 2014 podcast how he and a partner he didn't name were working on the idea since August 2013 and by Dec. 26 launched the Quadriga platform and set up a Bitcoin ATM in a West Coast city known for early forays into crypto and blockchain. Patryn said he departed three years ago over a "fundamental disagreement" with Cotten on his decision to halt the listing process for the firm. "On the day of our disagreement, I left the company and ceased being privy to operational decisions," he wrote. "Since that time, I have not been involved in the operations or management of any of the Quadriga companies." Patryn said he stopped being close to Cotten after that, though he heard from the founder weeks before his death. "I spoke with him in November, when he sent me a message on my birthday," Patryn said. "I did not know that he was married, or in India until the official announcement of his death."

INTERESTING TO KNOW THIS WEEK

SBI customers can now make ATM withdrawals without debit card

MUMBAI: Customers of State Bank of India will no longer require debit cards to withdraw cash from ATM. The state-owned lender announced Friday that the customers can generate a one-time pin (OTP) on their mobile application and use the pin to transact from the bank's ATM. The service currently will be available at 16500 ATMs, with bank making "minor up gradations" on the rest of its ATMs to widen the facility to 60000 ATMs across the country in the next three to four months, Chairman Rajnish Kumar said. The second phase of the project will have the bank integrate the technology to more cash distribution points. "In the next one year, we expect the technology to be available at over one million cash points," said Kumar." Once all ATMs are integrated we will proceed to make the technology available at all vendor cash points, Point of Sale (POS) devices and micro-ATMs run by our business correspondents." Customers can initiate the two-step cash withdrawal process through their SBI YONO app and generate a six-digit OTP. The generated pin has a half an hour validity during which the customer can go to any of SBI's ATM, authenticate the transaction using their pre-set YONO pin and then enter their six-digit OTP. "The service can be used by a customer only on one device. We're using a two-factor authentication process and generating a six-digit pin. It is the highest standard of security," said a senior official at the bank. "We want to protect our customers from potential debit-card theft, cloning and other frauds. We have found this to be a safer more secure alternative for ATM transactions than debit cards," he said. The maximum one-time withdrawal limit on YONO cash transactions has been set at Rs.10000 and a customer can make only two such transactions a day. Currently SBI YONO application has 7 million users and SBI Anywhere application has 10 million plus users. The bank will integrate both the applications soon and make it a consolidated platform for all its payment solutions including the bank's IMPS and UPI based payment channels, SBI officials said. The service will presently be limited for debit card customers. Gauging on the operational success of the service, the bank will decide in the upcoming months whether to extend the facility for its credit card customers as well.

Global banks shrink capital shortfalls under Basel rules

Top international banks collectively need €30 billion ($34 billion) of capital by January 2027 to fully comply with rules aimed at avoiding taxpayer bailouts of lenders, regulators said on Wednesday. The Basel Committee of Banking Regulators, from leading financial centres, said their latest update on compliance to June 2018 does not reflect the final version of rules covering risks from swings in market prices for assets. After heavy industry lobbying, those rules were reworked in January, a step Basel said would mitigate overall increases in capital. The latest shortfall, based on data covering 189 banks, represents a fraction of total capital already being held. It is 70 per cent smaller than at the end of 2015 when banks were building up buffers to meet the tougher capital rules after many lenders were rescued by taxpayers in the financial crisis a decade ago. Basel said all banks continue to meet its capital requirements at this stage in their phase-in. Separately, the European Union's banking watchdog, the European Banking Authority, said that to fully comply with Basel rules, banks in the bloc would need €39 billion of additional total capital, of which €24.2 billion comprises core, high-quality capital. Basel's rules are applied to all banks in the European Union, not just to the largest lenders. Basel said banks were in full compliance with rules requiring them to hold "liquidity" buffers of assets that could be sold quickly in a crisis to avoid burning through capital.

Faster Payments technology is the future, despite recent issues, says fintech

A leading fintech executive has insisted that the issues with Faster Payments experienced by several banks in recent months are not indicative of shortcomings in the technology. In January, customers of Lloyds, Halifax and Bank of Scotland were affected by a Faster Payments problem that left them unable to transfer money, with similar outages reported by a variety of banks last summer. Ed Ads head-Grant is General Manager with Bottom line Technologies, a fintech that has on boarded many organisations, most recently The Access Bank UK, to the Faster Payments Scheme via its Real Time Payments Service. He has insisted that the difficulties faced are not a reflection of problems with real-time payments generally and that the underlying technology is robust. "We've been in the game of payment innovation for more than 10 years," he said. "We're helping banks like The Access Bank UK to move away from incumbent inertia. There may have been teething issues with faster payments, but the model isn't wrong. Consumers now expect it. The majority of corporates are using it in their back offices. The days of 'the cheque is in the post' to help manage cash flow are dying away." He said that it was natural to expect the technology behind Faster Payments to be subject to continual improvement: “But we can never get complacent,” he said. “You always have to be proactive and not reactive in a world of cybercrime and fraud. But ultimately, the UK is going digital and real time in order to compete.” He warned banks to choose carefully when looking for partners in the field of Faster Payments: “It’s all about who you partner with though,” he concluded. “You need to work with partners with some longevity that have the resources to cater for all provisions. I’m a little bit nervous at times with the pop-up fintech on Silicon Roundabout with some great ideas but a very weak balance sheet. They may well have no beef behind them when it comes to talking about critical national infrastructures. Plans must be supported over a multi-year term.” Bottom line added The Access Bank UK Limited to the Faster Payments Scheme in January. Its Real Time Payments Service provides, it said, a managed, end-to-end gateway that offers banks, payment service providers and their customers, fast, efficient and secure access to Faster Payments, without the cost and overhead of implementing, running and maintaining their own technology infrastructure. The direct connected gateway enables the processing of inbound and outbound transactions with a plug and play solution. “With our participation in FPS, our customers can make payments at the touch of a button, helping funds reach their destination faster,” said Jamie Simmonds, CEO, The Access Bank UK.”

Flashpoint aims to shake up threat intelligence with new offering

Business risk intelligence specialist Flashpoint has introduced a new use case-driven approach to its packaged solutions that it claimed allows organisations to more effectively consume and automate threat intelligence. These offerings, said the company, support traditional cybersecurity and operations use cases, as well as fraud, insider threat, corporate and physical security and third-party risk. By working with the private and public sector to prioritise their intelligence requirements, Flashpoint said it can uniquely support different sized organisations in dozens of industries that have varying program maturity, and deliver relevant context to a broad range of teams. “Intelligence programs are not ‘one size fits all,’ and pushing only automated feeds or indicators without context to a customer creates more noise than it creates solutions,” said Josh Lefkowitz, CEO and Co-Founder, Flashpoint. “Different teams analyse data differently based on their use cases, and the best way to help these teams is to focus solutions on use cases, not on a source of data or technology.” He said the company works with customers to create optimal search patterns, capture intelligence requirements, and prioritise keywords and identifiers. Multilingual intelligence analysts, with years of experience navigating illicit online communities, assess whether the risk poses a threat to the customer, help maintain a high signal-to-noise ratio, and provide additional context to foreign language content. “Flashpoint stands alone when it comes to the diversity of its offerings, and the way that it can support different types of organisations, industries, and teams, in assessing and addressing their intelligence requirements,” said DJ Goldsworthy, Director of Security Operations and Threat Management at insurance company Aflac.

Applying Lessons from E-commerce to Banking

By **Reginald Warlop***, Global Head of Digital, Wealth and Insurance, HSBC*

Really simple, customer-focused online retail experiences are now part of everyday life. Amazon lets you track delivery drivers in real time; Spotify introduces you to new music you’ll love; and eBay allows you to choose how much you’re willing to pay. But are customers getting these types of experiences when they’re banking, trading and investing?

Cutting through the noise

One thing of which there is no lack in the digital age is choice. We have access to every option we could possibly desire, for every type of product or service imaginable. So, how do we cut through the noise? If we’re searching for the perfect holiday, we can narrow down a world of choice by putting parameters around budget, flight times, the type of leisure activities and dining options, for example. Why should this be any different for our financial needs? Things are changing. Today in China, we ask customers about their broad views on regions, markets and sectors. We’re then able to wrap up these insights into a simple sentence about the most relevant products to suit their needs, based on their known risk appetites. This is a radical departure from showing a long table of all of the numerical payoffs that we offer—which is how these products were typically presented to consumers. This simplification and personalisation works. It has resulted in increased sales as we are offering customers only appropriate products, while also reducing our conduct risk.

Taking stock

In fashion, when a garment is out of stock, consumers eagerly click on "alert me when it's back in stock". The same rules can apply for other purchases, such as currency. Let's imagine you have an exchange rate in mind, and you keep checking every day. Enter QuickFX, our first-of-its-kind mobile app for trading global currencies and transferring money globally. Launched in Singapore in January, it allows you to set alerts or place an order automatically when the exchange rate you want is "back in stock".

One-click convenience

Another popular feature of many e-commerce sites is one-click purchase. You select an item, and with just one click, the website uses your stored bank card and delivery details to complete the purchase. It can even bundle individual items bought separately into a single transaction. Now we've made it just as quick and easy for customers to trade stocks and shares through the Quick Buy button in Easy Invest, our share-trading app that launched in Hong Kong in September 2017. More than a million trades later, Quick Buy has emerged as the preferred way to buy or sell shares.

Sharing economy

The days of buying an entire album in order to listen to your favourite song are gone. Companies such as Spotify give you access to a world of music without ever owning and buying the entire album. Based on a subscription model, the pricing is clear, predictable and transparent. There are already a number of companies offering exactly this for wealth management by introducing micro-investment into products specifically built for digital consumption. You do not need the entire capital required to purchase the product in order to get into the action. Whatever investment amount you have available allows you to be invested; you can contribute on a monthly basis, take money out and put money in anytime with no penalties. And the service is priced as a fixed subscription … easy, transparent and convenient, just like Spotify is.

Buy more to get a discount

On e-commerce sites, when purchasing a product you get promotions if you buy more of the same. A similar premise can be applied to financial services. For example, we have introduced this concept in our currency-conversion platform. Once you have indicated the amount of a currency that you want to purchase, our smart FX-pricing technology identifies which increment of that amount would give you a preferable rate.

Indicate your interest

When bidding on items on e-commerce auction sites, you indicate the price you would be interested in paying for the product at some point in the future when the auction expires. If you win the auction, you get the product; if not, you get your capital back. We apply the same principles for currency conversions. Our clients have the ability to indicate the price they are willing to pay for a currency within a set period of time. If the price is reached at that point in time then they get the currency; if not, then they get their capital back with interest.

Have a wealth workout

Many people have an annual health check. They speak to a doctor about their lifestyles and fitness goals, run a few tests and receive appropriate treatment and/or improvement plans. Similarly, the health of investments is just as important. Many organisations like us now provide the means to a wealth workout. For example, at HSBC we have developed a digital financial health check that customers can use in advance of meeting with their relationship manager, helping the team prepare for specific needs for when customers come in for the appointment.

Learning lessons

Customers have been introduced to fresh, frictionless experiences in e-commerce. And they are now coming to expect the same of their banking experiences. By translating our learnings from other industries to our wealth propositions, we have been able to innovate for the benefit of our customers. There are so many lessons we can learn from other industries, as well as looking closely at what our customers are doing every day in their own personal digital lives. That's how we can create experiences that our customers want and, increasingly, that they will expect.

Banks and insurers underestimated the magnitude of the digital transformation challenge, says report from Capgemini

A report by the Capgemini Research Institute has found that financial services firms are lagging behind in digital transformation compared to other industry sectors. Financial services firms report falling confidence in their digital capabilities, and a shortage of the skills, leadership and collective vision needed to shape the digital future. The report, part of Capgemini's Global Digital Mastery Series, examines sentiment on digital and leadership capabilities among bank and insurance executives, comparing it to an equivalent study from 2012. Over 360 executives were surveyed from 213 companies whose combined 2017 revenue represents approximately $1.67 trillion.

Key findings include

Confidence in digital and leadership capabilities has sunk since 2012

Compared to 2012, a smaller proportion of financial services executives said their organizations had the necessary digital capabilities to succeed – with the confident few falling from 41 percent to 37 percent. Breaking this down, although more executives felt they had the required digital capabilities in customer experience (40 percent compared to 35 percent), confidence in operations saw a significant drop. Only 33 percent of executives said they had the necessary operations capabilities, compared to 46 percent from six years ago. A shortfall in leadership was also cited, with only 41 percent of executives saying their organizations have the necessary leadership capabilities, down from 51 percent in 2012. In some specific areas, confidence in leadership fell significantly, including governance (45 percent to 32 percent), engagement (54 percent to 33 percent) and IT-business relationships (63 percent to 35 percent).

Digital Mastery proves to be elusive

In Capgemini's digital mastery framework presented in the report, just 31 percent of banks and 27 percent of insurers are deemed to be digital masters, while 50 percent and 56 percent respectively are classified as beginners. Executives also criticized the lack of a compelling vision for digital transformation across their organizations. Only 34 percent of banking and 24 percent of insurance respondents agreed with the statement that 'our digital transformation vision crosses internal organizational units', with just 40 percent and 26 percent respectively saying that 'there is a high-level roadmap for digital transformation'.

Banking transformation has taken centre stage, while insurance places focus on automation

Although banks' digital transformation journeys are well underway, the industry has reached a crossroads, cites the report, as it attempts to meet the rising digital expectations of customers, manage cost pressures, and compete with technology upstarts. Fewer than half of banks (38 percent) say they have the necessary digital and leadership capabilities required for transformation. Insurance is catching-up with only 30 percent claiming to have the digital capabilities required and 28 percent the leadership capabilities necessary. The banking sector does, however, outpace non-financial services sectors on capabilities such as customer experience, workforce enablement and technology and business alignment. Fifty-six percent of the banking firms said they use analytics for more effective target marketing (in comparison to 34 percent insurance and 44 percent non-financial services sector). More than half (53 percent) of banking organizations also said that up-skilling and re-skilling on digital skills is a top priority for them (32 percent for insurance and 44 percent for non-financial services sector). One area of advantage for insurers was operational automation, with 42 percent of executives saying they used robotic process automation, against 41 percent of bankers, and 34 percent reporting the use of artificial intelligence in operations (compared to 31 percent of bank executives).

More challenges are ahead

On the other hand, business model innovation, defining a clear vision and purpose, and culture and engagement are some areas which are challenging both for banking and insurance. Only 33 percent of insurance and 39 percent of banking organizations have launched new businesses based on digital technologies (41 percent in non-financial services sector). While banking is in line with the non-financial services average, only around a third (34 percent) of banks had a digital vision that crossed organizational units. Insurance lags even further behind, with just around a quarter (24 percent) having an all-encompassing vision. In terms of culture aspects as well, only 33 percent of banking and 25 percent of insurance organizations thought their leaders were adopting new behaviours required for transformation, as compared with 37 percent in non-financial services organizations. "This research shows that a reality check has taken place across the financial services industry, as incumbents now understand the true extent of the digital transformation challenge. In an environment of growing competition and consumer expectation, the view is very different from a few years ago, and it's unsurprising that large organizations have become more realistic about their capabilities," said Anirban Bose, Chief Executive Officer of Capgemini's Financial Services and member of the Group Executive Board. "At the same time, this is a wake-up call for banks and insurers to re-examine their business models. Tomorrow's operating model is collaborative, innovative and agile. The digital masters we looked at are working with an ecosystem of third-party partners, developing and testing ideas more quickly under an MVP model, and nurturing a culture of bottom-up innovation and experimentation. The majority of financial services firms need to learn from the small pool of genuine innovators in their field," Bose concluded.

Financial-Crime Compliance in a Real-Time World

By **Tony Wicks***, Head of Financial Crime Compliance, SWIFT*

Financial institutions have been expected to comply with international sanctions and anti-money-laundering (AML) requirements for decades. And events over the past few years added counter-terrorist financing (CTF) to the mix, alongside the increasing threat of cyberattacks and fraud. The financial crisis sharpened regulatory focus on banks while trimming profit margins, and—as overall compliance costs shot up and margins shrank—there was a growing call for a more standards-driven, collaborative approach.

Taking stock

Shaken up by waves of regulation and compliance requirements, financial-crime obligations are now more complex than ever—and carry major cost and efficiency implications for correspondent-banking relationships. Chief executive officers see this as the greatest threat to business growth. We are also seeing changes in the payments landscape, with major market-infrastructure overhauls, more sophisticated customer demands and new technology. And compliance teams are under increasing pressure to ensure their businesses remain competitive whilst staying compliant.

New challenges and opportunities

As we move towards compliance in a real-time world, AML, KYC (know your customer) and sanctions compliance will become even more challenging. Compliance and cybersecurity are becoming intrinsically linked, as cybercrime moves from individual-accounts fraud to institutional-payments fraud. High-quality data and analytics are also becoming an imperative for banks to improve efficiency and ensure greater transparency. The need to future-proof compliance processes and respond appropriately to the risk of the evolving payments landscape more effectively are paramount for compliance professionals. And at the same time, they want to defuse the fraud threat and use new technologies to help their businesses thrive.

SWIFT's evolving role in compliance

As an industry cooperative, SWIFT (Society for Worldwide Interbank Financial Telecommunication) has responded assertively to market needs by developing a broad portfolio of sanctions, know your customer (KYC), AML (transaction monitoring and analysis) and fraud-prevention solutions. And it's not stopping there. By leveraging industry-defined standards, a common infrastructure and shared costs, and by collaborating closely with our customers, we are expanding our solutions portfolio to help members address evolving regulatory requirements, while increasing the effectiveness and efficiency of their compliance programmes. With more than 40 years of experience enabling the banking community to exchange secure, standardised financial messages, SWIFT is uniquely positioned to provide financial-crime compliance teams with relevant, simple-to-use and hosted solutions. This allows banks to remain agile, keep systems and processes up to date, and be prepared for regulatory scrutiny.

A robust portfolio

In 2012, we launched two sanctions-compliance services, offering value to different financial institutions, from very small to very large. More than 900 institutions now trust Sanctions Screeningfor simple, cost-effective transaction screening. At the same time, when testing and validating our own filter, we realised that larger institutions needed tools to test their own filters, so we developed and launched Sanctions Testing. This provides the world's largest financial institutions with the assurance that their installed screening solutions are functioning effectively and deliver major efficiency gains. We also expanded Sanctions Screening to deal with larger transaction volumes and both on-SWIFT and off-SWIFT transactions. And this paved the way for Name Screening, which provides fast, accurate screening of single names via online lookup and entire databases for up to 50 million records hosted entirely on the SWIFT cloud. As our sanctions solutions gained traction, we started to tackle data analytics and KYC compliance. SWIFT data is standardised, global and contains unique insights. Unlocking its richness helps banks target their compliance activities to reduce cost and risk. One hundred leading banks, representing over half of all SWIFT message traffic, now use Compliance Analytics to leverage their SWIFT data for more effective sanctions, KYC, AML and counter-terrorist financing (CTF) programmes. Recently, we launched Correspondent Monitoring, a new module to meet regulatory requirements for the detection of money laundering.

While transaction data is critical to sanctions and AML compliance, customer data plays a vital role in customer due diligence and KYC compliance. More than 7,000 SWIFT members engage in correspondent-banking activities, and these institutions have more than 1.3 million mutual relationships. Here was a natural opportunity for us to use our 40+ years of expertise in security, standards and collaboration to help save our members money. In late 2014, we launched The KYC Registry—a secure online platform for banks to store their KYC information and exchange it with their counterparties. Currently, more than 5,100 banks, representing more than 80 percent of SWIFT traffic, use The KYC Registry, which helps users better manage risk and reduce the cost and effort related to correspondent due-diligence compliance. And as The KYC Registry extends to other areas this year, the number of users is set to rise significantly. While we were delivering sanctions, KYC and analytics solutions, another challenge reared its head: cybercrime. In response to high-profile back-office hacking incidents, we have enhanced our already robust security provisions and helped our members do the same. At the end of last year, we launched Payment Controls, a new solution for fraud prevention and detection, which is an integral part of our Customer Security Programme. Payment Controls helps customers to monitor and protect their core payments, by flagging and responding to fast-moving, suspect transactions efficiently. In the event of an attack, banks require separate controls to check and stop payments, and this in-network solution provides just that. This is a significant development and a major source of defence for customers.

Looking ahead

As banks adapt to meet the challenges of the global digital economy, the need for robust compliance practices and fraud-prevention programmes is more important than ever. Our proven solutions, developed in close collaboration with our customers, address industry-wide challenges. SWIFT is transforming cross-border payments with SWIFT gpi and helping correspondent banks to accelerate and streamline every aspect of their businesses, including compliance. Increasing the speed and volume of payments generates new financial-crime threats—and we believe these shared, non-competitive challenges are best addressed through common, shared approaches. Implementing our instant-on, hosted (cloud) utility solutions reduces information-technology (IT) costs, speeds solution deployment and reduces reliance on time-consuming, inefficient and potentially risky manual processes, while also lowering costs and achieving world-class security. Our solutions also allow businesses to standardise compliance processes without installing expensive hardware or software and enable them to use global SWIFT data to gain unique insights and better targeted compliance activities. Are we hitting the mark? The figures speak for themselves. In 2018, more than 950 new customers joined the SWIFT community of financial-crime compliance users, and SWIFT is now serving more than 6,400 customers globally. We are still growing strong, and looking forward to working with our community to enable financial institutions to continue doing business safely, securely and effectively.

Banks must segment networks to maximise IT security, argues expert

Banks must learn to secure the data residing on their IT systems through network segmentation if they want to maximise security and stay accountable to regulators. This is the view of Caroline Paddle, Director, Skybox Security. She has argued that by ring fencing different parts of a banking business, for example segmenting the networks used by a bank's retail and investment divisions, it becomes much harder for a hacker to perpetrate an attack throughout an entire network. Employees, she said, are often cited as the weakest link in security, and with effective network segmentation it is possible for IT departments to restrict the access of an individual or server only to required parts of the network, meaning any attack, intentional or accidental, from a member of staff is far easier to contain. “Creating these lines of demarcation can also have tangible business benefits when it comes to mergers or divestments of business units,” added Paddle. “Despite its clear benefits and the risk of crippling fines from poor data management, some organisations aren't proactively undertaking network segmentation.” She identified certain factors which may be holding them back: “There is often the perception that network segmentation will introduce barriers to interdepartmental communication, but this shouldn't be the case,” she concluded. “To make sure the necessary communication flows are in place, organisations should utilise network modeling tools so they can be confident that their access controls are correctly configured and communication flows are watertight. For a large enterprise, undertaking network segmentation can be a lengthy and manually intensive process. They might not necessarily have the skills or resources for this. Automated security monitoring and analysis tools can greatly help overcome this. And organisations often look at network segmentation in the wrong way. Of course, high level direction should come from CISO, but security and networks teams need to work in tandem. By taking a holistic approach to network segmentation, businesses can eliminate internal silos.” She said virtualisation and Software Defined Networking afford greater opportunities for granularity of access controls. However, this can be a double-edged sword, she believed, as it can also increase complexity and makes it harder for network and security teams to determine network access paths: “It's necessary to have tooling that provides visibility across the full spectrum of the organisation's infrastructure, whether data centre or cloud, physical or virtual,” she said.

First Data's solution to boost approval rates and revenue for merchants

The commerce-enabling technology and solutions provider First Data has released its digital commerce solution, Authorization Optimization. The new solution is expected to bolster efficiency and revenue through card-on-file transactions. According to the supplier, the solution applies intelligent transaction tools, including a rules engine and data science, and is designed for businesses with high volumes of digital payments. It is powered by AI and offers a comprehensive view of the authorization information by card type and issuer. The solution also enables merchants to conduct their own analytics on a wide variety of data types. This includes card volume, authorization and decline rates, card types, geography among others. “Nearly $15 billion in e-commerce revenue is missed annually, because merchants haven’t had a reliable authorization optimization strategy,” said Nandan Sheth, Head of Global Digital Commerce at First Data. “With our new Authorization Optimization solution, we’re providing our enterprise clients with powerful back-end support, fueled by industry-leading data intelligence. This insightful intelligence is used to boost authorization rates, as well as helps merchants retain more customers through a deeper understanding of their portfolio.” First Data was recently acquired by Fiserv for $22 billion in a bid to boost its payment services. First Data Corporation is a financial services company headquartered in Atlanta, Georgia, United States

RBI THIS WEEK

Some thoughts on Fiscal Federalism

(Shri Shaktikanta Das, Governor, Reserve Bank of India - March 19, 2019 - Delivered at the launch of the book ‘Indian Fiscal Federalism’, Mumbai)

I am honoured to be invited for the launch of the book "Indian Fiscal Federalism" authored by Dr. Y.V. Reddy and Shri G.R. Reddy. This is the latest in a prolific body of work that draws from Dr. Reddy’s hands-on experience with the Indian economy and public policy. These insightful expositions are interwoven with glimpses of Dr. Reddy’s professional life and his 'insider' views.

2. As Governor of the Reserve Bank of India during 2003-2008, after his stint as Deputy Governor during 1996-2002, Dr. Reddy’s journey was studded with many milestones. His tenure as Governor can be best characterised by the words he used on assuming office in September 2003 to describe what his approach would be. He had said "continuity and change will be mixed together appropriately." Of course, it will be remiss of me if I do not to mention the response of Dr. Bimal Jalan, the outgoing Governor, who said “Dr. Reddy will change whatever I did and will continue where he left off [as Deputy Governor].”

3. For a Central bank, proactive action is of immense importance. When risks were brewing in the pre-2008 period, Dr. Reddy sensed them pre-emptively. Drawing from his speeches, the word 'overheating' entered the lexicon of monetary policy in India. During the build-up of financial excesses in advanced economies with possible knock-on effects on bystanders like India, he resolutely set about preparing India's defences - building investment fluctuation reserves in the banking system; recalibrating risk weights for vulnerable asset classes; and setting prudential limits on inter-bank liabilities. In short, when the world was behaving in a pro-cyclical manner, Dr. Reddy had turned counter-cyclical ahead of the curve. As events later showed, these bulwarks became critical in protecting the Indian economy from the ravages of the global financial crisis of 2008-09.

4. I have been an avid follower of Dr. Reddy’s work. Having worked for several years on fiscal and economic issues, both at national and sub-national levels, I am emboldened by the occasion provided by the theme of his book to share some of my own thoughts on the subject.

5. From a fiscal perspective, India’s federal system has three important components: (1) Article 1 of the Constitution states that India, that is Bharat, shall be a union of states; (2) the Seventh Schedule of the Constitution allocates subjects to the Union and the States under different Lists, with overlapping functions contained in a separate Concurrent List; and (3) Article 280 of the Constitution mandates formation of the

Finance Commission every five years to recommend vertical and horizontal devolution of net central taxes and various other grants.

6. Over the past decades, the actual working of these constitutional provisions has generated considerable debate. Successive Finance Commissions have made efforts to address the emerging issues and challenges, but in a vibrant democracy like India the debate goes on. Geopolitical risks have necessitated higher expenditure on defence and internal security. Natural calamities and disasters have called for higher expenditure on relief and rehabilitation. In parallel, aspirations of the people and the country as a whole have required that the government spends more on developmental programmes.

7. The interplay between such developments in the real economy and certain features embedded in our constitution have thrown up issues which need to be addressed. I would like to highlight some of these issues. While doing so, I must hasten to stress that the points I am bringing out do not represent the deliberations or the direction of thinking of the 15th Finance Commission where I functioned as a Member for more than a year.

(7.1) Over past several decades, Finance Commissions have adopted different approaches with regard to principles of tax devolution, grants to be given to states and fiscal consolidation issues. While at one level, there has to be a framework for fresh and innovative thinking by every Finance Commission; at another level, there is a need to ensure broad consistency between Finance Commissions so that there is some degree of certainty in the flow of funds, especially to the states. This has become even more critical in the post GST scenario. In other words, there has to be continuity and change between Finance Commissions. Increasingly, therefore, it is felt that there is a need to give permanent status to the Finance Commission. The Commission can function as a leaner entity in the intervening period till the next Finance Commission is set up in a full-fledged manner. During the intervening period, it can also address issues arising from implementation of the recommendations of the Finance Commission.

(7.2) The principle of decentralisation works better when powers and functions are delegated based on which tier of governance is best suited to fulfil that responsibility. The constitution has already provided for delegation of certain functions to the urban and rural local bodies; but it is seen that there is still good distance to traverse when it comes to devolution of funds to these local bodies. It is, therefore, essential that the State Finance Commissions are constituted every 5 years as per the mandate in Article 243-I of the Constitution and arrangements are made for their robust functioning. Although the provision under Article 243-I is identical to the provision under Article 280, its implementation has fallen short. There could be reasons for the same, but they need to be addressed on priority.

(7.3) Recent initiatives in fostering co-operative federalism have opened new chapters of co-operation between Centre and States. The GST Council is functioning on the principle of shared sovereignty. As Dr. Y.V. Reddy and Shri G.R. Reddy point out in their book, the sacrifice of fiscal autonomy at both levels of government in favour of the Council needs to be seen as a 'trade-off' so as to reap the benefits of tax harmonisation. Indeed, the Indian model of GST preserves the essence of Indian federalism. India is, however, a union of states in which both the union and the states have to be fiscally strong. While this issue has to be addressed by the Finance Commission, the challenge for the GST Council now is to realise the full potential of GST for enhancing tax-GDP ratio and work on other areas of our economy to enhance its competitiveness. For instance, can the GST Council expand its scope and agree to work on other areas of reforms to generate national consensus?

(7.4) Co-operative federalism should not, however, breed inertia. Alongside co-operative federalism, there has to be competitive federalism. The ranking of states on the parameter of 'ease of doing business' has generated very healthy competition among states. Indices developed by the NITI Aayog on health, water management, implementation of SDGs, etc. have the potential to generate similar healthy competition. The program of Aspirational Districts is another such model for competition and development.

(7.5) There is now general agreement in the country about the importance of fiscal consolidation roadmap both at national and sub-national levels. While adhering to fiscal deficit targets and debt to GDP ratios, it is equally important to undertake robust expenditure planning based on a 'commonly agreed expenditure code' to address the socio-economic challenges without diluting the goals of fiscal consolidation.

8. These are some thoughts which come to my mind while participating in this event today. Steps like these will go a long way in strengthening fiscal federalism and overall fiscal robustness of our economy. I am sure the book authored by Dr. Y.V. Reddy and Shri G.R. Reddy will generate substantive debate and contribute to our understanding of issues connected with fiscal federalism. I congratulate Dr. Y.V. Reddy and Shri G.R. Reddy on their new book and thank them and the organisers of today's event for giving me opportunity to be present here.

RBI holds 31st Annual Conference of State Finance Secretaries

The 31st Conference of State Finance Secretaries was held in Mumbai on March 18th 2019. The Conference was attended by officials from the Ministry of Finance, Government of India, Controller General of Accounts, Comptroller and Auditor General of India and Finance Secretaries of 25 states and Puducherry. Governor, Reserve Bank of India inaugurated the Conference. The meeting discussed *inter alia* various issues like gross market borrowings at the general and Government level, the need for greater information dissemination by the State Governments, measures for widening the investor base and deepening the secondary market in SDL and the issue of appropriate reflection of risk asymmetry of various State Governments in their cost of borrowing. It also decided to form a Committee to recommend parameters of a rule-based approach in fixing new WMA limits for the State Governments. Further, the States agreed to work towards complete integration of their receipts and payment systems with RBI's integrated accounting system (e-Kuber) for greater system efficiency.

Expert Committee on Micro, Small and Medium Enterprises

As you are aware the Reserve Bank has constituted an 'Expert Committee on Micro, Small & Medium Enterprises (MSMEs)' to understand the structural bottlenecks and factors affecting the performance of the sector. The details regarding the constitution and terms of reference of the Committee is available at https://rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=45898.

The Committee is undertaking a comprehensive review of the sector to identify causes and propose long term solutions for its development. The Committee has, therefore, decided to invite suggestions from the public at large on the following aspects:

Name of the Person / Institution: Email id:

Sl. No.	Suggestions
1	To suggest definition of MSME for classification / identification of MSME in the context of present system of investment / turnover based criteria.
2	Whether District Industrial Centres (DICs) have met the intended objective? Suggestions for improving the role of DICs.
3	What are infrastructural gaps / problems affecting the development and growth

	of the MSME clusters?
4	Suggestions for addressing the structural gaps in capacity building of entrepreneurs.
5	Whether there is awareness about bill discounting facility viz. TReDS? Suggestions for improving onboarding and accessing finance through TReDS.
6	Suggestions for improving the credit rating mechanism for MSMEs
7	Any other specific suggestion/s.

Suggestions and comments may please be sent by March 28, 2019 to the Chief General Manager, Reserve Bank of India, Financial Inclusion and Development Department, Central Office, 10th floor, Fort, Mumbai-400001 or e-mailed.

Reserve Bank of India Clarifies

There have been some media reports about the stance of the Reserve Bank of India with regard to the Revised Framework on Resolution of Stressed Assets issued on February 12, 2018. As the matter is sub judice and the Hon'ble Supreme Court has reserved its orders on the matter, the Reserve Bank will not comment on the specific details. However, it is reiterated that the Reserve Bank maintains its stand on all aspects of the Framework as has been consistently articulated in its communications, including the clarification given during the post-monetary policy press conference on February 07, 2019.

Reporting and Accounting of Central Government Transactions of March 2019

Please refer to Circular DGBA.GBD.No.2324/42.01.029/2017-18 dated March 19, 2018 advising the procedure to be followed for reporting and accounting of Central Government transactions (including CBDT, CBEC, Departmentalised Ministries and Non-Civil Ministries) at the Receiving/Nodal/Focal Point branches of your bank for the Financial Year 2017-18.

2. The Government of India has decided that the date of closure of residual transactions for the month of March 2019 be fixed as April 10, 2019 for the Financial Year 2018-19. In view of the ensuing closing of government accounts for the financial year 2018-19, receiving branches including those not situated locally, should adopt special arrangements such as courier service etc., for passing on challans/scrolls etc., to the Nodal/Focal Point branches so that all payments and collections made on behalf of government towards the end of March are accounted for in the same financial year. These instructions regarding special messenger arrangements may please be informed to all branches concerned.

3. As regards reporting of March 2019 transactions by Nodal/Focal Point branches in April 2019, the branches may be advised to follow the procedure as outlined in the Annex. To sum up, the Nodal/Focal Point branches will be required to prepare separate sets of scrolls, one pertaining to March 2019 residual transactions and another for April 2019 transactions during the first 10 days of April 2019. The Nodal/Focal Point branches should also ensure that the accounts for all transactions (revenues/tax collections/payments) are effected at

the branches up to March 31, 2019 in the accounts for the current financial year itself and are not mixed up with the transactions of April 2019. Also, while reporting transactions pertaining to March 2019 up to April 10, 2019, the transactions of April 2019 should not be mixed up with the residual transactions relating to March 2019.

4. The above mentioned procedure for reporting March 2019 transactions and March 2019 residual transactions are also applicable to the reporting of transactions of Non-Civil Ministries.

5. Kindly issue necessary instructions in the matter to your branches concerned immediately.

ANNEX

Reporting of March Transactions

Beginning from April 1, 2019, the Nodal/Focal Point branches will segregate on a daily basis all scrolls/challans pertaining to March 2019 received from the receiving branches concerned and prepare separate main scrolls for:

a. scrolls for transactions of March 2019 or earlier period (i.e. effected during the previous financial year 2018-19) and
b. scrolls pertaining to current transactions (i.e. those effected from April 1, 2019 onwards).

2. The main scrolls for March 2019 transactions prepared from April 1 to April 10, 2019 are to be distinctly marked as March Residual - 1, March Residual - 2 and so on upto April 10, 2019. In other words, serial number should be allotted in consecutive order for each main scroll of March 2019 transactions sent from April 1 to April 10, 2019. These scrolls along with the copies of daily summary of Receipts and Payments prepared separately for March 2019 transactions will be forwarded to the Departmental Officials concerned (i.e. Zonal Accounts Officers/Pay and Accounts Officers and Designated Officers) in the usual way. The Nodal/Focal Point branches will also be required to report the above transactions to the Link Cell through separate Daily Memos. These advices must be sent to enable the Link Cell of each bank at Nagpur, to make daily settlement with Reserve Bank of India, Central Accounts Section (CAS) Nagpur. On receipt of advices from the Nodal/Focal Point branches, the Link Cell should segregate the advices for the March Residual transactions and forward them separately to Reserve Bank of India, CAS, Nagpur. This procedure should continue upto and inclusive of April 10, 2019 only. All transactions reported thereafter by the receiving branches will be reported and accounted for in the usual manner in the accounts of the month of report irrespective of the date of transaction. Following the special arrangements for March 2019 transactions, it is necessary for the Nodal/Focal Point branches to prepare two sets of DMS to be submitted to Zonal Accounts Officers/Pay and Accounts Officers for March 2019 transactions - one for transactions upto March 31, 2019 and another for March Residual Transactions adjusted by Nodal/Focal Point branches with Reserve Bank of India, Central Accounts Section, Nagpur, during April 1 to April 10, 2019. Since the Nodal/Focal Point branch will also be reporting the April 2019 transactions pertaining to year 2019-20 in addition to March Residual transactions, monthly statement for April transactions should be compiled and furnished to Zonal Accounts Officers/Pay and Accounts Officers in the usual way. In order to distinguish the April 2019 (year 2019-20) and March Residual Transactions, the statement pertaining to March Residual Transactions should be clearly marked as "March Residual Account". The statement of March (Residual) Transactions should be sent by all Focal Point Branches to Zonal Accounts Officers/Pay and Accounts Officers latest by April 18, 2019. Note: As advised in our circular GA.NB.No.376/42.01.001/1995-96 dated May 22, 1996 all the cheques/amounts realized on or before March 31, 2019 should be treated as transactions relating to the current financial year as "March 2019 or March Residual Transactions", the reporting of which may take place during the month of April (upto April 10, 2019). But if any cheque is tendered on or before March 31, 2019 and realized on or after April 1, 2019, it will be

treated as transaction for the next financial year as "April Transactions". Accordingly, the banks will prepare separate scrolls for March 2019 and April 2019 (year 2019-20) transactions.

Export and Import of Indian Currency

Attention of Authorised Persons is invited to Regulation 8 of Foreign Exchange Management (Export and import of currency) Regulations, 2015, in terms of which a person may take or send out of India to Nepal or Bhutan and bring into India from Nepal or Bhutan, currency notes of Government of India and Reserve Bank of India for any amount in denominations up to ₹100/-. Further, an individual may carry to Nepal or Bhutan, currency notes of Reserve Bank of India denominations above ₹100/-, i.e. currency notes of ₹500/- and/or ₹1000/- denominations, subject to a limit of ₹25,000/-.

2. It has now been decided that an individual travelling from India to Nepal or Bhutan may carry Reserve Bank of India currency notes in Mahatma Gandhi (New) Series of denominations ₹200/- and/or ₹500/- subject to a total limit of ₹25,000/- Instructions regarding currency notes of Government of India and Reserve Bank of India for any amount in denominations up to ₹100/- shall continue as hitherto.

3. Authorised Persons may bring the contents of this circular to the notice of their constituents and customers.

4. Necessary amendments to Foreign Exchange Management (Export and import of currency) Regulations, 2015 (Notification No. FEMA 6(R) /RB-2015 dated December 29, 2015) have been notified as Foreign Exchange Management (Export and import of Currency) (Amendment) Regulations, 2019 [Notification 6(R)/(1)/2019-RB dated February 26, 2019] in the Official Gazette vide G.S.R. No.151(E) dated February 26, 2019, a copy of which is annexed.

5. The directions contained in this circular have been issued under sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and are without prejudice to permissions / approvals, if any, required under any other law.

FINMIN THIS WEEK

Auction for Sale (Re-issue) of '7.32% Government Stock 2024', Auction for Sale (Re-issue) of '7.26% Government Stock 2029', Auction for Sale (Re-issue) of '6.57% Government Stock 2033', and Auction for Sale of (Re-issue) of '7.06% Government Stock 2046'

Government of India has announced the Sale (Re-issue) of (i) '7.32 per cent Government Stock, 2024' for a notified amount of ` **5,000 crore** (nominal) through price based auction, (ii) '7.26 per cent Government Stock, 2029' for a notified amount of ` **8,000 crore** (nominal) through price based auction, (iii) '6.57 per cent Government Stock, 2033' for a notified amount of ` **2,000 crore** (nominal) through price based auction, and (iv) '7.06 per cent Government Stock, 2046' for a notified amount of ` **3,000 crore** (nominal) through price based auction. Subject to the limit of ` **18,000 crore**, being total notified amount, GoI will have the option to retain additional subscription up to ` **1,000 crore** each against any one or more of the above securities. The auctions will be conducted **using multiple price method**. The auctions will be conducted by the Reserve Bank of India, Mumbai Office, Fort, Mumbai on **March 22, 2019 (Friday)**. Up to 5% of the notified amount of the sale of the stocks will be allotted to eligible individuals and Institutions as per the Scheme for Non-Competitive Bidding Facility in the Auction of Government Securities. Both competitive and non-competitive bids for the auction should be submitted in electronic format on the Reserve Bank of India Core Banking Solution (E-Kuber) system on **March 22, 2019**. The non-competitive bids should be submitted between 11.30 a.m. and 12.00 noon and the competitive bids should be submitted between 11.30 a.m. and 12.30 p.m. The result of the auctions will be announced on **March 22, 2019 (Friday)** and payment by successful bidders will be on **March 25, 2019 (Monday)**. The Stocks will be eligible for "When Issued" trading in accordance with the guidelines on **'When**

Issued transactions in Central Government Securities' issued by the Reserve Bank of India vide circular No. RBI/2018-19/25 dated July 24, 2018 as amended from time to time.

Signing of Bilateral Agreement for Exchange of Country-by-Country (CbC) Reports between India and the USA

Sub-section (4) of Section 286 of the Income-tax Act, 1961 requires that a constituent entity of an international group, resident in India, other than a parent entity or an alternate reporting entity of an international group, resident in India, shall furnish the Country-by-Country (CbC) Report in respect of the said international Group for a reporting accounting year within the period as may be prescribed, if the parent entity of the said International Group is resident of a country or territory,—

- where the parent entity is not obligated to file the CbC Report;
- with which India does not have an agreement providing for exchange of the CbC Report; or
- where there has been a systemic failure of the country or territory and the said failure has been intimated by the prescribed authority to such constituent entity.

Vide Notification in GSR 1217 (E) dated 18th December, 2018 with effect from 18th December, 2018, amendments to the Income-tax Rules. 1962 (the "**Rules**") have been carried out to provide that the period for furnishing of the CbC report (local filing) shall be twelve months from the end of the reporting accounting year Further, vide Circular No.9/2018, dated 26th December, 2018, CBDT as a one-time measure, in exercise of powers conferred under section 119 of the Act, extended the period for furnishing of the CbC Report (local filing) in respect of reporting accounting years ending on or before 28th February, 2018 up to 31st March, 2019. The absence of an Agreement between India and USA till now entailed a possibility of local filing of CbC Reports in India. However, a Bilateral Competent Authority Arrangement, along with an underlying Inter-Governmental Agreement, for exchange of CbC Reports between India and the USA has now been finalized and will be signed on or before 31st March, 2019. This would enable both the countries to exchange CbC Reports filed by the ultimate parent entities of International Groups in the respective jurisdictions, pertaining to the financial years commencing on or after 1st January, 2016. As a result, Indian constituent entities of international groups headquartered in USA, who have already filed CbC Reports in the USA, would not be required to do local filing of the CbC Reports of their international groups in India.

WORLD BANK THIS WEEK

Green and Gray Infrastructure More Powerful When They Work Together, Says New Report

A new generation of infrastructure projects that harness the power of nature can help achieve development goals, including water security and climate resilience, according to a new report from the World Bank and World Resources Institute. Both organizations are calling for green infrastructure, such as mangroves and wetlands, to play a bigger role in traditional infrastructure planning. Integrating Green and Gray – Creating Next Generation Infrastructure shows how weaving the power of 'green' natural systems, including flood plains and forests, into 'gray' traditional infrastructure systems can lower cost and increase resilience. "If we help nature then nature can help us – that's the message of this report," said **Interim President of the World Bank Group Kristalina Georgieva**. "Measures like replanting wetlands can shield cities from storms and flooding, and protecting forests improves watersheds. Infrastructure should make use of plants and nature to boost resilience and create a more livable environment." The report showcases World Bank projects where green infrastructure is already being deployed. For example, in Brazil, forests filter biological impurities to protect water sources and reduce the need for expensive water treatment plants upgrades. In Vietnam, mangroves are used as a first line of defense against typhoons and sea surges, helping to reduce investments in expensive man-made sea dikes. And in Somalia, natural river sediments are trapped behind dams, helping to recharge local aquifers, thus eliminating the need for deep and expensive groundwater pumps. The report illustrates how emerging technology such as earth-based observations and advanced modeling make it cheaper and easier to design and assess the performance of green infrastructure. It also lays out a new framework for practitioners and service providers to integrate green infrastructure into gray, including technical, environmental, social, and economic dimensions. The report finds that integrating green and gray infrastructure can help deliver a “triple-win” with benefits for the economy, communities, and the environment. “Green infrastructure can be cheaper and more resilient than gray infrastructure alone—and it can produce substantial benefits beyond what the balance sheets measure,” said **Andrew Steer, President and CEO of World Resources Institute**. “These nature-based solutions can help us meet the infrastructure investment gap in a cost-effective manner, while lifting up local communities with benefits in their backyards. We’re at a climate inflection point, and in the midst of an infrastructure crisis. Now more than ever, the world must tap into nature’s wealth.” The financing demands for global infrastructure are large and growing. Because of its environmental and social benefits, green infrastructure opens new finance opportunities both from public sources via grants and subsidies, or from private sources, such as mission-driven investors that can help tackle this financing gap. Unlocking these new sources of capital, both public and private, can help meet the significant infrastructure investment needs - equivalent to 4.5% of GDP in developing countries - over the next 15 years. In total, 81 World Bank-financed projects with green infrastructure or broader nature-based approaches were approved between 2012 and 2017. Moving forward, the World Bank will further develop the analytical evidence for the benefits from natural capital in sustaining infrastructure and managing climate risks. The report was funded in part by the Global Facility for Disaster Reduction and Recovery and the Global Water Security & Sanitation Partnership.

SDGs and Her Initiative Announces Winners of 2019 Global Competition

WASHINGTON, March 19, 2019 – Today, the global SDGs and Her Competition announced the winners of the 2019 global competition. The contest– co-sponsored by the World Bank Group, UNDP, UN Women, and the Wharton School’s Zicklin Center– showcases women micro-entrepreneurs who are helping to achieve the Sustainable Development Goals (SDGs) through their business operations. The winning entries are Taxshe, owned by Vandana Suri from India, and Green Business Innovation, owned by Saida Yusupova from Uzbekistan. TaxShe is an exclusive, all-woman, driver-on-demand service that provides transportation services to school children and women workers, making day-time and late-night travel safe. Based in Bangalore, TaxShe selects drivers from marginalized communities, provides them with professional driving skills, and employs them as part- or full-time drivers. Through its business, TaxShe addresses SDG 5 to further gender equality, SDG 8 to promote decent work and economic growth, and SDG 10 to reduce inequality. Green Business Innovation operates in the areas of green business and technology, providing content and partnership support for 3 projects: a science accelerator, a water accelerator, and the Climate Launch pad in Uzbekistan. The company links the UN Sustainable Development Goals with green business opportunities. Through its consultancy work, the company addresses SDG 6 to ensure clean water and sanitation for all; SDG 8 to promote decent work and economic growth, SDG 9 to build industry, innovation, and resilient infrastructure; and SDG 13 to take urgent climate action. Suri, and Saida will speak about their work and impact at an Award Ceremony on April 11, 2019, taking place on the sidelines of the World Bank Group-International Monetary Fund Spring Meetings in Washington, D.C. The 2019 contest attracted over 1,200 entries from all regions of the world: Sub-Saharan Africa, Latin America and the Caribbean, South Asia, the Middle East and North Arica, Europe and Central Asia, and East Asia and the Pacific. The SDGs and Her competition seeks to increase knowledge about the SDGs and their potential impacts on women as well as to collaborate with private sector partners and share best practices and innovative ideas. The competition is open to women who own and/or lead micro-enterprises with nine or fewer employees, and which have loan eligibility under USD $10,000 or annual sales under $100,000. The winners were chosen based on their impact on the SDGs, vision and purpose, and clarity of the entries. The final judging panel included senior officials from the World Bank Group, UNDP, UN Women, and Zicklin Center for Business Ethics Research at the Wharton School.

IMF THIS WEEK

The External Balance Assessment Methodology: 2018 Update

ITEMS COMPILED & EDITED FROM NATIONAL, INTERNATIONAL FINANCIAL DALIES, WEEKLIES, WEBSITES.

Author/Editor:

Luis M. Cubeddu ; Signe Krogstrup ; Gustavo Adler ; Pau Rabanal ; Mai Chi Dao ; Swarnali Ahmed Hannan ; Luciana Juvenal ; Carolina Osorio Buitron ; Cyril Rebillard ; Daniel Garcia-Macia ; Callum Jones ; Jair Rodriguez ; Kyun Suk Chang ; Deepali Gautam ; Zijiao Wang

March 19, 2019

Summary:

The assessment of external positions and exchange rates is a key mandate of the IMF. This paper presents the updated External Balance Assessment (EBA) framework—a key input in the conduct of multilaterally-consistent external sector assessments of 49 advanced and emerging market economies—following the two rounds of refinements adopted since the framework was introduced in 2012 (as described in Phillips et al., 2013). It also presents new complementary tools for shedding light on the role of structural factors in explaining external imbalances and assessing potential biases in the measurement of external positions. Remaining challenges and areas of future work are also discussed.

Series:

Working Paper No. 19/65

Fundamental and Speculative Demands for Housing

Author/Editor:

Weicheng Lian

Publication Date:

March 19, 2019

Summary:

This paper separates the roles of demand for housing services and belief about future house prices in a house price cycle, by utilizing a feature of user-cost-of-housing that it is sensitive to demand for housing services only. Optimality conditions of producing housing services determine user-cost-of-housing and the elasticity of substitution between land and structures in producing housing services. I find that the impact of demand for housing services on house prices is amplified by a small elasticity of substitution, and demand explained four fifths of the U.S. house price boom in the 2000s.

Series:

Working Paper No. 19/63

The Impact of Rapid Aging and Pension Reform on Savings and the Labor Supply

Author/Editor:

Hui He ; Lei Ning ; Dongming Zhu

Publication Date:

March 18, 2019

Electronic Access:

Summary:

We study, both empirically and quantitatively, the role of savings and the labor supply in self-insurance channels over the life cycle when one faces not only idiosyncratic income risks, but also changes in longevity risk and pension benefits. We pick China as a case study since China has undergone a dramatic process of rapid aging and a tremendous reduction in social security benefits for the period 1995-2009. We find that both savings and the labor supply are quantitatively important self-insurance channels in responding to changes in

longevity risk and pension benefits, and the responses via adjustment to savings and labor supply have significant macroeconomic implications. Applying the model to China, we find that the pension reform and rapid aging together contribute 55 percent of the increase in the household saving rate from 1995 to 2009, and they jointly capture about 64 percent of the drastic increase in the labor supply for the same period.

Series:

Working Paper No. 19/61

BASLE THIS WEEK

Can an ageing workforce explain low inflation?

20 March 2019 by Benoit Mojon and Xavier Ragot

Focus

How do we explain low inflation? Inflation has remained low in many advanced economies in spite of declining unemployment rates and steady increases in employment. At the same time, the workforce is ageing. Baby boomers are working longer than their parents. Over the last 15 years, the proportion of people aged 55 to 64 who work has increased from 33% to 55% on average across the Organisation of Economic Co-operation and Development countries. In Germany, it increased from 40% to 70%. We look at how this ageing may affect wage inflation.

Contribution

This is the first paper to analyse the channels through which an increase in the labour supply by older workers could impact wages. A first channel is the relative wages of old and young workers. As wages typically increase with seniority, a higher proportion of older worker should lift wages overall. A second channel is that older workers' willingness to keep working increases the supply of workers and reduces the equilibrium wage. We estimate the net effects of workers ageing on wages both in panels of countries and in a panel of 200 European regions.

Findings

We find that, over the last 20 years, the ageing of the workforce has reduced wage inflation. This result holds true across all the economies we tested, from the G7 advanced economies to small European regions. But the effects are small, perhaps because we estimate the net effects of two channels that work in opposite directions. We also find that unemployment has a large impact on wage inflation. Reducing the unemployment rate by 1% reduces wage inflation by 0.45% in G7 countries and 0.25% in euro area countries. These effects, which are highly statistically significant, have declined since 2010 in the G7 panel estimates but not in the euro area countries. In view of these estimates, the current situation of low wage inflation and low unemployment implies that the unemployment rate gives only a partial picture of the amount of slack in the labour market.

Abstract

Why is wage inflation so weak in spite of the recent sharp reduction in unemployment? We show that this may be due to an ongoing change in the composition of the labor supply. Indeed, the participation rate of workers aged between 55 and 64 has increased steadily over the last decade, from a third to above a half on average across OECD countries. This is most likely the consequence of ageing and the reform of pensions. We show that the participation rate of workers aged 55 to 64 contributes to explain why wage inflation has remained weak over the last five years. Our second result is that Phillips curves are alive and well. When exploiting the

cross-country variance of the data, wage inflation remains highly responsive to domestic unemployment rates, including after the Great Recession.

Bond risk premia and the exchange rate

18 March 2019 by Boris Hofmann, Ilhyock Shim and Hyun Song Shin

Summary

Focus

Exchange rates and market interest rates are closely related in emerging market economies (EMEs). A stronger currency goes hand in hand with lower market interest rates and generally looser financial conditions. A weaker currency is associated with higher market interest rates and tighter financial conditions.

Contribution

The paper lays out a framework where the exchange rate affects domestic market interest rates through the investment decisions of global investors, even when the market interest rates are those on bonds issued in domestic currency. In an empirical investigation of 14 EMEs, the analysis points to the shifts in market interest rates as arising from shifts in risk-taking attitude of investors.

Findings

An appreciation of an EME currency against the US dollar compresses both the local currency and foreign currency sovereign bond spreads of the EME. Here, the relevant exchange rate is the bilateral US dollar exchange rate, not the trade-weighted effective exchange rate. Such compression in yield spreads is driven by the decrease in the credit risk premium. Also, an appreciation of EME currencies against the US dollar that is unrelated to the effective exchange rate significantly increases the EME domestic credit and output, while an isolated appreciation of the effective exchange rate has contractionary effects.

Abstract

In emerging market economies, currency appreciation goes hand in hand with compressed sovereign bond spreads, even for local currency sovereign bonds. This yield compression comes from a reduction in the credit risk premium. Crucially, the relevant exchange rate involved in yield compression is the bilateral US dollar exchange rate, not the trade-weighted exchange rate. Our findings highlight endogenous co-movement of bond risk premia and exchange rates through the portfolio choice of global investors who evaluate returns in dollar terms.

23/03/2019

BY VASANT PONKSHE
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CO-CHAIRMAN BOMOA
PERMANENT INVITEE TO AIBOA