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RBI Governor says India's economy needs to grow even faster

India's central bank chief said the expansion of the world's fastest-growing major economy needs to pick up to around 8 percent to deal with poverty and other challenges. While the past few years' average growth of around 7.5 percent was impressive, "the expectation is India can be better," Reserve Bank of India Governor Shaktikanta Das said at an International Monetary Fund event in Washington on Friday. He also said more structural reforms were needed in areas such as land and labour. India is expected to post real economic growth of 7.2 percent in the 2019-2020 fiscal year, and is seeing below-target inflation even as rising oil prices add an upside risk, the governor said. Still, he added that the inflationary impact from spikes in crude -- India's biggest import -- can be exaggerated. "If there is a temporary spike of oil prices and again it comes down, then obviously the impact gets moderated," Das said. Any "sustained increase in crude prices will definitely have an impact on inflation, but we have to see how sustained it is." Higher oil prices over the longer term may hurt India's growth as well as its current account deficit, factors which would drag the rupee down. The recent oil spike is occurring against a backdrop of consumption suffering from a crisis in the shadow banking sector and exports stagnating amid a global slowdown -- all of which has seen India's growth prospects dim. The RBI reduced interest rates by a quarter-percentage point last week, the second cut in as many meetings chaired by Das who took charge in December after Urjit Patel's sudden resignation. Despite the easing, the central bank still retained its neutral policy stance. "Our priority is to remain watchful and take coordinated action to revive growth, and maintain macroeconomic, financial and price stability," he said in Washington. The central bank last week lowered the growth forecast for the fiscal year that began April 1 to 7.2 percent from 7.4 percent seen previously. It also expects headline inflation and underlying price pressures to remain subdued in coming months, giving it some more room to lower rates. India has one of the highest real rates of interest in Asia and that's often been cited as a reason why investors hold back. Companies have also shied away from borrowing ahead of a general election campaign that kicked off April 11. The results will be known May 23.

View: Biometric authentication, exclusion restrictions can ensure effective cash transfer system in India

By Devashish Mitra

In a social democracy, an important objective of government policy is distributive justice. Growth has to be inclusive, which provides the rationale for redistributive programmes. This redistribution can happen within the framework of capitalism and, by no means, amounts to socialism. The emphasis on poverty reduction programmes is a natural outcome of electoral competition in a democracy. Around 20 per cent of India's population is below the poverty line, while 31 per cent has a monthly household income below Rs 12,000, the threshold used in Congress' proposed Nyuntam Aay Yojana (NYAY). No political party in India's democracy can hope to win an election by ignoring the welfare of this group representing almost a third of the population. Major parties compete for their votes, as these voters are too poor to have the luxury of being committed to any political ideology. They are, therefore, the most likely to be moved by policy platforms impacting their economic well-being.

Get to the Bottom

So, no economist providing policy prescriptions can ignore the political constraint of the inevitability of redistribution to the bottom 20-30 per cent. Therefore, an important task before any policy economist is to suggest the most efficient form of this redistribution — one that hurts the rest of the society the least. Of course, it also has to be fiscally viable and responsible. 72 years since Independence, it's crystal clear that India's public sector is not competent at delivering goods and services to the poor. Important drivers of its inefficiency are leakages, corruption and lack of accountability of local government functionaries running the poverty programmes. One example is the public distribution system (PDS), where matters are made worse by the fiscal costs of procuring food grains at high prices from farmers and distributing them to fair-price shops to be sold to the poor at very low prices.

Large parts of PDS food grains are often siphoned off to the open market at a higher price. And, often, richer families obtain a below poverty-line (BPL) card to buy food grains at low prices meant only for the poor. Many poor families, on the other hand, are not able to procure their BPL cards. The Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) scheme, however, has been successful in many respects, providing additional rural employment, including significantly to women and scheduled castes and tribes, along with a self selection process due to the hard labour needed to participate in it. However, there have been numerous complaints about delayed and partial payments to workers, money for material not spent, low quality of assets created, etc. Replacing the above programmes with cash transfers (CTs) will considerably enhance the efficiency of redistribution, and place markets at the helm. Markets normally perform a much better job than bureaucrats in allocating resources and channelling goods and services where they are needed the most. While the government will provide CTs, the provision of goods and services (to be bought with that cash) will have to be by the private sector, or a mix of mutually competing private and public sector providers. Of course, correctly identifying poor households is difficult. So, a universal CT, such as the universal basic income (UBI), has often been suggested. In his 2016 book, India's Long Road: The Search for Prosperity, Vijay Joshi suggests that a reasonable amount of UBI can be fiscally viable. If people have to physically stand in line to biometrically authenticate and activate transfer payments to their bank accounts using their Aadhaar cards each month, the number of people requesting a transfer — viewed as too small by the financially secure — could fall by up to 50 per cent .

Cash Course

Jagdish Bhagwati and Arvind Panagariya in their 2013 book, Why Growth Matters: How Economic Growth in India Reduced Poverty and the Lessons for Other Developing Countries, however, support targeted, but unconditional, transfers to the poor (with exceptions of school vouchers, with the child's name on each, and health insurance for the poor, with premiums paid by the government). For targeting, they suggest using ‘exclusion restrictions’ based on information on ownership of assets such as cars, scooters, land and other kinds of property that have to be registered with the government by law. I believe that a combination of monthly biometric authentication and ‘exclusion restrictions’ can work well in weeding out the non-poor from receiving CTs. ‘Conditionality’ can result in corrupt practices like fake receipts or invoices, and limit flexibility, freedom of choice and variety. With over 300 mn bank accounts created under the Jan Dhan scheme, CTs can be made electronically, considerably reducing the likelihood of illegal or ghost recipients. Of course, these have to be supplemented by nutrition education campaigns. These CTs can be financially viable only if some important conditions are met. First, they need to eventually replace all inefficient subsidy programmes for the poor, including those effectively benefiting mainly the middle class. At least the growth of these programmes should be halted. Second, India needs to keep growing at 7-8 per cent, so that tax revenues keep doubling every seven years or so, making steady expansion of CTs possible. Finally, these CTs have to initially start much smaller and at a considerably lower maximum threshold than what NYAY proposes, and then grow as the economy grows.

Punjab National Bank appoints Rajesh Yaduvanshi as Executive Director

Punjab National Bank (PNB) on Tuesday said it has appointed Rajesh Kumar Yaduvanshi as the Executive Director of the bank with effect from April 15. Yaduvanshi brings with him a diversified experience of over 3 decades in the banking industry, having held senior positions in the banking sector both in India and abroad, the bank said. He has also worked with Dena Bank in capacity of the Executive Director. Yadivanshi, having 34 years of banking career, had joined PNB as a management trainee in 1985. He holds a doctorate in science from lndian Agricultural Research Institute, New Delhi and has over and is also a certified associate member of lndianlnstitute of Bankers.

IDBI Bank brings paperless account facility for NRIs

The Non-Resident Indians (NRIs) living in nearly 40 countries will now be able to open account in IDBI Bank without submitting paper documents, the lender said Tuesday. IDBI Bank has launched 'NRI-Insta-Online' account opening process for NRIs residing in Financial Action Task Force (FATF) member countries, it said in a release. The person will not be required to furnish physical documents as well as KYC proofs for opening an account with the bank. "NRIs desirous of opening account can now access the 'NRI Insta-Online' on the bank's website via web module, upload the supporting documents and choose the branch in which the account needs to be opened," IDBI Bank said. On successful upload and verification of the scanned documents, the account is instantly opened and an electronic advice is sent to the customer. The lender said this is a user-friendly initiative that will help NRIs to open the account without any need to visit the branch or submit physical documents. FATF is an inter-governmental body which devices policy and sets standards to promote effective implementation of legal, regulatory and operational measures to combat money laundering, terrorist financing and other related threats to the integrity of the international financial system. The body has 38 member countries, including the US, UK, India, Japan, China and France, among others.

Bonus clawback plan for IL&FS executives

The government is looking to claw back bonuses and other benefits that accrued to ousted top executives of IL&FS Group, who are accused of failing to discharge their duties and leaving the entity in a financial mess. The government had put in place a new board, led by Kotak Mahindra Bank vice-chairman and CEO Uday Kotak to run the affairs, citing mismanagement. But with probe by the

Serious Frauds Investigation Office (SFIO) pointing to major irregularities in case of IL&FS Financial Services (I-Fin), the government is looking at clawing back bonuses and other benefits that accrued to several top executives in the group that has liabilities of Rs 91,000 crore to the financial system. The approach is similar to the one adopted by ICICI Bank against Chanda Kochhar, who was forced to quit amid serious charges of irregularities, involving her husband Deepak Kochhar in loans sanctioned by India's top private bank. She has been asked to return the bonuses and shares, which were given as part of the ESOP scheme. The move at IL&FS is part of a drive that will focus on the role of key management personnel, such as former IL&FS chairman Ravi Parthasarthy, former vice-chairman Hari Shankaran and I-Fin chief Ramesh Bawa, sources told TOI. While several other executives are under the scanner, Shankaran and Bawa have been arrested by the SFIO, which has alleged irregularities. In addition, the sources said, the role of independent directors is also suspect as they are seen to have played ball with the management and not raised doubts. Besides, Deloitte is being probed minutely as the auditor had failed to detect any irregularities. Already some executives have been questioned by authorities. Given the massive web of companies at IL&FS, estimated at over 250, the SFIO is looking at four major blocks, with its investigation related to I-Fin nearing completion. After this, the focus will shift to the parent and its power arm, apart from IL&FS Transportation Network (ITNL), sources said. At the same time, the board is looking to sell several subsidiaries to recover money, given that several of the assets in the group's portfolio may not result in significant recovery.

Bank of Baroda expects to complete integration of Dena Bank, Vijaya Bank in two years

State-owned Bank of Baroda (BoB) is likely to complete the process of merger of Dena Bank and Vijaya Bank with it in two years, said a senior official of BoB. The merger of Dena Bank and Vijaya Bank with BoB became effective from April 1. Information technology platform integration alone will take about 12 months and other processes and systems may take another year or so, the official said. The process has been designed to ensure that there is minimum disruption of the customers during the transition period, the official said adding that the branding of the three entities will be retained in the interim period and will be transitioned to the new brand in a phased manner to ensure minimum disruption to existing operations. As far as capital is concerned, the official said, the government has infused Rs 5,042 crore in the bank taking care of additional expenses and maintaining minimum regulatory capital requirement. There would be pressure on the balance sheet of the bank during the first quarter when the maximum impact of the merger will play out and, subsequently, the impact will moderate, the official added. The maiden three-way amalgamation is the first step in the consolidation of the public sector banking industry recommended in 1991 by the Narasimham Committee report. Through this merger, the government has created an institution of global scale and size, thereby providing significant benefit to all stakeholders. The consolidated entity started the operation with a business mix of over Rs 15 lakh crore on the balance sheet, with deposits and advances of Rs 8.75 lakh crore and Rs 6.25 lakh crore, respectively. BoB, the second-largest public sector lender after State Bank of India, now has over 9,500 branches, 13,400 ATMs, and 85,000 employees to serve 12 crore customers. The announcement of the three-way merger was among several reforms initiatives undertaken by Financial Services Secretary Rajiv Kumar to make public sector banks (PSBs) healthy, robust and globally competitive. As part of the reform process, the government had also announced transfer of majority 51 per cent stake to Life Insurance Corporation in IDBI Bank in August last year to transform the Mumbai-based lender. Besides, the Department of Financial Services made a record capital infusion of Rs 1.06 lakh crore in the PSBs in 2018-19. As a result, five PSBs, including Bank of India, Corporation Bank and Allahabad Bank, were out of the prompt corrective action framework of the RBI earlier this year. Non-performing assets showed a negative trend in 2018-19 and reduced by Rs 23,860 crore between April 2018 and September 2018. Following the merger, the number of PSBs has come down to 18

SBI Card charts out plans for a card-less world SBI Card,

The credit card arm of State Bank of India (SBI), is changing its business model as the distinctions between a card company, banks and fintechs blur. The card company, which is also backed by private equity fund Carlyle, is diversifying its funding from banks beyond SBI to tap the local bond market as it seeks diversification after the exit of GE Capital more than a year ago. “We are using chatbots, artificial intelligence and robots to do our repetitive jobs,” said Hardayal Prasad, CEO at SBI Card. “We are preparing for a card less world. In the last 18 months since GE has exited, we set up our own infrastructure and brought back our core platform to India without losing sight of growth. We are growing at 31% in terms of number of cards against the industry growth of 25%. We have gained market share and now have 18.3% in terms of spends.” Prasad expects the company to clock a profit before tax of more than Rs 1,000 crore in the fiscal year ended March 2019, up 20% from Rs 776 crore reported in fiscal 2018, riding on rising card sales to the open market outside SBI branches. “Right now, new card sourcing from SBI is 50% to 55% but the open market is strengthening significantly. We source 2.5 lakh cards per month from malls, point of sales, tele calling and online applications. We have now expanded our network to tier II and tier III towns and are now present in 150 cities from 75 cities about a year ago,” Prasad said. SBI Card has partnerships with eight banks including SBI and has 10 retail co-branded partnerships. The company is the second largest in India in terms of credit cards outstanding with 8 million cards behind the 12.4 million issued by leader HDFC Bank. Prasad said both SBI and Carlyle infused fresh capital in July last year and no more funding is required till December. “We also realise that we need to manage the balance in assets and liability and to hedge that we decided to also go for long-term borrowings. We started borrowing from the market in September last year. Though it is a bit expensive and our costs have gone up but we are fine with it,” Prasad said. Besides SBI, the company will also borrow from Canara Bank and Central Bank of India and raise money through commercial papers. “We continue to look for options. The market is opening up and we would like to bring down costs. Our average cost of funds is 7.5% to 8%,” Prasad said. The company’s return on assets (RoA) is more than 4% and return on equity (RoE) is more than 25% currently.

Bank deposits face competition from company NCDs

Banks are facing fresh challenges in mobilising deposits as their non-bank rivals are attracting savers with higher returns on bonds. Aggregate deposits of banks have shrunk by Rs 4410 crore in the fortnight ending March 15, and with about half-a-dozen NBFCs looking to mop up about Rs 3000 crore in nonconvertible debentures (NCD), banks have their task cut out to keep the flow intact. Small savers have also shifted their preference to equities and mutual funds, which has forced banks to hold on the deposit rates despite Reserve Bank of India’s signal for a softer interest rate cycle. They have now to compete with Srei Infrastructure Finance, Magma Fincorp, Shriram City Union Finance and Muthoot Homefin which look to raise about Rs 2050 crore between them in the next three weeks. L&T Finance has already concluded its Rs 1000-crore fund raising through NCDs. "In light of the recent rate cuts by RBI, well priced NCDs have become a preferred choice of retail investors,” said Rakesh Bhutoria, chief executive officer at Srei, which is looking to raise Rs 500 crore in bond sales. These companies are offering coupon ranging from 8.6% to 10.75%, much higher than what banks offer. State Bank of India offers a maximum 6.85% for five-year deposits while Bandhan Bank offers a maximum of 7.65% for 18 months to less than two-year deposits. Although RBI data suggested squeeze in bank deposits in the past reporting fortnight, long term trend showed 10% annual growth, which is broadly similar to pre-demonetization levels but still lags loan growth, Kotak Institutional Equities said in a note. “The main challenge remains in the structure of the deposits and lending markets where the shift in market share on deposits has been slower to private banks compared to loans, especially large-ticket corporate loans,” the research note said. While competition has prevented banks from lowering deposit rates, the tighter liquidity conditions have forced NBFCs offer higher rates on NCDs. Shriram City Union Finance is in the market to raise Rs 750 crore with Magma looking to garner Rs 500 crore and Muthoot Homefin another Rs 300 crore. The respective target includes option to retain oversubscriptions.

Banks close FY19 with 13.24% credit growth, deposits up 10.03%

Banks closed fiscal 2019 with robust disbursals that rose in double-digits for the second year in row, after the sub-5 percent in FY17, which was the lowest in five decades. According to the Reserve Bank data released Thursday, bank credit rose 13.24 percent to Rs 97.67 lakh crore for the fortnight to March 29, while deposits grew by 10.03 percent to Rs 125.72 lakh crore during the same period. This is the second consecutive double-digits credit growth after the same had declined to 4.54 percent in FY17 at Rs 78.41 lakh crore, which was the lowest since 1963. In the year-ago fortnight, deposits were at Rs 114.26 lakh crore and advances at Rs 86.25 lakh crore, according to the RBI data. In FY17, aggregate deposits in the banking system grew a mere 6.7 percent in 2017-18, while credit grew still lower at 4.54 percent, the lowest since fiscal 1963. Bank deposit growth fell to a five-decade low in year to March 2017 as demonetisation bonanza withered. It can be noted that during November-December 2016, banks received Rs a whopping 15.28 lakh crore as people deposited high denomination currency notes that were withdrawn from circulation on November 8. As a result, aggregate deposits in the fiscal ended March 2017 grew 15.8 percent to Rs 108 lakh crore. In the previous fortnight to March 15, 2019 credit demand had grown by 14.46 per cent to Rs 95.53 lakh crore while deposits increased by 10.03 per cent to Rs 122.26 lakh crore, show RBI data. On a year-on-year basis, non-food bank credit increased by 13.2 percent in February 2019 as compared with an increase of 9.8 percent in the year-ago period. Loans to the services sector almost doubled with a 23.7 percent growth in February compared to 14.2 percent in the same month last year. Advances to agriculture and allied activities increased by 7.5 percent in February compared to an increase of 9 percent in February 2018. Credit to the industry rose by 5.6 percent in February, up from an increase of 1 percent in February 2018. Credit to the infrastructure, chemical and chemical products, and all engineering sectors accelerated. However, credit growth to basic metal & metal products, textiles, and food processing decelerated/contracted. Personal loans rose 16.7 percent in February down from 20.4 percent in February 2018.

IDBI Bank lowers lending rates by 5 bps

Following its larger rivals, LIC-owned IDBI Bank has reduced its lending rates by 5 basis points for most of the tenors, effective Friday. The new one-year marginal cost of funds-based lending rate (MCLR), to which most of the loan pricing is based on, has been reduced to 9 percent, the bank said in a statement Thursday. The revised six month and two-year MCLR now stand at 8.60 percent and 9.25 percent, respectively. The bank has reduced its one-month lending rate by 10 basis points to 8.15 percent. On Tuesday, the country's largest lender State Bank had lowered its lending rate by 5 basis points across all tenors. Its new one-year MCLR now stands at 8.50 percent. Other state-run lenders -- Indian Overseas Bank and Bank of Maharashtra have also reduced their lending rates by 5 basis points

BBB for autonomy to PSU banks to decide organisational structure

The Banks Board Bureau (BBB), the apex body for selection of whole-time directors of state-owned lenders, has made a case for giving a complete autonomy to banks to decide organisational structure for better efficiency. The BBB headed by former DoPT secretary B P Sharma also suggested revamping credit governance architecture in nationalised banks to reinforce efforts to minimise credit costs and enhance efficiency of credit allocation. In its activity report for October 2018 to March 2019, the board also recommended incentivisation scheme linked to performance. "Incentivise maximisation of risk adjusted income and disincentivise operational inefficiencies by aligning compensation with right performance metrics through the introduction of performance based compensation through Employee Stock Option Scheme (ESOS), which is different from Employee Share Purchase Scheme (ESPS), and Performance Linked Incentives (PLIs)," the report said. Highlighting the work undertaken by the board during the period, it said the recommendations for filling up the posts of whole-time directors in public sector banks (PSBs) were made on time and as a result, the vacancies which came up during this six months' period were filled up without delay. However, it said, the only vacancy which could not be filled up on time was that of MD and CEO in Canara Bank for which candidates outside the PSB universe are also eligible. "The vacancy was advertised twice. However, it was met with less than enthusiastic response on both occasions. The bureau made the recommendation for filling up of the vacancy on January 31, 2019. The bureau has separately recommended to the government the measures which may improve the pool of talent for filling up such vacancies," it said. It further said the bureau was assigned with the task of recommending personnel for appointment as director in PSU insurance company. In this regard, on January 4, 2019, it made its recommendations for appointment of chairman and MDs of LIC. Prime Minister Narendra Modi in 2016 approved the constitution of the BBB as a body of eminent professionals and officials to make recommendations for appointment of whole-time directors as well as non-executive chairmen of PSBs. They were also given the task of engaging with the board of directors of all the public sector banks to formulate appropriate strategies for their growth and development. Besides, it was also asked to frame strategy discussion on consolidation based on the requirement. The government wanted to encourage bank boards to restructure their business strategy and also suggest way forward for their consolidation and merger with other banks.

Bank of Baroda expects to complete integration of Dena Bank, Vijaya Bank in two years

NEW DELHI: State-owned Bank of Baroda (BoB) is likely to complete the process of merger of Dena Bank and Vijaya Bank with it in two years, said a senior official of BoB. The merger of Dena Bank and Vijaya Bank with BoB became effective from April 1. Information technology platform integration alone will take about 12 months and other processes and systems may take another year or so, the official said. The process has been designed to ensure that there is minimum disruption of the customers during the transition period, the official said adding that the branding of the three entities will be retained in the interim period and will be transitioned to the new brand in a phased manner to ensure minimum disruption to existing operations. As far as capital is concerned, the official said, the government has infused Rs 5,042 crore in the bank taking care of additional expenses and maintaining minimum regulatory capital requirement. There would be pressure on the balance sheet of the bank during the first quarter when the maximum impact of the merger will play out and, subsequently, the impact will moderate, the official added. The maiden three-way amalgamation is the first step in the consolidation of the public sector banking industry recommended in 1991 by the Narasimham Committee report. Through this merger, the government has created an institution of global scale and size, thereby providing significant benefit to all stakeholders. The consolidated entity started the operation with a business mix of over Rs 15 lakh crore on the balance sheet, with deposits and advances of Rs 8.75 lakh crore and Rs 6.25 lakh crore, respectively. BoB, the second-largest public sector lender after State Bank of India, now has over 9,500 branches, 13,400 ATMs, and 85,000 employees to serve 12 crore customers. The announcement of the three-way merger was among several reforms initiatives undertaken by Financial Services Secretary Rajiv Kumar to make public sector banks (PSBs) healthy, robust and globally competitive. As part of the reform process, the government had also announced transfer of majority 51 per cent stake to Life Insurance Corporation in IDBI Bank in August last year to transform the Mumbai-based lender. Besides, the Department of Financial Services made a record capital infusion of Rs 1.06 lakh crore in the PSBs in 2018-19. As a result, five PSBs, including Bank of India, Corporation Bank and Allahabad Bank, were out of the prompt corrective action framework of the RBI earlier this year. Non-performing assets showed a negative trend in 2018-19 and reduced by Rs 23,860 crore between April 2018 and September 2018. Following the merger, the number of PSBs has come down to 18.

Walmart Foundation supports IDEI irrigation project to raise incomes for 10,000 smallholder farmers

NEW DELHI: Ten thousand smallholder farmers in Andhra Pradesh are set to benefit from the introduction of sustainable irrigation products and practices under a program offered by International Development Enterprises - India (IDEI) and supported with funding from the Walmart Foundation. Providing a grant of US $750,000, the Walmart Foundation will help IDEI take its integrating smallholder farmers Into market systems program to ten districts in the state, said IDEI in a press statement. The program aims to introduce sustainable irrigation products and practices and create a complementary support ecosystem that will boost farm yields, reduce negative environmental impacts, and increase market access and smallholder farmer income. More than 62% of the population of Andhra Pradesh are dependent on agriculture, and lack access to irrigation systems or other technologies to help them improve their productivity and income. “Income poverty affects 1.3 billion people around the world and is a huge challenge. But simple solutions, like affordable modern irrigation, can make a massive difference. We have already helped more than 8 million people of farming families improve their output and standard of living, and we are determined to now do the same for tens of thousands of smallholders in Andhra Pradesh,” said Amitabha Sadangi, Chief Executive of IDEI. The IDEI grant is a part of the Walmart Foundation’s commitment, announced in September 2018, to invest US $25 million (approximately Rs 180 crores) in philanthropic initiatives to improve farmer livelihoods in India over the next five years. “We are pleased to support organizations such as IDEI who have expertise and a solid track record in strengthening farmers’ agricultural skills. This approach helps to create sustainable livelihoods for farmers by increasing production and helps to preserve important natural resources for the future”, said Karrie Denniston, senior director, Walmart Foundation. The program is expected to generate an additional $7.4 million in annual farming income in the state at the end of the project period, with individual gains of $400 per smallholder farmer household per year, it said. Substantial water savings in agriculture are also anticipated, amounting to 33.4 million cubic metre of water saved for the state during the program. Sustainable agricultural products with practices are the keystone of the IDEI program. It will target smallholder farming families with irrigation interventions and support for market-oriented development. Introducing sustainable irrigation will help smallholder farmers increase the planting and harvesting window, increase yields, and enable greater crop variety and productivity, unlocking new market opportunities. It will also generate cost savings and reduce negative environmental impact by curbing excess water and Fossil Fuel consumption. IDEI will also work to catalyze an ecosystem of entrepreneurs to provide access to affordable water-use productivity technologies and practices and for the maintenance and upkeep of these systems. These complementary activities can further enhance economic opportunities in the target regions of Andhra Pradesh.

The Mumbai jobs case study that would've cut Jack Ma a lot of slack

Jack Ma, the billionaire founder of Alibaba, recently talked his way into a big controversy when he endorsed a 12-hours-a-day, six-days-a-week work routine for young professionals. To survive at Alibaba, one needs to work 12 hours a day, six days a week, he said. "To be able to work 996 is a huge bliss," said Ma, China's richest man. "If you want to join Alibaba, you need to be prepared to work 12 hours a day, otherwise why even bother joining." Looks like Ma's critics could do with a quick trip to Mumbai or, for that matter, even Delhi, where working long hours hardly raises any eyebrows, and where people think nothing of putting in extra hours at work. As per a post on Alibaba's official Weibo account, Ma had said that Alibaba didn't need workers who wanted a typical eight-hour office lifestyle. Ma's comments fanned a raging online fire about workers dying from high-levels of workplace stress. In March, Chinese techies had taken to GitHub — an online platform for code-sharers — under the banner 996.ICU to express dissent over their general working conditions. The topic in question — 996 work culture — indicates working hours of 9 a.m. to 9 p.m., six days a week. At a time when discussions on work-life balance make for a lively debate, this show of dissent quickly went on to become most popular topic on the site. So what was Ma thinking, endorsing such extreme overtime which he must have known would certainly cause a furore? Examples from offices in cities like Mumbai, maybe? We will never know, but here a look at what kind of hours the world's most prominent cities — including Delhi and Mumbai — put in at work.

Maximum ways of the Maximum City

An average employee in Mumbai works 3,315 hours a year — which is more than any other place on earth, a study by Swiss investment bank UBS has found. Which would mean that the maximum city — the city that never sleeps — is also the hardest working city in the world. Not just that. The vacation days Mumbai employees took — around 10 days a year — were also among the least in the world. The fewer vacations Mumbaikars took could be linked to the longer hours they work, UBS said. The study ranked 77 top cities on a range of key parameters like working hours and pay. As per the findings, workers in Mumbai, Hanoi, Mexico City, New Delhi and Bogota put in the longest hours in a year. At the other end of the spectrum, workers in Helsinki, Moscow, Copenhagen, Paris, Rome and Lagos logged the least hours. Along with Mumbai employees, those in cities like Los Angeles, Beijing, Hanoi and Lagos take the least or the shortest vacations. At 37 days a year, workers in Riyadh took the highest number of off days. Other cities where employees availed more than 30 days a year of holidays include Moscow, St Petersburg, Barcelona and Doha.

Long hours, big purse?

Fat chance The UBS study employed a very interesting yardstick — the iPhone X, which tops most millennials' wish list — to gauge if longest hours at work were also getting people the fattest of pay packets. Here's what it found: — A Mumbai worker will have to put in more than 900 hours of work to be able to afford the phone. — The same product would require the average Delhi worker to work for at least 800 hours. — On this parameter, India's top two cities are above just one global peer — Cairo (1,000 hours). In sharp contrast, workers in Zurich require just 38 hours of work to make enough for an iPhone X. Employees in Los Angeles, Geneva, Miami and Nicosia too will need to put in considerably fewer hours — less than 100 — for the same purpose.

India needs to bolster level of capitalisation of government owned banks: IMF

Noting that the level of non-performing loans in India remains high, the International Monetary Fund has favoured bolstering the level of capitalisation of some banks, particularly government-owned banks. Anna Ilyina, Division Chief of IMF Monetary and Capital Markets Department, said Wednesday that bolstering the level of capitalisation was one of the recommendations of the Financial Sector Assessment Programme (FSAP) for India. "The level of non-performing loans (NPLs) in India remains high. And the level of the capitalization of some banks, particularly government-owned banks, should be bolstered," said Ilyina. "There were some steps that were taken by the authorities to boost capital buffers in banks and also to improve governance in stateowned banks that have had some positive impact," Ilyina said. The institutional mechanisms for resolution and the recognition of NPLs are, of course, an extremely important part of the process of cleaning up the banking system of non-performing loans, she said adding that the authorities should continue working along these lines. Tobias Adrian, Financial Counsellor and Director, Monetary and Capital Markets Department of the IMF, said that there continues to be a high stock of Non-performing Assets in India. "There has been some progression, but we would welcome further progress on the non-performing assets in India," he said responding to a question on Indian banking system. The Indian government in February said

What if you go broke like Vijay Mallya? Personal bankruptcy decoded

Did you know you can file for bankruptcy if your debt exceeds Rs 500? Yes, you heard it right. Under current laws, an insolvency petition can be filed either by the debtor or the creditor for an amount exceeding as little as Rs 500. While bankruptcy filing process for corporate entities is well-organised under the Insolvency and Bankruptcy Code, 2016 (IBC), it is not as streamlined for the Individuals as of now. The IBC does contain a chapter relating to insolvency and bankruptcy process for individuals and partnership firms, but the rules for individual bankruptcy are yet to be notified. So, till the time new rules are notified, we have the Presidency Towns Insolvency Act of 1902 and the Provincial Insolvency Act of 1920 to deal with individual bankruptcy cases. "Both the Presidency Towns Insolvency Act, 1909 and Provincial Insolvency Act, 1920 provide for the legal framework in relation to insolvency process for individuals. Although Section 243 of the Insolvency and Bankruptcy Code, 2016 provides for repeal of current insolvency laws, the said Section has not yet been notified," says Dipankar Bandyopadhyay, Partner, VERUS Advocates. Existing mechanisms Presidency Towns Insolvency Act, 1909: Under this Act, the High Courts of Bombay, Calcutta and Madras have been conferred the jurisdiction to try insolvency cases. Provincial Insolvency Act, 1920: Those living in India other than Mumbai, Kolkata or Chennai are governed by Provincial Insolvency Act. However, the provisions of both the Acts are similar. Conditions for filing bankruptcy Currently, an insolvency petition can be filed for an amount exceeding Rs 500. However, the act of insolvency on which the petition is grounded has to occur within 3 months of filing the petition. "On analysis of case laws, it has been found that the court shall not entertain a petition for insolvency against an individual filed by a creditor unless he proves certain crucial conditions — that he is a creditor to the debtor, that there exists a legally enforceable ascertained debt between him and the debtor, and that the debtor has committed an act of insolvency as suggested under the Act," Bandyopadhyay explains.

The process

After analysing if the conditions for filing of bankruptcy have been met, the court may accept or reject the petition. Once a petition is accepted, here's what will follow: Hearing and interim receiver After you file the petition, a date of hearing is fixed and the court appoints an interim receiver. Court takes immediate possession of the property of the debtor. Such Interim receiver continues to function till a regular receiver is appointed," says Rachit Sharma, Manager, Research & Development at Taxmann Publications. Adjudication On the date of hearing, the court — if it is satisfied that the petition is reasonable — shall make an 'order of adjudication'. After the passing of this order, the debtor becomes an 'un discharged insolvent'. "Following the adjudication, the property of the debtor will be vested with an 'Official Assignee' under the Presidency Towns Insolvency Act and 'Official Receiver' under the Provincial Insolvency Act, appointed by the court to conduct insolvency proceedings," Sharma added. Distribution of sales proceeds Hereafter, it is the Official Assignee's duty to sell off the insolvent's property within a reasonable time. Money recovered in the form of sale proceeds is distributed among the creditors. Certification of absolute discharge According to Sharma, "Once the process of distribution is completed, the insolvent is required to collect a certificate of 'absolute discharge' which is granted only when it is proved that the insolvency resulted due to misfortune and not because of any dishonest or unscrupulous behaviour. Besides, the behaviour of the debtor during the insolvency proceedings is also taken into consideration. On the award of 'absolute discharge certificate', the remaining, unpaid debts of the debtor are cancelled and he cannot be forced or threatened by any creditor to repay the debt amount." Can courts refuse the insolvent a discharge? Yes, they can. Section 39 of the insolvency act prescribes grounds on which discharge can be refused. Vineet Naik, Senior Advocate, says, "There are no specified grounds for discharge as it is based on the discretion of the court, which has to arrive at a finding by taking into consideration all relevant factors. Firstly, if the insolvent commits any offence set out under Section 421 to 424 of IPC or any offence under the Insolvency Act, then the discharge can be refused. However, a discharge may be granted if the insolvent consents to decree against him whereby he agrees to pay the balance part of his proven debt from his future earnings or after-acquired property." Will filing for bankruptcy discharge you from all your debts? No, filing for bankruptcy won't discharge an insolvent from all his debts. "Even after the order of discharge, an individual would be liable for providing maintenance to his wife under the order of maintenance made u/s 488 of CrPc. Further, the order of discharge does not exempt an individual from paying of any debt due to government, any debt or liability incurred by means of any fraud or fraudulent breach of trust and debt or liability in respect of which he has obtained forbearance by any fraud," says Sharma. "While passing an order for discharge, the court takes into consideration the objections filed, if any, by the creditor or the report of the receiver, where a receiver has been appointed, Additionally, where a debtor is said have committed any offence set out under Section 69 of PIA, he shall be punishable on conviction with imprisonment which may extend to one year," Bandyopadhyay further added. Is the insolvent entitled to maintenance? No. As a matter of right, the insolvent is not entitled to maintenance. However, it is a discretionary relief that varies from case to case. "On perusal of Provincial Insolvency Act (PIA) it was found that, no specific provision in relation to debtors' entitlement to receive any maintenance amount was found. However, provisions of Section 60 (Special Provisions in regard to Immovable Property) of PIA as amended for the state of Haryana and Punjab provides an exemption from alienating the portion of land by the receiver pursuant to a court order, having regard to the income of the debtor from all sources except such income as is dependent on the will of another person, is sufficient to provide for the maintenance of the insolvent and the members of his family who are dependent on him, and such portion shall be deemed not to form part of the estate under administration," says Bandyopadhyay.

<u>Business correspondents' income model based on commissions unviable</u>

Business correspondents (BCs), who function as last mile access points for banks' customers in under banked areas, are losing out on their income due to "unviable" income-model based on commissions, the industry representative body has claimed. Business Correspondent Federation of India (BCFI) told ET that while the government and regulators have shown intent in developing guidelines for BCs to thrive and further the Centre's broader aim of financial inclusion, glitches and miscommunication between various stakeholders have caused the model to become unviable. Almost 10 lakh BCs function in both rural and urban under banked areas where banks don't have branches, providing customers basic banking services such as savings account opening and remittance transfer. "BCs work on a commission-based model, where they are either paid 0.5% of the transaction amount or Rs 15, whichever is lower, by the bank on Direct Benefit Transfers. This was done to equate the BC charges with fees charged by banks on ATM withdrawals," said a senior official from BCFI. "But BCs who work in rural areas have to bear the risk and equipment maintenance costs themselves, which squeezes their already wafer-thin margins." The government, while the guidelines were being drafted, had shown intent to either fix a monthly income for BCs or set the commission at 3.15% of the transaction fee, "but that has not happened," the source said. In March, a five-member team from BCFI had met Nandan Nilekani-led RBI's Committee for Deepening Digital Payments (CDDP) and highlighted various concerns faced by the industry. ET had reported that, the body had asked for a separate independent regulator with experts from the sector to strengthen the existing framework along with the RBI. "We had an encouraging meeting with the six-member CDDP at the RBI headquarters on March 8, 2019. They were receptive to the points we had put forward. We hope they will take cognisance of the issues we raised and factor it in their final report," a person from BCFI said. RBI's CDDP was formed earlier this year to undertake a comprehensive study of the payments industry and publish a recommendation report to deepen the existing regulatory framework. The regulators had said in a circular dated January 8, 2019, that the committee will meet stakeholders and industry bodies and publish their report "90 days from the first meeting." Issues on interoperability between sponsor banks and identification mechanism of tax-exempt accounts for systematic transfer of benefits as per the latest taxation regime, were raised in the meeting, according to the BCFI spokesperson.

COMMISSION BASED

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<u>HFCs holding rate cuts over high bond yields, cash crunch</u>

Banks and housing finance companies (HFCs) are struggling to pass on interest rate cuts announced by the Reserve Bank of India this year due to sticky deposit rates, tight liquidity conditions and elevated bond yields. The half-a-dozen banks that lowered their marginal cost-based lending rate (MCLR) in March are likely to abstain from further rate action, two bank executives said. Others including State Bank of India, the country's largest, and HDFC Bank have cut their rates by 5-10 basis points. Although the RBI reduced rates by 25 basis points each on April 4 and February 7, seeking to push economic growth, banks find it hard to pass on the benefit. "Banks are not lowering their rates as deposit rates need to be lowered first," said Madan Sabnavis, chief economist with CARE Ratings. "This cannot be done given the slow growth in deposits as households have shifted to equities and mutual funds.

Currently, to meet their credit requirements, they have been sourcing corporate deposits at a higher rate."

India banks' loans jump 13.2 pct y/y in two weeks to March 29:

RBI Loans of Indian banks jumped 13.2 percent year-on-year, in the two weeks ended March 29, while deposits rose 10 percent, the Reserve Bank of India's weekly statistical supplement showed on Friday. Outstanding loans rose 2.14 trillion rupees ($30.96 billion) to 97.67 trillion rupees in the two weeks ended March 29. Non-food credit surged 2.25 trillion rupees to 97.26 trillion rupees, while food credit dived 110.6 billion rupees to 416.1 billion rupees.

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L&FS case: Former MD & CEO Ramesh Bawa arrested

The Serious Fraud Investigation Office (SFIO) arrested former IL&FS Financial Services (IFIN) MD & CEO, Ramesh Bawa in the case. This is the second arrest made by the investigation arm of the Ministry of Corporate Affairs (MCA). According to a source, Bawa was arrested late last night in Delhi. This, after the Supreme Court (SC) recently refused to extend relief of granting him protection from arrest. Earlier this month, the agency had arrested Hari Sankaran, the former vice chairman of IL&FS. He is currently lodged in Mumbai's Byculla district jail. Like Sankaran, Bawa too has been arrested under section 447 of the Companies Act that empowers the agency to make an arrest for committing fraud. In a recent press conference, the incumbent government appointed IL&FS board had said that IFIN has a total exposure of Rs 18,800 crore, out of which Rs 10,700 crore is to external agencies while the remainder is with group companies. Other than SFIO, the Enforcement Directorate is also probing the alleged irregularities in IFIN. In February the central agency had registered a money laundering case against ILFS Rail Ltd, ILF Transportation Networks Ltd, Ravi Parthasarthy, former chairman and managing director of IL&FS and Hari Sankaran and Bawa. According to ED the accused in this case floated bogus/shell companies to award work contract with vague details, siphoned off Rs 74 crore which was used by purchase individual assets. The bogus/ shell companies were given a commission of 0.5 percent of the amount routed by them. While the present case deals with subsidiaries of IL&FS, sources add that the ED would eventually probe IL&FS and its entire debt burden of Rs. 91,000 crore. In November, SFIO had placed an interim report detailing out the alleged irregularities surrounding IL&FS. It recommended that the assets of the key managerial individuals may be considered for restrainment under the provision of the Companies Act, 2013 by the central government.

MSME credit growth remains robust but CIBIL warns of possible NPA stack up: Report

The outstanding loans of Indian lenders to the micro, small and medium enterprises (MSMEs) expanded two-and-a-half times in five years through 2018, credit information company TransUnion CIBIL said, while also warning about debt build-ups leading to possible stress in the quality of assets. While the outstanding credit to MSMEs grew to Rs 25.2 lakh crore at the end of 2018 from Rs 10.4 lakh crore in 2013 at a compound growth rate of 19.6%, the consolidated nonperforming asset in the sector increased to 9% from 7.3%, CIBIL said in a report, published along with Small Industries Development Bank of India (SIDBI). "We have observed significant acceleration in lending in the past couple of years, but growth of this magnitude needs to be monitored carefully as rapid acceleration in debt build-up may indicate prospective stress in the system," TransUnion CIBIL managing director Satish Pillai said in a news release on Thursday. "While lenders should monitor their portfolios constantly for loan stacking, leverage and debt build-up, the regulators must keep systemic risks in check." In the reported period, while public sector banks remained the largest lending group to the segment, their loan exposure fell to 39% from 58% as the central bank imposed lending restrictions on several banks that were saddled with bad debt. CIBIL, in the report, said relaxation on the use of trade credit data from regulated bill discounting platform TReDS for credit scoring could help improve underwriting standards for banks, while also helping MSME businesses and individuals get better-priced loans. India's commercial credit growth remained strong at 14.4% year-over-year in the December quarter, taking the overall outstanding credit to Rs 111 lakh crore, driven by loan growth of 14.9% to large companies, the report said. The quality of assets in this segment showed a slight improvement with NPAs falling to 19% in December from 20% in June 2018 when corporate NPAs had peaked in the aftermath of the February 12 Reserve Bank of India circular for restructuring of loans. Ghee is prepared using an age-old Vedic, 100% chemical free. The report said the mid and large corporate segment held the biggest share of the overall credit at about 43%, with an exposure of Rs 47.5 lakh crore. This was followed by consumer loans, which include retail, agriculture and priority sector lending, at 35%, or Rs 38.5 lakh crore. The MSME segment was third with about 23% share. "MSME credit growth acceleration along with a decline in NPAs (in commercial loans since June) is a very promising indicator of the prospective development in the segment and thereby economic growth," said Mohammed Mustafa, chairman at SIDBI.

IFC extends $3 million loan to SLCM Limited

IFC is providing a $3 million loan to SLCM Limited, the Yangon-based subsidiary of Sohan Lal Commodity Management, a Delhi-based agri logistics group. The aim is to help the company expand its warehousing services and allied services, in Myanmar, thereby improving the livelihoods of the rural population that rely on agriculture. In Myanmar, despite poor storage conditions, farmers are often forced to store harvested products to sell at a later time, leading to substantial losses—currently estimated at around 20 percent. IFC's investment will help the company bring sophisticated warehousing and allied services to Myanmar. It will further help farmers to be able to store higher volumes and reduce post-harvest losses caused by infestation, excess humidity and inadequate storage. "We have replicated our best practices and expertise in agriculture warehousing domain in Myanmar. In the past five years, we have been able to reduce post-harvest losses to 0.5 percent in the country, thus helping every player in the farm-to-market chain. We intend to utilize the capital to further scale up our operations and expand our presence here," said Sandeep Sabharwal, Group CEO, SLCM. The SLCM Group entered the Myanmar market in 2014. It has, so far, managed 3.24 million square feet of commodity storage space in 127 industrial zones and has handled 521 commodities with a total volume of 10.14 million tons. IFC will provide the loan to SLCM through its own account and in its capacity as an implementing entity of the private sector window of the Global Agriculture and Food Security Program (GAFSP). Subsequently, it will help attract more banks and collateral managers to engage in the business of commodity-backed financing, which is new to Myanmar. "Myanmar's agricultural sector is a key pillar of the economy and provides employment to about 53 percent of the labor force. Further, developing this sector is key to helping people move out of poverty. A World Bank research has shown that progress in the agricultural sector was directly responsible for at least 46 percent of the reduction in poverty between 2005 and 2015," said Vikram Kumar, IFC Manager for Myanmar and Thailand. Agribusiness is a strategic pillar of IFC's work in Myanmar. IFC is a major investor in the country's agribusiness sector and works with local food producers and the government to provide training in food safety management systems, reforming regulations,

Lakshmi Vilas Bank, Indiabulls Housing open a joint account

The boards of Lakshmi Vilas Bank (LVB) and Indiabulls Housing Finance on Friday approved the merger between the two to create what would be known as the 'Indiabulls Lakshmi Vilas Bank', with a combined loan book of Rs 1.23 lakh crore. To be sure, this merger proposal involving the takeover of a bank by a non-banking finance company (NBFC) requires regulatory approvals. The proposed deal structure gives the shareholders of Lakshmi Vilas Bank 14 shares of Indiabulls Housing Finance for every 100 shares held — about a 40% premium to LVB's closing price on Thursday. The news of a possible merger was first broken by ET on March 7. Speculation about a deal between the two has been in the market over the past few weeks. After the merger, Indiabulls Group will own about 90.5% of the amalgamated entity while the holding of Indiabulls promoters would come down to just above 19%. The merged entity will have a net worth of 19,500 crore and a capital adequacy ratio of 20.6%. Indiabulls chairman Sameer Gehlaut is proposed to be the vice chairman of the new entity.

Ex-IL&FS executive Hari Sankaran sent to judicial custody

A metropolitan court in Mumbai remanded Hari Sankaran, the former vice chairman of Infrastructure Leasing & Financial Services (IL&FS), in judicial custody on Thursday for 14 days after the Serious Fraud Investigation Office (SFIO) did not press for his custody. Sankaran, who was arrested on Monday, will be now lodged in a special cell in the Byculla jail. He now has the option of applying for bail to a higher court. Meanwhile, the Bombay High Court extended relief to RC Bawa, former director of IL&FS Financial Services Ltd, from any coercive action by the SFIO till April 10. Bawa's counsel had argued that Bawa should be granted protection from arrest since he had sought a similar relief from the Supreme Court and the matter was pending. On Monday, the SFIO, had arrested Sankaran under section 447 of the Companies Act for allegedly fraudulently funding defaulting borrowers and intentionally lending to borrowers classified as non-performing assets.

Former IL&FS vice chairman Hari Sankaran pushed for Rs 175-crore loan to Siva firm: SFIO

Hari Sankaran, the former vice chairman of Infrastructure Leasing & Financial Services who was arrested on Monday, was allegedly instrumental in getting a Rs 175- crore loan sanctioned to a company owned by person with whom he had a "close relationship," the Serious Fraud Investigation Office said in its court application seeking his custodial remand. The remand filing also listed other misdemeanours by former IL&FS board members that amounted to misuse of public money, including funding borrowers to prevent their loans from turning bad, getting personal favours in exchange for sanctioning loans and enriching themselves with hefty salaries and perks. The Rs 175-crore loan given by IL&FS Financial Service Ltd. (IFIN), a subsidiary of IL&FS, to an entity of the Siva group was cited as one of the instances of alleged conflict of interest committed by Sankaran. Siva group chairman C Sivasankaran is said to be close to Sankaran. The SFIO said Sankaran pushed for the loan, fully aware that the transaction would harm the company's interests. Investigations showed that Sivasankaran had a "close relationship" with Sankaran and Rs 175 crore was advanced despite "the resistance/observations of the team" and the fact that the company was not able to recover Rs 500 crore of an earlier loan granted to Sivasankaran group entities, according to a copy of the report filed by the SFIO in a Mumbai court on Monday. The loans given to the Sivasankaran group were for repayment of earlier loans and interest and this had affected IFIN's asset quality, although they were projected as fresh lending on paper, the SFIO alleged. Ghee is prepared using an age-old Vedic, 100% chemical free. Email sent to Sivasankaran seeking comment on the matter remained unanswered. A special sessions court in Mumbai remanded Sankaran to SFIO custody till Thursday. The SFIO, the investigative wing of the Ministry of Corporate Affairs, found Sankaran's acts amounted to fraud under section 447 of the Companies Act. The act of fraudulently funding defaulting borrowers and indiscriminate lending to borrowers classified as NPAs was conducted intentionally, even after being informed and aware of the factual position, legal constraints and risks to the company. “The said acts have been committed by Sankaran to injure the interests of the company and its creditors,” the report said. The investigating agency alleged IFIN routinely topped up loans of borrowers to help them repay the pending dues and ensure they did not become non-performing assets. “In several cases, the lending was done in order to repay the overdue interest amounts. Thus, in substance, the company was funding its own top line from public funds,” the remand report accessed by ET stated. “Such lending was prejudicial to the interests of the company... the intent of the management was postponement.

NCLAT seeks dues details from IL&FS

The National Company Law Appellate Tribunal (NCLAT) has directed IL&FS to provide the details of the dues at 13 of its group companies and those of the creditors so that outstanding payments to lenders could be released. All but 50 of the 169 domestic group companies of IL&FS are currently enjoying a moratorium on all financial claims against them. NCLAT has given the moratorium to allow an orderly resolution of more than Rs 91,000 crore in claims against IL&FS. “We may pass (an) order (on) slowly discharging certain liabilities (of amber companies) so that there is not a complete stoppage of payments,” the NCLAT bench led by Justice SJ Mukhopadhyaya said on Friday. The two-member NCLAT bench was hearing a plea by senior secured lenders to “amber” companies that these entities be directed to start repayments. All group companies of IL&FS are being classified according to their ability to meet payment obligations. Group companies able to meet all payment obligations are categorised as ‘green’. Those companies able to meet only operational payments and senior secured debt obligations are categorised as “amber”. The others are categorised as “red.” Of the 169 IL&FS group companies, 50 entities have been classified as green, while 13 have been classified as amber and 80 as red. The total outstanding debt of the 13 "amber" companies is Rs 16,373 crore. Singapore Airlines offers special Premium Economy fares to NZ Singapore Airlines. The bench also clarified that while there was no stay on the resolution of the IL&FS group companies, the board needed to seek the approval of the appellate tribunal before finalising a resolution plan for any group company. The bench said it would hear the central bank on the issue of the classification of NPAs at the next hearing, scheduled for April 9. Lenders to IL&FS group entities are currently prohibited from recognising any group account as a non-performing asset without prior permission of the appellate tribunal.

Manappuram Finance withdraws release on securing funding from NABARD

Non-banking finance company Manappuram Finance Thursday withdrew a release it had issued earlier in the day regarding securing debt funding from NABARD. The release titled 'Manappuram Finance secures Rs 695 crore debt funding from NABARD' is being "retracted with immediate effect due to factual inaccuracies in statement as well as transaction", the company said. Manappuram Finance also said it would come out with a revised announcement as soon as it is ready.

NCLT admits Bank of India’s insolvency plea against Shrenuj & Co

Shrenuj & Co, the century-old diamond house that had the late Maharani Gayatri Devi of Jaipur as its brand ambassador during its heydays, has been admitted into bankruptcy court. The National Company Law Tribunal (NCLT) admitted an insolvency petition filed by Bank of India against the company for defaulting on Rs 226 crore of loans. The state-owned lender represented a consortium of

17 banks and financial institutions. NCLT also directed a probe into claims by the company that the bank had misappropriated or lost its diamonds kept as security due to fraud or gross negligence. “The financial creditor, along with other members of the consortium, is jointly and severally liable to pay an amount of Rs 1,561.87 crore to the corporate debtor, against the value of the company’s stock,” Shrenuj told the NCLT. “The corporate debtor claims Rs 5,000 crore as damages for loss of business, profit and goodwill.” The Mumbai bench of NCLT, while passing an order admitting Shrenuj, appointed Hiten Mukundbhai Parikh as interim resolution professional and asked him to inform the Enforcement Directorate, the Economic Offences Wing, the Income Tax Department and the Serious Fraud Investigation Office to look into the matter. The lenders denied any misappropriation, tampering with or replacement of the diamonds. “There has been a default in repayment and the same has been admitted to some extent,” the lenders informed the court. “I am of the conscientious view that the counterclaim – that too in the nature of damages – to the amount claimed by the financial creditor cannot, in fact or in law, be the basis to dispute the amounts owed to the financial creditor,” observed MK Shrawat, a judicial member of the NCLT, while admitting the plea. Shrawat said the corporate debtor should be put under insolvency proceedings and simultaneously an investigation be carried out so that the interests of all stakeholders can be watched and protected. The order was pronounced on March 12 and uploaded on the NCLT’s website on March 25. Shrenuj’s solitaire jewellery brand ‘Arisia’ had Gayatri Devi as its brand ambassador between 2007 and 2009. The company, founded in 1906, was among the first diamond houses to be listed on the stock exchanges in 1989. It was delisted in August 2018.

RBI slaps Rs 2 crore penalty on PNB for violating SWIFT norms

The RBI has slapped a penalty of Rs 2 crore on Punjab National Bank (PNB) for non-compliance of regulatory directions with regard to SWIFT operations, the state-run lender said Tuesday. SWIFT is a global messaging software used for transactions by financial entities. The massive Rs 14,000-crore fraud perpetrated by billionaire jeweller Nirav Modi and his uncle Mehul Choksi at the PNB was a case of misuse of this messsaging software. In a regulatory filing, the PNB said the Reserve Bank in a letter dated March 25 has informed the bank about the penalty. "In the matter of violations of regulatory directions by Punjab National Bank observed during assessment of implementation of SWIFT related operational controls, the Reserve Bank of India, (imposes) an aggregate penalty of Rs 20 million ... on Punjab National Bank," it said. Earlier this year, the Reserve Bank had imposed penalties worth Rs 71 crore on 36 public, private and foreign banks for non-compliance with various directions on time-bound implementation and strengthening of SWIFT operations. However, the list did not include PNB.

Government moves NCLT seeking immunity for IL&FS board members

The government Monday filed an application with the National Company Law Tribunal (NCLT) here, seeking immunity for the newly-appointed directors of the subsidiaries of the crippled IL&FS group from any future adverse outcomes. It can be noted that soon after taking over the company after its defaults and appointing a new board last October, the government had sought immunity to the newly- appointed six directors of the group from any legal action against them for the past deeds of old directors. "We are issuing a direction that for the past actions of the suspended directors or any of the officers of the company and the past wrongs of the suspended directors and its officials, no action should be initiated against the newly- appointed director, without prior approval of the tribunal," NCLT Mumbai had said in an interim order on October 5. The government move came in after it felt that the Uday Kotak led board should be protected from any legal hurdles in executing its task of finding a "fair value and resolution" for the debt-laden company. Following this, the corporate affairs ministry Monday moved the Mumbai NCLT seeking protection for these directors of group entities as well from any future adverse proceedings as a precautionary measure. Meanwhile, IL&FS has also filed an application seeking dispensation from appointing independent director on the group companies. A two-member NCLT bench of VP Singh and Ravikumar Duraisamy scheduled both the matters for detailed hearing on April 12. The government has appointed an eight-member board headed by banker Uday Kotak to steer the IL&FS group out of the crisis after it began to default payments due to severe cash crunch since late August. The government superseded the previous board on October 1, 2018. The government expects a resolution to the crisis over the next four-five months. The government plea was initially rejected by the Mumbai bench but subsequently, which the government challenged in the appellate tribunal (NCLAT) which had on October 15 passed an interim order admitting the government plea. The IL&FS group has 348 subsidiaries and together they owe over Rs 94,000 crore to a clutch of commercial banks mostly state-run lenders and other financial institutions. The appellate tribunal also stayed any action by any party/person/bank/company etc to foreclose, recover or enforce any security.

Will take steps to curb frivolous bids for IL&FS assets:

Injeti Srinivas, Corporate affairs secretary About half the assets of debt-laden infrastructure financier IL&FS have been put up for sale, a top government official said on Tuesday, pointing also to measures that would be taken to prevent frivolous bidding for local companies being sold through bankruptcy administration. Corporate affairs secretary Injeti Srinivas told the media Tuesday on the sidelines of a conference on bankruptcy that of the 100-odd IL&FS group companies that have not yet been grouped into green, amber or red brackets based on their solvency profiles, most would fall in the red category, with a few entities grouped under the amber bracket. “It is very unlikely that in the remaining 100, you will have a green company springing up. Essentially, the bulk of the companies are in red — that is they are not solvent and they are not able to repay their debt,” said Srinivas. To be sure, the financier’s domestic entities have been classified according to their ability to meet payment obligations. In total, 22 companies that can meet all payment commitments have been classified as green. These companies have been directed to service their debts as per schedule. There are 10 amber entities that can meet only senior secured debt obligations. Furthermore, 38 red entities cannot even service senior secured debt. Srinivas also said New Delhi would soon take steps to discourage people from making frivolous bids and then backing out. Liberty House, which had bid successfully for Amtek Auto Ltd, had refused to meet the agreed upon payment commitments, complaining that the process followed was flawed. Srinivas said the government was looking to prevent such incidents, and questioned whether such applicants be forced to pay for insolvency proceedings and be barred from taking part in resolution processes in the future or even face criminal charges. “These are all questions and there must be a definitive answer. This is one area I think the government is very much focused on and would soon bring some sort of effective steps to see how we discourage people from making frivolous sorts of bids and then backing out,” he said.

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

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. NeeraSaggi, who was director between 2015 and July 2016, and RenuChallu, 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.

Indian sugar mills owe record $4.38 billion to cane growers

India's money-losing sugar mills have run up a record $4.38 billion in arrears to 50 million cane farmers, who have gone unpaid for their produce for more than a year, industry and government sources said on Thursday. Years of bumper cane harvests and record sugar production have hammered domestic prices, hitting mills' financial health to such an extent that monies owed to farmers, who form an influential voting bloc, have ballooned to an all-time high. Farm leaders say Prime Minister Narendra Modi's government has not done enough to help them get the cash owed them. Modi's office did not respond to an email seeking comment. "The prime minister publicly promised farmers - in 2014 and 2017 - to help them get their payments within 15 days of selling their produce to sugar mills," said M.V. Singh, convener of the Rashtriya Kisan Mazdoor Sang, or National

Forum of Farmers and Labourers. Despite the promise, Modi's government has done little to ensure timely payments, Singh said. The unpaid dues affect growers in the key cane-producing states of Uttar Pradesh, Maharashtra, Bihar, Punjab, Haryana and Karnataka. Of the $4.38 billion in unpaid dues, mills in Uttar Pradesh, India's top cane-producing state, owe 108 billion rupees ($1.56 billion), the industry and government sources said, citing their calculations based on cane prices and the volumes bought by sugar mills. In Uttar Pradesh, top producers such as Mawana Sugars Ltd, Bajaj Hindusthan Sugar Ltd and Simbhaoli Sugars Ltd, as well as unlisted Modi Sugar Mills, Wave Industries and Yadu Sugar Ltd, owe the bulk of arrears to farmers, according to the industry and government sources. "Along with the fact that sugar prices are much below the cost of production, huge inventories worth 800 billion rupees are adversely affecting mills' paying capacity," said Abinash Verma, chief of the Indian Sugar Mills, the producers' body. The high inventories are keeping domestic sugar prices depressed and increased storage costs. Mills have started losing money and are finding it difficult to pay the farmers. As cane harvests jumped, domestic sugar prices fell 20 percent over the past two years, with mills often complaining about prices falling below their production costs. "Most cane growers are barely able to scrape through and it's sad that neither the state governments nor the Modi administration have done anything," said Pushpendra Singh, president of the Kisan Shakti Sangh, a farmers' association. Falling farmer incomes and job scarcity have made Modi's re-election bid more complicated than anticipated. Out of 545 seats in India's lower house of parliament, cane farmers are key voters in 164 of the constituencies. The government took a clutch of measures, including incentives for exports and creation of buffer stocks to help trim inventories and prop up prices so that mills can pay farmers, said a federal food ministry official who did not wish to be identified in line with government policy. The measures have yielded few results so far, giving little relief to either farmers or mills, said the sources.

NEWS OF THE WEEK

FY20 official procurement through national portal may touch Rs 50,000 crore

NEW DELHI: Led by higher purchases of goods and services by public sector units through the Government e-Marketplace (GeM), the government expects total official procurement to jump to Rs 50,000 crore this financial year from Rs 17,325 crore in FY19. Among states, Uttar Pradesh, Madhya Pradesh and Maharashtra are the biggest users of GeM, which is India's national public procurement portal for completely online purchase of goods and services by government organisations. "PSUs are coming on GeM for big ticket items. We expect the total procurement this financial year at Rs 50,000 crore," said an official in the know of the development, adding that the government had directed all such units in November last year to procure all their official supplies from the portal. GeM has made over 8.8 lakh products available on its platform through a network of over 2 lakh sellers and service providers. These products and services are being bought by over 34,000 government organisations (Central, State Governments and PSUs) registered on the platform. "Government wants to move away from capex to opex model of hiring rather than buying. We feel transactions worth Rs 5-6 lakh crore can come to GeM in 5-6 years," the official added. As per the official, the rejection rate of vendors on the platform is less than 1%. The commerce and industry ministry launched the GeM on August 9, 2016 in place of Directorate General of Supplies and Disposal (DGS&D) with the objective of creating an open and transparent procurement platform for government departments, ministries and agencies. "MoUs have been signed with 12 banks for payment integration to facilitate a cashless and paperless payment system on the platform," the ministry said in a statement on Monday. Procurement by the central and state governments put together is estimated at Rs 5-7 lakh crore each year.

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MUST READ ITEM FOR THIS WEEK

Bank of Baroda to hire consultancy firm to evaluate board performance

Bank of Baroda, which has become the country's second largest bank by merging Vijaya Bank and Dena Bank with itself, will undertake evaluation of its board and has invited bids from consultancy firms by early-May. Bank of Baroda (BoB) seeks to appoint an advisory firm for 'Review of Board Evaluation', the public sector bank said in a request for proposal (RFP) document. "Bank of Baroda has decided to engage a consultancy firm to conduct an independent review of the overall evaluation and effectiveness of the bank's board. The review would provide an opportunity to align and prioritise the board's focus on critical issues," the RFP said. BoB said the outcome of the review would also help it enhance the board's overall effectiveness through improved dynamics and strengthened processes. Enlisting the tasks for the consultancy firm, the lender said it will have to conduct in-depth interviews with individual board members through in-person meetings, analyse findings and share preliminary feedback with select members of the board and to conduct a board alignment workshop. The firm will also be tasked to define the 'Board Vision' as an outcome of the board alignment workshop, agree on the 'Action Plan for the Board' as well as evaluation of independent directors. The selected firm will have to complete the assignment within 6-8 weeks. Last date of submission of RFP response is May 2. There is a guidance note on board evaluation for listed companies by market regulator Sebi in India. According to the Sebi note, the broad contours are intended for evaluation of the performance of the board, evaluation of the board as a whole, individual directors (including independent directors and chairperson) and various committees of the board. The provisions also specify responsibilities of various persons and committees for conduct of such evaluation and certain disclosure requirements as a part of the listed entity's corporate governance obligations, according to Sebi. The concept of Board evaluation in India is at a nascent stage. Sebi has studied the practices of board evaluation prevalent among listed entities in India. An analysis has also been done of the global practices in various jurisdictions such as regulatory requirements, best practices, internal versus external evaluation, and disclosure requirements.

View: People's aspirations have grown; fewer want to sell pakodas for a living

By Abhijit Banerjee

We might be at a critical moment in modern Indian history. There is some mystery that surrounds the growth numbers, but no one is claiming that there is a clear upsurge in growth. The one thing that is not disputed is that the investment numbers are down, almost 10 percentage points below the 2011peak, which is worrying to say the least. Employment numbers have been the centre of much controversy. I will stick my neck out and guess that the rise in reported unemployment is real, but what is behind it is in part a shift in attitudes and not just a sudden shrinkage in the number of jobs available. As Amartya Sen pointed out many years ago, there is often a recognition aspect to unemployment: if I am underemployed, work few days every week giving tuitions or distributing flyers for money, am I employed or unemployed? There is no right answer, but the answer someone gives to the data collection agency depends on how he feels about it. My guess is that this is now changing – more and more of the many who are young and underemployed now see themselves as unemployed, and this begins to show up in the growing unemployment numbers. This hypothesis fits with the sense of rising expectations among the youth that many commentators have noted. It is also consistent with the fact that a rising fraction of jobs offer provident fund contributions, which is a marker of a desirable job. The government thinks this is good news. I am less sanguine. In a study of young men and women who had signed up for a training programme leading to precisely those kinds of jobs, only about half of those who got a job offer accepted, and of those, a third quit within the first weeks. The jobs were too unpleasant, our respondents told us. They were from families that could ill-afford this – about a third of their households owned a fridge – but they just hated it too much. Our job seekers told us that they wanted a particular kind of job. With job security, good pay, benefits. Ideally a desk job. Unfortunately, these jobs are scarce, which is why 2.5 crore applied for 90,000 low level railways jobs. To make matters worse, the AI revolution is hitting us; robots can already do medical transcription and many other things our BPOs do, and they are getting better. We are at risk of losing a lot of our desk jobs. Make in India did not happen, and will probably not happen. Economies like Bangladesh and Vietnam, poorer and cheaper than us, are better prepared to take the jobs that China does not want. The main growth area for jobs is in low-end services, bussing tables, folding shirts in department stores, cleaning patients in hospitals – the jobs that our respondents were offered and did not want. In other words, there is trouble brewing as rising expectations for jobs among the educated, meets dwindling supply. At the same time, the slowing of the real estate sector, reflected for example in the IL&FS disaster, means that one of the main sources of income growth for the unskilled poor, rural and urban – temporary jobs in construction – is also under threat. What this means is that it is probably time to move past the high-minded talk about the superiority of jobs over "dole" (what an ugly word!). No government, right, left or centre, that wants to govern can afford to ignore the rising anger of tens of crores of its citizens. Even admirers of Prime Minister Narendra Modi among our youth were a little miffed when he proposed selling pakodas. Something will need to be done, and it will probably eventually take the shape of a minimum income guarantee. There are obviously many important issues to be settled. How much, for one? And who is covered? The bottom 20%, 30%, 40%? How do we identify them? Or should we make it quasi-universal and avoid the many costs of targeting? How about introducing an element of self selection? For example, just requiring monthly sign-ins at an ATM or a local government office to get that month's money, will surely discourage many of the better off. And for the educated youth, should there be a requirement of a few years of public service in return for the money? Our panchayats, for example, can certainly do with an influx of educated young workers. There is also how to pay for it. It won't be easy, but if the political will is there, it should be possible to set aside one extra per cent of GDP every year for a few years. For an economy growing roughly 6%, this is only a small fraction of the incremental GDP. And there is some chance such an intervention will jump start our stuttering growth process. Recent research suggests that there is demand shortage in the rural economy and an income boost can speed up growth by increasing spending. For example, when, in 2010, microcredit was suddenly shut down in Andhra Pradesh, there was a recession in the affected areas. There is no credible evidence that microcredit boosts investment earnings, so that was not why incomes fell. The problem was a fall in consumption demand. Finally, it may help the much-needed structural transformation of agriculture. The average farming family has long given up making a full living from agriculture – just too little land. Land is mostly a form of insurance, something to fall back upon when all else fails. Perhaps the provision of alternative safety net will make marginal farmers more willing to let go of their land, and the land can move into the hands of those who want to make the most of it.

VIEW OF THE WEEK

A Very Unsentimental Education

By **Alastair Tyler***, International Director, The London Institute of Banking & Finance*

The financial crisis of 2007-08 shook the world's faith in financial services. A series of scandals unspooled—many of which are still being dealt with—and a major regulatory overhaul was undertaken. In the United Kingdom, for example, retail banks were “ring-fenced” to protect consumers and small and medium-sized enterprises (SMEs) from the risks of “casino” finance.

Society was right to be angry about the crisis, but it is sometimes forgotten that the damage that mismanaged financial services can do is a function of the benefits that they can bring. Financial markets are different than other markets. Unlike, say, grocers or hairdressers, they must tackle more than pricing supply and demand. If it were possible to have full insight into whether or not a borrower will default or a house will burn down, much of the need for risk pooling and efficient asset allocation that financial services make possible would disappear. The basic tasks carried out by financial services are, therefore, necessarily difficult, and mistakes can be costly. Further, the systems and information required to run them well are both a function of, and a requirement for, wider social development.

That chicken-and-egg conundrum is one of the reasons why governments implicitly support financial-services firms. It is also why countries with developed financial services do better. As researchers point out: “Without inclusive financial systems, poor individuals and small enterprises need to rely on their own limited savings and earnings to invest in their education, become entrepreneurs, or take advantage of promising growth opportunities.” (Demirgüç-Kunt A, Beck T, Honohan P, 2008, “Finance for All? Policies and Pitfalls in Expanding Access”, Washington, DC: World Bank). A financial sector that supports the efficient allocation of a society’s funds and that allows its members to diversify and manage risk will set up a positive cycle that allows that society to make the most of its resources—both human and monetary.

Setting up that cycle, however, presents a challenge for many still-developing markets. What to do?

One initiative is the UK’s Prosperity Fund, which helps “middle-income” countries develop “deeper and more stable financial systems”, as its Annual Report 2017/2018 outlines. What that means in practice is sending teams to work with local professionals—often to help them with a fresh, and more global, perspective on a local problem. One of the programmes that the Prosperity Fund has worked on is a project in Cuba, run by The London Institute of Banking & Finance (the Institute). All of Cuba’s banks are state-owned, as Cuba has been a one-party communist state since 1959, and only a minority of the population has a bank account. The local banks do offer products such as mortgages but not always on terms that would be familiar in market-based systems. For example, Cubans have been allowed to buy and sell their residential properties since 2011, but, under Cuban law, a first home cannot be repossessed, so loans to purchase residential property are secured by personal guarantees.

“Cuba wants to improve its financial services, so it asked for suggestions on courses that would be helpful,” says Patricio Fernandez, who represents the Institute in Latin America and has given courses on retail banking and on international trade in Cuba. Fernandez points out that Cubans are well-educated and tend to value education highly, so they were very receptive to hearing about how financial services are managed in other parts of the world. “What people want to do is learn as much as possible about what is going on outside and about what they should incorporate into their own system,” says Fernandez.

The London Institute of Banking & Finance has just begun work on another project backed by the Prosperity Fund, this time in Tunisia, where it is collaborating with the Ministry of Finance. Tunisian banks face a number of stiff headwinds—so stiff and so many that the main institutions have, effectively, been nationalised.

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Moody's estimated that around 17 percent of gross loans at Tunisian banks at the end of 2016 were non-performing. Moody's attributed that to both an economic downturn—among other things, the terror attacks in 2015 hit the local tourist industry hard—and to "historically loose regulation that contributed to weak loan underwriting practices". Still, Tunisia has been making progress. The International Monetary Fund's (IMF's) review from October 2018 points to total non-performing loans (NPLs) of 13.9 percent in first-quarter 2018 and to a "stable" banking sector in which financial-sector reforms are "advanced". The urgent to-do list includes better processes for tackling money laundering and the financing of terrorism (AML/CFT), upgrading the payments system and improving credit access for SMEs.

"Knowledge of how to deal with non-performing loans is very good in the UK," says Olivier Beroud, director of Beroud Consulting and a visiting professor at The London Institute of Banking & Finance. "We can bring wider perspectives on how to digest NPLs more quickly, such as legal and regulatory changes, approaches at the bank level, and how to be more practical and efficient. All of that is useful to the Ministry of Finance."

The Institute's aim is to give the Tunisian specialists hands-on skills through coaching and through the analyses of actual cases that are of actual use. Just as importantly, they will be "training trainers", Beroud says, with an eye to ongoing and longer-term development of the financial-services industry.

In the short-term, the close role that the Tunisian Ministry of Finance has to play in the local banking industry creates particular challenges. "The Ministry of Finance personnel have found themselves effectively having to interact with board members who are appointed by the state but supposed to be independent. That can be a tricky way to manage a bank," says Beroud. The technical topics with which the Ministry needs to grapple include accounting regulation, banking regulation, how a bank works, how risk is managed, how to control liquidity and how to manage international ratings. There are also important soft skills with which the Institute aims to help—in particular, how best to convey complex ideas.

The centrality of financial services to an economy means that The London Institute of Banking & Finance is by no means the only body working to provide the technical assistance supported by the UK Government. Expectation State, for example, is helping Tunisia engage more actively with investors. Expectation State's chief executive officer, Raymond Asfour, points out that Tunisia continues to develop its ability to engage international investors and has been seeking to drive growth in foreign direct investment through, for example, the enactment of a new investment law. Importantly, the Institute has two local delivery partners: Institut de Financement du Développement du Maghreb Arabe(IFID) and the Académie des Banques et Finances(ABF).

As that suggests, the outside institutions that go to Tunisia to help are only part of the solution, and, often, they can learn a great deal from the interaction. "We take a very listening approach," says Beroud. "The people we are dealing with are very skilled; they just happen to be facing a big problem that benefits from our external perspectives and inputs. We try to be very practical and grounded."

Any outside help also has to be mindful of really being part of the solution, rather than an additional burden. "We apply diagnostics that seek to find out what it is that people actually need to know, rather than coming in with a syllabus. We also gather a variety of viewpoints, for example, not just from the Ministry of Finance, but also from the banks and their legal departments and from the Ministry of Justice," says Beroud. "The devil really is in the detail with any complex problem." Also, any intervention should not disrupt day-to-day work. “We bring small modules and very specific training based on what people really need to address,” says Beroud.

The primary aims of the Prosperity Fund’s work in Tunisia are to help the Ministry of Finance improve its oversight of the big state-owned banks and to assist with reforming the system over time—including eventually privatising the banks. There is a lot at stake. As the UK saw when its own financial system had to be bailed out in 2008, banks that are not efficient and do not serve the best interests of society are banks that are too costly for society to afford.

For those interested in finding out more about some of these issues, The World Conference of Banking Institutes, supported by the Department for Trade and the Global Banking Education Standards Board, is taking place in London on September 16-17 of this year.

INTERVIEW OF THE WEEK

Are You Safeguarding Against Hidden Criminality? The Next Gen Technologies That Could Save Financial Institutions Billions

April 12, 2019

By **Matthew Long**, *Director, Financial Crime & Compliance Solution Consulting, Oracle Financial Services*

An increasing number of European banks and their supervisory authorities are being drawn into money laundering allegations.

According to the Organised Crime and Corruption Reporting Project (OCCRP) the latest allegations on ‘Troika Laundromat’ involved the use of a complex network of 75 shell companies moving billions of US dollars belonging to wealthy Russians – including politicians and prominent business heads – into major Western banks. The funds were allegedly used to purchase properties in Spain and Austria as well as high-end luxury goods including yachts and chartered jets. This has ultimately resulted in criticism for failing to prevent potentially criminal Russian funds moving through their branches across the world. The allegations of Standard Chartered and Danske Bank processing suspicious transactions has already exposed serious and potentially fatal shortcomings in risk and compliance processes among some of the most established financial institutions in the world. At the time of writing, Danske Bank is facing €1 billion of damages filed by up to 70 investors, following allegations that €200 billion of suspicious transactions had filtered through its Estonia branch between 2007 and 2015. The Danish bank revealed 1% (around 28,000) of its retail customers had left the bank, while its chief executive and chairman have both been recently ousted. Denmark was previously viewed as the bastion for well-managed and tightly-regulated banks, but the Danske Bank scandal is causing ramifications far beyond plummeting share prices. It’s eroding trust among the Danish people, with the percentage of Danes who find the bank credible sinking to a meagre 46%, the lowest since credibility recordings began in 2008. There’s a tangible erosion of brand value becoming a clear cost to business if these issues are not addressed.

Clearly, the stakes have never been higher, yet many banks persist in using outdated, time-consuming rules-based processes for their anti-money laundering, KYC and due diligence that can easily be circumvented by money launderers and other nefarious opportunists. As more high-profile cases of financial crime come to light, the question is: why aren't financial institutions able to catch them earlier, and how can they better police their own practices?

Hiding in plain sight – how are criminals getting away with it?

As the ongoing 'laundromat' exposure suggests, criminals rely on a sophisticated variety of techniques and mechanisms to obscure their ownership and control of illicitly obtained assets. The most pervasive vehicles for financial crime are shell companies. These organisations will essentially 'hide in plain sight' by using global trade and commerce infrastructures to appear legitimate. Ironically though, prosecutors are often left chasing shadows when attempting to bring this sub-breed of financial criminals to justice. Due to the anonymity of their ownership, shell companies represent the perfect conduit for money launderers, fraudsters, and other financial criminals seeking to hide their assets and evade taxes and launder criminal funds. It's becoming far too difficult for law enforcement to pin down the true beneficial owners of these shell entities. A number of European countries, including the UK, have introduced legislation for public beneficial ownership registers in an attempt to crack down on shell companies. The registers would require owners of overseas companies investing in property to be named on a public register, making it more difficult for them to hide. However, in a recent report on economic crime made to the UK Treasury committee, one of the main concerns highlighted is that the agency that registers UK firms, Companies House, is not required to carry out anti-money laundering checks. The committee claimed this is weakening the UK's system for preventing economic crime and that the UK government should urgently consider giving the agency powers to verify information given by those forming new companies.

Technology essential to outsmart criminals

As the headlines and enforcement figures consistently show, the financial services sector can no longer rely on outdated compliance systems and armies of analysts and investigators to help tackle this challenge. Given the high volume and complex nature of today's transactions, combined with opaque and disparate relationships and connections between customers and entities, financial services companies are turning to technology that can better identify and process all the hidden and known connections between legitimate customers, businesses, criminals, PEPs, sanctioned entities and shell companies. AI and machine learning can then create accurate risk profiles or risk scores to determine whether or not banks should enter into a potential client or customer relationship – with anomalies or suspicious activity flagged for further investigation by analysts. Financial institutions can also start using machine learning algorithms to query and question the links between entities with more speed and efficiency than a pair of human eyes. Systems can also be trained to present case recommendations to analysts based on topology analysis of the case in question against the history of similar investigations and decisions, similarly on the most effective, suspicious behaviour detection scenarios to use, to help reduce the noise of false positives and ensure resources are more effectively focused on the highest risk areas. But for this to work, all that data needs be organised in a much more effective manner. Currently, when screening individuals against internal and commercially available watch lists, firms typically look at customer name, address and date of birth. For corporate accounts or transactions, this extends to company registration details, along with information regarding key executives, stakeholders, and beneficial owners. However, anomalies and inconsistencies will often crop up, influencing the accuracy of the screening process and its subsequent results. Many organisations also hold their data in international language scripts, which makes it difficult to compare this data against commercial watch lists and sanctions.

Data holds the key – preparation is the best form of defence

When screening individuals against internal and commercially available watch lists, firms typically look to the customers' names, addresses and dates of birth. For corporate accounts or transactions, this extends to company registration details, along with information regarding key executives, stakeholders, and beneficial owners. However, anomalies and inconsistencies will often crop up, influencing the accuracy of the screening process and its subsequent results. Many organisations hold their data in international language scripts, which makes it difficult to compare this data against commercial watch lists and sanctions. It's clear that simple data cleansing isn't going to make the grade in our increasingly-sophisticated threat landscape. More extensive profiling and auditing of data ahead of screening is paramount. Financial institutions must start collecting data concerning nationality, country of residence, membership in certain regimes or political parties, close associates (otherwise known as secondary identifiers), and writing system used. Often this level of detail will allow for the removal of those pesky anomalies or inconsistencies, such as white spaces, questionable characters, or fields requiring only one entry that suspiciously contain multiple values, such as a company name or job title. Data can then be optimised to adhere to the original rules that were set.

Effective screening will differentiate between individuals and entities with common names, but will have discrete match rules available that can be activated. With the correct definition and application of rules to customer and list data sources plus the use of secondary identifiers as part of the screening process, false positives can be reduced to a minimum without increasing risk. This approach empowers organisations to more accurately deploy the risk-based approach demanded by regulators and allows compliance teams to focus their time and investment on higher-risk, higher-probability and higher-complexity issues. This is where the human touch truly adds value. There will always be nefarious activities, but increasingly, forward-thinking organisations are bolstering their defences with machine learning, AI and more fastidious data preparation. So, if your business is exposing itself to these risks without the proper consideration, you may be part of the problem, not the solution.

INTERESTING TO KNOW THIS WEEK

Jet Airways crisis deepens as US Exim Bank to start repossessing 10 Boeing 777

NEW DELHI: The US Exim Bank has recalled all loans extended to Jet Airways for buying Boeing aircraft and is likely to take the possession of these aircraft, thus, taking away all the long-haul Boeing 777 aircraft that the airline owns. Sources said that the amount of loan is about Rs 2,000 crore and the Bank is soon going to initiate the process of possessing the aircraft. “The bank can take all 10 Boeing 777 aircraft that the airline owns and that would mean that the airline would not have aircraft left to operate,” said an airline executive, who did not want to be identified. Email sent to US Exim Bank and Jet Airways remain unanswered. Jet Airways, which is going through its worst-ever financial crisis, has cancelled flights due to grounding of aircraft by lessors. The lessors were grounded aircraft due to non-payment of lease rentals by the airline. The airline has temporarily cancelled its international operations and has grounded these aircraft, as it is not economical to operate these aircraft in the domestic sector. The airline is operating a fleet of 6 to 7 aircraft that includes one Boeing 737, which is being operated by its subsidiary JetLite. The airline board is discussing options on the future of the airline that includes temporary grounding of the airline. Meanwhile, banks are discussing ways to provide some interim funding into the airline till the time the new investor gets onboard.

INTERNATIONAL NEWS THIS WEEK

Zions selects TCS BaNCS for integrated lending operations

Tata Consultancy Services has announced that US-based Zions Corporation has completed its core transformation phase with the deployment of TCS BaNCS Core Banking solution for its commercial, industrial, and real estate lending businesses. Scott McLean, President and COO, Zions Bancorporation, said, "With TCS BaNCS, we have been able to retire multiple core legacy systems and provide a unified, customer-centric view of information and transactions across our affiliate banks, while also retaining their individual branding. The centralization of our operations on TCS BaNCS is helping us enhance customer and employee experience and leverage data for insightful analytics and intelligent decision-making." The integration of Zions' lending operations on TCS BaNCS is expected to assist the former in becoming customer-centric, increase its scalability, simplify its IT landscape and in replacing its legacy deposits and teller platforms. Venkateshwaran Srinivasan, Vice President and Head, TCS Financial Solutions said, "TCS BaNCS will establish a strong foundation for a more agile business at Zions, empower their digital initiatives and significantly improve customer service and data quality. As part of TCS' Business 4.0TM vision, TCS BaNCS has been enabling customers who are looking to deploy API enabled solutions with real-time transaction processing and data accessibility to enable a digital enterprise. There are several institutions grappling with the constraints of a legacy platform and the ongoing transformation at Zions should be of interest to them." Established in 1955, Zions Bancorporation is a bank holding company headquartered in Salt Lake City, Utah. Previously, Zions has replaced its legacy system with the help of TCS BaNCS. The new legacy system has been customized for each of Zions' affiliate community banks. Zions' had also deployed TCS BaNCS for its retail loans portfolio transformation.

Rapyd & OCBC Bank to enable instant mobile payments in Singapore

UK-based fintech Rapyd has partnered with OCBC Bank in a bid to enable real-time bank payments for its consumers and online retailers in Singapore. The supplier states that Singapore's P2P funds transfer service PayNow is instrumental in facilitating OCBC Bank customers to make digital payments using OCBC Pay Anyone App (Powered by Rapyd's Checkout Payments Solution). Mr. Joel Yarbrough, Vice President, Asia Pacific at Rapyd, said: "We are excited to work with OCBC to make instant payments through OCBC Pay Anyone available to our network for online and mobile merchants. We are also thrilled to be leveraging the significant investments Singapore has made in the open loop PayNow real-time payments infrastructure, to make safer bank transfers available for Singaporeans as they shop globally." According to the supplier, the partnership is expected to bring about a variety of payment options at online retailers' checkouts, thus enabling them to access their bank account funds by opting for "Pay with OCBC Pay Anyone" within the retailer's app. It aims to convert the payment process to a seamless and convenient one. Mr. Pranav Seth, Head of E-Business, Business Transformation and Fintech and Innovation Group, OCBC Bank, said: "Singapore's eCommerce market is estimated to hit $5 billion this year. This partnership extends the ability of customers to directly access their bank account funds to pay more than 3,000 retailers via QR codes and PayNow at physical stores, to also access their bank account funds directly to pay online retailers on mobile apps seamlessly. OCBC is at the forefront of the digital payments revolution and working with Rapyd's payment gateway expands this service, accelerating Singapore's Smart Nation and cashless society agenda." Recently, Rapyd launched its hyper-local payments solution, Rapyd Checkout which allows merchants to accept local payment types in 100+ countries, including cash, bank transfers, local cards, and e-wallets. Founded in 2015, Rapyd is headquartered in the UK with offices in London, Singapore, Silicon Valley, and Tel Aviv.

Mastercard joins AIDA Technologies' Series A funding

Singapore-based AIDA Technologies has announced that Mastercard has joined its Series A funding round along with its primary investors Kuok Ventures and SGInnovate. Rohit Chauhan, Executive Vice President, AI Center & Cyber Platforms, Mastercard, said: “This further strengthens Mastercard’s AI-focused strategy around people, infrastructure and domain expertise. It provides us with access to AIDA’s world-class AI platform and toolkit, as well as the possibility to jointly develop product solutions that leverage advancements in technology to deliver greater security and convenience for businesses and consumers in their everyday activities.” Established in 2016, AIDA Technologies develops advanced solutions that integrate with customer workflows, leveraging machine learning models that generate business insights. It focuses on the financial services institutions across Singapore, Malaysia, Thailand, Indonesia, India and Hong Kong. Dr. Tan Geok Leng, CEO, AIDA, said: “I’m delighted to announce the completion of our Series A funding round and to welcome Mastercard, Kuok Ventures and SGInnovate as investors in AIDA. Their investment is a strong endorsement of our strategy and supports AIDA’s deepening penetration into existing markets and expansion into North Asia, especially Hong Kong and Japan.” Kuok Ventures, one of AIDA’s earliest investors, is also the founding seed investor in the company. Mr. Kuok Meng Wei, Director, Kuok Ventures, said: “Our investment approach prioritises promising early-stage technology companies like AIDA, which have potential to become key enablers to other businesses in the wider Kuok Group portfolio.” In addition to the current Series A investment, Kuok Ventures was also the founding seed investor in the company.

Temenos Releases 2019 State of Digital Sales in Banking report

Derek Corcoran

Temenos has revealed the findings of its 2019 Digital Sales in Banking Report. The report, now in its fourth year, compares the digital account opening capabilities of 60 large and representative mid-size banks in North America, Europe and Australia, measuring both the breadth of offerings and the quality of the customer journey.

Banks arriving at the digital Promised Land

For the third year, the report includes its proprietary ‘Digital Sales Readiness Matrix’. Examining key touch points of the account opening journey at each bank, the matrix maps out which banks are lagging behind in their digital sales implementation, which have prioritized digital readiness, and which have reached the optimal ‘Digital Promised Land’. The matrix is the only tool of its kind to measure both the quality and the quantity of banks’ digital offerings. In 2019, the majority of banks have made significant progress in digitalizing their retail product line, with 65% of digitally active large banks reaching the ‘Digital Promised Land’. This represents a significant shift from 2017 when the majority of banks were still categorized as ‘Legacy Lovers’ or ‘Under Achievers’. Notable is the large difference between digital sales capabilities for retail products versus business banking and wealth management offerings. For the first time since the study’s inception, the largest US banks now lead the world in mobile-enabled personal banking, at 75% of accounts, surpassing the perennial leader Australia. The study highlights the rapid progress made by the largest US banks as their long digital investments start to pay off, after lagging for several years. It also illustrates the competitive impact of their large investments.

Mid-market banks in the midst of a digital identity crisis

New to this year's report is the Mid-Market Index, which focuses on the distinct differences between the largest, smallest, and mid-sized banking segments in the US market. The report exposes a mobile gap in the mid-market bracket, with both large and small banks outranking mid-market sized banks by 500%. Mid-sized banks (~$75B in assets) find themselves in a precarious situation with digital sales. Many of the banks operating in this segment maintain a more complex product set than their smaller competitors, yet lack the financial and IT resources of the larger banks in order to innovate and grow. Derek Corcoran, Chief Experience Officer, Temenos said: "Globally, banks that invested in digital transformation projects three to five years ago are beginning to see the fruits of their labour in the form of improved customer-facing digital capabilities hitting the market. With banks mostly solving only the basic requirements of digital account opening for personal banking, much opportunity still exists for banks to implement advanced retail features, as well as digital sales channels for wealth management and business banking. That's where partnering with a technology provider like Temenos can really make a difference – our winning combination of packaged functionality with the most advanced cloud-native, cloud-agnostic technology will allow financial institutions to enter the 'Digital Promised Land', no matter what size they are. With Temenos Infinity, they can dramatically reduce the cost of deploying software, while gaining agility and accelerating the speed of innovation across business lines. Banks need to act now – the good news is the solutions are out there." The 2019 State of Digital Sales in Banking Report can be downloaded here.

Re launched Miles & More co-branded cards programme restores competition to UK airline charge card market

Miles & More has partnered with payments companies Affiniture Cards Ltd and Cornèrcard UK to launch a loyalty programme for British travelers. Miles & More offers Global Traveler Cards in the UK, bringing together the benefits of both Diners Club and Mastercard. The combination of the two cards means that members have access to two payment networks for a greater worldwide coverage as they travel. The new co-branded cards programme restores much-needed competition to the airline charge card market. Members earn miles in various categories: When flying with Miles & More partner airlines including European top carriers such as Lufthansa, SWISS and Austrian Airlines and also at partner hotels, car rentals and airport shops. Members subscribing to the Miles & More Global Traveller Cards get a bonus of 5000 award miles and will earn 1.25 award miles for each pound spent. The miles can be redeemed into flight tickets, flight upgrades or to access numerous other benefits offered by over 300 partners worldwide. The launch of the new Miles & More Global Traveller Cards is facilitated by Cornèrcard UK and issued by Affiniture Cards Limited, trading as Diners Club International. Affiniture Cards provides the Miles & More Global Traveller Account and is the issuer of the Diners Club Global Traveller Card. The Mastercard Global Traveller Card is issued on behalf of Affiniture Cards Ltd by Cornèrcard UK Ltd. Diners Club started in 1950 as the world's very first multipurpose charge card and is now accepted at millions of merchants in 190 countries and territories with a steady growing acceptance footprint abroad and in the UK. Cornèrcard UK's parent is the esteemed Swiss private banking group Corner Bank, which was founded nearly 70 years ago, and was the first Swiss bank to issue both the Visa card in 1975 and the Mastercard in 1998. Andreas Koester, Senior Director Sales UK, Ireland & Iceland for Lufthansa Group, says: "The introduction of the Miles & More Global Traveller Cards in the United Kingdom is great news for our customers in the UK, who will benefit from a complete offer to fit the lifestyle and habits of frequent and avid travellers and an overall experience with the Lufthansa Group." Sebastian Riedle, Managing Director of Miles & More GmbH, says: "We are always working to offer the most rewarding benefits to our members, we are delighted to cooperate with Cornèrcard and Diners Club to help UK members get more out of their money with an attractive earn ratio of 1.25 award miles for every £1 they spend." Robin Briggs, CEO of Cornèrcard UK, says: "We are proud at Cornèrcard UK to support the launch of the Miles & More co-branded card programme in the UK, to offer a card that meets the needs of today's technology, such as, Apple Pay and Samsung Pay, and provide the flexibility, convenience and extra benefits to travellers' needs."

RBI THIS WEEK

Global Risks and Policy Challenges facing Emerging Market Economies

(Shri Shaktikanta Das, Governor, Reserve Bank of India - April 12, 2019 - Delivered at the event "Governor Talks" on the sidelines of the Fund-Bank Spring Meetings, 2019, Washington DC)

Thank you for inviting me to this forum.

I intend to cover some of the global risks and policy challenges from the perspective of emerging market economies (EMEs). We are aware that most EMEs have emerged more resilient than before from a turbulent 2018. For the greater part of 2018, the EMEs faced a wave of global spillover risks leading to capital outflows, currency and asset price volatility and tightened financial conditions. These developments posed risks to growth and inflation. Strong fundamentals, forex reserve buffers, capital in banking systems and prudent macroeconomic policies, however, enabled these economies to absorb global spillovers. Yet, as Agustin Carstens and Hyun Song Shin soberingly point out, "EMEs aren't out of the woods yet".[1]

Global Risks

Let me highlight three major risks confronting EMEs in 2019.

2. The biggest risk facing these economies is the growing evidence that global growth and trade is weakening. Unsettled trade tensions and developments around Brexit are imparting further downside risks to the outlook. There is considerable uncertainty as to whether this weakness is temporary or the beginning of a recession in advanced economies. This uncertainty also seems to be reflected in several downward revisions to the 2019 global growth forecast by the IMF. Moreover, central banks across the world are stepping back from tightening monetary policy and some of them are promoting easier lending conditions. In some economies, fiscal stimuli are being used to support growth.

3. The second risk is that EMEs remain vulnerable to financial market volatility as the experience of 2018 has shown. The risk of sudden stops and reversals of capital flows has increased. Consequent external financing gaps and currency depreciations could undermine the outlook for growth and macroeconomic stability for these economies, just when global growth had begun to show signs of a synchronised revival a decade after the global financial crisis. Furthermore, adverse financial conditions could aggravate existing stress in the balance sheets of lending institutions in some EMEs and stretch their capital requirements.

4. The third risk to EMEs is the high volatility in international oil prices. For net energy importers like India, the recent firming up of oil prices on production cuts by major suppliers presents risks to current account deficit and inflation. The financialisation of energy markets and changing underlying dynamics in the global oil market are adding an upside risk to prices, though the demand is subdued. While break-even costs for shale production have apparently increased, investors have turned risk

averse and are focusing on cash flows and financial returns. This may reduce the flexibility of shale output in filling the shortfalls created by OPEC plus production cuts.

Policy Challenges

So, in this environment, what are the policy challenges faced by EMEs?

5. In the aftermath of the global financial crisis (GFC), several EMEs have embarked upon structural reforms to reorient their economies. In the short-run, however, these reforms inevitably involve sacrifices, including in terms of losses of growth momentum. Conventionally, these reforms are best undertaken in the expansionary phase of the economic cycle. With growth slowing down in a synchronised manner across borders, the space for undertaking and/or pushing ahead with structural reforms is likely to become severely constricted or even deterred. But the fact remains that we need more structural reforms precisely when the economy is slowing down to ensure durable momentum to growth. This is a point which I would like to stress.

6. As the global economy loses speed and with fiscal space getting squeezed, the focus in EMEs as well as advanced economies is likely to be on monetary policy as the first line of defence. Central banks may once again be expected to assume the mantle of guardians of the world economy. The global financial crisis has, however, exposed several limitations of conventional and unconventional monetary policy tools. In despair, some have turned to the heterodox evolution of ideas that has come to be known as modern monetary theory. While the jury is still out on this idea, I have my own strong reservations on this due to its serious downside risks. In the end, monetary policy must touch the real economy, spur investments, and maintain monetary and financial stability.

7. I do, however, feel that the time has come to think out of the box, including by challenging the conventional wisdom. Let me try and somewhat shock you with one such thought experiment. Typically, modern central banks with interest rates as their main instrument move in baby steps – 25 basis points or multiples thereof – and announce a stance of tightening, neutrality or accommodation to guide the markets and the public on the likely future course of policy. One thought that comes to my mind is that if the unit of 25 basis points is not sacrosanct and just a convention, monetary policy can be well served by calibrating the size of the policy rate to the dynamics of the situation and the size of the change itself can convey the stance of policy. For instance, if easing of monetary policy is required but the central bank prefers to be cautious in its accommodation, a 10 basis points reduction in the policy rate would perhaps communicate the intent of authorities more clearly than two separate moves – one on the policy rate, wasting 15 basis points of valuable rate action to rounding off, and the other on the stance, which in a sense, binds future policy action to a pre-committed direction. Likewise, in a situation in which the central bank prefers to be accommodative but not overly so, it could announce a cut in the policy rate by 35 basis points if it has judged that the standard 25 basis points is too little, but its multiple, i.e., 50 basis points is too much. This approach can also be useful when the central bank is on a tightening mode and potentially help avoid policy turnaround from forward guidance via stance too far into the future, which in a highly volatile global scenario, may not even be a year. I am articulating this idea not necessarily in search of a theory but in search of traction with domain experts and more particularly, with practitioner central bankers who face these dilemmas in their day-to-day lives.

8. At another level, a formidable challenge that EMEs will continue to face is the management of global spillovers. We live in a world of mobile capital flows where consequences of their arrivals,

sudden stops and reversals are to be borne nationally. Against this backdrop, a truly global financial safety net remains elusive. The strengthening of resources of the IMF gets pushed out into time whenever we come together for Spring or Annual meetings. Under these conditions, EMEs which are typically at the receiving end when global spillovers flare up, have no recourse but to build their own forex reserve buffers. Paradoxically, the accumulation of reserves has become stigmatised, including with labels such as "currency manipulation". As I see it, we may be unintentionally setting the stage for several EME currencies to break out and challenge the hegemony of the dominant reserve currencies. There is a need for greater understanding on both sides. In the meantime, so far as the Reserve Bank of India is concerned, we will continue to play by the extant rules of the game.

9. Central banks have to interact closely with financial markets for transmission of monetary policy impulses. In this context, ensuring a sound and efficient payment and settlement system is a pre-requisite. Taking cognisance of exponential growth of digitisation and online commerce in India, policy efforts have been directed in recent years to put in place a state of the art national payments infrastructure and technology platform. This has changed the retail payments scenario of the country. Regulation and development of our payment system envisages the objectives of safety, security, convenience, accessibility, and leveraging technological solutions to enable faster processing. In order to ensure an orderly development of FinTechs and streamline their influence into the financial system, we are now working on guidelines to introduce a 'regulatory sandbox/innovation hub' within a well-defined space and duration to experiment with FinTech solutions.

10. In this high flux and uncertain environment, EMEs could perhaps be better off by stepping up cooperation on all fronts, while recognising multi-polarity. One area of cooperation could be to put in place an institutional mechanism which balances the concerns of both oil exporting and importing countries to ensure stability in energy prices. EMEs also need to explore alternatives to reduce dependence on conventional energy sources, and give greater focus on renewables and energy efficiency. The International Solar Alliance, with its headquarters in New Delhi, is a vivid example. It seeks to provide a dedicated platform for cooperation among financial and solar resource rich countries so that the global community benefits from the use of solar energy.

11. In closing, let me say a few words about India. Real GDP growth is expected to clock 7.2 per cent during 2019-20, the fastest among large economies of the world, growing by an average rate of around 7.5 per cent in recent years. Inflation has remained below target, averaging 3.6 per cent for the period under the inflation targeting framework so far (since October 2016 up to February 2019); the current account deficit is expected to be around 2.5 per cent of GDP in 2018-19; and the gross fiscal deficit has adhered to budgetary targets.

12. Looking ahead, our priority is to remain watchful and take coordinated action to revive growth and maintain macroeconomic, financial and price stability.

Thank you.

Reserve Bank of India issues Directions to The Bhimavaram Co-operative Urban Bank Ltd., Bhimavaram (Andhra Pradesh)

The Reserve Bank of India (RBI) is satisfied that in the interest of public, it is necessary to issue certain directions to The Bhimavaram Co-operative Urban Bank Ltd., Bhimavaram, Andhra Pradesh. Accordingly, the Reserve Bank of India, in exercise of the powers vested in it under sub-section (1) of

Section 35A of the Banking Regulation Act, 1949 (As applicable to Co-operative Societies) read with Section 56 of the Banking Regulation Act, 1949, hereby directs that, The Bhimavaram Co-operative Urban Bank Ltd., Bhimavaram, Andhra Pradesh from the close of business on March 28, 2019 shall not, without prior approval in writing from Reserve Bank of India, grant or renew any loans and advances, make any investment, incur any liability including borrowal of funds and acceptance of fresh deposits, disburse or agree to disburse any payment whether in discharge of its liabilities and obligations or otherwise, enter into any compromise or arrangement and sell, transfer or otherwise dispose of any of its properties or assets except to the extent and in the manner provided hereunder:

i. A sum not exceeding ₹ 1000/- (Rupees one thousand only) of the total balance in every savings bank or current account or any other deposit account by whatever name called, may be allowed to be withdrawn by a depositor provided that wherever such depositor is having liability to the bank in any manner, i.e., either as a borrower or surety, the amount may be adjusted first to the relevant borrowal account/s;
ii. May renew the existing term deposits on maturity in the same name and same capacity;
iii. May incur such expenditure as permitted in the captioned Directions.
iv. May make investments in Government/SLR approved securities.

It shall not incur or extinguish any other liability unless specifically approved in writing by the Reserve Bank of India.

The detailed directions are displayed on the bank's premises for the interested members of public to peruse. The Reserve Bank may consider modifications of the directions depending upon circumstances. The issue of directions by the RBI should not per se be construed as cancellation of banking licence by RBI. The bank will continue to undertake banking business with restrictions till its financial position improves. These directions shall remain in force for a period of six months from the close of business on March 28, 2019 and are subject to review.

FINMIN THIS WEEK

Cabinet approves creation of one post of Deputy Comptroller and Auditor General in the office of Comptroller and Auditor General of India

The Union Cabinet, chaired by the Prime Minister Shri Narendra Modi, has given its approval to create one post of Deputy Comptroller & Auditor General (Coordination, Communication and Information System) in Pay Level-17 (by abolishing one STS level post) in the Office of the Comptroller & Auditor General of India. The Deputy Comptroller & Auditor General shall oversee the coordination among State Audits, audit of telecommunication and to coordinate the various Information Systems (IS) initiatives within the Indian Audit & Accounts Department (IA&AD). Expenditure on account of creation of this post will be Rs.21 Lakh (approx.).

Auction for Sale (Re-Issue) of Government Stocks

The Government of India has announced the Sale (Re-issue) of (i) '7.00 per cent Government Stock,2021' for a notified amount of **Rs.3,000 crore** (nominal) through price based auction, (ii) '7.27 per cent Government Stock, 2026' for a notified amount of **Rs.3,000 crore** (nominal) through price based auction,(iii)'7.95 per cent Government Stock, 2032' for a notified amount of **Rs. 5,000 crore** (nominal) through price based auction,(iv)'7.62 per cent Government Stock, 2039' for a notified amount of **Rs.2,000 crore** (nominal) through price based auction, and (v) '7.72 per cent Government Stock, 2055' for a notified amount of **Rs.4,000 crore** (nominal) through price based auction .Subject to the limit of **Rs.17,000 crore**, being total notified amount, Government opf India will have the option to retain additional subscription up to **Rs.1,000 crore** each against anyone 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 (RBI), Mumbai Office, Fort, Mumbai on **April 18, 2019 (Thursday)**.

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 **April18, 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 **April 18, 2019(Thursday)**and payment by successful bidders will be on **April 22, 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 (RBI) vide Circular No. RBI/2018-19/25 dated July 24, 2018 as amended from time to time.

WORLD BANK THIS WEEK

Our Mission Is More Urgent Than Ever

The global outlook foresees a moderate slowdown in economic activity, with lingering downside risks. Global trade growth has weakened, while investment prospects have softened; both of these remain important engines of growth, productivity, innovation, job creation and sustainable development. Debt vulnerabilities persist, and policy uncertainty is weighing on confidence. For developing countries, it is important to adopt growth-enhancing policies while containing risks and protecting the most vulnerable. The World Bank Group, in partnership with the International Monetary Fund, is able to help countries in addressing these concerns.

This was a key message from the Development Committee, a ministerial-level forum of the World Bank Group and the International Monetary Fund, in a communiqué issued at the close of the institutions' Spring Meetings in Washington.

The committee, which represents 189 member countries, underscored its support for the Bank Group's twin goals of ending extreme poverty and boosting shared prosperity, as well as the overarching strategy guiding its work through 2030. The committee noted the Bank Group's progress on a set of policy reforms tied to the capital increase it approved a year ago for IBRD and IFC, which aim to deliver development results more effectively while making the institutions more financially sustainable and efficient.

The meetings marked the arrival of incoming World Bank Group President David R. Malpass, who previously served as U.S. Under Secretary of the Treasury for International Affairs. In welcoming him and noting his strong commitment to the Bank Group's mission and strategy, the committee also expressed appreciation for the leadership of former Bank Group President Jim Yong Kim and of Interim President Kristalina Georgieva.

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

In its communiqué, the committee highlighted its support for the Bank Group's work through the International Development Association (IDA), its fund for the poorest countries, including the Private Sector Window that allows the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA) to increase their investments in IDA countries and fragile situations. The committee noted the strong start of the Bank Group's Human Capital Project, with nearly 60 countries now participating. It also welcomed efforts to help developing countries expand access and make effective use of disruptive technologies to create opportunities for the poor. The committee reiterated the importance of delivering on the Bank Group's Climate Change Action Plan and expressed its support for a strategic approach to help countries cope with issues of fragility, conflict, and violence.

In taking office the week of the meetings, Malpass also expressed his support for the recent capital increase and for the Debt Transparency Initiative, which the Bank Group and the IMF have adopted to increase public disclosure of debt and reduce the frequency and severity of debt crises. At the meetings' opening press conference, Malpass touched on key challenges, including the growing concentration of global poverty in Africa and the need for continued international cooperation on range of global issues. On joining the Bank Group, he said, "I am enthusiastic about the job that I've undertaken. I'm deeply honored to be here and to tackle these challenges."

In a statement after the Development Committee meeting, Malpass stressed that "Our mission is more urgent that ever." He noted that with over 700 million people still living in extreme poverty, income growth is insufficient to ensure shared prosperity. He said, "It is critically important that we work tirelessly to foster broad-based growth, raise median incomes, create jobs, and fully incorporate women and young people in economies, to support a stronger, more stable global economy for everyone."

Malpass expressed optimism about the work ahead: "The World Bank Group is well-positioned to help in these efforts. We have the right tools and resources, talented and professional staff, and a clear and urgent mission."

World Bank/IMF Spring Meetings 2019: Development Committee Communiqué

1. The Development Committee met today, April 13, in Washington, D.C.

2. The global outlook foresees a moderate slowdown in economic activity, while lingering downside risks remain. Global trade growth has weakened, investment prospects have softened, debt vulnerabilities persist, and policy uncertainty weighs on confidence. We reiterate the important role of international trade and investment as engines of growth, productivity, innovation, job creation and sustainable development. We continue to support the World Bank Group (WBG) and the International Monetary Fund (IMF) in their multipronged approach, with borrowers and creditors, to improve the recording, monitoring, and reporting of public and private debt, as well as efforts to strengthen creditor coordination in debt restructuring situations, drawing on existing fora. We stress the importance of adopting growth-enhancing policies while containing risks and protecting the most vulnerable. We call on both institutions to work jointly with policy makers to identify the right balance, given country circumstances, between supporting demand and rebuilding fiscal space; to help countries improve debt management capacity, sustainability, and transparency; and to strengthen domestic resource mobilization.

3. We endorsed a transformative capital package for IBRD and IFC one year ago. This package and the Forward Look guide the WBG's strategic direction to 2030. We welcome the paper *Update: The*

Forward Look and IBRD-IFC Capital Package Implementation and the significant policy reforms delivered, including: IBRD loan pricing and Single Borrower Limit differentiation, the IFC additionality framework, the IBRD Financial Sustainability Framework, and the revised methodology for staff compensation. We also note the strong yet selective WBG engagement in countries above the graduation discussion income as reflected in the revised guidance for country partnership frameworks. We encourage the Bank Group to continue implementing and monitoring the agreed efficiency measures. We request management to continue tracking progress against the Forward Look and capital package commitments and to update the Governors in one year.

4. We welcome the ongoing work by shareholders to start the subscription documentation and payment process for the IBRD capital increase launched on October 2, 2018. We urge that all outstanding adoptions of IFC resolutions be secured by September 18, 2019.

5. We remain committed to the twin goals of ending extreme poverty and boosting shared prosperity as well as the WBG's global role and the objectives set out in the Forward Look: (i) serving all clients; (ii) leading on the global public goods agenda, (iii) creating markets, and (iv) continually improving the business and operational model. Effective implementation will require strong country partnership with IBRD and IDA clients with a focus on measurable development outcomes. The capital package will enhance WBG leadership in the key areas of crisis preparedness, prevention and management; situations of fragility, conflict and violence (FCV); climate change; gender equality; knowledge and convening; and regional integration.

6. The Bank's fund for the poorest countries, IDA, is critical to reaching the WBG's goals as well as to achieving the Sustainable Development Goals (SDGs). We welcome the strong delivery of the ambitious and innovative IDA18 package and support recently proposed adjustments, particularly the reallocation across IDA windows. We call on the Bank Group to strengthen emphasis on jobs and economic transformation in IDA countries, one of the IDA19 special themes. We also support the other special themes – governance and institutions, gender, climate change and FCV – as well as the cross-cutting areas of debt, disability, human capital and technology. We observe the rising debt levels in IDA countries and encourage measures to enhance their debt sustainability. We look forward to the outcomes of the upcoming meeting of IDA Deputies and their guidance on strategic directions and the IDA19 Roadmap.

7. We welcome the *Mainstreaming the Approach to Disruptive and Transformative Technologies at the World Bank Group* paper and the WBG's efforts to make these technologies affordable and accessible for developing countries. We encourage the WBG to create opportunities for the poor and mitigate risks associated with technology. We ask the Bank Group to continue to work with countries as well as private and public sector partners to mainstream this agenda across sectors. We particularly welcome its work on competitiveness, innovation and consumer protection by supporting agile regulations. We also call on the WBG and IMF to continue work on fintech issues, building on the momentum generated by the Bali Fintech Agenda.

8. Investments in human capital that produce better learning and health outcomes are critical to productivity and economic well-being. We welcome the strong start on the Human Capital Project and the fact that close to 60 countries have joined thus far. We request further development of disaggregated data and refinement of indicators under the Human Capital Index and an emphasis on policy reforms that achieve tangible results. We look forward to an update on the Human Capital Project in October 2019.

9. The private sector plays a key role in providing sustainable solutions to development challenges, creating markets, mobilizing investment and generating jobs. We encourage the WBG to foster enabling business environments, leverage capital, and implement the Cascade to maximize finance for

development. We support the IFC 3.0 strategy to catalyze private sector investments. We acknowledge IFC and MIGA efforts to increase investments in IDA countries and fragile situations, and we support the use of the IDA Private Sector Window to reach the most vulnerable, recognizing that such projects come with higher risks. We call on the World Bank, IFC and MIGA to be innovative and work together in mobilizing private sector solutions and resources, leveraging sectoral reforms, and mitigating investment risks.

10. Fragility, conflict and violence cause human suffering, vulnerability and displacement, and economic stress, all posing challenges to delivering the 2030 Agenda. In addition, economic crises, natural disasters, and pandemics can test countries' resilience and threaten development gains. Building institutional capacity, developing disaster resilience, and encouraging knowledge sharing and south-south cooperation are also key priorities, particularly for small states. We support strengthening domestic resource mobilization, addressing illicit financial flows and corruption, as well as investing in quality infrastructure and enhancing energy security to improve the response to crises. We reiterate the importance of delivering on the WBG's Climate Change Action Plan. We look forward to the development of a strategy on FCV.

11. As the WBG scales up work in high-risk scenarios, where institutional capacity is often weak, strong environmental and social protections and accountability processes are critical, and we support the WBG's continued commitment in these areas. We acknowledge the important role that the World Bank's Inspection Panel and the IFC and MIGA Compliance Advisor Ombudsman play in accountability, lessons learned, and mitigating risks in an efficient and effective way.

12. We urge the WBG to continue to work closely with public and private partners including international financial institutions and the UN, on the most pressing development challenges. We note that heads of state will gather in September for the UN summit focusing on climate, universal health coverage, SDGs, financing for development, and small island developing states. We also underscore the importance of continued WBG and IMF collaboration in implementing their respective mandates as well as the potential of multilateral development banks working as a system to improve their response to common challenges, including through a coordinated country platform approach.

13. We are encouraged by progress on diversity and inclusion among WBG staff and management, and we continue to support the Board in its work to enhance and promote gender diversity at the WBG Executive Boards. Closing gender gaps is smart economics, while balanced representation and full gender equality are central to the Bank's mission. We urge continued work on this front.

14. We congratulate Mr. David Malpass on his selection as President of the World Bank Group and look forward to working closely with him. We value his strong commitment to the Bank Group, its mission and strategy. We express our appreciation to Dr. Jim Yong Kim for his leadership of the WBG and its significant accomplishments during his tenure. We also thank Ms. Kristalina Georgieva for her leadership and effective management of WBG affairs as Interim President.

15. The next meeting of the Development Committee is scheduled for October 19, 2019, in Washington, DC.

Finance Ministers Join Forces to Raise Climate Ambition

WASHINGTON, April 13, 2019 — Today, at the Spring Meetings of the World Bank Group and International Monetary Fund, Finance Ministers from more than twenty countries launched a new coalition aimed at driving stronger collective action on climate change and its impacts. The newly formed Coalition of Finance Ministers for Climate Action endorsed a set of six common principles, known as the "Helsinki Principles," that promote national climate action, especially through fiscal policy and the use of public finance. The Helsinki Principles – so-called as they were conceived by a group of Governments represented at a meeting led by Finland and Chile in Helsinki in February – are designed to support Finance Ministers to share best practices and experiences on macro, fiscal, and public financial management policies for low-carbon and climate-resilient growth.

The Coalition will help countries mobilize and align the finance needed to implement their national climate action plans; establish best practices such as climate budgeting and strategies for, green investment and procurement; and factor climate risks and vulnerabilities into members' economic planning.

"*Finance ministries have a crucial role to play in accelerating the global shift to a low-carbon, climate-resilient growth model*," **said World Bank CEO, Kristalina Georgieva.** *"This Coalition demonstrates new levels of ambition from decision makers in the fiscal policy arena and provides an important platform for Finance Ministers to share best practice on the jobs and growth benefits of the new climate economy."*

"Climate change is a real threat nowadays but we can turn it into an opportunity," said **Felipe Larraín Bascuñán, Minister of Finance, Chile.** *"Beyond traditional tools like carbon pricing or the phasing out of fossil fuels we can stimulate and signal the private sector to invest in innovative solutions, incorporate this risk and externalities into the investment decision making process. Economic growth is essential but reducing emissions is also essential. We need more ambition and concrete commitments that translate into action."*

"The Coalition will be successful, if it helps us plan concrete, effective policy measures to address the climate crisis nationally, regionally and globally," said **Petteri Orpo, Minister of Finance, Finland**. *"The Coalition must rely on analytical work and sharing of experiences to achieve solutions that work in practice."*

"*I fully support the new Coalition of finance ministers for climate action. The role that finance can and must play in the transition to a low carbon economy is often underestimated,"* said **Bruno Le Maire, Minister of Finance, France**. *"Many countries have already developed interesting initiatives at a national or regional level such as green bonds in France or the Emissions Trading System in the EU. Sharing experiences can only be useful. U.N. Secretary-General António Guterres gave President Macron a mandate to accelerate climate finance in the run-up to the Climate Summit in September. In this perspective, we are calling for collectively and urgently step up our actions to meet the Paris Agreement commitment."*

The World Bank will serve as secretariat for the Coalition and will partner with various institutions to provide strategic and technical support to governments, including the International Monetary Fund (IMF), the Organization for Economic Cooperation and Development (OECD), UNFCCC Secretariat, UN Development Programme (UNDP), other UN agencies and the NDC Partnership.

Notes for Editors:

The countries that have endorsed the principles are: Austria, Chile, Costa Rica, Cote d'Ivoire, Denmark, Ecuador, Finland, France, Germany, Iceland, Ireland, Kenya, Luxembourg, Marshall Islands, Mexico, Netherlands, Nigeria, Philippines, Spain, Sweden, Uganda, United Kingdom and Uruguay.

IMF THIS WEEK

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

Boosting Growth Through Diversity in Financial Leadership

Remarks for an IMF/IFC Seminar IMF First Deputy Managing Director David Lipton

April 13, 2019

Good afternoon. I know this is a busy day for everyone, so I'm grateful you could join us for today's seminar on Gender Diversity Dividends in Finance. It was very important to me to come here to contribute to a discussion of this consequential issue.

Gender in finance has macroeconomic, moral and ethical implications extending across national borders, cultural chasms, and class divides. It affects women all over the world—from executives in boardrooms to women who seek education, access to financial services, and employment opportunities.

A few statistics offer a glimpse of the problem with access to financial services.

· Of the 1.7 billion people unbanked globally, nearly one billion of them are women.

· Lower access to bank credit robs women of opportunities to educate their children, start businesses, or tide over hard times.

· Across the world, fewer than 20 percent of bank and supervisory board members are women. I am sorry to say the IMF is no exception – on our Executive Board of 24 chairs, we only have 2 women, and while I am pleased to say we look forward to welcoming a third female Executive Director in a few weeks, we should do much better. It's interesting to note that many low- and middle-income countries actually do better than advanced economies in having women in those leadership positions.

· And it will not surprise you when I report that, only 2 percent of bank CEOs worldwide are women.

There is now considerable evidence of what this inequality means. Recent IMF research shows that increasing financial inclusion, of both women and men, lifts economic growth. That research also shows that having more women in leadership positions leads to greater financial stability, lower levels of non-performing loans, and higher profits. Banks with a higher share of women on their boards were more stable in 2008, when the Global Financial Crisis hit.

One reason for this performance is clear: greater diversity means more diverse views, which helps avoid group-think and leads to better decision making.

So why don't financial institutions put more women in these top roles? Here, too, I don't think the explanation is going to surprise you. Women continue to face conscious and unconscious bias—cultural, religious, or just the propensity of men to hire people who are like themselves. In addition, studies have found that women are held to a higher standard of performance—with women of color facing even bigger obstacles.

Given all these challenges, it may be that the women who persevere tend to be among the most talented and skilled executives to make it to the top. I have the privilege of working for IMF Managing Director Christine Lagarde, and liaise closely with the World Bank CEO Kristalina Georgieva, so I can attest to this!

There is one more dimension to this issue; an ugly dimension: harassment and violence against women. At the economic level, it is very costly in terms of health and services, reduced productivity and lost opportunities. At the organizational level, sexual harassment cuts to the very soul of an institution, a lesson we learned in the case of our former Managing Director. And at the personal level, it is a sad fact of everyday life. Fortunately, women have forced this issue into the open—where it should be—through the #MeToo movement.

I speak for everyone at the Fund when I say that we must confront sexual harassment and stop it.

With all of that in mind, I found it disheartening to read recently about the results of a survey conducted by the American Economic Association. A shockingly large number of women economists reported being victims of sexual assault. This is criminal behavior we are talking about.

In addition, nearly half of women economists said they avoid speaking at conferences for fear of harassment or "disrespectful treatment." This is unethical behavior.

Finally, this survey reported that 70 percent felt that male colleagues' work was taken more seriously than their own. This must end.

Many young women aspire to join our institutions from graduate programs, but the behavior they face during their studies and early careers drives too many away from our field. That drains our intellectual capital. I applaud the AEA for putting in place sanctions against harassment and hope every economist will take a stand.

As you know, at both the World Bank and the IMF our chief economists are women. At the Fund, we have almost reached our 2020 goal of 30 percent of management positions filled by women – almost tripling the ratio from 10 years ago. I am proud of this progress. It will help to make our world a better place.

In conclusion, let me leave you with one last thought. As we work to empower women in the global economy, as we strive to make more room for them in the boardroom, let us not forget that the fight for equality and dignity should begin right here, where we live and work. Thank you for listening today.

Weak Spots in Global Financial System Could Amplify Shocks

By Tobias Adrian and Fabio Natalucci

In the United States, the ratio of corporate debt to GDP is at record-high levels. In several European countries, banks are overloaded with government bonds. In China, bank profitability is declining, and capital levels remain low at small and medium-size lenders.

Vulnerabilities like these are on the rise across advanced and emerging market economies, according to the IMF's latest *Global Financial Stability Report*. They aren't all setting off alarm bells just yet. But if they continue to build, especially with still-easy financial conditions, they could amplify shocks to the global economy, raising the odds of a severe economic downturn a few years down the road.

With the right mix of policies, countries can sustain growth while keeping vulnerabilities in check.

This poses a dilemma for policymakers seeking to counter a slowing global economy, as discussed in the *World Economic Outlook.* By taking a patient approach to monetary policy, central banks can accommodate growing downside risks to the economy. But if financial conditions remain easy for too long, vulnerabilities will continue to build, and the odds of a sharp drop in economic growth at some later point will be higher.

The good news: short-term risks to global financial stability are still low by historical standards, though they are slightly higher than we found in our October 2018 *Global Financial Stability Report* . In the medium term, however, risks remain elevated. But with the right mix of policies, countries can sustain growth while keeping vulnerabilities in check.

Why do we worry about financial vulnerabilities? Because they can amplify the impact of sudden shocks—such as a sharper-than-anticipated economic slowdown, an unexpected shift in monetary policy, or an escalation of trade tensions. Higher vulnerabilities give rise to greater financial stability risks.

The latest *Global Financial Stability Report* introduces a way to quantify vulnerabilities in the financial system, so policymakers can monitor them in real time and take preventive steps if needed to mitigate risks. The framework encompasses six sectors: corporates, households, governments, banks, insurance companies, and other financial institutions—some of which are what we call "shadow banks."

The framework tracks both the level and the pace of change along a variety of vulnerabilities, including leverage and mismatches in the maturity and liquidity of assets and liabilities, as well as currency exposures. These vulnerabilities are tracked at regional and global levels, aggregating across 29 systemically important countries.

Here are some of the most serious vulnerabilities:

Advanced economies. Corporate debt and financial risk-taking have increased, and the creditworthiness of borrowers has deteriorated. The stock of bonds with BBB ratings has quadrupled, and the stock of speculative-grade credits has almost doubled in the United States and the euro area since the crisis. A sharp tightening of financial conditions or a severe downturn could make it harder for indebted firms to repay their loans and force them to cut back on investment or employment. So-called leveraged loans to highly indebted borrowers are an area of particular concern, as we explained in an earlier blog and discuss further in the current GFSR.

Euro area. Fiscal challenges in some countries could drive bond yields sharply higher, resulting in significant losses for banks with large holdings of government debt. Insurance companies could also face losses. This dynamic, known as the sovereign-financial sector nexus, was at the heart of the euro crisis in 2011. Still, banks have higher capital ratios today, and policymakers have taken steps to address nonperforming loans on banks' balance sheets.

China. A decline in profits and low levels of capital at small and medium-sized banks is restraining credit to smaller private firms. Further monetary and credit support may increase financial stability risks, as continued credit growth makes it harder for smaller banks to clean up their balance sheets.

Emerging markets. Increasingly, overseas portfolio investments in emerging markets are run by managers who seek to match the returns of popular indexes. The value of fixed-income, benchmark-driven investments has quadrupled in the past ten years to $800 billion. While index-driven funds expand the universe of investors for emerging market economies, they also leave them more vulnerable to sudden reversals of capital flows in response global trends.

Fortunately, there are ways to address such vulnerabilities:

So-called macroprudential tools can cool credit growth and make the financial system more resilient. One example: countercyclical capital buffers, which require banks to increase capital when credit is growing.

Countries with high corporate debt could develop tools to limit the riskiness of credit to firms—especially credit provided by nonbank lenders.

In the euro zone, lowering the debt-to-GDP ratio among highly indebted governments is a priority to curb risks. So is further repairing banks' balance sheets, including by reducing non-performing loans.

China needs to continue reducing leverage in the financial sector, especially in shadow banking, and ensure that lenders build capital buffers. Authorities should also promptly carry out announced reforms to address risks in investment products.

Emerging market economies coping with volatile capital flows could limit reliance on short-term overseas debt and ensure adequate foreign currency reserves and fiscal buffers. Countries can also use flexible exchange rates to absorb shocks.

In some circumstances, countries with strong economies and inflation at or above target can also consider using monetary policy to "lean against the wind." With the right combination of policies, countries can keep their economies humming while also limiting risks to financial stability.

BASLE THIS WEEK

John C Williams: Fulfilling our economic potential

Remarks by Mr John C Williams, President and Chief Executive Officer of the Federal Reserve Bank of New York, at the Association for Neighborhood & Housing Development 2019 Annual Conference, New York City, 11 April 2019.

As prepared for delivery

Introduction

Thank you for that warm welcome. As you may be aware, last year I moved from San Francisco to take on the role of President of the New York Fed. In many ways California and New York are like different countries-the weather is a big adjustment, for starters!

But through my meetings with community leaders and visits to the Bronx and Brooklyn, I've come to appreciate that we're facing a lot of the same issues in my new home that I saw in the San Francisco Bay Area. The main topics of discussion-displacement as a result of gentrification, inequitable growth, and a critical shortage of affordable housing-are all ones we were grappling with on the West Coast as well.

These issues are complex and challenging, and there are no easy answers, so I want to start by saying thank you for all the important work you do.

There are a couple of topics I want to talk about today. The first is why the work you do is so important, and the second is the role I see the Federal Reserve Bank of New York can play in supporting you today, and going forward.

Before I go any further I'll give the usual Fed disclaimer that the views I express are mine alone and do not necessarily reflect those of the Federal Open Market Committee or anyone else in the Federal Reserve System.

Dual mandate

Apart from a stint running a pizza shop, I've worked in the Federal Reserve System for my whole career, nearly 25 years. And I'm not alone. When you ask people at a Federal Reserve Bank how long they've worked there, their response is often measured in decades, not years. What makes them stay? Working for a mission-driven institution.

And speaking of our mission, the Federal Reserve has two goals: maximum employment and price stability. We want our economy to reach its potential in terms of jobs and growth and we want low, stable inflation. While these two goals are critically important, they are broad and high-level. The monetary policy decisions we make have important effects on the overall number of jobs and wages, but they don't determine what economic growth looks like across communities, or who benefits from it.

That's why our outreach and community-based work is a key priority. It's an opportunity for us to take all of the data, all of the things we know about the economy, and help one another as we tackle the very real issues that shape the everyday lives of Americans.

Equitable Growth

We're closing in on the longest economic expansion on record, unemployment is at historically low levels, and inflation is close to our 2 percent target. From a pure monetary policy perspective, this is a healthy economy. But I'm acutely aware that not everyone is feeling the benefits of the economy's good performance.

Recent work by my colleagues at the New York Fed crystalized the economic challenges faced by some of those living in New York City. Since the early 1980s wage inequality has increased in the United States, but that increase in inequality has been particularly sharp in large urban areas like this one.

In New York City and Northern New Jersey, someone near the top of the income distribution earns seven times that of someone closer to the bottom. This contrasts with other parts of New York State, where the number is somewhere between four or five times.[1]

That's not to say things are necessarily easier in areas with less inequality. In fact, many of the areas with less inequality are also challenged by limited job opportunities and declining populations. It does mean that not everyone is benefiting from growth equally.

One of the reasons for this is that the type of growth in the city has disproportionately benefited one type of worker. Growth in New York has generated demand for highly skilled workers, who are often more highly paid and highly mobile. This drives up housing prices and contributes to gentrification, which often goes hand in hand with displacement.

Words like "gentrification" and "displacement" sometimes can feel impersonal or cliché. For some, gentrification conjures images of fancy coffee shops and high-priced fashion boutiques. But the reality can be heartbreaking. Families who've lived in a home for generations are driven out, communities break up, and the social fabric of a neighborhood is irreparably damaged.

We seek growth that enables everyone to fulfill their economic potential. We want enterprise that supports communities, and communities that have the tools to flourish through investment.

This is good for families, good for communities, and good for the economy.

Of course, you don't need me to tell you this. You face the challenges of inequitable growth every day through your work. And that's why I'd like to talk about the role we can play to support you create a New York City that benefits every part of the community.

When I think about our work at the New York Fed, both today and going forward, it boils down to three things: We connect organizations with data and research to amplify the power of their work, we convene stakeholders to share experiences and best practices, and we are a catalyst for initiatives and approaches that help tackle some of the most complex challenges confronting our communities.

Connect

Some of our greatest assets are our data, analysis, and research. And I don't say that only because I am an economist by training! Data is at its best when it leads to meaningful action.

I just came back from a trip to Puerto Rico and the U.S. Virgin Islands, which are part of the New York Fed's district. The overwhelming feedback I received from community leaders there was how useful they found our research reports for thinking about how to strengthen their local economy.

An example closer to home is the work we do looking at the credit behavior of households at the zip code level.

Analysis from the New York Fed is used by Financial Empowerment Centers across New York City to support people on low and middle incomes get out of financial trouble and build a credit profile. It also acts as a barometer for the success of programs, which helps practitioners learn which interventions are most effective.

Convene

As well as connecting people with research and data, we play an important role creating spaces where different stakeholders convene, discuss the challenges and opportunities facing their communities, and share best practices.

This is where our workforce development program comes in, and it's an area where Federal Reserve Banks from across the country have been collaborating to share knowledge among key stakeholders.

The work we're doing bringing together schools and local employers is also in this vein. We owe it to young people to ensure that their investments in education pay off and that there's a job at the end of all their hard work and study.

Fostering connections between community colleges and employers is one way we can help to make sure the next generation is ready for the opportunities our economy has to offer. We've published loads of research on this subject, and we're putting some of our findings into practice with a series of roundtables, collaborating with colleges, workforce development organizations, and employers across the state.

Displacement and equitable growth are areas where we can do more. I'm pleased to share that later this year we'll be hosting a series of listening sessions on these topics. We plan to bring together community development experts and nonprofits to better understand what's happening across the district. We want to know what's worked in the communities that *have* seen equitable growth, the challenges for those that haven't, and what we can do about it.

We hope the findings from these sessions serve as a tool for those areas on the cusp of gentrification to ensure every part of the community benefits from local investment.

Catalyze

Finally, I'm going to turn to this idea of how we can be a catalyst for action.

Our desire to create change is the reason we created resource guidebooks-publications that collate data, information, and contacts about specific communities. We've published guidebooks for parts of New York State and New Jersey, and we have another one in the works for Puerto Rico. They act as a starting point for local stakeholders and investors looking to support equitable growth in underserved areas.

Another example where we've acted as a catalyst is our Small Business Credit Survey. The findings revealed the challenge small businesses face accessing loans for expansion. The cost of originating smaller loans is often so great that banks won't take them on. But as a result of the gap being identified, one bank is now partnering with the Community Reinvestment Fund to refer small businesses to the Community Development Financial Institutions (CDFI) Fund.[2]

Small businesses are vital to job creation and play an important role in our communities, so it's essential we support them to get access to the credit they need to grow.

I don't want to talk about access to credit without saying a few words about the Community Reinvestment Act, or CRA. Our work supervising CRA compliance supports efforts to make sure credit gets to where it's needed most.

A large amount of work has been going on at the Board of Governors to review the modernization of the CRA, and we held two roundtables here in New York City to better understand what's working and where we need change.

What's important is that efforts to modernize CRA maintain and strengthen the emphasis on ensuring all communities in our nation have access to affordable credit.

These principles-connect, convene, and catalyze-will continue to guide us forward as we grow our outreach programs and drive progress. They are the ways we contribute to an economy that works for everyone, above and beyond the high-level levers of interest rates and asset purchases.

Conclusion

I'll conclude where I began. As a policymaker I'm constantly weighing up the dual mandate, thinking about how we keep the economy on track, and balance maximum employment with low, stable inflation. But these decisions don't affect the kinds of jobs that are created or who benefits from growth.

The type of growth we have, where it manifests, and who benefits from it play a huge role in shaping both the fabric of society and the lives of New Yorkers. That's why our community and outreach programs are so important to me.

I'd like to close by reemphasizing my gratitude for your commitment to this city. Community development work is complex, challenging, and never done. But it's essential for building healthy communities that support everyone to reach their full economic potential.

Thank you. I look forward to your questions.

Guy Debelle: Progress on benchmark reform

Keynote speech by Mr Guy Debelle, Deputy Governor of the Reserve Bank of Australia, at the at the International Swaps and Derivatives Association (ISDA) 34th Annual General Meeting, Hong Kong, 11 April 2019.

Good morning and thanks to ISDA for the opportunity to speak here today.

It has been almost two years since Andrew Bailey announced that the FCA (the UK Financial Conduct Authority) would no longer use its powers to sustain LIBOR (the London Inter-Bank Offered Rate) beyond 2021. Since that time, preparing for the end of LIBOR has been a key challenge for the global finance industry. Today I will provide an update on the progress with benchmark reform internationally, and highlight some of the key issues in the Asia-Pacific region.

The End of LIBOR

There is now widespread recognition that LIBOR will come to an end. The fundamental problem is that there are not enough transactions in the short-term inter-bank market to underpin LIBOR. The banks that make the submissions that are used to calculate these benchmarks are uncomfortable about continuing to do this, as they have to mainly rely on their 'expert judgement' rather than actual transactions. To prevent LIBOR from abruptly ceasing to exist, the FCA has received assurances from the current banks on the LIBOR panel that they will continue to submit until the end of 2021. But beyond that point, there is no guarantee that LIBOR will survive. The FCA will not compel banks to provide submissions and the panel banks may choose to stop.

Financial regulators around the world expect institutions using LIBOR to be ready to transition to more robust benchmarks.

20/04/2019

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