

**CAFRAL Advanced Management follow up Program April 20-21, 2018, Goa, India**



Program participants & speaker with Chandan Sinha, Additional Director (Learning and Admin), CAFRAL and M P Baliga, Sr. Program Director, CAFRAL at Advanced Management follow up Program, Goa.

The objective of the program was to reinforce the learnings of the international Advanced Management Programs in recent years as also to provide a continuous education to the participants of these programs. The main focus was on current issues and challenges faced by financial lenders viz. credit risk & stressed assets management, financial markets, interest rate risk management and governance & business strategy/turnaround strategy. The sessions on risk management and market risk management were highly appreciated.

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**CAFRAL's "Calendar of Programs" FY 2018-19**

Calendar of Programs for FY 2018-19 is now available on CAFRAL's Website ([www.cafral.org.in](http://www.cafral.org.in))

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**CAFRAL Program for NBFCs: Risk Management, Regulatory and Supervisory Issues: May 21-22, 2018, Mumbai**



A K Mishra, Executive Director, RBI and Amarendra Mohan, Sr. Program Director with Speakers and Participants at CAFRAL Program for NBFCs : Risk Management, Regulatory and Supervisory Issues, Mumbai.



The captioned program focused on the enterprise-wide risk management framework to identify, assess, monitor and control risks and the role of an effective internal control and compliance function in building a compliance culture. A.K.Misra, ED, RBI, delivered the Keynote address on “Key Supervisory Issues and Expectations from NBFCs” while Ashok Narain, CGM, RBI presented the key features of the RBI’s Ombudsman Scheme for customers and Manoranjan Misra, CGM, RBI, highlighted the key issues & expectations from the regulatory perspective. In addition there were presentations on AML/KYC Issues, Compliance Risk, Industry Perspectives on “Achieving Excellence in Risk Management and Risk Governance” and “Building a Robust Compliance Culture” from KPMG, PwC, Tata Capital Ltd. and Bajaj Finance Ltd. respectively.

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### **CAFRAL-ReBIT Business Leaders’ Forum II (BLFII) - May 23, 2018, Mumbai, India**



Dr Gulshan Rai, National Cyber Security Coordinator, PMO, Government of India and Mr Satish Mathur, Director General of Police, Maharashtra addressing forum

The second edition of the Business Leaders’ Forum (BLF II), a joint initiative by CAFRAL and Reserve Bank Information Technology Private Ltd. (ReBIT) explored three key topical areas, viz. protecting banks from cross border remittance frauds, vendor risk management and data privacy in the background of the recent spate of SWIFT-related incidents/frauds across the globe, banks relying heavily on third parties to support their IT systems & infrastructure, and the advent of European Union’s General Data Protection Regulation (GDPR). The highlights of the program were the key note addresses by Dr. Gulshan Rai, National Cyber Security Coordinator and Satish Mathur, DGP, Maharashtra. BLF has been conceived to sensitise CEOs/ MDs, Business Heads and Board members of banks periodically on Cyber Security.

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### **Program on Risk, Compliance and Controls May 25-26, 2018, Mumbai, India**



G Padmanabhan, Non- Executive Chairman, Bank of India and Chandan Sinha, Additional Director, CAFRAL with Speaker & Program Participants

The objective of the program was to sensitise the senior officers associated with risk, compliance and inspection/audit functions of banks and financial institutions on issues relating to risks, compliance and controls and also to provide them a platform to interact and exchange views with the regulators and their peers. Topics such as Risk management including cyber risk, Resolution of stressed assets, KYC and AML compliance, Risks in financing gems & jewellery and real estate business and strengthening the risk and compliance culture in banks were covered. The program has been well appreciated by the participants.

## Highlights of Research Seminars & Brown Bag Talk

**CAFRAL-SRU Brown Bag Seminar - Shock Diffusion: Does Network Structure Matter?** by Shekhar Tomar, Manager, SRU, Reserve Bank of India at Mumbai, May 03, 2018

### Paper Abstract

This paper introduces the concept of diffusion of shocks in an input-output production economy. We show that if sectors have different reaction horizons it will lead to diffusion of shocks through the network over time which will prevent the inter-sectoral linkages to form the feedback loop structure essential to generate aggregate volatility. This result is different from other recent papers which have single period model with contemporaneous production linkages between different sectors thus generating sectoral shock amplification as one sector reacts to another contemporaneously, resulting in bigger aggregate fluctuations. In contrast if sectors have different production horizons due to varying complexity of their production process, it would break down the feedback architecture present in single period models. We further show that if the diffusion rate is varied for different sectors, the contribution of network structure to aggregate volatility is more likely to be insignificant. Also, it is no longer sufficient to characterize this contribution of sectoral shocks to aggregate volatility by just looking at the input-output matrix or its summary statistics like degree distribution. In the end, we propose lead time indicator as a possible proxy for measuring differential sectoral diffusion rates.

**Financial Access And Consumption Smoothing (Brown Bag Talk)** by Anand Chopra, Student, University of British Columbia at Mumbai, May 10, 2018

### Paper Abstract

Does improving access to financial institutions always facilitate consumption smoothing? I provide empirical evidence that emerging economies who have better access to banks do worse at consumption smoothing. This is robust to controlling for level of income and capital market openness. A simple one-good small open economy model supplemented with trend shocks is calibrated to match certain business cycle moments of developed and emerging markets. The model can qualitatively account for the elasticity of the ratio of consumption volatility to income volatility to financial access for both developed and emerging economies. A two-sector extension of the model can in addition capture the non-targeted business cycle moments exceedingly well

**CAFRAL-SRU Brown Bag Seminar - Agricultural Productivity Growth And Rural Non-Farm Employment: Evidence From India** by Subrata Kumar Ritadhi, Manager, Reserve Bank of India at Mumbai, May 17, 2018

### Paper Abstract

This paper studies the role of agricultural growth in the process of structural transformation using data from 273 districts in India over a twenty-five year period. To generate exogenous variation, we instrument agricultural productivity with contemporaneous shocks in monsoon rainfall and identify the impact of rainfall-induced agricultural productivity on the generation of non-farm employment for rural workers. Our results show that agricultural productivity has a positive and significant impact on the share of rural workers employed in the manufacturing sector for both male and female workers. Through a disaggregation of broad employment categories, the paper identifies that the non-farm employment generated is located in unskilled activities, particularly in the food and textiles sectors and concentrated amongst workers with low levels of education. Using a reduced form specification, the paper shows that the effect of rainfall-induced shocks to agricultural productivity on rural non-farm employment is limited to short-run effects with no evidence of a medium or long-term impact. Through a test of the differential effects of agricultural productivity across districts' initial levels of urbanization and agricultural productivity, the paper shows that rainfall-induced shocks to agricultural productivity can lead to convergence across districts with respect to the creation of rural non-farm employment.

**CAFRAL-SRU Brown Bag Seminar - Fiscal Austerity In Emerging Market Economies** by Pawan Gopalakrishnan, Manager, SRU, Reserve Bank of India at Mumbai, May 24, 2018

### Paper Abstract

We build a small open economy RBC model with financial frictions to analyze expansionary fiscal consolidations in emerging market economies (EMEs). We calibrate the model to India, which we view as a proto-typical EME. When factor income tax rates are low, a contractionary fiscal shock has an expansionary effect on output. The economy's

debt/GDP ratio falls, and tax revenues rise. When factor income tax rates are high, a contractionary fiscal shock has an expansionary effect on output if government spending is valued sufficiently highly relative to private consumption by households in utility. We identify the mechanisms behind these results, and their implications for actual economies undertaking fiscal reforms.

**CAFRAL-SRU Brown Bag Seminar - Do Price Deficiency Payments Schemes Work?** by Abhinav Narayanan, Manager, SRU, Reserve Bank of India at Mumbai, May 31, 2018

#### **Paper Abstract**

Price Deficiency Payments (PDP) scheme is designed to compensate farmers for the price differential between market prices and MSP (or some other benchmark). Bhavantar Bhugtan Yojana (BBY) in Madhya Pradesh recently implemented PDP in 2017-18. Using this quasi-natural experiment, we estimate the impact of this scheme on prices and arrivals. We find that BBY suppressed prices by 5% and increased arrivals by 26% for Urad during this period. Going further, we show how this policy change can be exploited to understand market distortion in agricultural markets in India.

### **Upcoming Programs**

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

**Workshop for Non -Executive Directors on Credit Committees of banks** June 18, 2018| Mumbai

#### **Program Objectives**

The objective of the workshop is to understand issues relating to credit appraisals, financial ratios and indicators, risk assessments in project & infrastructure financing, retail lending, etc.

#### **Participants' Profile**

Non-Executive Directors who are on the Credit Committees of banks.

[Nominate now](#)

**Financial Markets, Treasury Operations and Trade Financing Program** July 20-21, 2018| Mumbai

Financial markets are continuously evolving in terms of products, participation and liquidity. The regulators, Reserve Bank of India and Securities & Exchange Board of India, are working in tandem to ensure a robust, safe and well regulated market in equities, bonds, currency and derivatives. The regulators and other stakeholders have also been coordinating for balanced development of financial markets under the umbrella structure of FSDC for ensuring financial stability.

The treasury function and trade financing operations of banks and financial institutions expose them to significant market and operational risk, apart from the credit risk. Therefore, management of these risks, for protecting the market value of equity and also generating income from the treasury operations becomes critical. For mitigation of market risk, the market participants could also increasingly make use of interest rate and forex derivatives provided they have the necessary understanding and expertise. Sanction and monitoring of non-fund based limits like letters of credit and guarantees which normally do not attract the kind of rigor and due diligence as fund based credit limits is another area of concern. The recent incidence of frauds / unauthorized use of SWIFT has highlighted the need for ensuring adequate controls and checks to limit the operational risk.

#### **Program Objectives**

The need for a proper risk management structure including laying down and adhering to appropriate risk limits and controls cannot be over-emphasised. In this background, the objective of the program is to sensitise the participants on the risk mitigants and the monitoring mechanisms necessary for efficient running of their treasury function and trade financing operations.

#### **Program Highlights**

The Program will focus on practical implementation issues. Expert speakers will cover the following topics in detail:

- Overview of financial markets, role of FSDC
- Liquidity framework & Market operations of RBI – LAF, Forex, OMOs
- Cash Markets – Forex spot & forwards, GoI bonds, SDLs & Corporate bonds
- Derivative Markets for hedging – Interest rate swaps, Cross-currency swaps, Options & Futures
- Measuring & Managing Market Risk – Use of Risk reports for monitoring
- Trade financing, recent incidence of frauds and lessons learnt
- Market Risk and Capital - Overview of revised market risk capital framework
- Managing Operational Risk in Dealing rooms

#### **Participants' Profile**

Officers at the level of AGM (or equivalent) and above from banks, primary dealers, Financial Institutions, NBFCs and Reserve Bank of India.

[Nominate now](#)

**Program on Basel III Reforms, IFRS 9 and Loan Loss Provisioning** August 27-28, 2018 | Mumbai

**Program Objectives**

Basel III reforms, developed in response to the financial crisis of 2007-09, were finalised in December 2017 by the Basel Committee on Banking Supervision. Basel III aims to strengthen the regulation, supervision and risk management of banks. The Program will cover the latest changes made in the IRB Approach, Standardised Approach for Credit Risk and the Standardised Approach for Operational Risk. The Program will also cover the Provisioning under IFRS 9 and the international experiences in Loan Loss Provisioning.

**Participants Profile**

Senior officers from banks working in the Risk, Compliance, Internal Control and business areas.

[Nomination link will open shortly](#)

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