

Annual Report
2020-21

Promoting Excellence in Learning and Research



CAFRAL

CENTRE FOR ADVANCED FINANCIAL
RESEARCH AND LEARNING
Promoted by Reserve Bank of India

CAFRAL Governing Council



Shri. Shaktikanta Das

Chairman, GC & Governor,
Reserve Bank of India



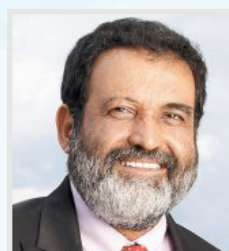
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Deputy Governor,
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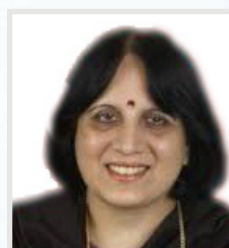
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Director, CAFRAL

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About CAFRAL

The Centre for Advanced Financial Research And Learning (CAFRAL) has been set up by the Reserve Bank of India (RBI) in the backdrop of India's evolving role in the global economy, in the financial services sector and its position in various international fora and to develop into a world class global institution for research and learning in banking and finance. CAFRAL is a not-for-profit organisation established as a Society and a Trust; it is an independent body promoted by RBI. CAFRAL became operational in January 2011.

The Governor of RBI is the Chairman of the Governing Council of CAFRAL. CAFRAL's learning arm is engaged in conducting seminars, conferences and other learning programs that serve as a platform for exchange of high-level policy dialogues between the various stakeholders by bringing together regulators, policy makers, bankers, academicians, researchers and practitioners. It also conducts advanced programs for enhancing professional capabilities of senior executives in the financial sector.

CAFRAL's research focus is on the areas of banking and finance. Within these broad areas, our interests include financial institutions, financial markets, behavioural finance, corporate finance, household finance and related areas of macro-finance such as monetary economics or international finance. CAFRAL aims to build intellectual capacity in these areas through its own staff, by hosting researchers of international repute and facilitating collaborative research by building data resources and analytical capabilities.

Mission

To evolve as a global centre of excellence for policy research and advanced learning in banking and finance.

Objectives

- Enhance our understanding of how the financial sector contributes to real sector growth through in-house and collaborative research that is useful and relevant
- Enhance professional capabilities in the banks, financial sector, and among central banks regulators and policy makers through learning events and programs
- Provide a platform for dialogue between policy makers, regulators, financial sector, practitioners and academics on issues of topical relevance and systemic importance
- Communicate and disseminate the conclusions and results of the learning and research activities of CAFRAL to policy makers, central banks, regulators and public at large
- Collaborate and network with domestic and global institutions with similar mandate for mutually beneficial arrangements

Abbreviations

| | | | |
|--------|---|-----|---------------------------|
| ALM | Asset Liability Management | RA | Research Associate |
| ALCO | Asset Liability Committee | RAE | Risk Assessment Exercise |
| AML | Anti-Money Laundering | RBI | Reserve Bank of India |
| ARCs | Asset Reconstruction Companies | REs | Regulated Entities |
| BCG | Boston Consulting Group | RRB | Regional Rural Bank |
| CAFRAL | Centre for Advanced Financial Research And Learning | SBI | State Bank of India |
| CBI | Central Bureau of Investigation | SLR | Statutory Liquidity Ratio |
| CCO | Chief Compliance Officer | ST | Stress Test |
| CEO | Chief Executive Officer | TF | Terrorist Financing |
| CEPR | Centre for Economic Policy Research | VAT | Value Added Tax |
| CFO | Chief Financial Officer | VLP | Virtual Learning Program |
| CGM | Chief General Manager | WFH | Work From Home |
| CHRO | Chief Human Resources Officer | | |
| CRO | Chief Risk Officer | | |
| CTO | Chief Technology Officer | | |
| CLO | Chief Learning Officer | | |
| DF | Draft Framework | | |
| DP | Discussion Paper | | |
| DMD | Deputy Managing Director | | |
| DL | Digital Lending | | |
| ERM | Enterprise Risk Management | | |
| ERA | Enterprise Risk Assessment | | |
| EERM | Extended Enterprise Risk Management | | |
| EWS | Early Warning System | | |
| FEMA | Foreign Exchange Management Act | | |
| FI | Financial Institution | | |
| FC | Financial Crime | | |
| FPO | Farmer Producer Organization | | |
| FRA | Forward Rate Agreements | | |
| GDP | Gross Domestic Product | | |
| HR | Human Resource | | |
| ICAAP | Internal Capital Adequacy Assessment Process | | |
| IGIDR | Indira Gandhi Institute of Development Research | | |
| IIM | Indian Institute of Management | | |
| IRA | Integrated Risk Assessment | | |
| ISB | Indian School of Business | | |
| ISI | Indian Statistical Institute | | |
| KYC | Know Your Customer | | |
| LRM | Liquidity Risk Management | | |
| ML | Money Laundering | | |
| MD | Managing Director | | |
| MMR | Minimum Retention Requirement | | |
| MSME | Micro, Small & Medium Enterprises | | |
| NBFC | Non-Banking Financial Company | | |
| NABARD | National Bank for Agriculture and Rural Development | | |
| NED | Non-Executive Director | | |
| NPA | Non-Performing Asset | | |
| NCAER | National Council of Applied Economic Research | | |
| NED | Non-Executive Director | | |
| NPA | Non-Performing Asset | | |
| NSE | National Stock Exchange | | |
| NUS | National University of Singapore | | |
| OCC | Office of the Comptroller of the Currency | | |
| PSB | Public Sector Bank | | |
| PTC | Pass Through Certificate | | |
| PRMIA | Professional Risk Manager's International Association | | |

**DIRECTOR'S
REPORT**
2020-21

Director's Report



CAFRAL continued to deliver on its dual mandate of achieving excellence in research and learning in banking and finance, notwithstanding the onset of the COVID 19 pandemic from March 2020.

CAFRAL's research wing published seven new working papers on diverse areas such as dollar liquidity, trade invoicing, consumption tax and the real economy, zombie lending, banking crisis, and fire sales. Some of the papers were presented in international and domestic conferences as part of CAFRAL's mandate for disseminating research. CAFRAL also published a policy paper on the sovereign credit rating methodologies of rating agencies. Besides, CAFRAL hosted seven external seminars by Indian and international scholars that covered topics such as redistributive policy shocks and monetary policy, import competition, formal sector employment, and contract labor, financing corporate growth, regulatory limits to risk management, and household consumption responses to COVID-19 In India.

The Learning team conducted 10 virtual learning programs, 7 webinars and 1 web conference. The webinars were on Credit Risk Assessment in post COVID times; Work from Home (WFH) and Management of Operational Risks Amid and Post COVID 19: Issues, Lessons and Way Forward; Framework for Assessment of Money Laundering & Terrorist Financing Risks; Draft RBI Guidelines on Securitisation and Sale of Loan Exposures; Stress Testing in Indian Banks: The Need of the Hour. Two/three day long comprehensive virtual learning programs (VLPs) were delivered on diverse themes such as Digital Lending: Technology, Processes and Regulations; Detection, Investigation and Prevention of Financial Fraud & Crime. Programs on Agro MSME Lending and on Asset liability Management (ALM), Liquidity Risk Management and Transfer Pricing were customised for senior officers of NABARD and another on Compliance was customised for the senior officers of Axis Bank. Two virtual conferences, one for the CFOs of Banks and the other for CROs and Heads of Risk Management Department of Banks, FIs and NBFCs were also organised.

A program, first of its kind, was designed and delivered for the Secretaries to the Board and the Company Secretaries, given the important role played by them in the implementation of Corporate Governance standards and strengthening of Board Governance in Banks & Financial Institutions. One Virtual Learning Program was conducted for the non-executive directors of banks.

In the year ahead, CAFRAL will continue to conduct high quality research and learning with a view to achieving excellence in all its activities.

B P Kanungo
Director, CAFRAL

CAFRAL Research

Academic Research

Academic Research A list and abstracts of the papers with completed drafts for this Financial Year (2020-2021) is attached in Annex 1. Here, we provide a sampling of research done at CAFRAL this year.

CAFRAL researchers prepared 7 new working papers in a variety of areas such as credit insurance, risk management, creditor rights, international business cycles and inflation forecasting.

Dr. Nirupama Kulkarni released a working paper titled “Consumption Tax Reform And The Real Economy: Evidence From India’s Adoption Of A Value-Added Tax” where she and her co-authors studied the impact of consumption tax reform on firm capital and productivity by examining India’s replacement of the pre-existing sales tax with a value-added tax structure. They find that the policy allowed firms to offset their tax liability with VAT paid on capital inputs, effectively reducing the tax-related cost of capital. Dr. Kulkarni also extended previous work on her paper titles “Resolving Zombie Lending With Collateral Reform” where she looks at the impact of a 2002 collateral reform on zombie lending. She finds that improving the debt resolution reduces the share of credit and capital allocated to zombie borrowers and can have important economy-wide effects.

Dr. Udupa completed two policy working papers. The first, titled “COVID-19, Fiscal Stimulus, And Credit Ratings”, evaluates the determinants of fiscal stimulus at the onset of COVID-19. The paper looked at over 90 countries and finds that, contrary to expectation, the severity of the COVID-19 outbreak was not a strong predictor of the size of the fiscal stimulus or the urgency with which the fiscal stimulus was given out. Instead, sovereign credit ratings seemed to be a strong predictor, especially for countries which are closer to the “investment-grade” barrier. This paper was subsequently published in COVID Economics, Real Time Vetted Papers Series by CEPR in their Issue 11 dated April 2020. In the second policy working paper, Dr. Udupa evaluated the scenarios for India’s fiscal deficit in Financial Year 2021 from the perspective of different crisis severity scenarios and different fiscal outlay scenarios. Overall, the paper pegged the worst case for fiscal deficit at just under 9% of GDP.

In a paper titled “Zombie Lending Due To The Fear Of Fire Sales,” Dr. Kaushalendra Kishore documents a new externality stemming from the fear of fire sales: increased zombie lending during real estate price downturns. Firms use pledgeable assets such as real estate collateral to borrow. Using firm and syndicated loan data in the US, we confirm that the sensitivity of firms’ debt to real estate collateral is positive. However, this sensitivity falls during real estate price declines due to an increase in lending to low-quality firms despite a fall in real estate collateral value. Zombie credit to high collateral firms increases as lenders internalize the price externalities of liquidating real estate collateral. Zombie presence depresses investment and profitability of healthier firms. The paper highlights a new mechanism for zombie lending resulting from reduced collateral liquidation in markets prone to fire sales.

RBI related work

Dr. Kulkarni, Dr. Kaushalendra, and Dr. Udupa along with the research associates released a policy paper titled “Sovereign Credit Ratings: An Assessment of Methodologies and Rating Biases”. Findings from the study has been released as a CAFRAL policy working paper and publicly available on the CAFRAL website.

Research Seminars

Due to COVID-19 situation, CAFRAL moved from hosting seminars with physical presence to online webinars. CAFRAL hosted 10 external webinars. External speakers included scholars from both India and foreign institutions such as Dr. Chetan Ghate from ISI Delhi, Dr. Vidhya Soundararajan from IIM Bangalore, Dr. Ishita Sen from Harvard University, Dr. Paul Novosad from Dartmouth College, Dr. Arpit Gupta from New York University and Dr. Ali Sanati from American University. The seminars covered a variety of interesting topics such firm financing, risk management, contract labour, monetary policy, import competition and intergenerational mobility.

Presentations to industry and academic institutions.

Dr. Nirupama Kulkarni presented her research on bankruptcy laws at seminars and conferences in Indiana Kelley, IIM Lucknow, and Shiv Nadar. She was also a panelist at the ISB Impact forum and shared her research on stress assets problem in banking and the Indian economy. Dr. Kulkarni was also an expert panellist held by the BRICs.

Dr. Kaushalendra Kishore presented his research at a conference organized by Midwest Finance Association and seminar organized by IIM Ahmedabad.

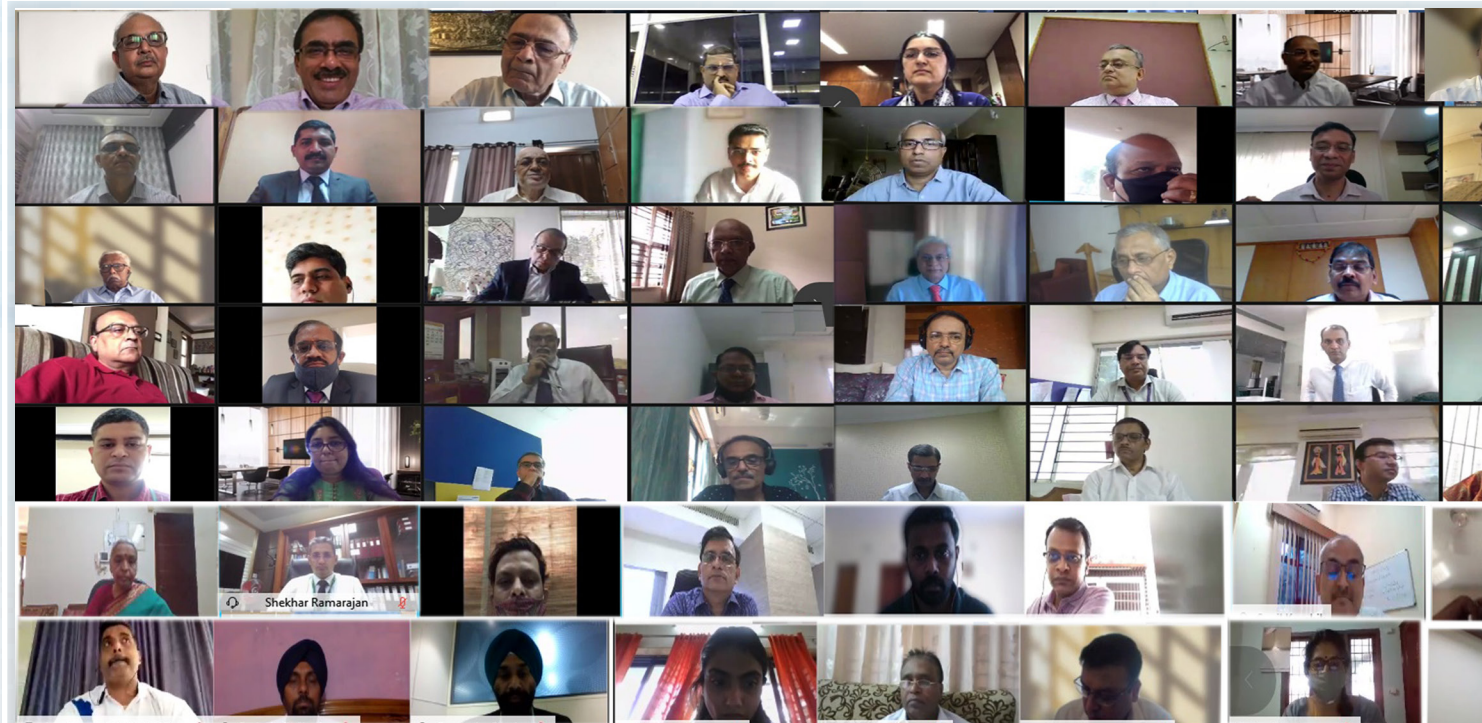
CAFRAL staff have also presented or discussed papers in a variety of conferences, workshops and seminar series in India (Delhi School of Economics, ISI Delhi, IGIDR, IIM Ahmedabad, Chennai Mathematical Institute, SEBI, NSE, IIM Bangalore, Shiv Nadar University & IIM Trichy).

Human Capital

RAs who completed our program continued to see success in terms of securing admission to reputed post-graduate programs. The 2020-2021 cohort had offers from Masters programs at George Washington University, CERGE-EI, New York University; and further Research Associateships at the Chicago Booth and National Bureau of Economics Research in Boston.



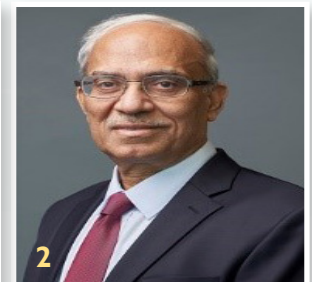
CAFRAL Learning



Snapshot of Virtual Learning Deliveries / Programs

CAFRAL Live Webinar on Credit Risk Assessment in post

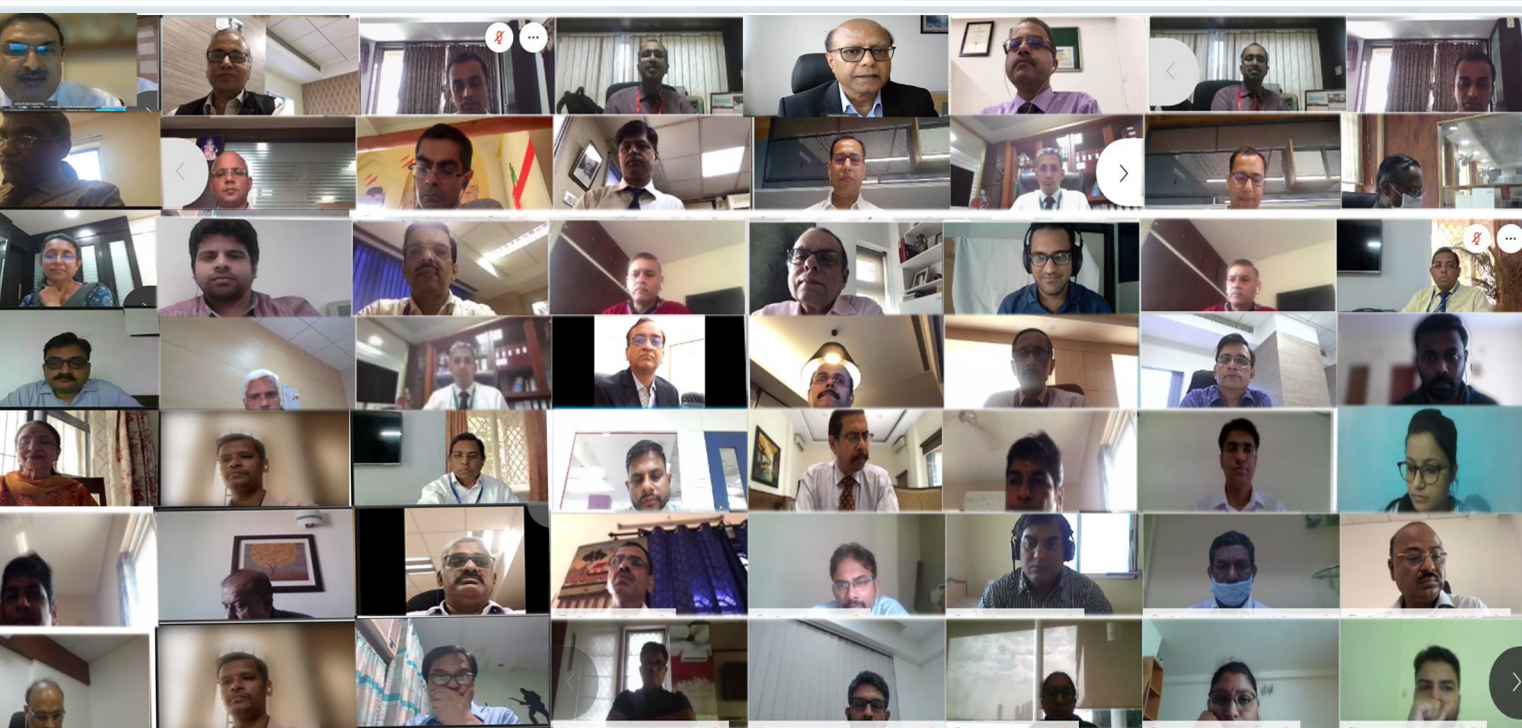
COVID times: The webinar on Credit Risk Assessment in Post COVID times was organised with the objective of providing an insight to the participants into the current uncertainties caused by the COVID 19, unique challenges faced by banks in credit risk assessment and the ways banks are responding to the changes and challenges. The broad contours of changes which are already taking place in rating, risk assessment and the evolving shape of those changes were elaborated during the webinar. The timely selection of the topic and also the effectiveness of the speaker was appreciated by the participants.



CAFRAL Live Webinar on Framework for Assessment of Money Laundering & Terrorist Financing Risks: The webinar was organised based on the RBI's recently introduced amendment to its Master Direction – Know Your Customer (KYC) Direction, 2016 (KYC Directions) requiring Regulated Entities (REs) to carry out periodical Risk Assessment Exercises (RAE) to identify and assess the risk of Money Laundering (ML) and Terrorist Financing (TF).



1. Chandan Sinha, Interim Director, CAFRAL
2. Anil Kishora, Former CRO, SBI
3. Paul Jevtovic, Head Financial Crime, Threat Mitigation, Asia Pacific Region, HSBC
4. Vivek Srivastava, General Manager, Reserve Bank of India
5. Karthik K. V Partner – Forensic, Financial Advisory, Deloitte (Speakers during Webinar on Framework for Assessment of Money Laundering & Terrorist Financing Risks)



The webinar discussed Integrated Risk Assessment (IRA) approach in terms of which inherent risk and coherent effectiveness helps to determine the residual risk. A number of key considerations in conducting an IRA such as alignment of IRA with risk appetite statement and dynamic risk assessment model that is able to incorporate regulatory changes were highlighted. The speakers discussed the building blocks of a good assessment and mitigation framework.

The webinar also emphasized RBI's strategy for focused anti money laundering (AML) inspection of regulated entities (REs). RBI will then assess how and to what extent IRA in the matter plays a key role in assessing the risk of an institution. The evolution of IRA in the current financial scenario, encompassing the management of money laundering and financial crime risks was also discussed. It was felt that the consequential need to handle large volumes of data would require significant investment of resources.

Key speakers for the webinar included those from RBI, HSBC, Asia-Pacific region and Deloitte, India.

CAFRAL Live Webinar on Reserve Bank of India's Draft Framework (DF) for Securitisation of Standard Assets :

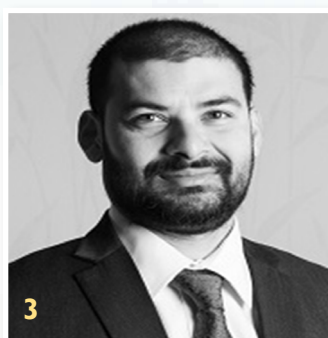
The webinar was organised based on the RBI's Draft Framework (DF) for Securitisation of Standard Assets. The discussion



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1. Dr Harsh Vardhan, Senior Advisor, Bain & Co
 2. Prasanna Balachander, Group Executive, Head - Global Markets, ICICI Bank
 3. Saurabh Jaywant, Chief Legal Counsel, Northern Arc (speakers during Webinar on RBI's Draft Framework for Securitisation of Standard Assets)
- (Speakers during Webinar on Reserve Bank of India's Draft Framework (DF) for Securitisation of Standard Assets)

reflected, among others, on how pass through certificates (PTCs) might behave like corporate bonds and thereby come under regulatory and tax regimes meant for corporate bonds. It was felt that the DF may potentially support housing for all and, keeping that objective in mind, long term debt capital providers like insurers and pension funds can be introduced as participants.

The speakers also commented that while priority sector lending certificates are acting as a major contributing factor in developing PTC markets, the operations have been predominantly confined to primary market with little or no participation in the secondary market. In the short term development of PTC market should encourage trading and further the option of considering such PTCs as collateral for repo transactions should be explored.

The fact that the draft framework is sophisticated and a move in the right direction was appreciated in the webinar.

CAFRAL Live Webinar on panel discussion: RBI Draft Guidelines on Sale of Loan Exposures: The webinar provided a forum for the participants to discuss the RBI's Draft Guidelines on Sale of Loan Exposures. The experts discussed how the framework proposed by the RBI for sale of loan exposures deals with various issues like asset classification of the loan to be transferred, nature of entity purchasing loans and mode of transfer of loans. The panelists also discussed about the



1. Bahram Vakil, Senior Partner, AZB
2. Abizer Diwanji, Partner, E&Y
3. Sunil Srivastava, Former DMD, SBI & Senior Advisor, Edelweiss Financial Services (speakers during Webinar on Panel discussion on RBI Draft Guidelines on sale of loan exposures)

norms laid down for sale of NPAs to Asset Reconstruction Companies (ARCs) and buy back of NPAs in case the ARCs manage to turn them into standard assets, and minimum retention requirement(MRR) for sale of loans by lenders.

CAFRAL Live Webinar on Stress Testing in Indian Banks: The Need of the Hour: The webinar was organised for bank CROs, CFOs and other senior officers concerned with stress testing. The objective was to share best industry level approaches in the design of stress testing, particularly in the context of COVID-19 pandemic.

The speakers discussed the mechanism of Stress Tests and how it could help understand the current and potential impact



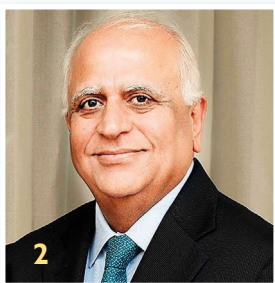
1. S Srinivasa Rao, DMD & Chief Risk Officer, State Bank of India; 2. Sidheswar Patra, Chief Risk Officer, Bank of Baroda
 3. G Srinivas, Chief Risk Officer, ICICI Bank; 4. Saurabh Tripathi, MD & Senior Partner, BCG, India
- (Speakers during Webinar on Stress Testing in Indian Banks)

of COVID 19 on the balance sheets of Indian banks. The speakers also explored the ingredients and features that may be useful in the design of such tests at the institutional level so that remedial steps to protect their balance sheets can be taken early. The practical inputs on models and approaches adopted in the industry with respect to stress testing enhanced the knowledge of the participants in the matter.

CAFRAL Webinar: Power Talks on Governance in Indian Commercial Banks: With a view to strengthening governance in Indian banks, the Reserve Bank of India (RBI) released a discussion paper (DP) on 'Governance in Commercial Banks in India'. The speakers discussed the key proposals of the DP and responded to the participants' questions and comments on the proposals contained in the DP.

During discussions, it was pointed out that the DP sought to provide clarity on regulatory expectations from the Board and emphasised the role of Board as the eyes and ears of the regulator. However, it was felt that the final guidelines of RBI arising out of the DP should take cognizance of the following:

- There should be granular and clearer articulation of differences between business/ revenue generating management functions and assurance/ oversight/ policy and strategy functions in order to highlight, accordingly , in what matters and how far the Board is empowered in these two distinct areas.
- There is a need to provide differentiated frameworks for banks of different size, background and operations. Particularly, the broader and certain specific aspects of bank governance applicable to PSBs needed to be brought out including minimum tenure for the PSB CEOs.
- Independent Directors and Non-Executive Directors needed to be selected with care and the Board in order to function as expected would need directors with relevant and contemporary competences. Also, they should be kept skilled up across



their tenure.

- The ultimate accountability rests with the CEO and it needs to be appropriately reiterated.

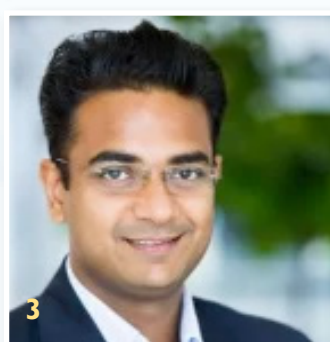
CAFRAL Web-Conference for Chief Human Resources Officers (CHROs) and Chief Learning Officers (CLOs) of Banks and Financial Institutions: The program engaged with the Chief Human Resources Officers (CHROs) and Chief Learning Officers (CLOs) of the



1. Shyamala Gopinath, Former Deputy Governor, RBI; 2. Sunil Mehta, Former Chairman, PNB and Non-Executive Chairman, YES Bank Limited; 3. Dr. Charan Singh, Non-Executive Chairman, Punjab Sind Bank ; 4. R V Verma, Chairman, AU Small Finance Bank 5. Dr. Anil K. Khandelwal, Former Chairman & MD, Bank of Baroda; 6. Prof. Indira Parikh, Former Dean, IIM, Ahmedabad & Founder President, Flame University; 7. Subir Kumar Das, HR Consultant & Former Advisor, McKinsey & Company (Speakers during Webinar on CAFRAL Webinar: Power Talks on Governance in Indian Commercial Banks and Web-Conference for Chief Human Resources Officers (CHROs) and Chief Learning Officers (CLOs) of Banks and Financial Institutions)

banks on challenges and opportunities thrown up by the Covid-19 outbreak for HR and Learning. The speakers from the industry dealt with leadership issues, competency mapping & development focusing on post COVID situations. There was also a discussion amongst the CHROs and CLOs regarding the opportunities and challenges of work from home (WFH), emerging training needs due to COVID and more importantly how CAFRAL can help bridge the training gap in this regard.

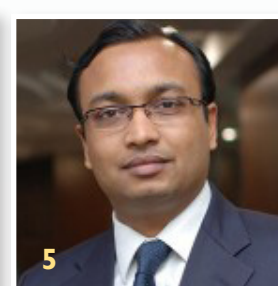
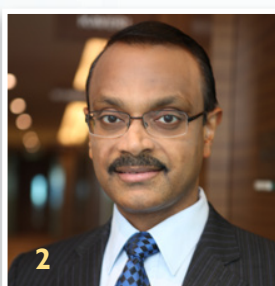
CAFRAL Virtual Program on Digital Lending: Technologies, Processes and Regulations: The program provided the participants with a snapshot of the Digital Lending (DL) ecosystem and the policy and practical aspects of business models, risks, regulations and technologies surrounding DL. The coverage included P2P lending, digital lending for MSMEs and home loans, digital valuation of mortgages, regulatory concerns in DL, etc. Speakers for the program included policy makers, practitioners (from bank, NBFC & lending platform) and an international service provider for valuation. The



1. Manoranjan Mishra, Chief General Manager, Department of Regulation, Reserve Bank of India
 2. Dr. Goutam Sanyal, Head-Retail & Operational Risk and Credit Monitoring, ICICI Bank
 3. Abhinav Bansal, Partner, BCG
- (Speakers during VLP on Digital Lending)

program was well appreciated for the range of topics covered.

CAFRAL Virtual Learning Program for Non-Executive Directors (NEDs) on the Boards of Banks and Financial Institutions: Programs for NEDs aim to improve the effectiveness of the directors on boards of banks by focusing on some of the contemporary issues of interest to board members and few process related issues on board functioning. In this program, the focus was on the outlook for NPAs and capital in the COVID scenario, strategy and financing of MSMEs, assessment of financial crime risk, cyber security management, the emerging board role and its structure in India, adherence to secretarial standards, compliance with listing requirements and the issue of related party transactions. The



speakers included those with board experience, banking sector experts and analysts and professionals dealing with board processes and compliance requirements.

CAFRAL Virtual Learning Program on Agro-MSME Lending: Agro-MSMEs, which operate at the intersection of

1. G Padmanabhan, Former Non-Executive Chairman, Bank of India; 2. Ananth Narayan, Associate Professor, Finance SPJIMR & Non-Executive Director, Yes Bank; 3. Ashish Gupta, Managing Director & Head of Equity Research, Credit Suisse.
 4. Sharad Sharma, Co-Founder, ISPIRIT Foundation; 5. Ruchin Goyal, Managing Director and Senior Partner, Boston Consulting Group
- (Speakers during VLP for Non-Executive Directors (NEDs) on the Boards of Banks and FIs)

agriculture and MSME sectors, can be powerful vehicles of growth in the post-pandemic environment. The CAFRAL VLP sought to build a business case for lending profitably to the Agro-MSMEs as they hold a promise for development of the rural economy in a sustainable and impactful manner. The program covered policy developments and innovation in the



1. Dr Ashok Dalwai, IAS, CEONRRA
2. Anil Sharma, Executive Director, Reserve Bank of India
3. Pramod Kumar Panda, Senior Program Director, CAFRAL
(Speakers during VLP on Agro-MSME Lending)



Agro-MSME sector with inputs on lending to FPOs, Agri-Value Chain Financing, Climate Smart Financing, Wellness Agriculture, the technical aspects of Agri-MSME financing, etc.

CAFRAL Virtual Learning Program on Detection, Investigation and Prevention of Financial Fraud & Crime:

The program covered regulatory and supervisory developments in relation to frauds and financial crimes and explored the emerging trends in fraud risk management, more particularly the use of Early Warning Systems (EWS). It sought

to demonstrate to participants how fraud prevention capacity could be enhanced based on substantive outcomes of investigations and forensic audits. Subject experts from RBI, Central Bureau of Investigation, banks and firms specialising in financial crime risk management provided valuable inputs based on their knowledge and experience

Webinar on Work from Home (WFH) and Management of Operational Risks amid and Post COVID 19: Issues, Lessons and Way Forward:

The webinar, in partnership with Professional Risk Manager International Association (PRMIA), discussed new ways of organizational functioning and the emerging good practices in the area of operational risk, particularly relating to WFH. The webinar explored practical insights and perspectives relating to WFH, especially from the risk perspective.



CAFRAL Virtual Learning Program for Chief Financial Officers: Traditional and Evolving Role: The program covered the traditional functions and the evolving role of CFOs. The program dealt with the traditional yet intricate technical issues such as those relating to audit, taxation and legal & regulatory compliance. Also, several sessions

4. Dharam Chand Jain, Additional Director, Central Bureau of Investigation (CBI); 5. G. Jagan Mohan, General Manager, RBI
6. Ajith Rath, Chief Vigilance Officer, State Bank of India; 7. Jairam Manglani, Country Head, Financial Crime Compliance, Standard Chartered Bank
(Speakers during VLP on Detection, Investigation and Prevention of Financial Fraud & Crime and Webinar on Work from Home and Management of Operational Risks amid and Post COVID 19: Issues, Lessons and Way Forward)



1. T.V. Mohandas Pai, Chairman, Manipal Global Education; former Director of Infosys 2. Rakesh Jha, CFO, ICICI Bank
3. Patrick Uhlmann, Managing Director & Partner, Boston Consulting Group, Stuttgart, Germany 4. M D Ranganath, Independent Director, HDFC Bank 5. Zubin Mogul, Partner & Managing Director, Boston Consulting Group, New York, USA
(Speakers during VLP for Chief Financial Officers: Traditional and Evolving Role)

explored more nuanced, complex and multidisciplinary aspects of CFO function surrounding balance sheet optimisation, application of advance technologies in the matters of financial controls, preparation of financial statements, risk appetite statements, etc. Shri T V Mohandas Pai, Chairman, Manipal Global Education, was the keynote speaker.

CAFRAL Virtual Conference of Chief Risk Officers and Heads of Risk Management Departments: This conference



1. Shyamala Gopinath, Former Deputy Governor, RBI & Chairperson, HDFC Bank
2. Amarendra Mohan, Policy Advisor, Banking and Finance & Former Senior Advisor, Financial Stability Institute, Basle, Switzerland
3. Donald R Van Deventer Founder, Chairman & CEO, Kamakura Corporation, Hawaii, USA
(Speakers during Conference of CROs and Heads of Risk Management Department)

provided a forum to the heads of banks' risk management departments and other senior officers associated with risk management and risk governance to meet, review and discuss known and emerging issues in risk management. Sessions focused on risk governance, interaction amongst various risks, systemic risk, retail sector risk, stress testing, Enterprise Risk Management (ERM) and Extended Enterprise Risk Management (EERM), particularly against the backdrop of COVID-19.

CAFRAL Virtual Program on Agro MSME Lending for Senior Officers at NABARD: This program was customised for NABARD senior officers. The participants actively discussed and engaged with speakers on various topics such as Emerging Contours of Agri Value Chain, Wellness Agriculture, Climate Risk, Regulatory Aspects of Agro MSME Lending etc. The participants interacted with Agri Value Chain and Agritech players and had an opportunity to see the agricultural ecosystem through a different lens. NABARD appreciated and has approached us for repeat delivery of the program for all of their senior officers.

CAFRAL Virtual Program on ALM, Liquidity Risk Management and Transfer Pricing for Senior Officers of NABARD: The objective of the program was to discuss and share with participants' the concepts, techniques, methods, processes, organisational arrangements/set up, regulatory standards relating to ALM and LRM. The program discussed ways of integrating balance sheet management, optimisation strategies with interest rate risk management in low/negative markets and funds transfer pricing. One of the unique features of the program was to discuss ALM and LRM against the broader canvas of central bank balance sheet management and liquidity management by central banks, particularly Reserve Bank of India.

Program of Compliance for Senior Officers at Axis Bank: The VLP was customised for Axis Bank. It dealt with various topics such as RBI's expectation on compliance function by Banks, compliance culture, compliance incidence management, compliance with regulatory prescriptions on consumer protection and handling customer complaints & grievances, compliance with FEMA and RBI regulations on forex transactions, risk based supervision and assessment of compliance risk, RegTechs in compliance management, governance & supervisory perspective of compliance, compliance with capital market regulations

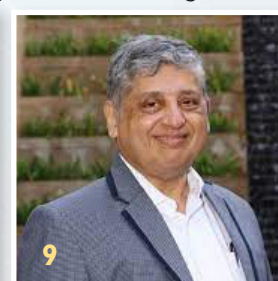


and compliance management. The participants intensely interacted with speakers on compliance issues particularly those surrounding ethics, conduct, reputation risk and governance.

CAFRAL Virtual Program for Company Secretaries and Secretaries to the Boards of Banks & Financial Institutions:

This was a maiden delivery by CAFRAL targeting secretaries to the boards and company secretaries. The objective of the program was to provide them with a forum for experience-sharing and cross learning against the background of recent developments which have brought these professionals to the centre stage of corporate governance and bank governance. The program also deliberated on the issues that lie at the intersection of the compliance function and secretarial function.

The program covered topics such as Emerging Trends in Compliance, Corporate Governance & Capital Market Regulation: Role of Company Secretaries, Secretarial Standards and Their Implementation, Legal Provisions Relating to Financial Regulations,



1. Haseeb Drabu, Former Chairman & Chief Executive, J & K Bank 2. N S Venkatesh, Chief Executive, Association of Mutual Funds of India (AMFI) 3. Dr. B K Bhoi, Visiting Fellow, Indira Gandhi Institute of Development Research/ Former Principal Advisor, Monetary Policy Department, RBI 4. Vasudeva Konda, Head ALM, ICICI Bank 5. Rei Tanaka, Managing Director & Partner, BCG, Tokyo 6. Bernhard Gehra, Managing Director & Senior Partner, BCG Munich 7. Norbert Gittfried, Partner & Director, BCG Frankfurt 8. Chee Kin Lim, Global Head of Legal & Compliance, DBS, Singapore 9. Jyotin Mehta, Chairman, JSW Ispat Special Products Ltd. (Speakers during VLP on on ALM, Liquidity Risk Management and Transfer Pricing and VLP for Company Secretaries and Secretaries to the Boards of Banks & Financial Institutions)

Secretarial Audits, What the Chairperson Expects from Company Secretary, Modern Governance and Board Meetings: Why Company Secretaries Should Embrace Digital Transformation and What an Independent Director expects from a Company Secretary.

As part of dissemination of knowledge contributed by the various speakers, their speeches, session discussions, papers and presentations are invariably posted on CAFRAL's official website (www.cafral.org.in).

Administration and HR

There was a reduction in the CAFRAL team during the year as some left CAFRAL on completing their term or to pursue other opportunities.

CAFRAL welcomed new Director Shri. B P Kanungo and Additional Director (Learning and Administration) Ms. Indrani Banerjee who joined this year. During the year, seven new Research Associates were inducted.

As on December 1 2021, CAFRAL has 22 contract staff.

The names of CAFRAL staff are given in Annex 3.



Ms. Indrani Banerjee, Additional Director, CAFRAL welcoming Shri. B. P. Kanungo, Director, CAFRAL

Acknowledgements

We would like to acknowledge the valuable guidance given to us by Governor & Chairman, CAFRAL and the other Governing Council members. CAFRAL has received immense benefit from each one and looks forward to their guidance in reinventing itself in a post COVID environment. We are also thankful to the Management and officials of the Reserve Bank of India, various financial services institutions, consulting organisations, academicians and professionals from various fields for their support provided to our activities. Without their unstinted support and encouragement, we would not have been able to reach this stage of development in our journey to achieve our objectives.

We also acknowledge the contribution of M/s Gokhale & Sathe, our internal auditors, M/s Chhajed & Doshi, our statutory auditors, and other service providers.

B P Kanungo
Director, CAFRAL



CAFRAL - FINANCIAL STATEMENTS
2020-21

Independent Auditor's Report

**The Members of
CENTRE FOR ADVANCED FINANCIAL RESEARCH AND LEARNING
[Registration No. F-33749(MUM)]**

1. Report on the Audit of the Financial Statements:

Opinion

We have audited the financial statements of Centre for Advanced Financial Research And Learning ("the trust") which comprises the Balance Sheet as at 31st March, 2021, the Income & Expenditure Account for the year ended and a summary of the significant accounting policies and other Explanatory Information ("financial statements").

In our opinion and to the best of our information and according to the explanations given to us, the financial statements read along with notes to accounts give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting policies adopted by the Trust;

- (a) in the case of the Balance Sheet, of the state of affairs of the Trust as at 31st March, 2021;
- (b) in the case of the Income and Expenditure Account, for the year ended 31st March, 2021.

2. Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) issued by ICAI. Our responsibilities under those standards are further described in the Auditor's Report.

We are independent of the Trust in accordance with the ethical requirements that are relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the aforesaid policies, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Trust or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Trust's financial reporting process.

4. Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

5. Other Matter

5.1 As required by the Maharashtra Public Trust Act 1950 (the Act) and the Rules made there under and in our opinion and to the best of our information and according to the explanations given to us, we report as under:

- a) The Accounts are maintained regularly and in accordance with the provisions of the Act and Rules.
- b) The receipts and disbursements are properly and correctly shown in the accounts.
- c) There is a cash balance as on 31/03/2021 of Rs 2,690.
- d) All books, deeds, accounts, vouchers or other documents or records as required were produced before us.
- e) Register of movable and immovable properties was updated till 31st March 2021.
- f) The Trustees / managers or other person required to appear before us did so and furnished the necessary information required by us.
- g) Based on the information and explanation provided to us, no property or funds of the Trust were applied for any object or purpose other than the object or purpose of the Trust.
- h) There are no sundry receivable outstanding for more than one year
- i) The moneys of the Trust have not been invested contrary to the provisions of section 35 of the Act.
- j) Based on the information and explanation provided to us, we have not come across any alienation of the immovable properties contrary the provisions of Section 36 of the Act.
- k) We have not come across any special matter that requires to be brought to the specific notice.
- l) So far as it is ascertainable from the books of accounts and according to the information and explanation given to us there were no cases of irregular, illegal or improper expenditure or failure or omission to recover such money or other property thereof.

m) Budget has been filed in the form as provided by Rule 16-A.

5.2 With regard to Rules and Regulations of the Trust, in our opinion and to the best of our information and according to the explanations given to us, we further report as under:

- a) The number of Members as required by the Rules and Regulations of the Trust is maintained.
- b) Meetings of Board of Governors have been held during the year as required by Para 12(a) of Rules and regulations of Trust.
- c) The minute books of the proceedings of the meetings are maintained.
- d) None of the member of the Board of Governors has any interest in the investments of the Trust.
- e) None of the member of the Board of Governors is a debtor or creditor of the Trust.

Place: Mumbai

Date: December 21, 2021

For CHHAJED & DOSHI
Chartered Accountants
[FRN No: 101794W]

CA M.P. Chhajed
Partner
M. No. 049357
UDIN:

SCHEDULE - VIII [(Vide Rule 17 (1))]

The Maharashtra Public Trusts Act, 1950

Registration No. F - 33749 (Mum)

Name of the Public Trust: CENTRE FOR ADVANCED FINANCIAL RESEARCH AND LEARNING

Balance Sheet as at: 31st March, 2021

| FUNDS & LIABILITIES | As at 31 st March 2021 | As at 31 st March 2020 | |
|--|--------------------------------------|--------------------------------------|--|
| | Rs. | Rs. | |
| Trusts Funds or Corpus: | | | |
| Balance as per last Balance Sheet | 50,00,000 | 50,00,000 | |
| | | | |
| | | | |
| Other Earmarked Funds: | NIL | NIL | |
| (Created under the provisions of the Trust Deed or Scheme or out of the Income) | | | |
| | | | |
| Loans (Secured/Unsecured): | NIL | NIL | |
| | | | |
| Liabilities: | | | |
| Advance From Reserve Bank of India | 1,54,21,840 | 2,16,14,523 | |
| (Liabilities As per Schedule "A") | 20,63,189 | 35,16,783 | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| Income And Expenditure Account: | | | |
| Balance as per last Balance Sheet | NIL | NIL | |
| Add : Surplus/(Deficit) as per Income and Expenditure A/c | NIL | NIL | |
| | | | |
| | | | |
| TOTAL | 2,24,85,029 | 3,01,31,306 | |

Significant Accounting Policies & Notes to Accounts form an integral part of Financial Statements- Schedule F

As per our report of even date

For CHHAJED & DOSHI
Chartered Accountants
[FRN No: 101794W]

CA M.P. Chhajed
Partner
M. No. 049357

Place: Mumbai
Date: December 21, 2021

| | PROPERTY & ASSETS | As at 31 st March 2021 | As at 31 st March 2020 |
|--|---|--------------------------------------|--------------------------------------|
| | | Rs. | Rs. |
| | Immovable Properties: (At Cost) | NIL | NIL |
| | | | |
| | | | |
| | | | |
| | Investments: | NIL | NIL |
| | | | |
| | Movable Properties (Schedule B): | | |
| | Cost | 3,12,12,625 | 3,05,12,873 |
| | Less: Depreciation up to date | 2,87,19,934 | 2,72,84,086 |
| | | 24,92,691 | 32,28,787 |
| | | | |
| | | | |
| | Unsecured and Good | | |
| | Sundry Debtors | 12,76,123 | 37,85,054 |
| | Advances:- | 54,27,378 | 87,47,798 |
| | (As per Schedule "C") | | |
| | | | |
| | Income Outstanding: | | |
| | - Interest Accrued on Fixed Deposit | 4,46,574 | 3,76,279 |
| | | | |
| | Cash And Bank Balances: | | |
| | (a) Cash in Hand | 2,690 | 8,344 |
| | (b) In Saving Account with banks | 78,39,573 | 89,85,044 |
| | (b) In Fixed Deposit with banks | 50,00,000 | 50,00,000 |
| | | | |
| | TOTAL | 2,24,85,029 | 3,01,31,306 |

The above Balance Sheet to the best of our belief contains a true account of the Funds and Liabilities and of the Property and Assets of the Trust.

CENTRE FOR ADVANCED FINANCIAL RESEARCH AND LEARNING

TRUSTEE

TRUSTEE

TRUSTEE

Place: Mumbai

Date: December 21, 2021

SCHEDULE - IX [(Vide Rule 17 (1))]

Name of the Public Trust: CENTRE FOR ADVANCED FINANCIAL RESEARCH AND LEARNING

Income and Expenditure Account for the year ended 31 March, 2021

| Expenditure | For the Year Ended 31 st March 2021 | For the Year Ended 31 st March 2020 | Income | For the Year Ended 31 st March 2021 | For the Year Ended 31 st March 2020 |
|---|--|--|---|--|--|
| | Rs. | Rs. | | Rs. | Rs. |
| To Expenditure in respect of Properties | NIL | NIL | By Training Programme Fees Recovered | 37,57,625 | 3,25,90,538 |
| To Establishment Expenses (As per Schedule "D") | 10,43,557 | 14,74,688 | By Bank Interest | 7,68,326 | 10,49,965 |
| To Audit Fees | 1,50,000 | 1,50,000 | By Donations in Cash or Kind | NIL | NIL |
| To Amount written off | NIL | NIL | By Grants: | NIL | NIL |
| (a) Bad Debts | | | | | |
| (b) Loan Scholarship | | | | | |
| (c) Irrecoverable Rents | | | By Donations in Cash or Kind | NIL | NIL |
| (d) Other Items | | | | | |
| To Short Provision for Income Taxes of earlier year | NIL | NIL | By Interest on Income Tax Refund | 367,796 | 94,259 |
| To Contribution and Fees | NIL | NIL | By Misc Income | 59,458 | 6,18,424 |
| To Depreciation (As per Schedule "B") | 15,35,599 | 28,90,032 | By Deficit for the year reimbursed by RBI | 4,56,92,685 | 8,70,86,685 |
| To Expenditure on the object of the trust | | | By Transfer from Reserve | NIL | NIL |
| - Educational (As per Schedule "E") | 4,79,16,734 | 11,69,25,151 | | | |
| To Surplus carried over to Balance Sheet | | | | | |
| Total | 5,06,45,890 | 12,14,39,871 | Total | 5,06,45,890 | 12,14,39,871 |

Significant Accounting Policies & Notes to Accounts form an integral part of Financial Statements- Schedule F

Notes to Accounts - Schedule 'F'

As per our report of even date

For CHHAJED & DOSHI

CHARTERED ACCOUNTANTS

FIRM REG. NO. 101794W

CA M.P. Chhajed

Partner

M. No. 049357

Place: Mumbai

Date: December 21, 2021

CENTRE FOR ADVANCED FINANCIAL RESEARCH AND LEARNING

TRUSTEE

TRUSTEE

TRUSTEE

Place: Mumbai

Date: December 21, 2021

Schedule A: Liabilities

| Particulars | As on 31 st March 2021 | As on 31 st March 2020 |
|--------------------------------------|--------------------------------------|--------------------------------------|
| | Rs. | Rs. |
| Expenses Payable | 19,90,574 | 31,93,883 |
| Liability for Tax Deducted at Source | 59,189 | 3,05,399 |
| GST Liability (RCM) | 0 | 3,075 |
| Retention Money | 8,426 | 8,426 |
| Profession Tax Payable | 5,000 | 6,000 |
| | | |
| Total | 20,63,189 | 35,16,783 |

Schedule B: Movable Properties

| Name of the Asset | Rate of Depreciation | COST | | | | |
|---|----------------------|-------------------------------------|------------------|------------------|--------------------------------------|--|
| | | As on 1 st April 2020 | Additions | Deletions | As on 31 st March 2021 | |
| | | Rs. | Rs. | Rs. | Rs. | |
| Tangible | | | | | | |
| 1. Computer Hardware Including Printers | 33.33% | 89,98,883 | 3,57,902 | 99,752 | 92,57,033 | |
| | | | | | | |
| 2. Other Electrical Equipment | 20.00% | 6,802,936 | 2,22,002 | 0 | 70,24,938 | |
| | | | | | | |
| 3. Furniture | 20.00% | 1,610,303 | 0 | 0 | 16,10,303 | |
| | | | | | | |
| Intangible | | | | | | |
| Computer Software | 33.33% | 1,31,00,751 | 2,19,600 | 0 | 1,33,20,351 | |
| | | | | | | |
| Total | | 3,05,12,873 | 7,99,504 | 99,752 | 3,12,12,625 | |
| | | | | | | |
| Previous Year | | 3,17,02,484 | 15,36,096 | 27,25,707 | 3,05,12,873 | |

Schedule C: Advances

| Particulars | As on 31 st March 2021 | As on 31 st March 2020 |
|-------------------------|-----------------------------------|-----------------------------------|
| | Rs. | Rs. |
| Advance to Creditors | 5,77,600 | 2,00,000 |
| GST Input Credit | 12,98,965 | 2,99,503 |
| Deposit | 14,000 | 10,14,000 |
| Other Receivables | 208 | 25,437 |
| Tax Deducted at Source | 20,52,599 | 63,74,740 |
| Prepaid Expenses | 14,84,006 | 8,34,118 |
| Total | 54,27,378 | 87,47,798 |

| | DEPRECIATION | | | | Written Down Value (WDV) | |
|--|-------------------------------------|--------------------|------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| | Up to 1 st April 2020 | During the Year | Deletions | As on 31 st March 2021 | As on 31 st March 2021 | As on 31 st March 2020 |
| | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. |
| | 77,46,585 | 6,59,285 | 99,751 | 83,06,119 | 9,50,914 | 12,52,298 |
| | 64,89,442 | 1,03,559 | 0 | 65,93,001 | 4,31,937 | 3,13,494 |
| | 14,28,815 | 63,369 | 0 | 14,92,184 | 1,18,119 | 1,81,488 |
| | | | | | | |
| | | | | | | |
| | 1,16,19,244 | 7,09,386 | 0 | 1,23,28,630 | 9,91,721 | 14,81,507 |
| | | | | | | |
| | 2,72,84,086 | 15,35,599 | 99,751 | 2,87,19,934 | 24,92,691 | 32,28,787 |
| | | | | | | |
| | 2,71,19,759 | 28,90,032 | 27,25,705 | 2,72,84,086 | 32,28,787 | 45,82,725 |

Schedule D: Establishment Expenses

| Particulars | For the Year Ended 31 st March 2021 | For the Year Ended 31 st March 2020 |
|--------------------------------------|---|---|
| | Rs. | Rs. |
| Administrative Expenses | 6,04,881 | 9,80,923 |
| Sitting Fees paid to Council Members | 2,40,000 | 2,20,000 |
| Facilities Management Expenses | 1,98,676 | 2,73,765 |
| | | |
| Total | 10,43,557 | 14,74,688 |

Schedule E: Expenditure on Object of the Trust - Educational

| Particulars | For the Year Ended 31 st March 2021 | | | |
|--|--|--------------------|--------------------|--|
| | Learning | Research | Total | |
| | Rs. | Rs. | Rs. | |
| Administration Expenses | 16,64,913 | 13,95,457 | 30,60,370 | |
| Program/Seminar/Conference Expenses | 74,479 | 2,044 | 76,523 | |
| Honorarium | 2,42,500 | 1,40,000 | 3,82,500 | |
| Data Service | - | 44,24,238 | 44,24,238 | |
| Conference Registration Fees | - | 24,837 | 24,837 | |
| Audio Visual Charges | 1,900 | 0 | 1,900 | |
| Printing & Stationery | 17,335 | 4,953 | 22,288 | |
| Professional Fees | - | - | - | |
| Salaries and allowances* | 1,28,10,988 | 2,58,05,032 | 3,86,16,020 | |
| Travel and Stay Expenses (Visiting Faculty/ Researchers/Participants) | 42,398 | - | 42,398 | |
| Travelling and Halting Expenses (staff) | 19,949 | 38,440 | 58,389 | |
| Website Maintenance Charges | 6,03,372 | 6,03,372 | 12,06,744 | |
| Foreign Exchange Loss | - | 527 | 527 | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| Total | 1,54,77,834 | 3,24,38,900 | 4,79,16,734 | |

* Salaries and Allowances includes remuneration to Director is NIL for FY 2020-21 (P.Y. FY 2019-20 - Rs 59,19,718/-) who is also one of the trustees of the trust.

| | For the Year Ended 31 st March 2020 | | |
|--|--|--------------------|---------------------|
| | Learning | Research | Total |
| | Rs. | Rs. | Rs. |
| | | | |
| | 17,68,810 | 17,07,449 | 34,76,259 |
| | 1,92,20,088 | 6,05,267 | 1,98,25,355 |
| | 10,17,000 | 9,85,500 | 20,02,500 |
| | - | 41,27,827 | 41,27,827 |
| | - | 1,36,931 | 1,36,931 |
| | 6,89,569 | 63,000 | 7,52,569 |
| | 2,19,176 | 98,190 | 3,17,366 |
| | 1,25,000 | - | 1,25,000 |
| | 2,18,34,325 | 5,40,74,976 | 7,59,09,301 |
| | 27,29,715 | 22,91,917 | 50,21,632 |
| | 10,97,492 | 29,25,007 | 40,22,499 |
| | 5,98,668 | 5,98,667 | 11,97,335 |
| | 2,575 | 8,002 | 10,577 |
| | | | |
| | | | |
| | | | |
| | | | |
| | 4,93,02,418 | 6,76,22,733 | 11,69,25,151 |

Schedule F

Centre for Advanced Financial Research and Learning

Notes to Accounts annexed to and forming part of the Balance Sheet as on 31st March, 2021 and Income and Expenditure Account for the year ended 31st March, 2021

A. OVERVIEW OF THE ORGANISATION

Centre for Advanced Financial Research and Learning (CAFRAL) is a trust registered as a Public Charitable Trust under The Maharashtra Public Trusts Act, 1950. The trust was formed on 28th March 2007 and has following registrations:

- As a Society vide Registration no. 826, 2007 GBBSD.
- As a Trust vide Registration no. F-33749 (Mumbai).
- Registration under Section 12AA of Income Tax Act, 1961 vide Registration no 46166.

B. SIGNIFICANT ACCOUNTING POLICIES:

1. Basis of preparation of financial statement

- a) The financial statements are prepared under the historical cost convention on the basis of going concern and in accordance with the Generally Accepted Accounting Principles in India (GAAP) and provisions of The Maharashtra Public Trust Act, 1950.
- b) The presentation of financial statements is in conformity with generally accepted accounting principles, require estimates and assumptions to be made, that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities as on the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates and the differences between actual results and estimates are recognized in the periods in which the results are known / materialized.

2. Recognition of Income/Expenditure

Income and Expenditure are accounted on accrual basis. The amount equal to the deficit arising from the activities of the Trust is shown in the Income and Expenditure Account as deficit for the year reimbursed by RBI.

Training programme fees are recognized as income on completion of the programme. Expenses on outsourced research projects are recognized on completion of the project and submission of final report.

All direct allocable expenses of Learning and Research are charged to the respective heads. In case of the Administrative/Common Expenses incurred by the Trust are distributed in the ratio of 40:40: 20 between Learning, Research and Establishment Expenses.

3. Fixed Asset and Depreciation

Fixed Assets are stated at cost less depreciation. All costs relating to acquisition and installation of Fixed Assets are capitalized. Assets costing less than Rs 10,000/- are not capitalized.

Depreciation on assets is charged on the Straight Line Method over the useful life of the assets. Depreciation is charged on monthly pro rata basis from the month of capitalization in respect of additions during the year.

4 Foreign Currency Transactions

A foreign currency transaction is recorded, on initial recognition in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency prevailing on the date of transaction. At the balance sheet date, foreign currency monetary items are reported using the closing rate. Gain or loss if any, is recognised in the Income and Expenditure Account for the year. The gain or loss, arising on account of exchange rate differences between the payment date and transaction date is recognized in the Income and Expenditure Account.

5 Related Party Transaction

Disclosure is made as per the requirement of the AS -18 – Related Party Disclosures and the same is given under Note No.B.2.

6 Operating Leases

Leases of Assets under which all the risks and rewards of ownership are effectively retained by the lessor are classified as operating lease. Lease payments under Operating Leases are recognized as an expense on accrual basis in accordance with respective lease agreements. The disclosure as required by AS – 19 – Lease in respect of operating leases in the books of lessee is given in Note No B.3.

7 Impairment of Assets

An Asset is considered as impaired when at the Balance Sheet date there are Indications of Impairment and the carrying amount of Asset exceeds its recoverable amount (i.e. the higher of the asset's Net Selling Price and Value In Use). The carrying amount is reduced to the recoverable amount and the reduction is recognised as an Impairment loss in the Income & Expenditure Account.

8 Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognized for liabilities that can be measured only by using substantial degree of estimation. These are reviewed at each balance sheet date and adjusted to reflect the current management estimates. Contingent Liability is disclosed in case of possible obligation where the probability of outflow of resource is not certain. Contingent Asset is neither recognised nor disclosed in the balance sheet.

C. NOTES FORMING PART OF THE ACCOUNTS

1. A notice was received from the Office of the Commissioner, Service Tax IV, Mumbai requiring the Trust to show cause as to why the deficit reimbursed by the Reserve Bank of India during the financial period 2012-13 to 2016-17, should not be considered as a taxable service liable to service tax. A suitable reply has been furnished. Another notice from the office of the Superintendent of Central Tax, Division IV has been received on the same matter for the financial period April 2017 to June 2017. Suitable replies have been furnished.

2. Impact of COVID-19 on Going Concern :

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

The activities of the trust are educational in nature. Due to the COVID 19 pandemic the trust has ensured functioning of trust activities, new initiatives are implemented for online e-learning and web based programmes. The research wing is also operational during lockdown period with remote access of server, databases and other tools required for research purposes.

3. Related Party Disclosure :

Name of the related parties and description of relationship :

1. Key Management Personnel - Shri. T. V. Mohandas Pai
2. Key Management Personnel – Dr. Abhiman Das
3. Key Management Personnel - Dr. Pami Dua
4. Key Management Personnel – Dr. Pushpak Bhattacharyya

Details of Related Parties transactions are as under:

| Particulars | Key Management Personnel | |
|------------------------|--------------------------|-----------|
| | 2020-21 | 2019-20 |
| | Rs. | Rs. |
| Remuneration | - | 59,19,718 |
| Governing Council Fees | 2,40,000 | 2,20,000 |

4. Leases - Operating Lease

The Trust has taken on lease residential premises for Director and Additional Director under Lease Agreements. Lease Rental expenses incurred for the year is Rs.11,11,637/- (Previous Year – Rs. 26,47,258/-) included in Salary & Staff Expenses under Schedule E. The total lock-in lease rental payable over the lease period for the residential premises, as detailed below, is Rs. NIL (Previous Year – Rs. NIL).

| Particulars | As at 31st March 2021 | As at 31st March 2020 |
|---|-----------------------|-----------------------|
| | Rs. | Rs. |
| Not later than One Year | - | - |
| Later than One Year and not later than Five Years | - | - |
| Later than Five Years | - | - |
| Total Rs. | - | - |

5. Previous year figures have been regrouped wherever necessary.

Signature to Notes A to F

For Centre for Advanced Financial Research And Learning

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

(Manish Sampat)
Partner
M No.: 101684

(Trustee)

(Trustee)

(Trustee)

Place: Mumbai
Date: December 21, 2021

Place: Mumbai
Date: December 21, 2021

ANNEXES

Annex 1

A. Working/published Papers on CAFRAL Website during FY 2020-21 (April 1, 2020 - March 31, 2021)

1. **Resolving Zombie Lending With Collateral Reform**

Author: Nirupama Kulkarni

Date: March 26, 2021

Published: CAFRAL Website

Abstract:

Zombie lending, defined as lending to otherwise insolvent borrowers, misallocates resources and hinders economic growth. This paper exploits a 2002 collateral reform in India as a natural experiment to show that improving the process of resolving bad loans can reduce the share of credit and capital allocated to zombie borrowers. Post-reform credit to distressed borrowers contracts due to a decline in continued lending to zombie borrowers, which subsequently cut investment. Credit to healthy firms increases that then expand investment. Allocative efficiency improves by 18.7%, with 94% of the improvement attributable to credit reallocation by lenders from zombie to non-zombie borrowers.

2. **Unearthing Zombies**

Author: Nirupama Kulkarni, S. K. Ritadhi, Siddharth Vij and Katherine Waldock

Date: March 26, 2021

Published: CAFRAL Website

Abstract:

Since ineffective debt resolution perpetuates zombie lending, bankruptcy reform has emerged as a solution. We show, however, that lender-based frictions can limit reform impact. Exploiting a unique empirical setting and novel supervisory data from India, we document that a new bankruptcy law had muted effects on lenders recognizing zombie borrowers as non-performing. A subsequent unexpected regulation, targeting perverse lender incentives to continue concealing zombies, increased zombie recognition particularly for undercapitalized and government-owned banks, highlighting the role of bank capital and political frictions in sustaining zombie lending. Resolving zombie loans allowed lenders to reallocate credit to healthier borrowers who increased investment.

3. **Zombie Lending Due To The Fear Of Fire Sales**

Author: Kaushalendra Kishore

Date: March 10, 2021

Published: CAFRAL Website

Abstract:

This paper documents a new externality stemming from the fear of fire sales: increased zombie lending during real estate price downturns. Firms use pledgeable assets such as real estate collateral to borrow. Using firm and syndicated loan data in the US, we confirm that the sensitivity of firms' debt to real estate collateral is positive. However, this sensitivity falls during real estate price declines due to an increase in lending to low-quality firms despite a fall in real estate collateral value. Zombie credit to high collateral firms increases as lenders internalize the price externalities of liquidating real estate collateral. Zombie presence depresses investment and profitability of healthier firms. Our paper highlights a new mechanism for zombie lending resulting from reduced collateral liquidation in markets prone to fire sales

4. **Sovereign Credit Ratings: An Assessment Of Methodologies And Rating Biases**

Author: Nirupama Kulkarni, Kaushalendra Kishore, Gautham Udupa, Ilisa Goenka, Kavya Ravindranath, Rahul Singh Chauhan

Date: December 30, 2020

Published: CAFRAL Website

Abstract:

We scrutinize and evaluate the rating methodologies of the big three credit rating agencies

(CRAs): S&P, Moody's, and Fitch. We examine the factors that drive sovereign ratings, using a common regression framework, principal component analysis, and machine learning techniques with a panel of 162 countries covering ratings from 2000–2018. While all three CRAs employ complex rating methodologies based on qualitative and quantitative inputs, only a handful of variables can account for a significant proportion of the rating variation. Across all models, institutional quality is the most significant factor driving sovereign ratings, suggesting that building more vital institutions can lower a sovereign's borrowing costs by improving sovereign ratings. Additionally, only sustainable GDP growth propelled by strong structural reforms and productive investment increase CRA ratings. We also analyze CRA rating performance and show that CRA rating changes, especially during crisis periods, are poor predictors of sovereign defaults, particularly for CRAs that rely on more subjective information (e.g., Moody's). Finally, using machine learning techniques, we show that while the parsimonious factors in the baseline analysis have good explanatory power when retro-fitted to past defaults, they are poor predictors of future defaults. Our findings suggest that the over-reliance of market participants on CRA ratings to assess sovereign creditworthiness may be unwarranted, particularly during crisis periods.

5. Consumption Tax Reform And The Real Economy: Evidence From India's Adoption Of A Value-Added Tax

Author: Abhay Aneja, Nirupama Kulkarni and S. K. Ritadhi

Date: December 7, 2020

Published: CAFRAL Website

Abstract:

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

6. COVID-19, Fiscal Stimulus, And Credit Ratings

Author: Anuragh Balajee, Shekhar Tomar and Gautham Udupa

Date: May 13, 2020

Published: CAFRAL Website

Abstract:

COVID-19 pandemic has rattled the global economy and has required governments to undertake massive fiscal stimulus to prevent the economic fallout of social distancing policies. In this paper, we compare the fiscal response of governments from around the world and its main determinants. We find sovereign credit ratings as one of the most critical factors determining their choice. First, the countries with one level worse rating announced 0.3 percentage points lower fiscal stimulus (as a percentage of their GDP). Second, these countries also delayed their fiscal stimulus by an average of 1.7 days. We identified 22 most vulnerable countries, based on their rating and stringency, and find that a stimulus equal to 1 percent of their GDP adds up to USD 87 billion. In order to fight the pandemic, long term loans from multilateral institutions can help these stimulus starved economies.

7. Fiscal Situation Of India In The Time Of COVID-19

Author: Anuragh Balajee, Shekhar Tomar and Gautham Udupa

Date: May 13, 2020

Published: CAFRAL Website

Abstract:

COVID-19 pandemic, a health crisis, has rattled the global economy. In this situation, the Indian government has announced its fiscal package worth INR 1.7 trillion, but there are arguments for

more spending. Using data from a cross-section of countries, we first estimate the relationship between fiscal spending and COVID-19 spread, economic stringency, and macroeconomic factors. Our estimates suggest that India can spend 2.2-4.8 percent of its Gross Domestic Product (GDP), based on the global benchmark. Accounting for tax and output shortfall due to the pandemic, we project the fiscal deficit of the central government can be as high as 8.4 percent, in the most pessimistic case, while 3.7 percent in a relatively optimistic case. We finally argue that subsidy rationalization is the way forward to fund the much-needed health expenditures and transfers while maintaining the fiscal discipline.



Learning programs during FY 2020-21 (April 1, 2020 - March 31, 2021)

1. CAFRAL Live Webinar on Credit Risk Assessment in post COVID times

Date June 11, 2020

Venue Online

Objective The objective of the webinar was to provide the participants an insight into the current uncertainties caused by the COVID 19, unique challenges faced by banks in credit risk assessment and how they are responding to the changes and challenges

Coverage The speaker discussed how the pandemic has rendered the current rating and risk assessment system inadequate. He elaborated how, in post COVID times, certain new ways of rating and assessing risk might evolve. The webinar traced the broad contours of changes which are already taking place in rating and risk assessment. The evolving shape of those changes were elaborated upon during the webinar.

2. CAFRAL Live Webinar on Framework for Assessment of Money Laundering & Terrorist Financing Risks

Date Jun 23, 2020

Venue Online

Objective RBI's recently amended its Know Your Customer (KYC) Direction, 2016 ('KYC Directions') requiring Regulated Entities (REs) to carry out risk assessment exercises periodically to identify and assess Money Laundering (ML) and Terrorist Financing (TF) risks. In this background, the objective was to provide an opportunity to learn the nuances of the recent regulation, new ways to craft an implementation framework and provide international experience in design of this framework.

Coverage The Webinar discussed Integrated Risk Assessment (IRA) approach in terms of which inherent risk and coherent effectiveness help determine the residual risk. Number of key considerations in conducting an IRA such as alignment of IRA with risk appetite statement and dynamic risk assessment model that is able to incorporate regulatory changes were highlighted. The speakers discussed the building blocks of a good assessment and mitigation framework. The use of Enterprise Risk Assessment (ERA) to identify financial crimes through a risk based approach and how ERA is evolving in the current financial scenario to also encompass the management of money ML and Financial Crime (FC) risks were discussed. It was felt that consequential need to handle large volumes of data would require significant investment of resources.

3. CAFRAL Live Webinar on Panel Discussion on Draft Guidelines on Securitisation of loans

Date June 26, 2020

Venue Online

Objective The objective of the Panel Discussion was to elicit the views of the participants on the draft guidelines with a view to building some consensus and assess the readiness of the market to create a vibrant market in pass through certificates (PTCs) for mortgages.

Coverage The discussion reflected, among others, on how PTCs might behave like corporate bonds and thereby come under regulatory and tax regimes meant for corporate bonds. It was felt that the guidelines might may potentially support housing for all and keeping that objective in mind, long term debt capital providers like insurers and pension funds can be introduced as participants. This might bring down incidences of the DA type transactions. Speakers also commented that while Priority Sector Lending Certificates are acting as a major contributing factor in developing PTC Markets, the operations have been predominantly confined to primary market with little or no participation in the secondary market. In the short term, PTC market should encourage trading and further explore the option of considering such PTCs as collateral for Repo transactions. The Webinar appreciated the

fact that the draft guidelines was modern, sophisticated and in the right direction.

4. **CAFRAL Live Webinar on Panel Discussion on RBI Draft Guide- lines on Sale of Loan Exposures**

Date June 30, 2020

Venue Online

Objective The objective of the Panel Discussion was to discuss, among other things, how the framework proposed by the RBI for sale of loan exposures dealt with various issues like asset classification of the loans to be transferred, nature of the entity purchasing loans and mode of transfer of loans.

Coverage The speakers discussed how the framework proposed by the RBI for sale of loan exposures dealt with various issues like asset classification of the loan to be transferred, nature of entity purchasing loans and mode of transfer of loans. The panelists also discussed about the norms laid down for sale of NPAs to Asset Reconstruction Companies (ARCs) and also buy back of NPAs in case the ARCs managed to turn them into standard assets and Minimum Retention Requirement (MRR) for sale of loans by lenders.

5. **CAFRAL Live Webinar on Stress Testing in Indian Banks - The Need of the Hour**

Date July 10, 2020

Venue Online

Objective The objective of the Webinar was to dwell on the best industry level approaches in the design of the COVID-19 stress test.

Coverage The speakers discussed the current and potential impact of COVID 19 on the balance sheets of Indian banks through the mechanism of Stress Tests (STs). The speakers also explored the ingredients and features that may be useful in design of such STs at the institutional level so that remedial steps to protect their balance sheets can be taken early.

6. **CAFRAL Live Webinar on Power Talks on Governance in Indian Commercial Banks**

Date July 27, 2020

Venue Online

Objective RBI had released a Discussion Paper (DP) on 'Governance in Commercial Banks in India' in June 2020. Among other things, the DP proposed to limit the tenure of CEOs; expand the role of the non-executive directors; strengthen the independence of risk, compliance, audit and vigilance functions and detailed the composition of the various sub-committees. The objective of the webinar was to have an informed discussion on the proposals and seek stakeholder feedback.

Coverage Speakers reflected on some of the key proposals of the DP and responded to the participants' questions and comments on the proposals contained. It was generally agreed that the DP sought to provide clarity on regulatory expectations from the Board, potentially empower the Board which is perhaps the need of the hour and emphasized the role of the Board as the eyes and ears of the regulator. However, it was felt that the final guidelines of RBI arising out of the DP should be cognizant of the following:

- There should be granular and clearer articulation of differences between business/ revenue generating management functions and assurance/ oversight/ policy and strategy functions in order to highlight, accordingly, in what matters and how far the Board is empowered in these two distinct areas.
- There is a need to provide differentiated framework for banks of different size, background and operations. Particularly, the broader and certain specific aspects of bank governance applicable to PSBs need to be brought out including minimum tenure for the PSB CEOs.
- Independent Directors and Non-Executive Directors need to be selected with care and the Board in order to function as expected would need directors with relevant and contemporary competencies. Also, they should continue to be upskilled during their tenure.
- The ultimate accountability rests with CEO and that needs to be appropriately reiterated. Participants appreciated the CAFRAL initiative in providing a platform to the industry practitioners to share their views on the DP.

Participants appreciated the CAFRAL initiative in providing a platform to the industry practitioners to share their views on the DP.

- 7. CAFRAL Live Web Conference on Post-Covid Challenges for Chief Human Resources Officers (CHROs) and Chief Learning Officers (CLOs) of Banks and Financial Institutions.**
- Date** August 8, 2020
Venue Mumbai
Objective The CAFRAL Web Conference sought to engage with the Chief Human Resources Officers (CHROs) and Chief Learning Officers (CLOs) of the banks on challenges and opportunities thrown up by the Covid-19 outbreak for HR Management and Learning Management.
Coverage Topics covered were: Leadership traits amid and post COVID times; Competency Mapping & Development, Shaping Senior Officers as Leaders; Opportunities and Challenges in work from home, Experience, lessons and way forward
- 8. CAFRAL Virtual Learning Program on Digital Lending: Technologies, Processes and Regulations**
- Date** August 17-18, 2020
Venue Online
Coverage Digital Lending Environment; Technology: Alternate Data, Digital Lending Platforms, Business Models & Products; Digital Lending by Banks: A Journey; Digital Lending Through P2P Platforms; Regulations for Digital Lending and Current Regulatory Concerns; Digital Lending for MSME: Proof of Concept and Use Cases; Digital Lending in Home Loans: Use Cases; Digital Valuation of Mortgages
Takeaways: The virtual learning program focused on a lot of new analysis of data points which was very useful and are generally overlooked by banks. It provided an in depth and granular understanding of the eco-system for digital lending, its opportunities and pitfalls. Another great takeaway was that of MSME Lending and P2P regulations. It also provided a very good insight into home loans digitization and FinTechs. It was useful for bankers who are not extensively working in digital lending, but are exposed to demands of the changing landscape
- 9. CAFRAL Virtual Learning Program for Non-Executive Chairpersons and Directors on the Boards of Banks & Financial Institutions**
- Date** August 21 & September 1, 2020
Venue Online
Coverage The key topics covered were: emerging economic and financial sector risks; implication for NPAs & capital; strategy and technologies for financing MSMEs; cyber security in banks; assessment of financial crime risk: role of the board & emerging board governance structure; adherence to secretarial standards; related party transactions and intra group exposures.
Takeaways: The program provided good insights into the Corporate Governance, Leadership as also functioning of the boards. It gave a macro and micro overview of the current state of banking industry.
- 10. CAFRAL Virtual Learning Program on Agro-MSME Lending**
- Date** September 24-25, 2020
Venue Online
Coverage Agro MSMEs and the Indian Economy; Lending to FPOs: Issues and Challenges; Agro Enterprises in Super Value Chains: Opportunities for Bank Lending; Agro Enterprises in Super Value Chains: Opportunities for Bank Lending; Emerging Contours of Agri-Value Chain Finance; Financing Agro MSMEs: Agri-Business Models and Regulatory Developments; Financing Wellness Agriculture & Agri-MSME: Proof of Concept and Use Case; Lending to Agro-MSMEs : SBI's Business Strategy and Product Bouquet; Climate Smart Financing of Agro – MSMEs
Takeaways: Key insights and trends from the evolving landscape of opportunities in lending to Agro based MSMEs, evaluation of MSMEs and process followed in various banks as well as ideas of moving from traditional lending to them. The program provided a very good understanding of the new model of lending through NBFCs and other entities. Useful insights on FPOs and FPCs and contours of agri value chain finance were received. Introduction to a new area of agriculture: wellness agriculture was appreciated.

- 11. CAFRAL Virtual Learning Program on Detection, Investigation and Prevention of Financial Fraud & Crime**
- Date** September 28-29, 2020
Venue Online
Coverage The key topics covered were: Trends in financial frauds and crimes: Dimensions & Direction; Regulatory developments and supervisory concerns on financial crimes and frauds; Fraud risk management : Implementing an effective EWS; Investigation of financial frauds and crimes: Tools, techniques and technologies; Analysis of fraud cases: Lessons learnt & forgotten; Fraud and Money Laundering: Patterns, complexities and connections; Forensic investigations: Use of technology in forensic audit; Forensic Accounting: How to use it for fraud prevention
- Takeaways:**
 A very useful program for bankers as it covered diverse topics such as Financial Statement Frauds, Forensic Audit, Forensic Investigations, Financial Crime, etc. which were informative and interesting. Good insight on the Early Warning System, asset tracking and tools used by investigators.
- 12. Webinar on Work from Home (WFH) and Management of Operational Risks Amid and Post Covid 19: Issues, Lessons and Way Forward**
- Date** October 9, 2020
Venue Online
Objective The objective of the webinar was to discuss the evolved and the emerging good practices in the Operational Risk area, particularly relating to WFH. The webinar explored practical insights and perspectives relating to WFH.
- Coverage** The webinar covered topics such as WFH and Op Risk: Developments, Issues and Regulatory Outlook; Work from Home: Lessons in Risk Management
- 13. CAFRAL Virtual Learning Program for Chief Financial Officers : Traditional and Evolving Role**
- Date** October 22-23, 2020
Venue Online
Coverage The key topics covered were: Overview of CFO function and CFO's role; Organising the Finance Function and Building a CFO Team : Insourcing and Outsourcing; Financial Statements: Transparency, Disclosures and Corporate Governance; Statutory Audit: Legal, Regulatory and Governance issues; Corporate strategy setting and ICAAP including allocation of capital, Risk Appetite setting, cost cutting measures; Issues and complexities in taxation; Valuation, profitability and talking to investors; Digitalisation of Financial Services and Digital CFO; Advanced Technologies, Financial Controls & Reporting : The Future of Finance Function ; CFO's role in enterprise risk management
- Takeaways:**
 Understanding and clarity on the complex and crucial role of CFOs in various decision making processes in banks. The topic on taxation was very informative. The program discussed how the CFOs role is changing as they are donning the roles of COO, CEO and CTO etc. at times.
- 14. CAFRAL Virtual Conference of Chief Risk Officers and Heads of Risk Management Departments**
- Date** November 19-20, 2020
Venue Online
Coverage Current Issues in Risk Management and Way Forward ; Past Experience and Current Agenda in Risk Management : Sharing the Experience ; Future of Risk Technology : From Compliance to Competitive Advantage; Supervisory Observations on Banks' Risk Function; Making Risk Management Less Failure Prone: ICAAP & ERM; Integrating Interest Rate Risk, Credit Risk and Liquidity Risk in ERM: Examples from the US Corporate Bond Market; Understanding and Applying Fat Tail Distributions; Potential Role of Chief Risk Officer in Financial Crime Risk Management; Risk Governance and Oversight: A Fresh Approach to Risk Assurance; Extended ERM
- Takeaways:**
 The program was holistic in its approach, helping to understand the granularity required to be brought about in risk management in banks. A good takeaway was criticality of the CRO function in business growth and in ensuring sustainability of the institution. The program provided broader understanding of the Role of the CRO in banks. Good insights were shared on Credit Risk, which gave a better picture after inputs from various CROs/ Risk Personnel. It was clear that a successful risk management department

provides the right blend of risk culture & policy framework appropriate to the size of the bank. The topics on ERM by distinguished speakers were extremely informative.

15. CAFRAL Virtual Learning Program on Agro MSME Lending for Senior Officers of NABARD

Date January 27-28, 2021

Venue Online

Coverage Agro MSMEs and the Indian Economy ; Agro Enterprises in Super Value Chains: Opportunities for Bank Lending; Agro Enterprises in Super Value Chains: Opportunities for Bank Lending; Emerging Contours of Agri-Value Chain Finance; Financing Agro MSMEs : Agri -Business Models and Regulatory Developments; Lending to FPOs : Issues and Challenges; Lending to Agro-MSMEs : SBI's Business Strategy and Product Bouquet; Climate Smart Financing of Agro – MSMEs; Financing Wellness Agriculture & Agri-MSME : Proof of Concept and Use Case;

Takeaways:

The inputs given during the program were useful in understanding various issues relating to Agri SME and MSME lending, importance of climate smart agriculture, role of FPOs and role of agencies. The program provided a better understanding of agro enterprises and financing of agro value chains - issues and risks, start up functioning, opportunities in agro MSME financing and diversification of agriculture.

16. CAFRAL Virtual Learning Program on ALM, Liquidity Risk Management and Transfer Pricing for Senior Officers of NABARD

Date February 1-3, 2021

Venue Online

Coverage The key topics covered were: Balance Sheet Management by Central Bank vis-a-vis Banks and FIs : Looking the Micro Through the Macro Lenses; ALM and Strategic Balance Sheet Management – Composition of Assets and Liabilities and Fund Transfer Price Mechanism; Basic Concepts and Measurement Techniques used in ALM and Risk Management – Gap analysis, Duration, VAR, Simulation Methods, etc.; Measuring, Monitoring and Managing Liquidity Risk in Banks - Stock and Flow Approach; Funding and Market Liquidity Risks; Managing Liquidity Stress and Intra-Day Liquidity; Liquidity Management of Financial Sector and Liquidity Risk Management :Linking the Macro with Micro; Measuring, Monitoring and Managing Interest Rate Risk in Banking and Trading Books; Liquidity Risk Management Under Basle Standards; ALM-Deciding Base Rates, and Deposit Rates and Targeting NIM; Redefining Risk: Context, contours and mitigation; Fundamentals of Asset Liability Management (ALM); ALCO – set up and role; CFO – Role; Setting and Monitoring Tolerance Limits; Optimizing Income and Managing Risks; Derivatives for ALM and Liquidity Risk Management – FRA, Interest Rate Swaps, etc.; Asset Liability Management (ALM) and Risk Management Practices in Rural Cooperative Banks and RRBs

Takeaways:

The program sensitized officials on the importance of Risk Management and ALM. It demystified different techniques used in ALM and Risk Management. Need of putting in place an effective ALM System as the complexity of modern day banking exposes a bank to immense risk. The program could demonstrate how ALM is required for co-operative banks and RRBs.

17. CAFRAL Virtual Learning Program on Compliance for Senior Officers at Axis Bank

Date March 11-13, 2021

Venue Online

Coverage RBI's Expectations on Effective Compliance by Banks; Compliance Culture: What it is and How to Build It?; Compliance Incidence Management; Complying with Regulatory Prescriptions on Consumer Protection and Handling Customer Complaints & Grievances; Enforcement Actions by Reserve Bank of India: How and Why?; Compliance by Banks with Key Legal Provisions; Compliance with FEMA and RBI Regulations On Forex Transactions: Investment; Compliance With FEMA and RBI Regulations On Forex Transactions: Trade; RegTechs in Compliance: Implementation of Regulation and Management of Compliance; Risk Based Supervision and Assessment of Compliance Risk; Ethics, Conduct, Reputation & Risk: Governance & Supervisory Perspective Of Compliance; Compliance with Capital Market Regulations; International Good Practices in Compliance: International Experience; Compliance Management.

Takeaways:

The program provided a good insight on global and domestic compliance practices. It shared a clear perspective of effective compliance including RBI's supervisory perspective & interpretation of regulations. It focused on important topics of RBS, compliance with key legal provisions and compliance management. The key takeaway was an indepth insight into the understanding of Regulatory guidelines and expectations of the supervisor on compliance function.

18. CAFRAL Virtual Learning Program for Company Secretaries and Secretaries to the Boards of Banks, NBFCs & Financial Institutions

Date March 18-19, 2021

Venue Online

Coverage Emerging Trends in Compliance; Corporate Governance & Capital Market Regulation: Role of Company Secretaries; Secretarial Standards and their Implementation; Legal Provisions Relating to the Financial Regulations; Secretarial Audits; What the Chairperson Expects from Company Secretary?; Modern Governance and Board Meetings: Why Company Secretaries should embrace Digital Transformation?; What an Independent Director expects from a Company Secretary?

Takeaways:

In-depth knowledge of compliance regulations are required for effective functioning as a Company Secretary. Sessions like Expectations from company secretary by Chairperson and Independent Directors were excellent and would facilitate effective discharge of their functions.

Annex 3

CAFRAL Team, as on December 1, 2021

1. Bibhu Prasad Kanungo, Director
2. Indrani Banerjee, Additional Director, Learning & Administration
3. Pramod Kumar Panda, Senior Program Director
4. Dr. Nirupama Kulkarni, Research Director
5. Dr. Gautham Udupa, Research Director
6. Dr. Kaushalendra Kishore, Research Director
7. Sunita S Ratanpal, Senior Administrative Officer
8. Monica Monteiro, Administrative Officer (Research)
9. Ashok Bathija, Private Secretary to Additional Director
10. Nimesh Gopiyani, Accounts Officer
11. Anup B Sonawane, Web Content Manager
12. Pushpalata Nadar, Program Officer
13. Charulatha Ramesha, Program and Relationship Officer
14. Trupti Kanade, Junior Accounts Officer
15. Chandrakant Kolase, IT Support Officer
16. Kashmira Zambad, Research Associate
17. Kunal Garg, Research Associate
18. Siddhant Bharti, Research Associate
19. Tanisha Agrawal, Research Associate
20. Aditya Kiran, Research Associate
21. Kanika Goel, Research Associate
22. Sowmya Gayathri Ganesh , Research Associate

Notes

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Notes

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CAFRAL

CENTRE FOR ADVANCED FINANCIAL
RESEARCH AND LEARNING

Promoted by Reserve Bank of India

**Centre for Advanced Financial Research
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