

Shri. B. P. Kanungo joined as Director, CAFRAL



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

About Director, CAFRAL: Shri. B.P. Kanungo joined as the Director of CAFRAL on September 20, 2021. He was previously Deputy Governor with the Reserve Bank of India looking after the Department of Currency Management, Department of External Investments & Operations, Department of Government & Bank Accounts, Department of Information Technology, Department of Payment & Settlement Systems, Foreign Exchange Department, Internal Debt Management Department, Legal Department and Premises Department.

Shri Kanungo, a career central banker, joined the Reserve Bank of India in September 1982. He has worked in several functional areas of the bank including banking & non-banking supervision.

He headed the regional offices of the Reserve Bank at Jaipur and Kolkata besides holding the position of the Banking Ombudsman for Madhya Pradesh and Chhattisgarh. As Executive Director, he was responsible for Foreign Exchange Management, Internal Debt Management and Government and Bank Accounts.

Shri Kanungo represented RBI in the International Committee on Global Financial System, Financial Stability Board. He was Chairman of Bharatiya Reserve Bank Note Mudran Private Limited, Chairman of the Governing Board of Indian Institute of Bank Management, Guwahati and RBI Nominee Director on the Boards of National Bank for Agriculture and Rural Development, National Housing Bank, Reserve Bank Information Technology Private Limited, etc.

Highlights of Learning Programs

CAFRAL Virtual Conference on Green & Sustainable Finance: September 16, 2021 Online CISCO WebEx



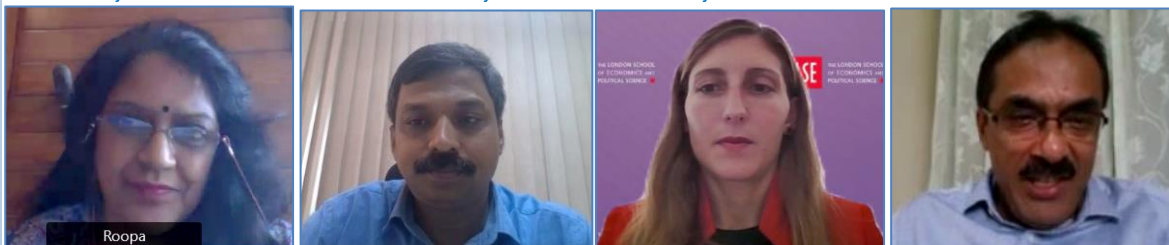
M. Rajeshwar Rao

Indrani Banerjee

Rajat Verma

Manish Chaurasia

Dhruva Purkayastha



Roopa Satish

Brij Raj

Danae Kyriakopoulou

Pramod Kumar Panda

CAFRAL organized a virtual conference on Green and Sustainable Finance against the backdrop of greater regulatory and public policy focus on the potential risk facing the financial sector due to environmental pollution, ecological degradation and climate change etc.

The key note address [Heed To Heal - Climate Change Is The Emerging Financial Risk](#) was delivered by Shri. M Rajeshwar Rao, Deputy Governor, Reserve Bank of India, setting the tone for the deliberation.

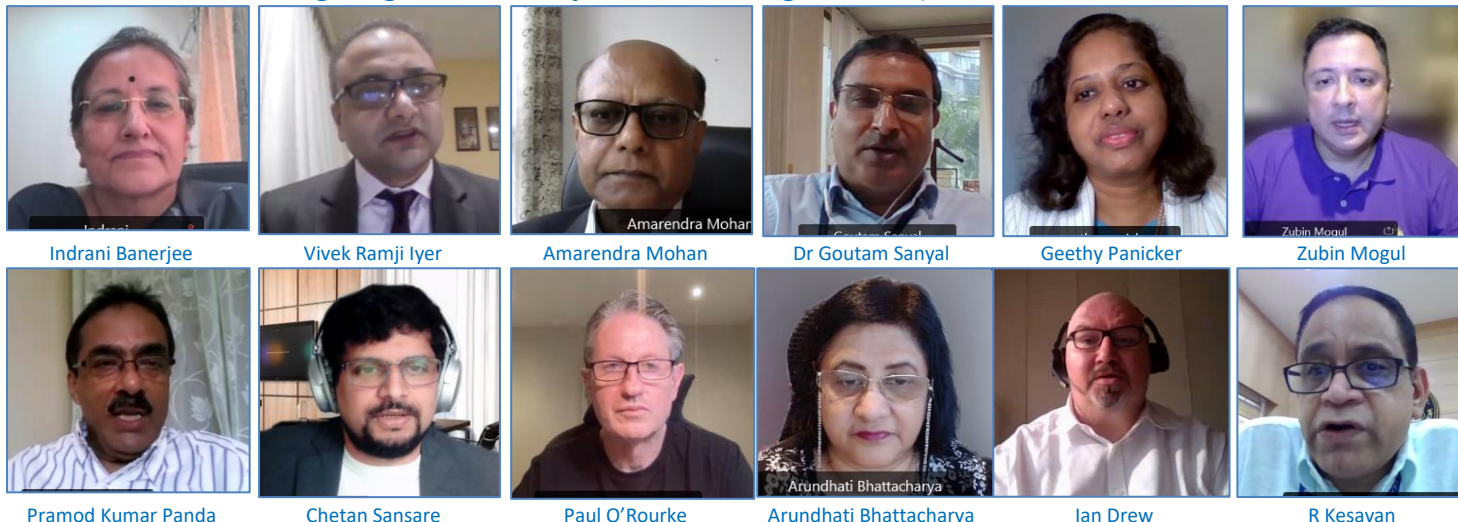
The speakers and participants discussed a range of issues and topics such as Green Finance - How to Make Money While Saving the Planet; Global Leadership in Green Finance: The Indian Case; Managing Risk in Green Finance; Recent Indian Experiences in Green and Sustainable Finance; Regulatory Framework for Green and Sustainable

Finance; Economics of Green Finance. The participants appreciated CAFRAL's initiative in conducting this timely conference and requested further capacity building initiatives in this regard.

During the Conference, presentations were made by Rajat Verma, MD & Head- Commercial Banking, HSBC India; Manish Chourasia, CEO, Tata CleanTech Capital; Dhruva Purkayastha, India Director, Climate Policy Initiative; Roopa Satish, Country Head- Corporate and Investment Banking, IndusInd Bank; Brij Raj, General Manager, RBI; Danae Kyriakopoulou, Senior Policy Fellow, Grantham Research Institute for Climate Change and Environment, London School of Economics and Political Science.

[Keynote Address](#)

CAFRAL Virtual Learning Program on Enterprise Risk Management September 28-29, 2021, Online CISCO WebEx



CAFRAL had organised a two-day Virtual Learning Program (VLP) on Enterprise Risk Management on September 28 & 29, 2021.

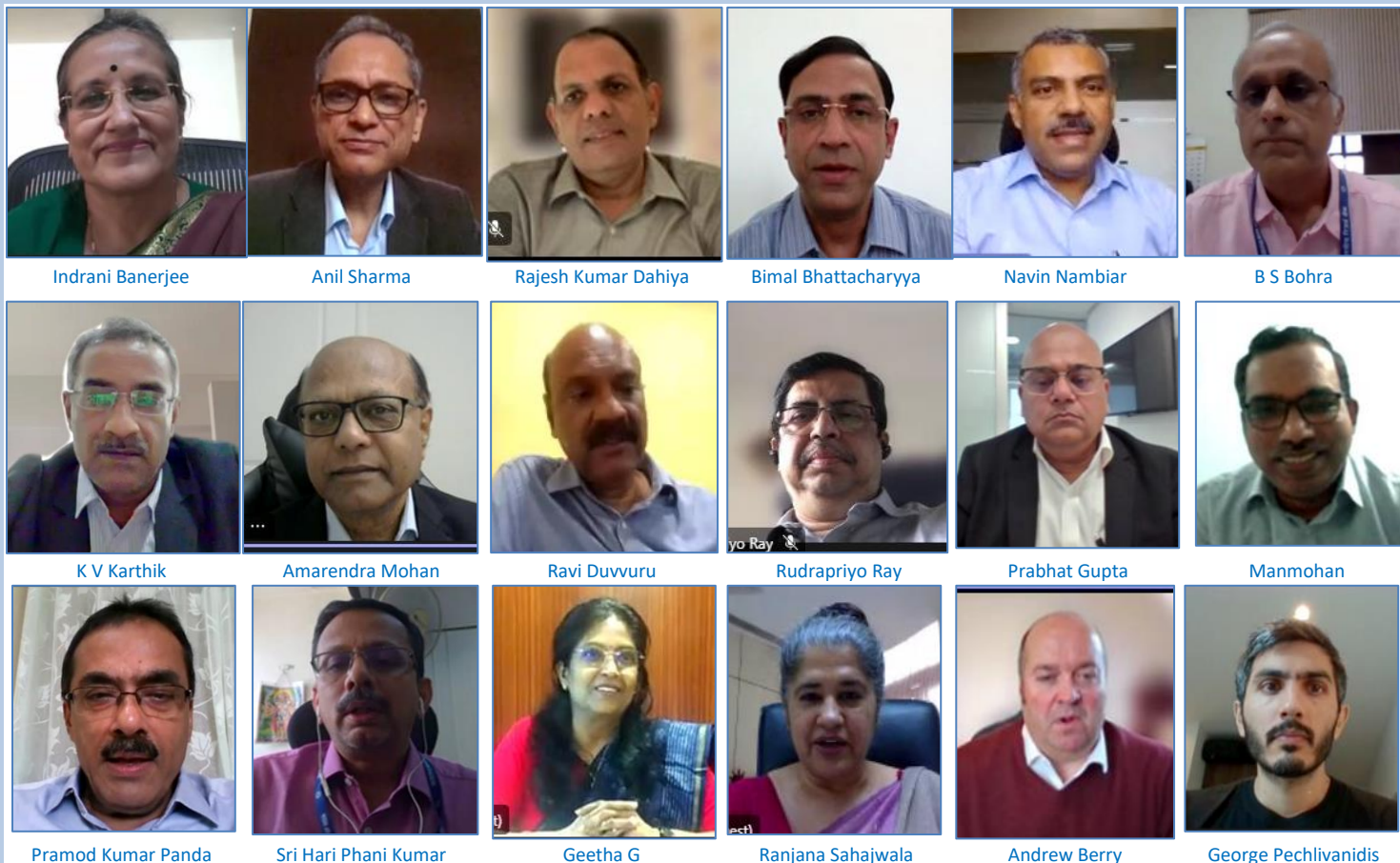
This CAFRAL VLP explored and deliberated upon various dimensions of the Risk Management (RM) function, particularly in the intersections of strategy, performance, culture and above all governance and financial regulation. The VLP also exposed the participants to the new frontiers of risk related to cyber security, data privacy, outsourcing risk, climate change risk, reputation risk and strategic risk particularly, as part of conversations on Extended Enterprise Risk Management (EERM).

The program covered topics such as Enterprise Risk Management: Strategy, Risk & Performance; Embedding Risk Culture and Risk Governance in ERM; Risk Appetite, ICAAP and ERM; Risk Governance , Data Aggregation and Risk Reporting; Implementation of ERM - Experience Sharing; Improving Data Protection and Data Privacy Through ERM; Extended Enterprise Risk Management – An Introduction; How to Manage Cloud Computing Risk Under ERM; Cyber Risk and ERM; Fireside Chat: ERM through CEO's Lenses; Integrating Climate Risk into Enterprise Framework; ERM and Supervisory Review.

Indrani Banerjee, Additional Director, CAFRAL made opening remarks. Other speakers in the program included Vivek Ramji Iyer, Partner & National Leader, Financial Services Risk, Grant Thornton Bharat LLP; Amarendra Mohan, Financial Sector Specialist; Dr Goutam Sanyal, Head-Retail & Operational Risk and Credit Monitoring, ICICI Bank; Geethy Panicker, Head of Enterprise Risk Management, HSBC Bank, Singapore; Zubin Mogul, Partner & Managing Director, Boston Consulting Group; Chetan Sansare, Director Security and Regulatory Compliance – APAC, Salesforce, Singapore; Paul O'Rourke, Partner, Boston Consulting Group; Ian Drew, Interim Regional Head of Risk Strategy, Asia Pacific, HSBC Bank, Singapore; R Kesavan, Chief General Manager & Principal, Reserve Bank Staff College; Pramod Panda, Senior Program Director, CAFRAL.

Arundhati Bhattacharya, Former Chairman, State Bank of India in a fireside chat with Indrani Banerjee provided a perspective on ERM through CEO's Lenses.

CAFRAL Virtual Learning Program on Compliance for Senior Officers at Axis Bank, October 18-20, 2021, Online CISCO WebEx



A three-day customized virtual learning program (VLP) on Compliance for Senior Officers of Axis Bank was organised by CAFRAL on October 18, 19 & 20, 2021.

This VLP covered the entire spectrum of topics related to compliance from banking regulations, foreign exchange regulations, capital market regulations, legal, governance and management perspectives. Opening remarks were made by Indrani Banerjee, Additional Director, CAFRAL and Anil Kumar Sharma, Executive Director, RBI delivered the key note address which dealt with issues relating to compliance and regulatory risk.

The program covered topics such as Key Regulatory Changes for Banks; Enforcement Actions by Reserve Bank of India: How and Why; Compliance Relating to Financial Crime: Key Aspects; Compliance Culture: What It Is and How to Build It ;Good Compliance Practices Amongst Banks in India; Governance Perspective of Compliance: Ethics, Conduct, Reputation & Risk; Compliance with FEMA and RBI Regulations on Forex Transactions: Investment; Compliance with FEMA and RBI Regulations on Forex Transactions: Trade; Management of Compliance Function; Compliance Risk Assessment Under Risk Based Supervision; Compliance by Banks with Key Legal Provisions; Compliance with Capital Market Regulations; Compliance in a Digital Era; Complying with Regulatory Prescriptions on Consumer Protection and Handling Customer Complaints & Grievances.

Speakers in this program were Rajesh Kumar Dahiya, Executive Director, Axis Bank; Ranjana Sahajwala, Chief General Manager, Consumer Education and Protection Department, RBI, Geetha G, Chief General Manager , SEBI; Navin Nambiar, General Manger, Department of Regulation, Reserve Bank of India ; Bimal Bhattacharyya, Chief Compliance Officer, Axis Bank (RBI); B S Bohra, Dy. Legal Adviser, Enforcement Department, RBI; K V Karthik, Partner, Financial Advisory Services, Deloitte; Amarendra Mohan, Financial Sector Expert; Ravi Duvvuru, President & Chief Compliance Officer, Jana Small Finance Bank Limited; Rudrapriyo Ray, Head - Corporate Affairs & Chief Ethics Officer, Axis Bank; Prabhat Gupta, Managing Director and Head- Legal, Compliance and Secretarial, DBS India; Manmohan, Deputy General Manager, Foreign Exchange Department, RBI; Devraj, Deputy General Manager, Foreign Exchange Department, RBI; Pramod Panda, Senior Program Director, CAFRAL; Tushar Bhattacharya, Deputy General Manager, Department of Supervision, RBI; Prabhuti Samal, Assistant General Manager, Department of Supervision, RBI; Sri Hari Phani Kumar Chivukula, Dy. Legal Advisor, RBI;; Andrew Berry, Risk Advisory -Director, Deloitte UK; George Pechlivanidis, Regulatory Technology & Data -Director, Deloitte UK.

Highlights of Research Activities

Presentations to industry and academic institutions.

Dr. Nirupama Kulkarni, Research Director presented her paper "Mortgage Policies and their Effects on Racial Segregation and Upward Mobility" at the "Conference on Racial Inequality and Disparities in Financial Markets" held on October 14-15, and organized by the Federal Reserve Bank of Atlanta.

Paper Abstract: "We document that housing policies aimed at increasing homeownership and reducing disparities can have adverse consequences, arising from sorting and deteriorating place-based factors. Exploiting variation in the ease of mortgage financing and targeting of underserved neighborhoods in the 1992 GSE Act, we show that, while Black homeownership increased in targeted neighborhoods, white families moved out, especially when mortgage financing became more accessible in the surrounding areas. Segregation increased and upward mobility deteriorated among low-income Black families and among those low-income white families who remained. We identify declining house prices, education spending, and school quality in targeted areas as plausible channels."

Highlights of CAFRAL Research Seminars

Indirect Evergreening Using Related Parties: Evidence From India by Dr. Prasanna Tantri, Indian School of Business (ISB) on September 1, 2021

Paper Abstract

We identify a novel way of evergreening loans where a low-quality bank lends to a related party of an insolvent borrower, and the loan recipient transfers the funds to the insolvent borrower using internal capital markets. Internal capital market transactions, incremental investments, interest rates charged, and loan delinquency rates collectively indicate evergreening. These loans are unlikely to represent arm's length transactions or rescue of troubled related firms by stronger firms to prevent group-wide spillover effects. Indirect evergreening is less likely to be detected by regulatory audits. It has significant real consequences at the firm and industry levels.

Does regulation only bite the less profitable? Evidence from the too-big-to-fail reforms by Dr. Tirupam Goel, Bank of International Settlements on September 29, 2021

Paper Abstract

Regulatory reforms following the financial crisis of 2007–08 created incentives for large global banks to lower their systemic importance. We establish that differences in profitability shape banks' regulatory response. Profitability is key because it underpins banks' ability to generate capital dynamically and drives the opportunity cost of shrinking. Using textual analysis to identify the regulatory treatment, we show that only the less profitable banks lowered their systemic footprint relative to their equally unprofitable peers that were unaffected by the regulatory treatment. The more profitable banks, by contrast, continued to raise their systemic importance in sync with their untreated peers.

Misallocation and Capital Market Integration: Evidence From India by Dr. Adrien Matray, Princeton University on October 22, 2021

Paper Abstract

We show that foreign capital liberalization reduces capital misallocation and increases aggregate productivity in India. The staggered liberalization of access to foreign capital across disaggregated industries allows us to identify changes in firms' input wedges, overcoming major challenges in the measurement of the effects of changing misallocation. For domestic firms with initially high marginal revenue products of capital (MRPK), liberalization increases revenues by 23%, physical capital by 53%, wage bills by 28%, and reduces MRPK by 33% relative to low MRPK firms. There are no effects on low MRPK firms. The effects of liberalization are largest in areas with less developed local banking sectors, indicating that foreign capital partially substitutes for an efficient banking sector. Finally, we develop a novel method to use natural experiments to bind the effect of changes in misallocation on treated industries' aggregate productivity. Treated industries' Solow residual increases by 3-16%.

Redistribution and the Monetary–Fiscal Policy Mix by Dr. Saroj Bhattarai, University of Texas, Austin on October 29, 2021

Paper Abstract

We show that the effectiveness of redistribution policy is tied to how much inflation it generates, and thereby, to monetary-fiscal adjustments that ultimately finance the transfers. In the monetary regime, taxes increase to finance transfers while in the fiscal regime, inflation rises, imposing inflation taxes on public debt holders. We show analytically that the fiscal regime generates larger and more persistent inflation than the monetary regime. In a two-sector model, we quantify the effects of the CARES Act

in a COVID recession. We find that transfer multipliers are larger, and that moreover, redistribution is Pareto improving, under the fiscal regime.

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