

**Highlights of CAFRAL Annual Conference on Financial system and Macro economy in Emerging Economies: December 07-08, 2017, Mumbai, India**


Dr. Franklin Allen, Professor, Imperial College, London, UK

audience's questions. The format ensured that there was healthy discussion, deliberation, and debate on the topics being presented. Participants in the conference were from reputed universities and policy organizations. The papers presented focused on topical questions, from developing a full-fledged business cycle model for India to understanding spillovers from emerging markets. The conference dinner on the first evening provided a forum for extended informal discussions on the issues raised during the day.

The conference also featured four keynote talks. Prof. Franklin Allen of Imperial College London and Dr. Viral Acharya, Deputy Governor, RBI, shed light on the destabilizing effect of current advanced country monetary policy on financial asset prices. Later, Prof. John Leahy from the University of Michigan



Dr. John Leahy, Professor, University of Michigan, USA

CAFRAL organized its Annual Conference in December 2017 on the theme of Financial System and Macroeconomy in Emerging Economies. An open call for papers was given out in September 2017, and we received 89 papers from researchers across the globe. After a thorough perusal of the received papers, seven papers were selected for presentation in the conference.

The event was flagged off with opening remarks from Dr. Urjit Patel, Governor, RBI. This was followed by two days of paper presentations and keynotes by the participants. Papers were presented in the following format – first each paper was presented by the author, following which it was reviewed by an allotted discussant, and finally the author had some time to address the point raised by the discussant and answer



Dr. Viral V. Acharya, Deputy Governor, Reserve Bank of India

explored the implications of human psychological tendencies for macroeconomic outcomes, with specific reference to the prevalence of 'wishful thinking'. Prof. Martin Uribe of Columbia University closed the conference with his lecture on the neo-Fisher Effect. Bringing together researchers from across the world, the conference facilitated a productive exchange of views that will prove to be of great relevance to participants in their roles as academics and policy advisers.

## Papers Presented

- **Uncertainty Shocks, Financial Frictions and Business Cycle Asymmetries across Countries**  
*Presented by:* Pratiti Chatterjee, PhD candidate, University of California -Irvine, USA  
*Discussant:* Dr. Sanjay Chugh, Associate Professor, Ohio State University, USA
- **A Monetary Business Cycle Model for India**  
*Presented by:* Dr. Chetan Ghate, Professor, ISI, New Delhi, India  
*Discussant:* Dr. Colin Caines, Economist, Board of Governors, The Federal Reserve System, USA
- **The Rise and Fall of India's Relative Investment Price: A Tale of Policy Error and Reform**  
*Presented by:* Dr. Alok Johri, Professor, McMaster University, Canada  
*Discussant:* Dr. Chetan Subramanian, Professor, IIM Bangalore, India
- **Creditor Rights and Allocative Disruptions : Evidence from India**  
*Presented by:* Dr. Nirupama Kulkarni, Research Director, CAFRAL, India  
*Discussant:* Dr. Shashwat Alok, Assistant Professor, ISB, India
- **Corporate Debt Structure, Precautionary Savings, and Investment Dynamics**  
*Presented by:* Dr. Jasmine Xiao, Assistant. Professor, University of Notre Dame, USA  
*Discussant:* Dr. Michal Szkup, Assistant Professor, Vancouver School of Economics, Canada
- **How Important are Spillovers from Emerging Markets?**  
*Presented by:* Dr. Ayhan Kose, Director, World Bank, USA  
*Discussant:* Dr. Arpita Chatterjee, Senior Lecturer, New South Wales University, Australia
- **Free-riding in Teams**  
*Presented by:* Dr. Krishnamurthy Subramanian, Associate Professor, ISB, India  
*Discussant:* Dr. Igor Livshits, Associate Professor, University of Western Ontario, Canada & Federal Reserve Board of Philadelphia.

[Click here Papers and Presentations](#)

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## Highlights of Leveraging Social Media for Consumer Awareness and Cyber Hygiene – An Interface with Facebook December 4, 2017, Mumbai, India



Ms Bansari Vyas, Banking and Financial Sector Industry Head, Facebook

CAFRAL facilitated an interactive session with Banking and Financial Sector Industry Head of Facebook Ms. Bansari Vyas for the Department of Communications (DOC) of Reserve Bank of India and Reserve Bank Information Technology Pvt. Ltd. (ReBIT) on December 4th, 2017. The objective was to understand how the social media could be leveraged for spreading consumer awareness and cyber hygiene amongst public in a cost effective manner.

The program elicited enthusiastic participation from DOC officials at Central Office and through videoconference from the Delhi and Chennai offices of RBI. CEO ReBIT and CGM, DOC actively participated to understand and assess the metrics of viewership, costing and packaging of the high impact short messages unique to social media.

## Highlights of CAFRAL Executive Development Program (EDP) December 11-12, 2017, Mumbai, India



Participants of the program with Shri G Padmanabhan, Chairman, Bank of India and Shri Chandan Sinha, Additional Director, CAFRAL

The objective of the EDP on December 11 & 12, 2017 was to sensitise the top executives of commercial banks, financial institutions and Reserve Bank of India on the global and domestic economic outlook, state of the financial markets, practices in corporate governance & risk management, issues in resolution of stressed assets, approaches to business strategy, developments in fintech and digital banking, etc.

The program was designed for Executive Directors/Deputy Managing Directors/Managing Directors & CEOs of banks and financial institutions and Regional Directors of Reserve Bank of India. The keynote addresses were delivered by Shri G Padmanabhan, Non- Executive Chairman, Bank of India and Shri Sudarshan Sen, ED, RBI. Other speakers were experts from banking industry and those engaged in legal and financial services. The program has been appreciated by the participants as a timely and useful intervention.

[Click here to view program photos](#)

## Highlights of Conference on Implementation and Compliance of Know Your Customer (KYC)-Anti Money Laundering (AML) Standards Regime and Financial Crime Management December 19-20, 2017, Mumbai, India



Dr. Amartya Lahiri, Director, CAFRAL and Shri Chandan Sinha, Additional Director, CAFRAL with Speakers and Participants at Conference

Conference on Implementation and Compliance of Know Your Customer & Anti Money Laundering (KYC-AML) and Financial Crime Management was organised on December 19-20, 2017. The focus of the program was on the changing paradigms in KYC- AML compliance.

The key note address was delivered by Pankaj Kumar Mishra, Director, FIU-India on the theme of “Repercussions of Demonetisation for CTR and STR compliance by banks”. Speakers and participants shared their knowledge and experience

on a variety of subjects/themes such as : Investigation finding on doubtful transactions, channelling of cash through dormant bank accounts, etc. ; concerns on security and surveillance arising out of Aadhaar linkage of bank accounts; use of appropriate technology for alert generation and processing; regulatory concerns; possible use of Blockchain technology and algorithmic tools for overcoming limitations of the current KYC-AML software tools; case studies relating to trade based money laundering crimes.

Speakers at the conference were senior officials from FIU-Ind, UIDAI, Income Tax Department, Enforcement Directorate, Police, RBI, ReBIT, leading banks and specialist firms.

[Click here to view program photos](#)

## **Highlights of Research Seminars**

**Efficiency And Equity Of Land Policy In Developing Country Cities: Evidence From The Mumbai Mills Redevelopment.** By Dr. Michael Gechter, Assistant Professor, Economics, The Pennsylvania State University, USA at Mumbai, December 20, 2017

### **Paper Abstract**

Land policy in developing country cities places significant restrictions on formal sector developers but often fails to reign in informal development. To what extent does this pattern reduce city efficiency, and how are the effects shared between the rich and poor? We address these questions in three steps. First, we exploit a unique natural experiment in Mumbai that led 15% of central city land occupied by the city's defunct textile mills to come onto the market for redevelopment in the 2000s. Second, we use a "deep learning" approach to measure slums from satellite images, and combine this with administrative sources to construct a uniquely spatially disaggregated dataset spanning the period. Third, we develop a quantitative general equilibrium model of a city featuring formal and informal housing supply to guide our empirical analysis. We document a large increase in the supply of formal construction on mill sites, and find substantial spillovers on nearby locations that led slums to redevelop into formal housing. Our findings suggest that land policy can reduce the efficiency of developing country cities by misallocating land away from its optimal use, but policies that promote formal housing supply may have unintended consequences for equity by reducing the stock of relatively affordable housing in slums.

**Underwriting Government Debt Auction** By Dr. Sudip Gupta, Professor, Fordham University, New York, USA at Mumbai, December 18, 2017

### **Paper Abstract**

We examine a novel two-stage mechanism for selling government securities, wherein the dealers underwrite in the first stage the sale of securities, which are auctioned in stage 2, via either a Discriminatory Auction (DA) or a Uniform Price Auction (UPA). Using proprietary data on auctions during 2006-2012, we find under DAs (a) The underwriting commissions are higher and exhibit more volatility, (b) Stage 1 award concentrations are higher, and (c) Stage 2 bid-shading and the degree of underpricing are higher. Stage 1 outcomes are powerful in explaining Stage 2 auction outcomes including the likelihood of devolvement, and bid shading.

**Evaluating The Impact Of Rising Emerging Market Corporate Debt** By Dr. Madhu Kalimipalli, Professor of Finance, Equitable Life of Canada Fellow, Director, PhD and Research-based Master's Programs in Management, Lazaridis School of Business and Economics, Wilfrid Laurier University, CANADA at Mumbai, December 13, 2017

### **Paper Abstract**

In this paper, we investigate how increased corporate leverage of emerging market firms in the post-financial crisis period (i.e. 2010-2015) impacted the underlying credit risk. We conduct a comprehensive study of how escalating emerging market corporate debt can impact distress risk for issuing firms. Using a firm-level credit risk, financial and balance sheet data of 350 firms from 23 emerging markets over an extended window 2002-15, we show that in the post-crisis period, higher leverage significantly increases the probability of default of the firms; and lowers the distance to default. The incremental leverage effects are most prominent in the Asian and Latin American region firms. Our results remain robust to several robustness tests including endogeneity and alternate regression methodologies. We also explore and document possible firm, industry and country based risk channels through which higher leverage impacted credit risk in emerging markets.

(Time permitting, I will also briefly review our work on systemic risks from a large-scale empirical examination of systemic risk among major financial institutions in emerging markets including India. We provide an analysis of the emerging

market experience and insights into the use of network models in policy-making for measuring, managing and regulating systemic risk in the emerging market context.)

[Download Paper](#)

## Upcoming Learning Events

**RBI-CAFRAL Conference on Bank Frauds** January 25, 2018 | Mumbai

### **Program Objectives**

In the backdrop of rising frauds, both in value and volume terms, the RBI led conference has the following objectives:

- Convey RBI's concerns and the necessity for robust internal systems
- Review the action taken by the banks in implementing framework on frauds
- Brainstorm on the best practices in fraud risk management and experience sharing
- Facilitate an interface between bankers and investigating agencies

### **Participants' Profile**

Senior bank officials responsible for fraud risk management and credit risk monitoring, by invitation.

[Nominate now](#)

## **"Leading in the Digital Age" - A Joint CAFRAL and Macquarie University Program**

**Indian leg** – January 25, 2018 | Mumbai, India **Overseas leg** – January 28 to February 3, 2018 | Sydney, Australia

### **Program Objectives**

The program, designed for senior management of the Indian financial institutions, focuses on managing strategic initiatives in the context of digital transformation and the need to enhance risk governance and risk culture. The key areas to be covered are:

- Digital Strategy in a rapidly changing world of Fintech, Artificial Intelligence, Block chain and Big Data Analytics;
- Risk strategy, governance and culture
- Financial technology and cyber security issues, risk strategy and resolution of problem assets-supplemented through field visits/exposure to (i) Optus Macquarie University Cyber Security Hub (ii) Innovation Lab of Commonwealth Bank of Australia's (iii) Presentations by PwC's on Cyber Security Strategies (iv) Presentations by Deloitte on (a) Digital strategies and (b) Risk strategy, governance and culture (v) practical approaches for valuation of non-performing loans by Herbert Smith Freehills.

### **Participants' Profile**

General Managers and above from commercial banks, financial institutions, regulatory agencies.

[Nominations Closed](#)

**Conference of Chief Compliance Officers** January 29-30, 2018 | Mumbai

### **Program Objectives**

Facilitate interaction and experience sharing amongst CCOs/CROs/CFOs and with the regulator; exposure to international practices /trends on regulatory and management reporting and meeting the challenge of Risk Based Supervision. Help build and implement an effective compliance function, strategise, meet mitigate non-financial risks & regulatory expectations.

### **Program Highlights**

Coverage of areas such as the role of CCOs/CROs/CFOs, international best practices & trends, regulatory expectations, etc. as also the finer nuances of Risk Based Supervision by eminent practitioners, international experts and regulators/supervisors.

### **Participants' Profile**

This Conference is targeted at the Heads of Compliance / Senior Compliance Officers/Chief Risk Officers/ Chief Financial Officers of commercial banks and SI-NBFCs.

[Nominate now](#)

**CAFRAL – ReBIT Business Leaders' Forum (BLF) on Cyber Security** February 9, 2018 | Mumbai

### **Program Objectives**

CAFRAL and ReBIT have joined hands to create the Business Leaders' Forum (BLF) on Cyber Security – a platform for continuous dialogue on Cyber Security amongst the key stakeholders. The objective is to sensitise and create awareness at the level of Top Management & Boards of banks and through them improve the internal threat mitigation policies and processes. BLF will work at the decision-making level, over and above other forums or collaboration that may exist at the level of the Chief Information Security Officer (CISO), etc. and meet at periodical intervals.

BLF will focus on three key aspects in cyber security preparedness:

1. Situational awareness through discussions on compliance, governance, regulatory requirements & cyber security case studies

2. Programs and initiatives for mitigation strategies that can be implemented

3. Good practices in crafting an optimal response

Shri. N. S. Vishwanathan, Deputy Governor, will deliver the key note address on the inaugural meeting on February 9, 2018

#### **Participants' Profile**

Top/Senior Executive and Non-Executive Board members of banks, by invitation

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### **Conference for Chief Risk Officers and Heads of Risk Management Departments** February 15, 2018 | Mumbai

#### **Program Objectives**

Provide a platform to the participants to discuss various types and aspects of risk management, role of Chief Risk Officers, supervisory expectations from Risk Based Supervision, stressed assets resolution and up-scaling the risk management function

#### **Broad Coverage**

- Various aspects of risk management and role of Chief Risk Officer: Experience sharing by CRO of a large international bank
- Credit risk and stressed assets - resolution (IBC) and way forward
- Market risk – managing risks in treasury operations - forex and fixed income securities
- Operational risk – IT risk , Cyber risk, Frauds
- Risk Based Supervision – Framework, process & supervisory expectations
- Discussion/ group presentations: Improving the risk management practices

#### **Participants' Profile**

Chief Risk Officers, Heads of Risk Management Departments & senior risk officers (above AGM or equivalent)

[Nominate now](#)

### **Program for Non-Executive Directors on the Boards of Banks and Financial Institutions** March 16-17, 2018 | Mumbai

#### **Program Objectives**

The objective of the program is to sensitise the Directors on Governance, Risk and Compliance issues and provide updates on areas such as Social Banking, Business Strategy, Resolution of stressed assets, etc.

#### **Participants' Profile**

Non-Executive Directors on the Boards of Banks and Financial Institutions

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