

## Highlights of Learning Programs

### Leadership and Strategy Development Program (LDP) for Senior Management of a Commercial Bank: September 14-18, 2019, Mumbai



Program participants with speakers at Leadership and Strategy Development Program (LDP) for Senior Management of a Commercial Bank

The capsuled program was conceived for enhancing the knowledge and skills of bank executives for assuming even higher responsibilities going forward. The coverage related to Current & Emerging Landscape for banking; Financial stability; Digital strategy; Payment systems; Business analytics; Insolvency & bankruptcy code; Leadership; Project finance; Liquidity risk; Frauds & Cyber security. Eminent practitioners from the industry and senior officials from Reserve Bank of India and CAFRAL handled the sessions.

### Conference of Chief Human Resource Officers (CHROs) and Chief Learning Officers (CLOs): Sept 30, 2019, Mumbai



Program participants with speakers at the Conference of Chief Human Resource Officers (CHROs) and Chief Learning Officers (CLOs)

CAFRAL organised a one day Conference of Chief Human Resource Officers (CHROs) and Chief Learning Officers (CLOs) on September 30, 2019 with the objective of providing HR related inputs from a diverse set of speakers for knowledge



enhancement and eliciting their thoughts on the learning needs of the industry. The speakers from the industry and CAFRAL covered areas such as Data Analytics in HR & Learning, Sustaining Culture of Excellence, Role of HR and Learning in Leadership, Personality traits in decision making, etc.

#### **Program for Non-Executive Directors on the Boards of Banks: October 14-15, 2019, Goa**



**Program participants with speakers at the Program for Non-Executive Directors on the Boards of Banks**

The program aimed at improving the effectiveness of directors on boards of banks by focusing on some of the areas of importance. Topics covered related to the Role of Risk and Management Committees, Audit Committee and IT Strategy Committee; Credit risk management; Credit monitoring tools; Opportunities & risks in Agriculture, Retail & MSME lending; Risk Based Supervision and ICAAP; Exchange rate & liquidity management; Macro Prudential risks & Financial stability and Use of analytics/ Information Technology in audits. Speakers included a couple of directors currently serving on the boards of a public and a private sector bank.

#### **Program on KYC, Money Laundering & Financial Crime Risks Management: October 15-16, 2019, Mumbai**



**Program Participants with Speakers at Program on KYC, Money Laundering (ML) and Financial Crime (FC) Risks Management.**

The objective was to review the key regulatory guidelines, discuss the emerging issues and deliberate on the risks and their management in the areas of KYC, Money Laundering (ML) and Financial Crime (FC). Apart from covering the regulatory and legal issues and concerns, the program had themes such as RegTech, Digital KYC, Use of data analytics in FC investigations, Use of data visualisation tool, Wolfsberg principles, etc. To provide a holistic perspective there were



senior speakers from RBI, FIU-IND, Police department, Enforcement Directorate as well as industry experts from banks and other firms.

**CAFRAL Advanced Leadership Program:** Credit, Markets & Financial Technologies - October 31 & November 1, 2019, Mumbai and November 4-9, 2019, McDonough School of Business, Georgetown University, Washington DC, USA



Program Participants with Speakers of CAFRAL Advanced Leadership Program (CALP) at McDonough School of Business, Georgetown University, Washington DC, USA

The Program potentially shapes and reinforces financial leadership traits and technical skills in the areas of Credit, Markets & Financial Technologies. The Mumbai leg focused on topics like the Financial Market Infrastructures - CCIL, Payment systems, Design Thinking, Mind Maps for decision-making, High performance in VUCA world, Business analytics in retail lending, Digital transformation, etc. The Washington leg covered areas such as the Lessons from the GFC, Re-regulating the US financial system, Consumer lending, Financing of SMEs, Business analytics for decision making, Application of Big Data in banking, Customer centricity & strategy, Digitization of banking and finance, Block chain technology, corporate restructuring, Securitization of mortgages, Principled financial leadership and Trends & forces shaping the financial markets. It included visits to the Sec, IFC and Fannie Mae where their officials spoke on pre-assigned themes to supplement the classroom teaching.

**CAFRAL Leadership Development Program:** November 15-19, 2019, Mumbai



Program participants with speakers at Leadership and Strategy Development Program (LDP) for Senior Management of a Commercial Bank



The second five-day CAFRAL Leadership Development program was held between November 15-19, 2019 with the objective of enhancing skills of executives by exposing them to a variety of themes that are relevant in the current and emerging scenario. The themes covered largely the same as the earlier one held in September 2019 except for certain refinements. Key speakers from the industry, senior officials from Reserve Bank of India and CAFRAL handled the sessions.

#### **Program for Statutory Auditors of Banks on Asset Classification and Provisioning: November 26, 2019 Mumbai**



Shri. Y H Malegam delivering key note address at Program for Statutory Auditors of Banks on asset classification and provisioning

The program was conceived in the background of asset classification divergences and under-provisioning reported by banks post-inspection by the Reserve Bank of India over the last few years. The Statutory auditors, through their audits have to ensure that the regulatory guidelines relating to asset quality and provisioning are properly followed and balance sheets of bank give a true and fair picture. The objective of the program was to provide a platform to the statutory auditors to discuss the reasons for divergences in asset classification and provisioning cropping-up despite by getting the perspective of the management, the regulator/supervisor and those of their peers participating in the program.

#### **Conference of Chief Compliance Officers: November 27-28, 2019 Mumbai**



Program participants with speakers at Conference of Chief Compliance Officers

The Conference was planned in the background of the compliance function in banks becoming more complex and demanding. At the same time, the regulatory expectations are rising and financial conduct issues are now attracting huge penalties. The conference focussed on recent national and international developments and provided a platform for exchange of views in the compliance area. The topics covered included Governance, Risk and Compliance Frameworks; Sustaining a Sound Compliance Culture; RegTech; Consumer Protection; Enforcement Actions by RBI; Cybersecurity and Internal Audit and Compliance. Senior officials from RBI, CAFRAL and the industry handled the sessions.

#### **Highlights of Research Seminars and Brown Bag**

**Value Gain With “Blockchain”: A Game Of Name Change** by Prof. Samit Paul from IIM Calcutta at Mumbai, October 23, 2019

Paper Abstract

We find that the firms that change their corporate names by including buzzwords related to cryptocurrencies experience large and permanent valuation gains. We document cumulative abnormal returns of 30 percent in 3 days surrounding such name change announcements. The results are robust to outliers and to the choice of the expected returns model used to measure abnormal returns. Such value gains cannot be explained by any temporary motives, such as insider trading, favourable financing etc. Neither these gains are associated with the fundamentals of firms. Only investors' hysteria towards those buzzwords can potentially explain such market reaction

**The Allocation Of Talent Across Mutual Fund Strategies** by Dr. Apoorva Javadekar from ISB Hyderabad, India at Mumbai, November 6, 2019

#### **Paper Abstract**

We propose a new measure of identifying mutual fund's strategy - the "degree of picking" (dop) using variance decomposition of fund's active returns in idiosyncratic and systematic components. We estimate and compare the distribution of dop to the bootstrapped distributions to claim that there are few timers in the industry. We show that funds achieve high dop by both scaling up the nominal idiosyncratic risk as well as reducing systematic risk quantity. We show that funds with high-dop (pickers) outperform low-dop funds (timers) by 4% annually in cross-section. Nevertheless, we present evidence that this outperformance vanishes within-fund suggesting that strategies are not inherently different but the managers employing those differ in terms of inherent skill. We show that picking and timing strategies are not subject to differential dis-economies of scale either. We show that our measure is different from the activeness measures used in the literature and that active funds are spread over range of dop. We propose a novel "self-selection" mechanism whereby skilled managers opt to be pickers while low-skilled managers opt to mix picking and timing strategies in equilibrium due to differential "skill-revealing" abilities of the picking and timing strategies - timing bets are correlated and reveal less about manager's skill while picking bets are independent by definition and provides more number of informative signals to the investors. Model generates novel predictions which we test in the data 1) fund flows are stronger for pickers consistent with the learning channel 2) dop is more volatile for funds with low- average dop fund (low skilled funds) consistent with mixing strategy followed by the low-skilled funds 3) low-skilled funds are likely to time more with increase in their reputation 4) Volatility increases the incentive to be timer for low-skilled managers

**Bankruptcy Laws And Income Distribution** by Harshal Ranjan Mulay, IIM Calcutta, India at Mumbai, November 18, 2019

#### **Paper Abstract**

Laws designed, even with the best of intentions, may cause unexpected damages to the society. In this paper, we argue that creditors' rights strengthening reforms undertaken to boost growth lead to substitution of labour by capital due to resultant lower cost of debt finance. This change in factors of production disproportionately reduces employment opportunities for poor, unskilled workers and thus leads to higher income inequality. Using data for more than 100 countries over 25 years, we find that on an average, strengthening of creditors' rights leads to 3-4% increase in income inequality over a span of 10 years. This impact grows cumulatively over time. We find a robust evidence for the mechanism of this impact as well. Our findings imply that worries over losing jobs in near future due to automation and artificial intelligence may be exacerbated if countries undergo creditor friendly bankruptcy reforms. Our findings suggest that countries like India, who have recently undertaken creditor rights reforms, should also undertake income redistribution measures.

**FDI And International Collusion** by Prof. Uday Bhanu Sinha, Delhi School of Economics at Mumbai, November 20, 2019

#### **Paper Abstract**

We develop a supgame model of collusion between price-setting oligopolists when the trade between countries involves per-unit trade cost and FDI requires a fixed cost of setting up a subsidiary in a foreign country. We demonstrate that cross hauling of FDI may facilitate collusion based on territorial allocation of markets. Whenever FDI is not helpful for sustaining collusion, the collusive arrangement involves no FDI at all. With asymmetric number of home firms or with different sizes of the markets, FDI may facilitate international collusion at lower levels of trade costs and thus our analysis throws some light on the empirical puzzle regarding the trade liberalisation and FDI flows observed since the 1990s.

**The Impact Of Credit Shocks: Micro Versus Small Firms** by Assistant Prof. Megha Patnaik, ISI Delhi at Mumbai, November 26, 2019

#### **Paper Abstract**

Using novel data from the leading online accounting software in the United States with millions of financial transactions for small businesses, I measure firms' responses to shocks in credit supply during the Great Recession. Bank failures are

associated with declines in credit for small firms but not micro firms. In contrast, movements in house prices are associated with credit changes for micro firms but not small firms. This suggests differences in how firms overcome asymmetric information, with micro firms depending more on housing collateral and small firms on lending relationships, consistent with associated costs to lenders.

## **Upcoming Learning and Research Programs**

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

### **Program on Retail Lending: What Is Changing** January 20-21, 2020| Mumbai

#### **Program Objectives**

Retail lending in India is getting increasingly crowded. While there is intense competition in the traditional segments of retail lending, there are enormous opportunities in emerging and niche areas. Retail lending capacity will need to leverage on advanced technologies so that new products and processes are designed to make retail lending business customer-centric. Also, enhancing the marketing capabilities, improving the efficiency of collection and recovery processes using technologies, outsourcing and partnership have become imperatives. The participants will learn through case studies, workshop, classroom lectures and analytical discussion.

#### **Participants' Profile**

Deputy General Manager or officers of equivalent level from commercial banks including small finance banks and scheduled cooperative banks, NBFCs and Financial Institutions working in the areas of audit/credit audit, credit risk, retail asset business, audit/credit audit, retail banking, retail collection, retail/digital marketing. Nominations for junior officers accompanying the senior team member will also be accepted

[Nomination now](#)

### **Call for Papers: CAFRAL and the World Bank invite papers for a conference on "State Intervention in the Financial Sector"** February 26-27, 2020| Mumbai

We invite submissions of unpublished papers related to the above theme. Some of the suggested topics for the conference are:

- What is the rationale and impact of state intervention in the financial sector in South Asia? Are state ownership of banks and other direct approaches appropriate and successful? Do state-owned banks deploy the best instruments and governance structures?
- The financial systems in Pakistan and India differ in terms of state ownership of banks, but both channel substantial shares of lending to finance the government. Is there any effect of less state-ownership on lending to private borrowers and financial stability?
- How do publicly- and privately-owned commercial banks differ in terms of assets, liabilities, and efficiency? How do state-owned banks differ from other state-owned enterprises?
- How are financial sector reforms and macroeconomic developments related in South Asia?
- What is the role for state owned firms in insurance and asset management markets?
- Is market efficiency impacted by state involvement in financial firms via insurance and asset management firms?
- Does the presence of a large state-owned banking and insurance sector impact the development of local corporate bond markets? Does it impact entrepreneurship?

While we will consider extended abstracts, we strongly encourage the submission of full papers.

Round-trip airfare and accommodation for up to three nights will be fully covered for presenters from South Asia. Limited funding will be available for speakers from other regions. For participants unable to attend in person, video conferencing will be made available.

The conference will feature different academic sessions as well as special lectures and a policy panel.

Paper submissions: Please submit your paper (or extended abstract) using the form below. The deadline for submission is January 5, 2020.

#### **Participants Profile**

Researchers, faculty members and doctoral students from South Asia.

[Submit Paper](#)

### **Program on Financial Frauds & Forensic Audit** Jan 29-30, 2020, Mumbai.

#### **Program Objectives**

On Day 1, the focus will be on the modus operandi of financial frauds (FF) and the mechanisms for monitoring, detecting and resolving FF. On Day 2, experts will deal with the Forensic Audit (FA) as one of the key internal controls that can help in the efficient resolution of FF from financial and legal perspectives. Some technical processes and technological aspects of FA will be covered. Participants also get the opportunity to hear and interact with the senior functionaries of CVC, RBI, Police Department, banks, IBA and eminent legal experts.

#### **Participants Profile**

Heads and Senior officials associated with Fraud Risk Monitoring/Management, Operational Risk, Financial Crime, Vigilance Department of banks, FIs and NBFCs.

#### **Conference of Non-Executive Chairman of Banks** Feb 5-6, 2020, Mumbai.

#### **Program Objectives**

The Conference will provide the Non-Executive Chairman of banks, especially the PSBs where this position is of recent origin, to interact amongst themselves and with the regulators, on a host of issues that confront them. It is expected that such interaction will lead to improved role clarity and better governance standards.

#### **Participants Profile**

Non-Executive Chairman of banks and FIs

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