

CAFRAL-RBI-IIM (B) Research Seminar on Financial Markets and Macroeconomics in Emerging Economies March 09, 2018, Mumbai, India



L-R: Dr. Amartya Lahiri, Director, CAFRAL and Dr. Viral Acharya, Deputy Governor, RBI at CAFRAL Research Seminar, Mumbai

Papers Presented

Session I: Financial Markets

Funding Liquidity and Market Liquidity in Government Bonds,

Presented by: Prachi Deuskar, ISB

Costs and Benefits of Regulatory Interventions in Stock Markets: The Case of Minimum Public Shareholding Rule in India,

Presented by: V Ravi Anshuman, IIM (B) (joint paper with Venky Panchapagesen)

Session-II: Macro-finance

Credit misallocation and aggregate productivity

Presented by: Chetan Subramanian, IIM (B) (joint paper with Vipul Mathur)

The Unsettling Behaviour of Exchange Rates under Inflation Targeting

Presented by: Amartya Lahiri, CAFRAL (joint paper with Paul Beaudry)

Session III Credit Markets

Bank Recapitalization in a DSGE framework

Presented by: Pawan Gopalakrishnan, Sakshi Satija and Saurabh Ghosh, RBI (SRU)

Session-III: Capital Flows and Trade Invoicing

Modelling Copula Weights with Penalized Likelihood: Re-solving UIP Puzzle

Presented by: Indrani Manna, RBI (DEPR)

Capital flows and capital account management in selected Asian economies

Presented By: Rajeshwari Sengupta, IGIDR (joint paper with Abhijit Sen Gupta, ADB)

Does Dollar Invoicing Matter for Trade Competitiveness

Presented by: Apoorva & Shekhar, CAFRAL & RBI (SRU)

CAFRAL in association with RBI and IIM Bangalore organized a Research Seminar on Financial Markets and Macroeconomics in Emerging Economies. Dr. Viral V Acharya, Deputy Governor, Reserve Bank of India delivered the inaugural address in the seminar. This was followed by paper presentations. Papers were presented in session format – Sessions were as follows: Financial Markets, Macro-Finance, Credit Markets and Capital Flows and Trade Invoicing.

Papers were presented by authors from CAFRAL, RBI, IIM Bangalore, ISB and IGIDR. There was healthy discussion, deliberation, and debate from the floor on the topics being presented. Aside from participants from the hosting institutions, the seminar also attracted participants from other academic institutions as well as financial markets.

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

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

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Highlights of Financial Market Program : March 05-09, 2018, Mumbai



Shri. Chandan Sinha, Additional Director, CAFRAL and Speakers with Program Participants at Financial Market Program, Mumbai.

The Financial Markets Program was organized from March 5-9, 2018 in Mumbai. Besides 15 Senior Indian Economic Service (IES) officials from various Ministries including Ministry of Finance, senior bankers also attended the program. The program coverage included Financial Markets Architecture in India; Treasury Operations in banks and ALM; Developments in the Capital Market; Government Securities Market; Understanding Forex Market Operations & Revised Liquidity Management Framework; Inter-linkages between Debt market, Capital Market, Bond Market and Forex Market; Developments and Challenges in Corporate Bond Market, Role of FIMMDA and Overview of international financial markets and Forex Management issues like ECB.

Top Speakers included G Mahalingam, Whole-Time Member, SEBI, N S Venkatesh Chief Executive, Association of Mutual Funds of India (AMFI); C. Venkat Nageswar, Chairman, FIMMDA & Dy. Managing Director, SBI and other speakers from RBI, SBI, SEBI, BSE, CCIL, Standard Chartered Bank, Kotak Mahindra Bank, E&Y, Derivium Traditions etc. The team of IES Officials had an extended two day program during which they were exposed to a few other areas in Financial Markets and they also visited International Division of SBI, Corporate Office and BSE. The team interacted with Senior Executives of SBI and BSE.

The program was unique with policy inputs as also discussion on operational issues shared by Regulators, Market makers and senior officials from banks which was well appreciated by the Participants.

Highlights of Program for Non-Executive Directors on the Boards of Banks - March 16-17, 2018, Mumbai, India



Participants of the program with Smt. Arundhati Bhattacharya, former Chairman of State Bank of India, Shri Chandan Sinha, Additional Director, CAFRAL and Shri M P Baliga, Senior Program Director, CAFRAL

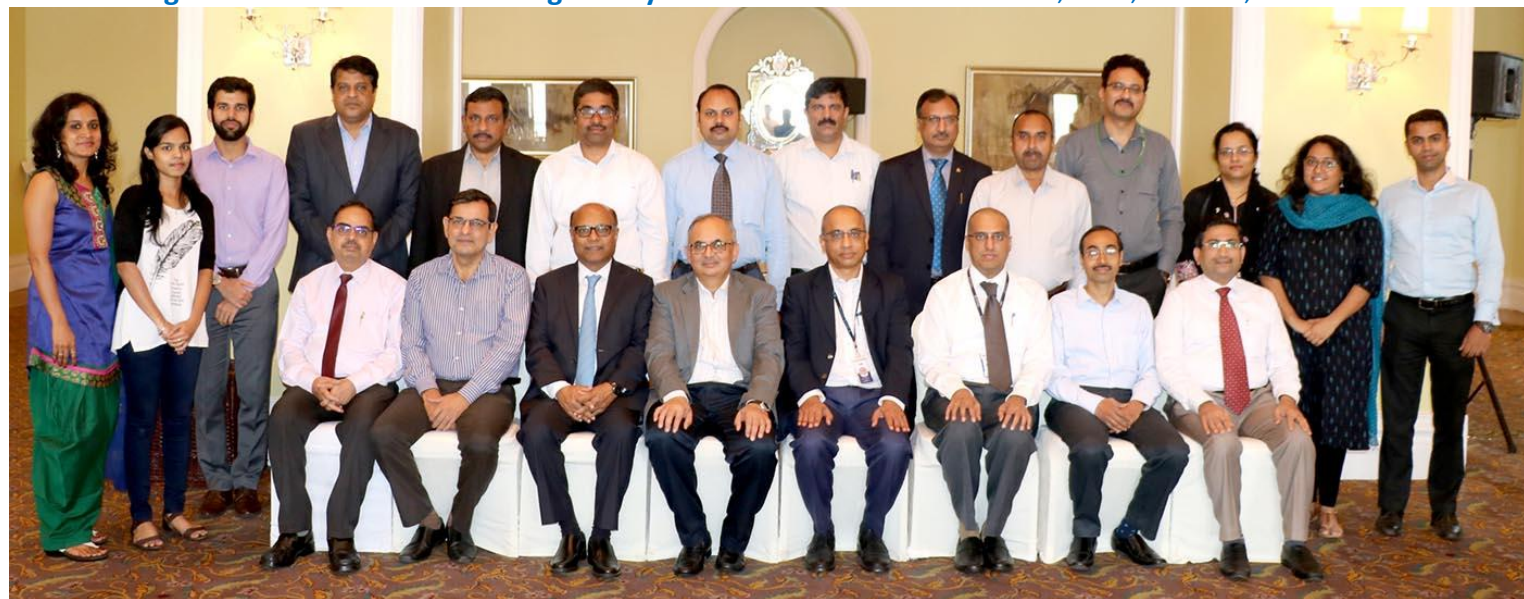
The Centre for Advanced Financial Research and Learning (CAFRAL) had organised the captioned program from March 16 to 17, 2018 in Mumbai. The objective of the program was to sensitise the Directors on risk, governance and compliance issues.

The program commenced with a keynote address on "Governance, Strategy and Risk Culture in PSBs" by Smt. Arundhati Bhattacharya, Former Chairman, State Bank of India. On the second day of the program, Shri S S Mundra,

Former Deputy Governor, Reserve Bank of India delivered the keynote address “Strengthening the compliance and control systems”. The other speakers in the program included Dr. M S Sastry, DMD & CRO, State Bank of India, Shri V G Kannan, Chief Executive, Indian Banks’ Association, Shri N S Venkatesh, Chief Executive, Association of Mutual Funds in India, Shri Abizer Diwanji, Partner & National Leader - Financial Services, EY- India, Shri U.S. Paliwal, Former Executive Director, Reserve Bank of India, Shri Deepak Amin, Non-Executive Additional Independent Director, SBI Life Insurance Company Limited, Shri Dhruv Phophalia, Managing Director, Alvarez & Marsal, Shri Nandkumar Saravade, CEO, Reserve Bank Information Technology Pvt. Ltd. (ReBIT) and Shri A K Misra, Executive Director, Reserve Bank of India.

The prime focus of the program was on Risk Management, Governance, Compliance, Social Banking, Business Strategy and Resolution of stressed assets. The program was highly appreciated by the participating Directors.

CAFRAL Program on the Final Basel III Regulatory Reform for Banks March 26-27, 2018, Mumbai, India



Shri. Chandan Sinha, Additional Director, CAFRAL and Speakers with Program Participants at CAFRAL Program on the Final Basel III Regulatory Reform for Banks, Mumbai, India.

The CAFRAL Program on the Final Basel III Regulatory Reform for Banks was held from 26-27 March 2018 in Mumbai. The Basel III reforms, developed in response to the financial crisis of 2007-09, were finalised in December 2017 by the Basel Committee on Banking Supervision. The Program focused mainly on the micro prudential aspects for banks such as raising the level and quality of capital; leverage ratio; increasing the robustness and risk-sensitivity of the Standardised Approach for Credit Risk, Credit Valuation Adjustment, Operational risk; constraining the use of internal models such as the IRB Approach for Credit Risk; Leverage Ratio buffers for Global Systemically Important Banks; and the output floor based on the Revised Standardised Approaches. The participants were mid-to senior level officials drawn from the Indian commercial banks and financial institutions.

Highlights of Research Seminars & Brown Bag Talk

External Governance And Debt Structure By Prof. Sreedhar Bharath, Arizona State University, USA, at Mumbai, March 08, 2018

Paper Abstract

This paper examines how external governance pressure provided by both the product market and the market for corporate control affects the type of debt that firms issue. Consistent with a governance mechanism substitution effect, we find that (i) an exogenous increase in governance pressure from the product market has a significant negative impact on the use of bank financing over public debt issuance, and (ii) an exogenous decrease in governance pressure from the takeover market has a significant positive impact on the use of bank financing. Tests using changes in the strictness of loan covenants provides corroborative evidence. We interpret these findings as consistent with the notion that firms endogenously substitute among alternative governance mechanisms in devising an optimal governance structure and that demand for creditor governance depends on the relative strength of alternative external governance mechanisms.

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Paper Abstract

This paper develops a new heterogeneous firm model under perfect competition in a Heckscher- Ohlin setting. It shows that a binding minimum wage raises product prices, encourages substitution away from labor, and creates unemployment. It reduces output and exports of the labor intensive good, despite higher prices and, less obviously, selection in the labor (capital) intensive sector becomes stricter (weaker). Exploiting rich regional variation in minimum wages across Chinese prefectures we find robust evidence in support of our theoretical predictions using Chinese Customs data matched with firm level production data.

Discussion

Dollar and the USA plays a special role as a safe haven investment destination. Arvind Krishnamurthy and co-authors present the evidence of this fact and a uses the extent of the failure of Covered Interest Parity (CIP) to measure the safe haven premium that investors are ready to pay to invest in the USA. Dr. Apoorva Javadekar discusses the paper and provides the comments on the paper. The discussion also illustrates the alternative theories that explain the failure of CIP

Upcoming Programs

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

CAFRAL Advanced Management follow up Program April 20-21, 2018| Mumbai

Program Objectives

The objective of the program is to reinforce the learnings of Advanced Management programs as also provide a continuous education to the participants of these programs. There would be discussions /presentations and brainstorming on current issues and challenges faced by financial lenders like credit risk & stressed assets management, interest rate risk management, governance & business strategy/turnaround strategy, etc.

Participants' Profile

Participants of CAFRAL Advanced Bank Management Programs - 2015 & 2016 and CAFRAL Advanced Credit Management Program- 2017

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

Program Objectives

The non-banking Financial Companies play a very important role in the Indian Financial System. The aggregate balance sheet size of the NBFC sector was at Rs. 13.8 trillion in September 2017. There were 172 deposit accepting non-banking financial companies (NBFCs-D) and 220 systemically important non-deposit accepting NBFCs (NBFCs-NDSI). All NBFCs-D and NBFCs-NDSI are subjected to prudential regulations such as capital adequacy requirements and provisioning norms along with reporting requirements.

The program, designed for select NBFCs, will focus on the enterprise-wide risk management framework to identify, assess, monitor and control risks in order to create value for the enterprise. An effective internal control and compliance function and building a compliance culture can contribute towards sound risk governance by strengthening the "Three Lines of Defence". In February 2018, the RBI announced the Ombudsman Scheme for customers of Non-Banking Financial Companies (NBFCs) to ensure an expeditious and cost-free apex level mechanism for resolution of customer complaints. The regulatory and supervisory expectations from NBFCs and the implementation of the Ombudsman Scheme will also be covered in the Program.

Program Highlights

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

- Enterprise-wide risk management
- Strengthening Internal Control and Compliance
- RBI's Regulatory and Supervisory Expectations
- An Industry View of the Key Issues affecting NBFCs
- The Ombudsman Scheme
- NBFCs: Financial Stability Issues – A View from the RBI

Participants' Profile

The target group for the Program are Senior officers of NBFCs

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Program on Risk, Compliance and Controls May 25-26, 2018| Mumbai

Program Objectives

The objective of the program is to sensitise the senior officers of banks, financial institutions and Reserve Bank of India on issues relating to risks, compliance and controls. The program would also provide the participants a platform to interact and exchange views with the regulators and peers. The program would be useful for risk officers, compliance officers, officers working in inspection/audit functions as also for officers from business units.

Broad program outline

- Understanding Risks – credit, market and operational risks
- Information technology and cyber risk
- Rising trend in credit and forex frauds - red flagging of accounts
- Strengthening the systems and Controls – up-skilling and plugging the loopholes
- Regulatory compliance – divergence in asset classification and provisioning
- KYC & AML compliance
- RAROC, capital allocation and planning

Participants' Profile

Senior officers working in areas of risk/compliance/inspection/audit functions/business units of banks, financial institutions and Reserve Bank of India at the level of Deputy General Manager or equivalent and above.

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