

Highlights of Learning Programs

CAFRAL Virtual Conference of Heads of Customer Service: March 14, 2023 Mumbai



Anil Kumar Sharma



Indrani Banerjee



Anand



Anubhuti Sanghai



Ravi Kumar V R Majumdar



Deepti Brijraj



Ranjeeta Dubey



Surinder Dhingra



Jyoti Kumar Pandey

CAFRAL had organised a virtual conference of Heads of Customer Service on March 14, 2023.

This one-day virtual conference aimed at sensitising senior executives of Banks / NBFCs on the need to ensure high standards of customer service and to be well conversant with the institutional and technological framework required for enhanced customer service, customer protection and grievance redressal.

Anil Kumar Sharma, Executive Director, Reserve Bank of India delivered the keynote address and Indrani Banerjee, Additional Director, CAFRAL made the opening remarks.

Topics covered in this conference were Customer Service in Changing Times: Expectation from Regulated Entities; Approach to Consumer Protection & Grievance Redressal Framework – International and Domestic Perspective; Managing Customer Expectations: Practitioner's Perspective; Leveraging Technology for Customer Service & Safeguards; Bridging the Gaps in Service Delivery: Case Studies; Customer Protection – Emerging Trends.

Other speakers in this conference were Ravi Kumar V R Majumdar, Chief General Manager & CXO, State Bank of India; Anand, General Manager, Consumer Education and Protection Department, Reserve Bank of India; Deepti Brij Raj, General Manager, Consumer Education and Protection Department, Reserve Bank of India; Ranjeeta Dubey, General Manager, Consumer Education and Protection Department, Reserve Bank of India; Anubhuti Sanghai, Head - Operations and Customer Service, ICICI Bank and Surinder Dhingra, Internal Ombudsman, HDFC Bank.

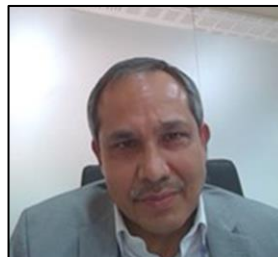
CAFRAL Virtual Program on Know Your Customer (KYC) and Anti Money Laundering (AML): March 15, 2023 Mumbai



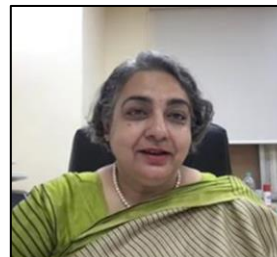
J K Dash



Indrani Banerjee



Santosh Kumar Panigrahy



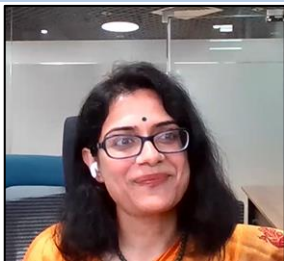
Monisha Chakraborty



G K Mohan



Salil Bijur



Ashima Batra



Jyoti Kumar Pandey

CAFRAL had organised a one-day virtual program on Know Your Customer (KYC) and Anti Money Laundering (AML) for directors on boards of Banks on March 15, 2023.

This virtual program sought to provide an overview and an enhanced understanding of the KYC framework including measures to

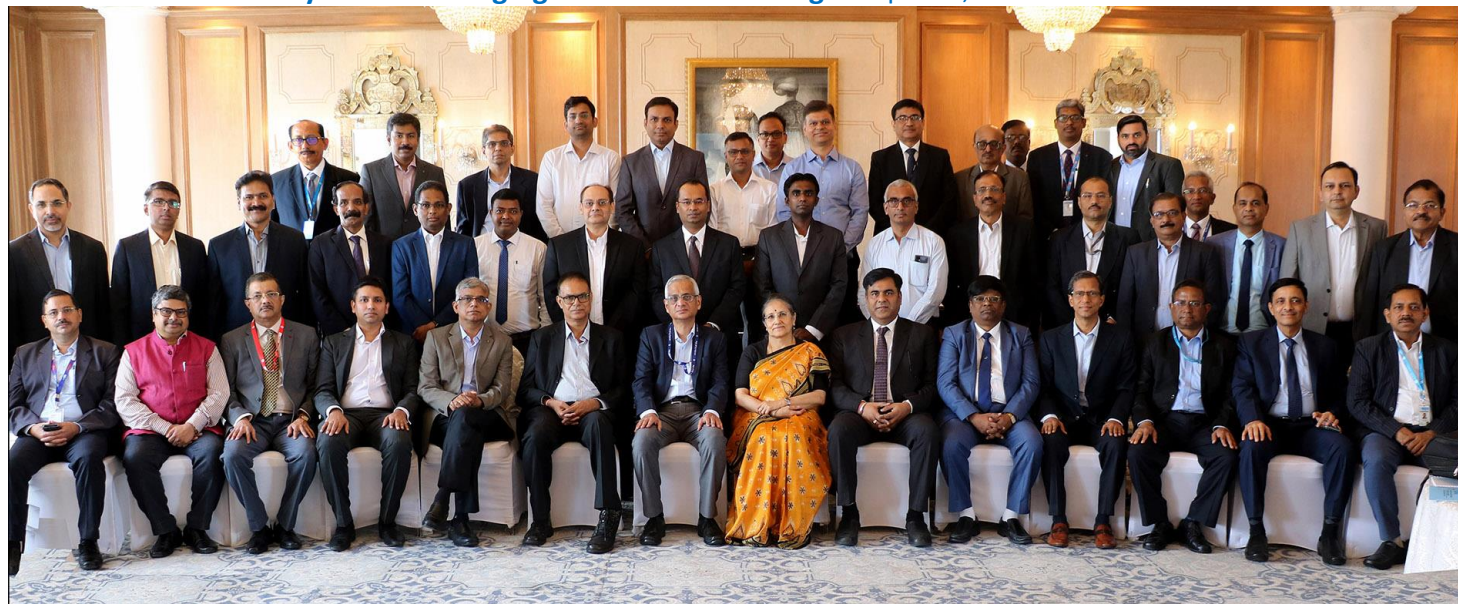
address the various risks associated with KYC non-compliance. This program also aimed to provide updates on changes in the KYC and AML regulations including the requisite management oversight, systems and controls, segregation of duties, training and other related matters.

J K Dash, Executive Director, Reserve Bank of India delivered the keynote address and Indrani Banerjee, Additional Director, CAFRAL made the opening remarks.

Topics deliberated in the virtual program were KYC and AML Compliance – Expectations from Bank Boards; KYC and AML Measures - Regulatory Perspective and Recent Developments; Supervisory Observations and Expectations on KYC, AML and CFT Compliance; Transaction Monitoring and Beyond; KYC and AML implementation - FIU Perspective; Trade Based Money Laundering.

Other Speakers were Santosh Panigrahy, Chief General Manager, Department of Regulation, Reserve Bank of India; Monisha Chakraborty, Chief General Manager, Department of Supervision, Reserve Bank of India; G K Mohan, General Manager, Department of Supervision, Reserve Bank of India; Salil Bijur, joint Director, Financial Intelligence Unit- India (FIU IND); Ashima Batra, Additional Director, Financial Intelligence Unit- India (FIU IND)

Conference of Treasury Heads: Emerging Trends and Challenges: April 20, 2023 Mumbai



Shri. R. Subramanian, Executive Director, Reserve Bank of India, Smt. Indrani Banerjee, Additional Director, CAFRAL and other speakers with participants at Conference of Treasury Heads: Emerging Trends and Challenges.

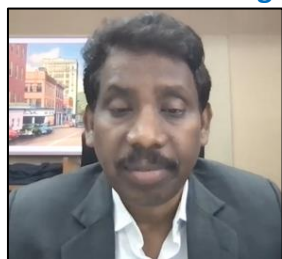
CAFRAL had organised a conference of Treasury Heads on April 20, 2023. The one-day conference provided a perspective on the rapidly changing functions of Treasury, the challenges in management of financial market operations, risk functions, interest rate risk and Asset-Liability mismatches. The conference also provided a platform for discussion by experts including regulators and practitioners, on the future path for evolution of the G-Sec and Forex market, tools for risk management, market making initiatives and the financial market infrastructure in place, besides measures for prevention of market abuse.

Topics covered in this conference were Financial Markets Operations - Emerging Trends; Derivatives Products and Tools for Hedging Risks; Emerging Trends in the NDF Market and in INR Off-shore Markets; Corporate Bonds – Issues and Challenges in Developing the Market and Valuation; Emerging Concerns in Financial Markets - Regulatory Perspective; Retailing of G-Sec & Forex Market – Opportunities & Concerns.

R. Subramanian, Executive Director, Reserve Bank of India delivered the keynote address and Indrani Banerjee, Additional Director, CAFRAL made the opening remarks. Other speakers in this conference were Dimple Bhandia Chief General Manager, Financial Markets Regulation Department, Reserve Bank of India; Hare Krishna Jena,

Managing Director, The Clearing Corporation of India Ltd.; Neeraj Gambhir, Group Executive – Treasury, Markets & Wholesale Banking Products, Axis Bank; Sravan Kumar Vajjula, Head - Derivatives Product and Interbank, ICICI Bank Ltd.; Vijay Parthasarathy, Head, Citibank India Markets Financial Institutions Sales & Solutions; Vijay R Kumar, Head - Markets Treasury, Citibank South Asia.

CAFRAL Virtual Program on Governance for Directors on Boards of Banks, FIs and NBFCs: April 27, 2023 Mumbai



S. C. Murmu



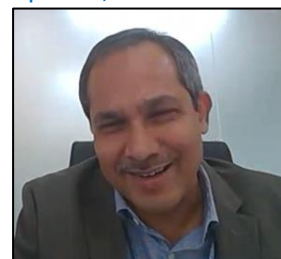
G Mahalingam



Aparna Kumar



Krishna Sastry Pendyala



Santosh Panigrahy



Nagesh Pingre



C. Sankaranarayanan

CAFRAL had organised a one-day virtual program on Governance for Directors on Boards of Banks, FIs & NBFCs on April 27, 2023.

This virtual program aimed to sensitize the directors on various issues of current importance and facilitate sound understanding of the legal and regulatory aspects of corporate governance. It offered a platform for peer level discussion and an opportunity to listen to & interact

with the regulator. S C Murmu, Executive Director, Reserve Bank of India delivered the special address.

Topics deliberated upon in the virtual program were Governance Challenges in Use of Advanced Technologies; Corporate Governance & Ethical Practices; KYC & AML Measures - Regulatory Perspective; Cyber Security & Resilience—The Board Perspective; Corporate Governance Framework in Banks, FIs and NBFCs - Role of Directors; Strategic Aspects of Governance & Assurance- Expectations from the Board.

Other Speakers were G Mahalingam, Former Whole-time Director, Securities Exchange Board of India (SEBI); Nagesh Pingre, Independent Director, Aditya Birla Finance; Krishna Sastry Pendyala, Partner, Cyber Security, Ernst & Young India; Santosh Panigrahy, Chief General Manager, Department of Regulation, Reserve Bank of India and Aparna Kumar, Chief Information Officer, State Bank of India

Highlights of Research Activities

CAFRAL and IIM Ahmedabad joint International Research Conference on "FinTech: Innovation, Inclusion and Regulation": March 10-11, 2023 IIM Ahmedabad Campus



CAFRAL co-hosted an International Research Conference on FinTech: Innovation, Inclusion and Regulation with IIM Ahmedabad on March 10th and 11th 2023 at the IIM-A campus. The event had multiple high quality domestic and international paper submissions. The first keynote address was delivered by Shri. M. K. Jain, Deputy Governor, Reserve Bank of India. The second keynote speaker was Prof. Thorsten Beck, Director at Florence School of Banking and Finance, and Professor of Financial Stability at the European University Institute. The topic of his talk was "Digitalization and Finance: Opportunities and Challenges." The conference covered a broad range of topics related to FinTech including regulation, consumer protection, adoption, and its role in financial inclusion.

Presentations to industry and academic institutions.

Dr Nirupama Kulkarni was invited as Distinguished Speaker at Yes Securities Benchmark 2023, organized by SP Jain Institute and held on April 12, 2023. She presented "**How to Conduct Practitioner Research?**" She also served as a jury member in the Fourth SEBI NISM Research Conference held from 2-3 March 2023.

Dr. Gautham Udupa presented his paper titled "**Dollar Funding, Trade Invoicing, and Real Effects: Evidence from India**" at The Economics Exchange at Ashoka University on April 15th, 2023. The event was organized as part of the Workshop Series by the Economics Department at the university

Abstract:

We provide causal evidence using granular transaction level trade data and an unexpected monetary policy shock in the United States that a shock to the cross-border credit of dominant currencies (such as United States Dollar) adversely impact trade invoicing in those dominant currencies. We perform various cross-sectional tests to show that ex-ante stronger bilateral financial ties between exporter and importer countries as well as stronger internal capital markets at the firm level help dampen adverse effects of such credit shocks on invoicing. Additionally, we document strong spillover effects of credit shock through firms having multiple trading partners. We further demonstrate the real consequences of such cross-border credit shocks by documenting a fall in trade and destruction of trade relationships. Moreover, we document that the ex-ante reliance on dominant currency invoicing amplifies the negative real effects of such cross-border credit shocks to dominant currencies, thereby establishing a novel "dollar invoicing channel".

Dr. Yogeshwar Bharat was invited as a speaker to an international conference hosted by Patliputra University, Patna, on "Engage, Encourage and Empower Youth and Women for an Equitable World". The topic that I presented was "**Women and Trade: Where India Stands**". The presentation took place on March 20th, 2023.

Abstract:

This presentation looks at the participation of Women workforce in the world and how international trade is seen as a driver for women's labor force participation across the globe. However, in the case of India, although the share to trade to GDP has risen since the start of the millennium, the female labor force participation has been abysmally low and declining over time. We try to investigate the reason for such a decline in labor force participation despite rising trade to GDP and find that industries that majorly employ female workforce are lagging behind in export activities vis an other industries, and we need policy targeting such industries and sectors which can foster trade and hence increase female labor force participation. Also, we touch upon the role of MSMEs in boosting trade as well as female labor force participation.

Dr. Nirvana Mitra was invited to present his research at IIM Bangalore on the 9th of March, 2023 and at the Delhi Macro Workshop organized by The Institute of Economic Growth (IEG) on the 16th and 17th of March 2023. In both the places he presented his paper titled "**Sovereign Debt Crises, Tax Smoothing, and Quality of Government**"

Abstract:

We develop a dynamic political economy bargaining model of fiscal policy determination and quantitatively evaluate how the quality of institutions affects the capacity of governments to smooth taxes and avert sovereign debt crises. Countries with loose political constraints (capturing the number of influential political actors with veto power) exhibit frequent default episodes and fiscal policies that result in more volatile outcomes, whereas those with tight constraints are better able to smooth shocks. This allows us to explain the large heterogeneity among emerging economies observed in the data. In addition, we show that political shocks are important determinants of business cycle fluctuations: A decrease in the degree of political constraints can trigger a default in our model. An event study for the 2001/2002 sovereign debt crisis in Argentina shows that a political regime switch played an important role in determining the debt crisis.

Mentor Visits

Dr. Manju Puri, J.B. Fuqua Professor of Finance at The Fuqua Business School, Duke University visited CAFRAL from 13th to 17th of March 2023. She spent the week interacting with the RDs and SRD and is expected to visit again in November 2023.

Dr. Chetan Ghate, Professor at ISI Delhi and Director of IEG visited CAFRAL from April 24th to 28th 2023. He is also expected to schedule his second visit soon.

Courses:

Dr. Pascal Michaillat, Associate Professor, Brown University, visited CAFRAL between Monday April 17 and Friday April 21, 2023. He conducted a course titled “Business Cycles and How to Tame Them” during his visit. The course material can be accessed on Dr. Michaillat’s website: <https://pascalmichaillat.org/c5/>

Highlights of CAFRAL Research Seminars

CAFRAL invited speakers from leading academic institutions and other central banks. A sampling of the abstracts of papers presented are given below:

Do Price Points Contribute to Price Stickiness? Evidence from Price Setting in a Cash-Dominant Economy by Dr. G.V. Nadhanael, DEPR, Reserve Bank of India on March 28, 2023

$u^* = \sqrt{uv}$ by Dr. Pascal Michaillat on April 19, 2023



Paper Abstract: Most governments are mandated to maintain their economies at full employment. We propose that the best marker of full employment is the efficient unemployment rate, u^* , which is the unemployment rate that minimizes the non-productive use of labor—both unemployment and recruiting. The non-productive use of labor is well measured by the number of jobseekers and vacancies, $u + v$. Through the Beveridge curve, the number of vacancies is inversely related to the number of jobseekers. With such symmetry, the labor market is efficient when there are as many jobseekers as vacancies ($u = v$), too tight when there are more vacancies than

jobseekers ($v > u$), and too slack when there are more jobseekers than vacancies ($u > v$). Moreover, the efficient unemployment rate is the geometric average of the unemployment and vacancy rates: $u^* = \sqrt{uv}$. We compute u^* for the United States between 1930 and 2022. We find that u^* averages 4.1% over the period, that u^* is quite stable over time and, for instance, that the US labor market was inefficiently tight from the middle of 2021 to the end of 2022.

Fiscal Dominance and Optimal Maturity Structure of Sovereign Debt by Mr. Subhadeep Halder, ISI Delhi on April 26, 2023



Paper Abstract We assemble a novel granular level dataset on Indian public debt consisting of central government security level data from 1999 to 2022 to study the debt dynamics and ascertain how the maturity structure of debt can provide us with another way to look at the debate of "active and "passive" regimes in monetary-fiscal coordination and understanding the optimal sovereign debt management for a large emerging market economy-India. Our study uses about 8000 central government marketable dated securities and provides a snapshot of the debt dynamics with regard to the maturity structure of debt and the interest cost burden using Hall and Sargent’s (1997,2011) methodology. Our calculations

show that the average maturity of debt has been declining and most of the center’s debt is below 15 years. From the yield-to-maturity data, we find that there are periods when the spread between the interest rates declined and a clear level effect on the yield-to-maturity schedule before and after the pandemic. In light of such findings, our paper has a two-fold focus namely (i) the extension of the Hall-Sargent framework to account for debt decomposition with explicitly accounting for term premia and (ii) looking at how fiscal dominance affects the maturity structure of debt, (as provided by the decomposition) using a simple theoretical model.

If you wish to be included in the mailer list of CAFRAL Research Seminars [please click here](#)

Upcoming Learning Program

Background:

Protection of customer interest continues to be a top priority of the Regulator and the Ombudsman Scheme is a significant measure for redressal of grievances of customers in banks, NBFCs and PSOs. Tremendous increase in the networks of these entities, complexities of products & services and technological challenges have often resulted in deficiency of services. Further, to address the issues of unequal treatment of customers across entities and to strengthen grievance redressal mechanism for customers, the Reserve Bank of India launched the Integrated Ombudsman Scheme (RB-IOS). Although 'One nation, One Ombudsman' has been generally effective in dealing with customer complaints, instances of delay in addressing customer grievances, issues in implementation of rulings by the quasi-judicial authority on the one hand, and challenges faced by the Ombudsman, continue. There is thus a requirement to provide a platform highlighting the regulator's expectations and an interactive forum of ombudsmen, flagging the difficulties faced by them.

Objective:

The Conference would provide insights into the regulator's perspective on the functioning of the Ombudsman Scheme. It would also provide an interactive forum to the participants to help ideate on improving customer service, challenges and issues faced by IOs and need for better data analytics for quality disposal within the given regulations. This Conference also aims to provide an opportunity to the participants to interact with the regulator to highlight the issues faced and discuss suggestions for further improvement in the Scheme.

Participants' Profile

Ombudsman of RBI, Banks, NBFCs and Payment System Operators

[Nominate Now](#)
CAFRAL Program on Climate Change, Green & Sustainable Finance: Emerging Issues May 22, 2023 | Rendezvous, Taj Mahal Tower, Apollo Bunder, Mumbai
Background:

Climate Change and associated risks are a stark reality and the need for an appropriate framework to identify, assess and manage financial risks arising out of climate risk has become an imperative. India has committed to generate 50% of its electricity from non-fossil fuel sources by 2030 and become net zero by 2070. Reserve Bank of India recognizes that climate change can translate into climate related financial risks for Regulated Entities (REs) which can have broader financial stability implications. Ensuring access to adequate transition finance and supporting technology would be critical in this process. There is a general consensus that banks and financial institutions will play a key role in financing the transition to a low-carbon economy and supporting the national climate commitments.

Objective:

This program will seek to provide an overview and an enhanced understanding of the regulatory framework and emerging climate change risks. It also seeks to contribute more substantively towards capacity building among senior executives in RBI, Banks, NBFCs and FIs, on the effective mitigation measures to be considered while financing new growth areas and to address the various risks associated with climate change and building up of a green portfolio.

Participants' Profile

- Senior Officers of RBI, Banks, Financial Institutions and NBFCs responsible for ESG compliance, Green Finance, Sustainable Finance and Risk Management;
- Senior Officers dealing with regulations, laws, strategy, compliance relating to climate change may also attend this program

[Nominate Now](#)
CAFRAL Program on Financial Frauds & Forensic Audit June 6, 2023 | Rendezvous, Taj Mahal Tower, Apollo Bunder, Mumbai
Background:

Increasing incidences of financial frauds in the loan portfolio of banks, both in terms of number and value, continues to be a major concern. Additionally, digital and cyber frauds have also seen a spurt. Besides financial loss implications, such incidences evoke reputational and systemic concerns. It renders the security and control systems inadequate, besides putting a question mark on the ability of an institution to maintain the requisite standards to prevent money laundering and fraudulent transactions. Further, the time-lag between the date of occurrence of a fraud and its detection is also a matter of concern.

Objective:

It is crucial for Banks, Financial Institutions and NBFCs to enhance their fraud risk management systems including their framework for Early Warning Signals; strengthen their fraud governance and response systems and have a dedicated Market Intelligence Unit for frauds. It is imperative that banks and other financial intermediaries identify control failures, uncover trails and gather legally tenable evidence, trace the funds and achieve financial resolution and prosecution. A sound forensic audit, which is a complex and specialized function often undertaken by external intermediaries, helps in attaining such multiple objectives. The senior staff of the financial sector need to have an understanding of the processes intricately, enabling implementation of effective measures.

Participants' Profile

Senior officials working in the areas of Fraud Monitoring, Vigilance, Operational Risk Management, Fraud Risk Management, Financial Crime Risk Management, Enterprise Risk Management, Internal Audit and Compliance in Banks, Financial Institutions and NBFCs.

[**Nominate Now**](#)

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